Integrated National Financing Strategy for the Republic of Uzbekistan

Tashkent, 2023

CONTENTS

List of Abbreviations

ADB	Asian Development Bank
AEC	ASEAN Economic Community
AIIB	Asian Infrastructure Investment Bank
COFOG	Classification of the Functions of Government
CPEIR	Climate Finance Public Expenditure Reviews
CRI	Climate Relevance Index
CSO	Civil Society Organizations
CSR	Corporate Social Responsibility
DFA	Development Finance Assessment
FDI	Foreign Direct Investment
GCF	Green Climate Fund
GCM	The Global Compact for Safe, Orderly, and Regular Migration
GDP	Gross Domestic Product
GDS	The Government's Development Strategy for 2022-2026
GEF	Global Environment Facility
IBRD	International Bank for Reconstruction and Development (WB)
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
INDCS	Intended Nationally Determined Contributions
INFFs	Integrated National Financing Frameworks
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
MSME	Micro, Small and Medium Size Enterprises
ODA	Official Development Assistance
OECD/DAC	Organization for Economic Co-operation and Development/ Dev. Cooperation Directorate
OOFs	Other Official Flows
PEFA	Public Expenditure and Financial Accountability Assessment
PER	Public Expenditure Review
PFM	Public Financial Management
PIM	Public Investment Management
PPP	Public-Private Partnership
PPPD	Public-Private Partnership (Government - CSOs)
PSD	Private Sector Development
R&D	Research and Development
SDG	Sustainable Development Goals
SOEs	State-Owned Enterprises
TVET	Technical and Vocational Education and Training
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
WB	The World Bank Group
WHO	World Health Organization
WTO	World Trade Organization

1. Financing the SDGs in Uzbekistan

1.1 The decision to adopt an Integrated National Financing Framework in Uzbekistan

The general scenario for achieving and financing Uzbekistan's development goals and the SDGs will bring significant challenges for the government. All countries face an increasingly complex landscape to manage development financing, with more substantial pressure to mobilize national public and private resources and facing a greater diversification and fragmentation of external sources of finance. It will also be necessary to align the available financing sources with national development priorities. This alignment is more difficult for private funds since these are not under the direct control of the government and can only influence and stimulate their development.

An innovative aspect of this new financing landscape is the convenience of rethinking the roles and capacities to involve the private sector in the development agenda. Perhaps the most significant element that emerged in the SDGs era is the recognition of the private sector's role in achieving social, economic, and environmental development. The private sector is expected to take the lead in several areas to ensure that the aspirations of the SDGs are translated into reality. These roles can take a variety of forms, for example:

- **New Markets.** The SDGs will create new markets and open significant business opportunities in traditional economic systems such as food and agriculture, cities, energy and materials, and health. These transformations could create at least USD 12 trillion in new business opportunities[1].
- **Climate Change.** Private investment will be essential in climate change mitigation and adaptation transformations. Substantial investments are needed, which will demand technological innovations for large and small companies.
- **New Economic Models.** The SDGs also allow a discussion of new concepts to offer more sustainable economic development models - such as smart cities and the circular economy - that could open opportunities to foster public-private cooperation.
- **Impact Investment.** There are private sector investors that are prepared to balance their financial returns with the opportunity of generating social, economic, or environmental impact. The most recent survey estimated that the assets under management of these investors in 2022 exceeded USD 1 trillion[2].

The challenge for Uzbekistan will be to understand these opportunities and create the right conditions to motivate and align private investment with national priorities. The country will have to use new, more effective, and integrated approaches to managing public and private finance sources. This integrated approach should help establish strategies to mobilize financing - especially private - necessary to meet the country's development goals. The government should attempt to manage the development of these flows independently but with an integrated vision, regardless of their public and private origin and whether they are domestic or external.

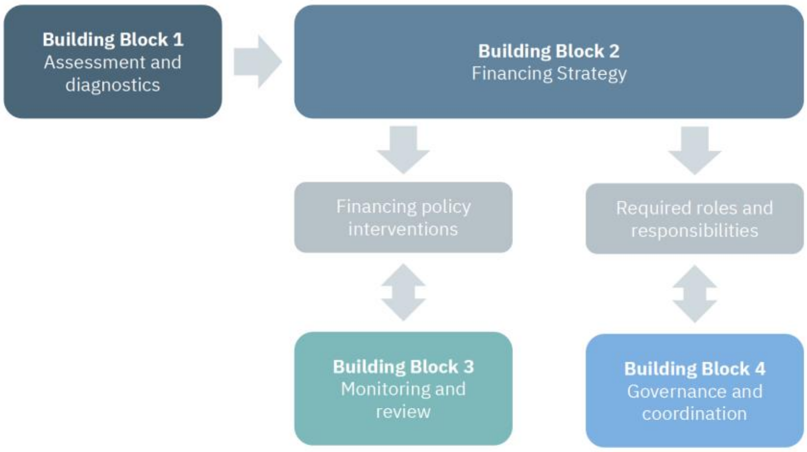
New, more efficient, and integrated approaches to managing public and private finance will be necessary to achieve sustainable development. The Third International Conference on Financing for Development held in Addis Ababa in 2015 opened the debate on mobilizing the financial resources needed to achieve the Sustainable Development Goals in 2030. As a result, the Addis Action Agenda suggests adopting *Integrated National Financing Frameworks (INFF)* to support their national development strategies. These frameworks provide a platform for governments to formulate and apply a strategic, comprehensive, and results-oriented approach to financing their development goals. With this new approach, countries should establish their long- and medium-term strategies to mobilize the financing flows needed to finance the SDGs.

[1] *"Better Business, Better World,"* Business and Sustainable Development Commission, 2017
[2] GIIN, (2022) "Annual Impact Investor Survey" The Global Impact Investing Network

Uzbekistan has decided to adopt an Integrated National Financing Framework (INFF) to overcome existing challenges to financing sustainable development. An Integrated National Financing Framework (INFF) is a planning and delivery tool to finance sustainable development at the national level. It is designed to overcome existing impediments to financing sustainable development and the SDGs at the national level and strengthen the national development policy and planning processes to provide a solution to the challenges of financing development goals at the national level. This INFF will help the government of Uzbekistan for various purposes:

- **Mobilize additional financing** to support sustainable development priorities
- **Better manage** an increasingly complex financing landscape
- **Prioritize policies** to take advantage of opportunities in the near term and identify financing policy areas for the medium- and long-term
- **Enhance coherence** across different financing policies, instruments, and regulatory frameworks from across different areas, addressing synergies, inconsistencies, and trade-offs and aligning them to medium and long-term sustainable development priorities
- **Support long-term investment and strengthen medium- and long-term planning** by better aligning financial market incentives with longer-term goals and helping overcome incrementalism in public budgets
- **Streamline** the wide variety of tools and instruments offered by the international community to support national action

Figure 1 The process to develop an Integrated National Financing Framework



Source: INFF (2020)

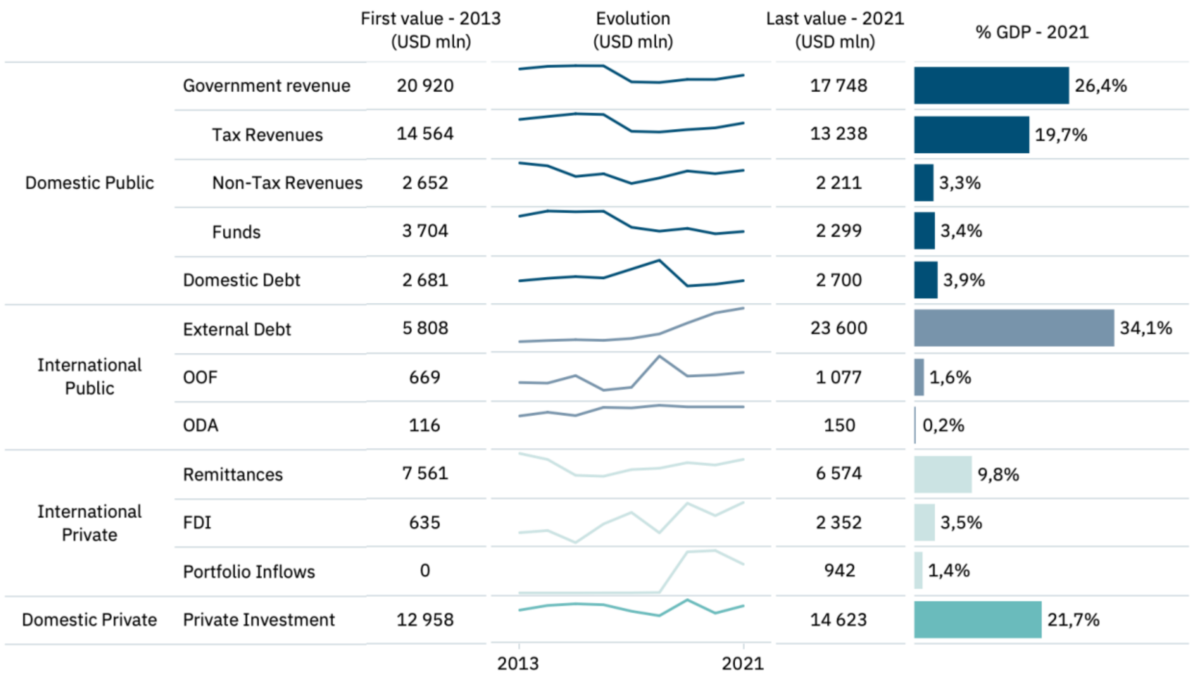
This integrated financing strategy is at the heart of the Integrated National Financing Frameworks. The development of an INFF foresees an iterative path (described in Figure 1) where the assessment and diagnostics phase results lead to the design of the critical elements of the financing strategy. The strategy design also defines appropriate means for monitoring and reviewing its implementation and innovative governance and coordination arrangements. This last is critical to implementing the highly strategic and cross-cutting interventions required by this strategy. The formulation of this strategy builds on the overall assessment of the development finance landscape captured by the Development Finance Assessment (DFA) carried out in Uzbekistan in 2020.

The novelty of this approach lies in its integrated nature. The proposed strategy aims to mobilize private and public flows from domestic and external sources and combine financing policies to increase their overall impact. This will not replace the many existing methodologies and tools that the country already uses. Instead, it provides a rational framework to align specific instruments with the broader financing strategy, avoids fragmented decision-making, better aligns efforts, and identifies gaps and opportunities for resource mobilization. Moreover, this strategy can promote coherence by centralizing the otherwise sectoral debate around financing approaches into one overarching policy framework and incentivizing collaboration.

1.2 The Financial Landscape in Uzbekistan

The starting point for formulating this strategy is the overall picture of the development finance landscape captured by the Development Finance Assessment (DFA). The assessment provided an initial baseline of the relevance and variety of resources Uzbekistan could mobilize to finance its development priorities. In addition, the DFA offered general guidance for the future mobilization of Uzbekistan's domestic, external, public, and private resources. The DFA identified the scale of the challenge ahead. The emerging picture of the different financing flows analyzed in the assessment is summarized in Figure 2. The DFA shows the evolution of the main flows for which data is available and a diversity of situations and paths of the different financing flows analyzed.

Figure 2 The main finance flows analyzed by the DFA[3]



Source: Author's compilation using data from the DFA

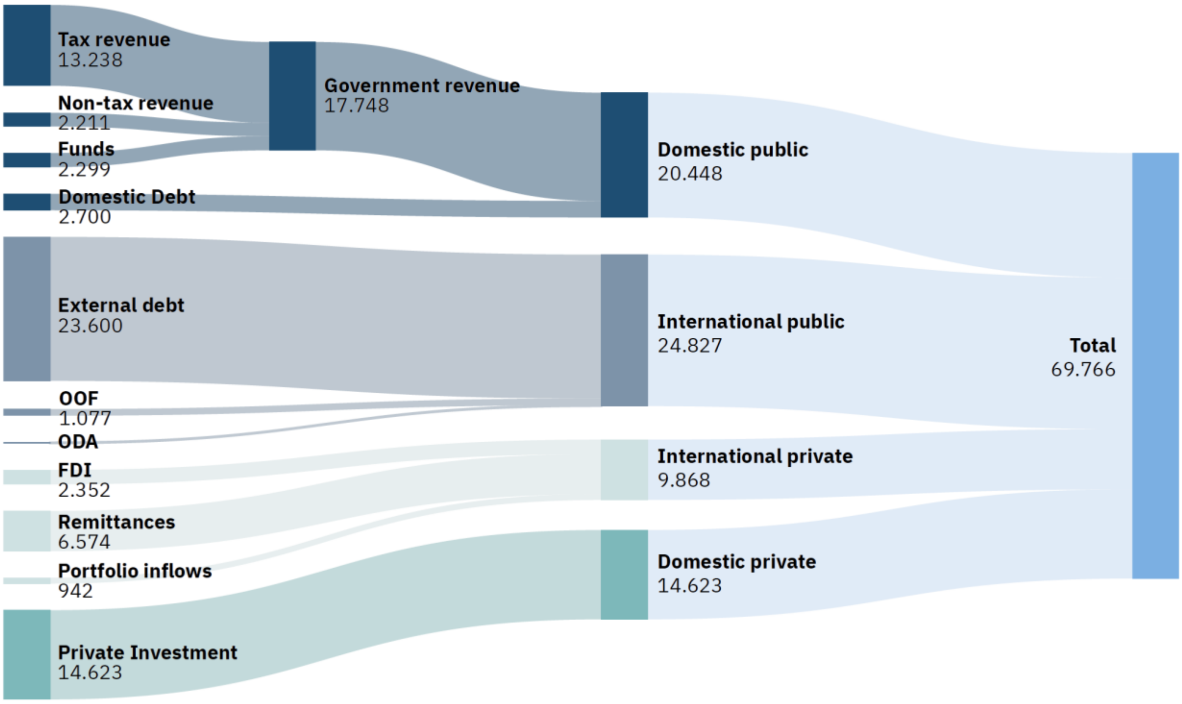
The general scenario for financing sustainable development in Uzbekistan offers significant opportunities and challenges for the government. The complexity to navigate the financing landscape is depicted in Figure 3, which dissects the distribution of development finance areas measured by the DFA. The visualization presents the reference values that are usually used to manage individual financing flows. This is why, for example, the stock of public debt is presented here and not the annual flow. The assessed values are not entirely independent as they may be seen in the diagrams, as some overlapping exists. The purpose of presenting them as independent sources is to focus the attention on their relative weight, compare them to other countries, and analyse the opportunities for better managing them. The total development finance measured by the DFA accounted for USD 69,766 billion in 2021. The following characteristics are worth highlighting:

- ***Public Finance***. Domestic public finance represents 29.31% of the total measured. The largest manageable unit in this space is primarily international external public debt (35.99%). About one-quarter of the development finance resources measured (25.44%) come from government revenue.
- ***Private Finance***. Private finance accounted for 35.10% of the total measured. Most of it comes from domestic sources (20.96%), and a small proportion (14.14%) was international. However, the international finance flows measured are mainly driven by personal remittances. Private domestic investment was the primary financing flow captured, measuring USD 14,623 billion (20.96% of the total

[3] 3 This is the dataset measured by the DFA in 2018 which were actualised to 2021.

development finance measured), and foreign direct investment accounted for only 3.37%

Figure 3 The structure of the financial flows measured by the DFA in 2021 (in USD million)[4]



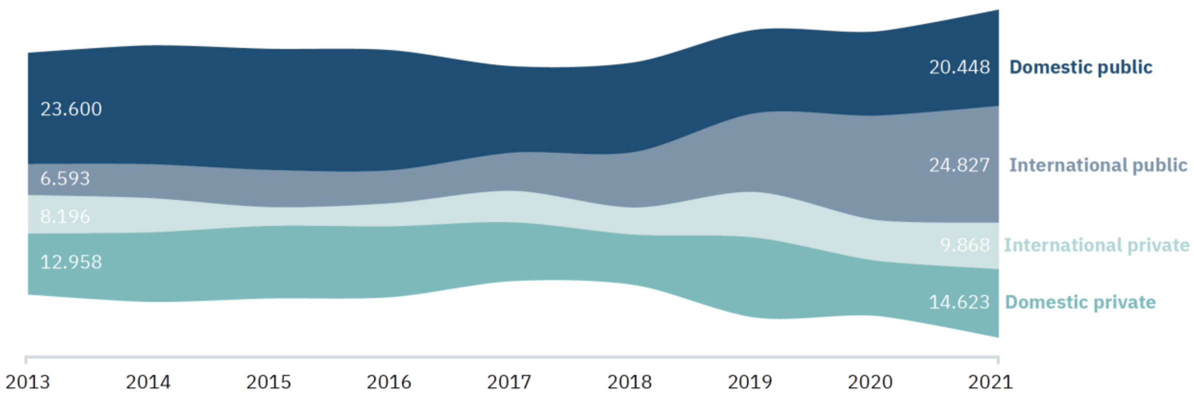
Source: Author's compilation using data from the DFA

The variations in the composition of the development finance mix in the last decade show moderate changes with increased participation in public finance. Figure 4 shows that the total development finance measured rose from USD51,348 billion in 2013 to USD 69,766 in 2021, a 35.87% increase. The financing mix slightly changed during this period, with an increased participation in public finance. Public flows rose from 58.80% of the total in 2013 (USD 30,193 billion) to 64.90% (USD 45,275 billion), and consequently, the participation of the private sector in the finance mix decreased from 41,20% to 35.10%. This trajectory seems counterintuitive in an economy in transition where the private sector is expanding. This was going to be the emerging picture, but during COVID, a significant increase in public finance was needed, especially international debt. The composition of development finance showed other changes and trends that are worth highlighting:

- ***Domestic Public Finance***. Domestic resource mobilization slightly varied in nominal terms (from USD 23,600 billion in 2013 to USD 20,448 billion in 2021) and decreased its participation in the total finance mix from 45.96% to 29.31%.
- ***International Public Finance***. This flow increased in nominal terms from USD 6.593 billion to USD 24.827 billion in the period, and its participation in the total mix rose from 12.84% to 35.59%. This is primarily explained by the increase in external debt in this period.
- ***Domestic Private Investment*** his flow increased slightly, from USD 12,958 billion to USD 14,623 billion, and its participation in the total mix reduced from 25% to 21%. This was starting to improve significantly before COVID, as in 2019, when it scored 27.80% of the total and recovered from the 2019 all-time low of 19.41%. However, this is insufficient to cope with the country's development demands and shows a poor performance compared to peers.
- ***International Private Finance***. This flow also reduced participation in the total financing mix from 15.96% in 2013 to 14.14% in 2021. Same as above, this showed a sharp recovery in 2019, reaching 15.85% of the total. These variations mainly reflect the dynamics of personal remittances that decreased from USD 7,561 to USD 6,574. A remarkable aspect is that FDI quadrupled its size, from USD 635 million in 2013 and USD 2,352 in 2021,

[4] This is set of official figures measured by the DFA in 2018 which were actualised to 2021

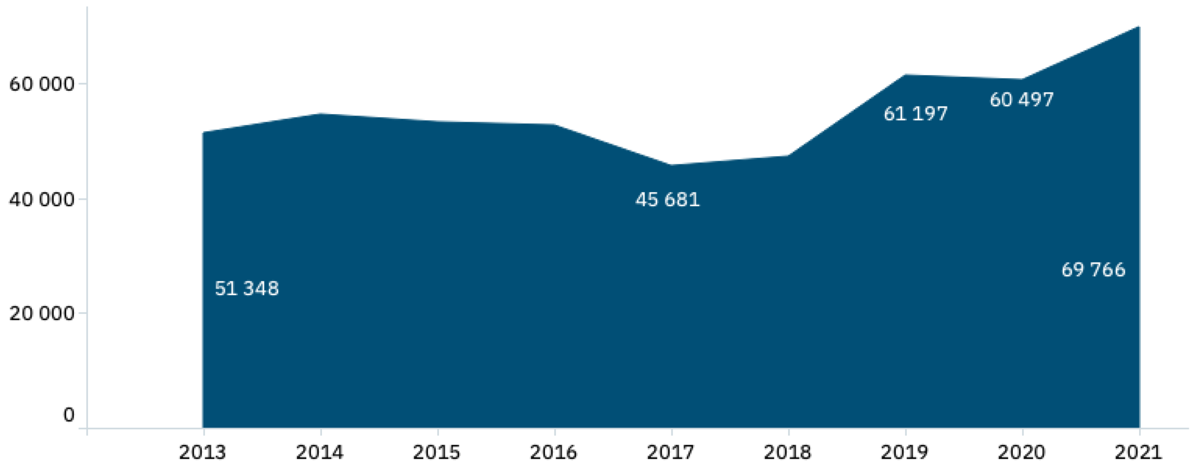
Figure 4 **General trajectory of the development financing resources (in USD million)**



Source: Author's compilation using data from the DFA

At this pace, development finance would fall short of financing Uzbekistan needs to achieve the SDGs. The DFA pointed out that before COVID-19, Uzbekistan's available financing was not increasing enough to meet the country's SDG financing needs. This growth reached good momentum right before the pandemic and has quickly recovered. However, it is a concerning outcome considering that pre-COVID estimates from 2019 revealed that Uzbekistan needed at least an additional annual investment of USD 6 billion to meet the nationalized SDGs. IMF estimated in 2020 that the external shock and domestic impact of COVID-19 require additional financing of about USD 4 billion or 7 per cent of GDP**.** Therefore, the financing strategy must focus on significantly improving the performance of private, public, domestic, and external finance flows.[5]

Figure 5 **Evolution of total development finance flows measured by the DFA (in USD million)**



Source: Author's compilation using data from the DFA

International comparisons show that Uzbekistan's performance managing the measured flows is similar to the average of different reference groups. Figure 6 shows the comparative performance of the flows measured regarding regional peers and same-income country groups. From a geographical perspective, Uzbekistan measures almost identically to the regional average in all areas except for its excellent performance in mobilizing tax revenue and domestic investment and its low dependency on debt.[6]. A similar situation happens when comparing Uzbekistan to lower-middle-

[5] Source UNDP (2019) Development Finance Assessment

[6] Comparison with Eastern Europe, the Caucasus & Central Asia region comprising Uzbekistan, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

income countries[7]. The country performs better than the group's average on domestic investment, tax revenues and OOFs. Uzbekistan´s gross debt is lower than the average and the country is slightly more dependent on remittances than the rest. It is worth noticing that domestic credit to the private sector is lower in Uzbekistan than the average in both comparative country groups.

Figure 6 Comparing Uzbekistan results with average regional and income groups (as % of GDP)

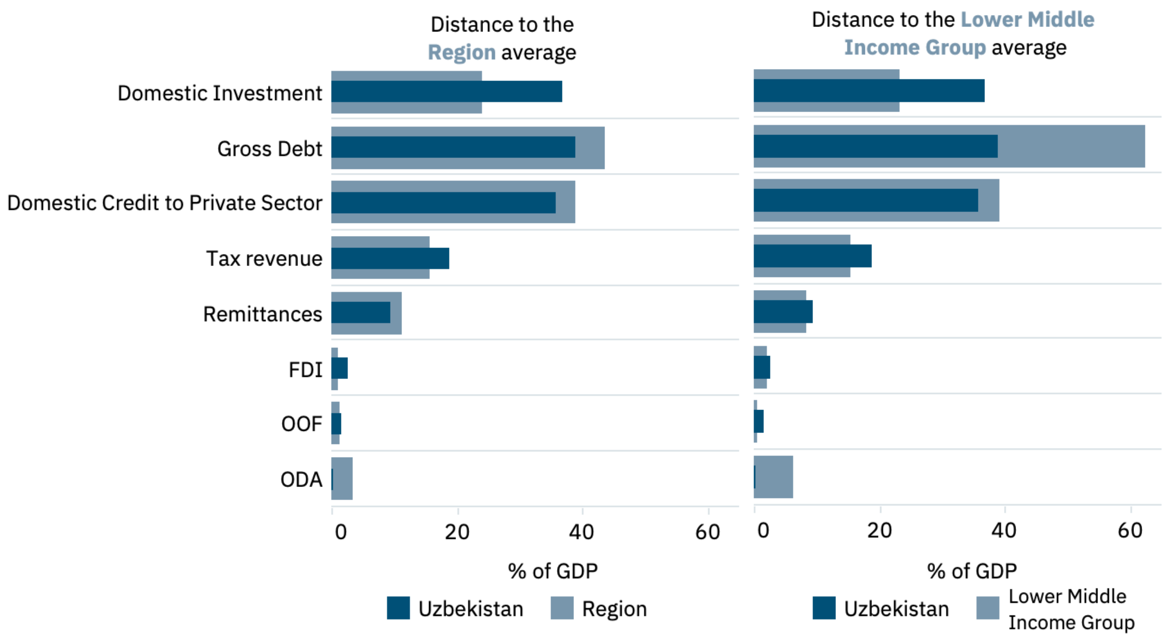
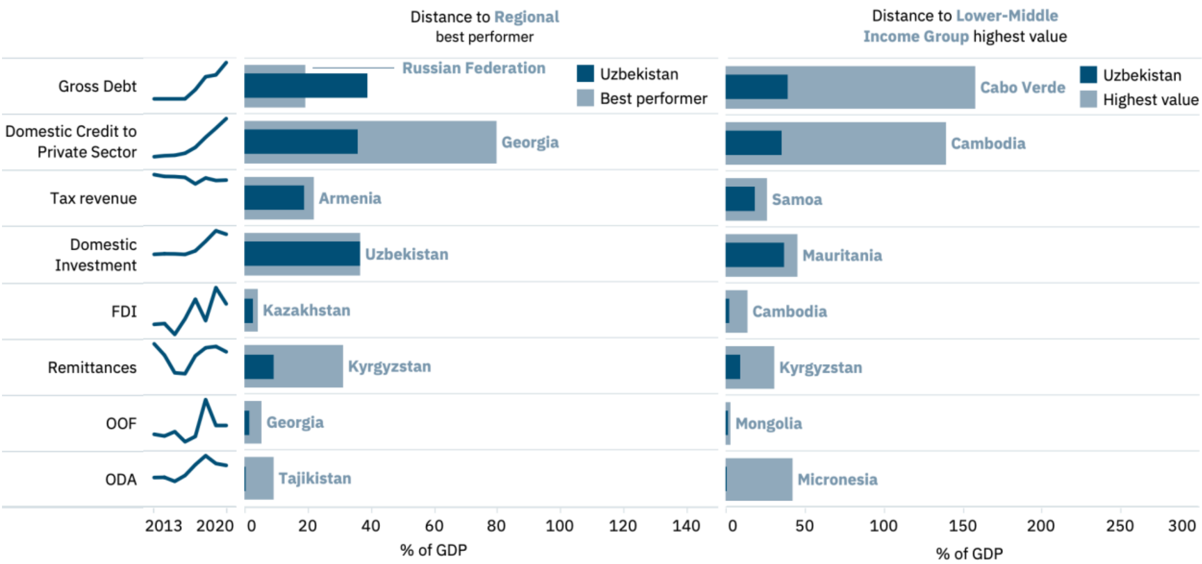


Figure 7 Comparing Uzbekistan's results with best performances in both reference groups[8]



Source: Author's compilation using data from the DFA and WB Global Development Database

A closer look at the top-performing countries in each of the comparative groups selected provides

[7] The World Bank divides economies into four income groupings using GNI per capita. Low-income economies are those with a GNI per capita of USD1,045 or less; lower middle-income economies are those with a GNI per capita from USD1,046 to USD4,095; upper-middle income economies are those with a GNI per capita from USD4,096 to USD12,695; and high-income economies are those with a GNI per capita greater than USD12,696 in 2020. With a GNI per capita of USD7,740, Uzbekistan is at the bottom of the list of the lower middle-income category that includes other 56 countries.

[8] Compared data from 2019. Regional debt comparison excluded Russia, Azerbaijan and Kazakhstan for their unusual low levels.

some indicative references for their potential for future development. The distance from the best performers in the region shows that there could be opportunities for improvement in several categories. For example, Georgia provides 44.2% of GDP more domestic credit to the private sector than Uzbekistan and Tajikistan 9.2% of GDP more in ODA. Armenia still generates 3% of GDP more than Uzbekistan in tax revenues and Kazakhstan receives 1.6% more foreign direct investment. Those distances are sometimes more compelling than the other countries in the lower-middle-income group. For example, Cambodia provides almost four times more domestic credit to the private sector than Uzbekistan (139.6% of GDP compared to 35.7%) and outmatches Uzbekistan by a similar proportion in FDI (14.0% of GDP compared to 2.6%). These comparisons from different countries and socio-economic situations are not linear. The values presented here are only for indicative purposes and to show that specific flows have a different weight in their financing for development packages in other economies.

An additional challenge that this strategy must address is to develop the capacity to improve the alignment of financing flows with country priorities. The DFA could not analyze the degree of alignment with national development priorities of many of the financial flows measured. For public flows, this should be possible, as their allocation and control are directly under the government's responsibility. However, the assessment shows that historically, the government has not developed the capacity to allocate and align public expenditures with national priorities and the SDGs. Therefore, the government´s plan to mainstream the SDGs in the budget process and develop effective systems to monitor the SDG orientation of essential public and private flows is a critical issue to be prioritized in this strategy.

This challenge is much higher for private flows. As they are not under direct government control, the possibilities of aligning private finance with national priorities are more limited. In these cases, governments aspire to influence their growth to align broadly with national priorities. This is important because if only the market forces are left to predominate, private investment can also undermine environmental or social priorities. An example of this could be the mining industry's negative environmental impact and the difficulties of attracting the right type of investors in such a strategic sector for Uzbekistan's future development. The transition process will open significant opportunities for private sector expansion; this strategy will focus on developing the tools to monitor the alignment of private sector investment and finance with the national priorities and the SDGs.

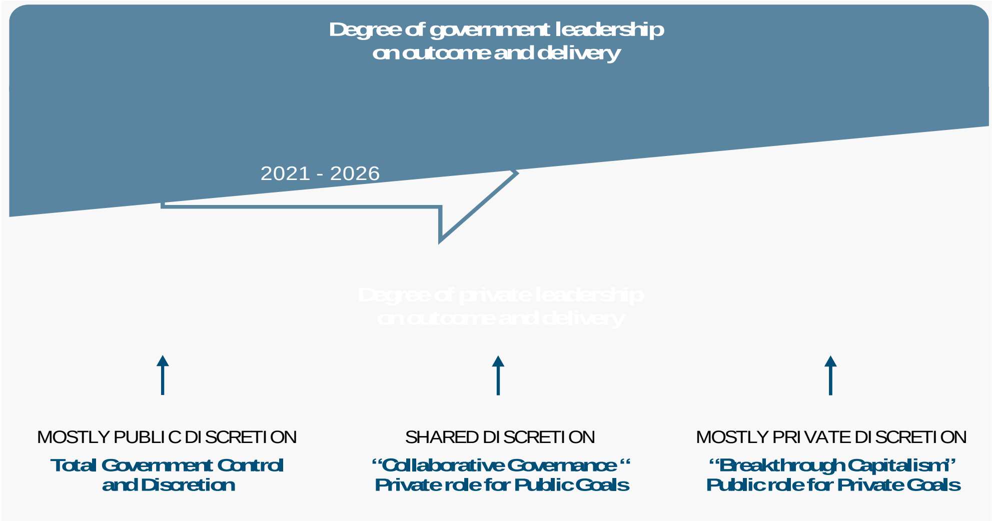
2. The context for the Integrated National Financing Strategy

2.1 Transitioning towards a new economic paradigm

The government proposes ambitious reforms to accelerate the market-oriented transition and make significant structural changes to the economy. The Government's Development Strategy for 2022-2026 (GDS) proposes to make considerable structural changes in the country's economy. These changes are meant to significantly "move the cursor" in introducing private markets dominated by the public sector through large-scale privatization and liberalization.

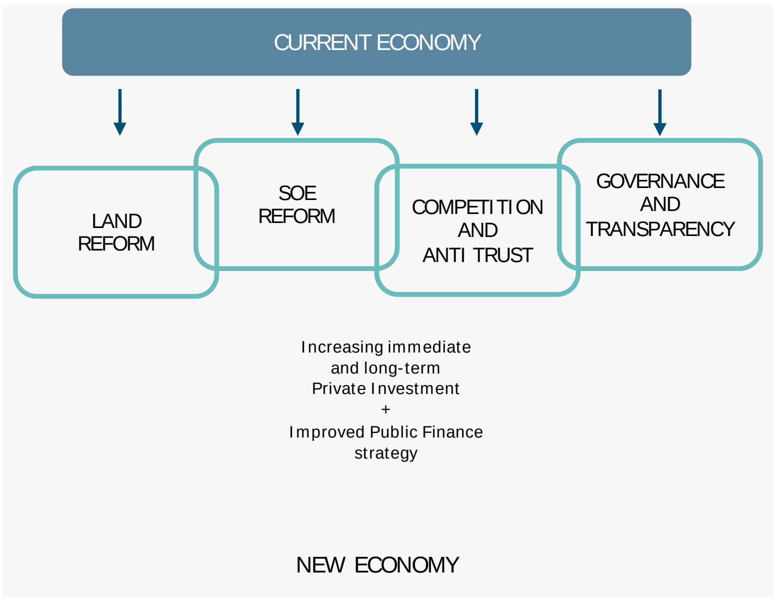
The processes that these reforms will trigger should generate an enabling environment for a more inclusive and sustainable development paradigm. The financing strategy will focus on supporting the main areas that must be executed during this transition (mainly regarding private investment and private finance) and the additional measures to ensure the transition is competitive, transparent, and inclusive. These transitions are always challenging for inclusive development because they promote efficiency but may create winners and losers. The strategy will ensure that the government has the resources to develop the required capacity to carry out effective and timely redistribution policies and focus on providing feasibility to implement effective policies in various areas that will be analyzed in the following section.

Figure 8 Moving towards a market-oriented transition



Four reform areas will define this new transition process's scope and main characteristics. The GDS proposes several reforms that will define the main aspects of the proposed transition. The reform areas analyzed below deserve particular attention as they may define positive or negative effects that will mark the medium-term impact of this process. The private market development will be led by land reforms that will increase private ownership, the liberalization of markets currently under complete public discretion, and the privatization of state-owned enterprises (SOEs). Other reforms proposed by the GDS are equally important in this process: those to ensure open international competition and prevent monopolistic practices and policies to ensure that these processes are transparent and corruption-proof. The financing strategy will be designed considering the financing needs of all these parallel processes. They will generate specific foreseeable demands:

Figure 9 The fundamental reforms that will define the scope and quality of the transition



i) Agriculture and Land Reforms. In recent years the government impulsed several reforms oriented at unlocking the dynamism of Uzbekistan's agriculture sector. These included the removal of export restrictions on horticulture, the liberalization of wheat and cotton prices, weakened control over agricultural land use and a gradual transfer of cotton processing to private textile firms. These reforms aimed to add dynamism to the economy and move towards higher value-added production segments generating better-paid jobs. Perhaps the most important of these reforms was the formal abolition of child labour in 2018 and the elimination of the systematic use of forced labour in 2021. However, agricultural investment and productivity have been constrained by the lack of progress in land reforms, weak tenure rights, and the absence of secondary land markets for leasing or trade.

The GDS 2022-2026 is proposing to address most of the pending issues regarding land reform and offers a significant list of interventions: (i) strengthening the inviolability and protection of private property guarantees, unconditional provision of property rights, including land rights; (ii) new legal protection practices to rule the invalidation of property documents only in court, the creation of a state registry of real property, and the application of regressive state duty rates on claims for property rights in economic courts; (iii) efficient use of residential lands and (iv) the recognition of the right to lease a land plot and the right of ownership of buildings and structures following the Tax Code, the period of limitation for tax liability - considering the payment of land and property taxes for five years.

The GDS goal is to boost agricultural production to achieve annual growth rates of at least 5% and increase farmers' income by at least two times through intensive development of agriculture on a scientific basis. The strategy proposes targeted land reforms and other measures to boost the significant investments to achieve these goals:

- Regulation of relations in the field of privatization of non-agricultural land plots to implement the Law "On privatization of non-agricultural land":
- Development of new and decommissioned 464,000 hectares and allocation to clusters based on open selection. Reduction of 200,000 hectares of cotton and grain fields and long-term lease to the population-based on open competition.
- Increasing the export potential by $ 1 billion, growing export-oriented products and developing fruits and vegetables, increasing intensive orchards by three times and greenhouses by two times.
- Increase investment in resource-efficient innovative technologies to raise efficiency in agriculture and reduce production costs by 30-35%
- Increasing the income of farmers by supporting cooperative mergers, processing their products, exporting them, and reducing costs
- Introduce new mechanisms for financing the activities of cluster enterprises and farms and improvements to the insurance system
- The introduction of water-saving technologies in 260 thousand hectares in 2022
- Expansion of forest areas and efficient use of forest lands planting at least 200 million trees

The financing strategy must address these new financing opportunities and the consequences of the withdrawal of the government from the agricultural production system, as it will leave a significant gap in agricultural financing. As ownership of the sector moves from the state to private hands, new mechanisms are needed as the private financial sector is not ready to handle the considerable costs and risks associated with agricultural production.

ii) Privatizations and Private Market Reforms. The previous administration started initial reforms to open more spaces for the private sector and an organized retreat of the state in critical sectors. The focus of the GDS 2022-2026 is to boost this process, opening whole new markets for private sector investment. The GDS goal is to create conditions for the organization of entrepreneurial activity and increase the share of the private sector in GDP to 80% and exports to 60%, reducing unemployment in the country by at least two times by the end of 2026. Examples of the main changes that are projected to happen in this period include:

- ***New Markets***. Abolition of exclusive rights of public authorities on 14 types of activities and transfer to the private sector, such as road construction, liquified and natural gas supply, waste management, landscaping services training, and certification services
- ***Privatization*** of shares of 15 large SOEs through a primary and secondary public offering on the stock exchange: Gradual privatization of enterprises in the system of JSC "Uzdonmahsulot. Complete the

transformation of the banking system, bringing the share of private banks to 60% of total assets by 2025

- ***Energy.*** Acceleration of the transformation processes, with the abolition of the monopoly on electricity supply creating a competitive energy market (electricity, gas). Liberalization of energy resources and natural gas markets, eliminating single buyer positions in electricity Increase electricity generation by an additional 45 billion kWh by 2026, attracting private investment for new hydropower, solar, wind, and thermal power plants
- ***Transportation.*** Acceleration of private participation in the railway transportation system Gradually increase the share of private and low-cost airlines in domestic traffic to 25%.
- ***Water***. Transfer of 260 water management facilities to the management of private partners under the terms of PPPs (195 pumping stations and 65 irrigation and reclamation facilities
- ***Chemical Industry.*** Privatization of chemical enterprises (JSC "Ferganaazot" and JSC "Dehkanabad Potash Plant") and attract private investors for the expansion of JSC "Navoiyazot." New investments to develop a chemical technology cluster planned to implement 33 investment projects worth USD 4.5 billion by attracting private investors
- ***Mining.*** To sharply increase the volume of the mining and geological sector, attracting more private investors and leading foreign companies to the industry.
- ***PPPs***. Attract USD 14 billion in public-private partnerships in energy (147mln), transport (8.699bln), health (275 mln), education (380 mln), environment (338 mln), utilities (975 mln), water (40.3 mln), social (104 mln) and other sectors

The financing strategy will have to address the need to diversify formal financial instruments, by easing trade and competitiveness barriers and the need to address critical regulatory, policy, and institutional framework reforms. Bank finance is not ready to meet these challenges, primarily to ensure equitable participation of SMEs in this process. Bank loan interest rates are high, and only about one-quarter of SMEs can access them. Alternative sources of collateral and security for banks and new, non-banking solutions (leasing, factoring, fintech) must be encouraged and extended.

iii) Competition and antitrust reforms. To ensure complete, transparent access and competitive solutions in this central structural change process, the government will have significant work to finalize and adopt new competition legislation and plan further reforms to subsidiary regulations and enforcement actions. There is also a need to develop critical technical capacities (tax administration, anti-monopoly committee, and sector technical regulators) to ensure the smooth functioning of these functions during the economic transition. The GDS is setting the goal of expanding the introduction of free-market principles in economic relations, providing the development of competition, and proposing several parallel reforms:

- ***Regulatory*****.** Combine the Law on Competition and the Law on Natural Monopolies, and (i) identify cases of state participation in entrepreneurial activity and antitrust requirements to it; (ii) extend legal instruments to determine the status of natural monopolies, (iii) improve the criteria for determining the dominant position in the market; (iv) establish forms of state support (privileges and preferences) and antitrust requirements for their provision; (v) strengthen the criteria and liability for manipulation in auction trading; (vi) strengthen the liability for restricting competition
- ***Free Market Principles***. Comprehensive introduction of free-market principles in business activities, including the complete transition to market mechanisms in the supply of raw materials the formation of prices for agricultural products, and the gradual abolition of administrative prices for certain goods.
- ***Commodities.*** Improve regulation of commodity exchanges and their participants (i) the system of accreditation of brokerage offices engaged in derivatives, including futures trading, and the establishment of qualification requirements for brokers; (ii) approval of rules to prevent price manipulation, use of insider data and other anti-competitive methods of unreasonable profit in exchange trades; (ii) set criteria for the electronic exchange trading system (software transparency, information security, the presence of a modern center for data processing, etc.);
- ***New and Liberalized Markets.*** Ensure that the newly liberalized markets (energy, oil, and gas) are developed under competition rules. The proposed strategy for attracting foreign and domestic investment also includes provisions to prevent anti-competitive measures for investment.
- ***Consumer Markets.*** The elimination of factors that negatively affect the domestic consumer market's competitive environment and reduce the concentration on imports; - increases supply and eliminates

seasonal shortages in food and non-food markets.

The financing strategy will pay particular attention to the adequate financing of the capacity development processes that the government must ensure to deliver these actions. There are many oversight functions (an Anti-Monopoly Committee, sector technical regulators for energy, telecommunications, transport and environment) and technical capacities needed to correctly apply the new legislation regarding competitive principles. This is not just a regulatory reform process; it will require significant management capacity development to enforce the application of this framework and political and general public oversight to shield it from vested interests and corruption practices.

iv) Governance and Transparency. Depending on how the country performs in this field, reducing the state's economic footprint could create firm foundations for sustainable and broad-based growth or generate a process that concentrates gains in the hands of a few and leads to economic stagnation. This is well documented in other post-soviet economic transition processes. Therefore, the results achieved by the reforms oriented to the reduction of corruption and thwarting vested interests is an essential component in this process.

The GDS provides clear goals and paths on this topic. The government plans to confront this problem systemically. It proposes to identify areas and sectors prone to corruption, increase the effectiveness of the system to eliminate corruption, and form an intolerant attitude to corruption in society. Several actions are programmed in this direction:

- ***Government Corruption***. Introduction of modern information technologies, including artificial intelligence, in the fight against corruption. Strengthen systemic preventive measures against anti-corruption practices. Develop and implement effective practical measures to eliminate not only the consequences but also the causes of corruption.
- ***Civil Service***. Create effective mechanisms to prevent conflicts of interest in the civil service, ensuring transparency and expanding the general public participation in the fight against corruption. Implement a national anti-corruption certification procedure for civil servants. Improve the legal framework for recruiting personnel competitively and objectively to assess their effectiveness. Identify potential corruption factors in the civil service by sector and take measures to eliminate them
- ***Judiciary.*** nsuring openness and transparency in the formation of the judiciary, the introduction of democratic principles such as election and accountability in appointing senior positions in the judiciary**.** Ensuring transparency of the prosecutor's office activities and its accountability to the public.
- ***Competitive Processes***. Significant attention is provided to ensure the use of competitive processes in several areas, for example: (i) Allocating 200,000 hectares of cotton and grain fields in long-term leases will be provided to the population based on open competition (ii) for infrastructure development of tourism and cultural heritage sites; (iii) the allocation of new and decommissioned 129,000 hectares of land for agriculture in 2022, (iv) the annual selection of 200 exporters to provide comprehensive support to turn them into leading exporters and many others including government support for sport and education scholarships.
- ***Public Oversight***. Establish cooperation with civil society institutions in the fight against corruption and support public oversight. Introduce a system of continuous training of the population and civil servants in the fight against corruption. A comprehensive system for raising legal knowledge and awareness in the field through the introduction of the "Virtual Anti-Corruption Academy" Reorganization of the Agency for Information to act as a vehicle to monitor the transparency of the activities of government agencies

To maximize the positive outcomes of this transition, these four policies must deliver results simultaneously. Lessons from post-communist economy transitions show that poor outcomes in the last two reforms mentioned above (competition and governance) explained the rise in inequality and the respective anti-reform backlash observed in many countries. The main difference rests in the government's capacity to generate open international competition, control anti-monopolistic practices and provide transparency to these processes avoiding the "winner-take-all" effect that happened in many transition economies. The GDS has set clear goals pointing in this direction. The main challenge is to make these policies produce the desired outcomes in a timely and organized fashion. The dynamics of the land reform, privatization, and liberalization processes can easily outrun the governments' capacity for shielding these processes from rent-seeking oligarchs. This strategy will focus on the timely availability of the resources needed to finance these processes.

2.2 Ensuring inclusive and sustainable growth

A key target for this strategy is to ensure that the government can deliver the essential reforms to safeguard the inclusiveness and sustainability of the transition process. The Government's Development Strategy for 2022-2026 (GDS) builds on the achievements of the previous reform phase and proposes accelerating the speed of the transition process. These transitions are always challenging because they promote efficiency but may create winners and losers. For example, as most state-owned enterprises tend to hold excess employment, their modernization process may generate significant layoffs. As the gains of privatization outweigh the losses, these adverse effects will be addressed only if the government can compensate laid-off workers. The strategy will ensure that the government has the resources to develop the required capacity to carry out effective and timely redistribution policies and focus on providing feasibility to implement effective policies in the following areas:

Figure 10 Essential reforms that should be prioritized during the transition

i) Labor reform. The GDS proposes the development of a Unified National Labor System with ambitious goals and targets. It is planning to double productivity in industry and to increase it significantly in agriculture, to formalize over 1,910,000 jobs in the industry, services, and agriculture, to halve the unemployment rate among women, to train more than 700,000 unemployed women at the expense of the state, ensure the employment of 63,000 persons with disabilities, formalize seasonal migrant work for at least 400,000 people and the provision of jobs to reintegrate 850,000 people returning from labor migration.

The GDS also proposes ambitious policies to reform the labor market and drastically reduce the dependency on SOEs as the generator of formal and well-paid jobs. A wide range of measures and interventions are planned to achieve the targets listed above, which in most cases will require significant additional financing from public sources. The financing strategy will analyze these financing needs to ensure the feasibility of the provision of these measures. On a separate note, the measures implemented must ensure effectiveness as the dynamics of the shift to the market economy will bring significant employment challenges. For example, many people may need to change jobs from the public to the private sector or retrain and change their profession altogether. To minimize immediate social costs, these policies must deliver results as the transition happens.

ii) Poverty reduction. The GDS aims to reduce poverty by half by 2026. To this end, it proposes a wide range of measures are programmed (to increase employment, agriculture reforms, poverty reduction programs by region, entrepreneurship training, TVET, social assistance and protection, formalization of 450,000 workers in the informal economy, and seasonal migrant work, and many more). The financing strategy must also cover the economic feasibility of implementing all these measures. Most of the efforts to achieve these improvements relate to different public policies that must be costed and ensure financing.

A primary driver for poverty reduction and inclusive growth will be the equitable participation of the low- and middle-income population in the private sector opportunities created during the transition. The execution of the previous transition driving reforms is critical to achieving these goals. For example, land reform can be designed to ensure access to small agricultural farmers to purchase or lease their farms. Therefore, a sequence of integrated policies must work in unison as the improvement of the financial literacy of the beneficiaries to provide them with adequate and low-cost instruments to allow them to purchase property, especially for users that work in the informal sector and have no credit history and many more.

iii) Social Protection. The GDS also proposes ambitious policies and targets in this field, including increasing social benefits and financial assistance to the needy to 100%. One of the main elements presented is the appointment of a state body to pursue a unified state policy in social protection and to develop a national strategy for social protection to reform the social protection system, improve social assistance mechanisms and expand the scope of assistance. This is a fundamental step forward to bring coherence to the government's actions in this area and eliminate duplications and incoherence with other strategies (for example, employment and poverty reduction). A key element in this solution is establishing a social insurance fund, which will require special attention.

Reforms are needed to reduce exclusion. According to WB estimates, up to one-third of the poor are not included in any social protection scheme[9]. The financing strategy must foresee the need to model the economic costs for expanding the system's coverage. Many areas will require additional investment (for example, to provide flexible and diverse pension system mechanisms, unemployment insurance, social protection coverage for the elderly, and social security for workers in the informal sector). The government must estimate the fiscal space needed to implement them. The financing strategy must also prioritize the implementation of the reforms that accelerate the efficiency and effectiveness of the system, as the economic transition may generate more pressure on the system in the short term.

iv) Education and Health. The economic expansion process would greatly benefit from a more inclusive process of access to quality education and healthcare in all regions and for all income levels. This can be done by reducing the access gaps in pre-school and higher education, improving learning outcomes, and increasing the employability of graduates at all levels. In addition, the health system must address discrepancies in local access to essential services and medicines and improve the financial protection of the population, efficiency of service delivery, and quality of services. The rural-urban divide in these two sectors also applies to essential public utilities (electricity, clean water, gas), with considerable scope to strengthen the quality of vital rural services.

The GDS has ambitious plans to increase the pre-school system coverage from 62% to 80% and improve its quality significantly. It is proposing to create an additional 1.2 million students places in the public education system by introducing a school development program. For these purposes, the GDS plans to establish 1,300 non-governmental and family preschool educational institutions based on PPPs. Other significant infrastructure investments are foreseen in basic education, with an additional USD 380 million needed for PPPs. These investments should significantly improve access and quality

A significant pillar of the GDS is improving access and quality of the technical and vocational training system. The GDS is proposing to double the capacity of the TVET system. This should satisfy the retraining of laid-off people from privatized SOEs, providing new opportunities for young people and

[9] WB (2021) “Toward a Prosperous and Inclusive Future: The Second Systematic Country Diagnostic for Uzbekistan” working draft, May 2021

women to participate in the expanded private markets. The targets set by the GDS include the vocational training of a total of 1 million unemployed citizens of more than 700,000 unemployed women, 300,000 citizens wishing to do seasonal work abroad, and 125,000 returning migrants. Institutional reforms planned are the transfer of vocational training to the Ministry of Employment and Labor Relations, which capacity must be strengthened.

The GDS also has ambitious health plans and is proposing goals for the establishment of medical clusters in the regions of the country to bring medical services closer to the population, increase their convenience, and for improving the quality of qualified services to the population in primary health care, increasing funding for the sector. In addition, it aims to improve the medical equipment maintenance system, improving the system of high-tech medical care for women of reproductive age and pregnant women. All these improvements will come with a significant increase in health budget expenditure that the strategy must consider. For example, the GDS estimates a 3-fold increase in funding from the state budget for medicines and medical supplies. There is also a target to attract PPPs for a total of USD275 million.

v) Inclusion and equality. The inclusiveness of the expansion will also depend on the capacity of the government to address gender imbalances in access to services and opportunities that are widespread. A similar situation is experienced by people living with disabilities. The government made significant legislative reforms to reduce gender-based violence and protect the rights of people with disabilities. The challenge now will be to improve their chances of participating in the country's economic transformation process.

In addition to the social protection measures above, the government plans to reach significant goals, including (i) halving the unemployment rate among women and training more than 700,000 unemployed women at the state's expense and (ii) increasing three times the employment of people with disabilities. In all cases, the government plans to implement large-scale support programs that must be costed and considered in the financing strategy.

vi) Green growth. The country implemented significant reforms of its environmental legal and policy framework but still lacks a national strategy for resource efficiency and addressing the effects of climate change. Part of the work that must be done during this period is programmed in the GDS: developing a program for setting environmental requirements and environmental protection standards in the mining and metallurgical industry based on international standards, increasing energy efficiency by 20%, intruding “green” technologies in all economic sectors, introducing large-scale afforestation program “Green Space”.

The strategy will cover critical areas such as controlling and reducing pollutants released into the environment and ensuring that emissions do not exceed environmental requirements. The outcomes of this program are essential for ensuring that the significant flow of investments expected in this process -especially in the mining and metallurgical sector- abide by international environmental protection standards. In addition, the strategy foresees the development of 33 PPP projects in the field of ecology, totaling USD 338.4 million and investments in the Aral Sea region, worth USD 300 million. Therefore, all these investments must also be covered in the financing strategy.

3. Objectives and Guiding Principles of the Strategy

Objectives of the Strategy

The Government’s Development Strategy for 2022-2026 (GDS) will demand additional finance and investments from both private and public sources. The GDS will require substantial increases in public and private investment. Most measures imply increases in public expenditures by extending existing programs or creating new ones. The GDS also proposes a variety of tax incentives to mobilize the significant private investment sought. These measures negatively impact fiscal revenue and the fiscal space available for public sector policies. Ultimately, the market transition reforms (privatizations, liberalizations, and land reforms), will generate additional private economic activity and tax revenues together with one-off deals for the government that should compensate for the increased expenditure. This financing strategy will address these situations to support a smooth financing transition during this process.

This financing strategy will guide the design of a new architecture to finance the national development goals and the SDGs. The most important contribution of this strategy will be to provide clarity of new, integrated approaches to managing the sources of public and private finance needed to achieve sustainable development. The novelty of this approach lies in its integrated nature. This strategy aims to mobilize more private and public flows from domestic and external sources and combine existing policies to increase overall impact. The strategy will also focus on the need to get more development results from the resources already being spent and planning more strategically the interventions where public funds can be used in a catalytic way to leverage more private resources.

This integrated financing strategy is designed to support a new integrated management approach for development finance **in Uzbekistan.** This financing strategy provides the overall orientation of the actions needed to develop, align, and mobilize the financial resources on a timely basis. The strategy proposes new approaches to traditional finance management practices and some innovative practices. Most of these innovative interventions strategically use scarce resources (ODA, public debt, and public investment) to leverage private investment and financing in critical areas This leads to new ways to address public finance needs by a different, more strategic allocation of available public resources and improving the efficiency of their use.

Vision

The overall purpose of this Financing Strategy is to provide a new integrated financing approach that combines public and private sources designed to provide financial feasibility to the Government's Development Strategy for 2022-2026 (GDS) and to the SDGs in the long term.

Objectives

The specific objectives of this strategy are to:

- ***Objective 1. Start an integrated financial flow management approach to develop their magnitude and improve performance.*** The strategy will focus on coordinating the specific policies, reforms, and management interventions that will increase the value of development finance to the levels needed by the GDS, align public and private flows with the specific goals of the strategy, and improve the efficiency and effectiveness of their combined use.
- ***Objective 2. Monitoring execution of essential policy reforms that affect development finance.*** The strategy will also focus on developing the government's technical capabilities to set evidence-based financing mobilization targets and monitor their achievement systematically. A robust methodology must be introduced to monitor the implementation of a wide range of scattered policies, action plans and timelines. Adequate capacity must be made available to undertake this exercise.

Objective 1. An integrated financial management plan to provide feasibility to the GDS

The actions projected under this objective are designed to provide financing feasibility to the SDGs and national development priorities defined by the GDS 2021-2026. The interventions proposed in this strategy are designed to give feasibility to the goals and targets proposed by the GDS. This financing strategy provides an overall orientation of the interventions required to mobilize the additional financial resources needed and sequence these reforms to ensure that the expected results are timely. Of course, other factors -such as the capacity to implement the GDS- also apply. However, a significant set of actions is needed from a purely financial perspective.

This financing strategy provides a guide to integrating different policy development processes. Uzbekistan is on a fast-paced path to implementing the transitional reforms described in Chapter 2. The implementation of the GDS is also accelerating many reforms that will affect the overall financial landscape soon. This strategy formulation considered these different processes and their interconnected nature. The progress of the ongoing reform programs in one area, like the privatization of public banks, directly affects the proposed actions to provide financial inclusion for individuals and MSMEs. This strategy provides a tool to support the government in achieving simultaneous progress on three different, interconnected fronts:

i) New Finance Policy Interventions. The strategy proposes a range of new policies, programs and financing instruments that will complement the reforms formulated in the GDS and help provide additional sources of finance. These actions include domestic and external public finance, private investment and finance and offer several public/private space innovations. The new actions proposed are generally in the policy reform areas, which require long and medium-term approaches for their design. In most cases, specific policy measures and instruments were also identified, but in some cases, their formulation is part of the strategy implementation. The direction of the main intervention areas under this objective are analyzed in Chapter 4.

ii) Monitor and Review Execution of Current Policy Reforms. In unison with the implementation of the proposed actions, the government must be able to monitor the adequate execution of a significant number of essential policy reforms (current and planned) that will affect the sufficient availability of development finance and their alignment with national priorities. The vertiginous nature of the reform processes in Uzbekistan and the broad range of reforms involved demand significant monitoring capacities. This is important for a variety of reasons, the simplest one is to keep an adequate management of ODA support and avoid overlapping or conflictive agendas. Most importantly, this monitoring is essential to manage the various opportunities for synergies generated by these different processes that otherwise will be advancing in silos. These actions are discussed in Chapter 5.

iii) Governance and Coordination. A final set of interventions were identified where the essential leadership and governance from the top of the government is needed. Several essential reforms programmed in the GDS (agriculture and land reforms, SOE privatization, competition and anti-trust, governance, and transparency) will affect the direction of the country's development. An additional essential element of this strategy is to support the government in delivering the essential measures to safeguard the inclusiveness and sustainability of the transition process that is also planned in the GDS. To minimize the social, economic or environmental costs of the transition, these reforms should be coherently executed on time. The main areas are proposed in Chapter 6.

Objective 2. Monitoring and review essential financing policy reforms

The actions under this objective should be developed parallel to the other interventions proposed in this strategy. Estimating specific financing needs and the strategic means to address them is crucial to inform the actions proposed in Objective 1 (to improve and develop the individual financing flows). These results will produce benefits to the overall strategy. However, the main policy reforms that must be addressed under Objective 1 can be started without this objective's specific targets or guidance. At a certain point, however, the advice provided from this area will be essential to inform the resource mobilization strategy and ensure the feasibility of the GDS.

The first step in this process will be to define the overall scope of the costing analysis of the GDS and the level of ambition that this task should require. Some public finance costs were already estimated in the initial GDS formulation, but most remain to be defined. This initial step should determine what needs to be costed, the required scope and scale of this costing estimation, who should be involved in this process, and assess the capacity and resources available to undertake the exercise. If this capacity is insufficient, it is necessary to estimate if development partners can provide the necessary support.

Different approaches can be combined to provide a sufficiently good policy orientation with reasonable efforts. A variety of methods can be used during this exercise. Initially, medium- and long-term expenditure estimates should provide a high-level forecast to orient the resource mobilization strategy and account for available synergies among development outcomes. In addition, sector-specific costings, which involve a limited number of priority targets, could provide a more detailed picture of needs, as do needs assessments for particular projects or programs. The second step in this process will be to select the methodologies to be used for each specific purpose and the timeframe for the overall analysis.

An essential outcome of this exercise is the validation of the macro forecasts and scenarios projected by the GDS. An initial output would be to develop a macroeconomic forecast (macro-model) with several scenarios for the next five years. This model should cover the assessment of the impact on the economy of the implementation of the significant structural reforms proposed, of restrictions like the need for providing the energy resources needed for economic growth; forecasting changes in foreign markets and mitigating the impact of external factors on economic growth; the identification of "growth points" by determining the contribution of regions and industries to economic growth; and the development of recommendations and specific measures in key macroeconomic areas to ensure sustainable economic growth. The GDS already provides several definitions that will have overall implications for these macro scenarios, for example:

- Ensure macroeconomic stability and gradually reduce the annual inflation rate to 5%
- Bringing the gross domestic product to USD 100 billion in 2026 and achieving average GDP growth rates of 6.5%
- To increase the share of the private sector in GDP to 80% and exports to 60%, Achieve an annual agricultural growth rate of at least 5 %.
- Establish tight monetary conditions, including credit investments into the economy, to maintain growth rate (16 - 18 %)
- Ensuring the formation of real positive interest rates of 2-3 % on money market operations
- Reducing the state budget deficit and ensuring that from 2023 it will not exceed 3 % of GDP

Another outcome of this process is the development of financing models that show the interlinked effects of the different policies and targets proposed by the GDS. The GDS proposes measures requiring significant increases in government fixed recurrent costs (education, health, social protection) and substantial increases in public investments (energy, transport, health, education, environment) by 2026. The GDS is also programming the addition of tax expenditures (tax incentives, subsidies) and the reduction of taxes to attract private investment. It also proposes establishing rigid ceilings to external debt. Other revenue-increasing effects should balance the combined magnitude of these measures also expected, for example, the economic results of the privatization of SOEs, the additional tax increases generated by the liberalization of entire markets to the private sector, and the land reforms and other targets described in the previous chapter. Modelling these combined impacts will show the need to simultaneously make progress on both fronts to ensure that the fiscal targets are met. Most likely, this analysis will show the importance of sequencing and timely implementation of some reforms to generate the fiscal space needed to achieve others.

An additional practice that this strategy will introduce is the capacity to project the development of private and public financing flows to meet specific GDS targets. In many cases, it will be necessary to reverse-engineer the financing consequences of some GDS targets and program the necessary resource mobilization actions to achieve these goals. Contrary to the traditional forecast techniques that project the past into the future, back-casting approaches deconstruct the future to show the consequences that are needed to enable the solutions. For example, the target of 5,000 MW of renewable energy will trigger an analysis of how much public investment will be needed (and how that will affect public debt ceilings), and how much can be done by PPPs or private concessions. This in turn will affect specific programming for PPP execution, contracting and financing targets.

A final result of this process is the definition and validation of the financial flow targets and the mobilization strategies and management changes to achieve them. The financing modelling described above will define specific targets for developing 10-12 public and private finance flows[10]. Some of the direct targets for their goals in this financing strategy have already been set by the GDS. Their validity should be verified, especially concerning the macro forecasts mentioned above. For example:

- **Public Debt.** The newly borrowed external debt does not exceed $ 4.5 billion per year. By 2026, public debt does not exceed 60 % of GDP.
- **Public-Private Partnerships.** Attract a total of USD 14 billion in PPPs in energy (147mln), transport (8.699bln), health (275 mln), education (380 mln), environment (338 mln), utilities (975 mln), water (40.3 mln), social (104 mln) and other sectors
- **Foreign Direct Investment.** Attract USD 70 billion in Foreign Direct Investment (FDI) between 2022 and 2026.

A critical element of this objective is the ability to support the government's technical capacities to produce these results. For this purpose, the GDS foresees the establishment of an Economic Council for Ensuring Macroeconomic Stability, which should provide leadership and strategic economic oversight during this GDS. This Council could be the primary recipient of the analytical results proposed above, but it is yet unclear how the coordination of the production of these inputs will be managed. The initial focus of the strategy will be to support the establishment of the Economic Council to define its terms of reference and main strategic orientations to the government. A substantial effort must be made to support the technical groups that should participate in developing the economic forecasts and metrics analyzed above. This can be done by combining government technical teams with the expertise accumulated in private think tanks that could provide the necessary, rigorous research and analysis to support the decision-making process.

4. New interventions to improve volume and management of financing flows

Guiding Principles of the Strategy

This strategy's overarching idea is that the proposed interventions will produce maximum results if implemented with a systemic approach that integrates the opportunities in the public and private spaces. The implementation of this strategy will have maximum impact if the primary interventions are planned with a systemic view. Instead of adopting scattered, isolated actions to address individual parts of the problem, the systemic approach proposed allows taking advantage of the possible synergies and cross-cutting benefits of the policies implemented.

The actions proposed in this strategy were designed to generate cross-cutting synergies and avoid policy blind spots that could derail the financing process. The actions of this strategy considered current opportunities and threats in the three main financial pillars:

- ***Pillar 1. Public Finance.*** Efforts to provide the fiscal space needed to finance the increased expenditure needs emerging from the GDS. To make this compatible with the private sector development goals, at the same time, it will be necessary to tighten up the management of public resources to ensure the maximum

[10] These are analysed in Chapter 4: Government Revenue, Tax Expenditure, Public debt, Public Investment, Official Development Assistance, Public Climate Finance, FDI, MSME and Inclusive Financing, PPPs, Domestic and External Philanthropy and CSO financing, Blended Financing and Impact Investment

possible returns from the investments and expenditures currently made.

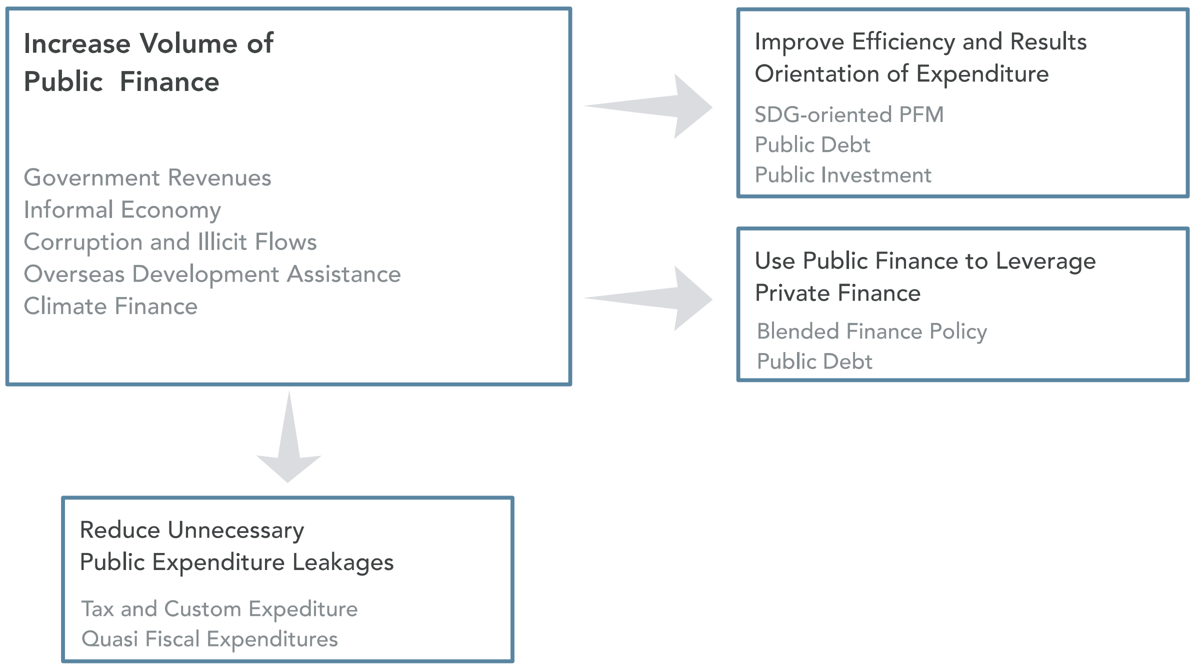
- ***Pillar 2. Public-Private Collaboration***. New interventions to explore new ways of collaboration. This is fertile ground to develop new, innovative finance mechanisms like blended finance, results-based finance, and impact investment. However, to achieve them, a strategic allocation of public resources (government and ODA) is needed, and a well-synced implementation of policy interventions.
- ***Pillar 3. Private Finance and Investment*** Private sector development will demand significant improvements to the enabling environment and specific policies to develop individual finance flows. A critical aspect will be to ensure the inclusiveness of the private sector development process,

The strategy will also provide a link to address a critical gap in Uzbekistan's SDG financing approach. The country lacks a long-term development vision, and there is no holistic, integrated approach to funding Uzbekistan's Agenda 2030 or beyond. Existing policy documents and institutional processes that constitute the country's long-term development priorities overlap in scope, time, and means. This confuses authorities' capacity to identify precise financing needs and target priority reforms towards meeting those needs. This strategy will also lay out a sequence of general policy reforms that will probably take longer than the duration of a single administration and will be of great importance to achieve the SDGs or longer-term goals.

Pillar 1. Strategic improvements of public finance

Most of the reforms needed to improve the scope and quality of public finance will require significant government leadership. The country made substantial progress in fiscal management and has a clear path established by the PFM Strategy. However, there is still considerable room to improve the use of public funds. To produce the desired results, the actions proposed by this strategy pillar will demand sustained leadership to ensure their implementation.[11]

Figure 11 The Main Goals, Pathways and Reform Areas in the Public Finance Space



There is still significant room for improvement in the public finance space. Despite the government's substantial progress and achievements in several public finance management areas, there are still opportunities for improvement. The overarching purpose of the reforms proposed is to improve the volume and management of public finance. These actions should aim to (i) increase the

[11] The Draft Action Plan for this Strategy in Annex 1 provides a detailed description of the main intervention areas identified

fiscal space to finance the significant expenditure needs of the GDS; (ii) tighten up the management of public resources to ensure the maximum impact from the investments and expenditures currently made, (iii) reduce unnecessary expenditures and (iv) exploring new ways of using public resources to leverage private investment and finance. These reforms complement each other and are essential to make the need for additional public expenditure compatible with the reduction of the tax burden to the private sector and overall competitiveness.

The proposed pathways are interrelated and share strong complementarities. Table 1 provides an overview of the policy intervention areas and the programmatic interventions proposed for each area. To simplify, the main pathways and their reform areas are presented successively. However, they share strong complementarities, supporting simultaneous implementation. For example, the improvement of Public Investment Management (PIM) systems directly affects the long-term and strategic planning of public debt, the need to increase fiscal space and government revenues and extend concessional loans or blended financing mobilizing additional Official Development Assistance. The management of individual finance flows should be programmed to develop the necessary scale to meet the financing needs set by the GDS.

***Action Area 1*:** Strengthen current PFM Reform Strategy formulation by embedding SDG-based policies. Significant reforms are still needed to improve Public Finance Management and the budget expenditure's allocative and operative efficiency. The link between the annual budget and the GDS is weak. The solutions required should align budget expenditure with strategic priorities, introduce outcome-based approaches to budget allocation and assess the cost and benefits of the proposed and alternative uses of public funds. There is also a need to consolidate all off-budget spending into the budget. The latest available Public Expenditure Review stated that improving the quality and efficiency of expenditures requires measurement and accountability. One way to address this is to accelerate the mainstreaming of the SDG in the national budget process.

The MoF has already started to undertake initial steps on aligning SDGs with the budget and mapped the state budget expenditures to the SDGs for Y2019 and Y2020. The MoF is also considering introducing advanced SDG budgeting models to ensure better linkages with the program budgeting currently piloted. The MoF is testing green budgeting within the framework of a Public Policy Loan Program on the transition to a Green Economy.[12]. By these means, some of the most important long-term goals and targets would become explicit in the budget and may allow for systematic financing reforms. The interventions proposed for this pillar include

- ***Strengthen fiscal discipline*** by introducing: SDG-aligned macro-fiscal rules, SDG-informed fiscal space and fiscal gap analysis and Risk management for macro-fiscal parameters
- ***Accelerate the mainstreaming of the SDGs in the national budget process*** Improve budget allocative efficiency by applying Budget prioritization using SDG framework and accelerators, Sector-specific SDG-aligned fiscal rules for the essential areas (education, health, social protection, see Ch6.) and SDG-informed MTEF budget circulars and budget negotiations processes
- ***PFM Systems*** Complete the upgrade of PFM systems and tools, software, and management information systems to consolidate the usage of program and performance-based budgeting
- **SDG Orientation to reduce public expenditure inefficiencies.** New systems to measure and publicize the operations and results of public funds, and their alignment with national development priorities and/or the SDGs. Develop institutional capacities to conduct regular assessments of the SDG impact and efficiency of current budget programs and inform future budget allocations.

Table 1 An Overview of the Initiatives Proposed for Public Finance

Action Area	Policy Interventions/Initiatives

[12] The PBL supported by the French Development Agency (AFD) is piloting green budgeting in sectors with large investments and recovery expenditures – such as fossil fuel subsidies and water abstraction – would provide data to track the gradual alignment of public policies with the green economy strategy. The system could serve as an input to the wider monitoring and evaluation system of the strategic framework

1. Accelerate the mainstreaming of the SDGs in the national budget process.	- Introduce SDG orientation to strengthen fiscal discipline
	- Improve budget allocative efficiency introducing SDG-based PFM instruments
	- Upgrade PFM tools to consolidate usage of performance-based budgeting
	- Introduce an SDG Orientation to reduce public expenditure inefficiencies in public funds and current budget programs
2. Accelerate the decentralization and de-concentration of public finance	- Revenue de-concentration from local to subnational government institutions
	- Extend the Citizen's Budget to the regions and encourage participation
	- Gradually devolve government functions responsibilities and accountabilities
	- A medium-term plan to develop the local government's capacities
3. Introduce a Strategic Planning Dimension to Tax and Government Revenues	- A medium-term fiscal and revenue plan
	- A long-term plan for to gradually reduce the size of the informal economy
	- A medium-term plan to eliminate illicit flows,
	- Gradual introduction of environmentally oriented taxation systems
4. Reduce the use of ineffective or arbitrary tax exemptions	- A system to integrate and measure all tax expenditures and monitor their impact
	- Costing tax expenditures programmed in the GDS and estimate fiscal space costs
	- Gradual elimination of tax exemptions to substitute them with effective measures
	- Develop a transparent tax expenditure reporting system
5. A medium-term plan to rationalize, merge or eliminate state funds	- Rationalize, use of state funds and consolidate their operations into the budget and in the Treasury Single Account (TSA)
	- Annual budget reporting to allow scrutiny by the parliament and the population
	- Develop a new legal to regulate the operation of new funds
	- Strengthen the government supervisory capacity to monitor their operation
	- Explore potential use of state funds in blended financing mechanism
6. Introduce a long term, strategic approach to manage Public Debt	- Develop a long-term debt management plan
	- Extend the introduction of the SDG-orientation of future debt
	- Explore use of public debt in blended financing instruments
	- Further improve transparency of public debt information
7. Develop a comprehensive Public Investment Management Framework	- Develop an integrated Public Investment Program and pipeline
	- Standardize and unify decision-making criteria
	- Develop an investment audit and evaluation framework
8. Develop an Official Development Assistance Management Policy	- Establish a government-led development partner coordination mechanism
	- Strategic allocation of ODA to develop government capacities in three key areas
	- Increase access by introducing new modalities, like Blended Financing, Aid for Trade, RBA and mechanisms (pooled funds, impact funds.)
	- Complete the development of a robust ODA management information system
9. Develop a Comprehensive Climate Change and Disaster Risk Financial Framework	- Develop the methodologies for accounting climate expenditures
	- Develop and implement a roadmap, and concrete action plan, for a long-term green, climate-smart economic transition
	- Develop a comprehensive disaster risk financing plan
	- Experiment with the introduction of innovative finance instruments
	- Improve the quality of information systems (budget and aid financing) to strengthen evidence-based management

***Action Area 2:* Accelerate the decentralization and de-concentration of public finance.** One of the primary goals of the GDS is to increase the regional economy by 2-3 times through the balanced development of the regions. A key element to achieving this goal is reforming the currently highly centralized public financing system, where central government agencies make most regional planning and budgeting decisions.

The government plans to implement five-year regional programs developed by districts and cities across 14 regions. This plan foresees significant infrastructure investments for cities' development and urbanization, housing programs renovation, energy generation and distribution, drinking water and sewage systems, and many more. These goals would greatly benefit from an accelerated expansion of the decentralization of the administrative and public finance process. This can be achieved by increasing the use of the Citizen's budget and extending it to regions. Another avenue for using the Citizen's Budget is to produce thematic Citizen's budgets like Climate Citizens' Budget or Green Citizens' Budgets. Local authorities need to be active in this planning and implementation process and have more leeway to impose local taxes or spend money autonomously.

- ***Revenue De-concentration***. Establish a predictable and rules-based system to determine revenue transfers from local to subnational government institutions. Revenue de concentration can be also linked to SDG targets and the performance of subnational structures on SDGs. Start a gradual process to allow local authorities to collect and use local taxes within national constraints.
- ***Extend participatory budget practices to all the Regions.*** Further expand local budgeting reforms to increase local ownership of the budget planning process. Increase share of local budgets that are linked to citizen involvement and feedback. Extend the use of the Citizen's budget to regions and explore use use the Citizen's Budget is to produce thematic Citizen's budgets (Climate, Green, etc)
- ***Transfer of Government Functions.*** A program to review government functions and gradually devolve responsibilities and accountabilities for fully localized spending to the hokimiyats and kengashlar. Establish transparent local government (including hokims) performance criteria that include central and local accountability criteria.
- ***Capacity Development.*** A medium-term plan to develop the local government's capacities o receive new governing responsibilities gradually

Action Area 3: Introduce a Strategic Planning Dimension to Tax and Government Revenues. The previous administration started ambitious reforms of the tax system and the business regulatory environment to reduce costs and compliance burden for the private sector. The major reductions in tax rates applied in 2019 resulted in significant increases of tax revenues as a percentage of GDP, even during the de-acceleration caused by COVID in 2020.

This GDS proposes further reducing the general tax burden on businesses by 2026 from 27.5% to 25% of GDP[13] and additional tax reductions to create favorable business development conditions in regions with challenging situations. The government is planning significant reductions in tax rates (VAT from 15% to 12% and profit tax rates for banks and other activities from 20% to 15%). It is expected that revenues will remain growing through increased compliance, tax base expansion, privatizations, and market liberalization. At the same time, the GDS also proposes to reduce the state budget deficit and ensure that it will not exceed 3 % of GDP from 2023. Taxation can also be used to enable transformative change to achieve the SDGs, and systemic tax policy reforms can also be designed to increase their developmental impact. The financing strategy will focus on the introduction of a long-term approach to the gradual application of several policy reforms and measures designed to balance different initiatives proposed in the GDS and long-term sustainability:

- ***A medium-term fiscal and revenue plan***. Calculate the additional budget expenditures and tax revenues foreseen by the GDS policies and estimate the margins for reducing taxes and introducing the additional incentives also proposed by the GDS. Medium-term actions to increase revenue collection, strengthen critical tax administration functions and further tax reforms.
- ***Informal Economy.*** A long-term plan to gradually reduce the size of the informal economy, including incentives (social protection measures and MSME support programs) and a simplified low-taxation system

[13] These estimates include total government tax revenues. other revenues and social security contributions,

- ***Illicit Flows.*** A plan to eliminate illicit flows, transfer pricing, import/export invoice adulteration and other practices. Build a robust regulatory framework, develop government capacity to tackle illicit financial flows, and gradually eliminate money laundering, contraband, and other illegal practices. Address all outstanding gaps in Uzbekistan's full compliance with all FATF anti-money laundering standards
- ***Carbon Orientation.*** A long-term vision for the gradual introduction of environmentally oriented taxation systems (introducing carbon taxes and eliminating fossil fuel subsidies) to lower GHG emissions.

Action Area 4: A Short-term Plan to Rationalize the use of Tax Expenditures and Eliminate Arbitrary Tax Exemptions. The country uses several tax incentives to support local economic activity, SOEs, and private sector investments. A wide variety of tax holidays, reduced tax rates, economic zones, and discretionary tools to grant incentives to individual investors is currently in use. The WB PER in 2019 estimated that overall tax expenditures around 6.4% of GDP (not including trade tax or VAT exemptions), almost one-third of tax revenues.

Several measurements warn against the scope and efficacy of tax expenditures as they did not significantly impact foreign direct investment, domestic investment, or business and job creation. The DFA argued that tax expenditures for SOEs favour capital-intensive industries that generate relatively little employment and foreign direct investment. The state Tax Committee assessed that the free zone system's fiscal cost is 3% of GDP and that based on the low level of employment they generate, their cost-benefit should be evaluated. Private sector leaders consulted argued that the system of exonerations to individual private firms lacked transparency and affected the competitiveness of complete sectors in favour of a few well-connected individuals.

The government had plans to phase out tax expenditures, and some VAT exemptions were removed with the 2019 reforms. However, progress has been slow, and the 2022 PER study points out that tax and customs expenditures account for 16% of GDP. This is in the same order of magnitude as the financing needed to achieve the SDGs. Moreover, the GDS proposes several measures to increase tax expenditures[14] .The following actions are proposed:

- ***Develop a system to measure and monitor tax expenditures*** and integrate scattered information into one system that also measures their alignment with the SDGs and government priorities.
- ***A plan to systematically rationalize ineffective or arbitrary tax exemptions***, systematically assess the cost-benefit and impact of all existing tax expenditure instruments and phase-out ineffective measures. Develop a plan to terminate discretionary tax exemptions given to individual firms.
- ***Medium term forecasts.*** Estimate the costs of the additional tax expenditures proposed by the GDS. Assess the fiscal space needs and opportunity costs compared to alternative strategies for attracting business and private investments beyond isolated tax incentive measures.
- ***Develop a tax expenditure reporting system*** that is aligned with good international practices (IMF) and is transparently open to the public

Action Area 5: A medium-term plan to rationalize, use of state funds and to consolidate their operations into the budget and in the Treasury Single Account (TSA). Additional opportunities to improve public expenditure efficiency can be found by rationalizing, the use of extrabudgetary state funds and consolidating all their operations into the budget and in the Treasury Single Account (TSA). The last PER stated that 47 Extrabudgetary Funds amounted to 35.2% of GDP; and if quasi-fiscal losses were included, spending amounted to 41.2%.

Their current activities generate distortions in the market, contributing to the fragmentation and lack of coordination of public investment decisions. Some of them are responsible for the quasi-fiscal subsidies SOEs receive through cheap lending from state-owned banks. The MoF made significant progress integrating them into the budget; the latest citizen's budget, 2022, already incorporated 23 of these funds. The financing strategy priority is to accelerate their consolidation into the budget. It proposes to collate and publicize the number, volume, financing sources, and annual operation information of all public funds, develop systems to measure the alignment of their investments with national priorities and the SDGs and explore ways to use these funds to leverage additional private

[14] See an initial summary of these proposed measures in Annex 2

resources in blended financing mechanisms. The following actions are proposed:

- ***Rationalize the use of extrabudgetary funds***. A short-term plan to further rationalize use of state funds and consolidate their operations into the budget and in the Treasury Single Account (TSA). By these means the remaining funds can be included under the budgetary transparency and monitoring systems.
- ***Provide complete transparency to the operations of state funds.*** Extend annual budget reporting and provide access to information to allow scrutiny by the parliament and the population. Collate and publicize the number, volume, financing sources and annual operation information of all public funds
- ***Regulate the operation of public funds.*** Develop a new legal foundation compliant with best international standards and practices and regulate the operation of various new funds, such as collective investment schemes and mutual funds, investment funds, trust funds and private equity funds
- ***Strengthen the government supervisory capacity to monitor the operation of these funds.***, Develop systems to measure the alignment of the investments of these funds with national priorities and the SDGs, modernizing the institutional setup and improving technical capacities
- ***Explore innovative ways to use these funds.*** Explore the potential use of state funds in blended financing mechanisms. For example, some of the thematic state funds (agriculture, farmers, energy, women, forests, cooperatives) could invest in new private equity blended funds to leverage additional private resources (see Action Area 10)

Action Area 6: Introduce a Long-term, Strategic Approach to Manage Public Debt The government's prudent management of public finances allowed Uzbekistan to transition the COVID pandemic keeping public debt at relatively safe levels for macroeconomic stability. The new fiscal rule determines that the maximum amount of the state debt attracted by combining domestic and external sources on behalf of and under the guarantee of the Republic of Uzbekistan shall not exceed 60% of GDP. The government's National Development Strategy proposes to keep the amount of newly borrowed external debt below USD 4.5 billion per year.

The government's management of public debt has been innovative and highly successful in a variety of ways: (i) diversifying debt portfolio of lenders and currencies which resulted in decreased costs and a reduction of currency risks, (ii) stopping the issuing of state guarantees for SOEs and public banks for domestic liabilities, reducing sovereign risks, (iii) developing innovative instruments, like the SDG Bond issued in London in 2022 or the inflation/linked government securities in soums in the local market, (iv) the use of public debt in soums to develop the domestic financial market increasing local emissions from 597bn soums in 2018 to 4.9tn soums in 2021. The financing strategy will build on the proposal of the GDS for developing a medium-term public debt management strategy to address the following opportunities:

- ***Develop a long-term debt management plan.*** A plan to consolidate current practices into a sustainable debt management system. Set long-term debt forecasts and targets linked to more efficient public investment management.
- ***SDG-Orientation of Future Debt*** Further increase the use of SDG-thematic (green, gender, social) and Sukuk bonds of future public debt emissions and continue reducing costs and obtain more favourable maturity conditions and generating more interest of international impact investors to Uzbekistan.
- ***Explore the use of public debt in Blended Financing instruments.*** Explore the catalytic use of public debt and sovereign guarantees to leverage large-scale private financing in blended finance instruments (first loss position in blended funds or syndicated loans, etc.). These actions are linked to a broader blended financing policy described below.
- ***Transparency of Debt Information.*** Systematize current information and disclosure practices on debt data and statistics, impact and allocation of SDG-linked bonds and contingent liabilities in regular reporting practices and standards to inform budget and parliamentary decisions.

Action Area 7: Develop a Comprehensive Public Investment Management Framework. The GDS considers the effective implementation of public investment as one of the priorities to ensure macroeconomic stability and maintain the economy's high growth. Public Investment Management (PIM) is an area where all development partners coincide, which is a top priority during this foreseen transition process. Public investment accounted for about a third of the economy's total spending. However, it is not well aligned with development needs. PIM decision-making is fragmented; funding for public investments comes from several sources, including the state budget, the UFRD, special state targeted funds, IFIs, and bilateral agencies, each with its own decision-making framework on how to spend the resources. There is little coordination across different channels of public investment. Weaknesses in assessing projects' economic and social benefits reduce incentives for public investments with longer-term returns, such as human capital and environmental projects. Limitations in asset maintenance and recurrent expenditure budget planning increase long-term project financing costs.

The WB also warns that "investment projects are among the most vulnerable areas of public expenditure to corruption and financial mismanagement and that the absence of a clear PIM framework increases fiscal risks, and risks of corruption and capture by vested interests." This is a critical element in the foreseen expansion of PPPs, where considerable investments should be generated and -if not correctly managed- could open a significant flank of fiscal risks. The government will need to develop a comprehensive Public Investment Management Framework and start by making improvements to the strategic allocation of these resources. It is most likely that the high demand for infrastructure investment proposed by the GDS will not be financeable with public resources alone. Therefore, the strategic selection of public investment projects must be consistent with the government's national and sectoral priorities, with areas where PPPs are not foreseeable, and aligned budgetary and debt resource decision-making. The action plan proposed includes the main recommended actions by the leading DPs in this field:[15]

- ***Develop an Integrated Public Investment Program and Pipeline.*** Bring all domestic and externally financed public investments and capital spending into a single, multi-year public investment program reflected fully in the consolidated budget. Establish a unified pipeline of top priority investments that should be financed with public funds, through concessions and PPPs or by private investments.
- ***Standardize Decision-Making Criteria.*** Establish standard criteria for public investment project screening, preparation, selection, implementation, and evaluation, unifying all public investment decision-making processes. These criteria can be also linked with SDG targets as criteria for PIM decision making. Develop robust coordination mechanisms between the MEPR, the UFRD and other agencies.
- ***Investment audit and evaluation framework.*** Conduct systematic cost-benefit analyses of new public investments. Integration of sustainability, gender and green investment criteria into the mandates and annual performance contracts of the bodies responsible for mobilizing public investment

Action Area 8: Develop an Official Development Assistance (ODA) Management Policy. The country is significantly underfunded in this area and may have chances to increase ODA flows in various formats. A possible future expansion of grants and loans could be generated by developing more advanced partnerships and outcome-oriented approaches. Comparisons to regional and similar income country reference groups provided in Chapter 1 show significant room for improving the volume of these flows. Uzbekistan receives around 0.2% of GDP per year, which is considerably lower than the regional average of 3.3% and much lower than the top ODA-receiving country in the region (Tajikistan, which receives 9.4& of GDP).

Significant additional ODA inflows will be required to support the implementation of the different intervention areas proposed in this strategy. One of the most critical aspects for which additional ODA will also be required is the actions directed to support the government to deliver the essential reforms to ensure the inclusiveness and sustainability of the transition process analyzed in Chapter 2 (social protection, labor reform, inclusion and equality, education and health, poverty reduction and environment). The following actions are proposed:

- ***Donor Coordination.*** Establish a government-led development partner coordination mechanism building on the existing coordination council that works under the MIFT. Strengthen its capacity to strategically allocate DP support to the priority topics defined by the financing strategy. Develop the capacities of the MIFT to improve the overall management of these finance flows
- ***Strategic Prioritization.*** Implement a government-led process of strategic allocation of ODA to develop

[15] Main actions in this area are recommended in WB (2021) “Toward a Prosperous and Inclusive Future: The Second Systematic Country Diagnostic for Uzbekistan” working draft, April 2022

government capacities in key areas: (i) to improve public expenditure efficiency and effectiveness, reduce risks and extend RBF systems; (ii) policy reforms in areas that accelerate domestic resource mobilization and (iii) to ensure better management financial flows (SME finance, FDI, etc.)

- ***New Aid Approaches.*** Explore increased access to ODA by introducing new modalities, like Blended Financing, Aid for Trade and Results-Based Aid. Facilitate the introduction of innovative finance mechanisms, pooled finance mechanisms (trust funds) and other means to increase the financial support of development partners in key areas of the GDS.
- ***Aid Management Information Systems.*** Complete the development of a robust and comprehensive ODA management information system to allow a coherent and strategic use and strengthen the quality of the ODA monitoring and evaluation system

Action Area 9: Develop a Comprehensive Climate Change and Disaster Risk Financial Framework. Uzbekistan is highly vulnerable to the effects of climate change. It is among the top 20 countries for drought exposure and faces a high hazard from wildfires and above-average flood hazard levels. Without adequate support for adaptation, the effects of climate change will have a more substantial impact on poor and marginalized communities. Projected climate effects on agricultural yields may disproportionately affect their living standards and threaten food security. There is no systematic framework to address the threat of climate change. This is a critical area that Uzbekistan can focus on attracting more ODA and bringing in private impact investors. Most of the development cooperation partners in Uzbekistan would consider increasing their investments in this area, especially by providing grants and concessional financing.

A complete climate change mitigation and adaptation and disaster risk financing framework is needed to consolidate and provide coherence to the significant work that is needed in this area. Climate finance is also an excellent testing ground for innovations that can be applied later in other areas. For example, this Climate Change Framework can be used as a model to manage other, cross-cutting priorities where inter-sector prioritization and action coordination is needed. Most of the innovative finance mechanisms proposed in other sections of this strategy can be tested and experimented in this field, which is normally used as testing grounds for blended funds, impact-oriented measures, and taxation. This strategy proposes taking the first steps towards clarifying the strategic, financial, and budgetary frameworks in the CC area and improving the link between the CC policy and the budget. The following actions are proposed:

- ***Climate Expenditures*** Develop the methodologies for identification, coding, and accounting of CC-related budget expenditures. Improved accountability and transparency on CC-related expenditures addressing knowledge gaps concerning total public and private climate finance. New coordination mechanisms for CC-related expenditure budgeting in the budgeting process
- ***Green Transition.*** Develop and implement a roadmap, and concrete action plan, for a long-term green, climate-smart economic transition in consultation with key stakeholders. Align the Nationally Determined Contribution with roadmap targets. Introduce a climate change forecasting system to assess the potential of renewable energy sources accurately.
- ***Disaster Risk Management.*** A comprehensive disaster risk financing plan including an assessment of government contingent liabilities, capacity building and awareness-raising on financial resilience, risk identification and management and financial support mechanisms for low income and vulnerable customers. Develop weather or catastrophe insurance schemes to mitigate climate risks integrating it into the legislation, providing regulatory and market support to insurers and introduce InsurTech solutions.
- ***Innovative Finance Instruments.*** Experiment with the introduction of blended finance mechanisms (a green Fund), including green debt instruments to increase access to other public and private financing and investment. Gradually introduce carbon pricing/ taxation instruments to reduce GHG emissions and build capacity for routine GHG inventory and reporting.
- ***Information and Monitoring.*** Improve the quality of information systems (budget and aid financing) to strengthen evidence-based management of this financial flow. Develop coherent monitoring and evaluation system to track progress in climate change financing

Pillar 2. Developing the public-private collaboration space

Significant financing opportunities can be achieved by expanding innovative finance practices in the public-private space, for example, by making better use of blended finance mechanisms to attract commercial capital to finance development areas. There are also opportunities to develop partnerships with national and international NGOs and leverage additional philanthropic finance resources. Also, promoting community-based financing schemes for local development projects, where communities partly contribute to the project's cost. In addition, the government can explore results-based programs to improve the quality of public services and leverage significant additional philanthropic resources. These policies may be seen as innovations in Uzbekistan. Still, in most cases, there are successful pilot experiences that could be taken as models to scale up to more ambitious policies. The leadership of key government institutions will be the critical variable needed to support these interventions in the innovative finance space.

The actions proposed in this financing strategy are complementary to the major transformations that the government is implementing in this space. Some of the most ambitious interventions proposed by the Government's Development Strategy for 2022-2026 (GDS) are related to the reforms in the public-private space. Many of the interventions proposed by the GDS will require significant investment from the private sector and new financing mechanisms. In many cases, this will allow the development of innovative financing practices that minimize the need to utilize additional public finance. The government is implementing fast-paced programs to privatize SOEs, develop PPPs to address infrastructure binding constraints and other significant reforms in this space. What is proposed in this strategy is additional and complementary to what is already ongoing. However, as these initiatives will directly affect the proposed additional reforms, their monitoring has been included in the list in Chapter 5.

Table 2 An Overview of the Initiatives Proposed in the Public-Private Space

Action Anrea	Policy Interventions/Initiatives
10. **Develop and implement a blended finance policy**	- Remove legal or regulatory limitations to introduce blended financing
	- Gather support of leading blended financing DPs to develop the policy and invest in pilot instruments
	- Identify specific areas where blended financing could de-risk additional private investments for the SDGs and attract external impact investors to Uzbekistan
	- A plan to transform some of the existing public funds into private equity blended funds, or to allow them to invest in private blended funds in specific markets
11. **A policy framework to develop private philanthropy using Results-Based Financing approaches.**	- Formalize and extend the usage of Public-Private Partnerships for Development (PPPDs) between the government, development partners, companies, and civil-society organizations,
	- Identify main areas where PPPDs could be applied and a pipeline of implementable projects
	- Engage ODA support to introduce performance-based aid instruments
	- Develop the legal and regulatory system
	- Promote a national dialogue on the role private philanthropy especially focused on the traditions of Islamic finance

The list of policy interventions proposes exploring new uses of public finance to leverage additional private resources. The two main types of interventions proposed in this area will introduce significant innovations in using public funds. Their full development will take time as these processes usually require testing with pilot projects and impact evaluation before their full scaling up. However, these interventions will open new opportunities to attract additional resources, primarily from AOD and foreign impact investors, that otherwise may not happen.

In all cases, the proposed actions aim to develop the private impact investments market and attract new foreign investors. The two central intervention areas below propose a different use of public finance to de-risk investments from private, impact investors. The commercial investment market is not yet fully developed in Uzbekistan; no private pension funds or other large investors could participate. Their return expectations may also be too high. However, the impact investment market, with assets under management of over USD 1 trillion globally, is not investing yet in Uzbekistan. The private sector enabling environment measures proposed in the following section may not be enough to attract these investments. The two action areas proposed below will open opportunities to accelerate the arrival of impact investors (for and non for profit) in thematic SDG areas that the usage of catalytic government spending can directly define. The good experiences generated should generate more widespread interest from these investors in the future.

Action Area 10: Develop and Implement a Blended Finance Policy. A significant innovation proposed by this financing strategy is developing a blended finance policy**.** Blended finance is a capital structuring approach that combines the catalytic and strategic use of public or development financing (concessional or non-concessional) to attract private financing, thereby increasing the total capital available for sustainable development. Blending can be done through different instruments (guarantees, syndicated loans, investment funds). Most of them have immediate applications in Uzbekistan and some of them have been pilot tested.

In these systems, development finance, whether public (national and international cooperation) or private (national or international philanthropy), is used to mobilize other commercial funds. This approach builds financing structures that adjust to the different risk-return profiles of investors. Public financing is a catalyst used to generate various levels of risk-return that could be attractive to private investors. These structures can be designed so that the partners who assume the lowest risk positions could be private commercial or institutional investors (pension funds or insurance companies) or even foundations (when they invest their endowments). As private markets are still developing in Uzbekistan, it is most likely that the private resources needed should be sought from external impact investors. This opens new opportunities to attract a different type of foreign investment that will be aligned with the SDGs and the main goals proposed by the GDS.

Uzbekistan is in an ideal position to explore the possibilities for blended financing. Most of the development partners in the country have extensive experience and knowledge designing these types of financing and already have instruments to provide co-funding or guarantees to de-risk blended financing structures. The government can also consider the catalytic use of public funds and sovereign debt to provide the catalytic capital to de-risk these structures.

The usage of quasi-fiscal activities limits the development of blended financing. The use of public funds to subsidize lending or charging less than commercial prices for goods and services generate market distortions that negatively affect the opportunities sought by the new commercial investors sought for with blended financing mechanisms. There is an opportunity to dismantle quasi-fiscal expenditures to introduce blended financing gradually. The government must change the focus from using public funds to subsidize interest rates or the commercial value of goods and services to subsidize the risk of the private investors who will invest in providing the access to finance to the final beneficiaries. The following actions are proposed:

- ***Legal and regulatory.*** The legal or regulatory limitations to introducing blended financing mechanisms must be analyzed and addressed. Explore specific limitations to introduce blended financing instruments (funds, syndicated loans, etc.). For example, government guarantees, or funding are used in private, for-profit instruments (private equity funds).
- ***Development Partner Support and Participation.*** Gather the support of leading blended financing DPs (ADB, EC, EBRD, IFC) to develop the policy and government capacities and to co-invest in prototype projects for new blended finance mechanisms
- ***Attracting Impact Investors*** Identify areas where blended financing could leverage additional private investments for the SDGs and attract external impact investors to Uzbekistan. Develop a policy system that favors impact investment. Analyze opportunities to attract foreign private impact investors (pension funds, insurance companies, foundations) to finance SDGs in blended finance mechanisms
- ***Public Funds.*** Develop a plan to transform some of the existing public funds into private equity blended

funds or to allow them to invest in private blended funds in specific markets (see Action Area 5). Identify "low-hanging fruit" areas where existing public funds (agriculture, farmers, energy, women, forests, cooperatives) may invest in blended financing mechanisms

Action Area 11: A policy framework to develop private philanthropy using Results-Based Financing approaches. Actions under this area explore innovative uses of public finance (domestic and external) to steer private philanthropy and stimulate Civil Society Organization (CSO) development and participation. The financing strategy is proposing to explore the introduction of Results Based Financing approaches combining government, ODA, and private philanthropy to fund key SDG areas. These partnerships are usually referred to as Public-Private Partnerships for Development (or PPPDs), where development partners, companies, governments, and civil-society organizations combine their resources and jointly address a societal problem to foster development. As a collaborative effort on the part of autonomous organizations based on non-commercial relationships, PPPDs are characterized by a situation in which complementary interests lead to interdependent relationships based on trust and reciprocity. To collaborate, partners must agree on shared goals, rules, standard operating procedures, and the division of tasks, risks, and responsibilities. These types of partnerships should not be confused with the PPPs used for infrastructure finance.

This action area proposes using public funding to attract and develop international and domestic philanthropy, an untapped potential finance source worth exploring more in-depth. This idea builds on what the GDS is already proposing: *"to establish the practice of offering non-profit organizations the implementation of socially useful projects, such as poverty reduction, job creation, vocational training of the needy population, based on open competition"*. The strategy also acknowledges that these approaches should be used to efficiently increase the quality of the delivery of goods and services and public expenditure. Recent experience highlights the need for developing a common policy framework to extend Results-Based Financing and Aid approaches.

Public or private donors commonly use results-based financing approaches in development finance. Several ODA instruments are defined under Performance-Based Aid (cash on delivery, performance-based loans, performance debt buy-downs). These financing approaches usually coincide in applying three common criteria: (i) payments are made contingent on the achievement of previously agreed results; (ii) allow for recipient discretion as to how results are achieved; and (iii) verification of results by an independent third party as the trigger for disbursement. Some of the most complex instruments in RBF are the Social Impact Bonds (SIBs), tested in Uzbekistan by the World Bank for education purposes.

The strategy also proposes establishing a national dialogue on the role of Islamic finance and faith-based finance to accelerate the SDG alignment of Islamic finance. This is an area where the government Enabling international philanthropic organizations and impact investors to operate in Uzbekistan will most likely involve addressing regulatory and legal limitations and capacity development of government institutions using impact investment mechanisms. The following actions are proposed:

- ***Formalize and extend the usage of Public-Private Partnerships for Development (PPPDs)*** between the government and CSOs using Results-Based Financing (RBF) approaches to define outsourcing contracts to deliver social goods and services. Provide capacity development and financing incentives to government institutions to accelerate the usage of these mechanisms
- ***Identify main areas where PPPDs could be applied and a pipeline of implementable projects.*** Focus this application on areas where international experience shows maximum returns (Labor and Social, Education, Health Care) and extend it to other development priority areas (environment, social protection)
- ***Engage ODA support to introduce performance-based aid instruments*** and co-finance government-led initiatives. Use these partnership approaches to stimulate the increase of ODA offered to the country mainly applied to ensure the inclusiveness of the transition process
- ***Develop the legal and regulatory system*** to standardize the use of PPPD contracts, regulate the philanthropic market establish clear responsibilities and accountabilities and incentives and regulate certain vehicles (crowdfunding) that are not yet considered in the legislation.

- ***Promote a national dialogue on the role of private philanthropy*** mainly focused on the traditions of Islamic finance and faith-based finance pillars (Zakat, Awaqf, Sadaqa and Qard Al-Hasan)[16] to support accelerating the SDG alignment of Islamic finance.

Pillar 3. Private Sector development and main flows

Table 3 An Overview of the Private Sector Targets proposed by the GDS (by 2026)

Transformation Area	Policy Targets for 2026
Private Sector Development	- Increase the private sector's share to 80 % of GDP
	- Increase the private sector's exports share to 60 % of GDP
	- Increase total private investment by USD 120 billion
	- End public monopolies in 25 activity areas
FDI	- Achieve USD 70 billion in FDI
Privatization	- Shares of 15 large SOEs offered on the stock exchange
Banking and Financial System	- Privatize 16 public banks
	- Share of private banks to 60% of total banking assets
	- Expand the stock market from USD 200 mln to USD 7 bln
Industrial Zones	- Establishment of an additional 200 industrial zones throughout the country.
Digital Economy	- Increase the size by at least 2.5 times and exports to over USD 500m
PPPs	- Attract USD 14 billion in public-private partnerships, of which
	- Energy PPPs for USD 147mln
	- Transport PPPs USD 8.699bln
	- Health PPPs USD 275 mln
	- Education PPPs USD 380 mln
	- Environment PPPs USD 338 mln
	- Utilities PPPs USD975 mln
	- Water PPPs USD 40.3 mln
	- Social USD 104 mln
Agriculture	- Achieve annual growth rates of at least 5%
	- Increasing the export potential by USD 1 billion
	- Development of new and decommissioned 464,000 hectares
	- Water-saving technologies introduced in 260 thousand hectares
	- Expansion of forest areas planting at least 200 million trees
Chemical Industry	- 33 investment projects worth USD 4.5 billion by attracting private investors

Many of the actions required on the private side will depend on achieving the significant changes proposed by the Government Development Strategy, some quite radical. The government has ambitious plans to expand the private sector during the next five years. The GDS aims to increase the private sector's share of GDP to 80 % by 2026 and its export stake to 60% of GDP. The GDS proposes

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[16] ***Zakat*** is an Islamic financial term, that derives of the fact that the faith requires to all Muslims to donate a portion of their wealth to charity. Muslims must meet a certain threshold before they can qualify for zakat. The amount is usually established as 2.5% or 1/40 of an individual's total savings and wealth. ***Awqaf*** refers to the concept of assets that are donated, bequeathed, or purchased for being held in perpetual trust for general or specific charitable causes that are socially beneficial. In many ways, the concept is similar to the Western concept of endowment as it inspired it. ***Sadaqa*** is charity given voluntarily to please God and describes a voluntary charitable act towards others, whether through generosity, love, compassion or faith. ***Qard Al-Hasan*** refers to the practice of providing interest free loans where the borrower repays the principal amount of the loan without interest, mark-up, or a share in the business for which the loan was used.

many impressive targets for attracting FDI, developing SMEs, and increasing domestic private investment, summarized in Table 3. However, most of these policies will require significant changes and sometimes a radical departure from previous policies.

The results of the policies proposed by the GDS in this area are highly interconnected. This is a particular time in the country's history as it is undergoing a radical structural change in its economy. The success in some planned areas, like the privatization of banks and liberalization of state monopolies, has vast effects on the economy's private side. The government is embarking on fast-paced reforms to make this happen, and significant reform areas highlighted in this strategy area already refer to initiatives that are fully or partially ongoing. Some key areas (PPPs and FDI) are not included in this part of the agenda as effective plans are already in motion. However, as they significantly affect the private sector market, they are included in the monitoring plan proposed in the following chapter.

Table 4 An Overview of the Initiatives Proposed to increase Private Investment and Finance

Action Anrea	Policy Interventions/Initiatives
***12.* Consolidate the enabling environment for Private Sector Development (PSD)**	- Remove legal and regulatory limitations to PSD
	- A system to monitor policy coherence and results of major reforms to eliminate PSD binding constraints (infrastructure, energy, connectivity)
	- Develop a plan with clear coordination targets and responsibilities for a results-based improvement of the critical policies affecting PSD
***13.* A strategic plan to improve domestic private finance**	- A program to accelerate the key GDS measures to modernize the financial services and complete the transformation of the banking market,
	- Develop systems to monitor alignment of bank loans with the SDGs and national development priorities (gender equality, regional and agriculture development)
	- A program to accelerate the implementation of the key GDS measures to extend the operations of the domestic stock market
	- Impact oriented measures to accelerate private sector development
***14.* A strategic plan to extend financial inclusion and improve MSME finance**	- Develop and support the implementation of a Financial Inclusion Policy led by the Central Bank to provide access to individuals from specific population target groups (women, rural, low-income)
	- A program to modernize financial services accelerating the use of fintech-based loans, non-banking credit institutions (credit unions, microfinance) and other sources like factoring, leasing, and crowdfunding
	- A program to extend financial literacy and protection, skills development, and capacities of low-income and rural populations to avoid potential adverse effects
***15.* Increase the development impact of the diaspora economy, seasonal migrant work, and remittances**	- A program to formalize seasonal migrant work to ensure the protection of Uzbek workers, to develop a system of programmed seasonal work and provide coverage for health and social protection
	- A program to improve migrant labor income by providing targeted training, low-cost loans and reducing the cost of remittances
	- Measures to Improve the development effects of migrant work, the financial inclusion of the families that receive remittances
	- Measures to engage the permanent diaspora in entrepreneurial, investment, scientific, educational, and cultural activities

***Action Area 12:* Consolidate the enabling environment for private sector development.** An inclusive expansion of the private sector should be the main driving force of the subsequent development transition in Uzbekistan. Several impactful transformations are being implemented to improve the enabling environment for private sector development. These include tax reforms to release the burden on the private sector (Action Area 3) and ambitious changes to transition to a market economy (Table 4).

Private sector development demands decisive short-term actions and planned medium and long-term interventions. Many of the interventions needed to enable private sector development may not require significant investments and can be achieved quickly. These are mainly related to reforms in the legal and regulatory system (registering property, construction permits, or resolving insolvency). However, some of the significant binding constraints will require considerable investments for which the success of other government plans (Public Investment Management and PPPs for infrastructure investment) is essential. Other improvements demand a longer-term approach as they should focus on obtaining adequate and timely results of current public policies (for example, workforce skills, the quality of the TVET programs and skillsets of graduates, R&D expenditures and innovation policies, and anti-corruption policies). Most importantly, success in this area depends on the achievement of significant policy coordination. The following actions are proposed to monitor this area:

- ***Legal and Regulatory Limitations***. Focus on short-term actions to address the major legal and regulatory limitations (registering property, construction permits, or resolving insolvency) to speed up international and national investment
- ***Monitoring removal of major binding constraints*** Monitoring major medium-term reforms and investments (infrastructure, energy, connectivity) to eliminate private sector development binding constraints. Provide coherent prioritization of the PPP and PIM strategy implementation and other policies to address critical regional as well as national development objectives (see Monitoring Area)
- ***Management and coordination***. Develop a plan with clear coordination targets and responsibilities for a results-based improvement of the critical policies affecting PSD projected in the GDS and in this strategy, for example: (i) Access to finance (bank privatization and other measures), (ii) access to land (land code, cadaster, and land management reforms), (iii) reduce the size of the informal sector (iv) elimination of distortions created by non-transparent subsidies and privileges to private companies, (v) the employability of the workforce and vulnerable groups and the quality of the TVET programs and skillsets of graduates

Action Area 13: A strategic plan to improve domestic private finance A priority target of this financing strategy is to ensure the systematic improvement of the financing conditions for the private sector. This is one of the most critical binding constraints for private sector development, where the country performs quite poorly compared to its peers and is also a main priority of the GDS. The most critical action programmed by the GDS is the complete transformation of the banking system, increasing the share of private banks to 60% of total bank assets in 2025. Planned reforms also highlight the digitization of production and operational processes in banking and financial services and the improvement of overall banking efficiency and measures to improve the financial stability of the banking system. A significant part of the modernization process programmed in this area includes the following developments:

- ***Structural reforms*** A program to accelerate and monitor the modernization of the financial services and complete the transformation of the banking market, increasing the share of private banks to 60% of total bank assets in 2025. This program should also coordinate the simultaneous objective of achieving financial inclusion proposed below (Action Area 14).
- ***Impact oriented measures to accelerate private sector development.*** Conduct training for business, investors and banks on SDG opportunities, share results on SDG investor maps and innovative market intelligence, unlock private investment and finance in science, technology and innovation development.
- ***SDG Orientation of Private Finance.*** Develop systems to monitor the alignment of bank loans with the SDGs and national development priorities, Articulate access to concessional finance to address the disconnects between the sectoral distribution of the bank loan portfolio with national development priorities (gender equality, regional and agricultural development)
- ***Expansion of financial markets.*** A program to accelerate the implementation of the key GDS measures to extend the operations of the domestic stock market (i) liberalize capital movements to attract foreign capital to the domestic financial market (ii) allow the purchase of government securities by nonresidents and increase liquidity in the corporate securities market (iii) sell shares of SOEs in the domestic stock exchange market (international standards for IPOs and privatization processes), (iv) increase the use of public debt in soums securities in the domestic financial market

Action Area 14: Extend financial inclusion and improve MSME finance. An essential outcome of this strategy is achieving an inclusive business development process during this transition. This requires to focus particular attention to ensure that the improvements of the financing conditions to the private sector also reach two priority target groups:

- The improvement of the financial literacy and inclusion of individuals (with specific focus on gender, rural, Aral Sea and other focus/vulnerable/LNOB groups) and
- The financial inclusion of Micro, Small and Medium Size Enterprises (MSMEs).

Bank finance is not ready to meet these challenges, especially to ensure equitable participation of MSMEs in this process. Alternative sources of collateral and security for banks and new, non-banking solutions (leasing, factoring, fintech) must be encouraged and extended. The Central Bank of Uzbekistan will have the primary institutional and policy leadership for the first target group.

The Bank is planning to implement a roadmap for developing financial literacy in broad sectors of the population (women, rural, low-income) with the participation of several stakeholders. The Bank is also the regulatory authority in many areas that affect access to MSMEs' finances, including non-banking credit institutions (credit unions, microfinance) and other sources like factoring, leasing, and crowdfunding. The Bank will also have a leading role in developing a modern and effective system to expand the market for digital finance firms (Fintech). For this purpose, is planning the introduction of regulatory sandboxes to accelerate this development, minimizing potential negative costs.

The GDS included the development of modern financial services, operations, and technologies (Fintech) and cashless payments as part of the modernization of the Banking System. For this purpose, it also foresees significant participation of the Ministry of Information Technologies. The government also plans to improve access to finance for MSMEs through more effective and efficient governance of the public credit guarantee (PCG) scheme and more capital injections from the MoF to the SMEs State Fund to Support entrepreneurial Activity. Policy coordination is the essential element to achieve these ambitious goals. The strategy proposes to support the capacity development of the government to play the leading coordination role required.

- ***Financial Inclusion Strategy*** Develop and support the implementation of a Financial Inclusion Policy led by the Central Bank of Uzbekistan (CBU) to provide access to formal finance instruments to individuals from specific population target groups (women, rural, low-income)
- ***Modernize Financial Services.*** A program to accelerate the modernization of financial services, enabling environment to extend operations of digital finance services (Fintech), Extend the use of fintech-based loans, factoring, leasing, and crowdfunding and digitization and the use of non-cash payments. Develop the ICT infrastructure in the field and ensure cyber security in the provision of financial services
- **Coherent MSME Policy.** Significant improvements to the legal framework to develop an effective system to finance MSMEs Address disconnects between supply and demand for MSME finance Introduce new measures to enable transparent access to risk capital by SMEs (venture capital, seed capital)
- ***Extend financial literacy and protection,*** skills development, and capacities of low-income and rural populations to avoid potential adverse effects of the access provided by digital financing technologies. Develop a sandbox approach to balance the positive and negative impacts of fintech.

Action Area 15: Increase the development impact of the diaspora economy, seasonal migrant work, and remittances. The financing strategy also proposes integrated policies to harness sustainable development results from seasonal migrant work and remittances. The GDS offers several measures that coincide with UN experiences and good practices in countries where remittances represent a significant component of the national GDP. The strategy will aim to

- ***Formalize and improve migrant labor protection.*** A program to develop bilateral agreements to formalize seasonal migrant work (especially in Russia) and ensure the protection of Uzbek migrant workers. Develop bilateral agreements on social security and health protection for seasonal migrant workers. Establish a system of programmed seasonal work by activity area, skills, and duration, and encourage formal application to seasonal work.
- ***Improve migrant labor income*** by providing targeted training to improve the demanded skills of seasonal migrants and increase their income. Provide low-cost loans for pre-financing their seasonal travel and

location costs, accelerate mechanisms to reduce cost of remittances

- I***mprove the development effects of migrant work.*** Measures to boost financial inclusion of the families that receive remittances. Mechanisms to collateralize remittances for SME startups, housing, or farm property acquisition; Measures to support the work reinsertion in the local market (skills recognition, incentives)
- ***Measures to engage the permanent diaspora.*** Active involvement of the diaspora in entrepreneurial, investment, scientific, educational, and cultural activities in Uzbekistan (scientific and technical peer networks, Supporting associations and individual initiatives. Specific instruments (diaspora bonds) to engage diaspora donations and financing.

This policy design could benefit from the experience and knowledge accumulated by the Global Compact for Safe, Orderly, and Regular Migration (GCM). The GCM is the first intergovernmental agreement to cover all dimensions of international migration holistically.

5. Monitoring execution of essential policy reforms that affect development finance

Developing an appropriate monitoring and review system will provide significant benefits to managing development finance in Uzbekistan. The speed of the economic transition process implementation significantly affects the opportunities to ensure an inclusive process. Many interconnected policy actions will require coherence and coordination, and the government needs tools to ensure no "blind spots" in these developments that may have serious negative consequences. The government also needs to develop the technical capacities to set evidence-based financing mobilization targets and monitor their achievement systematically. In some cases, quality evidence and information is a binding constraint that affects the management of the individual financing flows analyzed and must be produced.

More advanced systems to monitor impact and SDG orientation of public expenditure are a key element in this proposal. The government would greatly benefit of the acceleration of current initiatives to advance program-based budgeting in the country. This is a precondition to introduce results-based public financing systems, SDG budgeting and "cross-mapping" the allocation of public resources to specific SDG and national priorities. This could also strengthen the definition of the monitoring indicators described in section 5.1. Establishing the use of regular budget performance reports can be a significant improvement to government management of public finance that should be developed in this building block.

A new monitoring and review system is needed to ensure that the financing for development goals is set and achieved. This is a critical component of the Integrated National Financing Framework and should be developed at a later stage. The new system proposed should provide the government with a "control panel" to monitor the results of implementing the financing strategy. The development of this framework will provide the following benefits:

- ***Build the necessary evidence base*** to improve the efficiency and effectiveness of financing policies and reforms, encourage broad-based participation in policy processes by all relevant stakeholders, and enhance buy-in and understanding of the value of this integrated financing framework
- ***Streamline monitoring efforts by reducing gaps.*** The strategy will focus on financing gaps for public and private finance and investment. This system will perform the economic forecasting of projected reforms and their costing consequences and the reverse engineering of targets to ensure adequate financing is provided. It will also help address redundancies and overlaps.
- ***Alignment with national priorities.*** This system should measure and address misalignments of financing flows with national priorities. For example, it should measure the alignment of private bank credits, institutional investors, or even public debt with national priorities and/or the SDGs
- ***Performance of the Financing Strategy.*** This system should regularly review and report on the value-added of the financing strategy, including whether it is succeeding in enhancing mobilization and increasing

coherence and alignment of financing with national development priorities

- ***Support dynamic policymaking*** by facilitating learning on what works and what does not and enabling timely course adjustments in response to changes in conditions, such as financing and risk landscapes. This is very important in the fast-changing Uzbekistan context
- ***Improve transparency and accountability*** and strengthen the government's capacity to generate partnerships, dialogue, and trust among stakeholders.

This strategy provides sufficient contextual analysis to support the design of these systems. The actions propped in this section support the achievement of Objective 2 of the strategy and the essential components of this proposed solution are summarized in Table 5. Key metrics are needed to make compatible and integrate (i) quantitative information from the PFM system and of the public finance flows analyzed (ii) private finance and investment tracking, eliminating information "blind spots" (like PPPs, or private climate financing) and measure their alignment to national priorities, (iii) new systems to monitor ODA and philanthropic investments (domestic and external) using the same platform. This information could be enhanced by policy reviews and systematic monitoring and reporting on the progress to achieve national development goals or the SDGs.

Some of the proposed actions demand the development of the government's technical capabilities, for example, to systematically set evidence-based financing mobilization targets and monitor their achievement. A robust methodology is needed to monitor the results of a wide range of scattered policies, action plans and timelines. Adequate capacity must be made available to undertake this exercise, and the availability of development partner support will be essential.

Table 5 An Overview of the main elements of the monitoring and review system

Action Area	Policy Interventions/Initiatives
Develop the capacities to set evidence-based financing targets.	- Costing analysis of the GDS and forecasting potential financing gaps that should be covered by public of private finance
	- Validation of the macro forecasts and scenarios projected by the GDS and the capacity of the measures to produce their occurrence
	- Development of financing models that show the interlinked effects of the different policies and targets proposed by the GDS.
	- Project the specific development of private and public financing flows to meet the GDS targets
	- Set financial flow targets and the mobilization strategies and management changes to achieve them
Integrated monitoring of other essential policy developments that are not directly addressed by this strategy	- End public monopolies in 25 activity areas
	- Privatize 15 large SOEs and improve SOE governance
	- Attract Foreign Direct Investments to reach USD 70 billion
	- Attract USD 14 billion in Public-Private Partnerships
	- Eliminate corruption
	- Public procurement

5.1 Set evidence-based financing targets

The first step in this process will be to define the overall scope of the costing analysis of the GDS and the level of ambition that this task should require. Some public finance costs were already estimated in the initial GDS formulation, but most remain to be defined. This initial step should determine what needs to be costed, the required scope and scale of this costing estimation, who should be involved in this process, and assess the capacity and resources available to undertake this exercise. If this capacity is insufficient, it is necessary to estimate if development partners can provide the necessary support.

Different approaches can be combined to provide a sufficiently good policy orientation with reasonable efforts. A variety of methods can be used during this exercise. Initially, medium- and long-term expenditure estimates should provide a high-level forecast to orient the resource mobilization strategy and account for available synergies among development outcomes. In addition, sector-specific costings, which involve a limited number of priority targets, could provide a more detailed picture of needs, as do needs assessments for particular projects or programs. The second step in this process will be to select the methodologies to be used for each specific purpose and the timeframe for the overall analysis.

An essential outcome of this exercise is the validation of the macro forecasts and scenarios proposed by the GDS. An initial output would be to develop a macroeconomic forecast (macro-model) with several scenarios for the next five years. This model should cover the assessment of the impact on the economy of the implementation of the significant structural reforms proposed, of restrictions like the need for providing the energy resources needed for economic growth; forecasting changes in foreign markets and mitigating the impact of external factors on economic growth; the identification of "growth points" by determining the contribution of regions and industries to economic growth; and the development of recommendations and specific measures in key macroeconomic areas to ensure sustainable economic growth. The GDS already provides several definitions that will have overall implications for these macro scenarios, for example:

- Ensure macroeconomic stability and gradually reduce the annual inflation rate to 5%
- Bringing the GDP to USD 100 billion in 2026 and achieving average GDP growth rates of 6.5%
- To increase the share of the private sector in GDP to 80% and exports to 60%, Achieve an annual agricultural growth rate of at least 5 %.
- Establish tight monetary conditions, including credit investments, to maintain growth rate (16 - 18 %)
- Ensuring the formation of real positive interest rates of 2-3 % on money market operations
- Reducing the state budget deficit and ensuring that from 2023 it will not exceed 3 % of GDP

Another outcome of this process is the development of financing models that show the interlinked effects of the different policies and targets proposed by the GDS. The GDS proposes measures requiring significant increases in government fixed recurrent costs (education, health, social protection) and substantial increases in public investments (energy, transport, health, education, environment) by 2026. The GDS is also programming the addition of tax expenditures (tax incentives, subsidies) and the reduction of taxes to attract private investment. It also proposes establishing rigid ceilings to external debt. Other revenue-increasing effects should balance the combined magnitude of these measures also expected, for example, the economic results of the privatization of SOEs, the additional tax increases generated by the liberalization of entire markets to the private sector, and the land reforms and other targets described by the GDS. Modelling these combined impacts will show the need to simultaneously make progress on both fronts to ensure that the fiscal targets are met. Most likely, this analysis will show the importance of sequencing and timely implementation of some reforms to generate the fiscal space needed to achieve others.

An additional practice that this strategy will introduce is the capacity to project the development of private and public financing flows to meet specific GDS targets. In many cases**,** it will be necessary to reverse-engineer the financing consequences of some GDS targets and program the necessary resource mobilization actions to achieve these goals. Contrary to the traditional forecast techniques that project the past into the future, back-casting approaches deconstruct the future to show the consequences that are needed to enable the solutions. For example, the target of 5,000 MW of renewable energy will trigger an analysis of how much public investment will be needed (and how that will affect public debt ceilings), and how much can be done by PPPs or private concessions. This in turn will affect specific programming for PPP execution, contracting and financing targets.

A final result of this process is to set financial flow targets and define the mobilization strategies and management changes to achieve them. The financing modelling described above will define specific targets combining the public and private finance flows analyzed in this strategy. Some of the direct targets for their goals have already been set by the GDS. Their validity should be verified, especially concerning the macro forecasts mentioned above. For example:

- **Public Debt.** The newly borrowed external debt does not exceed $ 4.5 billion per year. By 2026, public debt does not exceed 60 % of GDP.
- **Public-Private Partnerships.** Attract a total of USD 14 billion in PPPs in energy (147mln), transport (8.699bln), health (275 mln), education (380 mln), environment (338 mln), utilities (975 mln), water (40.3 mln), social (104 mln) and other sectors
- **Foreign Direct Investment.** Attract USD 70 billion in Foreign Direct Investment (FDI) by 2026.

A critical element in this area is the ability to support the government's technical capacities to produce these results. A substantial effort must be made to support the technical groups that should participate in developing the economic forecasts and metrics analyzed above. This can be done by combining government technical teams with the expertise accumulated in private think tanks that could provide the necessary, rigorous research and analysis to support the decision-making process. For this purpose, the newly created Coordinating Council for implementing national goals and objectives in the field of sustainable development until 2030 should provide the institutional umbrella to locate the capacity development efforts. This Council created a new working group on financing the National SDGs that could be the primary recipient of the analytical results proposed above. These institutional and governance solutions are discussed later.

5.2 Integrated monitoring of essential policy outcomes

The monitoring system proposed should guide the interconnected impact of the different policies proposed by the financing strategy. The results of the 15 policy intervention areas and the programmatic initiatives proposed by this strategy must be measured and integrated into a single platform. The basic elements for this monitoring framework are provided in the integrated implementation table provided in Annex 6.1. These policies are highly interconnected, and their results impact others. The monitoring methodology must capture these interlinkages as they generate significant sequencing prioritizations that would otherwise go unattended. Due to the nature of the radical structural changes in Uzbekistan, the success in some planned areas (like the privatization of banks and liberalization of state monopolies) will have vast effects on others. Therefore, this sequencing will be essential in the next five years.

This monitoring system should measure the performance of the financing strategy, and address misalignments of financing flows with national priorities. This system should regularly review and report on the value-added of the financing strategy, including whether it is succeeding in enhancing mobilization. This should also include measuring and addressing misalignments of financing flows with national priorities and the overall coherence of the policy system proposed by the financing strategy. Once the main targets for the financing flows have been set and measuring systems are in place, the monitoring system will produce a dashboard of the development of the core financing. This system will be designed to support dynamic policymaking, facilitate learning on what works and what does not, and enable timely course adjustments in response to changes in conditions. This is very important in the fast-changing Uzbekistan context.

Table 6 An Overview of additional policy reforms to be added to the integrated monitoring

Action Anrea	Policy Interventions/Initiatives
***16.* Privatizations and Private Investments**	- End public monopolies in 25 activity areas
	- Privatize 15 large SOEs and improve SOE governance
	- Attract Foreign Direct Investments to reach USD 70 billion
	- Attract USD 14 billion in Public-Private Partnerships
***17.* Public sector**	- Eliminate corruption
	- Public procurement

improvements	

The monitoring system must also capture the results of other policy developments that are not directly addressed by this strategy but will significantly impact its goals. At the core of these transformations is the proposed acceleration of the market transition process as it will define the future size of the private sector, and its inclusiveness. For example, as SOEs are large employers, their privatization or eventual closure may have significant adverse impacts on the labor market. However, this move will also generate fiscal relief for the government to allow the application of dedicated policies to mitigate these impacts. The government is embarking on several fast-paced reforms that are not duplicated in this strategy but should be monitored. Developments in key areas (like PPPs or FDI) are not included in this part of the agenda as effective plans are already in motion. However, as they significantly affect the private sector market, they are included in the proposed monitoring plan. The main set of additional policy developments that should be added to the monitoring review framework are summarized below.

The achievement of the ambitious goals to attract foreign direct investments will require coordinated and strategic interventions that are not included in this integrated financing policy. The GDS target to reach USD 70 billion in FDI over the next five might be reachable, given the significant market reforms projected by the GDS, but radical policy changes are needed to deliver these results in such a short period. Trends show that right before the COVID-19 pandemic, FDI performance accelerated and reached 3.87% of GDP in 2019. However, what is wished for now means that this record-high value is quadrupled in less than five years. The GDS plan considers the creation of a working group consisting of ministries and departments, as well as foreign consultants) to strategize and coordinate actions. The government is implementing a five-year strategy with over 100 objectives supported by the World Bank and other development partners.

Another goal that affects this strategy is the capacity of the government to ensure that Public-Private Partnerships (PPPs) are effectively used to address the considerable infrastructure binding constraints. The GDS is proposing to reach USD 14 billion for PPPs in 2026. The PPP Development Agency under the MoF is implementing a comprehensive and aggressive plan to provide strategic, risk-balanced, and transparent use of PPPs. It is already collating a significant pipeline of USD 4billion for 2023 A vital element of this monitoring effort is aligning with the Public Investment Management (PIM) improvement process (Action Area 7) and defining an Infrastructure Development Plan. This plan should set the strategic allocation and financing objectives for PPP development. An additional element of this framework is establishing a rule-based approach to extend the use of PPPs to the continued transparency and accountability for PPP operations.

Significant improvements in public expenditure efficiency will come from reducing the number of SOEs and improving SOE governance. The State Assets Management Agency is working on sequencing the market reforms needed to facilitate liberalization and create the conditions for SOE privatization. The privatization of commercially feasible SOEs and the liberalization of key markets to increase competition with existing SOEs are already happening. It is also considered the possible closure of unsustainable SOEs. For those SOEs who will remain, a short-term action plan is being implemented to improve governance and reduce corruption and SOE losses, setting specific targets for profitability, leverage, and liquidity. Medium-term actions will accompany this to reduce explicit and quasi-fiscal subsidies to SOEs (especially from state banks and the UFRD).

A significant component that affects this strategy is the governments capacity to operationalize the intentions to reduce corruption. Reducing the leakages generated by the weight of the illicit economy and vested interests increases government revenues, the efficiency of public spending, and the returns on public investments. The GDS defined explicit intentions of reducing corruption, contraband, money laundering, and other delinquent practices. The government's goals are to confront this problem systemically and proposes to identify areas and sectors prone to corruption, increase the effectiveness of the system to eliminate corruption, and the formation of an intolerant attitude to corruption in society. These intentions must be programmed as a comprehensive strategy to end corruption, money laundering, contraband, and other illicit activities for 2022-2026.

Public procurement practices must improve to add efficiency and transparency to public expenditure and allow SMEs' expansion. Uzbekistan's current public procurement and financial reporting practices do not meet international standards. Improving public procurement is not an explicit measure in the national development strategy. However, there is a clear interest in improving medical equipment and medical supplies procurement. The need to modernize the system, introduce Sustainable Public Procurement Principles, and strengthen the integrity of the procurement process is sufficiently diagnosed. Developing a modern, open, transparent, and digital public procurement system could also significantly impact SME growth opportunities and suppliers far away from Tashkent. This is an initiative currently under the supervision of the MoF

A key element to implementing these reforms to improve public finance is overcoming the limitations of institutional and administrative capacities. Historically, policy implementation in Uzbekistan has been undermined by limited administrative capacity, frequent reorganizations of ministries and departments, high staff turnover, weak internal coordination, and absence of a cross-government approach are significant impediments to achieving impact. Moreover, pervasive corruption in the civil service saps resources and undermines policy implementation. If these persist, it may damage the public's trust in the government. Building capacity across a wide range of institutional actors and controlling corruption remains a core element that must be monitored.

6. Governance and coordination

The leadership required to manage the implementation of this strategy may demand new roles for the government, as they introduce a variety of challenges to current practices. The strategy emphasizes the need for a long-term vision for finance and a better understanding of the interconnected nature of the factors that affect development finance that the government will need to address with a holistic and coherent approach. This job requires a degree of strategic planning and coordinated implementation that are not usual in the country.

The strategy identified two major areas that will require government commitment and leadership from the top both at the political and technical level. This is needed to provide the overall vision, strategic management, and direction around which increased coherence can be pursued and ensures government-wide ownership and broad-based buy-in and participation over time (including across political cycles). The governance must provide coherence un two main fronts:

- ***Financing Actions***. As described in the previous chapters, the interventions that must be sequenced to provide sufficient financing for the SDGs and the GDS cover a wide range of policies, tools, and institutions. Some of them are new and must be introduced (Ch4) and many are already ongoing or are planned (Ch5). As these policy reforms are closely interconnected, their timely implementation will require management from the top of the government to provide coherence.
- ***Shaping the Transition.*** The analysis provided in Chapter 2 shows that the economic transformations proposed by the GDS offer opportunities to provide significant positive social, economic, and environmental impacts. However, they could also generate damage in all these dimensions. To ensure inclusive and SDG-led growth, several essential reforms that are already contemplated in the GDS must also be implemented and achieve significant results in unison.

The government leadership is needed to manage these two policy transformation processes simultaneously. Coordination among different stakeholders both within and beyond government is needed to maximize synergies, reduce duplication, enable the management of tradeoffs, and minimize contradictions or inconsistencies in the formulation and implementation these policies. Coordination among stakeholders is also critical to facilitate a coherent approach to financing that reduces risk across economic, social, and environmental systems and ensures that financing priorities and policies in one area do not create risk in another.

6.1 Design and monitor essential governance programs

In addition to what is proposed in this strategy, the government will need to conceptualize new programs and apply policies that reflect the importance of these major transition reforms. The greatest challenge to achieve the deep transformations and ambitious goals that the GDS is proposing s is to generate a consensus at the highest level of the government about the need to consider the potential negative impacts of this process and plan actions to prevent them. The analysis provided in Chapter 2 shows that four reform areas will define this new transition process's scope and main characteristics: (i) land reform, (ii) SOE privatization and reform, (iii) competition and antitrust reforms and (iv) governance and transparency. These reform areas deserve particular attention as they may define positive or negative effects that will mark the medium-term impact of this process. The following are a few examples on how the different actions that are already programmed in the GDS can be operationalized into programs that should be formulated as such, implemented, and monitored to ensure equitable growth during the economic transition. These are shown with more detail in Annex 6.3:

- **A roadmap to minimize the social costs of the privatization and closure of SOEs**. The SOE privatization process can be planned to provide sufficient time to anticipate the potential unemployment effects by sectors, areas of activity, and regions of the projected privatizations (or closure). This strategy is proposing to analyze the cost of the policy interventions needed (to provide targeted safety net benefits, TVET, employability training, and startup support) to this target group and support their delivery using results-based financing mechanisms. From a technical perspective, this integrated approach is not necessarily complex. It requires strategic planning and good use of available national and ODA resources. The most challenging aspect is the need to provide an institutional solution to achieve the high level of coordination needed to execute these policies.
- **Support the participation of MSMEs and individuals in the new private markets that will be created and the inclusiveness of the land reform**. An additional element is to ensure that new finance mechanisms are in place to provide equitable access to purchase land (agricultural and mortgage), especially for people from vulnerable socio-economic backgrounds. New innovative financial instruments (blended finance) can be used to support expansions in mortgage programs like the One Family One Entrepreneur program that provides subsidized credit to lower-income households. There are also. Acceleration of the land administration system and institutional reforms to strengthen land management is also needed to protect private property ownership rights from administrative misconduct acts
- **Provision of appropriate financial instruments to support the agricultural development transition.** As ownership of the sector moves from the state to private hands, the private financial sector is not yet capable of handling the considerable costs and risks associated with agricultural production. The ambitious targets set by the GDS regarding the expansion of intensive agriculture, the programmed decommission of agricultural land, the growth of the agricultural export sector, and the agro-industrial and forestation sectors will require a broad array of dedicated financing instruments. This will require significant public resources used efficiently, private financing, and new, innovative, innovative financing approaches.
- **A short-term plan to generate immediate results from the competition and anti-trust reforms.** Accelerate regulatory reforms (Law on Competition and the Law on Natural Monopolies) and the wide introduction of free market principles in business activities, including: the full transition to market mechanisms in the supply of raw materials and the formation of prices for agricultural products; and the gradual abolition of administrative prices for certain goods. Ensure that the newly liberalized markets (energy oil and gas), are developed under competitive rules. The proposed strategy for attracting foreign and domestic investment also includes provisions to prevent anti-competitive measures for investment. Strengthen technical regulatory capacity in Anti- Monopoly Committee and sector technical regulators (energy, telecommunications, transport, environmental) and their management capacities to deliver this implementation plan. Develop systems to ensure political and public oversight to this process shield it from vested interests and corruption practices

An additional consideration is the need to program government actions to deliver the essential reforms to safeguard the inclusiveness and sustainability of the transition process. The transitions planned in the DGS are always challenging because they promote efficiency but may create winners and losers. For example, as most state-owned enterprises tend to hold excess employment, their modernization process may generate significant layoffs. As the gains of privatization outweigh the losses, these adverse effects will be addressed only if the government can compensate laid-off workers. To safeguard the inclusiveness and sustainability of the transition process the government must develop and monitor several SDG-acceleration programs in parallel**:**

- ***Labor Reform.*** The GDS proposes ambitious policies to reform the labor market and drastically reduce the dependency on SOEs as the generator of formal and well-paid jobs. A wide range of measures and interventions must be planned to achieve the foreseen targets listed above, which in most cases will require significant additional financing from public sources. The measures implemented must ensure effectiveness as the dynamics of the shift to the market economy will bring significant employment challenges. For example, many people may need to change jobs from the public to the private sector or retrain and change their profession altogether. To minimize immediate social costs, these policies must deliver results as the transition happens.
- **Poverty Reduction.** The GDS aims to reduce poverty by half by 2026. To this end, it proposes a wide range of measures are programmed. The economic feasibility of implementing all these measures must be assured. Most of the efforts to achieve these improvements relate to different public policies that must be costed and ensure financing. A primary driver for poverty reduction and inclusive growth will be the equitable participation of the low- and middle-income population in the private sector opportunities created during the transition. A sequence of integrated policies must work in unison as the improvement of the financial literacy of the beneficiaries to provide them with adequate and low-cost instruments to allow them to participate, especially for those who work in the informal sector and have no credit history.
- ***Social Protection.*** The GDS also proposes ambitious policies and targets in this field, including increasing social benefits and financial assistance to the needy to 100%. One of the main elements presented is the appointment of a state body to pursue a unified state policy in social protection and to develop a national strategy for social protection to reform the social protection system, improve social assistance mechanisms and expand the scope of assistance. The government must bring coherence to the scattered actions in this area and eliminate duplications and incoherence with other strategies. A key element in this solution is establishing a social insurance fund, which will require special attention.
- ***Education and Health.*** The economic expansion process would greatly benefit from a more inclusive process of access to quality education and healthcare in all regions and for all income levels. The GDS has ambitious plans in both areas and mainly relies on the quality of the technical and vocational training system as the main instrument to provide equal opportunities to the new jobs that will be created. However, current performance of the public system in both areas is not yet ideal and main reforms are needed to ensure quality outcomes of the expenditure. Quality and not just financing is a key factor to ensure equitable impact of the targets set. For example, the vocational training of a total of 1 million unemployed citizens of more than 700,000 unemployed women or the establishment of medical clusters in the regions of the country to bring medical services closer to the population
- ***Inclusion and equality.*** The inclusiveness of the expansion will also depend on the capacity of the government to address gender imbalances in access to services and opportunities that are widespread. A similar situation is experienced by people living with disabilities. The GDS is also planning significant achievements in these areas. including (i) halving the unemployment rate among women and training more than 700,000 unemployed women at the state's expense and (ii) increasing three times the employment of people with disabilities. In all cases, the government plans to implement large-scale support programs that must be costed and later included in the financing strategy.
- ***Green growth.*** The GDS is setting high environmental protection standards. However, their implementation and enforcement must be synchronized with the privatizations that will happen in the mining and metallurgical industry. Other planned actions are essential for ensuring that the significant flow of investments expected in this process - abide by international environmental protection standards. For example, controlling and reducing pollutants released into the environment and ensuring that emissions do not exceed environmental requirements. strategy also foresees the development of 33 PPP projects in the field of ecology, totaling USD 338.4 million and investments in the Aral Sea region, worth USD 300 million. All these investments must also be monitored separately as they will affect the environmental impact of the new development model.

The government should pay particular attention to the adequate formulation and to the financing of the capacity development processes to deliver these actions. There are many oversight functions and technical capacities needed to correctly apply these changes. To maximize the positive outcomes of this transition, these policies must deliver results simultaneously. This is not just a regulatory reform process; it will require significant management capacity development to enforce the application of these transformations and general public oversight to shield it from vested interests and corruption practices. The dynamics of the land reform, privatization, and liberalization processes can easily outrun the governments' capacity for shielding these processes from rent-seeking oligarchs. The government should focus on the timely availability of the resources needed to finance these processes and their capacity to produce the expected results.

6.2 Management and oversight of the financing strategy

Finding an adequate institutional setup to manage the implementation of this strategy will require exploring managerial and institutional innovations since the coordination of highly cross-cutting policies is one of the areas where the governance system in Uzbekistan has shown greater difficulty in providing coherent and effective responses. The ideal approach would allocate the principal oversight responsibility to a high-level executive office**.** There will be a need to find robust mechanisms to ensure 'vertical' alignment between the overarching, longer-term policies and 'horizontal' alignment between operational policies focused on different themes or financing types to avoid contradictions and ensure complementarity. In Uzbekistan, this type of leadership could be provided by the Presidency of the Republic. The implementation plan should also ensure sufficient technical assistance support to develop the technical capacities needed to implement the actions required by the financing strategy.

The leadership required to implement this strategy will demand support from several ministries and the offices of the Presidency of the Republic. The constitution of an Oversight Committee will require confirmed leadership from at least these two key ministries:

- ***The Ministry of Finance.*** Many of the common interventions proposed in these plans directly correspond to areas of responsibility of the MoF or its subordinate agencies. This is, for example, the reforms regarding PFM, Public Expenditure Efficiency, Public Revenue, and External Debt management, the expansion of the Strategic Phase of the budget process. The MoF is already the leading partner in PFM and SDG budgeting.
- ***The Ministry of Economy.*** The MoE is the leading partner for Private Sector Development and the policies for developing the business environment. It is also the focal point for critical areas of the financing strategy, such as Public Investment Management and the Public-Private Partnership policymaking, SME development, and Foreign Direct Investment policies.

The newly created Coordinating Council for the implementation of national goals and objectives in the field of sustainable development until 2030 should provide an ideal institutional solution This Council established the creation of a new working group on financing the National SDGs that could be the primary recipient of the analytical results proposed above, but it is yet unclear if this coordination vehicle will have technical capacities or not. This will be an important element to orient the capacity development support that will be required to implement the financing strategy.

It would be opportune to develop a governance and coordination platform whitin this institutional framework. The government may consider setting up a regular convening and data exchange platform for all key actors that may have positive or negative impact on SDG financing, including perhaps a list of those actors and institutions. This could have significant impact in managing the actions listed in section 6.1 above. This can be extremely helpful to manage certain areas, like for example the actions identified in Action Area 2 (Accelerate the decentralization and de-concentration of public finance), which have significant repercussions for development finance, but are inherently governance-oriented reforms. Such a solution could also provide a platform for coordinating all financing actors, like for example, the need to integrate actions from multiple international development partners suggested in Action Area 8, or philanthropic partners in Action Area 11 and private sector development in Action Area 12.

After the Strategy is validated, it will be also necessary to draft a definitive Implementation and Support Plan. The draft in Annex 1 provides an initial structure of an implementation Plan. A capacity support program will be necessary to support the government with the technical assistance that will be necessary during the implementation process. The strategy will also demand the coordination of development partner support on systemic reforms of a broad range of areas, from public sector reforms to good governance and strengthening the management capacity of the central government and line ministries. The implementation of this roadmap should be complemented with the definition of a medium-term technical cooperation program supported by the UNDP and other development partners under the leadership of a designated government agency.

A critical element in this area is the ability to support the government's technical capacities to manage implementation and produce results The initial focus for the UNDP should be on supporting the government to establish the strategy implementation coordinating structure and to gather the necessary development partner support to provide the resources needed to develop its technical capacities. A substantial effort must be made to support the technical groups that should participate in developing the economic forecasts and metrics analyzed above. This can be done by combining government technical teams with the expertise accumulated in private think tanks that could provide the necessary, rigorous research and analysis to support the decision-making process. Significant additional support will be needed to support political decision making and the coordinated management of the action areas defined by this strategy.

CHAPTER 7

Annexes

7.1 THE PROPOSED GOALS AND INTERVENTIONS OF THE FINANCE STRATEGY

7.1.1 New Interventions Proposed by the Financing Strategy

Action Area	Policy Intervention /Initiatives	Timeline	Responsible
Pillar I: Improved Use of Public Investment and Finance			
1. Strengthen current PFM Reform Strategy formulation by embedding SDG based policies	• Strengthen fiscal discipline by introducing: o SDG-aligned macro-fiscal rules, SDG-informed fiscal space / fiscal gap analysis and o Risk management for macro-fiscal parameters		
	• Improve budget allocative efficiency by applying: o Budget prioritization using SDG framework and accelerators o Sector-specific SDG-aligned fiscal rules o SDG-informed MTEF/budget circulars and budget negotiations processes		
	• Complete the upgrade of PFM tools to consolidate program and performance-based budgeting		
	• SDG Orientation to reduce public expenditure inefficiencies o A system to measure and publicize the operations of public funds, their alignment with national development priorities and/or the SDGs • Develop institutional capacities to conduct regular assessment of the SDG impact and efficiency of current budget programs		
2. Reforms to accelerate the decentralization and de-concentration of public finance	• A program to extend revenue de-concentration o Establish a predictable and rules-based system to determine revenue transfers from local to subnational government institutions. • Start a gradual process to allow local authorities to collect, and use local taxes within national constraints		
	• Extend use of citizen´s budget budget practices to all the Regions o Further expand local budgeting reforms to increase local ownership of the budget planning process o Consider extending use of citizen´s budget to thematic areas (green, climate, etc) • Increase share of local budgets that are linked to citizen involvement and feedback		
	• A program to review government functions and gradually devolve responsibilities and accountabilities for fully localized spending to the hokimiyats and kengashlar Further expand local budgeting reforms to increase local ownership of the budget planning process • Establish transparent local government (including hokims) performance criteria that include central and local accountability criteria.		
	• A medium-term plan to develop the local government's capacities o receive new governing responsibilities gradually		
3. Introduce a Strategic Planning Dimension to	• Development of a medium-term fiscal and revenue plan to match the public finance needs of the GDS targets for 2026 o Calculate the additional budget and tax revenues foreseen by the GDS policies and estimate the margins for reducing taxes and introducing additional incentives also proposed by the GDS o Medium term actions to increase revenue collection strengthening critical tax administration functions and further tax reforms.		

Action Area	Policy Intervention /Initiatives	Timeline	Responsible
Tax and Government Revenues	• A program to gradually reduce the size of the informal economy o Include incentives from existing social protection measures and MSME support programs o A simplified low taxation system		
	• A plan to eliminate illicit flows, the use of transfer pricing, import/export invoice adulteration and other practices o Build a robust regulatory framework and develop government capacity to tackle illicit financial flows and gradually eliminate money laundering, contraband, and other illegal practices. o Address all outstanding gaps in Uzbekistan's full compliance with all FATF anti-money laundering standards		
	• A long-term plan to continue tax reforms and the gradual introduction of environmentally oriented taxation systems		
4. A Short-term Plan to Rationalize the use of Tax Expenditures and Eliminate Arbitrary Tax Exemptions	• Develop a system to measure and monitor tax expenditures o Integrate scattered information into one single system o Measure tax expenditure alignment with the SDGs and government priorities		
	• A plan to systematically rationalize the use of ineffective or arbitrary tax exemptions o Systematic assessment of the cost-benefit and impact of all existing tax expenditure instruments and phase-out ineffective measures. o Develop a plan to terminate discretionary tax exemptions given to individual firms		
	• Medium-term forecasting of tax expenditures o Estimate the costs of the additional tax expenditures proposed by the GDS o Assess the fiscal space needs and opportunity costs of the tax incentive measures.		
	• Develop a tax expenditure reporting system Aligned with good international practices (IMF) and transparently open to the public		
5. A medium-term plan to rationalize, use of state funds and to consolidate their operations into the budget and in the Treasury Single Account (TSA)	• Provide full transparency to the operations of state funds by extending annual budget reporting and providing access to information to allow scrutiny by the parliament and the population o Extend annual budget reporting and provide access to information to allow scrutiny by the parliament and the population o Collate and publicize the number, volume, financing sources and annual operation information of all public funds		
	• Regulate the operation of public funds • Develop a new legal foundation compliant with best international standards and practices and regulate the operation of a variety of new funds, such as collective investment schemes and mutual funds, investment funds, trust funds and private equity funds.		
	• Strengthen the government supervisory capacity to monitor the operation of these funds, modernizing the institutional setup and improving technical capacities o Develop systems to measure alignment of the investments of these funds with national priorities and/or the SDGs		
	• Strengthen the government supervisory capacity to monitor the operation of these funds., o Develop systems to measure the alignment of the investments of these funds with national priorities and the SDGs, modernizing the institutional setup and improving technical capacities		
	• Explore innovative ways to use these funds o Explore ways to use these funds to leverage additional private resources using blended financing approaches (see AA 10		

Action Area	Policy Intervention /Initiatives	Timeline	Responsible
6. Introduce a Long-term, Strategic Approach to Manage Public Debt	• Develop a long-term debt management plan o Consolidate current practices into a sustainable debt management system o Set long-term debt forecasts and targets linked to more efficient management of public investment		
	• A plan to extend usage of sovereign SDG and sukuk thematic bonds to reduce debt costs and obtain more favorable conditions		
	• Explore use of public debt in Blended Financing instruments. (Blended funds, syndicated loans, etc.) (see AA10)		
	• Extend Transparency of debt Information in regular reporting practices and standards to inform budget and parliamentary decisions o Systematize current information and disclosure practices on debt data and statistics, o Inform on impact and allocation of SDG-linked bonds and of contingent liabilities		
7. Develop a Comprehensive Public Investment Management Framework	• Develop an Integrated Public Investment Program and Pipeline o Bring all domestic and externally financed public investments and capital spending into a single, multi-year, public investment program that is reflected fully in the consolidated budget. o Establish a unified pipeline of top priority investments that should be financed with public funds, through concessions and PPPs or by private investments		
	• Standardize PIM Decision-Making Criteria o Establish standard criteria for public investment project screening, preparation, selection, implementation, and evaluation unifying all public investment decision making processes. o Develop robust coordination mechanisms between the MEPR, the UFRD and other government agencies.		
	• Develop an investment audit and evaluation framework o Systematic cost-benefit analyses of new public investments and modernization projects. o Integration of sustainability, gender and green investment criteria into the mandates and annual performance contracts of the bodies responsible for mobilizing public investment		
8. Develop an Official Development Assistance (ODA) Management Policy	• Establish a government-led development partner coordination mechanism.		
	• A strategic prioritization and allocation of ODA to key areas: o To improve public expenditure efficiency and effectiveness, reduce risks and extend RBF systems o To improve capacity in areas that accelerate domestic resource mobilization o To ensure better management financial flows (SME finance, FDI, etc.) o To incentivize blended finance mechanisms		
	• Explore increase access to ODA by the introduction of new approaches o Introduce new ODA modalities like Blended Financing, Aid for Trade and Results-Based Aid. o Analyze introduction of pooled finance mechanisms (trust funds) to increase the financial support of DPs in key areas of the GDS		
	• Complete the development of a robust and comprehensive ODA management information system		

Action Area	Policy Intervention /Initiatives	Timeline	Responsible
9. Develop a Comprehensive Climate Change and Disaster Risk Financial Framework	• Develop the methodologies for identification, coding, and accounting of CC-related budget expenditures. o Improved accountability and transparency on CC related expenditures addressing knowledge gaps with regards to total public and private climate finance. o New coordination mechanisms for CC-related expenditure budgeting in the budgeting process.		
	• Develop and implement a roadmap, and concrete action plan, for a long-term green, climate-smart economic transition o Align the Nationally Determined Contribution with roadmap targets o Introduce a climate change forecasting system to accurately assess the potential of renewable energy sources.		
	• Develop a comprehensive disaster risk financing plan o Include an assessment of government contingent liabilities, and capacity building and awareness-raising on financial resilience, risk identification and management. o Develop weather or catastrophe insurance schemes to mitigate against climate risks o Integrate the inclusive and disaster risk insurance into the national legislation, sectoral development strategies, institutional arrangements, public finance management. o Conduct comprehensive studies to assess the market demand and supply capabilities of insurance companies. o Assess and introduce financial support mechanisms in the form of full or partial premium subsidies or tax advantages for the low income and vulnerable group of customers. o Provide regulatory and market access support to insurers and technology companies to introduce InsurTech solutions. o Increase awareness and trust among the wider population and business communities in insurance products and insurance companies		
	• A plan to introduce innovative finance instruments o Experiment with the introduction blended finance mechanisms (a green Fund), including green debt instruments to increase access to additional public and private financing and investment. o Gradually introduce carbon pricing/ taxation instruments to reduce GHG emissions and build capacity for routine GHG inventory and reporting		
	• Improve the quality of information systems (budget and aid financing) to strengthen evidence-based management of this financial flow. Develop coherent monitoring and evaluation system to track progress in climate change financing		
Pillar 2: Significantly extend the Public – Private Collaboration Spaces			
10. Develop and implement a blended finance policy	• Explore legal or regulatory limitations to introduce blended financing mechanisms (funds, syndicated loans, etc.)		
	• Gather support of leading blended financing DPs (ADB, EC, EBRD, IFC) to develop the policy, government capacities and to co-invest in prototype projects for new blended finance mechanisms		
	• Develop a policy system to favor impact investment o Identify areas where blended financing could leverage additional private investments for the SDGs (SME development, land ownership, social housing, green investments) and bring external impact investors to Uzbekistan o Analyze opportunities to attract foreign private impact investors (pension funds, insurance companies, foundations) to finance SDGs in blended finance mechanisms		

Action Area	Policy Intervention /Initiatives	Timeline	Responsible
	○ Analyze opportunities to de-risk foreign private institutional investors (pension funds, insurance) to finance SDGs in blended finance mechanisms		
	• Develop a plan to transform some of the existing public funds into private equity blended funds, or to allow them to invest in private blended funds in specific markets (see AA 5) ○ Identify "low-hanging fruit" areas where existing public funds (agriculture, farmers, energy, women, forests, cooperatives) may invest in blended financing mechanisms		
11. A policy framework to develop private philanthropy using Results-Based Financing approaches.	• Formalize and extend the usage of Public-Private Partnerships for Development (PPPDs) between the government and CSOs using Results-Based Financing (RBF) approaches ○ Provide capacity development and financing incentives to government institutions to accelerate the usage of these mechanisms		
	• Identify main areas where PPPDs could be applied and a pipeline of implementable projects ○ Focus initial application on areas where international experience shows maximum returns (Labor and Social, Education, Health Care) ○ Extend it to other development priority areas (environment, social protection)		
	• Develop the legal and regulatory system ○ Standardize the use of PPPD contracts, ○ Regulate the philanthropic market establish clear responsibilities and accountabilities and incentives ○ Rgulate certain vehicles (crowdfunding) that are not yet considered in the legislation		
	• Promote a national dialogue on the role of Islamic finance and faith-based finance ((Zakat, Awaqf, Sadaqa and Qard Al-Hasan)) to support accelerating the SDG alignment of Islamic finance.		
Pillar 3: Consolidate an Inclusive and Transparent Expansion of the Private Sector			
12. Consolidate the enabling environment for Private Sector Development (PSD)	• Focus short term actions to address legal and regulatory reforms (registering property, construction permits, or resolving insolvency)		
	• Monitoring removal of major binding constraints ○ Medium-term reforms and investments (infrastructure, energy, connectivity) to eliminate private sector development binding constraints ○ Provide coherent prioritization of the PPP and PIM strategy implementation and other policies to address critical regional as well as national development objectives		
	• Develop a plan with clear coordination targets and responsibilities for a results-based improvement of the critical policies affecting PSD projected in the GDS and in this strategy including ○ Access to finance (bank privatization and other measures), ○ Access to land (land code, cadaster, and land management reforms), ○ Reduce the size of the informal sector ○ Elimination of distortions created by non-transparent subsidies and privileges to private companies, ○ The employability of the workforce and vulnerable groups and the quality of the TVET programs and skillsets of graduates		

Action Area	Policy Intervention /Initiatives	Timeline	Responsible
13. A strategic plan to improve domestic private finance	• A program to monitor and accelerate structural reforms (see AA14) o Complete the transformation of the banking market, increasing the share of private banks to 60% of total bank assets in 2025 o Development and approval of the program of transformation and privatization of several public banks through the stock exchang		
	• A program to promote Impact oriented private sector development. o Conduct training for business, investors and banks on SDG opportunities, o Share results on SDG investor maps and innovative market intelligence, o Unlock private investment and finance in science, technology and innovation development		
	• Develop systems to monitor SDG Orientation of Private Finance o Systems to monitor alignment of bank credits with the SDGs and national development priorities o Articulate access to concessional finance to address the disconnects between the sectoral distribution of the bank loan portfolio with national development priorities, taking special consideration to finance the market reforms in agriculture		
	• A program to accelerate the implementation of the key GDS measures to extend the operations of the domestic stock market o Liberalize capital movements to attract foreign capital to the domestic financial market o Allow the purchase of government securities by nonresidents and increase liquidity in the corporate securities market o Sell shares of SOEs in the domestic stock exchange market (international standards for IPOs and privatization processes), o Increase the use of public debt in soums securities in the domestic financial market		
14. Extend financial Inclusion and improve MSME finance	• Develop and support the implementation of a Financial Inclusion Strategy lead by the Central Bank of Uzbekistan (CBU) to provide access to formal finance instruments to individuals from specific population target groups (women, rural, low income) o		
	• A program to accelerate the modernization of the financial services, o Enabling environment to extend operations of digital finance services (Fintech) o Extend digitization and the use of fintech-based loans, factoring, leasing, and crowdfunding and digitization and the use of non-cash payments o Develop the ICT infrastructure in the field o Ensure cyber security in the provision of financial services o Develop a sandbox approach to balance positive and negative impacts of fintech		
	• Develop systems to analyze and address disconnects between supply and demand for current and future priority sub-sectors of MSME activity (gender, geographical and sectoral) o Accelerate access to PCGs to women's business (State Fund or Support of Entrepreneurial Activity) o Accelerate implementation of measures to expand access to finance by enabling the use moveable collaterals, (accounts receivables and warehousing receipt financing), as security in financial contracts o Introduce new measures to enable transparent access to risk capital by SMEs (venture capital, seed capital) o Significant improvements to the legal framework to develop a modern and effective system to finance MSMEs o Consolidate reforms to ensure effective and efficient governance of the public credit guarantee (PCG) scheme for SMEs		

Action Area	Policy Intervention /Initiatives	Timeline	Responsible
	• Extend financial literacy and protection skills development, o Capacities of low-income and rural populations to avoid potential adverse effects of digital financing technologies. o Develop a sandbox approach to balance the positive and negative impacts of fintech		
15. Increase the development impact of the diaspora economy, seasonal migrant work, and remittances	• Formalize and improve migrant labor protection. o A program to develop bilateral agreements to formalize seasonal migrant work (especially in Russia) and ensure the protection of Uzbek migrant workers. o Develop bilateral agreements on social security and health protection for seasonal migrant workers. o Establish a system of programmed seasonal work by activity area, skills, and duration, and encourage formal application to seasonal work		
	• Improve migrant labor income o Provide targeted training to improve the demanded skills of seasonal migrants and increase their income. o Provide low-cost loans for pre-financing their seasonal travel and location costs, o Accelerate mechanisms to reduce cost of remittances		
	• *Improve the development effects of migrant work.* o Measures to boost financial inclusion of the families that receive remittances. o Mechanisms to collateralize remittances for SME startups, housing, or farm property acquisition. o Measures to support the work reinsertion in the local market (skills recognition, private-sector incentives)		
	• Measures to engage the permanent diaspora. o Active involvement of the diaspora in entrepreneurial, investment, scientific, educational, and cultural activities in Uzbekistan (scientific and technical peer networks, Supporting associations and individual initiatives. o Specific instruments (diaspora bonds) to engage diaspora donations and financing o Apply UN Global Compact for Safe, Orderly, and Regular Migration (GCM) accumulated knowledge in this policy design		

7.1.2 Monitor Timely Execution of Essential Policy Reforms that Affect Development Finance

Policy Intervention	Initiatives/Focus	Timeline	Responsible
16. PPP development action plan	• Ensure that Public-Private Partnerships (PPPs) are effectively used to address the major infrastructure binding constraints (Action Area 12) • Alling with the Public Investment Management (PIM) Plan (Action Area 7) to define and Infrastructure Development Plan that sets the strategic allocation and financing objectives to use PPPs to address priority, critical infrastructure development priorities of the GDS. • Develop appropriate finance vehicles to stimulate large-scale PPPs (securitize cash flows, project financing) led by local firms (Action Area 13) • Continue improving transparency and accountability for PPP operations (Governance)		

Policy Intervention	Initiatives/Focus	Timeline	Responsible
17. A medium-term plan to reduce the number of SOEs, improve SOE governance and eliminate SOE losses	• Program the closure of unsustainable SOEs (Action Area 3) • A short-term action plan to improve governance of those SOEs who will remain, reduce corruption and SOE losses setting specific targets for profitability, leverage, and liquidity (Action Area 3) • Liberalize key markets to increase competition to existing SOEs (Action Area 12) • Medium term actions to reduce explicit and quasi -fiscal subsidies to SOEs especially from state banks and the UFRD, (Action Area 10) • Program strategic safety net actions to anticipate and reduce the negative social impacts of the privatization of SOEs and the liberalization of new markets plus effective measures to allow public monitoring of SOE economic governance (Governance)		
18. Revert current trends and significantly increase Foreign Direct Investment (FDI)	**A new strategy to radically improve FDI to attract USD70 billion between 2022-2026** • Develop a dedicated working group (ministries and departments, as well as foreign consultants) to strategize and coordinate actions (Action Area 12) • Accelerate the agenda of reforms for PSD, competition, and anti-trust (above) and modernize the legal and regulatory framework for FDI addressing broader trade policy and trade facilitation constraints (Action Area 12) • Increase transparency and simplicity of investment regime, modernize and align the regulatory framework with good practices and international standards (Action Area 12) • End practice of special investor resolutions in favor of common and unified investment regime for foreign investors • Further reduce tariffs and protective non-tariff barriers (Action Area 3) • The review and adjustments of current ineffective tax incentives (Action Area 4)		
19. A comprehensive strategy to end corruption	Impact all areas of public finance and of private sector development • Strengthen the capacity and of the Anti-Corruption Agency to accelerate the implementation of existing anti-corruption measures and define clear targets of this program for 2022-2026 • Strengthen the capacity of the judiciary and the prosecutor's office and its accountability to the public • Deepen dialogue with non-government actors and involve civil society representatives to improve public oversight and strengthen the implementation of the national anti-corruption strategy • Establishing an Uzbek Asset Management Unit (UAMU) to manage frozen and seized assets deriving from criminal activities, harmonize asset management recovery and return of stolen assets. Develop and implement a transparent strategic framework to ensure the consistent allocation of seized assets for the benefit of communities. Establish a special fund accumulating nationally confiscated and recovered stolen assets to support national goals or the SDGs. • End the use of non-transparent individual incentives for businesses and investors (see tax expenditures) • Eliminate the factors of corruption in the civil service, improve the legal framework for the recruitment of personnel on a competitive basis and an objective assessment of their effectiveness. • Develop and publish a civil service code of conduct. Ensure the adequate regulation and enforcement of the provisions on the prevention of conflict of interest introduced in the legislation		
20. Effective actions to	• Improve value for money by adding technical criterion to the acquisition price as the only award criterion • Strengthen procurement skills in contracting authorities, and the integrity of the procurement processes		

Policy Intervention	Initiatives/Focus	Timeline	Responsible
improve the quality and transparency of the public procurement system	(Action Areas 2,3 and 4) • Improve the e- procurement system to provide more inclusive access to MSMEs and suppliers from all regions (Action Area 14) • Pooling development partner support in a Trust Fund for better coordinating public procurement in a context of weak public finance management. (Action Area 9) • Accelerate procurement transparency by publishing details of all contracts and beneficial ownership details		

7.1.3 GOVERNANCE TO ENSURE COHERENCE OF THE POLCIES

Policy Intervention	Initiatives/Focus	Timeline	Responsible
21. A roadmap to minimize the social costs of the privatization and closure of SOEs	• Define the government leadership to design and coordinate the implementation of this plan (Ministry of Economic Development, Ministry of Finance, State Assets Management Agency, Line Ministries) • Estimate costs and finance interventions to support a staged privatization of SOEs (market reforms, small scale privatizations, large scale) • Estimate potential unemployment effects of the projected privatized (or closed) SOEs by sectors, areas of activity and regions • Anticipate TVET and safety net investments and ensure adequate resources are made available • Develop effective means to direct TVET, employability training and startup support to this target group using results-based financing mechanisms (see below) • Focus the use of generic incentives and other fiscal measures to provide job offers for those affected by SOE privatizations		
22. A roadmap to support inclusive access of MSME and individual investments in new, private markets	• Develop innovative finance mechanisms to provide equitable access to purchase land (agricultural and mortgage) ○ Consolidation of the land administration system and institutional reforms to strengthen land management. ○ Strengthening the guarantees of inviolability and protection of private property, unconditional provision of property rights, including land rights, annulling, or invalidating all administrative documents related to property, including land rights, only in court. ○ Application of regressive (decreasing) state duty rates on claims for property rights in economic courts. ○ Introduce a public state register of real property and a map of the public state cadaster of real property to introduce the principle of transparency in the accounting of real property and related rights. ○ (translation needed) Recognition of the right to lease a land plot and the right of ownership of buildings and structures in accordance with the Tax Code, the period of limitation for tax liability taking into account the payment of land and property taxes for five years; real estate for at least ten calculated on the basis of data from five years ago, the pace of construction space in mind.		

Policy Intervention	Initiatives/Focus	Timeline	Responsible
	• New financial mechanisms (blended finance) to support expansions in mortgage programs like the One Family One Entrepreneur program that provides subsidized credit to lower-income households		
23. Develop appropriate finance instruments to provide agricultural finance during the transition	• A program to microfinance new technology, and water management investments to achieve the intensive agriculture targets in wheat, cotton, grapes, and other fruits and vegetables (melons, potatoes) • Analyze use of subsidies and other planned economic incentives measures to ensure desired reach of available resources (see Blended Finance) • Analyze the best allocation of public funds to ensure equitable access to the programmed decommission of 129 thousand hectares of agricultural land based on open competition • Develop new mechanisms needed to finance the expansion of the agricultural export sector to reach the target of increasing exports by another USD 1 bln • A new financial vehicle for afforestation that allows payment for environmental services to reach the target of planting at least 200 mln trees • A program to finance the expansion of agro-industrial enterprises to increase production by 1.5 times • Strengthen land tenure and allow for tradability • Improve governance and sustainability of partial credit guarantee. • Expand agricultural finance tools through receipts • Develop programs to integrate small farmers with global value chains		

24. A short-term plan to generate immediate results from the competition and anti-trust reforms	• Accelerate regulatory reforms (Law on Competition and the Law on Natural Monopolies)
	  o Expansion of legal instruments to determine the status of natural monopolies
	  o Improving the criteria for determining the dominant position in the market
	  o Establishment of forms of state support (privileges and preferences) and antitrust requirements for their provision
	  o Strengthening the criteria and liability for manipulation in auction (exchange) trading
	  o Strengthening the responsibility for restricting competition
	• Wide introduction of free market principles in business activities, including: the full transition to market mechanisms in the supply of raw materials and the formation of prices for agricultural products; and the gradual abolition of administrative prices for certain goods
	• Improving regulation of commodity exchanges and their participants
	  o The system of accreditation of brokerage offices engaged in derivatives, including futures trading, and the establishment of qualification requirements for brokers
	  o Rules to prevent price manipulation, use of insider data and other anti-competitive methods of unreasonable profit in exchange trades
	  o Setting clear criteria for the electronic exchange trading system (software transparency, information security, the presence of a modern center for data processing, etc.)
	• Ensure that the newly liberalized markets (energy oil and gas), are developed under competitive rules. The proposed strategy for attracting foreign and domestic investment also includes provisions to prevent anti-competitive measures for investment.		

Policy Intervention	Initiatives/Focus	Timeline	Responsible
	• The elimination of factors that negatively affect the competitive environment in the domestic consumer market and reduce the level of concentration on imports; - increases supply and eliminates seasonal shortages in food and non-food markets • Strengthen technical regulatory capacity in Anti- Monopoly Committee and sector technical regulators (energy, telecommunications, transport, environmental) and their management capacities to deliver this implementation plan • Develop systems to ensure political and public oversight to this process shield it from vested interests and corruption practices		