

VII. Donor Assistance

This chapter describes donor coordination mechanisms and discusses donor activities in relation to financial management and governance arrangements. It is structured as follows:

- 1 – Overview
- 2 – Coordination Mechanisms
- 3 – Asian Development Bank
- 4 – International Monetary Fund (IMF)
- 5 – The World Bank
- 6 – United Nations (UNDP)
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- 11 – European Bank for Reconstruction and Development
- 12 – British Council Know-how Fund

1. Overview

Uzbekistan receives the second lowest per capita level of external assistance of the seven countries participating in RETA-5877 (Table 6 refers).

Table 6: Official Development Assistance³⁵

	Cambodia	People's Republic of China	Mongolia	Pakistan	Papua New Guinea	Uzbek - istan	Viet Nam
Dollars per capita	36	2	99	5	78	6	13
Percentage of GNP	12.1	0.2	26.7	1.0	7.8	0.5	4.1

³⁵ Data is for 1997 and is sourced from: World Bank. 2000. *World Development Report 2000*.

Table 7: Overall External Assistance to Uzbekistan³⁶

External Source (US\$ million)	1995 – 1998 (Cumulative Commitments)		1999 Program	
	Loan/Credit	TA	Loan/Credit	TA
Multilateral				
ADB	210.0	10.7	50.0	4.0
IBRD	413.0	..	90.0	..
IFC	96.6	..	50-60	..
EBRD	272.9		219.8	..
EU-TACIS	..	40.1	..	..
UNDP	..	13.0	..	..
Bilateral				
Germany	76.8	9.5	..	..
Japan / OECF	312.1	4.4	107.6	..
Others	..	..	..	..

2. Coordination Mechanisms

The Cabinet of Minister's Department for Coordination of External Economic Activities (DCEEA) is primarily responsible for coordinating external assistance. In this respect, the DCEEA publishes information on donor-financed activities and expenditures in the *Foreign Aid Report* and the *Development Partner Profiles Report*.³⁷ The financial details of projects and loans are also included in the annual Public Investment Program.

In addition to government coordination efforts, the United Nations hosts a quarterly meeting of the *Development Partners Cooperation Group*. Several Technical Assistance Groups have been established – each group is responsible for coordinating activities in their sectors and reporting to the quarterly meeting. While financial management matters are the responsibility of the group chaired by the World Bank, this group is not particularly active, at least in a formal sense.

3. Asian Development Bank

ADB has only recently commenced operations in Uzbekistan, the first Technical Assistance was approved on 9 July 1996 and the first loan on 17

³⁶ Asian Development Bank. December 1999. *Country Assistance Plan (2000-2002): Uzbekistan*. p. 18.

³⁷ The first edition was published in 1998. The second edition was published in April 2000.

December 1996. By December 1999, ADB had approved five project loans for \$210 million and 25 TA grants for \$14.38 million.^{38,39} As of 31 December 1999, audited accounts were due, and had been received, for one loan.⁴⁰

Loan Projects

ADB has provided loans to support transport sector rehabilitation, textbook development, and rural enterprise development. Technical assistance has been provided along with these loans to support the development of financial management capacity within executing agencies.⁴¹

Technical Assistance

Along with the assistance provided to executing agencies to strengthen their financial management capacity, assistance has been provided to coordinating agencies to improve their loan administration and accounting procedures (in relation to ADB projects).⁴² The major initiatives that ADB has supported, or is supporting, in direct relation to financial management and governance are as follows:

TA on Corporate Governance

The objective of this TA for \$700,000 is to enhance transparency and disclosure in decision-making processes, and to strengthen the protection of investors' rights within enterprises in Uzbekistan. This will be achieved by: (i) critically assessing of the state of corporate governance practices in enterprises and associations and, on the basis of this assessment, preparing a framework and implementation guidelines on corporate governance, in line with internationally accepted standards, that Uzbek enterprises can adopt; (ii) supporting the

³⁸ Asian Development Bank. March 2000. *Semi-Annual Report on Loan and Technical Assistance Portfolio Performance for the Period Ending 31 December 1999*. pp. 105-106.

³⁹ Asian Development Bank. December 1999. *Loan, Technical Assistance and Private Sector Operations Approvals*. p. 98.

⁴⁰ Asian Development Bank. March 2000. *Semi-Annual Report on Loan and Technical Assistance Portfolio Performance for the Period Ending 31 December 1999*. pp. 106.

⁴¹ See, for instance, TA No. 2948-UZB: *Capacity Building in Education Finance*, for \$500,000, approved on 17 December 1997.

⁴² See, for instance, TA No. 2607-UZB: *Seminars on Bank Operational Policies and Procedures*, for \$100,000, approved on 9 July 1996.

Government's ongoing work to formulate the trustee governance system as the Government embarks on a process of gradual separation of associations from managing and representing enterprises; and (iii) training in corporate governance and restructuring.

TAs No. 2771-UZB and 3190-UZB: Improving Aid Coordination and Management

These TAs for \$600,000 approved on 18 March 1997, and for \$800,000 approved on 4 May 1999, respectively, are supporting the development of a comprehensive and fully integrated planning, budgeting and aid management system, and a transparent procurement system.

TA No. 3045-UZB: Developing Commercial Banking Skills

This TA for \$1,000,000 which was approved on 10 July 1998, supported the development of training capacity within the Banking and Finance Academy.

TA No. 3352-UZB: Strengthening the Banking Sector

In addition to providing specific assistance to two commercial banks, this TA for \$1,000,000 which was approved on 20 December 1999, is supporting a comprehensive evaluation of the banking sector. The TA will also recommend measures to improve financial disclosure and corporate governance within the sector.

Proposed TA for Audit Training for Central Asian Republics

The objective of this proposed regional technical assistance (RETA), to Kazakhstan, the Kyrgyz Republic and Uzbekistan, is to enhance government auditing capacity through the introduction of basic auditing concepts and techniques, and to introduce basic fraud investigation techniques.

4. International Monetary Fund (IMF)

The IMF program has been suspended since December 1996, due to the Government's introduction of restrictions on the trade and foreign exchange regimes. Furthermore, the IMF removed its Treasury Advisor from the Ministry of Finance in late 1998.

5. The World Bank

While the World Bank has taken a lead role in the banking and finance sector, direct assistance has not been provided for upgrading accounting and auditing.

6. United Nations (UNDP)

Accounting Reform Project (UZB/93/003)⁴³

This project initially had three strands: developing the *Accounting Law*, developing the *Production Cost Regulation*, and developing an *Auditing Law*. The project's goals were tightened in mid-1994 when the development of the new Accounting and Auditing Laws was put on hold. The project was initiated in 1993 as a joint initiative between the MOF, the UN and the European Union. The UNDP committed \$282,000 to the project and worked jointly with EU-TACIS from 1993 to 1996.

With the approval of the *Production Cost Regulation* in 1995, emphasis shifted to the development of the new Accounting and Auditing Laws. In addition, a large training program was designed and implemented to support the introduction of the *Production Cost Regulation*. The project's objectives and results are summarized in the following table:

Objectives	Results
1. Prepare new Accounting Law and revise existing Audit Law.	<i>Accounting Law</i> approved in 1996. Draft audit law prepared, but not approved.
2. Revise Chart of Accounts (COA) and prepare accompanying instructions.	Revised COA accepted in 1995.
3. Develop proposal for minimum accounting and auditing standards.	Proposed that International Accounting and Auditing Standards be adopted as a minimum.
4. Prepare new <i>Production Cost Regulation (PCR)</i> that applies to all enterprises to form the basis for financial and income tax reporting.	Became effective on 1 January 1995.

⁴³ UNDP. 1997. Draft Terminal Report: *Accounting Reform and Retraining in Uzbekistan (UZB/93/003/01/40)*.

Objectives	Results
5. Prepare detailed commentary and training materials on the new <i>Production Cost Regulation (PCR)</i> .	Completed and issued in July 1995.
6. Training: a. Generation One: 200 accountants and tax inspectors. b. Generation Two: 6,000 accountants. ⁴⁴	Training: Generation One: 246 accountants and tax inspectors. Generation Two: 1,557 accountants.
7. Training: Generation Three: 100,000 accountants and tax inspectors.	In the absence of hard numbers, anecdotal evidence suggested that large numbers of accountants attended this training.

7. European Union (EU-TACIS)

The EU and the UNDP worked together on the *Accounting Reform Project* from 1993 to 1996 with these efforts being carried forward by USAID from that point. Most recently, the EU has supported the provision of management training for small and medium-scale enterprise specialists and managers – the training includes financial management components.

8. United States (USAID)

USAID has provided substantial support to improve accounting and auditing capacity and arrangements, including:

- *Financial Sector*⁴⁵ – USAID is providing support to improve bank supervision and the ability of the Central Bank to enforce tightened financial performance and reporting requirements for commercial banks. In this respect, USAID has supported the training of accountants in commercial banks and has assisted

⁴⁴ Generation One accountants attended a one-week course. These accountants then trained the Generation Two and Generation Three groups.

⁴⁵ 110-S001.4: *A More Competitive and Market Responsive Private Financial Sector*. \$1,500,000. Continuing since 1993.

the Central Bank to develop reporting requirements for all commercial banks.

- *Fiscal Management*⁴⁶ – The purpose of this project is to improve fiscal policies and fiscal management practices. In early 1998, a new tax code and a proposed Budget System Law were introduced to Parliament but neither were passed. USAID assistance has supported three budget reform seminars and one seminar on fiscal reform.
- *Accounting Reform*⁴⁷ – This project represents a continuation of the EU / UNDP efforts and was launched in late 1998. USAID advisors are working with the MOF to introduce a new chart of accounts that accords with IAS. Substantial training is being provided to accountants.

9. Japan (JICA)

Since 1993, JICA has organized training on Japan's financial and audit system for about Uzbek 20 trainees.

10. Turkey (TICA)

From 1996 to 1998, 106 Uzbek financiers received accounting training in Turkey. In addition, TICA supported the development of the Banking and Finance Academy through the training of teachers and students (1997–1998).

11. European Bank for Reconstruction and Development

In February 1994, the Banking and Finance Academy was founded in Tashkent by 30 banks and training institutions from Kyrgyz Republic, Tajikistan, Turkey, Uzbekistan, and the European Bank for Reconstruction and Development (EBRD). The EBRD, the European Union, Japan, and Turkey financed this regional project jointly.

⁴⁶ 110-S001.2: *Increased Soundness of Fiscal Policies and Fiscal Management Practices* \$800,000. 1993–2000.

⁴⁷ 110-S001.3: *Accelerated Development and Growth of Private Enterprises* \$6,200,000. 1998–.

12. British Council Know-how Fund

The British Council has been providing ongoing support for accounting training. The project began in September 1992. Its objective was to support accounting and accounting education reforms. Under the project, over 300 teachers of accounting, finance, and management from accountancy education institutions throughout Uzbekistan have been intensively retrained in the new accounting requirements of a market economy. The approach taken has been to train accounting trainers. Nottingham Business School, the project consultant, has established Accountancy Training Resource Centers in leading accounting education institutions. Each resource center has well-equipped teaching rooms, a strong organizational structure, computer and reprographic facilities, and Internet and e-mail facilities.