

**United Nations Development Program  
Country: Uzbekistan  
Project Document**

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| <b>Project Title:</b>                             | Budget system reform in Uzbekistan   |
| <b>UNDAF Outcome(s) 1:</b>                        | Economic well-being of vulnerable groups is improved (residents of economically underdeveloped, mainly rural areas; women, particularly home-based workers; labour migrants and their families; children, particularly most-at-risk adolescents; the elderly; HIV-positive people; and people with disabilities)                                 |
| <b>Expected Country Program Outcome(s) 1.1.:</b>  | Capacity of the central and local authorities enhanced to develop and implement economic and social security policies aimed at welfare improvement of vulnerable groups  |
| <b>Expected Country Program Output(s) 1.1.2.:</b> | Improved public financial management and aid coordination  |
| <b>Implementing Partner:</b>                      | Ministry of Finance of the Republic of Uzbekistan  |
| <b>Contributing Parties:</b>                      | UNDP, Oliy Majlis, Cabinet of Ministers, Ministry of Economy, Ministry of Justice, Ministry of Foreign Economic Relations, Investment and Trade, Chamber of Accounts, Chamber of Commerce and Industry, NGOs, Banking and Finance Academy and Training Center under the Ministry of Finance, Institute of Forecasting and Macroeconomic Research |

**Brief Description**

Within the reform program that is currently under implementation, the Government of the Republic of Uzbekistan has set itself all-encompassing goals for the achievement of structural and institutional changes that require significant financial resources, on the one hand, and efficient system of distribution and use, on the other. Efficient and transparent management of the budget system becomes an important tool to address these problems in this context.

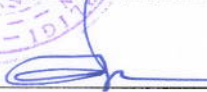
Since 2007 UNDP has been supporting the Government of the Republic of Uzbekistan in reforming the public finance system. In particular, initiatives aimed at improving the legislative framework of budget process, the methodology of planning and execution of the state budget, accounting and auditing, tax administration reform and development of the institutional environment of the insurance market as well as improving human resource capacity of the Ministry of Finance were successfully implemented under the project, which came to an end in June 2010.

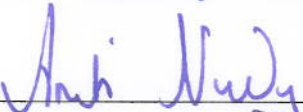
The goal of the proposed project is to continue assistance and further enhancing the capacity in the area of reforms focused on achieving greater effectiveness, accountability, and transparency of the budget preparation system.

This goal will be achieved through analytical works on the various aspects of budget policy improvement, facilitation of discussions, drafting, and adoption of legislative acts to promote reforms for the implementation of results-based budgeting and medium-term budget planning, improvement of legal and regulatory framework to ensure efficient and transparent state procurement, strengthening the human resource capacity for the implementation of reforms, expansion of piloting to build-up for full-scale implementation of new budgeting methods.

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| Program Period:                   | 2010-2015  |
| Key Result Area (Strategic Plan): | 1.1 Promotion of sustained growth, gender equality and achievement of the MDGs |
| Atlas Award ID:                   | 00060046   |
| Start Date:                       | 10 June, 2010  |
| End date:                         | 31 December, 2012  |
| PAC Meeting Date:                 | 3 June, 2010   |
| Management Arrangements:          | NIM  |

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|---------------------------|--|
| 2010-2012 Budget          | USD 1,365,335                              |
| Total resources required  | USD 1,365,335                              |
| Total resources allocated | USD 1,365,335                              |
| • Regular TRAC            | USD 1,305,335                              |
| • Other:                  |  |
| Government                | USD 60,000 (parallel financing)<br>in-kind |

Agreed by:  Mr. Yorkin Tursunov, Deputy Minister of Finance of the Republic of Uzbekistan

Agreed by:  Ms. Anita Nirody, Resident Representative, UNDP Uzbekistan

10 JUN 2010

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## I. SITUATION ANALYSIS

Implementation of prudent economic policies by the Government of Uzbekistan over the last several years has significantly contributed to the achievement of financial and macroeconomic stability in the country. A number of transformations in the public financial management have been implemented within the course of liberalization policy and intensification of economic reforms. Major changes in this area were associated with a phased transition to the treasury-based budget execution, improving the regulatory framework of budget preparation and increasing the effectiveness of control over budget expenditures.

These changes encourage the implementation of the Government's commitments envisaged both under the socio-economic reform agenda and international agreements. As a full-fledged member of the UN and having undertaken commitments under Millennium declaration, Uzbekistan puts the achievement of the Millennium Development Goals (MDGs), as one of its priority tasks. This task predetermines the demand for the implementation of structural and institutional reforms that require significant financial resources, on the one hand, and efficient system of distribution and use, on the other. However, the current level of the momentum and scale of reforms do not seem sufficient. Conceptual changes are required in the public finance management, as the current methods and approaches exhausted their capacity and hinder effective use of public funds.

Estimate-based planning remains the major method under the current public finance planning practice, where the projections of budget expenditures are based on the requirements stipulated by the sectoral normative acts<sup>1</sup> and actual expenditures for the previous year. The calculation of the budgets of departments (recipients of budgetary funding) is conducted through indexing the allotments from the past years under the articles of budget classification with the inflation level. Therefore within the budget execution, redistribution of funds becomes extremely complex, and recipients of the budgetary funds focus on "fully absorbing" the allocated funds during the financial year to avoid shortfalls in funding in following years. This method provides funding for all budget institutions under a single approach, at the same time the distributors and recipients of budgetary funds are not interested in optimizing the budgeting framework.

It is virtually impossible to determine the effectiveness of budget financing within the current estimate based budget planning. The only routine is to provide target spending and to compare planned and actual amount of funding, which is currently the case in practice. Accordingly, the entire budget process, from planning of expenditures to their execution, is focused on "cost management" rather than orientation to results and effective use of public resources.

Another approach in the implementation of socioeconomic priorities of the Government is the development of targeted, agency-specific and regional programs. Implementation of such programs envisages setting goals and determining objectives. In the meantime, while the majority of the current government programs are planned for medium-term, in most cases they are not linked with the capacity of the budget. This leads to significant delays in their implementation, and the achievement of goals determined by the programme become difficult. Such misalignment of government expenditures and programs adopted (implemented) cannot be effectively addressed while budget planning is limited to one year and grounded on the existing estimate-based planning methodology. With this approach, it is rather difficult to link the socio-economic development results in the short-, medium- and long-term perspectives with the planned budget expenditures.

Yet, the hindering factor in the full-scale implementation and coordination of all aspects of budget reforms is the legal framework, which does not provide comprehensive reflection of many procedures and regulations of budget process, rights, authorities and responsibilities of the participants of budgetary processes, which are already applied in practice. The Law on the Budget System of Uzbekistan in the current edition does not fully capture the current practices and procedures of preparation and execution of the State budget.

Having acknowledged these issues, the Ministry of Finance of the Republic of Uzbekistan has specified the major directions for the reforming of the public finance system under the Public Finance Management Strategy for the period up to 2018. Particularly, the strategy outlines the following priority areas of reforms:

- (i) establishment of a treasury;
- (ii) procurement and introduction of Government Financial Management Information System (GFMS);
- (iii) budget preparation reform and transition to mid-term budgeting framework;
- (iv) introduction of new budget classification and adoption of new chart of accounts.

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<sup>1</sup> The calculation of the wages is based on the load carried by one teacher, class capacity usage, wage rates distribution.



The need for the implementation of the budget reform priorities, determined in this Strategy is becoming even stronger due to the recent escalation of external factors, which come along with the internal prerequisites. This is primarily the impact of global economic crisis, which affected Uzbekistan's fiscal stance through lower revenue earnings stemming from unfavorable terms of trade and rising costs of supporting the real sector and higher social spending. In these circumstances improving the efficiency of budget management is becoming of particular importance.

### ***Previous Assistance***

UNDP's assistance and participation has been considerable in the implementation of the Government's priority policies and objectives, including in conducting fiscal reforms. Of one such assistance is the joint project of UNDP and the Ministry of Finance of the Republic of Uzbekistan "Public Finance Reform in Uzbekistan". Within the framework of this project (2007-2009) initiatives aimed at enhancing the budget process, accounting and auditing, tax administration, reforming and development of the institutional environment of the insurance market, as well as improving the human resource capacity of the Ministry of Finance were successfully put into action.

Key focus of the Project was to assist the Government in enhancing the efficiency of public expenditures through the development and implementation of a conceptually new approach in the planning and execution of the state budget, including performance based budgeting (PBB) and medium-term budget planning. Specifically, the project supported the development of the Concept of introduction of PBB and methodological basis for program budgeting. Pilot budget programs were developed based on the proposed methodology; testing of which is intended to serve as the initial phase of reforms in this direction. Furthermore, the expanded practice of program budgeting will contribute to the greater efficiency in public spending, which in turn could enhance the platform to improve the implementation and monitoring process of the MDGs.

The abovementioned project also provided support to the improvement of the legal framework of the budget system. Particularly, the Concept of Improvement of the Law on Budget System of Uzbekistan was developed, which systematized the shortcomings of the existing legislation and on their basis determined the conceptual dimensions and specific proposals to improve the norms and provisions of the existing Law. The concept was used as a benchmark for the development of the draft Law on introduction of changes and amendments to the Law on Budget System of Uzbekistan. This draft reflects all the norms currently being applied in practice and regulates the elements of medium-term planning and programme based budgeting (new template forms for budget applications).

Improving the human resource capacity remains an important factor of any reform. In this regard, the project also focused on strengthening the Institutional capacity of the Training Center under the Ministry of Finance of Uzbekistan. Specific activities included the elaboration of medium term development strategy of the Training center, organization of trainings focused on enhancing pedagogical skills of teachers, as well as the development of training modules on 6 budgetary disciplines.

Collaboration with a number of international institutions (World Bank Institute, French Agency for Economic and Technical Assistance, ADB, IMF) facilitated successful training of civil servants. Trainings were conducted with joint efforts, enabling the exchange of knowledge and experience on methodologies and practices of new budgeting approaches to the experts both at central and regional levels.

As a result of comprehensive approach, this assistance served as a good impetus in the launch and promotion of public finance management reforms. Inter alia, as a result of the analytical support and recommendations, the Government has decided to pilot the elements of programmatic budgeting on the basis of selected individual budget recipients. The discussion process of the Law on Amendments to the Law on Budget System of Uzbekistan has been facilitated. Key experts of the number of ministries/agencies have been trained on the concept and methodological approaches in programme based budgeting.

These results provide a platform for further promotion of public finance management reform. The deepening of reforms in this sector to some extent depends on the continued support from UNDP, particularly with regard to the methodological and analytical support in introduction of new budget preparation methods, development of legislative framework, and building-up the human resource capacity for its implementation. In particular:

- 1) Analytical products prepared under the "Public Finance Reform in Uzbekistan" project had set the goal to demonstrate the advantages and the need for transformation in the budget preparation, thus, the next stage should envisage assistance in this transformation by creating the necessary legal framework;
- 2) Pilot initiative for programme based budgeting needs to be complemented by the elements of medium-term strategic planning on the level of ministries/budget recipients. The elements of strategic planning are, on one hand, essential for

full-scale implementation of programme budgeting, on the other hand, are considered the most challenging in terms of methodology;

3) Survey among the trainees of the Training Center of the Ministry of Finance showed that the staff capacity of fiscal bodies is not adequate for the implementation of the next stage of budget reforms, which may become a real threat for the viability of the reforms in progress.

Given the capacity created and the path of reforms, the areas where assistance is recommended to be continued can be grouped into the following: i) improvement of legislative framework to ensure effective implementation of budget reforms; ii) expanded piloting of programme based budget preparation method, including strategic planning; iii) institutional strengthening of the Training Center under the Ministry of Finance.

The extension of technical assistance in the areas highlighted above was also emphasized by the independent project evaluation, conducted in October 2009. According to the evaluation report, it is recommended to continue the assistance to the Government of Uzbekistan in promoting reforms in the budget sector, including the implementation of programme based budgeting and PBB, improving the system of state procurement and building-up institutional capacity of the Training Center under the Ministry of Finance. This recommendation is based on the intention of the Ministry of Finance to continue reforms of the budget system and implement new budgeting methods, secondly, with the view of ensuring the logical completion of the initiatives launched within the framework of the "Public Finance Reform in Uzbekistan" project on implementation of medium-term budget planning and PPB.

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## II. IMPLEMENTATION STRATEGY

This project will contribute to the achievement of UNDP Country Programme in the area of improving the public finance management and coordination of external assistance. The key objective of the project is further promotion of fiscal reforms to increase the transparency and efficiency of planning, allocation and utilization of budgetary resources, with ultimate goal of improving the welfare of the population. The role of the project will be to assist the Government in the following areas to achieve the objectives highlighted in the new stage of public finance reforms:

### 1. *Development of legislative framework to support the public finance management reform*

a) Methodological base developed previously for the implementation of conceptually new approach of budget planning and implementation – programme based budgeting - created the framework for its pilot testing on the basis of line ministries/budget recipients. The norms and provisions, which determine individual elements of programme budgeting and medium-term planning (budget applications for three years) are reflected in the proposed amendments to the Law on Budget System of Uzbekistan. But further promotion of reforms and implementation of the new concepts of programme budgeting require conceptual improvement of existing legislation and development of guidelines to facilitate the implementation of new approaches. Apart from the review of budget preparation process and piloting of programme budgeting methods, accounting system is bearing transformations, new budget classifications are developed and currently under implementation, the transition to treasury execution of budget and extra-budgetary funds is approaching completion, which altogether, brings about the need for the adoption of a Budget Code.

Development of a Budget Code would allow for the consolidation of the Law "On Budgetary System", the Law "On Treasury Budget Execution" and other budget related bi-laws, whose number exceeds 70, under one legislative document. The Budget Code should similarly encompass the new principles of programme and results based budgeting, envisaging the changes throughout the whole budget process and inter-governmental fiscal relations, including the use of programme classification.

Moreover, the Budget Code should encompass the following provisions as stipulated in the Public Finance Management Strategy for the period up to 2018:

- Definition of budget and associated disclosure requirements, including publication of the annual budget, budget execution reports and associated ex ante and ex post documents, in conformity with the relevant provisions of the Code of Good Practices on Fiscal Transparency of the IMF. The associated documents will include, but not be limited to: MTBF documents; financial statements; and disclosures relating to operations within the general government sector and outside the budgetary sector (notably extra-budgetary funds of budget organizations). The format of the associated documents will conform in particular with the prevailing

international standard for the classification of government finance statistics and prevailing international public sector accounting standards;

- Definition of new budget preparation procedures conforming with the relevant provisions of the Code of Good Practices on Fiscal Transparency and providing for: the preparation and updating of an MTBF document; the preparation of an annual budget strategy document; budget submissions to be constrained by expenditure ceilings; the definition of budget submissions in terms of policies, objectives and results as well as input costs; and systematic new and existing policy reviews by the Government;
- Definition of a parliamentary appropriation process that covers parliamentary submission, deliberation and approval, and incorporates: (i) the application of appropriation only to expenditures and not to revenues; (ii) appropriation on a cash basis; (iii) the separation between the release of cash and the release of budgetary authority derived from parliamentary appropriation; (iv) unused appropriations lapsing at year-end; (v) the definition of appropriation according to the organizational, economic, fund and program (or functional) classifications via an annual budget law; (vi) the application of the appropriation system to the republican, oblast and rayon/city budgets (including those of the Republic of Karakalpakstan and Tashkent city) as currently defined, plus on a progressive basis the budgets of STFs and BO-EBFs, i.e. the general government sector; (vii) permission for Government entities to under-spend appropriations but not to over-spend appropriations except to the extent and in the manner specifically authorized by the BSL; (viii) permission for the Government to reduce parliamentary appropriations of expenditure (other than of budget organization extra-budgetary funds) up to a certain limit (possibly 10%) in aggregate in the event that revenue shortfalls threatened the emergence of expenditure arrears; and (ix) permission for the Government to transfer up to a certain limit (possibly 10%) of one parliamentary appropriation item to another.

b) The development of the legislative framework also requires practical mechanism of its application, which includes the elaboration of a necessary methodological support for proper application of the norms and provisions of the budget legislation. Given the novelty of numerous provisions of the Budget Code, methodological support should include Commentary on application of the Budget Code.

c) Ensuring the quality and targeted use of public services involves not only adequate financing but also clear division of responsibilities between the different levels of budget and their integration. Therefore it is necessary to conduct the stock-taking of public expenditure authorities attached to different levels of budget execution.

## ***2. Promoting the introduction of Performance Based Budgeting and strategic planning at the level of ministries/budget recipients***

Further promotion of reforms aimed at the implementation of programme based budgeting requires the development and introduction of its new elements and expansion of its piloting to build-up for full-scale implementation. Strategic planning is the most important mechanism applied in the framework of programme-based budgeting. In this regard, UNDP has been providing assistance to the Government under its "Capacity-building for economic forecasting and planning at national and local levels" project. But this project is mainly focused on the improvement of the methodology of analysis and forecasting of main macroeconomic indicators, as well as the elaboration of methodologies of development planning at regional level, and does not touch upon the strategic planning issues at the level of ministries/budget recipients. Implementation of this dimension requires assistance in building-up of methodological base and staff training to enhance their skills and knowledge the strategic planning.

To this end, the project will provide assistance in: i) the development of Guidelines for the preparation of medium-term strategies at the level of ministries/budget recipients and piloting of the above Guidelines through the development of medium-term strategies for 2-3 ministries; ii) expanded piloting of programme based budgeting (with the application of medium-term strategies) within 2-3 ministries/budget recipients; iii) carrying out institutional reforms, essential for wider application of PBB (development of the manual on preparation of budget under the programme budgeting approach, the development of quantitative and qualitative performance indicators, elaboration of the methodology and organization of the monitoring system).

## ***3. Improvement of the public procurement system and assistance in the development of appropriate legislative framework***

Improvement of public procurement system is an important dimension in increasing the efficiency of public expenditures. The need for improvement in this area is also supported by the fact that state procurement accounts for 11% of GDP and thus, is potentially an important factor of economic growth.



Efforts in the organization of the procurement system have so far been largely focused on improving the bidding procedures to ensure their efficiency and transparency. However, the current practice shows that transparency of the implementation mechanism of bidding processes needs to be improved as well. This is believed to stem from the shortcomings of the current legislative and regulatory framework, which leaves loopholes for double interpretation of certain rules and procedural issues for tenders. The development of a single legislative act regulating the procedures of public procurement is an essential condition for addressing the existing shortcomings. In this regard, the project activities are intended to focus on promoting the development of the Law on Public Procurement, as well as providing institutional support for its approval through organization of workshops for the deputies of the Oliy Majlis.

#### ***4. Further enhancement of fiscal decentralization through the improvement of intergovernmental fiscal relations, capacity building and development of incentives at the local level.***

It should be noted that in the public administration system in Uzbekistan an important role is given to local governments, specifically in dealing with the issues of poverty reduction and achieving the MDGs. Given this circumstance, the sustainability of local budgets, improving the efficiency and targeting of their expenditures is an integral aspect of public finance reform in Uzbekistan. In addition to direct fiscal aspects, the reforming of budget execution at the local level is closely linked to the issues of inter-regional redistribution and ensuring the equity of revenues. According to the analysis of preparation, execution and monitoring of local budgets, the use of automatic expenditure balancing among local budgets does not always lead to horizontal equity of expenditures and undermines incentives to local authorities to expand their revenue base.

Apart from the above indicated aspects the improvement of the system of inter-budgetary relations is also necessary for the creation of equal opportunities for everyone including men and women, in all aspects and sectors of socioeconomic life. For full-fledged implementation of this principle, it is essential to conduct gender-sensitivity analysis of the state budget on the basis of a pilot region, as well as facilitate the development of indicators for assessing the gender sensitivity of local budgets. But currently understanding of the notion of gender budgeting has not yet emerged, which is normal amid the lack of specialists with the knowledge of appropriate methodologies.

In order to initiate the reforms in this area, wide-scale campaign including efforts on introduction to gender budgeting methodology, assistance in its wide advocacy, trainings for practitioners, analysis of gender sensitivity of the budget are needed. All these will enable assessing the advantages and the need to apply the gender budgeting methodology.

Priorities of project assistance in this area will be given to the following:

- a) Introduction of new methodology of forecasting the revenues of local budgets. The method of assessment and forecasting tax capacity of regions developed under the previous project was pilot-tested on the example of Namangan oblast. This method enables forecasting of tax collections based on the indicators of regional economy and facilitates mobilization of local budget revenues. Countrywide application of this method requires its further improvement to reflect the specific features of other regions.
- b) Adaptation of the methodology, used in international practice for estimating budget expenditure indices to balance inter-regional differences, to the country specific conditions.
- c) Development of methodology of estimating targeted subventions. Pilot testing and implementation of these initiatives requires organization of training of local fiscal sector specialists.
- d) Conducting the gender-sensitivity analysis of the state budget on the basis of a pilot region, as well as development of indicators for assessing the gender sensitivity of local budgets.

#### ***5. Institutional strengthening of the Training Center and enhancing human resource capacity for the implementation of reforms***

The success of the introduction of new methods of public finance management depends on the adequate human resource capacity of the ministries and departments and their regional offices, the level of knowledge and the availability of appropriate skills to apply new procedures and standards of planning, execution and monitoring of the state budget. The introduction of the program method budgeting will require rethinking of goals and instruments of public funding at the management level of the ministries and departments, as well as additional training on the development of budgetary programs at the level of their executors. The new approach fundamentally changes the purpose and mechanism of monitoring of budget execution.

At the stage of piloting and subsequent wide application of the program budgeting method, a strong need will arise in re-training of experts of regional financial departments, as well as extensive training of managers of budgetary programs, who should be proficient in the methodology for result-oriented budgeting.

Addressing the aforementioned objectives does not appear feasible without creation of a sustainable system of training and re-training of the employees of the Ministry of Finance and its regional branches. The earlier project has provided assistance in the institutional capacity-building of the Training Center. But this assistance covered only the first stage in the organization of systemic training of civil servants. There is a need for further assistance in preparing training curriculum, textbooks and certified trainers, who could continue training with broader coverage of regional-level experts. Comprehensive and systemic approach is essential here, envisaging:

- a) Development of a long-term program for building-up and enhancement of the capacity of trainers, including the development of selection process for trainers, provision of continuous training and retraining programs to them and ensuring their more active participation in research activity on implementation of systemic changes in the public financial system of the country.
- b) Promotion of distance learning to increase the number of trainees and reduce the associated costs. The project will work on developing handouts in electronic version for specific categories of trainees, which will be provided as supporting materials in addition to textbooks under each training module. The materials under preparation will be based on the works of specific trainers/lecturers, who read this course, as well as practical case studies and situations, developed through the collaboration of trainers and trainees.
- c) Contemplation of an efficient use of existing technical capacity of the Training Center in order to increase the effectiveness of preparation and conducting of trainings, promotion of the Center and marketing its services. For this the web-site of the Training Center will be developed, launched and maintained. Besides, the efforts will be put towards the introduction of international standards within the Training Center.
- d) Organization of trainings for the staff of the regional branches of the Ministry of Finance through, including through study tours and facilitation of internship programs abroad to review best international experience in budget preparation and execution<sup>2</sup>. The selection of staff for study tours will be based on official nominations of the Ministry of Finance, as well as the performance results of candidates during the internships at the Banking and Finance Academy and Training Center of the Ministry of Finance. It has been agreed that the Ministry of finance will cover on a parallel financing basis the transportation expenses of at least fifty participants of the study tours.

The realization of these tasks will enhance the stability of budgetary policy, increase funding opportunities of social and economic programs. Moreover, it will contribute to the achievement of sustainably high rates of economic growth, improvement of living standards and ensuring equal access to social services provided by the State.

Taking into account the efforts made in implementation of public finance management reforms and the prerequisites created in this process, the main goal of the project will be to facilitate the development of institutional framework to continue and enhance reforms. Assistance in this area will be a logical follow-up to the UNDP's previous support provided under the "Public finance reform in Uzbekistan" project. This goal will be achieved by:

- 1) Providing technical, methodological, and analytical support in promoting public finance management reform;
- 2) Facilitating greater transparency and effectiveness of the reforms by organization of open dialogue and involvement of the representatives of the private sector, civil society, and international organizations in the discussions of the policy decisions;
- 3) Assistance in strengthening the human resource capacity of the Ministry of Finance and all structures involved in the reform by organizing and conducting seminars, study tours, and invitation of international consultants.

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<sup>2</sup> Subject to the availability of sufficient (or economized) funding the representatives of the Training center may also participate in the study tours along with the specialists of the regional financial authorities.

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### III. PARTNERSHIP STRATEGY

In order to ensure synergies, consolidation of efforts, and efficient use of resources, a mechanism will be established to exchange experiences and knowledge among government authorities, donors, international organizations and other relevant institutions (including World Bank, TACIS (European Union Program for Technical Assistance to CIS countries), Asian Development Bank, International Monetary Fund, international cooperation organizations of France, Switzerland, Turkey, and South Korea, etc.), involved in the public finance reform initiatives. In this case the Ministry of Finance will play a leading role in coordination of efforts and initiating regular consultation meetings with all stakeholders.

#### Activities of other Donors in the area of Public Finance Reforms in Uzbekistan

##### International Monetary Fund (IMF)

The IMF has had a resident treasury advisor in Uzbekistan for most of the time since 2003. It also sends frequent PFM consultation missions to discuss key challenges of reforms. The IMF also works closely on issues of macroeconomic stability and economic management together with the WB.

##### World Bank (WB)

The WB recently implemented a grant financed 10-month project to improve capacity in internal and external auditing. At present, the WB country office in Uzbekistan has one ongoing technical assistance project on Public Sector Management Support to the Treasury of Uzbekistan (duration April 2007 – June 2010). The Project intends to help the Treasury to develop the accounting concept of a new Unified Chart of Accounts (UCOA) in Treasury units and in budget organizations, to develop instructions (guidelines) for both Treasury and budget organizations on how to use UCOA, and to conduct training for Treasury staff (both central and regional) on these topics.

##### Asian Development Bank (ADB)

The ADB is currently implementing a loan financed project "Public Finance Management Reform Project" for the Treasury of Uzbekistan (budget 20.7 mil. USD from ADB loan, 16.6 mil. USD from the Government; duration 2007-2012). The project's main objectives are the establishment and capacity building of the network of treasury offices (for national and sub-national governments), development of a government FMIS, establishment of a Treasury single account, creation of a central accounting system using a unified chart of accounts, amendments to the legal framework, application of the revised budget classification to the budget preparation, and execution of pilot programme budgets in selected sectors. The implementing agency of the project is the Treasury of the Republic of Uzbekistan. Alongside this project, a separate TA project (with a budget of 600,000 USD) is being implemented over 2 years (starting in January 2008) to support budget preparation and execution processes through treasury operations using FMIS. The project covers development of user manuals on budget preparation and treasury operations using revised budget classification and execution of training for MoF and Treasury staff.

#### Resource Mobilization Plan

In the course of project implementation joint efforts will be made by the Ministry of Finance and UNDP to mobilize additional resources to increase and scale-up the added value of the project activities. In particular, the SECO, KOICA, TIKa, IMF, World Bank, ADB, ADETEF, as well as major research centers in the area of public financial management will be involved in the process of knowledge exchange and mobilization of resources under joint arrangements.

Partnerships with ADETEF, TIKa, Malaysian Embassy in Tashkent and the Slovak Trust Fund will be of particular importance in facilitating trainings for the representatives of the regional branches of the Ministry of Finance through the organization of joint study tours.

Project implementation team will liaise with the ADB Public Finance Management Project in order to determine the field for joint activities in the course of fiscal reforms in Uzbekistan.

Moreover, the project will establish close working arrangements with the IMF regional advisor in the development of methodological tools and drafting legislative documents under the implementation of new approaches in budget preparation process.

The Project will actively cooperate with the World Bank Institute in bringing in international experts to the trainings on budget reform issues and implementation of new budgeting methods.

On international exchanges, the project will seek support from the network project of UNCPAR, implemented by the UNDP Bratislava Regional Mission in partnership with the European Commission and the Government of Greece. The UNCPAR Project envisages large-scale cross-border partnerships and projects in the field of administrative reforms, including financial aspects and the PBB.



In addition the project will also actively collaborate with the regional Public Finance Development Project implemented by the UNDP Regional Center in Bratislava jointly with the Slovak Trust Fund for sharing experience and methodological outputs to improve the budgetary system.

Considering the large scope of activities related with the improvement of legal framework to facilitate budget reforms, the project will also actively work with the UNDP "Parliamentary development assistance" project in conducting trainings and round-table discussions with participation of the Members of Parliament on proposed legal documents.

Forms and conditions for cooperation and resource mobilization will be agreed with the partners based on practicality and expediency of cooperation methods for achievement of project goals and objectives, as well as considering their compliance with the internal requirements of the partners for financing joint initiatives.

#### IV. RESULTS AND RESOURCES FRAMEWORK

| Intended Outcome as stated in the Country Programme Results and Resource Framework 2010-2015: Output 1.1.2: Improved Public Financial Management and Aid Coordination   |   |   |  |   |   |  |
|---|---|---|--|---|---|--|
| Outcome indicators as stated in the Country Programme Results and Resources Framework, including baselines and targets:<br>Output 1.1.2. Indicator 1: Introduction of medium-term budget planning and Performance Based Budgeting (PBB) into budgeting system in selected sectors<br>Baseline: Conceptual basis of PBB and medium-term budget planning implementation is developed<br>Target: PBB and medium-term budget planning applied in budgeting of at least 3 targeted Government programs |   |   |  |   |   |  |
| Applicable Key Result Area (from 2008-11 Strategic Plan): Main outputs: Promoting inclusive growth, gender equality and the achievement of MDGs   |   |   |  |   |   |  |
| Partnership Strategy: Ministry of Finance – implementing partner; Responsible parties: UNDP, Parliament (Oliy Majlis), Cabinet of Ministers, Ministry of Economy, Ministry of Justice, Ministry of Foreign Economic Relations, Investment and Trade, Chamber of Accounts, Banking and Finance Academy and Training Center under the Ministry of Finance, Institute of Forecasting and Macroeconomic Research  |   |   |  |   |   |  |
| INTENDED OUTPUT(S)  | OUTPUT BASELINE(S)  | OUTPUT INDICATOR(S)   | OUTPUT TARGETS   | INDICATIVE ACTIVITIES   | RESPONSIBLE PARTIES   | INPUTS   |
| Output 1:<br><b>Improved efficiency and transparency of budget preparation system</b>   | <b>Baseline 1:</b><br>The legislative framework does not meet the realities of changes taking place within the budget reform and does not reflect the conceptual changes introduced into the budget practice. Given this situation, the Government recognizes the need to improve the legislative framework for successful implementation of budget reforms | <b>Indicators:</b><br>1.1. Draft of the Budget Code, systematically reflecting all principles and procedures for budget planning and implementation<br>1.2. Availability of the Roster of expenditure authorities<br>1.3. Availability of draft Commentary on application of the Budget Code<br>1.4. Number of civil servants and members of Parliament acquainted with the proposed changes in the budget legislation (30% opposite gender ratio). | <b>Target 2010:</b><br>1.2.1. Guidelines for compiling the Roster of expenditure authorities are developed.<br><br><b>Target 2011:</b><br>1.1.1. Draft Concept of the Budget Code is prepared and widely discussed<br>1.1.2. Draft of the Budget Code is prepared<br>1.2.1. Roster of expenditure authorities is developed<br><br><b>Target 2012:</b><br>1.1.2. Draft of the Budget Code is widely discussed<br>1.3.1. Commentary on application of the Budget Code developed and discussed<br>1.4.1. At least 80 civil servants and civil society representatives are aware of proposed changes in the legislation within the framework of the draft Budget Code. | <b>Activity Result 1:</b><br><b>Legislative framework is developed to facilitate the reforms on introduction of medium-term budget planning and Performance based budgeting (PBB) Activities in 2010</b><br>1. Preparation of guidelines for compiling the Roster of expenditure authorities<br>development of Terms of reference, selection and recruitment of national consultants;<br>organization of round table discussion of developed draft guidelines with participation of experts from the World Bank and IMF, publication and dissemination of guidelines.<br><br><b>Activities in 2011</b><br>1. Development of the Concept and methodology of the Budget Code<br>development of Terms of reference, selection and recruitment of national consultants;<br>development of Terms of reference, vacancy announcement and selection of international consultant for development of the Concept of the Budget Code and the draft Budget Code;<br>organization of the 1st mission of international consultant for discussion of the draft Concept of the Budget Code;<br>organization of round table to discuss the draft Concept of the Budget Code with participation of the international | Ministry of Finance;<br>Regional offices of the Ministry of Finance;<br>Ministry of Economy;<br>Cabinet of Ministers;<br>Ministry of Justice, Oliy Majlis, ADB, IMF, World Bank | <ul style="list-style-type: none"> <li>• Travel costs;</li> <li>• Logistics for organization of training seminars and workshops</li> <li>• Personnel / Consultants</li> <li>• Printing;</li> <li>• Communications costs;</li> <li>• Staff time</li> </ul> <p><b>Total for Activity 1-</b><br/><b>\$ 144,800</b></p> <p>Y 2010 – \$22,050<br/>Y 2011 – \$69,050<br/>Y 2012 - \$53,700</p> |

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|  |  | <p>1.4.2. At least 25 deputies (MPs) are aware of the proposed changes in the legislation within the framework of the draft Budget Code.</p> | <p>consultant, experts from the World Bank and IMF, as well as the representatives of ministries and agencies</p> <p>2. Development of the draft Budget Code</p> <p>development of Terms of reference, selection and recruitment of national consultants;</p> <p>organization and conduction of a series of working meetings on discussion of the draft Budget Code by chapters;</p> <p>organization of the 2nd mission of international consultant for elaboration of the draft Budget Code;</p> <p>organization of round table to discuss the draft Budget Code with participation of the international consultant, experts from the World Bank and IMF, as well as the representatives of ministries and agencies,</p> <p>publication and submission of the draft Budget Code to the Government;</p> <p>preparation of the set of additional documents necessary for adoption of the Budget Code;</p> <p>recruitment of translators and organization of translation of the draft Budget Code into Uzbek language.</p> <p>3. Development of the draft Roster of expenditure authorities</p> <p>development of Terms of reference, selection and recruitment of national consultants;</p> <p>organization of a round table to discuss the prepared draft Roster of expenditure authorities with participation of experts from the World Bank and IMF, as well as the representatives of ministries, agencies and regional administrations (khokimiyats);</p> <p>submission of the revised draft Roster to the Ministry of Finance for approval.</p> <p><b>Activities in 2012</b></p> <p>1. Development of Commentary on application of the Budget Code</p> <p>development of Terms of reference, selection and recruitment of national consultants;</p> <p>organization of a working meeting of consultants for peer-reviewing of developed draft Commentary to the Budget Code;</p> <p>recruitment of translators and organization of translation of the draft Commentary to the Budget Code into Uzbek</p> |  |  |
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|  | <p><b>Baseline II:</b><br/>With UNDP's assistance under the framework of the "Public Finance Reform in Uzbekistan" project the conceptual approaches and guidelines were developed for the introduction of PBB, thereby creating a platform for reforming the budget process based on the new approaches.</p> | <p><b>Indicators:</b></p> <p>2.1. Availability of methodological basis for the development of medium-term strategies and program budgeting at the level of ministries /budget recipients;</p> <p>2.2. Number of Government officials trained on international experience in medium-term planning (with 30% opposite gender ratio);</p> <p>2.3. Availability of guidelines for reporting, monitoring and assessment of budget programs.</p> <p>2.4. Number of implemented pilot projects on probation of program budgeting techniques;</p> <p>2.5. Availability of regulatory framework on conducting internal and external budget control in transition to PBB;</p> | <p><b>Target 2010:</b></p> <p>2.1.1. Draft Guidelines on preparation of medium-term strategies at the level of ministries /budget recipients are developed.</p> <p><b>Target 2011:</b></p> <p>2.2.1. In cooperation with ADETEF 8 specialists from various ministries are familiarized with medium-term planning methodology and practice in France</p> <p>2.3.1. Methodical guidelines for reporting and assessment of budget programs are developed.</p> <p>2.4.1. Pilot project on medium-term planning and performance based budgeting is developed on the basis of 2 ministries /budget recipients.</p> <p>2.6.1. At least 60 Government officials at the central and</p>   | <p>language.</p> <p>2. Organization of 2 seminars for at least 80 civil servants and civil society representatives to familiarize with the proposed changes in the legislation within the framework of the draft Budget Code.</p> <p>3. Organization of a seminar for 25 deputies of the Oliy Majlis to explain the proposed changes in the legislation within the framework of the draft Budget Code.</p> <p><b>Activities over the entire period of the component</b></p> <p>1. Preparation and publication of 2 articles in the national press on conceptual foundations of the draft Budget Code.</p> <p>2. Organization of project's PR activities in this area (coverage on project's website, TV and radio broadcasting)</p> | <p>Ministry of Finance;<br/>Regional offices of the Ministry of Finance;<br/>Ministry of Economy;<br/>Cabinet of Ministers;<br/>Ministry of Justice,<br/>Oliy Majlis, ADB,<br/>WBI, World Bank</p> | <ul style="list-style-type: none"> <li>• Travel costs;</li> <li>• Logistics for organization of training seminars and workshops;</li> <li>• Personnel / Consultants</li> <li>• Printing;</li> <li>• Communications costs;</li> <li>• Staff time</li> </ul> <p><b>Total for Activity 2-</b><br/><b>\$ 189,350</b></p> <p>Y 2010 – \$10,250<br/>Y 2011 – \$60,800<br/>Y 2012 – \$118,300</p> |
|  |   |   | <p><b>Activity Result 2:</b></p> <p><b>Piloting of PBB is expanded, methodology for its full-scale implementation and transition to medium-term budget planning developed</b></p> <p><b>Activities in 2010</b></p> <p>1. Development of the draft Guidelines on preparation of medium-term strategies at the level of ministries /budget recipients</p> <p>development of Terms of reference, selection and recruitment of national consultants;</p> <p>involvement of experts from the World Bank and IMF (through partnership) to finalization of the draft Guidelines with reference to best international practices;</p> <p>organization of round table on medium-term strategic planning at the level of ministries /budget recipients;</p> <p>publication and dissemination of the Guidelines to relevant ministries.</p> <p><b>Activities in 2011</b></p> <p>1. Organization in cooperation with ADETEF of a study tour to France for 8 specialists from line ministries to study the methodology and practice of medium-term planning;</p> <p>2. Development of the guidelines on reporting and assessment of budget programs;</p> |   |  |  |

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|  |  | <p>2.6. Number of specialists of ministries /budget recipients trained on programme based reporting and monitoring of budget execution, as well as on new procedures for budget control</p> | <p>regional levels are trained on the methodology of reporting and monitoring of programme based budget execution.</p> <p><b>Target 2012:</b></p> <p>2.1.1. Guidelines on programme based budget preparation are developed.</p> <p>2.2.1. At least 30 specialists from line ministries and 30 specialists at the regional level are trained on the methodology of medium-term strategic planning and program budgeting techniques.</p> <p>2.5.1. Methodology and procedures for conducting internal budget control in transition to PBB (including legal acts) are developed.</p> <p>2.5.2. Methodology and procedures for conducting external budget control in transition to PBB (including legal acts) are developed.</p> <p>2.6.1. At least 30 specialists at the central level and 60 specialists at the regional level are trained on new methodology and procedures for conducting budget control.</p> | <p>development of Terms of reference, selection and recruitment of national consultants;<br/>involvement of experts from the World Bank and IMF (through partnership) to finalization of the draft Guidelines with reference to best international practices; publication and dissemination of the guidelines to relevant ministries.</p> <p>3. Organization of 2 training workshops for specialists at central and regional levels on reporting and monitoring of budget programs.</p> <p>4. Development of pilot projects on medium-term planning and performance based budgeting on the basis of 2 ministries /budget recipients development of Terms of reference, selection and recruitment of national consultants;<br/>involvement of experts from the World Bank and IMF (through partnership) to the finalization of the pilot projects with reference to the best international practices;<br/>organization of a round table to discuss the developed pilot projects;<br/>submission of pilot projects to the Government for approbation.</p> <p><b>Activities in 2012</b></p> <p>1. Development of draft Guidelines on programme based budget preparation<br/>development of Terms of reference, selection and recruitment of national consultants;<br/>adaptation of the programme based budgeting methodology to the country-specific context;<br/>organization of a round table to discuss the draft Guidelines on programme based budget preparation;<br/>publication and submission to the Government of the draft Guidelines for programme based budget preparation.</p> <p>2. Organization of a seminar workshop for the central level Government officials on preparation of medium-term strategic plans and budget programs at the level of ministries /budget recipients.</p> |  |
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|  | <p><b>Baseline III:</b><br/>Practice shows that the transparency and efficiency of public procurement procedures need improvement. Ensuring the effectiveness of public procurement system necessitates the revisiting and improvement of fragmented and sometimes contradictory legislative framework of public procurement.</p> | <p><b>Indicators:</b><br/>3.1. Availability of the draft Law "On public procurement";<br/>3.2. Number of round tables conducted on wide discussion of public procurement procedures and mechanism;<br/>3.3. Number of civil servants and Members of parliament familiarized with best international practices in public procurement (with 30% opposite gender ratio).</p> | <p><b>Target 2011:</b><br/>3.1.1. In cooperation with ADETEF 7 specialists from line ministries are acquainted with the experience of reforming the public procurement system in France;<br/>3.1.2. Concept of the Law "On public procurement" is developed.<br/><b>Target 2012:</b><br/>3.2.1. The draft law "On public procurement" is developed;<br/>3.2.1. Two round table discussions on the draft Law "On public procurement" are organized;</p> | <p>3. Organization of 2 seminar workshops regional level Government officials on preparation of medium-term strategic plans and budget programs.<br/>4. Development of the methodology and procedures for conducting internal and external budget control in transition to PBB (including normative acts) development of the Terms of reference, selection and recruitment of national consultants; involvement of experts from the World Bank and IMF (through partnership) to finalization of the developed methodology and procedures with reference to the best international practices; organization of 1 seminar at the central level and 2 seminars in the regions on new methodology and procedures of budget control applied during transition to PBB;</p> <p><b>Activities over the entire period of the component</b><br/>1. Undertaking public awareness campaign on new trends in the state budget planning and execution system (coverage on project's website, TV and radio broadcasting)</p> | <p>Ministry of Finance; Regional offices of the Ministry of Finance; Ministry of Economy; Ministry of Foreign Economic Relations, Investment and Trade; Cabinet of Ministers; Ministry of Justice, Oliy Majlis; ADB; WBI; IDB, IMF, World Bank</p> | <ul style="list-style-type: none"> <li>• Travel costs;</li> <li>• Logistics for organization of training seminars and workshops;</li> <li>• Personnel / Consultants</li> <li>• Printing;</li> <li>• Communications costs;</li> <li>• Staff time</li> </ul> <p><b>Total for Activity 3-</b><br/>\$ 48,100</p> <p>Y 2010 - \$0<br/>Y 2011 - \$23,400<br/>Y 2012 - \$24,700</p> |
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|  | <p><b>Baseline IV:</b><br/>Ensuring the sustainability of local budgets, improving efficiency and targeting of their expenditures is the essential aspect of the budget system reform. The analysis of preparation, execution and monitoring of local budgets shows that the use of automatic balancing mechanisms of local budgets not always leads to horizontal equity of expenditures and undermines the incentives of local authorities to expand the revenue base.</p> | <p><b>Indicators:</b><br/>4.1. Availability of the methodology for assessing and forecasting the tax potential of regions, as well as for preparing the regional indices of budget expenditures;<br/>4.2. Development of the draft methodology of distribution of targeted subventions;<br/>4.3. Number of regions where developed methodologies of budget-to-budget regulation were approved;<br/>4.4. Number of employees of regional and local financial authorities trained on new methods of inter-budgetary regulation and on the methodology for</p> | <p>3.3.1. Seminar for 20 civil servants and 10 deputies of the Oliy Majlis is conducted to discuss the draft Law "On public procurement".</p>   | <p><b>Activities in 2012</b><br/>1. Development of the draft Law "On public procurement" development of the Terms of reference, selection and recruitment of national consultants; involvement of experts from the World Bank and IMF (through partnership) in the process of development and discussion of the draft Law; organization of round table for wide discussion of the draft Law "On public procurement"; publication and submission of the draft Law "On public procurement" to the Government;<br/>2. Organization of a seminar for deputies of the Oliy Majlis and civil servants to discuss and explain the proposed provisions of the developed draft Law.</p>   |   |   |
|  |  |   | <p><b>Target 2010:</b><br/>4.1.1. Methodology for assessing the tax potential, previously developed for Namangan region, is adapted for all regions of Uzbekistan;<br/>4.5.1. Gender sensitivity analysis of the budget is undertaken on the basis of a pilot region and a summary report prepared<br/><b>Target 2011:</b><br/>4.4.1. At least 70 employees of regional and local branches of the ministries of finance and economy are trained on the methodology for assessing and forecasting the tax potential of regions.<br/>4.1.1. Draft methodology for preparing the regional indices of budget expenditures is developed;</p> | <p><b>Activity Result 4:</b><br/><b>Methodology for inter-budgetary adjustment of revenues and expenditures is developed.</b><br/><b>Activities in 2010</b><br/>1. Adaptation for all regions of previously developed methodology for assessing and forecasting the tax potential of a region development of the Terms of reference, selection and recruitment of national consultants;<br/>2. Conducting gender sensitivity analysis of the budget on the basis of a pilot region development of the Terms of reference, selection and recruitment of national consultants; organization of the mission of international consultant on the methodology and practice of application of gender budgeting; preparation and submission of policy brief on the outcomes of gender sensitivity analysis to the Ministry of Finance;<br/><b>Activities in 2011</b><br/>1. Development of the draft methodology for preparing the regional indices of budget expenditures development of the Terms of reference, selection and recruitment of national consultants;</p> | <p>Ministry of Finance; Training Center under the Ministry of Finance; Regional offices of the Ministry of Finance; Ministry of Economy and regional offices of the Ministry of Economy, and Institute of Forecasting and Macroeconomic Research, ADB, WBI.</p> | <ul style="list-style-type: none"> <li>• Travel costs;</li> <li>• Logistics for organization of training seminars and workshops;</li> <li>• Personnel / Consultants</li> <li>• Printing;</li> <li>• Communications costs;</li> <li>• Staff time</li> </ul> <p><b>Total for Activity 4-</b><br/><b>\$ 182,056</b><br/>Y 2010 – \$31,456<br/>Y 2011 – \$101,650<br/>Y 2012 – \$48,950</p> |

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|   |  | <p>assessing the tax potential of regions.</p> <p>4.5. Availability of a baseline gender sensitivity analysis of the state budget on the basis of a pilot region;</p> <p>4.6. Availability of indicators for assessing the gender sensitivity of local budgets</p> | <p>4.4.1. At least 70 employees of local branches of the Ministry of Finance are trained on the methodology for calculating the regional indices of budget expenditures.</p> <p>4.6.1. The indicators for assessing the gender sensitivity of local budgets are developed.</p> <p><b>Target 2012:</b></p> <p>4.2.1. Draft methodology of distribution of targeted subventions is developed;</p> <p>4.3.1. Developed tools on inter-budgetary regulation are approved on a pilot basis in 2 regions.</p> | <p>organization of at least 2 working meetings to discuss the draft methodology;</p> <p>publication and dissemination of the methodology to relevant ministries and their regional offices;</p> <p>2. Organization of 2 training workshops for employees of the regional branches of the Ministry of Finance on the methodology for calculating the regional indices of budget expenditures.</p> <p>3. Organization of 2 training workshops for employees of regional branches of the ministries of finance and economy on the methodology for assessing and forecasting the tax potential of regions;</p> <p>4. Procurement and transfer to the Ministry of Finance of at least 150 items of methodological literature on inter-budgetary relations.</p> <p>5. Development of the indicators for assessing the gender sensitivity of local budgets</p> <p>development of Terms of reference, selection and recruitment of national consultants;</p> <p>organization of a round table discussion on the developed indicators of assessing gender sensitivity of local budgets, with participation of representatives of ministries and agencies, as well as of the World Bank and other stakeholders;</p> <p><b>Activities in 2012</b></p> <p>1. Development of the draft methodology of distribution of targeted subventions</p> <p>development of the Terms of reference, selection and recruitment of national consultants;</p> <p>organization of at least 2 working meetings to discuss the draft methodology;</p> <p>publication and dissemination of the methodology to relevant ministries and their regional offices;</p> <p>2. Approval of the developed methodologies of inter-budgetary regulation on a pilot basis in 2 regions.</p> | <p>Ministry of Finance;<br/>Training Center under the Ministry of Finance;<br/>Regional offices of the Ministry of</p> | <ul style="list-style-type: none"> <li>• Travel costs;</li> <li>• Logistics for organization of training seminars and workshops;</li> </ul> |
| <p><b>Baseline V:</b><br/>At the piloting stage of the individual elements of PBB and medium-term planning, and subsequently in expanding</p> | <p><b>Indicators:</b></p> <p>5.1. Number of information and online resources, to which access is provided for the Training center under the Ministry of Finance;</p> | <p><b>Target 2010:</b></p> <p>5.1. Access to 2 online information resources of international organizations is provided;</p>  | <p><b>Activity result 5:</b></p> <p>Capacity of civil servants involved in budget reform is enhanced, and training capacity of the Training center under the MoF strengthened</p>   | <p>Ministry of Finance;<br/>Training Center under the Ministry of Finance;<br/>Regional offices of the Ministry of</p>  | <p>Ministry of Finance;<br/>Training Center under the Ministry of Finance;<br/>Regional offices of the Ministry of</p> | <ul style="list-style-type: none"> <li>• Travel costs;</li> <li>• Logistics for organization of training seminars and workshops;</li> </ul> |

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| <p>their application, the re-training of specialists of the regional branches of the Ministry of Finance, line ministries /budget recipients, as well as the extensive training of managers of budget programs, who should be proficient in PBB methodology, will be required.</p> <p>This necessitates the establishment of comprehensive training base, including training programs and modules, as well as the development of training capacity Of the training center under the Ministry of Finance</p> | <p>5.2. Availability of the methodology for undertaking initial, intermediate and final control in training process;</p> <p>5.3. Number of trained trainers (with 30% opposite gender ration) and managers of budget programs;</p> <p>5.4. Number of employees of the regional branches of the Ministry of Finance participated in overseas trainings on best practices of introduction of new methods of budgeting.</p> <p>5.5. Use of advanced ICT solutions for improving the activity of the Training Center under the MoF</p> | <p>5.2. Methodology for undertaking initial, intermediate and final control is developed;</p> <p>5.3.1. In cooperation with ADETEF one study tour to France is organized for 10 specialists of the regional financial authorities (PBB, MTBF, public procurement)<sup>3</sup>;</p> <p>5.3.2. Fifteen trainers are trained on PBB;</p> <p>5.3.3. Twenty trainers are trained on budget system and budget process;</p> <p>5.3.3. Twenty employees of the regional branches of the Ministry of Finance participated in overseas trainings on best practices of introduction of new methods of budgeting (subject to agreement and readiness of host institutions in target countries, as well as confirmation of partner organizations involved in the organization of study tours)<sup>4</sup>.</p> <p>5.5.1. Web-site of the training center launched and maintained</p> <p>5.5.2. A preparatory assessment of the possibility of introducing the system of distance learning</p> | <p><b>Activities in 2010</b></p> <p>1. Providing access to online information resources of international organizations and transfer to the Training Center</p> <p>conducting comparative analysis of most appropriate online resources and formalization of sub-contract</p> <p>2. Development of methodology for undertaking initial, intermediate and final control</p> <p>announcement of open tender, selection of most appropriate organization and formalization of sub-contract for the development of methodology</p> <p>3. Organization of a study tour to France (for 10 pers.) jointly with ADETEF to exchange experience in organization of staff training and re-training process in areas of PBB, MTBF and public procurement.</p> <p>4. Organization of one training for trainers on application of PBB</p> <p>5. Organization of one training for trainers on budget system and budget process</p> <p>6. Organization jointly with TIKa and KOICA of study tours to Turkey and South Korea for specialists of the regional branches of the Ministry of Finance (for 20 pers.) to study the experience of program budgeting</p> <p>7. Signing a contract with an internet provider on the launch and maintenance of the Training Center web-site</p> <p>8. Conducting a preparatory assessment of the possibility of introducing the system of distance learning</p> <p><b>Activities in 2011</b></p> <p>1. Organization of 1 training for trainers on the methodology of medium-term strategic planning at the level of ministries / budget recipients</p> <p>2. Organization of training for trainers on inter-budgetary</p> | <p>Finance;<br/>Ministry of Economy and other line ministries;<br/>ADB, WBI.</p> | <ul style="list-style-type: none"> <li>• Personnel / Consultants</li> <li>• Printing;</li> <li>• Communications costs;</li> <li>• Staff time</li> </ul> <p><b>Total for Activity 5-</b><br/><b>\$491,538</b></p> <p>Y 2010 – \$79,710<br/>Y 2011 – \$311,714<br/>and \$60,000<br/>(Govt contribution)<br/>Y 2012 – \$100,114</p> |
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<sup>3</sup> Subject to the availability of sufficient (or economized) funding and the approval of involved partner organizations one representative of the Training center may also participate in the study tour along with the specialists of the regional financial authorities

<sup>4</sup> Subject to the availability of sufficient (or economized) funding and the approval of involved partner organizations one representative of the Training center may also participate in the study tour along with the specialists of the regional financial authorities



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|  |  | <p>within the TCFM completed</p> <p><b>Target 2011:</b></p> <p>5.3.1. Twenty trainers are trained on the methodology of medium-term strategic planning at the level of ministries/budget recipients;</p> <p>5.3.2. Twenty trainers are trained on inter-budgetary relations;</p> <p>5.3.3. Seventy employees of the regional branches of the Ministry of Finance participated in overseas trainings on best practices of introduction of new methods of budgeting (subject to agreement and readiness of host institutions in target countries, as well as confirmation of partner organizations involved in the organization of study tours)<sup>5</sup>.</p> <p>5.5.1. The web-site of the Training center maintained and improved</p> <p>5.5.2. Distance learning system is piloted on the basis of one region.</p> <p><b>Target 2012:</b></p> <p>5.3.1. 10 trainers are trained on mechanisms and procedures of public procurement;</p> | <p>relations</p> <p>3. Organization jointly with TIKA of a study tour to Turkey for specialists of the regional branches of the Ministry of Finance (for 20 pers.) to study the experience of program budgeting</p> <p>4. Organization jointly with the Embassy of Malaysia of a study tour to Malaysia for specialists of the regional branches of the Ministry of Finance (for 20 pers.) to study the experience of program budgeting</p> <p>5. Organization of two study tours for the specialists of the regional branches of the Ministry of Finance (total for 30 pers.) to Slovakia and France to study the experience of introduction of medium-term budget strategy</p> <p>6. Extending the contract with an internet provider on the maintenance and improvement of the Training Center web-site</p> <p>7. Procurement and transfer to the Ministry of Finance of the necessary equipment for the introduction and testing of the distance learning system on the basis of one region</p> <p>8. Improving the web-site and development of the intranet system of the Training Center</p> <p><b>Activities in 2012</b></p> <p>1. Organization of 1 training for trainers on mechanisms and procedures of public procurement</p> <p>2. Organization of 1 training to prepare the managers of budget programs</p> <p>3. Undertaking public awareness campaign on new approaches and trends in training of civil servants in public finance management (coverage on project's website, TV and radio broadcasting)</p> <p>4. Extending the contract with an internet provider on the maintenance and improvement of the Training Center web-site</p> <p>5. Procurement and transfer to the Ministry of Finance of the necessary equipment for the introduction and testing of the distance learning system on the basis of another two</p> | <p>Project Administration – \$215,496</p> <p>Y 2010 – \$45,900<br/>Y 2011 – \$74,798<br/>Y 2012 – \$94,798</p> <p>SUB-TOTAL – \$ 1,271,340</p> <p>Y 2010 - \$189,366<br/>Y 2011 - \$641,412<br/>and \$60,000<br/>(Govt contribution)<br/>Y 2012 - \$440,562</p> <p>Contingency costs (at 2% of subtotal) - \$33,995</p> <p>Y 2010 - \$3,000<br/>Y 2011 - \$16,930<br/>Y 2012 - \$14,065</p> <p>GRAND TOTAL – \$1,365,335</p> <p>Y 2010 - \$192,366<br/>Y 2011 - \$658,342<br/>and \$60,000<br/>(Govt contribution)<br/>Y 2012 - \$454,627</p> |
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<sup>5</sup> Subject to the availability of sufficient (or economized) funding and the approval of involved partner organizations one representative of the Training center may also participate in the study tour along with the specialists of the regional financial authorities

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|  |  |  | <p>5.3.2. 12 managers are trained on the management of budget programs;</p> <p>5.5.1. The web-site of the Training center maintained and improved</p> <p>5.5.2. Distance learning system is piloted on the basis of another two regions.</p> | <p>regions</p> <p>6. Signing a subcontract with an IT company to establish a link between the Intranet system of the Training Center and the Ministry of Finance to improve the document flow and allow the employees of the Training center in a timely manner track the changes taking place within the Ministry of Finance</p> |  |  |
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## V. MANAGEMENT ARRANGEMENTS

The project activities will be implemented according to the UNDP procedures for national implementation (NIM). The project will be nationally implemented by the Ministry of Finance of the Republic of Uzbekistan as the implementing partner. The Ministry of Finance shall retain overall responsibility for this nationally managed project and will appoint the **National Project Coordinator (NPC)** who will be responsible for providing strategic recommendations, as well as coordinating the Project activities. She/he will approve the annual work plans which will provide the basis for the implementation of the project activities.

**The Project Board** is the group responsible for making by consensus management decisions for a project when guidance is required by the Project Manager (PM), including recommendation for UNDP/ Ministry of Finance approval of project plans and revisions. In order to ensure UNDP's ultimate accountability, Project Board decisions should be made in accordance to standards that shall ensure best value for money, fairness, integrity transparency and effective international competition. Project reviews by this group are made at designated decision points during the running of a project, or as necessary when raised by the PM. This group is consulted by the PM for decisions when PM tolerances (normally in terms of time and budget) have been exceeded.

Based on the approved annual work plan (AWP), the Project Board may review and approve project quarterly plans when required and authorizes any major deviation from these agreed quarterly plans. It is the authority that signs off the completion of each quarterly plan as well as authorizes the start of the next quarterly plan. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and external bodies. The Project Board, if necessary, will also decide on the reallocation of project budget among its activities based on the respective request made by the Project manager. In addition, it approves the appointment and responsibilities of the PM and any delegation of its Project Assurance responsibilities. In particular, the Executive role will be held by NPC, the Senior Supplier role is held by UNDP RR/DRR, and the Senior Beneficiary role is held by a group of representatives from partner government agencies and civil society (see Annex B1 for details).

**Project Manager** has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Board. The PM is responsible for day-to-day management and decision-making for the project. The Project Manager's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost (see Annex B2 for details). **Furthermore, to provide technical, administrative and organizational support in the implementation of project activities the following positions will be recruited:** Research coordinator and Resource assistant on improving the legislative framework and introduction of new methods of budgeting; National consultant on the issues of inter-budgetary relations and improving the public procurement system; Task manager for the component on capacity building of the Training center; an Administrative and Finance assistant; a PR assistant and driver.

**Project Assurance** is the responsibility of each Project Board member; however the role can be delegated. The Project Assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed. Project Assurance has to be independent of the Project Manager; therefore the Project Board cannot delegate any of its assurance responsibilities to the Project Manager. A UNDP Programme Officer typically holds the Project Assurance role (see Annex B3 for details).

In accordance with the provisions of the letter of agreement between UNDP and the Government of Uzbekistan signed on 30 April, 2010 and the approved Country Programme Action Plan 2010-2015, the UNDP country office shall provide support services for the Project as described below.

### Direct UNDP Country office Support Services to the Programme Implementation

The UNDP and the Ministry of Finance have agreed that the UNDP Country Office will provide the following support services for the project activities at the request of the Ministry of Finance:

- Identification and/or recruitment and solution of administrative issues related to the project personnel;
- Procurement of commodities, labour and services;
- Identification and facilitation of training activities, seminars and workshops;
- Financial monitoring and reporting;
- Processing of direct payments;
- Supervision of project implementation, monitoring and assistance in project assessment.



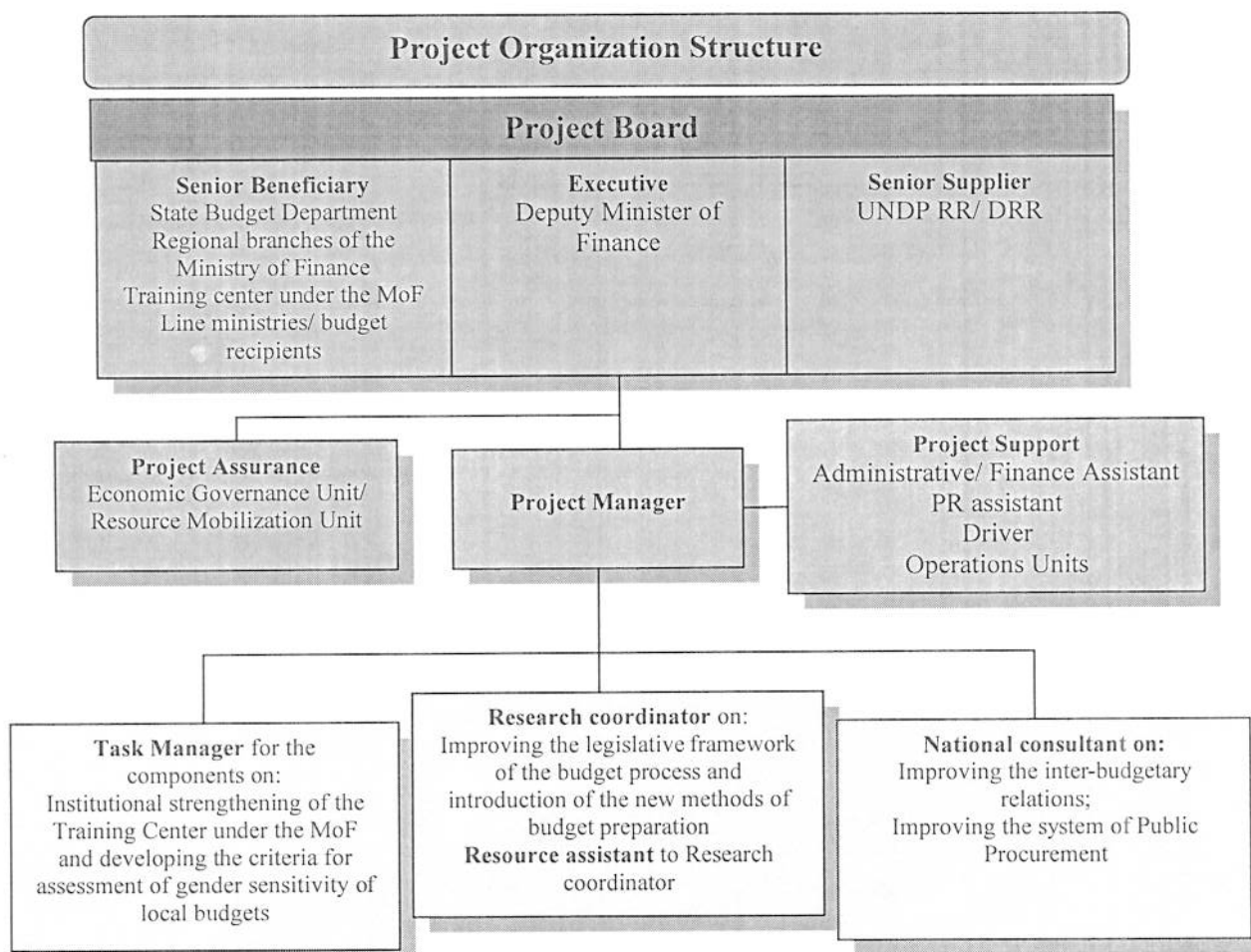
When providing the above support services, the UNDP Country Office will recover the costs for providing Implementation Support Services on the basis of actual costs and transaction fee based on the Universal Price List. According to the corporate guidelines, these costs are an integral part of project delivery and, hence, will be charged to the same budget line (account in AWP) as the project input itself.

The procurement of goods and services and the recruitment of project personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures. If the requirements for support services by the country office change during the life of a project, the list of UNDP country office support services is revised with the mutual agreement of the UNDP Resident Representative and the Ministry of Finance.

Any equipment (including IT equipment and components) procured in the process of project realization, after its completion will be transferred to the Ministry of Finance. Any methodological or other literature and software procured or developed during the course of the project implementation will be transferred for further use to the Ministry of Finance.

The relevant provisions of the Standard Basic Assistance Agreement (SBAA) between the Government of Uzbekistan and the UNDP, signed by Parties on 10th June 1993, including the provisions on liability and privileges and immunities, shall apply to the provision of such support services.

Any claim or dispute arising under or in connection with the provision of support services by the UNDP country office in accordance with this document shall be handled pursuant to the relevant provisions of the SBAA.



## VI. MONITORING FRAMEWORK AND EVALUATION

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

### Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted (see Annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, a Quarterly Progress Reports (QPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
- a project Lessons-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

### Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

## Quality Management of Project Activity Results

|   |   |  |
|---|---|--|
| OUTPUT: Improving the efficiency and transparency of budget preparation system  |   |  |
| Activity result 1<br>(Atlas Activity ID)  | Legislative framework is developed to facilitate the reforms on introduction of medium-term budget planning and Performance Based Budgeting (PBB)   | Start Date: June 2010<br>End Date: December 2012 |
| Purpose   | Reflection of the principles of the program budgeting within the main Budget Law is becoming with necessary with respective legislative arrangements for further promotion of reforms. . Apart from the work on introduction of program budgeting, the accounting system has faced transformations, new budget classifications were developed, transition to the treasury budget execution is being completed, which altogether emphasize the need for the development and adoption of a comprehensive legislative document in form of a Budget Code. |  |
| Description   | Development of systematic and comprehensive legislative framework covering all issues of the budget process, as well as explanatory materials to them.  |  |
| Quality Criteria  | Quality Method  | Date of Assessment                               |
| Guidelines for compiling the Roster of expenditure authorities are reviewed by the IMF advisor and adopted by the Ministry of Finance;<br>Roster of expenditure authorities is developed in accordance with international experience and effectively considers the specifics of inter-budget relations in the country;<br>Draft Budget Code incorporates views and interests of the private sector and civil society, and combines all normative acts regulating the regulations in the budget process; | Feedback from experts of the Ministry of Finance, IMF and the World Bank<br>Minutes of round table discussions of the documents being developed<br>Reports of international   | On quarterly and annual basis                    |

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| <p>Draft Budget Code is submitted to the Ministry of Finance along with a set of documentation necessary for its adoption;</p> <p>Comments on application of the Budget Code are available to all Regional branches of the Ministry of Finance in Uzbek and Russian languages;</p> <p>Deputies of the Oliy Majlis are also involved in the discussion of the draft Budget Code during its development stage.</p> | <p>consultants</p> <p>Official correspondence with the Ministry of Finance</p> |  |
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| <b>Activity Result 2 (Atlas Activity ID)</b>  | Piloting of PBB is expanded, methodology for its full-scale implementation and transition to medium-term budget planning developed   | Start Date: June 2010<br>End Date: December 2012 |
| <b>Purpose</b>  | Further promotion of reforms on introduction of PBB, including the adoption and implementation of the elements of results-based budgeting and expansion of its piloting practice followed by full-scale implementation.  |  |
| <b>Description</b>  | The assistance will be provided in: i) the development of Guidelines on preparation of medium-term strategies at the level of ministries/ budget recipients and its piloting through development of medium-term strategies for 2-3 ministries; ii) expansion of pilots on program based budgeting (with medium-term strategies) to 2-3 ministries/ budget recipients; iii) carrying out institutional reforms required for wider application of PBB. |  |
| <b>Quality Criteria</b>   | <b>Quality Method</b>  | <b>Date of Assessment</b>                        |
| <p>Methodological base for the introduction of program budgeting and PBB is developed on the basis of comprehensive analysis of international experience and national specifics:</p> <ul style="list-style-type: none"> <li>guidelines for reporting and assessment of budget programs;</li> <li>guidelines on preparation of medium-term strategies at the level of ministries/ budget recipients;</li> <li>guidelines on programme based budget preparation</li> </ul> <p>Developed methodological documents are widely discussed with the representatives of ministries/ budget recipients, private sector and civil society.</p> <p>Training seminars on new methods of budgeting cover the representatives of all concerned ministries/ budget recipients and their regional offices.</p> <p>Pilot projects on medium-term planning and performance-based budgeting approved for implementation on the basis of 2 ministries/ budget recipients.</p> | <p>Dissemination of the developed draft methodological documents, concepts, budget strategy</p> <p>Minutes and lists of participants of round tables and training seminars</p> <p>Reports of international consultants</p> <p>Feedback from experts, including IMF and the World Bank</p> <p>Reports on outcomes of study tours</p>  | On quarterly and annual basis                    |

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| <b>Activity Result 3 (Atlas Activity ID)</b>   | Legislative, normative and regulatory framework is enhanced to improve the efficiency and transparency of public procurement   | Start Date: January 2011<br>End Date: December 2012 |
| <b>Purpose</b>   | Addressing the shortcomings in the public procurement system through development and adoption of a single legislative act that would comprehensively regulate the public procurement procedures.                                   |   |
| <b>Description</b>   | The Project activities will focus on promoting the development and adoption of the Law "On public procurement", and supporting its approval through facilitation of wide discussions on norms and provisions of the new draft Law. |   |
| <b>Quality Criteria</b>  | <b>Quality Method</b>  | <b>Date of Assessment</b>                           |
| <p>Group of experts developing the draft Law "On public procurement" are acquainted with best international practices in organization and managing public procurement.</p> <p>Draft Concept of the Law "On public procurement" is widely discussed, including with participation of experts from IMF and the World Bank.</p> <p>Draft Law "On public procurement" is developed taking into account the</p> | <p>Minutes and lists of participants of round tables and training seminars</p> <p>Feedback from experts, including IMF and the World Bank</p>  | On quarterly and annual basis                       |

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| views and interests of the private sector and civil society, and combines all regulations in the area of public procurement.<br>Draft Law "On public procurement" is submitted to the Ministry of Finance.<br>Training seminars on best practices in organization of effective public procurement cover the representatives of ministries/ budget recipients and deputies of the Oliy Majlis. | Reports on outcomes of study tours<br>Official correspondence with the Ministry of Finance |  |
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| <b>Activity Result 4 (Atlas Activity ID)</b>   | Methodology for inter-budgetary adjustment of revenues and expenditures is developed  | Start Date: June 2010<br>End Date: December 2012 |
| <b>Purpose</b>   | Development of policies and methodology for ensuring sustainability of local budgets, improving the efficiency and targeting of their expenditures.   |  |
| <b>Description</b>   | The project will assist in developing the methodology for horizontal adjustment of local budgets, including the expenditure part and introduction of incentive function of inter-budget transfers, capacity building of employees of the regional branches of the Ministry of Finance, developing the criteria for assessing the gender sensitivity of local budgets. |  |
| <b>Quality Criteria</b>  | <b>Quality Method</b>   | <b>Date of Assessment</b>                        |
| Methodological basis for improving inter-budgetary relations is developed on the basis of comprehensive analysis of international experience and national specifics, including: <ul style="list-style-type: none"> <li>methodology for preparing the regional indices of budget expenditures;</li> <li>methodology of distribution of targeted subsidies.</li> </ul> Developed guidelines on inter-budgetary adjustment of revenues and expenditures are accepted for approbation in 2 regions.<br>Trainings on new methodologies of inter-budgetary regulation cover the representatives of all regional branches of the Ministry of Finance.<br>At least 75% of training participants evaluate the training program as effective<br>Gender sensitivity analysis is conducted on the basis of 1 pilot region<br>Criteria of gender sensitivity assessment is submitted to the Ministry of Finance | Dissemination of developed drafts of methodological and analytical documents<br>Minutes of round-table discussions<br>List of training participants<br>Survey among training participants on effectiveness of training programme<br>Official correspondence with the Ministry of Finance  | On quarterly and annual basis                    |

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| <b>Activity Result 5 (Atlas Activity ID)</b>  | Capacity of civil servants involved in budget reforms is enhanced, and training capacity of the Training center under the MoF strengthened  | Start Date: June 2010<br>End Date: December 2012 |
| <b>Purpose</b>  | Building of an effective system of training and re-training of public servants involved in public finance management, to support the successful introduction of innovations in the budget process   |  |
| <b>Description</b>  | The project will assist in strengthening the Institutional and training capacity of the Training Center under the Ministry of finance through training of trainers on various topics of budget preparation and execution, providing exposure to international best practice, and facilitation of the certification of trainers. |  |
| <b>Quality Criteria</b>   | <b>Quality Method</b>   | <b>Date of Assessment</b>                        |
| Staff and trainees of the Training Center are well acquainted with international practices on budget preparation process through the online information resources of international organizations.<br>The Training Center introduced an effective system for assessing the quality of knowledge, based on the methodology for undertaking initial, intermediate and final control. | Feedback from staff and trainees of the Training Center on new methodologies<br>Survey among training participants on effectiveness of training   | On quarterly and annual basis                    |



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| <p>Training of trainers on application of PBB; budget system and budget process; methodology of medium-term strategic planning at the level of ministries/ budget recipients; as well as on inter-budgetary relations is based on DACUM methodology and adult education techniques.</p> <p>Experience and knowledge acquired by the representatives of the regional branches of the Ministry of Finance in overseas study tours are gradually applied in practical work.</p> <p>Trainings provided by the Training Center meet the requirements of new methods of budgeting and focus on the needs of specialists in this area.</p> | <p>programmes and modules</p> <p>Reports on outcomes of study tours and innovative approaches introduced in budget preparation and execution process</p> |  |
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VII. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the SBAA between the Government of Uzbekistan and UNDP, signed on June 10, 1993.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the executing agency and its personnel and property, and of UNDP's property in the executing agency's custody, rests with the executing agency.

The executing agency shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the executing agency's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The executing agency agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

## VIII. ANNEXES

## Annex A: OFFLINE RISK LOG



| Project Title: Budget system reform in Uzbekistan |  | Date: 10.06.2010 |           |  |  |       |                       |             |        |
|---|--|------------------|-----------|--|--|-------|-----------------------|-------------|--------|
| #   | Description  | Date Identified  | Type      | Impact & Probability   | Countermeasures / Mngt response  | Owner | Submitted, updated by | Last Update | Status |
| 1   | Changes in the Government's policy priorities  | 10.06.2010       | Political | May result in shift from previously agreed policy reform commitments<br>P=3;<br>I=5      | Might require changes in the organizational arrangements or revision of the project outputs  |       |                       |             |        |
| 2   | Inadequate capacity and poor understanding of proposed reforms in the public finance sector among line officials | 10.06.2010       | Strategic | May hinder or delay the implementation of project activities<br>P =4<br>I = 4            | Strengthening the training activities of the project on major directions of the proposed reforms   |       |                       |             |        |
| 3   | High staff turnover within the Ministry of Finance   | 10.06.2010       | Strategic | May have negative impact on the sustainability of the project's outputs<br>P =4<br>I = 4 | Develop standard training modules with case studies and ensure an effective system of re-training at the training Center under the ministry of Finance |       |                       |             |        |

|   |   |            |                |  |   |  |  |  |  |
|---|---|------------|----------------|--|---|--|--|--|--|
| 4 | Absence or ineffective donor coordination may result in duplication of same activities by different donors                                  | 10.06.2010 | Strategic      | Affects the efficiency of outputs and outcomes<br><br>P = 2<br>I = 3                               | Regular consultations with partner-donor organizations/Semi-annual donor consultations with participation of the government to avoid overlapping of development initiatives |  |  |  |  |
| 5 | Failure of public services to fulfill their functions (due to the lack of professional motivations, administrative discipline and/or funds) | 10.06.2010 | Organizational | May hinder timely and effective application of new methods of budget preparation<br>P = 3<br>I = 5 | Intensify capacity building efforts (exploring such possibilities through partnerships with other projects) for public service providers                                    |  |  |  |  |



## Annex B1: TERMS OF REFERENCE

### PROJECT BOARD

Composition and organization: The Project Board contains three roles, including (1) **an executive**: individual representing the project ownership to chair the group; (2) **senior supplier**: individual or group representing the interests of the parties concerned which provide funding and/or technical expertise to the project; and (3) **senior beneficiary**: individual or group of individuals representing the interests of those who will ultimately benefit from the project.

#### I. Specific responsibilities

##### 1. Initiating a project:

- Agree on PM's responsibilities, as well as the responsibilities of the other members of the Project Management team;
- Delegate any Project Assurance function as appropriate;
- Review and appraise detailed Project Plan and AWP, including Atlas reports covering activity definition, quality criteria, issue log, updated risk log and the monitoring and communication plan.

##### 2. Running a project:

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- Address project issues as raised by the Project Manager;
- Provide guidance and agree on possible countermeasures/management actions to address specific risks;
- Agree on Project Manager's tolerances in the Annual Work Plan and quarterly plans when required;
- Conduct regular meetings to review the Project Quarterly Progress Report and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans.
- Review Combined Delivery Reports (CDR) prior to certification by the Implementing Partner;
- Appraise the Project Annual Review Report, make recommendations for the next AWP, and inform the Outcome Board about the results of the review.
- Review and approve end project report, make recommendations for follow-on actions;
- Provide ad-hoc direction and advice for exception situations when project manager's tolerances are exceeded;
- Assess and decide on project changes through revisions;

##### 3. Closing a project:

- Assure that all Project deliverables have been produced satisfactorily;
- Review and approve the Final Project Review Report, including Lessons-learned;
- Make recommendations for follow-on actions to be submitted to the Outcome Board;
- Commission project evaluation (only when required by partnership agreement)
- Notify operational completion of the project to the Outcome Board.

#### II. Executive

The Executive is ultimately responsible for the project, supported by the Senior Beneficiary and Senior Supplier. The Executive's role is to ensure that the project is focused throughout its life cycle on achieving its objectives and delivering outputs that will contribute to higher level outcomes. The Executive has to ensure that the project gives value for money, ensuring a cost-conscious approach to the project, balancing the demands of beneficiary and supplier. Specific Responsibilities (as part of the above responsibilities for the Project Board)

- Ensure that there is a coherent project organisation structure and logical set of plans
- Set tolerances in the AWP and other plans as required for the Project Manager
- Monitor and control the progress of the project at a strategic level
- Ensure that risks are being tracked and mitigated as effectively as possible
- Brief Outcome Board and relevant stakeholders about project progress
- Organise and chair Project Board meetings

### III. Senior Beneficiary

The Senior Beneficiary is responsible for validating the needs and for monitoring that the solution will meet those needs within the constraints of the project. This role represents the interests of all those who will benefit from the project, or those for whom the deliverables resulting from activities will achieve specific output targets. The Senior Beneficiary role monitors progress against targets and quality criteria. Specific Responsibilities (as part of the above responsibilities for the Project Board)

- Ensure the expected output(s) and related activities of the project are well defined
- Make sure that progress towards the outputs required by the beneficiaries remains consistent from the beneficiary perspective
- Promote and maintain focus on the expected project output(s)
- Prioritise and contribute beneficiaries' opinions on Project Board decisions on whether to implement recommendations on proposed changes
- Resolve priority conflicts

The assurance responsibilities of the Senior Beneficiary are to check that:

- Specification of the Beneficiary's needs is accurate, complete and unambiguous
- Implementation of activities at all stages is monitored to ensure that they will meet the beneficiary's needs and are progressing towards that target
- Impact of potential changes is evaluated from the beneficiary point of view
- Risks to the beneficiaries are frequently monitored

### IV. Senior Supplier

The Senior Supplier represents the interests of the parties which provide funding and/or technical expertise to the project (designing, developing, facilitating, procuring, implementing). The Senior Supplier's primary function within the Board is to provide guidance regarding the technical feasibility of the project. The Senior Supplier role must have the authority to commit or acquire supplier resources required. Specific Responsibilities (as part of the above responsibilities for the Project Board)

- Make sure that progress towards the outputs remains consistent from the supplier perspective
- Promote and maintain focus on the expected project output(s) from the point of view of supplier management
- Ensure that the supplier resources required for the project are made available
- Contribute supplier opinions on Project Board decisions on whether to implement recommendations on proposed changes
- Arbitrate on, and ensure resolution of, any supplier priority or resource conflicts

The supplier assurance role responsibilities are to:

- Advise on the selection of strategy, design and methods to carry out project activities
- Ensure that any standards defined for the project are met and used to good effect
- Monitor potential changes and their impact on the quality of deliverables from a supplier perspective
- Monitor any risks in the implementation aspects of the project

## Annex B2: TERMS OF REFERENCE

### PROJECT MANAGER

The PM has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Board. The PM is responsible for day-to-day management and decision-making for the project. The PM's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost.

UNDP in consultation with the NPC appoints the PM, who should be different from the Implementing Partner's representative in the Outcome Board. Prior to the approval of the project, the Project Developer role is the UNDP staff member responsible for project management functions during formulation until the PM from the Implementing Partner is in place.

Specific responsibilities would include:

#### 1. Overall project management:

- Manage the realization of project outputs through activities;
- Provide direction and guidance to project team(s)/ responsible party (ies);
- Liaise with the Project Board or its appointed Project Assurance roles to assure the overall direction and integrity of the project;
- Identify and obtain any support and advice required for the management, planning and control of the project;
- Responsible for project administration;
- Liaise with any suppliers;
- May also perform Team Manager and Project Support roles.

#### 2. Running a project

- Plan the activities of the project and monitor progress against the initial quality criteria.
- Mobilize goods and services to initiative activities, including drafting TORs and work specifications;
- Monitor events as determined in the Monitoring & Communication Plan, and update the plan as required;
- Manage requests for the provision of financial resources by UNDP direct payments, or reimbursement;
- Monitor financial resources and accounting to ensure accuracy and reliability of financial reports;
- Manage and monitor the project risks as initially identified in the Project Brief appraised by the LPAC, submit new risks to the Project Board for consideration and decision on possible actions if required; update the status of these risks by maintaining the Project Risks Log;
- Be responsible for managing issues and requests for change by maintaining an Issues Log.
- Prepare the Project Quarterly Progress Report (progress against planned activities, update on Risks and Issues, expenditures) and submit the report to the Project Board and Project Assurance;
- Prepare the Annual review Report, and submit the report to the Project Board and the Outcome Board;
- Based on the review, prepare the AWP for the following year, as well as Quarterly Plans if required.

#### 3. Closing a Project

- Prepare Final Project Review Reports to be submitted to the Project Board and the Outcome Board;
- Identify follow-on actions and submit them for consideration to the Project Board;
- Manage the transfer of project deliverables, documents, files, equipment and materials to national beneficiaries;
- Prepare final CDR for signature by UNDP and the Implementing Partner.

## Annex B3: TERMS OF REFERENCE

### PROJECT ASSURANCE

Overall responsibility: Project Assurance is the responsibility of each Project Board member; however the role can be delegated. The Project Assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed.

Project Assurance has to be independent of the PM; therefore the Project Board cannot delegate any of its assurance responsibilities to the PM. UNDP Programme Officer on Economic Governance and Economic Governance Unit Programme coordinator hold the Project Assurance role.

The implementation of the assurance responsibilities needs to answer the question "What is to be assured?". The following list includes the key suggested aspects that need to be checked by the Project Assurance throughout the project as part of ensuring that it remains relevant, follows the approved plans and continues to meet the planned targets with quality:

- Maintenance of thorough liaison throughout the project between the members of the Project Board.
- Beneficiary needs and expectations are being met or managed
- Risks are being controlled
- Adherence to the Project Justification (Business Case)
- Projects fit with the overall Country Programme
- The right people are being involved
- An acceptable solution is being developed
- The project remains viable
- The scope of the project is not "creeping upwards" unnoticed
- Internal and external communications are working
- Applicable UNDP rules and regulations are being observed
- Any legislative constraints are being observed
- Adherence to RMG monitoring and reporting requirements and standards
- Quality management procedures are properly followed
- Project Board's decisions are followed and revisions are managed in line with the required procedures

Specific responsibilities would include:

#### 1. Initiating a project

- Ensure that project outputs definitions and activity definition including description and quality criteria have been properly recorded in the Atlas Project Management module to facilitate monitoring and reporting;
- Ensure that people concerned are fully informed about the project
- Ensure that all preparatory activities, including training for project staff, logistic supports are timely carried out

#### 2. Running a project

- Ensure that funds are made available to the project;
- Ensure that risks and issues are properly managed, and that the logs in Atlas are regularly updated;
- Ensure that critical project information is monitored and updated in Atlas, using the Activity Quality log in particular;
- Ensure that Project Quarterly Progress Reports are prepared and submitted on time, and according to standards in terms of format and content quality;
- Ensure that CDRs are prepared and submitted to the Project Board and Outcome Board;
- Perform oversight activities, such as periodic monitoring visits and "spot checks".
- Ensure that the Project Data Quality Dashboard remains "green"

#### 3. Closing a project

- Ensure that the project is operationally closed in Atlas;
- Ensure that all financial transactions are in Atlas based on final accounting of expenditures;
- Ensure that project accounts are closed and status set in Atlas accordingly.