Chapter 5. Public Investment Management

The governance of public investment management in Uzbekistan is changing in terms of the main actors, methodologies, and scope. The Ministry of Investment and Trade (MoIT), Ministry of Economy and Industry (MoEI) and Ministry of Finance (MoF) are shifting the annual focus of the public investment program to a multi-year one from 2020. Public investment amounted to 5.2 percent of GDP in 2018, with just under half on-budget. Most off-budget investment funding in the last two years has come from IFIs and bilateral creditors. Greater clarity concerning the roles and responsibilities of the main actors would enhance the process. The new investment process requires a general capacity upgrade over the project cycle in terms of guidance, identification, assessment, selection, and implementation. A better methodology to integrate the assessment of a project regardless of whether it is domestically or foreign-funded is needed. A stronger assessment of projects' value for money, affordability, and potential contingent liabilities is needed, as is a clearer integration of investments into the regular budget process.

CONTEXT

Public investment management in Uzbekistan is changing because of reforms the authorities have initiated. In 2018, the authorities formed the State Investment Committee. At the same time, the National Agency for Project Management (NAPM) was assigned an important role reviewing projects and authorizing that they proceed. In 2019, the Ministry of Economy and Industry (MoEI) established and NAPM's role was broadly transferred to the MoEI. MoEI was tasked with developing investment policy[1], assisting in timely implementation of projects, and developing an interdepartmental system for examining projects. The Ministry of Investment and Trade (MoIT) was created at the same time by merging the State Investment Committee and the Ministry of Foreign Trade. A Fund for Financing of Development Programs that was established in 2017 as a *de facto* a treasury for public investment projects appears to have been merged back into the Ministry of Finance in early 2019.

The authorities plan to shift the public investment program from an annual exercise to a multi-year perspective from 2020. It will be based upon detailed multi-year sector, regional and targeted development concepts for 2020-2024[2], built upon the social-economic development concept for the Republic of Uzbekistan to 2030. The public investment budget was previously based on a Ministry of Finance mandated top down ceiling[3] for total investment funded by the

1 The decree notes that state development programs and investment programs of Uzbekistan are developed considering the strategy of the country's investment policy for the medium term. The Ministry of Economy and Industry will develop an investment policy strategy for the medium-term within the framework of the Concept of socio-economic development of Uzbekistan until 2030, regional and sectoral development concepts, as well as approved programs and decisions of the president and the government.

2 Up to 2030 for certain sectors.

3 No information could be obtained yet how the Ministry of Finance determines the overall ceilings, and how this is allocated across different sectors.

state budget[4]. Funding for ongoing projects had to be appropriated annually[5]. Based on the ceilings, line departments would develop and propose projects. Which projects are selected for funding broadly depended on: (i) prior Presidential or Cabinet of Ministers decisions; (ii) whether these projects were in line with development concepts for sector; (iii) the quality of project documentation; and (iv) whether projects are within top-down ceilings. The selection criteria left substantial scope for non-economic judgment about projects.

The development of the Investment Program was separated from the regular budget preparation process, essentially delinking responsibilities for capital expenditure from current expenditures. Estimation of future recurrent cost implications were not required when costing the investment project. Budgeting of expenses for the maintenance of completed investment projects, including expenses for current repairs and maintenance, was supposed to be carried out when the operating organization drafted the annual budget request.

The projects would move from the phases of pre-feasibility, to feasibility, to selection in an iterative fashion were the documentation would be further refined – or the project would not move forward. As in most countries, line ministries undertake formulation and feasibility assessments. There is limited methodological guidance available on economic, sector, analysis methods. A welcome improvement is that NAPM has developed a manual for project, program and project portfolio management based on international standards (ISO). Project results indicators were essentially output-related, and projects appear to have been selected individually, rather than as a complementary package. At the end, a Presidential decision was required for the whole investment program. While it is difficult to have a precise picture of the roles each organization played in the public investment process, it is safe to say that the institutions discussed below were involved in this review process provided their views to the Cabinet of Ministers. **Contrary to the practice in many other countries, the MoF did not have veto power over projects for reasons of poor quality, risk, or weak public value.**

Uzbekistan's public investment management varies from that in other countries. The provision of expertise and review of (pre-)feasibility studies is different between domestically-funded and foreign-funded investment projects. Procedures differ whether a project concerns investment in social sectors (social infrastructure) or investment in the real sectors.

The State Investment Committee and the NAPM are responsible for performing systematic analysis and monitoring of the projects' implementation progress, including quarterly submission of information to the President. The assessments are done on a project-by-project basis according to output related indicators. The focus is on the execution rate. Measures to assess the efficiency and quality of public investment are not used. Spending would usually follow a bunching pattern with a rapid ramp up as the fiscal year was closing. Slow implementation remains

4 No information was obtained how the ceilings for investment projects funded by FRD are determined. Investments funded by foreign loans under government guarantee are determined by agreements between the multilateral or bilateral creditor and the Government.

5 Most good practice countries use multi-year appropriations, or equivalent, for capital budgeting in order to concentrate decision-making capacity on new projects Increasingly OECD countries are moving to funding for the total project cost up-front (39% in 2012 compared to 13% in 2007).

a challenge. At the beginning of 2019 the President mandated execution of projects to a minimum of 35 per cent in the first 6 months of the year and 70 per cent in first nine months.

Box 5.1. Evidence Based Investment and Managing Cost Overruns in Denmark

In 2009, in the wake of the global financial crisis, parliament agreed on the need for substantial transport infrastructure investment in Denmark. The 2009 agreement and an associated fund represent an innovation in Denmark in terms of transport policy. The agreement provides a prioritized list of projects, a dedicated funding source, and a definition of the group of political parties that have a say how the agreement is to be implemented, including how to spend any excess funding. No replacement for the 2009 agreement is envisioned as of now.

A key input that provided the glue for this consensus was the 2008 Infrastructure Commission ReportP5F[6]P **that identified key transport investment needs.** The broad agreement around this objective coincided with the desire to provide economic stimulus in response to the global financial crisis. The convergence of these pressures led to the creation of an Infrastructure Fund endowed with DKK 100 billion to be invested based on the priorities and specific projects identified by the Infrastructure Commission and endorsed by the political parties behind the agreement.

Denmark's system for selecting and prioritizing infrastructure investments is based on a socio-economic cost-benefit analysis methodology. Projects are ranked according to their socio-economic return. In principle those projects with the **highest** scores are prioritized in terms of funding, but, as in other countries, the political level plays a key role in determining which projects go forward.

The system relies on three elements, in particular:

- A **national traffic model** which can model the impact of new infrastructure on traffic projections and its effect on the rest of the network. This modelling approach enables transport planners to consider the system-wide impacts of a particular project when evaluating the benefits of an investment.
- A **catalogue of prices** for different direct and indirect effects of infrastructure. In addition, to the direct time-value of transport, there are prices for indirect effects such as environmental effects (e.g. emissions), and health (e.g. air pollution and road accidents).
- A **science-based methodology** was developed in collaboration with the Technical University of Denmark (DTU) who continue to 'host' the system and are involved in further refining the methodology. For example, the DTU is currently undertaking research on agglomeration effects, which are currently not taken into consideration by the traffic model.

This approach has created an evidence-based point of departure for project prioritization and transport policy.

The model has shown itself to be able to withstand criticism by virtue of being science based, independently hosted and increasingly open to scrutiny. Inevitably, the methodology for ranking projects comes under pressure from various stakeholders who are disappointed that their preferred projects are not ranked as high as they would like. However, by embedding the model and methodology within an independent academic institution, and grounding it in science,

[6] See https://www.trm.dk/da/publikationer/2008/infrastrukturkommissionens-betaenkning

the system benefits from a high degree of legitimacy. This legitimacy contributes to creating acceptance of the results of the ranking as the point of departure for decision-making and reduces the space for contestation. Furthermore, the system is highly transparent, with the ranking, calculations and model all made public. Therefore, projects that generate a high socio-economic return are automatically put at the front of the list when funding is to be decided. Aside from the 2009 agreement, the annual budget negotiations serve as the venue for deciding on which infrastructure investments are to be prioritized and funded. While this system is not entirely immune to various types of more narrow political interests (e.g. regional considerations), most of these types of deal-making concern smaller projects, whereas mega projects and large programs are subject to a more structured process (e.g. multi-year agreements on collective transport).

Most infrastructure is funded via the national budget and user tolls are only used for two large fixed links

Private financing of infrastructure plays a minor role in funding infrastructure development in Denmark, as the government can borrow at the best sovereign rate. The fixed links over Oresund (to Sweden) and Store Baelt are placed in state owned enterprises, financed on the market (with a government guarantee) and are wholly user-funded. This model will also be used in two upcoming fixed links, one of which is the Fermern Baelt link to Germany. In general, there is very little appetite among the public for tolls and making any attempt to expand their use would be highly political sensitive. Infrastructure investments are funded from the annual budget or from the Infrastructure Fund. Since 2009 the DKK 100 Billion Infrastructure Fund has provided the bulk of resources for infrastructure investment, but these funds will soon be depleted, and Denmark will need to consider how to fund infrastructure development going forward.

The new approach to budgeting has dramatically limited cost overruns.

In the past, transport projects could turn out to be 40-50% more expensive than originally budgeted for. In 2007, Denmark introduced a new budgeting regime, where the estimate for a project's cost is supplemented with a 50% reserve at the earliest stages of planning and 30 % once the environmental impact assessment has been performed. This total sum must be **budgeted** up front and appropriated by Parliament in the annual budget act. If a project comes in under-budget, the remaining funds can be assigned to other projects. To avoid the risk of overpriced tenders and price-fixing under this approach, a high level of competition must be ensured.

Monitoring and control of the development and implementation of state development programs is carried out by NAPM, State investment Committee together with project implementers each quarter. Project implementers provide a report on the implementation of the portfolio of projects to NAPM. The systematic analysis and monitoring of the projects' implementation progress is performed based on assessing progress in achieving the abovementioned indicators, quarterly and annually. There are no systematic procedures for asset maintenance nor ex post reviews. Data on delays in the execution schedule is monitored by the authorized agencies for the implementation of the investment program.[7]

7 Ideally, data on cost overruns and delays would be valuable to assess the project implementation.

The steps for selection of projects for the upcoming three-year investment program for 2020-2022 will be based on new procedures for preparation and financing development programs[8]. However, these new procedures have not yet been approved. The new resolution on procedures for the development of the investment program is expected to be approved in June 2019. According to NAPM, changes are required because feasibility studies were superficial, and outdated methods for project evaluation were used.

PUBLIC INVESTMENT OVERVIEW: IT'S COMPLICATED

Our estimates indicate that overall public investment amounted to 5.2 percent of GDP in 2018, with just under half on-budget and the rest off-budget. The bulk of the part off-budget is through state-targeted funds. While these calculations only highlight public investment, the public investment program mixes funding channels and integrates inflows of FDI and funds to private companies. While much has been improved in recent years, there is still more work to be done. "Public investment" is not defined in any Uzbek regulation. The legislation recognizes only the concept of 'centralized/decentralized investments' in the annual investment program. 'Centralized' investments comprise investments funded through: (i) the state budget or state targeted funds[9]; (ii) project financing of budget institutions financed by IFIs and bilateral creditors; (iii) project financing of SOEs through IFIs, bilateral institutions or through on-lending of funds from the Fund for Reconstruction and Development (FRD) via commercial banks. 'Decentralized' investments comprise (iv) foreign direct investment and private investments.

The Investment program consists of about 3,000 projects in 2019 totaling $16.6 billion. 'Centralized' investment has increased from $1.8 billion in 2010 to $3.5 billion in 2016. It declined to $2.9 billion in 2017 as a result of the currency crisis. However, a surge appeared in the last two years. Expressed in GDP, investments funded through the budget and state targeted funds amount to 1 percent of GDP. In addition, 4.5 percent of GDP is funded through off-budget sources (UFRD policy lending, government housing lending, and IFIs). More granular data will be developed for the final PER chapter. Figure 5.2 presents the sources of funding of centralized investment in the annual investment program in nominal terms and in dollar terms. Remarkably most investment funding in the last two years has come from IFIs and bilateral creditors, and not from the other sources of funding. In fact, in dollar terms state budget and targeted funds have decreased in recent years.

KEY CHALLENGES

There is lack of consistent data on the size and composition of public investment. While the team has calculated the size of public investment in 2018, there is no information that allows such calculation for earlier or later periods. A lot of investment spending is off-budget. Moreover, there is inadequate differentiation of investments by size in the public investment procedures. This

8 Resolutions of the President of the Republic of Uzbekistan No. PP-3437, December 18, 2017 and No. PP-3874, July 19, 2018.

9 In 2018 and 2019 state targeted funds included in the Investment program comprised: Amelioration Improvement Fund for Irrigated Lands, Republican Road fund, Fund for the development of material and technical base of educational and medical institutions, Clean Drinking Water Fund, and Development Fund of the Aral Region.

makes it difficult to analyze trends, identify needs, and focus on projects whose failure would entail a significant loss for government finances and take appropriate action ex ante.

Figure 5.1. Centralized Investment According to the PIP
(in millions of US dollars)

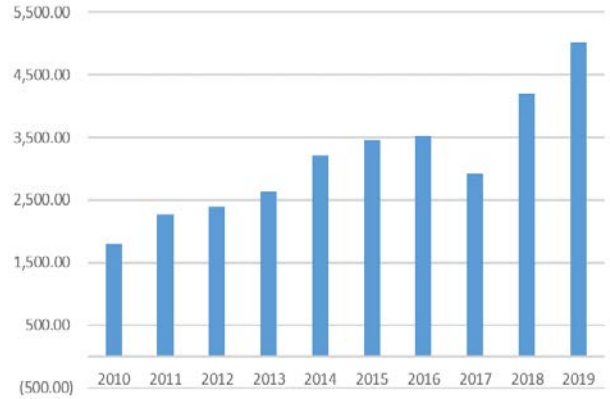
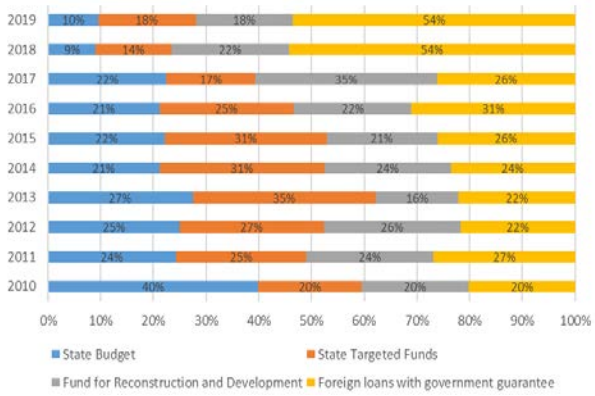


Figure 5.2. Sources of Investment Funding
(in percent of total)



Sources: Staff estimates using National Agency for Project Management data.

Challenge 2: The volatile institutional environment and fragmentation and overlap of public investment management functions makes it difficult to ensure that the investment pipeline is the most optimal for the country. The institutional setting of public investment management continues to change as discussed above. This results in several challenges.

- Unclearness about who is responsible for what in the project process, what standards and procedures will be governing the process, what projects will be approved or dismissed.
- There are many different institutions involved and they at times compete.
- Unlike all good practice countries, the Ministry of Finance does not have a blocking authority with regards to project risks, affordability and value for money.
- There is very uneven capacity across the institutions that can develop projects.
- There is no differentiation based on the type of line ministry or project initiator, disregarding the diverse institutional capacity across project initiators.
- There is no specific guidance to assist institutions with limited institutional capacity. This would impact the project implementation and monitoring capacities of these institutions as well.

There are bottlenecks at the different stages of the PIM cycle, including ambiguity in project selection criteria, ineffective use of project appraisals, emphasis on meeting formal procedures, and lack of ex-post evaluation.

Up to now there was inadequate strategic guidance for investment screening and selection. The lack of a concept for the long-term development of sectors and regions has allowed weak projects to go forward, resulting in inefficient spending of financial resources. Recent history shows a weak

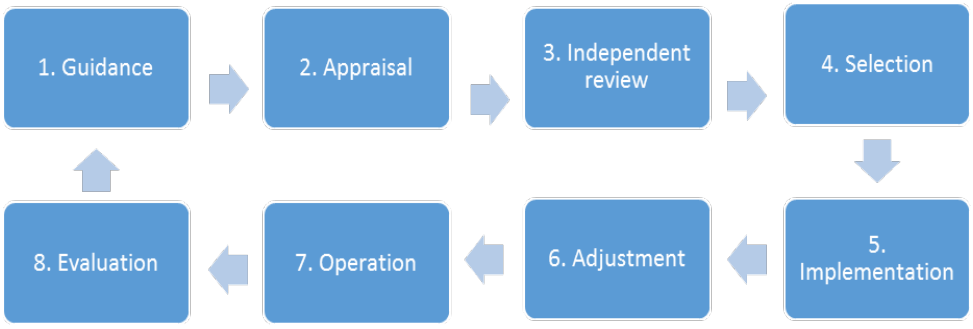
or unproductive link to sectoral strategies. The development of new sector and regional development strategies represents a first good step in providing strategic guidance for the screening of potential investment projects. Nonetheless, there are multiple risks with the current approach:

- Risk that each individual strategy may result in wish lists of possible options instead of well-defined set of priorities that takes into consideration interdependencies between different policy areas and among individual projects within the same policy area;
- Risk that the strategies have been developed without indicative resource constraints or not properly costed;
- Risk that potential investment projects remain insufficiently prioritized or reconciled with multi-year resource envelopes due to the absence of multi-year budgeting practices;
- Risk that PPPs, concessions and similar investments are not fully integrated into the PIM and ordinary budget system.

On PPPs specifically, the authorities need to strengthen substantially the PPP unit in the MOF and the legal framework to ensure that PPPs help reduce rather than increase fiscal risks. The MOF needs to be the main gatekeeper for all decisions that might give rise to contingent liabilities and ensure that the projects, and the overall project portfolio, are affordable for users and/or the public purse.

There is an absence of guidance regarding project evaluation and data collection. This makes it difficult to assess whether the procedure is broadly performing or in need of more substantial adjustment. However, the recent PEFA assessment gave the Public Investment Management system only "C" grades across the board. This indicates that there is need for an upgrade across the board.

Figure 5.3. Must-have Features in PIM Systems Crucial for Supporting Effective and Efficient Public Investments



The separate processes for investment planning and the government budget undermine the unity of the budget and prevent a focus on whole-of-life costs. There is currently no practice of estimating future current cost implications of investment projects and integrating these into the decision-making process. There exist no national guidelines for project costing and identification of recurrent costs. The Ministry of Finance examines the whole project costing – statement of expenditure – any cost related to the project until it was completed but does not systemically review

post-completion cost implications. No incentives exist for proper asset maintenance and management as investment decisions are decoupled from asset maintenance costs.

POLICY OPTIONS

Accurately determine the total size of public investment, distinguishing different types of investments and focus on large investments

- Move all investment spending on budget.
- Introduce a clear-cut definition of public investments and introduce that in the (multi-annual) investment program.
- Develop systems for capturing and analyzing key data.
- Introduce differentiation of projects by costs to identify financially important and materially risky projects that which would require closer supervision.

Unify public investment management functions and streamlining procedures and processes across all (new) institutions involved

- Strengthen the role of the Ministry of Finance in the selection process. Project promoters should discuss the affordability of a major project extending outside the medium-term period with the Ministry of Finance in detail before submitting the proposal. The opinion issued by the Ministry of Finance at the pre-selection stage represent an opinion on the potential affordability of the project and fiscal risks for the country's public finances.
- Establish integrated investment project management and control throughout the public investment cycle by unifying public investment management functions and streamlining procedures and processes across all (new) institutions involved.
- Promote stability in the institutional landscape for PIM.
- Abolish current differentiation in economic analysis procedures, based on the source of funding.
- Methods and procedures, monitoring, and post-execution assessment must apply to all public investment projects no matter what their functional nature or funding source, including those financed through PPPs.

Ensure that PPPs, concessions and similar investments are fully integrated into the PIM and ordinary budget system (see Annex 4)

- First determine whether projects make sense, then determine whether to use public and/or private finance.
- Ensure that the processes are integrated and that the MoF budget department has veto power regarding affordability and fiscal risks.
- Develop a policy on how to handle decentralized/SOE investments.

Box 5.2. Project Appraisal Practices in Korea

The Asian Financial Crisis in 1997 led the Korea Government to enhance productivity of PIM systems due to the tight fiscal envelope entailed by the crisis. From the perspective of value-for-money, 'Preliminary Feasibility Study (PFS)' was introduced in 1999 to filter out unproductive projects. In addition, the 'Total Project Cost Management (TPCM)' introduced in 1989 was upgraded with the 'Re-Feasibility Study (RFS)' in 2003. These two systems complement each other and guard the value for money and sustainability of public investments in Korea.
PFS are reviewed by a dedicated institute, the Public Investment Management Center (PIMAC) under the Korea Development Institute and Ministry of Economy & Finance. The reviews have filtered out low productive projects, which relieved the workload of the Budget office during formulation of the annual budget.

Pass and Fail results of Preliminary Feasibility Study

	Total	Recent 5 years				
	Since 1999	2014	2015	2016	2017	2018 Aug
Total Projects	838	44	34	39	40	16
- Pass	540 (64.4%)	35	25	26	20	11
- Fail	298 (35.6%)	9	9	13	20	5

Source: Ministry of Economy & Finance of Korea

The methodology has undergone some adjustment over the years. Initially, the PFS was only based on economic costs-benefits analysis. This favored urban projects over rural. Consequently, a policy aspect regarding fairness among regions was added in 2003. This resulted in an increase in rural projects being funded. In an attempt to reign in cost overruns, an increase above 20% requires a new (Re) Feasibility study in order to continue implementation.

Effectively apply rigorous and objective selection criteria and use of project appraisal to set up the multi-year project pipeline, establish ex-post review and evaluation stage

- Develop straight forward guidance notes on key investment methodologies and processes.
- Collect and analyze systematically information on the independent review of project appraisals, incl. number of request for adjustments of the economic analysis (by types of adjustments, e.g. to address overestimation of benefits, underestimation of costs, insufficient attention to implementation capacity given past experiences, assessment of likelihood and potential impact of risks), and the number of approvals/rejections (see box below for example).
- According to NAPM, ongoing seminars and training courses aimed at raising the qualifications of personnel of ministries and departments, as well as state local authorities and / or in specialized organizations have been conducted. However, a centralized point of development, support, and monitoring of such capacities would be beneficial for embedding revised methodologies and procedures in the various organizations.

- Consider differentiated planning and implementation capacities of project initiators and implementers, provide additional assistance to low-capacity institutions. The provision of technical assistance would ideally be the responsibility of a single specialized unit, for instance in the Ministry of Investment and Trade, to address capacity bottlenecks in low-capacity institutions.

- Good practice is to have procedures to evaluate projects against value-for-money criteria both ex-ante and ex-post. Strengthening ex post review and evaluation is crucial for an efficient and results-oriented PIM system. Feedback based on systematically collected information will provide valuable inputs to improve future projects as well as identify and address institutional capacity bottlenecks. Especially, the pre-selection stage offers an opportunity to feed lessons from the ex post evaluation of similar completed projects, where available, into the initial design of new projects (e.g. to assess the risks).

Integrate capital investment budgeting into the overall budgeting process, and establishing unified responsibility for asset build-up, management and maintenance

- Ensure that the decision to fund a project is valid for its full implementation, barring significant changes.
- Requests for approval for new investment projects should contain a separate analysis of the future cost implications of the project for the budget. For projects for which a full feasibility study is undertaken, such analysis of cost implications would be drawn from the study. For other projects, it would be a separate analysis. The main information which such analysis should convey is the net additional burden on the budget resulting from the recurrent cost implications of the project in a typical year post-completion. Both operating and maintenance costs need to be considered.
- Each line ministry / budget institution at any government level should include in its annual budget submission information on the expected recurrent cost implications of all ongoing investment projects. These projections of the future recurrent cost implications should be integrated into the medium-term budgeting that is being developed.
- Once a project has been completed and is ready for service, operational and maintenance expenditure would at least need to be reflected in the institution's budget request to demonstrate its responsibility for asset management. The current established procedures and arrangements for asset transfer may be reviewed to assess the institution's responsibility in asset ownership and maintenance. Specific procedures for asset maintenance may be developed.

APPENDIX 5.1. PUBLIC INVESTMENT STEPS FOR THE BUDGET FOR 2019

Step	Who	What
1	Project initiators	Developing, preparing and updating the project portfolios to be included into the Investment program
2	Project initiators	Preparation and approval of design, feasibility and costing documents according to established procedures
3	Ministry of Finance	Development of forecasts for public investments for 2019 and submission to State Investment Committee
4	Project initiators	Submission of the project portfolios to State Investment Committee
5	State Investment Committee	Preparation of the Investment program for 2019 on the basis of project initiators' proposals by way of selecting the projects according to the selection criteria mentioned above.
6	State Investment Committee, Project initiators	Agreement on approvals of figures for the Investment program for 2019
7	State Investment Committee	Obtaining coordinated approvals of figures for the Investment program for 2019 from the Ministry of Finance, the Ministry of Economy, the Ministry of Construction, the State Fund for Financing of State Development Programs under the Cabinet of Ministers, National Agency for Project Management under the President of the Republic of Uzbekistan, the Ministry of Justice • National Agency for Project Management performed expert evaluation of design and feasibility documents and financial estimates, and issue their conclusion. NAPM review included checking the compliance of project figures, indicated in the Investment program, with the figures in the approved design, feasibility and costing documents. • NAPM was supported by Center for Complex Examination of Projects and Import Contracts under the Ministry of Economy and Industry is responsible for assessing accuracy and objectivity of project documentation, but is not involved in assessing foreign-financed project as it is the responsibility of the project initiator and the project institute participating in their development. • State Unitary Enterprise "Examination of urban planning documentation" under the Ministry of Construction • The Ministry of Economy assessed compliance of the project figures with the targeted and macroeconomic estimates for social-economic development of the Republic of Uzbekistan up to 2030 as well as with the characteristics of Obod Qishloq and Obod Mahalla state programs. • The Ministry of Finance assessed in terms of determining the sources of funds for repayment of attracted loans (credits), as well as the feasibility and amount of the proposed budget allocations, the provision of additional tax and customs benefits • State Investment Committee conducts assessment of the overall economic feasibility of the project, its compliance with the priorities of investment policy, approved strategy (program) of cooperation with international institutions, and the evaluation document of their projects;
8	State Investment Committee	Submission of draft Investment program for 2019 to the Cabinet of Ministers
9	Cabinet of Ministers	Examine the compliance with requirements for development, submission, coordination and preparation for consideration of the draft of the Investment program for 2019 Submission of the draft of the Investment program for 2019 to the Administration of the President of the Republic of Uzbekistan
10	Administration of the President	Examine the compliance with requirements for development, submission, coordination and preparation for consideration of the draft of the Investment program for 2019

APPENDIX 5.2. NEW PROCEDURES FOR INVESTMENT PLANNING

Steps	No.	Actions	Deadlines	Ministries and agencies in charge
Step I. Development and preparation of development concepts	1	Preparation of long-term sector/regional and targeted development concepts (usually aimed for 10 — 15 years)	till March 1	Coordination Councils under State Investment Committee, Ministry of Economy, Ministry of Finance, sectoral ministries and agencies, local state authorities
	2	Approval of prepared draft development concepts with authorized state authorities including other concerned ministries and agencies	till March 10	State Investment Committee
	3	Approval of draft development concepts with National Agency for Project Management	till March 20	State Investment Committee
	4	Approval of development concepts submitted by State Investment Committee	till April 1	Office of the President of the Republic of Uzbekistan
Step II. Development and preparation of project portfolios	5	Developing, preparing and updating sectoral/regional and targeted project portfolios	till June 1	Initiators (line ministries and agencies, local state authorities), State Committee for Investments, Ministry of Economy, Ministry of Finance
	6	Approval of project portfolios with pre-estimates (charters), including the necessary data confirming the volumes and preliminary financing sources for the projects, with concerned ministries and agencies	till June 15	Initiators (line ministries and agencies, local state authorities)
	7	Approval of project portfolios by National Agency for Project Management	till July 1	Initiators (line ministries and agencies, local state authorities)
	8	Approval of project portfolios submitted by State Investment Committee	till July 15	Office of the President of the Republic of Uzbekistan
	9	Development of detailed implementation schedule for every project included into the project portfolio	till August 1	Initiators (line ministries and agencies, local state authorities)
	10	Approval of detailed implementation schedule by National Agency for Project Management	till August 10	Initiators (line ministries and agencies, local state authorities)
Step III. Development and preparation of state	11	Development and approval of preliminary project documentation (preliminary feasibility study(PTEO)/preliminary feasibility estimate(PTER))	from July 15 till September 1	Initiators (line ministries and agencies, local state authorities)

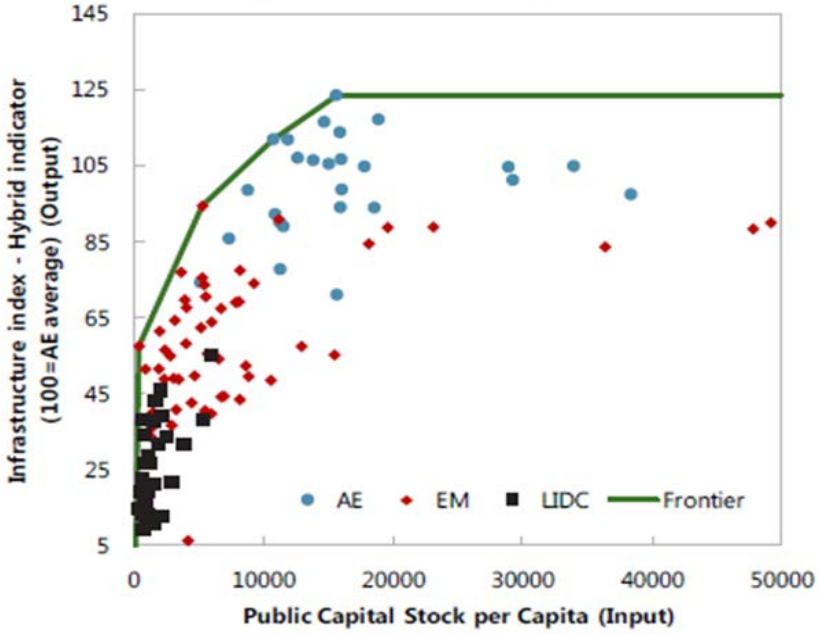
Steps	No.	Actions	Deadlines	Ministries and agencies in charge
development programs	12	Selection of priority projects to be included into state development programs	till September 10	State Investment Committee, Coordination Councils under State Investment Committee, initiators (line ministries and agencies, local state authorities)
	13	Approval of priority projects to be included into state development programs by the Fund for Financing of State Development Programs of the Republic of Uzbekistan under the Cabinet of Ministers of the Republic of Uzbekistan	from September 10 till October 10	State Committee on Investments
	14	Preparation of state development programs and submission for approval to concerned ministries and agencies	till October 20	State Investment Committee, the Ministry of Finance, the Ministry of Economy, initiators (line ministries and agencies, local state authorities)
	15	Approval of state development programs by concerned ministries and agencies	till November 1	State Investment Committee
	16	Approval of state development programs by National Agency for Project Management	till November 10	State Investment Committee
	17	Approval of state development programs submitted by State Investment Committee	till December 10	Office of the President of the Republic of Uzbekistan

APPENDIX 5.3. WHY GETTING PUBLIC INVESTMENT MANAGEMENT RIGHT IS IMPORTANT?

Public Investment Management (PIM) contributes to infrastructure quality and growth:

- A 2015 IMF study shows that countries achieve very different results with their investment in public capital
  - ✓ With the same public capital, infrastructure coverage and quality differs, on average, by 27% for emerging markets and 40% for low income countries (see chart).
  - ✓ For the bottom quarter of performers, this difference rises to over 40% for emerging markets and well over 50% for low income countries—for these latter countries, more than half of the public capital accumulated through public investment does not meaningfully contribute to infrastructure.
- The impact of public investment on growth is twice as high in countries with high efficiency of public capital (in the top quartile) than those with low efficiency (in the bottom quartile).

Figure A3.1. Efficiency of Public Capital



Source:

Therefore, The WBG's PIM Systemic Framework emphasizes eight must-have functions. Emphasis is on functionality, not form. However, all countries do need the eight functions for PIM to be effective and deliver on its objectives. The specific structure, as opposed to the functions, will change over time, reflecting priorities and political realities.

Table A3.1. The Eight Must-Have Functions

1.	**Investment guidance**	• National and/or sector strategy documents that are specific, coherent, accepted and used to screen new projects
2.	**Formal appraisal**	• Publicized & transparent guidance • Effective training and deployment of staff
3.	**Independent review**	• Checks any subjective, self-serving bias in the evaluation • Inventory of appraised projects ranked by priority
4.	**Project selection & budgeting**	• Transparent criteria for selecting projects • Only selected projects receive funding (gatekeeping) • Adequate financing for selected projects
5.	**Project implementation**	• Standard Project Implementation guidelines should be developed by countries and distributed to all levels of government • Regular monitoring of financial and non-financial progress • Cost-effective procurement & contracting
6.	**Project adjustment**	• Review of project's continued justification if there are material changes to project costs, schedule, or expected benefits.
7.	**Facility operation**	• Process ensuring facility is ready for service delivery • Asset registers are maintained, and asset values recorded
8.	**Completion Review & Evaluation**	• Formal institutional arrangements for completion review and ex post evaluation • Feedback into future project designs

APPENDIX 5.4. OECD PRINCIPLES FOR PUBLIC GOVERNANCE FOR PUBLIC PRIVATE PARTNERSHIPS

In 2012, the OECD countries officially endorsed 12 principles – organized in three thematic areas -- for public governance of PPPs. While they are not legally binding for the member countries, they form part of OECD soft law and member countries are monitored on the extent to which they live up to them in practice.

Establish a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities

1. The political leadership should ensure public awareness of the relative costs, benefits and risks of Public-Private Partnerships and conventional procurement. Popular understanding of Public-Private Partnerships requires active consultation and engagement with stakeholders as well as involving end-users in defining the project and subsequently in monitoring service quality.

2. Key institutional roles and responsibilities should be maintained. This requires that procuring authorities, Public-Private Partnerships Units, the Central Budget Authority, the Supreme Audit Institution and sector regulators are entrusted with clear mandates and sufficient resources to ensure a prudent procurement process and clear lines of accountability.

3. Ensure that all significant regulation affecting the operation of Public-Private Partnerships is clear, transparent and enforced. Red tape should be minimized, and new and existing regulations should be carefully evaluated.

Ground the selection of Public-Private Partnerships in Value for Money

4. All investment projects should be prioritized at senior political level. As there are many competing investment priorities, it is the responsibility of government to define and pursue strategic goals. The decision to invest should be based on a whole of government perspective and be separate from how to procure and finance the project. There should be no institutional, procedural or accounting bias either in favor of or against Public-Private Partnerships.

5. Carefully investigate which investment method is likely to yield most value for money. Key risk factors and characteristics of specific projects should be evaluated by conducting a procurement option pre-test. A procurement option pre-test should enable the government to decide on whether it is prudent to investigate a Public-Private Partnerships option further.

6. Transfer the risks to those that manage them best. Risk should be defined, identified and measured and carried by the party for whom it costs the least to prevent the risk from realizing or for whom realized risk costs the least.

7. The procuring authorities should be prepared for the operational phase of the Public-Private Partnerships. Securing value for money requires vigilance and effort of the same intensity as that necessary during the pre-operational phase. Care should be taken when switching to the

operational phase of the Public-Private Partnerships, as the actors on the public side are liable to change.

8. Value for money should be maintained when renegotiating. Only if conditions change due to discretionary public policy actions should the government consider compensating the private sector. Any re-negotiation should be made transparently and subject to the ordinary procedures of Public-Private Partnership approval. Clear, predictable and transparent rules for dispute resolution should be in place.

9. Government should ensure there is enough competition in the market by a competitive tender process and by possibly structuring the Public-Private Partnerships program so that there is an ongoing functional market. Where market operators are few, governments should ensure a level playing field in the tendering process so that non-incumbent operators can enter the market.

Use the budgetary process transparently to minimize fiscal risks and ensure the integrity of the procurement process

10. In line with the government's fiscal policy, the Central Budget Authority should ensure that the project is affordable, and the overall investment envelope is sustainable.

11. The project should be treated transparently in the budget process. The budget documentation should disclose all costs and contingent liabilities. Special care should be taken to ensure that budget transparency of Public-Private Partnerships covers the whole public sector.

12. Government should guard against waste and corruption by ensuring the integrity of the procurement process. The necessary procurement skills and powers should be made available to the relevant authorities.