

**PUBLIC INVESTMENT MANAGEMENT IN UZBEKISTAN**

**by**

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## **Coming to the KAIST**

My introduction to the KAIST started quite a few years ago. In 2008, I was a lead economist and working with the Korean Eximbank representative on the Framework arrangement between the Government of Uzbekistan and the EDCF for a total ODA loan of \$120mln.USD. During one of our meetings, he asked me whether I have master's degree and recommended me to study at KAIST. He is a KAIST alumnus himself.

Then I was not so seriously looking for an MBA program, because I still had not made up my mind about my future, I did not know which concrete field I should concentrate, whether it would be economics, management, public administration or finance. I also wanted to gain more experience.

In 2009, we received an invitation from KAIST. It was a KAIST 2 year MBA program; however, I could not participate because I was a junior staff in the department with only 2,5 years of experience. So, that year another colleague with 4 years of experience at the ministry was chosen to study in Korea. And 4 years later, we received another invitation for the KOICA-KAIST Finance MBA Program. By this time, I realized that finance was my cup of tea.

The purpose of choosing this program for me was to gain advanced and practical knowledge, enhance and strengthen my skills in finance. Particularly, I was very much interested in studying Corporate Finance, Investment Banking, International Finance, and Financial Statements Analysis. Then I also liked Statistics for Finance, Investments and Derivatives courses too, despite the fact that I had to struggle a lot in those courses. I enjoyed them because we could come to practical terms after using sophisticated quantitative analysis.

Having taken these challenging courses increased my self-confidence. Usually, we are not able to notice how we change, but I could see that I had developed new abilities and skills. KAIST has helped me make a giant leap towards becoming a better professional and a better person. Just as I told the Korea Eximbank Representative in Tashkent after graduating from KAIST – “I feel like a major upgraded version of myself”.

## **Changes after KAIST**

Upon graduation from KAIST, I had clear plans about what I would like to do at the Ministry of Finance. With the knowledge I acquired from courses such as International Financial Markets, Fixed Income Investments and Statistics for Finance, I wanted to strengthen the analytical framework for public external debt management. In 2013, we started working on adopting the UNCTAD DMFAS system for debt management. I wanted to be one of the key specialists who participated in the introduction of this new system in my country.

However, the Director of the Department where I worked offered me to join the Capital Account and Foreign Exchange division. My position would be the same as when I left

the ministry. As far as I knew, the division was weak in conducting analysis; there was no analytical nor forecasting framework, nor interaction with other macroeconomic variables. The staff of the division basically monitored the foreign exchange market and maintained a registry of exchange rate currencies for later re-evaluation of the foreign exchange assets.

It was a different field, a different challenge, where I believed I could add value by applying statistical tools as well as technical and analytical skills. The division could be strengthened by applying time series and forecasting, and developing a new model for estimation, evaluation and forecasting the government's foreign exchange assets in consideration of other key macroeconomic variables. Despite the fact that governments do not engage in risky operations, I thought about the Tactical Asset Allocation strategy, which the guest lecturer from the Korea Investment Corporation presented us in our Special Topics in Investment Banking course. I thought that we could develop a modified version for public funds.

However, to get back to my job at the ministry required lengthy internal procedures, which usually takes a month and more. During this time, I visited my former director of the department at the Ministry of Finance and the former first deputy minister of finance, who are now in charge of the Uzbekistan Fund for Reconstruction and Development that has 25 bln.USD assets.

Back in 2009-2010, I enjoyed working under their management and guidance. They were not only the bosses to whom I reported, but also my teachers. I have grown a lot professionally and personally under their management. Their enthusiasm, knowledge, their leadership as well as strong skills have always inspired me.

Less than 20 minutes of conversation with them was enough for me to change my mind and join them at the fund. At first, it was a little difficult to give up my plans at the Ministry of Finance, because the work I would do at the fund is quite similar to the work I previously did at the Ministry of Finance: feasibility study appraisal and project monitoring. However, the fund applies some advanced tools such as scenario analysis, sensitivity analysis along with conventional NPV, IRR and financial ratio while conducting project appraisal. Furthermore, I was to be put in charge of cooperation with international financial institutions like the World Bank, ADB, IDB, EDCF and others as well as monitoring investment projects financed by the UFRD. Nevertheless, the most convincing reason was that the two strongmen are members of different task forces. This meant a great opportunity for me to take some part at development and conducting of various economic and financial reforms.

The executive director of the UFRD and former first-deputy minister of finance had known about KAIST; he knew that it KAIST is the Korean MIT. Therefore, he promptly offered me to join the fund as Chief Investment Analyst at the Department for Monitoring Investment Projects. It is a level down the position offered to me at the Ministry of Finance, but the prospects of joining the Fund was far greater for me. At the Fund, I knew that I

would be able to better concentrate on strategic tasks, deliver quality to my duties and bring value to the institute and the economy. The deputy executive director of the UFRD, former head of the Department at the Ministry of Finance arranged a request to the Minister of Finance about my transfer to the UFRD.

### **Duties and responsibilities at the UFRD**

As I expected, I was included in a task force for developing a directive and operations manual for the newly created inter-ministerial Project Committee, a task force for studying and developing energy reforms and another task force for energy tariff and subsidies reforms.

At the Project Committee, I also conduct and assess project concepts and pre-feasibility studies for projects to be implemented jointly with international and foreign financial institutions. The project selection criteria are based on their relevance, efficiency, economic and social impact as well as sustainability. The Green Growth Policy course I took in spring semester has been very helpful for me in assessing project concepts by these criteria, especially the efficiency, impact and sustainability.

The same course helped me study and better understand energy reforms in different countries. One of the initiatives of the task force is to dismantle the vertical integration of the electricity companies and increase the effectiveness of the sector by introducing a competition to the industry. We have studied and conducted research on several country cases, including Germany, UK, Korea, Russia, China and Argentina. This will be a major reform; therefore, we are currently studying country approaches to reforms in more detail.

Another way to increase effectiveness and efficiency in the energy sector is to remove government subsidies and increase the prices for the energy. The task force for tariff reform has recently presented its findings to related ministries. Since one of the principles Uzbekistan has adopted for economic growth is strong social policy, they are carefully studying and assessing these proposals. Accounting, especially Management Accounting has helped me gain a better and deeper insight into the price-cost relationship in the energy sector.

Nonetheless, at the first day of my employment I was assigned to conduct a research on public investment management systems. The research is expected to be published in the early January next year by the Center for Economic Research, a think tank institute under the President's Office. In preparing the research, I studied cases of several countries, the World Bank study papers and especially the Korean experience. Although it is not something that I studied at KAIST, some parts of the study was initiated during my time at KAIST. In the fall 2013 semester I took "East Asian Economic Development and Developing Countries I" where I wrote a coursework on developing a results-based monitoring system in Uzbekistan. This paper presents a shorter version of the original research submitted to the CER.

\* If you need to get Nurbek's research paper on public investment management systems, please contact KGSF Office. ([kgsf@business.kaist.ac.kr](mailto:kgsf@business.kaist.ac.kr))