

Development of the Consulting Industry in Uzbekistan and Cross-Border Countries. Challenges and Opportunities.

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1. Background

Since its independence in 1991, Uzbekistan has made careful progress in the transition from a centrally-planned command economy to a market economy. Recognizing that foreign investments and international assistance can contribute to Uzbekistan's growth and development, and also ease the transition to a market-based economy and integration in the world economy, Uzbekistan has been welcoming all donors, International Financial Institutes and private foreign investors. Among such are WB-IBRD, ADB, EBRR and others. These organizations have shown particular interest in Uzbekistan's promising development potential, offering number of development programs and investment project aiming at the infrastructure development and capacity building. Importantly, it brought scientific, technical and managerial skills into the country, vital in the transformation of Uzbekistan's industrial sectors. The combined benefits of Investors and the Government of Uzbekistan would allow the country's industrial sector to gain international competitiveness, increase employment opportunities of higher remuneration and, develop Uzbekistan's small and medium enterprise (SME) sector. Uzbekistan has high profile successes in attracting Foreign Direct Investments as well, especially from a small core of internationally well-known strategic investors. Uzbekistan's foreign investment law is liberal. Foreign investment is welcomed and by law most businesses are open to Foreign Investment. For the most part, foreign investors are treated at least as well as national investors both under the law and in practice. Uzbekistan has established a legal framework to provide important rights and assurances to foreign investors and has avoided disputes with investors of the kind which have occasionally soured the investment climate elsewhere in the region. Indeed, Uzbekistan has introduced taxation incentives to encourage Foreign Investment. Uzbekistan's economy, particularly its export industries, is oriented towards commodity production. Uzbekistan is a leading world producer of cotton and gold, and is a significant miner and processor of non-ferrous metals and producer of natural gas. The country's capital goods manufacturing includes agricultural machinery and aircraft engine production. The Government of Uzbekistan wishes to make a decisive change in this inherited pattern of economic activity and is strongly committed to the accelerated development of industry sector. Accordingly, the Government's sectoral development priorities include manufacturing, mining and agriculture for all of which the proper development of infrastructure is a significant driving force. The Government is eager to Investment initiatives in support of its development priorities and is keen that there will be active participation by national Uzbek entities (especially in the consulting services) in the realization, operation and supervision of the process of new or restructured businesses involving these particular initiatives.

2. Consultancy Business in Uzbekistan

The Government of Uzbekistan, attaching great importance to the inculcation of advanced experience and high standards in the field of corporate and administrative governance, backs all the initiatives aimed at ensuring the efficient realization of investment projects. In a broader sense, investment projects presuppose the funding of both economic and social installations from internal and external sources. The success of economic reforms bears directly on the extent to which modern principles of management are applied and advanced technical

innovations are introduced, because only their efficient use could strengthen the safety of all infrastructure facilities, while precipitating the pace of economic growth.

In the first years of the Republic's independent progression, development projects financed by international foundations and agencies were brought about by foreign companies and organizations. National professionals were employed as auxiliary personnel in the project implementation process. However, thanks to the stage-by-stage realization of national policy in the field of personnel training and close cooperation with a number of international organizations lots of highly qualified specialists have been prepared in Uzbekistan, whose qualification and experience make it possible to efficiently implement strategically important projects of any complexity.

Today, working in consultancy business in Uzbekistan across different segments of socio-economic life requires the high responsibility for:

- the given services, which should be of high-grade and appropriate quality;
- achievable results, which should meet the requirements of the Clients
- moral principles, from which the basis of the code of the Consultant consists

In Uzbekistan, as well as in many countries in the world, business support institutions play an important role in facilitating development of private and small business. Those institutions are represented by public and civil society organizations, including voluntary associations of businessmen, organizations, which provide insurance, information-consultative support, support in the area of human resources management, training of personnel, maintaining businesses with necessary resources and technologies, and in getting access to markets. Abovementioned were only few of cornerstones in the requested proposal on intention to establish professional association, which would assist to the raising level of consulting services on new heights by the joint efforts and mutual cooperation of the representatives of domestic and foreign sectors. A number of leading companies, design institutes, engineering firms and individual experts providing all sorts of consulting services in the Uzbek market had expressed an idea of the joint creation of a professional association, whose main job will be to support the participation of national consultants, engineers and designers in projects that the Donor Organizations realize in the Republic of Uzbekistan and the Central Asian region. It was the precondition for creation of the Uzbek Association of the Consulting Engineers (UZACE), whose basic tasks are:

- integration and coordination of members effort for the problem solving in the field of engineering;
- study, generalization and distribution of the scientific and technical information and advanced experience in the field of construction, recommendation for introduction of new technologies and techniques of engineering-technical support of the investment projects;
- Extension of Uzbek engineering services as the standard of quality in territory of other countries.

International agencies such as, representations of the United Nations Development Programme and the World Bank, intensively support development of entrepreneurship in Uzbekistan. During the recent years they have initiated and provided financing to a number of important projects overall supporting SME structures in the country. The role of the European Bank for Reconstruction and Development, the Asian Development Bank, German bank KfV, International Finance Corporation and others are also considerable for development of SME in

Uzbekistan. The Government is the one who provides the most essential assistance to development of businesses (including consultancy sector) in Uzbekistan. Creation of market infrastructure, granting of privileges, legal protection, liberalization of registration processes represent the incomplete list of the government's efforts in support and stimulation of small and private business. Presently, consulting business in Uzbekistan represent more than 30 design institutions, covering different segments of Uzbek Engineering Industry, more than 20 private Consulting companies and firms, and more than 2000 Individual Experts, who are capable of providing high level services in their respected sectors. Throughout the past years, annual Investments volume attracted from abroad exceeded USD \$ 1 billion. Some 30 per cent of implemented foreign investments were accounted for by the reconnaissance and development of new oil and gas deposits, about 20 per cent of attracted foreign capital went to the light industry and 15 per cent – to the development of information systems, telecommunications and other high-tech sectors.

Viewed against such a positive investment background, the performance of national consultancy specialists is assuming ever greater importance. Foreign investors consider that the Republic has sufficiently experienced brainpower, capable of tackling any problems, rendering assistance with the realization of investment projects and providing expertise in concrete areas of socio-economic development.

3. Further Perspectives of Consultancy Business in Uzbekistan and Central Asia

Current status and further perspectives of development of Consultancy Business in Uzbekistan are based on the Governmental support and the development of SME, industry and services sectors. Donor Strategies in Uzbekistan as well as the Central Asian region are of much significance. Uzbekistan is, of course, regarded by foreign investors as an emerging market rather than a developed market and its strengths are viewed from that standpoint. Existing foreign investors in Uzbekistan are uniformly impressed with the levels of education and skills of the workforce and their high level of motivation. Uzbekistan is socially a highly stable country. There is a high level of ethnic homogeneity and a high level of law and order and an absence of organized crime, all of which are regarded as very helpful factors by the foreign investment community. Moreover, there is continuity in the leadership of the key ministries which deal with investors and its articulation in promoting Uzbekistan to foreign investors.

There are several projects that have been implemented in cross-border issues in Central Asia. ADB, WB, EU and other donors support infrastructural initiatives across CA focusing on transport, water management, environment, and fight against drugs transportation and other. EU Strategy for Central Asia in particular the Regional Strategy Paper for assistance to Central Asia (CA RSP) covers EC financial assistance for the period 2007-2013 to the countries of the region, both at bilateral and regional level. It summarizes the common challenges faced by the countries of the region, as well as the democratic, economic and social issues faced by each of them, and maps out the context in which assistance will be provided. The Strategy paper for assistance sets out EC response, objectives and priorities for European Community support for Central Asia, both at regional level, and for each country individually, together with an indication of the means to be used to provide assistance primarily under the Development Cooperation Instrument (DCI) where an indicative budget of €719 million has been earmarked to the region for the period.

The aim of the European Commission's assistance Strategy Paper for Central Asia (2007-13) is to promote the stability and security of the countries of Central Asia, to assist in their pursuit of

sustainable economic development and poverty reduction and to facilitate closer regional cooperation both within Central Asia and between Central Asia and the EU. In order to achieve these core objectives, the Regional Strategy paper for assistance to Central Asia is expected to focus on the following three prioritized areas:

1. Central Asia regional cooperation and good neighborly relations: 30-35% of total budget.

Focal priorities:

(i) Networks

(ii) Environment

(iii) Border and migration management, the fight against international crime, and customs

(iv) Education, scientific and people-to-people activities

2. Reduce poverty and increase living standards: 40- 45 % of total budget

3. Promote good governance and economic reform: 20- 25% of total budget

Another Institution with the rich experience of operation in the region is Asian Development Bank. ADB's Thematic Priorities for Uzbekistan are as follows:

1. Economic Growth

ADB support for key macroeconomic and structural reforms is critical to help achieve sustainable economic growth. For instance, ADB assistance in the transport and agriculture sectors will continue to promote pro-poor economic growth, and address key institutional and policy reforms to facilitate the implementation of ongoing projects. Assistance will be extended to the second and third phases of the rehabilitation of the strategic road and railways linkages, respectively, with sound sector policy to enable market-oriented transport management and operations to facilitate sustainable economic development.

2. Human Development

The Government continues to place high priority on human development through implementation of the National Program for Personnel Training. Support of human development has featured prominently in ADB assistance to Uzbekistan.

3. Gender and Development

Domestic gender consultants have substantially enhanced cooperation with civil society, particularly women's nongovernmental organizations (NGOs) in implementing ADB-financed projects addressing gender concerns.

4. Good Governance

Enhancing effective governance is another key pillar of ADB assistance.

5. Private Sector Development

While ADB has initially identified a couple of private sector projects in close collaboration with European Bank for Reconstruction and Development (EBRD) and International Finance Cooperation (IFC), the current investment climate has limited ADB's private sector development program due to the restrictions and distortions related to currency convertibility and multiple exchange rates practice. There is concern about lack of Government commitment to guarantee

7. Regional Cooperation

Projects in the transport sector will facilitate regional cooperation by developing an efficient and safe transport linkage to stimulate trade and development.