

ASIAN DEVELOPMENT BANK

TAR: UZB 30461

TECHNICAL ASSISTANCE

TO THE

REPUBLIC OF UZBEKISTAN

FOR

IMPROVING AID COORDINATION AND MANAGEMENT

March 1997

CURRENCY EQUIVALENTS
(as of 10 February 1997)

Currency Unit	-	Sum
Sum 1.00	=	\$0.0162
\$1.00	=	Sum 61.75

The exchange rate of the sum is determined under a managed float system.

ABBREVIATIONS

DCEEA	-	Department for Coordination of External Economic Activity
Goskomprognostat	-	State Committee for Forecasting and Statistics
MOF	-	Ministry of Finance
PIP	-	Public Investment Program
TA	-	Technical Assistance

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this Report, "\$" refers to US dollars.

I. INTRODUCTION

1. During the Bank's Country Programming Mission to Uzbekistan in October 1996, the Government requested technical assistance (TA) from the Bank to strengthen its capacities for improving aid coordination and management.¹ A Fact-finding Mission visited Uzbekistan from 28 January to 7 February 1997 and held discussions with officials of the Department for Coordination of External Economic Activity; the State Committee for Forecasting and Statistics; the Ministry of Finance (MOF); and other government agencies. The Mission also discussed the proposed TA with the representatives of other multilateral development agencies in Tashkent, such as the World Bank; the United Nations Development Programme (UNDP); and the European Union's Technical Assistance for the Commonwealth of Independent States. The Mission reached an understanding with the Government on the objective, scope, cost estimates, financing, and implementation arrangements for the TA.

II. BACKGROUND AND RATIONALE

2. It is recognized that, as in other transition economies, the transition to a market economy in Uzbekistan will require substantial external support. This, in turn, calls for the establishment of appropriate institutions with a strong capacity for aid coordination and management. Consequently, after attaining independence, Uzbekistan established a division under the Cabinet of Ministers in 1992 as the nodal agency responsible for the coordination of all external development assistance. This division was reorganized in June 1995 as the Department for Coordination of External Economic Activity (DCEEA). The major functions of DCEEA include (i) formulating external economic policy; (ii) identifying national priorities for external assistance; (iii) maintaining good working relationships with various bilateral and multilateral aid agencies; (iv) coordinating and managing external assistance, (e.g. loans, grants, commodity aid, and technical cooperation); (v) accounting for project commitments and disbursements; and (vi) preparing for the Consultative Group Meetings. DCEEA has currently about 20 staff and reports directly to the Prime Minister. An organizational chart of DCEEA is presented in Appendix 1.

3. In 1992, the Government also established the State Committee for Forecasting and Statistics (Goskomprognostat) by merging the then State Planning Board with the State Committee for Statistics. Goskomprognostat is responsible for formulating the annual public investment program (PIP) in which the country's priority public investment projects for seeking external assistance are determined. To discharge this responsibility, Goskomprognostat has to work in close cooperation with DCEEA, MOF, line ministries, and other government agencies.

4. Uzbekistan gained independence in 1991 and government officials have therefore had limited experience in managing the economy and implementing structural reform. Correspondingly, knowledge and skills of government officials in dealing with external aid agencies are relatively weak. There is thus a strong need to strengthen the institutional capacity of the Government in aid coordination and management to ensure (i) effective financial management, and (ii) efficient utilization of both external and internal resources.

¹ The TA was first listed in *ADB Business Opportunities* in January 1997.

5. There are two major areas that need to be strengthened within the Government for aid coordination and management. First, it is necessary to enhance capacities of DCEEA in the planning, coordination, monitoring, and utilization of external assistance. Aid coordination and management are currently constrained by weak capacities of DCEEA. This constraint results mainly from (i) the inadequate experience of DCEEA staff in coordinating and managing assistance activities of external funding agencies; (ii) the lack of an institutional linkage on aid coordination among DCEEA, Goskomprognostat, MOF, and line ministries as well as other government agencies; (iii) language barriers; and (iv) poor telecommunication and other office facilities. Second, there is an urgent need to develop appropriate systems and procedures for a multiyear rolling PIP that is both consistent with the country's development priorities and is closely linked to the Government's budget. These systems and procedures are required for DCEEA, Goskomprognostat, MOF, line ministries, and other government agencies to work closely to (i) identify investment options; (ii) evaluate, select, and prioritize those investments that will constitute a multiyear rolling PIP; and (iii) package the PIP in a form that will be useful for external funding agencies and in time for the annual Consultative Group Meetings. The proposed TA is designed to address these two priority requirements.

6. Other multilateral development agencies have provided technical assistance to the Government on some aspects of aid coordination and management. From 1993 to 1995, UNDP assisted DCEEA to establish a database of external assistance in Uzbekistan and communication links between DCEEA and central government ministries. UNDP and the World Bank are now preparing another technical assistance project to help establish an interministerial telecommunication and computer network and to provide Internet services for the all government institutions. By its nature, this external assistance largely focuses on technical rather than institutional issues. The proposed TA from the Bank will strengthen the institutional capacity of the relevant government agencies and improve public investment management and aid coordination, thus complementing the efforts of other multilateral development agencies.

III. THE TECHNICAL ASSISTANCE

A. Objective

7. The primary objective of the TA is to strengthen the institutional capacity of the Government for improving aid coordination and management. Specifically, the TA is designed to

- (i) enhance capacities of DCEEA in the planning, coordination, monitoring, and utilization of external assistance; and
- (ii) strengthen the capabilities of Goskomprognostat to develop a multiyear rolling public investment program that is both consistent with the country's development priorities and is closely linked to the Government's budget.

B. Scope

8. The TA will consist of three components: (i) an advisory component, (ii) a human resource development component, and (iii) a facilities component. Each of these components is discussed below.

9. ***The Advisory Component.*** The TA will provide advisory services through two international consultants on aid coordination and management, as well as the formulation of public investment programs. The international consultants should seek to develop or transfer the skills and capacities in aid coordination and management, as well as the formulation of PIP to staff of DCEEA, Goskomprognostat, MOF, and other relevant government agencies.

10. ***The Human Resource Development Component.*** The TA will provide resources for training staff of DCEEA, Goskomprognostat, MOF, line ministries, and other government agencies. Subject areas of training may include the various aspects of aid coordination and management; and public investment planning, evaluation, and prioritization. Training will be organized and conducted from time to time by the TA consultants or other resource persons.

11. ***The Facilities Component.*** The TA will finance training and office equipment that will support the objectives of the TA. The training equipment will include basic audiovisual equipment such as overhead projectors, screens, and television/video cassette recorders to be used for training purposes. The office equipment will include photocopiers; fax machines; computer hardware, including printers, and software, including antivirus programs; and related furniture and office supplies. The international consultants, in collaboration with DCEEA, will determine the equipment to be purchased and will be responsible for its procurement through procedures acceptable to the Bank.

C. Cost Estimates and Financing Plan

12. The total cost of the TA is estimated at \$660,000 equivalent, comprising \$506,000 in foreign exchange and \$154,000 equivalent in local currency. The Bank will provide a technical assistance grant of \$600,000 to cover the entire foreign exchange cost and \$94,000 equivalent of the local currency cost. The Government has agreed to provide the equivalent of \$60,000 in kind for the counterpart staff, administrative and office costs, as well as contingencies. The specific components to be financed by the Bank and the Government are presented in Appendix 2.

D. Implementation Arrangements

13. The TA will provide 14 person-months of international consulting services through two international consultants. An aid management adviser, with expertise in aid coordination and management, will be engaged for eight months. In addition, a public investment program specialist will be engaged for six months. The terms of references for these two consultants are presented in Appendix 3. The two international consultants will be supported by 40 person-months of domestic consultant services (25 person-months for aid management and 15 person-months for public investment programs). While it is not possible to anticipate accurately the precise purpose for which domestic consultants will be required at this juncture, the terms of reference for domestic consultants will be determined by the international consultants in consultation with the Bank. All consulting services are expected to be provided by an international consulting firm. The international consulting firm will be selected in accordance with the Bank's *Guidelines on the Use of Consultants*. A simplified technical proposal format will be used for the selection of firms of consultants. The international consultants will be responsible for selecting and recruiting the domestic

consultants in consultation with DCEEA staff. The domestic and international consultants will work under the supervision of DCEEA in accordance with arrangements satisfactory to the Bank.

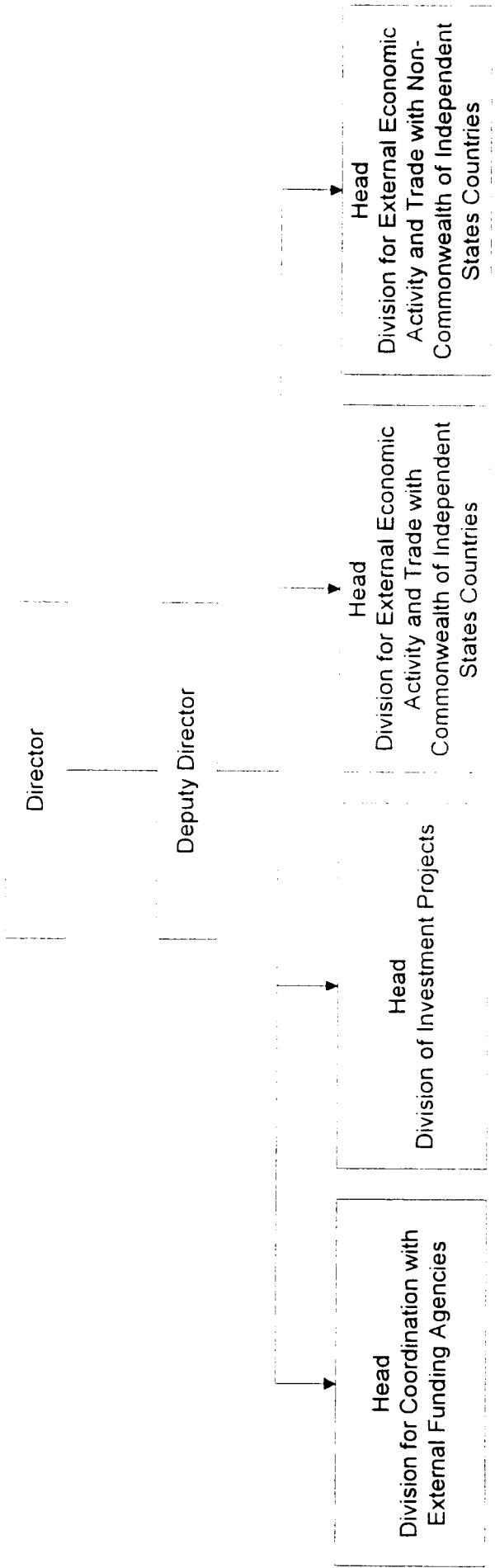
14. The Executing Agency for the TA will be DCEEA, with assistance from Goskomprognozstat. DCEEA will appoint a Project coordinator who will, in close collaboration with Goskomprognozstat, be responsible for coordinating and supervising the TA activities to be undertaken by the two agencies, including monitoring of progress and resolving any difficulties that might arise during implementation. Progress under the TA will also be regularly reviewed and monitored by Bank staff through missions.

15. The TA is expected to be implemented over a one-year period from September 1997 to August 1998. The firm of international consultants will be required to submit to the Bank and DCEEA (i) a work plan and an inception report two weeks after the commencement of its consultancies; (ii) a midterm report that summarizes the implementation of the TA activities and an updated time frame for implementation of the remaining TA activities; and (iii) draft final reports on the duties performed, accomplishments, and recommendations for further action two weeks before the completion of their engagement. The draft final reports will be reviewed at a tripartite meeting between the Government, the Bank, and the consultants. The respective final reports, incorporating comments received, will be submitted to the Bank and DCEEA at the conclusion of the consulting services.

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, to the Government of the Republic of Uzbekistan in an amount not exceeding the equivalent of \$600,000 for Improving Aid Coordination and Management, and hereby reports such action to the Board.

DEPARTMENT FOR COORDINATION OF EXTERNAL ECONOMIC ACTIVITY
Organization Chart



COST ESTIMATES AND FINANCING PLAN
(\$' 000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Bank Financing			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	360	-	360
ii. Domestic Consultants	-	40	40
b. International Travel	15	-	15
c. Reports and Communications	4	8	12
2. Equipment ^a	53	-	53
3. Local Training and Seminars	-	30	30
4. Representative for Contract Negotiations	4	-	4
5. Contingencies	70	16	86
Subtotal (A)	506	94	600
B. Government Financing			
1. Office Accommodation	-	20	20
2. Remuneration and Per Diem of Counterpart Staff	-	30	30
3. Others	-	10	10
Subtotal (B)	-	60	60
Total	506	154	660

^a Equipment to be procured under the technical assistance includes training and office equipment. The training equipment will include basic audiovisual equipment, such as overhead projectors, screens, and television/video cassette recorders. The office equipment will include photocopiers; fax machines; computer hardware (including printers) and software (including antivirus programs); and related furniture and office supplies.

TERMS OF REFERENCE

A. Introduction

1. The primary objective of the Technical Assistance (TA) is to strengthen the institutional capacity of the Government of Uzbekistan for improving aid coordination and management. Within the Government, while the Department for Coordination of External Economic Activity (DCEEA) is the agency responsible for the coordination of all external development assistance, the State Committee for Forecasting and Statistics (Goskomprognostat) is responsible for formulating the annual public investment program in which the country's priority public investment projects for seeking external assistance are determined. To carry out these functions, DCEEA and Goskomprognostat are expected to work in close cooperation with Ministry of Finance (MOF); line ministries; and other government agencies.

2. There are two major areas that need to be strengthened within the Government for aid coordination and management. First, it is necessary to enhance capacities of DCEEA in the planning, coordination, monitoring, and utilization of external assistance. Aid coordination and management are currently constrained by weak capacities of DCEEA. This constraint results mainly from (i) the inadequate experience of DCEEA staff in coordinating and managing assistance activities of external funding agencies; (ii) the lack of an institutional linkage on aid coordination among DCEEA, Goskomprognostat, MOF, and line ministries as well as other government agencies; (iii) language barriers; and (iv) poor telecommunication and other office facilities. Second, there is an urgent need to develop appropriate systems and procedures for a multiyear rolling public investment program (PIP) that is both consistent with the country's development priorities and is closely linked to the Government's budget. These systems and procedures are required for DCEEA, Goskomprognostat, MOF, line ministries and other government agencies to work closely to (i) identify investment options; (ii) evaluate, select, and prioritize those investments that will constitute a multiyear rolling PIP; (iii) package the PIP in a form that will be useful for external funding agencies and in time for the annual Consultative Group Meetings. The proposed TA is designed to address these two priority requirements.

B. The Aid Management Adviser (the Team Leader)

3. The TA will provide eight months of services of one international consultant, the aid management adviser who has expertise in aid coordination and management. The aid management adviser will be the team leader who will work closely with DCEEA and be supported by 25 person-months of domestic consultant services to be utilized in a flexible way by DCEEA as and when required. The activities and output of the aid management adviser will include, but not be limited to, the following:

- (i) Review and assess the existing system of aid coordination and management in close consultation with other multilateral and bilateral funding agencies active in

(Reference in text: page 3, para. 13)

Uzbekistan (i.e. the World Bank, United Nations, the European Union's Technical Assistance for the Commonwealth of Independent States, Japan, Germany, and United States Agency for International Development), and identify major areas for further improvements.

- (ii) Help DCEEA to develop appropriate systems and procedures for improving aid coordination and management. These consist mainly of a country's strategy for external assistance in Uzbekistan; a multiyear rolling public investment program; and a system for monitoring the physical and financial progress of all external assistance projects (whether grants and loans), which should include information such as funds available and implementation schedules.
- (iii) Improve the expertise of DCEEA in preparing the information materials and documents required by external funding agencies for their regular assistance programming, including those materials submitted at the annual Consultative Group Meeting.
- (iv) Develop, in coordination with the public investment program specialist, appropriate systems and procedures that can provide effective linkages among DCEEA, Goskomprognostat, MOF, line ministries, and other government agencies to improve aid coordination and management. In particular, the consultant should help develop effective mechanisms through which, staff of DCEEA, Goskomprognostat, and MOF can work together to prepare the multiyear rolling public investment program that includes a list of new public investment projects to be financed by external agencies, and to monitor and assess the implementation of the ongoing external financed public investment projects.
- (v) Design, in coordination with the public investment program specialist, a joint training program for staff of DCEEA, Goskomprognostat, MOF, line ministries, and other government agencies. The training program should cover such subjects as aid management and coordination; project planning and prioritization; cost-benefit analysis of projects; project budgeting; and project monitoring, evaluation, and implementation.
- (vi) Serve as a resource person and trainer in the conduct of the designed training program.

C. The Public Investment Program Specialist

4. Under the TA, a second international consultant, the public investment program (PIP) specialist will be engaged for six months. The PIP specialist will work closely with Goskomprognostat and be supported by 15 person-months of domestic consultant services to be utilized in a flexible way by DCEEA as and when required. The activities and output of the PIP specialist will include, but not be limited to:

- (i) Review and assess the content, scale, formulating process, and management systems of public investment planning work currently undertaken by Goskomprognostat, and identify major areas for further improvements.
- (ii) Help Goskomprognostat to develop effective systems and procedures for regular preparation and updating of a multiyear rolling PIP. The PIP specialist should develop specific guidelines on how Goskomprognostat will work with MOF, line ministries, and other government agencies in the preparation of the public investment and TA program to be financed by external agencies. The consultant will work together with MOF to develop appropriate systems under which the PIP is closely linked to the Government's budget. The consultant should also work with line ministries and other government agencies to develop standardized forms and documents to be used by these institutions when they submit investment proposals to Goskomprognostat for consideration in the PIP.
- (iii) Develop, in coordination with the aid management adviser, appropriate mechanisms through which, Goskomprognostat, DCEEA, and MOF can work together to formulate a PIP that includes a list of new public investment projects to be financed by external funding agencies, and to monitor and assess the implementation of the ongoing external financed public investment projects. The PIP specialist should also help develop systems that can provide effective linkages among Goskomprognostat, DCEEA, MOF, line ministries, and other government agencies to improve aid coordination and management.
- (iv) Help Goskomprognostat to develop a PIP for the next three years. This PIP should include comprehensive information on proposed new projects: project cost; potential or effective source of financing; expected time of implementation; expected economic, financial, or social benefits; and other information relevant for project implementation.
- (v) Design, in coordination with the aid management adviser, a joint training program for staff of Goskomprognostat, DCEEA, MOF, line ministries, and other government agencies. The training program should cover such subjects as public investment planning, evaluation, and prioritization; financial and economic analysis of public investment projects; capital budgeting techniques; the incorporation of social and environmental impacts into public investment planning and prioritization; project monitoring; and postinvestment evaluation.
- (vi) Serve as a resource person and trainer in the conduct of the designed training programs.

D. Reporting Requirements

5. The firm of international consultants will be required to submit to the Bank and DCEEA (i) a work plan and an inception report two weeks after the commencement of its consultancies; (ii) a midterm report that summarizes the implementation of the TA activities and

an updated time frame for implementation of the remaining TA activities; and (iii) draft final reports on the duties performed, accomplishments, and recommendations for further action two weeks before the completion of their engagement. The draft final reports will be reviewed at a tripartite meeting between the Government, the Bank, and the consultants. The respective final reports, incorporating comments received, will be submitted to the Bank and DCEEA at the conclusion of the consulting services.