



Technical Assistance Report

PUBLIC

Project Number: 51394-003
Knowledge and Support Technical Assistance (KSTA)
September 2022

Republic of Uzbekistan: Strengthening the Project Preparation System

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 31 August 2022)

Currency unit	–	sum (SUM)
SUM1.00	=	\$0.00009
\$1.00	=	SUM10,879

ABBREVIATIONS

ADB	–	Asian Development Bank
COM	–	Cabinet of Ministers
ICDA	–	International Cooperation and Development Agency
IFI	–	international financial institution
MIFT	–	Ministry of Investments and Foreign Trade
NFS	–	national feasibility study
TA	–	technical assistance

NOTE

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

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 51394-003	
Project Name	Strengthening the Project Preparation System	Department/Division	CWRD/URM
Nature of Activity	Capacity Development	Executing Agency	Ministry of Investments and Foreign Trade (MIFT)
Modality	Regular		
Country	Uzbekistan		
2. Sector		Subsector(s)	
✓ Public sector management	Public administration	ADB Financing (\$ million)	
		0.65	
		Total	0.65
3. Operational Priorities		Climate Change Information	
✓ OP6: Strengthening governance and institutional capacity		GHG Reductions (tons per annum)	0
		Climate Change impact on the Project	Low
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 16.6		No gender elements (NGE)	✓
		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization Low			
5. Safeguard Categorization Safeguard Policy Statement does not apply			
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.65	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.65	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.65	
Currency of ADB Financing: US Dollar			

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will provide optimal and feasible solutions to the government's project preparation system. Specifically, the TA will review the government's system and structures for project preparation and identify bottlenecks in the process flow, particularly in project approvals.

2. The TA is aligned with the country partnership strategy, 2019–2023 for Uzbekistan, which calls for the Asian Development Bank (ADB) to support the government's policy reforms and capacity building initiatives with a view to optimizing its public administration system and boosting the country's economy.¹ It is also aligned with achieving the government's national development strategy 2022–2026, particularly goal 5, which prioritizes the introduction of a compact, professional, fair, and high-performance public administration system; and goal 6, which involves streamlining the organizational structures in the public administration system through optimum work processes.² The TA is consistent with ADB's Strategy 2030,³ and its operational priority 6 of strengthening governance and institutional capacity.⁴

II. ISSUES

3. **Approval system of public investments.** The government plans a long-term public investment program, renewed annually, that lists project names, indicative project amounts, potential financiers, project duration, and planned project outcomes for 5–10 years.⁵ Based on the investment program, the executing agency for an individual project prepares a report containing the project scope, estimated project amount, implementation schedule, and an economic analysis or national feasibility study (NFS). The Cabinet of Ministers (COM) needs to issue a resolution approving the conclusions of the NFS.⁶

4. **Project readiness.** In 2021, the government endorsed the application of ADB's project readiness filter for ADB-financed projects in Uzbekistan.⁷ While the readiness filter has had a positive effect on some projects, the achievement of some filter actions still requires substantial amount of time. This is mainly caused by the slow approval of the NFS and slow procurement actions.

5. **Delays in finalizing the NFS.** Ensuring the quality of an NFS and complying with its rules are challenges that can delay the government's project preparation and approval.⁸ A small number of state-owned design institutes, licensed almost exclusively to prepare an NFS, have

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

² Government of Uzbekistan. 2022. *Development Strategy of New Uzbekistan for 2022–2026*. Tashkent.

³ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

⁴ The TA first appeared in the business opportunities section of ADB's website on 29 August 2022.

⁵ The Ministry of Investments and Foreign Trade (MIFT) coordinates within the government to prepare investment programs, submit it, and get approval from the Cabinet of Ministers. "Firm" projects are determined based on budget and rationale provided by executing agencies.

⁶ The COM is headed by the Prime Minister and includes the deputy prime ministers and advisors to the Prime Minister as members. The secretariat of the cabinet facilitates communication with ministries and agencies.

⁷ ADB's project readiness filter for Uzbekistan requires prior actions and milestones before and during project processing. For instance, 30% of major civil works packages need to be awarded before the loan signing, or before quality review meeting, 30% of the project value bidding documents have been tendered.

⁸ For instance, the average time it took from drafting the COM resolution for ADB-funded projects and approving it was 7 months in 2020 and 9 months in 2021.

shown inadequate capacity for preparing and revising it. Technical and financial discussions require excessive time because of disparities between the NFS and international practice. Whilst project feasibility studies required by international financial institutions (IFIs) concentrate on putting an adequate financial ceiling with contingencies in place to avoid future cost overruns and potential rebidding rounds, the NFS prioritizes a detailed, and very often low, cost estimation. Reframing the NFS as a tool to present an indicative scope and amount will enhance efficiencies without losing sight of the objectives.

6. **Delayed advance procurement actions.** It takes time for the government's procurement committee to decide on procurement actions. The chair of the procurement committee, a managerial officer of executing agency for the project, tends to seek unanimous decisions, which can paralyze the decision-making process when different opinions are presented. Further, some procurement committee members may not be clear on their specific roles and functions and present opinions not necessarily reflective of the ministries and agencies that the member represents. Under the Strengthening the Capacity in Project Management TA, staff of key executing agencies gained practical skills in handling procurement concepts, policies, and procedures, such as preparing and reviewing bidding documents and bid evaluation reports for projects.⁹ However, the TA was not able to sufficiently address the need to strengthen the procurement institutional decision-making mechanisms. Streamlining the roles and functions of the procurement committee also remains a challenge.

7. Late procurement actions undermine the project processing schedule, and ultimately the government's long-term investment program, partly because budgeting for counterpart funds needs to be adjusted in the process. Unreliable timing of the COM resolution following the NFS approval carries risks for consultants and contractors. Except when retroactive financing arrangement is adopted, contracts cannot be awarded and signed until the COM resolution is issued,¹⁰. If contract signing is not promptly executed, winning bidders may either need to extend their bid securities or seize other opportunities while awaiting the COM clearance.

8. **Capacity of the executing agency in project preparation.** The executing agency's capacity to manage advance procurement actions and NFS clearance is limited. A frequent cause of delay in project start-up is the slow initiation of NFS preparations and inaccurate draft NFS budgets. Also, circulating an NFS requires coordination within the government, and the lack of sufficient qualified staff in the executing agencies exacerbates the delays. High staff turnover caused by insufficiently competitive remuneration and benefit packages result in loss of institutional knowledge. The absence of standardized salary scales across different executing agencies further demotivates staff and erodes their commitment, professionalism, and willingness to hone their technical abilities.

9. **Portfolio management.** During Country Portfolio Reviews, the Ministry of Investments and Foreign Trade (MIFT) raised concerns in achieving the timely completion of advance procurement actions and NFS clearance, and pointed to the need for a good portfolio management system. The International Cooperation and Development Agency (ICDA) under the (MIFT) was established in 2021 to monitor the preparation and implementation of IFI-funded sovereign projects. ICDA is responsible for coordinating, coaching, and monitoring the executing agencies to ensure that they complete the NFS on time and manage procurement activities smoothly and without delay. A streamlined NFS preparation process, accelerated procurement

⁹ ADB. Uzbekistan: [Strengthening the Capacity in Project Management](#).

¹⁰ For utilizing the loan proceeds, it is necessary that the loan is declared effective, unless a retroactive financing arrangement is adopted.

progress, and stronger capacity of the executing agencies are necessary for ICDA to maintain a portfolio that contributes to the country's economic development efficiently and effectively. Specific actions towards achieving these objectives were indicated in the Action Plan from the 2021 Country Portfolio Review Mission and reconfirmed during the Country Portfolio Review in April 2022.¹¹ Hands-on training on portfolio management under the Strengthening the Capacity in Project Management TA successfully identified the concrete tasks that ICDA staff need to carry out for the proper monitoring of projects. It is necessary to continuously build the capacity of ICDA staff for monitoring the executing agencies and coaching them on best practices to prepare impactful projects. Also, it is important for ICDA to develop and implement institutional standard operating procedures that allows the Agency to monitor performance of executing agencies and put in place a platform for discussing systemic issues regularly with development partners.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

10. The TA is aligned with the following impact: efficiency of public investment project preparation increased.¹² The TA will have the following outcome: efficient project preparation mechanism established.¹³

B. Outputs, Methods, and Activities

11. **Output 1: NFS preparation and advance procurement actions improved.** The TA team will review the NFS structure and contents to fit the purpose for project appraisal. MIFT will submit to the government's higher authority (i) a NFS preparation manual, introducing international practice in project preparation, and (ii) a guidance note for the procurement committee, defining roles and functions of the committee members. Learning from international experiences through a study tour will contribute to develop a robust NFS preparation manual and guidance note for the procurement committees. Streamlined NFS preparation procedures aimed at eliminating bottlenecks will enhance efficiency and effectiveness of project preparation. The defined roles and functions of the committee members will help accelerate decision-making process.

12. **Output 2: Standardized project implementation structure and personnel policy developed.** The TA team will analyze the structure and personnel policy of project implementation units and identify possible reorganization and optimization steps. The TA will help develop a uniform staff remuneration and benefit policy across project implementation units, as well as standardized key performance indicators and job descriptions for the specialists in these units. It will also help develop a guidance note on the recruitment of specialists. Proposals under Output 2 will be submitted by MIFT to the government's higher authority. The efforts will enhance transparency and fairness in project implementation structural and staff related issues that has hampered project preparation. Such optimization and standardization steps will increase project preparation efficiency and effectiveness.

¹¹ During the Country Portfolio Review on 28 March and 13 April 2022, ADB and MIFT confirmed an action plan for addressing systemic issues, namely (i) lengthy preparatory process and promoting project readiness; (ii) procurement committee's decisions; (iii) disbursements, audit, and financial management; (iv) revision of Resolution 3857; and (v) PIU staffing.

¹² Government of Uzbekistan. 2018. Presidential Decree No. 3857. *On the Procedure for Preparation and Implementation of Projects with Participation of International Financial Institutions and Foreign Governmental Financial Organizations*. Tashkent.

¹³ The design and monitoring framework is in Appendix 1.

13. **Output 3: Portfolio management capacity of ICDA strengthened.** The TA team will assist ICDA in establishing standard operating procedures for monitoring project preparation and implementation status. This will help MIFT and ICDA obtain updated information on preparation and implementation of projects and provide guidance to executing agencies and implementing agencies on specific actions, including NFS preparation and procurement activities. The TA will also support ICDA in preparing programs to build the capacity of executing agencies for project preparation. Strengthening the portfolio management structure will help accelerate quality project preparation.

C. Cost and Financing

14. The TA financing amount is \$650,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7). The key expenditure items are in Appendix 2.

15. The government will provide counterpart support in the form of counterpart staff, office space, office supplies, and other in-kind contributions.

D. Implementation Arrangements

16. ADB will administer the TA. The Uzbekistan Resident Mission will select, supervise, and evaluate consultants; organize workshops; and provide staff as workshop resource persons. MIFT will be responsible for the overall TA activities and achievement, and ICDA, under the supervision of MIFT, will be the key counterpart for the actual implementation. Efforts will be coordinated closely with other local development partners.

17. Implementation arrangements are summarized in the table, which was confirmed by MIFT.

Implementation Arrangements			
Aspects	Arrangements		
Indicative implementation period	October 2022–December 2024		
Executing agency	Ministry of Investments and Foreign Trade		
Implementing agency	Uzbekistan Resident Mission, Central and West Asia Department		
Consultants	To be selected and engaged by ADB		
	Individual selection	International experts (27 person-months)	\$365,000
	Individual selection	National experts (40 person-months)	\$285,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Source: ADB.

18. **Consulting services.** The TA will require three international consultants (27 person-months) and two national consultants (40 person-months). ADB will engage consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions.¹⁴

¹⁴ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$650,000 on a grant basis to the Government of Uzbekistan for Strengthening the Project Preparation System, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Efficiency of project preparation with the participation of international financial institutions increased ^a			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
Outcome Efficient project preparation mechanism established	Average period between the government's approval of project concept and Cabinet of Ministers' resolution issuance reduced by 30% by December 2024 (2021 baseline: 20 months) (OP 6.2)	Government e-project approval system	A: The priority of the government stays the same.
Outputs 1. NFS preparation and advance procurement actions improved 2. Standardized project implementation structure and personnel policy developed 3. Portfolio management capacity of ICDA strengthened	1a. NFS preparation manual for IFI-funded projects developed and submitted by MIFT to Cabinet of Ministers by December 2023 (2022 baseline: 0) (OP 6.2.1) 1b. Guidance note for procurement committee developed and submitted by MIFT to Cabinet of Ministers by December 2023 (2022 baseline: 0) (OP 6.2.1) 2a. Referential database system about PIU staff information developed by March 2023 (2022 baseline: 0) (OP 6.2.1) 2b. Guidance note on a standardized personnel policy for PIU staff developed and submitted by MIFT to Cabinet of Ministers by June 2023 (2022 baseline: 0) (OP 6.2.1) 2c. At least 3 master job description templates for PIU staff (PIU manager, procurement, NFS preparation) developed by June 2023 (2022 baseline: 0) (OP 6.2.1) 3a. Standard operating procedures on information sharing and reporting for portfolio management established within ICDA by	1a. Draft NFS manual 1b. Guidance note for the procurement committee 2a. Simplified referential database 2b. Guidance note on standardized personnel policy 2c. Master templates of job descriptions 3a. Minutes of meetings and email logs	A: Government requirements for the project appraisal system will not change drastically. A: ICDA is monitoring IFI-funded projects. A: Development partners continue to support the government.

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
	<p>February 2023 (2022 baseline: 0) (OP 6.2.1)</p> <p>3b. 3 bi-annual coordination meetings with development partners on portfolio issues, chaired by ICDA, starting by March 2023 (2022 baseline: 0) (OP 6.1.1)</p> <p>3c. At least 5 ICDA officials endorsing an NFS based on the NFS manual by March 2024 (2022 baseline: 0) (OP 6.1.1)</p> <p>3d. At least 70% passing rate from procurement test taken by ICDA officials involved in the review of procurement documents by March 2024 (2022 baseline: 0) (OP 6.1.1)</p> <p>3e. At least 5 knowledge dissemination seminars for executing agencies on project preparation and implementation conducted by ICDA by July 2024 (2022 baseline: 0) (OP 6.1.1)</p>	<p>3b. Minutes of meetings</p> <p>3c. Approved NFS</p> <p>3d. Results of the test</p> <p>3e. Seminar plan and reports</p>	

Key Activities with Milestones

1. NFS preparation and advance procurement actions improved

- 1.1 Identify bottlenecks in NFS preparation and advance procurement actions from an institutional, financial, technical, and legal perspective by February 2023
- 1.2 Draft a guidance note for procurement committee activities by February 2023, including terms of reference for the members and minutes-of-meeting templates, for MIFT to submit it to Cabinet of Ministers for approval
- 1.3 Draft a NFS preparation manual for IFI-funded sovereign projects by April 2023, including terms of reference for NFS reviewers and endorsers, for MIFT to submit it to Cabinet of Ministers for approval
- 1.4 Conduct at least 1 visit to other countries to acquire knowledge on sovereign project preparation systems and procurement practices by May 2024

2. Standardized project implementation structure and personnel policy developed

- 2.1 Develop a simplified referential database about PIU staff information for ICDA and help ICDA collect necessary data by March 2023
- 2.2 Draft a guidance note on a standardized personnel policy for project implementation staff by January 2023, including recruitment, and remuneration and other benefits, for MIFT to submit to Cabinet of Ministers
- 2.3 Prepare master templates of job descriptions for at least 3 PIU positions (manager, procurement, NFS preparation) by January 2023
- 2.4 Conduct at least 1 visit to other governments to acquire knowledge on suitable project implementation

structures by May 2024

3. Portfolio management capacity of ICDA strengthened

- 3.1 Establish a standard operating procedures for information sharing and progress reports on NFS development and advance procurement actions with MIFT and ICDA and the executing agencies by February 2023
- 3.2 Conduct at least 3 biannual coordination meetings with development partners, chaired by ICDA, to discuss systemic portfolio issues starting March 2023
- 3.3 Provide hands-on training to ICDA staff on how to coach and guide executive agencies on time management and quality assurance in NFS and procurement documents by January 2024
- 3.4 Prepare and conduct a procurement test taken by ICDA officials by January 2024
- 3.5 Conduct knowledge dissemination seminars for executing agencies on procurement, safeguards, financial management, gender, disbursements, and other loan administration aspects by July 2024

TA Management Activity

Recruit individual consultants by November 2022

Inputs

ADB: \$650,000 from Technical Assistance Special Fund (TASF 7)

Note: The government will provide counterpart support in the form of counterpart staff, office space, office supplies, and other in-kind contributions.

A = assumption, ADB = Asian Development Bank, ICDA = International Cooperation and Development Agency, IFI = international financial institution, MIFT = Ministry of Investments and Foreign Trade, NFS = national feasibility study, OP = operational priority, PIU = project implementation unit, TA = technical assistance, TASF = Technical Assistance Special Fund.

^a Government of Uzbekistan. 2018. Presidential Resolution No. 3857. *Measures to Improve the Efficiency of Preparation and Implementation of Projects with the Participation of International Financial Institutions and Foreign Government Financial Institutions*. Tashkent.

Contribution to Strategy 2030 Operational Priorities:

The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3).

Source: ADB.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	300.0
ii. National consultants	230.0
b. Out-of-pocket expenditures	
i. International and local travel	65.0
ii. Reports and communications	10.0
2. Training, seminars, workshops, forum, and conferences ^b	
a. Venue rental and related facilities ^c	9.0
b. Participants ^d	25.0
3. Miscellaneous TA administration costs ^e	8.0
4. Contingencies	3.0
Total	650.0

Note: The technical assistance (TA) is estimated to cost \$715,000, of which contributions from the Asian Development Bank (ADB) are presented in the table. The government will provide counterpart support in the form of counterpart staff, office space, office supplies, and other in-kind contributions. The value of the government contribution is estimated to account for 10% of the total TA cost.

^a Financed by ADB's Technical Assistance Special Fund (TASF 7).

^b Includes at least two consultation workshops in Uzbekistan and one international study.

^c Includes expenses for interpretation services with equipment.

^d Includes expenses for international travel.

^e Includes expenses for translation.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51394-003-TARreport>

1. Terms of Reference for Consultants
2. Contribution to Strategy 2030 Operational Priorities