Investir dans les populations rurales

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Évaluation de la stratégie et du programme de pays

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Mesures à prendre: Le Conseil d'administration est invité à examiner l'évaluation de la stratégie et du programme de pays pour la République d'Ouzbékistan.

Questions techniques:

Indran A. Naidoo
Directeur
Bureau indépendant de l'évaluation du FIDA
courriel: i.naidoo@ifad.org

Kouessi Maximin Kodjo
Responsable supérieur de l'évaluation
Bureau indépendant de l'évaluation du FIDA
courriel: k.kodjo@ifad.org

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Résumé

A. Contexte

1. Conformément à la Politique révisée de l'évaluation au FIDA[1] et aux dispositions approuvées par le Conseil d'administration, le Bureau indépendant de l'évaluation du FIDA (IOE) a procédé à la première évaluation de la stratégie et du programme de pays (ESPP) pour la République d'Ouzbékistan. Il s'agissait principalement: i) de dresser le bilan des résultats et de la performance de la stratégie du FIDA pendant la période allant de 2011 à 2020; ii) de tirer des constatations et formuler des recommandations concernant l'orientation future du partenariat entre le Fonds et le Gouvernement ouzbek en vue de renforcer l'efficacité des activités de développement et d'éradiquer la pauvreté rurale. Les constatations, les enseignements et les recommandations issus de la présente évaluation orienteront l'élaboration du nouveau programme d'options stratégiques pour le pays (COSOP) qu'il est prévu de présenter en 2022.

2. Le champ d'application de l'ESPP a été défini dans le contexte de la pandémie actuelle de COVID-19. Les trois projets relevant du portefeuille ont été abordés dans le cadre de l'évaluation, à savoir le Projet d'appui à l'horticulture, le Projet de développement des filières laitières et le Projet de diversification et de modernisation de l'agriculture. Le Projet d'appui à l'horticulture est la seule opération clôturée du portefeuille et, à ce titre, il a fait l'objet d'une évaluation approfondie de la performance du projet, dont les résultats ont éclairé la présente ESPP. Les deux autres projets sont toujours en cours. Le Projet de diversification et de modernisation de l'agriculture a été lancé en janvier 2019; les possibilités d'évaluation de ce projet étaient donc limitées. Malgré les restrictions imposées du fait de la pandémie, un éventail de méthodes a été appliqué pour la collecte des données (réunions en ligne, visites sur le terrain), ce qui a permis de trianguler les données et de tirer des conclusions.

B. Contexte du pays et stratégie et opérations du FIDA au cours de la période couverte par l'ESPP

3. **Contexte du pays.** Après avoir obtenu son indépendance en août 1991 du fait de la chute de l'Union soviétique, l'Ouzbékistan a entamé une vaste campagne de transition politique et économique, passant d'une économie planifiée à une économie de marché. Ce processus s'est accéléré en 2017 grâce à un changement de gouvernement, à des réformes menées par l'État et à une libéralisation progressive de l'économie et du commerce.

4. L'agriculture a été, et continue d'être, l'un des moteurs de la croissance économique. Pourtant, l'accès aux financements, aux infrastructures de production, aux services de vulgarisation et aux filières reste limité, en particulier pour les petits exploitants les plus pauvres, à savoir les agriculteurs *dehkan*[2]. Ces derniers produisent la majorité du bétail et des produits horticoles du pays. Ils emploient 60% de la main-d'œuvre agricole, et génèrent 70% de la production agricole totale du pays et 35% de la valeur des exportations agricoles. Pourtant, ils exploitent moins de 20% des terres arables du pays[3]. Bien que le développement social se renforce, on assiste à des inégalités entre les femmes et les hommes, à une augmentation du chômage rural, ainsi qu'à une intensification des menaces environnementales liées aux changements climatiques.

5. **La collaboration entre le FIDA et l'Ouzbékistan est relativement récente.** L'Ouzbékistan a adhéré au FIDA en 2011. Depuis, le Fonds a approuvé trois projets de prêt dans les secteurs de l'horticulture et de la production laitière pour un total

[1] Voir https://www.ifad.org/fr/web/ioe/evaluation-policy.
[2] On entend par « *dehkan* » des petites exploitations agricoles de moins de deux hectares en moyenne.
[3] Banque mondiale. « Uzbekistan: Agricultural Trade Policy Report », 2018.

de 128 millions d'USD (y compris les dons octroyés dans le cadre de ces projets), ainsi que deux activités régionales financées par des dons. Il n'existe pas de bureau de pays en Ouzbékistan, le portefeuille est géré à partir du pôle sous-régional situé à Istanbul. Le premier COSOP axé sur les résultats pour l'Ouzbékistan a été élaboré en 2017 et exécuté sur une période de quatre ans, c'est-à-dire jusqu'en 2021. Il portait sur les petits producteurs ruraux, en particulier les agriculteurs *dehkan*, dans le but d'améliorer leur productivité agricole et leur intégration dans les filières, tout en assurant l'utilisation durable des ressources naturelles et des technologies résilientes face aux changements climatiques.

C. Performance de la stratégie et du programme de pays et impact sur la pauvreté rurale

6. La **pertinence** de la stratégie et du programme de pays du FIDA a été jugée plutôt satisfaisante. La stratégie de développement adoptée par le FIDA a épousé les changements majeurs intervenus dans les politiques publiques et les intérêts liés aux secteurs agricole et rural au cours des dix dernières années, de manière à promouvoir un secteur plus diversifié et plus durable. Le FIDA a été la première institution financière internationale (IFI) à accorder un prêt à la filière horticole dans le pays et il a préconisé la mise en place d'un appui direct aux agriculteurs *dehkan*, qui représentent le groupe le plus vulnérable du pays. Pour favoriser le développement de l'agroentrepreneuriat, il a été jugé pertinent d'accorder la priorité à la mise en place d'une approche axée sur les filières, ainsi qu'à la finance rurale, au renforcement des capacités et aux populations pauvres. Cibler les agriculteurs *dehkan* et les femmes, puis les jeunes, s'est révélé à la fois novateur et intéressant dans le contexte ouzbek.

7. Toutefois, la pertinence de la stratégie et du programme de pays du FIDA est conditionnée par plusieurs facteurs, en particulier le manque initial de cohérence avec les priorités institutionnelles du FIDA, la faiblesse générale de l'orientation stratégique du COSOP, l'absence de système de suivi et le décalage entre les documents de conception du FIDA et les études de faisabilité réalisées par les pouvoirs publics. De nombreux aspects novateurs, ainsi que l'approche fondée sur le ciblage et la focalisation sur les filières, n'ont pas été pris en compte dans les études de faisabilité. En outre, la présente ESPP met en évidence le manque d'attention accordée aux risques liés à la mise en œuvre d'activités relatives aux filières dans un nouveau pays, les faiblesses des modalités d'exécution et les changements d'orientation géographique et sectorielle qui ont ralenti la consolidation des acquis. Tous ces facteurs ont lourdement affecté l'exécution du programme.

8. La **cohérence** de la stratégie et du programme de pays du FIDA a été jugée plutôt insatisfaisante, tout comme la gestion des connaissances, la création de partenariats et la contribution à l'élaboration de politiques. Le FIDA a occupé (et continue d'occuper) un créneau bien précis en Ouzbékistan qui témoigne de son avantage comparatif auprès des petits exploitants. Il cible directement les personnes les plus pauvres dans les zones rurales et joue un rôle précurseur dans les activités de prêts liées à l'horticulture et à la production laitière. Cependant, la cohérence externe de la stratégie du FIDA dans le pays a pâti de la faiblesse des efforts déployés pour tirer parti des synergies avec d'autres interventions de développement et consolider les acquis. Dans le COSOP de 2017, le positionnement du FIDA dans le pays n'était fondé sur aucune vision stratégique, ni dans l'idée ni dans la pratique. La cohérence interne de la stratégie ne reposait pas sur la complémentarité entre le programme de prêts et le programme hors prêts, qui aurait dû orienter les partenariats et la concertation sur les politiques. Les dons sont détachés du reste du programme. Aucun plan d'action n'a été élaboré pour encadrer la gestion des connaissances ni pour consigner et diffuser officiellement les résultats des projets afin de révéler le potentiel d'apprentissage, de promouvoir

l'innovation et la transposition à plus grande échelle et d'influencer le dialogue sur les politiques. Bien que l'on ait récemment constaté des réformes politiques favorables aux agriculteurs *dehkan* et que le Gouvernement accorde de plus en plus d'intérêt à ces derniers, rien ne permet d'affirmer que ces avancées sont directement liées aux activités de concertation sur les politiques menées par le FIDA. Les possibilités de partenariats, notamment avec le secteur privé, restent inexploitées.

9. **Efficience.** L'efficience de la stratégie et du programme de pays du FIDA a été jugée plutôt satisfaisante. Il ne fait aucun doute qu'en 2011, la situation était difficile. Le lancement du Projet d'appui à l'horticulture et du Projet de développement des filières laitières a été retardé, principalement en raison des études de faisabilité menées par les pouvoirs publics, et les procédures de passation de marchés ont connu des difficultés initiales, mais les deux partenaires ont appris à gérer ces processus. La synchronisation prévue des activités, notamment le renforcement des capacités en amont de l'investissement, n'a pas été effectuée, l'accent ayant été mis sur le décaissement. Des fonds insuffisants ont été décaissés pour la gestion des projets (alors qu'ils étaient prévus dans les budgets), ce qui a nui à leur exécution. Pour garantir la bonne exécution d'un projet, il est nécessaire d'apporter une assistance technique, en particulier lorsqu'il s'agit d'un nouveau pays. Malgré tout, et en dépit de la grave dévaluation monétaire enregistrée en 2017, les indicateurs d'efficience économique sont plutôt positifs et le coût par bénéficiaire a été maîtrisé.

10. **Efficacité.** Les aspects de la stratégie et du programme de pays du FIDA liés à l'efficacité et à l'innovation ont été jugés plutôt satisfaisants. Ces appréciations tiennent compte du contexte politique en Ouzbékistan avant 2017, du manque de cohérence entre les documents de conception du FIDA et les études de faisabilité – qui, comme mentionné plus haut, a entravé l'exécution des projets – et de l'absence de système de suivi efficace, qui a limité l'évaluation de la contribution de la stratégie pays du FIDA aux résultats immédiats et à plus long terme enregistrés sur le terrain. Dans l'ensemble, les objectifs des trois domaines thématiques sélectionnés par l'ESPP (ciblage, mise en place de filières en faveur des pauvres et finance rurale), également inscrits dans le COSOP, n'ont été que partiellement atteints. Le ciblage géographique a été relativement efficace puisqu'il a été fondé sur les niveaux de pauvreté et le potentiel du secteur, ainsi que sur les orientations fournies par les pouvoirs publics. Toutefois, parce que les projets ont été mis en œuvre dans des régions différentes, il n'a pas été possible de tirer parti des acquis obtenus. Le FIDA a apporté quelques innovations en matière de ciblage social et sectoriel et son action de communication a été globalement satisfaisante. Cependant, la ventilation des données par groupe cible montre que les agriculteurs *dehkan* et les femmes sont sous-représentés parmi les bénéficiaires des activités appuyées par les projets et, tout particulièrement, parmi les bénéficiaires des initiatives de financement rural. En raison de l'absence d'un système de suivi adéquat et de données sur la pauvreté, il est difficile de vérifier si les projets ont effectivement atteint les agriculteurs *dehkan* les plus pauvres. Bien que les agriculteurs *dehkan* aient reçu la majorité des prêts bancaires dans le cadre du Projet d'appui à l'horticulture et du Projet de développement des filières laitières, le montant de ces prêts était très faible. Il s'est révélé très difficile d'impliquer les femmes dans les activités menées dans le cadre des projets (formation et prêts) en raison des barrières culturelles. Dans le cadre du Projet d'appui à l'horticulture, les questions de genre n'ont pas fait l'objet d'une grande attention, mais elles l'ont été davantage dans le cadre du Projet de développement des filières laitières et du Projet de diversification et de modernisation de l'agriculture.

11. L'approche axée sur les filières, mise en avant lors de la phase de conception, ne s'est pas matérialisée dans l'exécution du Projet d'appui à l'horticulture et du Projet de développement des filières laitières, et a apparemment été mal comprise.

Des efforts ont été déployés pour soutenir le développement des filières par le truchement d'innovations telles que les forums de collaboration entre le secteur privé et le secteur public dans le cadre du Projet de développement des filières laitières; espace de rencontre, ces forums ont échoué à se transformer en véritable plateforme dédiée à l'innovation. Dans le cadre du Projet de diversification et de modernisation de l'agriculture, plusieurs idées novatrices sont à l'essai pour soutenir différents maillons des filières et pour établir un état des lieux des sous-secteurs. L'appui du FIDA a permis d'améliorer les compétences agricoles au moyen de formations et de voyages d'études, mais il n'a pas été suffisamment structuré. Dans la pratique, la formation, l'assistance technique et la fourniture de financements ruraux ont été axées sur la production, en particulier sur les importations de génisses laitières dans le cadre du Projet de développement des filières laitières et du Projet de diversification et de modernisation de l'agriculture, sans établir de lien clair entre les différentes composantes des filières.
Cette situation est caractéristique de l'entrée dans un nouveau secteur, en particulier dans une situation de faible confiance de la part de la population locale; cependant, comme l'orientation des projets ne cesse de changer, il n'a pas été possible de passer aux phases ultérieures pour mettre davantage l'accent sur des questions telles que la transformation, le conditionnement et la commercialisation.

12. Les projets du FIDA ont contribué à améliorer l'accès aux services financiers ruraux, ce qui a été hautement apprécié par les bénéficiaires et les autorités nationales. L'adoption du programme d'évaluation des risques intitulé « Cohort Livelihoods and Risk Analysis » (moyens d'existence collectifs et analyse du risque) par les institutions financières participantes a aidé les banques à gérer le crédit. Cependant, bien qu'il ait été convenu dans les documents de conception des projets que les institutions financières participantes apporteraient des financements de contrepartie provenant de leurs propres ressources, ce critère n'a pas été inclus dans les accords de prêts subsidiaires (et ces derniers ne faisaient pas non plus référence à des critères de sélection des emprunteurs ou à des priorités de projet). Aucun prêt de fonds de roulement n'a été émis. De nombreux prêts ont été émis en dollar des États-Unis afin de payer les importations, notamment dans le cadre du Projet de développement des filières laitières. La dévaluation de la monnaie locale a mis en danger de nombreux emprunteurs, malgré l'intervention du Gouvernement sous la forme du Fonds d'État pour le soutien à l'entrepreneuriat.

13. **Impact sur la pauvreté rurale.** L'impact sur la pauvreté rurale de la stratégie et du programme de pays du FIDA en Ouzbékistan ne peut être évalué étant donné qu'un seul des trois projets a été achevé et que les données disponibles ne sont pas suffisamment solides. Deux des trois opérations financées jusqu'à présent ont été conçues et exécutées indépendamment du COSOP, c'est pourquoi il serait hasardeux d'établir un lien entre l'évaluation de l'impact de la stratégie prévue et le COSOP. En outre, on ne dispose pas de données concernant les effets directs obtenus. Les systèmes de suivi doivent être améliorés pour mesurer l'impact des projets. On suppose que le Projet d'appui à l'horticulture a eu un impact positif sur la sécurité alimentaire et la nutrition, ainsi que sur les revenus et les actifs.
Le Projet d'appui à l'horticulture et le Projet de développement des filières laitières ont permis de créer de nouveaux emplois, mais il n'est pas certain que ceux-ci soient pérennes. Rien n'a été fait pour faire travailler le capital social au moyen de coopératives ou d'associations d'usagers de l'eau, la méfiance ambiante s'y opposant. Comme ce fut initialement le cas pour toutes les IFI, le soutien au renforcement des capacités institutionnelles a été insuffisant, ce qui pourrait avoir un impact sur la durabilité. Enfin, comme indiqué dans la partie consacrée à la cohérence, il est difficile d'établir des liens clairs avec l'élaboration des politiques et d'attribuer au FIDA le regain d'intérêt du Gouvernement à l'égard des agriculteurs *dehkan*.

14. **Égalité femmes-hommes et avancement des femmes.** La stratégie et le programme de pays du FIDA ont été jugés plutôt insatisfaisants en ce qui concerne l'égalité femmes-hommes et l'autonomisation des femmes. Compte tenu des mentalités culturelles dominantes, il est difficile d'associer les femmes aux activités de formation et de projet. Le ciblage pour l'égalité femmes-hommes était insuffisant dans le cadre du Projet d'appui à l'horticulture et s'améliore lentement dans les projets plus récents, bien que le ciblage des femmes par des prêts reste faible. Les conditions de garantie et d'enregistrement ainsi que les faibles niveaux de compétences financières et de gestion d'entreprise ont limité l'accès au financement des femmes et des ménages pauvres. En créant des emplois, en dispensant des formations et en augmentant la production, les projets ont permis d'obtenir des résultats positifs en ce qui concerne les actifs et les revenus des femmes, mais ils n'ont pas encore eu suffisamment d'influence pour ce qui est d'améliorer la représentation des femmes et leur participation à la prise de décision ou de réduire leur charge de travail. De même, le Projet d'appui à l'horticulture ne ciblait pas les jeunes, mais ceux-ci suscitent de plus en plus d'intérêt dans les projets les plus récents, compte tenu du rôle qu'ils sont susceptibles de jouer dans l'emploi rural. Les conseillers techniques récemment nommés dans le cadre du Projet de développement des filières laitières et du Projet de diversification et de modernisation de l'agriculture mettent davantage l'accent sur l'intégration de la question du genre et ont élaboré des plans d'action pour le genre et la jeunesse; cependant, les responsables doivent s'engager davantage. Le COSOP n'a pas tenu compte des leçons tirées des projets précédents en ce qui concerne l'égalité entre les femmes et les hommes, et n'a pas non plus proposé de moyens de surmonter les lourds obstacles culturels et structurels.

15. **Durabilité et reproduction à plus grande échelle.** La présente ESPP a évalué la durabilité probable de la stratégie de pays sans fournir d'appréciation, étant donné que deux des trois projets sont toujours en cours d'exécution. La durabilité du Projet d'appui à l'horticulture a été évaluée et notée dans le cadre d'une évaluation de la performance du projet qui lui a été consacré. Les domaines concernés sont plus précisément les suivants: i) la gestion de l'environnement et des ressources naturelles et l'adaptation aux changements climatiques; ii) la reproduction à plus grande échelle. Ces deux domaines ont été jugés plutôt satisfaisants. Sur une note positive, le FIDA a été la première IFI à accorder des prêts dans les secteurs de l'horticulture et des produits laitiers, et son rôle dans la promotion des agriculteurs *dehkan* a été reconnu par le Gouvernement et d'autres organismes financiers. Récemment, les politiques publiques ont commencé à tenir compte de ces questions et à les reproduire à plus grande échelle, par le truchement de la Stratégie de développement agricole (2020-2030) et de décrets présidentiels. Les secteurs de l'horticulture et de la production laitière sont susceptibles d'être financièrement et économiquement viables, malgré l'impact négatif de la COVID-19 sur les marchés. L'attention portée aux questions liées à l'environnement et aux changements climatiques s'améliore avec la mise en place, à petite échelle, de techniques d'irrigation améliorées et d'énergies renouvelables.

16. Cependant, il existe un risque de « perte de mémoire institutionnelle », compte tenu de la restructuration de l'organisme ouzbek chargé de l'agro-industrie et de la sécurité alimentaire (UZAIFSA). L'appui institutionnel et la formation en matière d'exploitation et d'entretien des infrastructures d'irrigation et d'utilisation de l'eau étaient insuffisants, compte tenu du rôle qu'ils jouent pour ce qui est de garantir un fonctionnement durable. Lorsqu'ils accordent des prêts, les institutions financières participantes ne tiennent pas compte des menaces environnementales (par exemple, la pollution des sources d'eau due à une mauvaise gestion du fumier), ce qui constitue un risque pour la durabilité. Au cours des étapes de planification du Projet de développement des filières laitières, l'attention a été portée sur les risques liés aux gaz à effet de serre. Il est néanmoins nécessaire de redoubler

d'efforts pour améliorer l'alimentation du bétail et gérer le fumier, afin de faire de la production laitière une activité durable.

D. Performance des partenaires

17. **FIDA.** Le FIDA a commencé à travailler en Ouzbékistan en 2011, dans un contexte politique peu propice à une bonne planification des projets. La pauvreté (une priorité pour le Fonds) n'était pas officiellement reconnue par le Gouvernement et ce dernier continuait d'exercer un contrôle étroit sur la planification. Le premier COSOP, établi en 2017, ne prenait pas officiellement acte des défis et des enseignements issus du Projet d'appui à l'horticulture et du Projet de développement des filières laitières. Les leçons ont toutefois été internalisées et le Projet de diversification et de modernisation de l'agriculture accorde une attention croissante aux filières, aux agriculteurs *dehkan* et à l'égalité femmes-hommes. Le nombre de missions de supervision visant à soutenir le démarrage et l'exécution des projets s'est amélioré depuis le Projet d'appui à l'horticulture, mais il convient d'accorder davantage d'attention au suivi-évaluation, à la gestion des connaissances, à l'intégration des questions de genre et à la passation de marchés. La performance du FIDA est jugée plutôt satisfaisante.

18. **Gouvernement.** Le changement de gouvernement en 2017 a permis d'améliorer l'environnement politique et la cohérence avec le ciblage du FIDA en faveur des petits exploitants, des femmes et des jeunes. Les financements de contrepartie ont été fournis en temps voulu. Cependant, la performance des pouvoirs publics est jugée plutôt satisfaisante seulement, en raison du manque de cohérence avec les études de faisabilité établies par les pouvoirs publics – qui n'ont pas tenu compte des approches du FIDA et ont interprété les projets du FIDA davantage comme des opérations de crédit que comme des programmes de développement des filières – et des changements institutionnels fréquents, qui ont retardé l'exécution des projets.

E. Conclusions

19. **La stratégie déployée par le FIDA en Ouzbékistan ces dix dernières années est jugée plutôt satisfaisante: plusieurs domaines stratégiques doivent être revus pour établir un partenariat solide à long terme avec le Gouvernement.** Le contexte est essentiel pour comprendre la performance de la stratégie de pays du FIDA. Au cours des premières années, puisqu'il s'agissait de la première expérience du FIDA en Ouzbékistan, les deux parties ont été appelées à apprendre énormément. L'économie de marché était peu développée et ce n'est qu'en 2017 que le pays a réellement commencé à s'ouvrir. Malgré ces défis, l'appui du FIDA à la promotion du développement rural était en adéquation avec les besoins et les priorités du pays et, selon les pouvoirs publics, il continuera d'être pertinent pour l'Ouzbékistan compte tenu des disparités tenaces de niveau de vie entre les zones urbaines et rurales et des conséquences de la pandémie mondiale, qui réduit la croissance et crée des besoins de financement supplémentaires.

20. Néanmoins, il est possible de faire mieux à l'avenir, notamment en tenant compte du rôle de catalyseur que le FIDA pourrait jouer en Ouzbékistan et du contexte politique récent, qui est plus favorable. Le Gouvernement ouzbek accorde de plus en plus d'attention aux personnes les plus pauvres, aux innovations techniques, à la création de partenariats et à la concertation sur les politiques. Pour tirer parti de ces avancées, il faudra prêter attention à plusieurs domaines lors du prochain cycle du COSOP, afin d'en faire un instrument d'orientation stratégique pour le FIDA dans le pays et de favoriser les partenariats et la concertation sur les politiques.

21. **Premièrement, il était pertinent de cibler les agriculteurs *dehkan,* car ils sont les moteurs de l'horticulture et de l'élevage et la clé de la réduction de la pauvreté rurale. Pourtant, la stratégie de ciblage n'était pas adaptée aux besoins des différents groupes de bénéficiaires.** Le FIDA a été le premier à apporter un appui direct aux agriculteurs *dehkan*, groupe le plus vulnérable du

pays. Ces derniers constituent une niche évidente pour le FIDA, tandis que d'autres IFI soutiennent les producteurs à plus grande échelle. À l'heure actuelle, il n'est pas possible de déterminer si les agriculteurs *dehkan* les plus pauvres ont accès aux financements ou participent aux activités des projets, car il n'existe pas de données sur la pauvreté dans ce groupe. Dans la pratique, le montant élevé des prêts et les conditions de garantie suggèrent qu'ils n'y ont pas accès. En l'absence d'une supervision étroite et d'un contexte politique adéquat, les institutions financières participantes sont incitées à accorder des prêts moins nombreux mais plus conséquents, ce qui favorise la mainmise des élites et réduit l'impact potentiel sur la pauvreté rurale.

22. Dans le même ordre d'idées, peu d'efforts ont été déployés jusqu'à récemment pour promouvoir l'égalité femmes-hommes et obtenir des résultats pour les jeunes. Les éléments susmentionnés ont limité la participation des femmes, dès la conception des projets. Bien qu'il soit établi que les normes culturelles empêchent les femmes ouzbèkes de s'impliquer activement dans toutes les activités liées aux filières, l'égalité femmes-hommes et l'avancement des femmes constituent un axe majeur du mandat du FIDA et sont essentiels à la réalisation des objectifs de développement durable. Il convient non seulement d'aborder la question de l'avancement économique équitable, mais également de permettre aux hommes et aux femmes d'avoir une voix et une influence égales, et de répartir plus équitablement les charges de travail. Plus récemment, des mesures ont été prises dans le cadre des projets pour élaborer des stratégies et des plans d'action en matière de genre et nommer des conseillers en la matière. Il s'agit là d'un grand pas en avant, mais il convient de renforcer le suivi, car le Projet de développement des filières laitières arrivera prochainement à son terme. La jeunesse est prise en compte dans le cadre du Projet de diversification et de modernisation de l'agriculture.

23. **Deuxièmement, l'évolution du ciblage géographique et sectoriel a limité la possibilité de consolider les résultats obtenus et de tirer parti de l'expérience acquise.** Avant 2017, l'Ouzbékistan n'était pas prêt à adopter une véritable approche axée sur les filières. La productivité et la qualité de la production étaient insuffisantes, et la confiance et la collaboration entre les différentes catégories de parties prenantes faisaient défaut. Par exemple, il n'existait aucune coopérative fonctionnelle qui aurait pu représenter les intérêts des agriculteurs *dehkan*. La formation et l'avancement des groupes de producteurs nécessitent du temps et un soutien pratique. En outre, les connaissances et les conseils en matière de vulgarisation étaient insuffisants, de même que les infrastructures. Pour toutes ces raisons, il était logique que le Projet d'appui à l'horticulture se concentre sur la production, bien que dans un second temps, certaines composantes liées aux filières auraient pu être développées. Étant donné que chaque projet était axé sur un secteur et une région géographique différents, cette occasion a été manquée. En effet, les interventions du FIDA sont trop dispersées et ne s'appuient pas sur les investissements, l'expérience et les connaissances antérieurs.

24. **Troisièmement, l'évaluation des résultats a été compromise par le manque d'un système solide de suivi-évaluation.** La présente ESPP a conclu que les données étaient rares et peu fiables. Une attention excessive a été accordée au décaissement et à la mise en œuvre des activités plutôt qu'aux résultats, et on a constaté une réticence à changer de cap lorsque cela était nécessaire. Les missions de supervision n'ont pas été en mesure d'introduire certains des éléments manquants dans la conception des projets, car seuls les indicateurs de l'étude de faisabilité ont été observés. Malgré les efforts de renforcement des capacités, le système de suivi-évaluation reste peu performant, ce qui a nui à la disponibilité des données relatives aux résultats, à la production de connaissances et à la capacité

du FIDA d'exploiter le potentiel d'apprentissage pour promouvoir l'innovation et la reproduction à plus grande échelle et influencer la concertation sur les politiques.

25. **Enfin, le manque de soutien aux programmes du FIDA et les interactions globalement sporadiques avec les partenaires nationaux au cours de la période examinée ont eu une incidence sur les résultats et sur la capacité de la concertation sur les politiques à stimuler la reproduction à grande échelle des innovations et des approches du FIDA.** Le manque de cohérence entre les documents de conception du FIDA et les études de faisabilité établies par les pouvoirs publics pour guider l'exécution des projets a affecté les résultats et le potentiel d'innovation des projets, et a entraîné des retards de décaissement et d'exécution. Le manque de communication entre le FIDA et ses partenaires nationaux et la faiblesse des capacités au niveau des projets ont entravé la gestion et le suivi du programme. En outre, la forte rotation du personnel, tant du côté du FIDA que du gouvernement, a limité la capacité du Fonds à assurer la continuité, à établir des partenariats durables et à participer de manière adéquate à la concertation sur les politiques au niveau national. Dans l'ensemble, l'orientation stratégique du FIDA, notamment lors de la conception finale du COSOP, et la complémentarité entre les activités de prêts, les activités hors prêts et les dons n'ont pas été suffisamment explorées. Il serait tout à fait possible par ce moyen de contribuer plus largement à la transition du pays vers une transformation rurale plus inclusive.

F. Recommandations

26. **Recommandation 1. Des stratégies de ciblage efficaces devraient être au cœur de la nouvelle stratégie afin d'atteindre les populations les plus pauvres, notamment au moyen de filières favorables aux pauvres.** Les stratégies de ciblage devraient être plus efficaces pour atteindre les agriculteurs *dehkan* véritablement pauvres, et réduire les disparités entre les hommes et les femmes, et entre les générations, dans les zones rurales. Quatre lignes d'action immédiates pourraient être mises en œuvre pour diminuer le risque de mainmise des élites dans les opérations actuelles et futures liées aux filières:

    i) cibler les populations véritablement pauvres en se fondant sur des méthodes participatives, en tenant compte des actifs et du statut social et, si possible, en réintroduisant le critère de faible revenu, plutôt que de désigner uniquement les agriculteurs *dehkan* comme groupe devant bénéficier de prêts;

    ii) abaisser les barrières à l'entrée (telles que les conditions de garantie applicables aux prêts) pour permettre aux personnes les plus pauvres et les plus vulnérables de participer aux projets;

    iii) accorder davantage d'attention au développement de liens clairs avec les entrepreneurs ruraux, soit par le truchement de contrats directs, soit dans le cadre d'associations officielles avec des coopératives;

    iv) renforcer les associations de producteurs par l'amélioration des capacités afin de leur permettre de protéger les plus petits producteurs et en tirer parti pour établir des liens avec les producteurs à moyenne et grande échelle.

27. **Recommandation 2. Le FIDA et le Gouvernement ouzbek devraient élaborer un COSOP qui comporte un plan d'action cohérent et viable pour les activités hors prêts et qui offre des possibilités de collaboration avec le secteur privé.** L'Ouzbékistan est un pays à revenu intermédiaire et, à ce titre, de nouvelles méthodes de travail sont nécessaires. D'autres IFI peuvent accorder des prêts conséquents. La valeur ajoutée du FIDA ne se limite peut-être pas à se concentrer sur la production et à fournir un financement rural. En effet, le FIDA pourrait apporter une valeur ajoutée en matière de politique et de renforcement

des capacités sur des questions telles que les filières favorables aux pauvres, l'agriculture climato-compatible, les partenariats public-privé et la mobilisation du secteur privé. En particulier, le nouveau COSOP devrait reposer sur une base plus réaliste et une théorie du changement claire, en s'appuyant sur les leçons tirées des projets de prêts et de dons. Il convient d'envisager de développer une orientation sectorielle et géographique plus claire, étant donné le budget relativement faible disponible – en restant, par exemple, dans un lieu géographique pendant plusieurs phases. Cette orientation devrait être assortie d'un plan d'action prévoyant des ressources humaines et financières suffisantes pour assurer la gestion des connaissances et établir de nouveaux partenariats, notamment avec le secteur privé. Les dons futurs pourraient être affectés à l'expérimentation d'innovations au fur et à mesure de leur mise au point.

28. **Recommandation 3. La stratégie de pays du FIDA devrait consacrer une attention et des ressources à l'élaboration de systèmes de suivi-évaluation solides au niveau des projets.** Le FIDA et le Gouvernement doivent travailler de concert pour assurer la collecte, l'analyse et l'utilisation des données à l'avenir. Les données doivent être collectées en suivant un plan clair, et analysées afin d'apporter des modifications lorsque cela est nécessaire. Cette démarche sera de la plus haute importance, non seulement pour recueillir des données concernant les résultats obtenus sur le terrain, mais aussi pour contrôler systématiquement, par exemple, l'impact environnemental des investissements dans le secteur de l'élevage et apporter des modifications si nécessaire. Pour ce faire, il faudra renforcer les capacités et améliorer les outils – par exemple, l'utilisation d'applications pour téléphones mobiles permettant aux agriculteurs de mettre à jour directement les données sur la production, et de systèmes en ligne permettant au personnel du projet d'effectuer un suivi. Les résultats doivent ensuite être largement partagés – avec les bénéficiaires, les parties prenantes du pays et au niveau international, afin de promouvoir l'apprentissage et une culture de la transparence. Pour ce faire, et afin de favoriser une gestion de projet de qualité et une focalisation sur les populations pauvres et l'égalité entre les femmes et les hommes, les unités de gestion de projet ont besoin de personnel qualifié et d'une assistance technique.

29. **Recommandation 4. La présence dans le pays et l'appui aux programmes devraient être renforcés.** Le FIDA doit améliorer son appui au portefeuille et aux programmes en utilisant des instruments propres à financer les travaux de préparation à l'exécution et le renforcement des capacités afin de faciliter la préparation à l'exécution des projets, tels que le Mécanisme de préfinancement des projets et le Mécanisme d'assistance technique au démarrage des projets, non remboursable. En outre, une présence active et efficace dans le pays sera essentielle pour assurer la supervision, la gestion et le suivi des programmes, ainsi que la concertation sur les politiques. À cette fin, il convient de veiller à ce que le FIDA et les pouvoirs publics disposent de ressources humaines et financières suffisantes et que la rotation du personnel soit réduite.

Republic of Uzbekistan
Country Strategy and Programme Evaluation

Agreement at Completion Point

A. Introduction

1. The Independent Office of Evaluation (IOE) conducted the first Country Strategy and Programme Evaluation (CSPE) in the Republic of Uzbekistan. The CSPE covered the period 2011-2020, with the purpose of assessing the performance of IFAD's engagement, generating findings and formulating recommendations to improve strategy and operations in support of development effectiveness and rural transformation. Hence, the CSPE assessed one IFAD country strategy for the evaluated period, the performance of three lending operations and of non-lending activities. Recommendations were based on the CSPE findings to improve the country programme performance.

2. This agreement at completion point (ACP) contains those recommendations made in the CSPE report, as well as the proposed follow-up actions agreed upon by IFAD and the Government of Uzbekistan. The ACP is signed by the Government of Uzbekistan (represented by Mr. Shukhrat Vafaev, Deputy Minister for Investment and Foreign Trade and Mr. Kakhramon Yuldashev, the Deputy Minister of Agriculture) and IFAD Management (represented by Mr Donal Brown, Associate Vice-President of the Programme Management Department). The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail, and submitted to the IFAD Executive Board as an annex to the new country strategic opportunity programme (COSOP) for Uzbekistan. The implementation of the agreed upon recommendations will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by IFAD Management.

B. Recommendations and follow-up actions

3. The Government of Uzbekistan and IFAD Management agree with the four recommendations brought forward by the CSPE and will follow up on their implementation according to the proposed actions, responsibilities and timeframes outlined below.

4. **Recommendation 1. Effective targeting strategies should be at the core of the new strategy in order to reach the poorest including through pro-poor value chains.** Targeting strategies should be more effective in reaching genuinely poor dekhans, narrowing the gaps between men and women and between generations, in rural areas. Four immediate line of actions could be implemented to decrease the risk of elite capture in ongoing and future value chain operations:

   i. target the genuinely poor based on participatory methods, considering assets and social status and, when possible, by reinstituting the 'low-income' criterion, rather than only nominating dehkans as a group to receive loans;

   ii. weaken the "barriers to entry" (such as collateral requirements for loans) to enable the poorest and vulnerable people to participate in projects;

   iii. give more attention to the development of clear linkages with rural entrepreneurs either via direct contracts or in formal associations with cooperatives;

iv. strengthening producers' associations through capacity building in order to allow these organisations to protect the smallest producers and use them to establish linkages with medium-large scale producers.

5. ***Proposed follow-up actions***

- For the ongoing investment projects, IFAD and the Government of Uzbekistan will continue implementing detailed action plans to improve effective targeting of the intended beneficiaries, youth and women. The agreed measures include concrete steps with responsibilities and timeline to enhance the Project Management Units' oversight capacity through adequate staffing, hands-on implementation support and close monitoring of a set of criteria for inclusive rural finance. Specific attention is also being given to stepping up beneficiary training, consolidating gender mainstreaming and embedding targeting approaches at the core of business plans and roadmaps to maximize the participation of small-scale producers to profitable partnerships and pro-poor value chains.

- Uzbekistan's national pathway to transform rural economies and food systems by 2030 is aligned with IFAD's priorities to deepen impact of interventions for those most at risk of being left behind, further empower rural women and generate decent jobs for the youth. Moving forward, the provisions of IFAD's Inclusive Rural Finance Policy approved by the Executive Board in September 2021 will inform further integration of financial products and services for small-scale farmers into value chain-focused programmes.

- The targeting strategy in the forthcoming COSOP and investment programmes will contribute to the goals of reducing poverty and doubling the income of farmers explicitly set out in the New Uzbekistan Strategy 2022 – 2026. It will build on the baseline data provided by the recently established Ministry of Economic Development and Poverty Reduction and will be geared towards greater social inclusion. This evidence-based targeting strategy will benefit from lessons learnt from the ongoing policy reforms to improve the access to land, including for small-scale farmers, and the experience of the Government during the COVID-19 crisis in providing social protection interventions targeted at vulnerable groups, rural households, women and youth based on income criteria.

Responsibility and timeframe:

Government of Uzbekistan and IFAD by December 2022

6. **<u>Recommendation 2</u>. IFAD and the Government of Uzbekistan should develop a COSOP that includes a coherent and viable action plan for non-lending activities and provide opportunities to engage with the private sector.** Uzbekistan is a middle-income country and as such, new ways of work are needed. Other IFIs can provide large loans. IFAD's added value may be more than focusing on production and providing rural finance. IFAD could add value in policy and capacity building on issues such as pro-poor value chains, climate smart agriculture, PPPs and private sector engagement. In particular, the new COSOP should have a more realistic basis and a clear theory of change, building on the lessons learned from the loan and grant projects. Consideration should be given to developing a clearer sector and geographic focus, given the relatively small budget available – for instance, staying in one geographic location for more than one phase. It should include an action plan with adequate human and financial resources to ensure knowledge management and build new partnerships including with the private sector. Future grants could be used to support piloting of innovations as they are developed.

7. ***Proposed follow-up actions***

- The forthcoming COSOP will deploy IFAD's enhanced business model through a programme of work leveraging financial resources from the Performance-based allocation system (PBAS), the Borrowed resources access mechanism (BRAM), the Private Sector Financing Programme (PSFP) for Non-sovereign operation (NSO) opportunities, supplementary climate and environment funding as well as co-financing with other International Financial Institutions (IFIs) and development partners. Country level policy engagement and a set of non-lending activities will support the delivery of the programmatic approach by enhancing the enabling environment for inclusive rural transformation. Opportunities for Public-Private Producer Partnerships (4Ps), South-South Triangular Cooperation and technology transfer, digital agriculture, greater donor coordination and remittances supporting income-generating activities in rural areas will also be explored.

- The ongoing investment projects will continue allocating resources to capacity building, knowledge management and identification of innovative private sector participation and small-scale producer organisation models for pro-poor value chains. Successful approaches, including sustainable natural resource management, viable climate smart solutions and water loss reduction techniques, will be scaled up as part of the upcoming investment projects under the financing cycles covered by the COSOP.

Responsibility and timeframe: Government of Uzbekistan and IFAD by December 2022 and continuously thereafter.

8. **Recommendation 3. IFAD's country strategy should devote attention and resources to develop robust project level M&E systems**. IFAD and the Government must work together to ensure data collection, analysis and use moving forward. Data should be collected according to a clear plan and analysed to ensure course correction as needed. This will be of utmost importance not only to collect evidence of results on the ground but also to monitor systematically, for instance, the environmental impact of the investments in livestock and course correct when necessary. This will require capacity building and improved tools – for instance, use of mobile phone apps for farmers to update data on production directly, and online systems for monitoring by project staff. Results should then be shared widely – with beneficiaries, country stakeholders and internationally, to promote learning and a culture of transparency. In order to support this, and ensure quality project management and a pro-poor and gender focus, project management units need qualified staff and technical assistance.

9. ***Proposed follow-up actions***

- At project level, resources will continue to be allocated for adequate staffing, capacity building and dedicated technical assistance to M&E and other key project management functions. Digital solutions will be introduced to further integrate Management information systems across rural sector initiatives and foster a results-based management culture, in coordination with the Agency for International Cooperation and Development.
- In addition to the alignment of the COSOP Results management framework with national goals, relevant strategies and priorities, IFAD will mobilise expertise to support the Government's effort in consolidating sector-wide M&E architecture and systems. An initial mapping exercise and a training programme by the Global Evaluation Initiative (GEI) will be launched under the newly established International Strategic Centre for Agri-Food Development (ISCAD).

- IFAD will help address the rural data gap by supporting the application by the Ministry of Agriculture and the State Committee of Statistics to the 50x2030 initiative ahead of Uzbekistan's first-ever agricultural census in 2024.

Responsibility and timeframe: Government and IFAD by December 2022 and continuously thereafter.

10. **Recommendation 4. Enhance country presence and programme support.** IFAD shall improve portfolio and programme support by using instruments to finance pre-implementation preparation work and capacity-building to facilitate project implementation readiness, such as Project Pre-financing Facility and the Non-reimbursable Technical Assistance for Project Start-up Facility. Moreover, an active and effective country presence will be key to ensure supervision, programme management and monitoring, and policy dialogue. To this end, adequate human and financial resources and less staff rotation from both IFAD and government must be ensured.

11. ***Proposed follow-up actions***

- As part of IFAD's decentralization agenda, the conclusion of a Host Country Agreement will accelerate the effective opening of an IFAD Office in Tashkent. Building on adaptive management practices already introduced by the Country Team and the new supervising entities of IFAD-funded projects since 2021, an active country presence will help further establish hands-on implementation support, continuous learning and greater accountability throughout the project cycle. It will also allow for greater participation to policy dialogue and strategic engagement in non-lending activities. Proximity to the client, beneficiaries and partners will further support IFAD's transformative country programme.

- Upon the request from the Government, project pre-financing facility could be mobilised to accelerate project start-up and improve implementation readiness. The COSOP formulation will further assess and recommend areas of alignment between IFAD requirements and country regulations, including on procurement provisions, fiduciary compliance and other standards on a risk-based approach.

Responsibility and timeframe: Government of Uzbekistan and IFAD by December 2022 and continuously thereafter

Signed on	Signed on	Signed on 3 June 2022
For the Government of Uzbekistan	For the Government of Uzbekistan	For the International Fund for Agricultural Development (IFAD)
Deputy Minister for Investments and Foreign Trade	Deputy Minister of Agriculture	Associate Vice-President PMD
Shukhrat VAFAEV	Kakhramon YULDASHEV	Donal BROWN

Main report
Country Strategy and Programme Evaluation
Republic of Uzbekistan

Contents

Currency equivalent, weights and measures

Currency equivalent

Currency unit = UZS (Uzbekistan Som)
US$1.0 = UZS 1,700 (at design)
US$1.0 = UZS 10,116 (at completion)

Weights and measures

1 Kilogram = 1,000 g
1,000 kg = 2.204 lb.
1 kilometre (km) = 0.62 mile
1 metre = 1.09 yards
1 square metre = 10.76 square feet
1 acre = 0.405 hectare
1 hectare = 2.47 acres

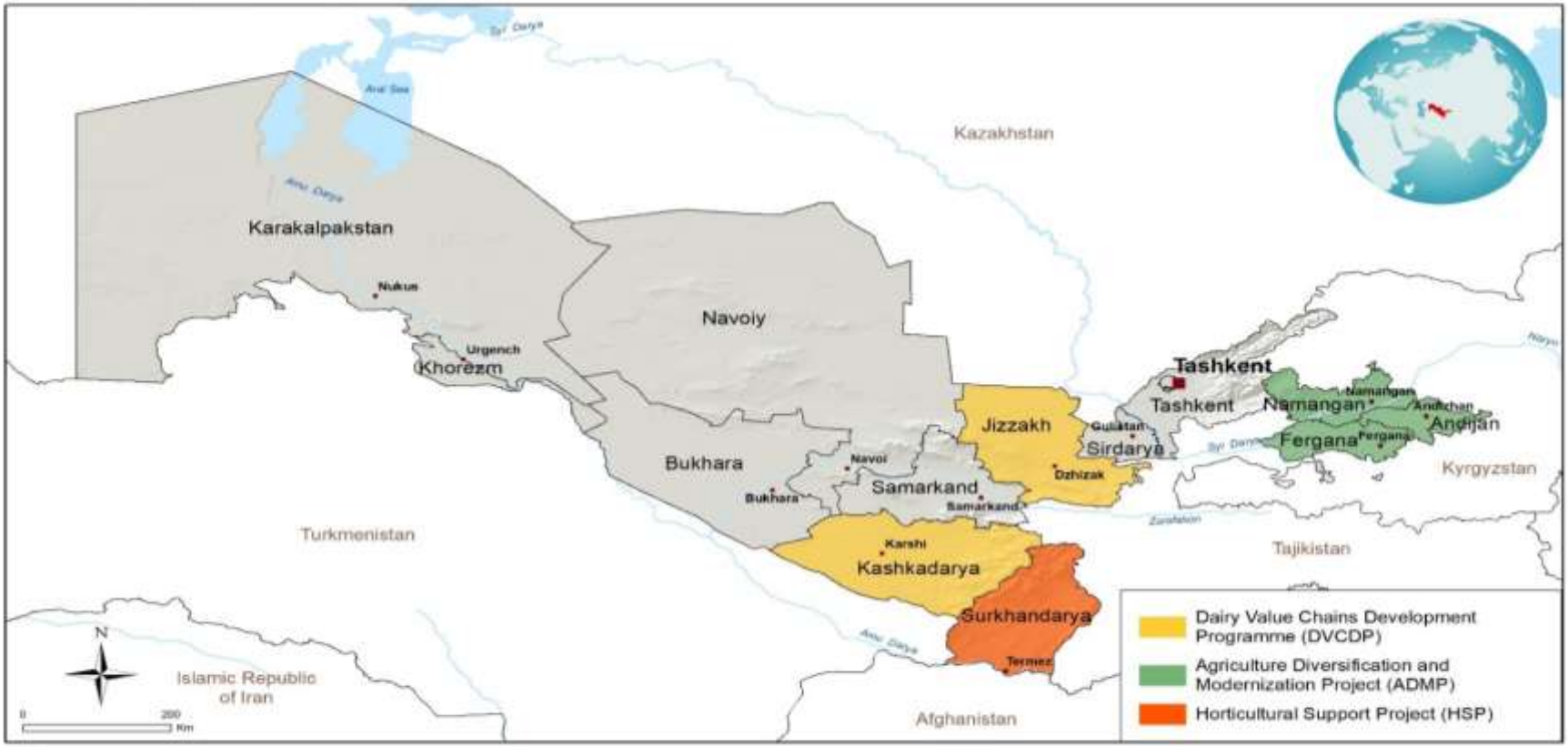
Abbreviations and acronyms

ADB	Asian Development Bank
ADMP	Agriculture Diversification and Modernization Project
COSOP	Country strategic opportunities paper/programme
CSPE	Country strategy and programme evaluation
DVCDP	Dairy Value Chains Development Program
FAO	Food and Agriculture Organization of the United Nations
FPPC	Forum for Public Private Collaboration
FS	Feasibility Study
GDP	Gross Domestic Product
GII	Gender Inequality Index
GNI	Gross National Income
HDI	Human Development Index
HSP	Horticultural Support Project
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IOE	Independent Office of Evaluation of IFAD
MAWR	Ministry of Agriculture and Water Resources
MTR	Mid-term Review
NEN	Near East, North Africa and Europe Division
PFI	Participating Financing Institution
PMD	Programme Management Department of IFAD
PPE	Project Performance Evaluation
PPP	Public-Private Partnership
RRA	Rural Restructuring Agency
UZAIFSA	Agency for Implementation of Projects in the Field of Agro-industry and Food Security
WB	World Bank
WCAs	Water Consumers Association
WIS	Welfare Improvement Strategy

Map of IFAD-supported operations in Uzbekistan

Uzbekistan
IFAD-funded operations

Country strategy and programme evaluation



Map compiled by IFAD | 01-02-2021

Republic of Uzbekistan
Country Strategy and Programme Evaluation

I. Background

A. Introduction

1. In line with the IFAD Evaluation Policy[4], and as approved by IFAD Executive Board, the Independent Office of Evaluation (IOE) undertook two evaluations in Uzbekistan in 2021: the first Country Strategy and Programme Evaluation (CSPE) and a concurrent project performance evaluation (PPE) of the IFAD-financed Horticultural Support Project (HSP).

B. Objectives, methodology and processes

2. **Objectives.** The main objectives of the CSPE are to: (i) assess the results and performance of the IFAD strategy in the period 2011-2020; and (ii) generate findings and recommendations for the future partnership between IFAD and the Government of Uzbekistan for enhanced development effectiveness and rural poverty eradication. The findings, lessons and recommendations from this CSPE will inform the preparation of the new Country Strategic Opportunities Programme (COSOP) in 2022.

3. **Scope.** IOE is preparing the third edition of IFAD's Evaluation Manual. In this context, the Uzbekistan CSPE is part of the piloting of a new CSPE structure, which provides a greater strategic focus. **The evaluation assessed the overall strategy pursued, implicit and explicit, and explored the synergies and interlinkages between different elements of the country strategy and programme**, the extent to which the lending and non-lending portfolio (including grants) contributed to the achievement of the strategy, and the role played by the Government and IFAD.

4. The scope of the CSPE was defined within the context of the ongoing COVID-19 pandemic. Despite the limitations posed by the pandemic, the CSPE covered the three projects comprising the portfolio: the Horticulture Support Project (HSP), the Dairy Value Chains Development Program (DVCDP) and the Agriculture Diversification and Modernization Program (ADMP). HSP is the only closed operation in the portfolio and as such it was assessed through a dedicated in-depth Project Performance Evaluation (PPE), the findings of which informed the CSPE. The other two projects are ongoing, in particular ADMP became effective in January 2019 and therefore its evaluability was limited.

5. **Methodology and process**. The detailed methodology and process can be found in the approach paper. In summary and consistent with the new evaluation manual, the CSPE adopted the evaluation criteria (Annex I) and rated the performance on a scale of 1 (lowest) to 6 (highest)[5]. Given that the portfolio comprised three operations out of which two are still on-going, the CSPE provided a preliminary assessment of rural poverty impact and sustainability without a rating.

6. The evaluation applied a mixed-method approach based on a theory of change (ToC) reconstructed by the CSPE team after a thorough desk review and interviews with project personnel (Annex II). The ToC supported the identification of three key thematic areas (or pathways of change) that guided the assessment of the country strategy: targeting, value chain and agribusiness development, and rural finance. The ToC also helped in defining the evaluation questions along the evaluation

[4] https://www.ifad.org/en/web/ioe/policy.
[5] The standard rating scale adopted by IOE is 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory.

criteria. The evaluation framework in Annex III presents these questions and the sources of data.

7. The CSPE involved extensive stakeholder and beneficiary interviews in person and online, Focus Group Discussions (FGDs) and field visits. Some analysis of land use changes in the HSP took place utilising remote sensing techniques. In addition, the CSPE conducted a mini telephone survey with a small number of Participating Financing Institutions (PFIs) and loan beneficiaries to gather additional information on the results of the rural finance key thematic area. c in the provinces of Andijan and Namangan for ADMP; Surkhandarya for HSP; and Kashkadarya for DVCDP. The list of people met is contained in Annex VII.

8. **Data availability and limitations.** Portfolio M&E data was not of sufficient quality or granularity to allow IOE make a thorough assessment, for example, with regard to poverty targeting and the profile of beneficiaries and impact. However, the evidence identified during the evaluation is deemed adequate for making this assessment in a credible manner. Qualitative interviews and field visits complemented the analysis to the extent possible. An additional limitation concerned the restrictions imposed to control the spread of COVID-19. To overcome this limitation the field mission for data collection was conducted by a team of national consultants, whereas the international team members participated remotely, with extensive interviews and engagement in the field.

II. Country context and IFAD's strategy and operations for the CSPE period

A. Country context

Economic context and recent reforms

1. **Uzbekistan is a lower-middle-income landlocked country in Central Asia**, **half of its population live in rural areas**. Uzbekistan is home to over 33 million people, the rural population accounts for nearly 50 per cent of the total Uzbek population and 75 per cent of the low-income population.[6] Two-thirds of the rural population depend on agriculture, which accounted for 28 per cent of GDP and 26 per cent of the labor force in 2019.[7] Agricultural expenditure is somewhat difficult to calculate, during the economic transformation of 2017-8. Between 2014 and 2016, the Government of Uzbekistan spent more than 12 per cent of its central budget on agriculture, which is more than twice as much when compared to other Central Asian countries.[8] However, the data for 2016-2020 show that the GoU-financed agricultural expenditures as a percentage of total public expenditures, averaged 8.5 per cent[9]. The agricultural land is about 64 per cent of the total land and it entirely belongs to the State.[10]

2. **Uzbekistan is a country in transition from a centrally planned economy to a market-based one.** The Republic of Uzbekistan[11] gained independence from the former Soviet Union in August 1991. After the proclamation of independence, Uzbekistan began a gradual transition from a centrally planned economy towards a market-based one, through state-led reforms.

3. Strategic sectors such as agriculture, energy, fossil fuels, have remained under state planning until 2017 when President Mirziyoyev's provided a blueprint for reforms with the decree "Strategy of action" (February 2017) aiming at: reducing the state's presence in the economy; strengthening the rights and the role of the private sector; stimulating the development of small business and private entrepreneurship, and attracting foreign investment; improving the investment climate; and improving relations and cooperation with neighbouring countries in the region.

4. The socio-economic policies changed drastically as the Government embarked on structural reforms to enhance citizens' welfare, create an enabling environment for businesses, achieve full liberalisation of the economy and trade, and make Uzbekistan competitive in the regional and international context. An important step in this direction has been the liberalisation of foreign exchange rates in September 2017[12] the lifting of foreign currency controls, tariff reductions and liberalisation of prices.

5. **Recent policy reforms were geared towards agricultural diversification**. In the above context, the government started an important process of agricultural diversification. In particular, the Strategy of Action outlines the need for diversification out of cotton and wheat into high value-added and labor-intensive production and processing, which is expected to contribute to significant growth of rural jobs, food security and exports. The strategy also seeks to achieve further optimization of the sown areas to reduce the acreage of cotton and cereal crops,

[6] Action Document for EU Budget Support to the Agriculture Sector in the Republic of Uzbekistan (2020).
[7] World Bank, World Development Indicators, 2021.
[8] FAO 2020. Europe and Central Asia regional overview of food insecurity 2019.
[9] World Bank, Uzbekistan: Second Agricultural Public Expenditure Review, 2021 - (varying between 7.5 per cent in 2020 to 18.8 per cent in 2017)
[10] Land Code of the republic of Uzbekistan. 30.04.98, no. 598-I (amended in 2019).
[11] Hereafter referred to as Uzbekistan.
[12] As a result of the exchange rate liberalisation, the average official exchange rate per US dollar was recorded at SUM8,069 in 2018, from SUM 2, 967 in 2016 (ADB. May 2019. Country Partnership Strategy. Uzbekistan, 2019–2023 - Supporting Economic Transformation.)

expand the acreage of potato, vegetables, forage and oilseeds, and create new intensive gardens and vineyards.

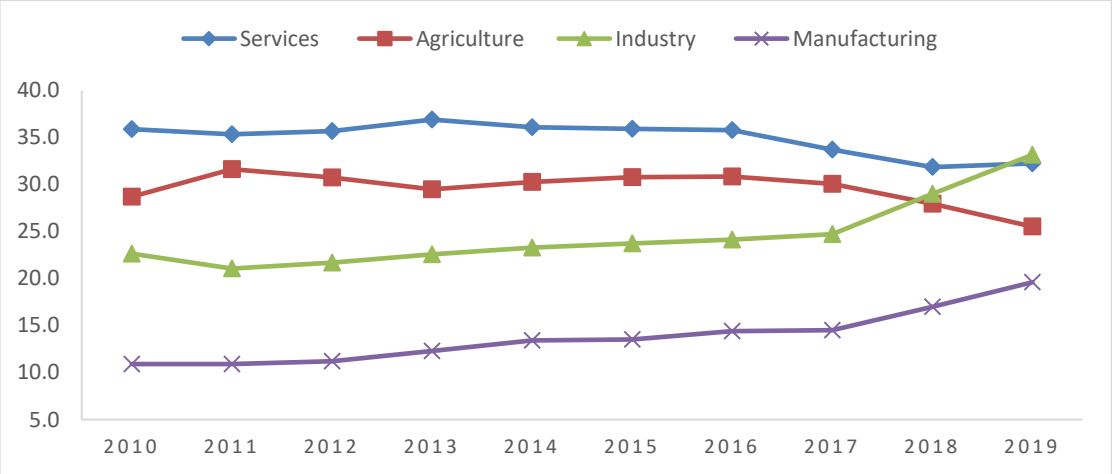
6. In 2019, the Government issued the Presidential Decree No.5853 outlining its long-term vision for the development of the agricultural sector for 2020 - 2030. The main goal is to develop a competitive, market-oriented, private sector-led, and export-based agri-food sector that will increase farm incomes, improve food security, and ensure sustainable use of natural resources.[13]

7. Through various legislative measures, the Government has been supporting the production of horticultural products using grants and subsidised loans. For instance, the Decree on "Measures for further development of horticulture and greenhouse economy in Uzbekistan"[14] aims at introducing efficient mechanisms of state support for horticulture and greenhouses (e.g. provide concessional loans, subsidies for introducing water-saving technologies and letters of guarantee for obtaining bank loans) and increasing production output of high quality, competitive and export-oriented agricultural commodities.

Agriculture and key challenges to rural development

8. **Agriculture has been, and continues to be, an engine of economic growth and an incubator for entrepreneurship. Yet, access to finance in rural areas remains limited.** The above important reforms reflect the centrality of the agriculture and rural sector for the development of the country. Uzbekistan has shown stable economic growth between 2000 and 2015 when annual GDP growth averaged 6.8 per cent.[15] In the same period, GDP per capita increased from US$558 to US$2,615. The economy has continued to grow since 2015 by an average of 5.8 per cent each year.[16] The main driver of economic growth has been the services sector, followed by industry[17] and agriculture, together constituting approximately one third of the GDP (Figure 1).

Figure 1.
Performance of the economy. Value added by sector (as % of GDP)



Source: IOE elaboration from The World Bank DataBank, accessed December 2020.

[13] The Strategy identifies nine priority areas: (i) ensuring food security; (ii) creating a favourable agri-business environment and value chains; (iii) reducing state involvement in sector management and enhancing the attractiveness of investment; (iv) ensuring the rational use of natural resources and environmental protection; (v) developing modern systems of public administration; (vi) ensuring the gradual diversification of state expenditures on sector support; (vii) developing research and education and advisory services; (viii) developing rural areas; and (ix) developing a transparent industry statistics system.
[14] Presidential Decree No.4246 adopted on 20 March 2019.
[15] https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2019&locations=UZ&start=2000.
[16] World Bank data, GDP per capita (current US$) – Uzbekistan.
[17] The largest industrial sector in Uzbekistan is energy followed by fuel and metallurgy.

9. The private sector has been an important driver of economic growth in the last decade, including in agriculture, though state-owned enterprises still have an important role to play. The SMEs contribution to GDP rose from 31 per cent in 2000 to 57 per cent in 2016 and their share in employment from 50 per cent to 78 per cent over the same period.[18]

10. However, small businesses and private entrepreneurship still face several challenges in accessing financial and business development services, mainly due to state-directed lending and insufficiently developed financial services and capital markets. State-owned banks dominate the financial sector, holding more than 80 per cent of the assets, and mainly lending to state-owned enterprises. The non-bank finance industry and capital market are not yet a viable substitute for bank lending for private businesses.[19] Despite favourable political support,[20] SME lending remains low and further substantial reforms are required in the long-term to make the financial sector an efficient source of funding for the private sector.

11. The majority of households and firms, rather than using formal finance, save and borrow informally, and indicate the high cost of finance is inhibitive. In 2017, only 2.3 per cent of adults borrowed money from a financial institution.[21] Firms report that complex application procedures and high collateral requirements are the second and third most important reasons for not using formal finance.[22] Funding constraints limit the innovation capabilities of the private sector (limiting the inclination to take on risk), and growth-oriented SMEs do not have diversified financing options that go beyond traditional bank credit to realize their potential[23].

12. **The shift from cotton and wheat into high value-added and labor-intensive production is still far from realization.** From independence until 2017, about 70 per cent of cultivated land was allocated to the state-controlled production of cotton and wheat. Cotton and wheat production consume 90 per cent of water used in agriculture and 75 per cent of water used in the entire country, and show much lower profits, labor intensity, and labor productivity than the majority of horticulture products. Production of fruit and vegetables has increased significantly over recent years, playing an increasingly important role in the national economy. For instance, vegetable production increased from 2,724,700 tons in 1995, to 6,346,500 in 2010, and 10,129,300 tons in 2015, while cotton production has fallen.[24] The economic importance of the subsector is significant; it accounts for more than 35 percent (or about US$ 1.2 billion in 2019) of the agricultural export value.[25]However, 65 per cent of productive farmland in Uzbekistan is still locked into cotton and wheat production. There are some additional supports offered by the Government – for instance, farmers cultivating potatoes have privileged support and can apply for a 12-month loan from local banks.

13. **The land tenure system does not support the *dehkans*, which are the poorest smallholder producers**. Box 1 provides a description of the land tenure system. Dehkan farms produce livestock and horticulture products and employ 60 per cent of the farm labour force. They operate on less than 20 per cent of the country's arable land but generate 70 per cent of total country's agricultural

[18] State Committee of the Republic of Uzbekistan on Statistics.
[19] ADB, 2020
[20] The government launched Strategy of Actions for the Development of Uzbekistan for 2017–2021 in 2017 and the Strategy for Innovative Development in 2018.
[21] Asian Development Bank Institute, 2019. Working Paper. Small and medium-sized enterprise finance in Uzbekistan: Challenges and opportunities
[22] Asian Development Bank Institute, 2018. Working Paper Series. Financial inclusion, regulation and literacy in Uzbekistan.
[23] ABD 2020
[24] "Establishment of Agricultural Product Selling Value Chain and Direction of Investment Funds", page 29. Available at: http://agriculture.uz/filesarchive/agrar_vestnik_4_2020.pdf
[25] Tadjibaeva D (2019). Small and Medium-Sized Enterprise Finance in Uzbekistan: Challenges and Opportunities. ADBI Working Paper 997. Tokyo: Asian Development Bank Institute. Available at: https://www.adb.org/publications/small-medium-sized-enterprise-finance-uzbekistan-challenges-opportunities

output, and 35 per cent of the agriculture export value.[26] On the other hand, individual private farms produce almost exclusively cotton and wheat according to state ordered quotas;[27] they share almost 70 per cent of cultivated land, but generate less than 20 per cent of agricultural output.

14. Hence, despite their small size, dehkan farms are much more productive than large individual farms and agricultural enterprises; in 2016, the total crop output per hectare of land on dehkan farms was 70 per cent higher than in the other two types. More than 90 percent of horticultural commodities are produced by dehkan farms.[28] The livestock sector also plays an important role in the economy, both at the national level (40 percent of the agricultural GDP in 2013), and at household level via employment and dehkan household incomes from sales - 85 per cent of milk sales via dehkans. However, dehkan farmers have not yet reached their potential, and their productivity is challenged by several constraints, such as the inability to expand their plots; out-migration resulting in loss of young and skilled family members and aging of farm labour; the limited access to finance to purchase production inputs, due to lack of collateral; and very limited market awareness, public research, agricultural extension and advisory services. Moreover, irrigation systems in rural areas are outdated and rely on old and inefficient pumps that consume 20 per cent of the country's electricity. The canals are in poor shape, resulting in high water losses, and the irrigation system management is weak.[29]

Box 1
Land tenure system

Differently from other Central Asian countries that pursued a land privatization policy after independence, Uzbekistan followed a stepwise approach, by first transforming large collective farms into cooperative enterprises. However, these proved to be inefficient and over the years were replaced by smaller private farms. Several farm restructurings have been carried out since 1992, resulting in three main agricultural units: the private farms (*fermer)* averaging 50 ha, the small-scale household farms (*dehkan)* averaging less than 2 ha, and the former collective farms that became agricultural enterprises (*shirkats*), few of which have remained. The 1998 Land Code stipulates that land is state-owned national treasury and it is protected by the State as the basis of life, activities and welfare of the population.

These two main farming entities have different rights to land: the *dehkans* have long-life inheritable rights but are not allowed to sell and buy lands or to sublet the land, and not even to expand irrigated land beyond the maximum 0.35 ha. The private farms have rights limited by 30 to 50 years and defined by lease contracts that are monitored by the state and subject to state interventions. The private farmers must in fact meet state quotas for cotton and wheat and are obliged to sell these crops for state-dictated prices, differently from *dehkans* that can sell all their production at market prices. Extra land can be allocated by location government at the request of private farms or dehkans, for instance to graze cattle or produce fodder. However, as land resources are scarce, this is very difficult to obtain and is a severe constraint on additional production. Neither private farmers nor *dehkan* farms are allowed to use the land for collateral to get bank loans. Their only collateral for the loans is their future crops or personal belongings, such as cars, valuables or buildings. While the duration of land rights is considered sufficient in Uzbekistan, the current situation does not assure the holders that rights will be recognized and enforced at low costs and does not provide them with mechanisms allowing adjustment under changing conditions.

Source. IOE[30]

[26] In 2018. Source: The World Bank. *Uzbekistan: Agricultural Trade Policy Report*.
[27] If farmers fail to comply with state-ordered quotas, they can be deprived of their lease contract and therefore lose rights to land. The state, on the other hand, provides material support and inputs to the farmers at preferential or subsidized prices.
[28] IFAD (2016). Social, Environmental and Climate Assessment Preparatory Study, Republic of Uzbekistan, Tashkent.
[29] State Committee of the Republic of Uzbekistan on Statistics.
[30] Land Code of the Republic of Uzbekistan. 30.04.98, no. 598-I (amended in 2019)

15. **Agricultural value-chain development is still weak**, with limited competitiveness within a small food industry, and many entrepreneurs needing individual investment and more business opportunities. The high costs for collection, transportation, storage, packing and certification of produce also undermines the efforts of businesses to add value.[31] Nonetheless, Uzbekistan's export structure is evolving into a more diverse range of products, including those from agricultural value chains, in addition to mining and industrial products. New business opportunities for export-oriented SMEs are emerging, as participants in global value chains. Trade facilitation and the cross-border regimes however are complex, time-consuming and costly due to Uzbekistan's location as a doubly landlocked country.[32] Under CAREC,[33] a limited number of border crossing points have been set up, but the Uzbek Government still retains strict control, with perishable products often being held up by bureaucracy.

16. **With regard to livestock**, the Decree on "Additional measures for support of animal husbandry by the government"[34] seeks to ensure a stable supply of meat, milk, eggs and other livestock products in the domestic market, expand the fodder base of livestock, increase the production of competitive products in domestic and foreign markets, as well as widely introduce science-based methods and intensive technologies. However, despite supportive reforms, there are policy, regulatory and value chain constraints that still pose barriers for more efficient dairy product exports.

17. The DVCDP Project Design Report (PDR) noted "dehkan farmers own about 95 per cent of cattle and 83 per cent of goats and sheep; and account for 95 per cent of the total production of meat, 96 per cent of milk and 89 per cent of wool". Yet the average milk yields per cow are poor (due to weakness in genetic potential, nutrition and care). In addition, measurement of milk production at farm level is not common, making it difficult to even report production. In 2019, the volume of the dairy products market was estimated at about US$2.9 billion.[35] The industry provides regular income to rural households and high-quality protein sources, especially for women and children.

Socio-economic context

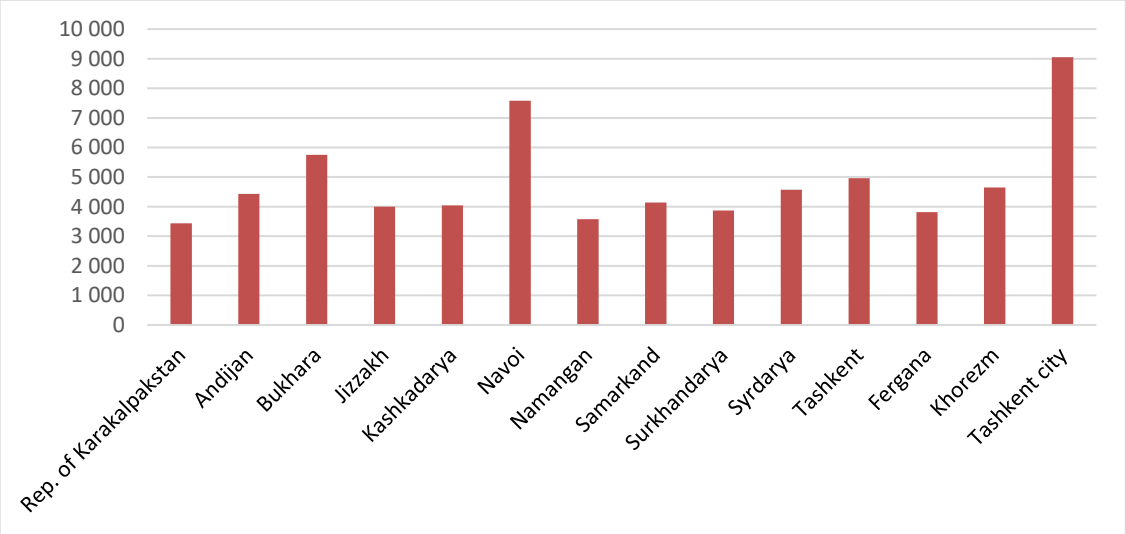
18. **Social development indicators improved consistently since 2009, yet the country faces important socio-economic challenges such as a high unemployment rate, disparities in living standards between urban and rural areas and gender inequality.** Between 2004 and 2016, Uzbekistan's fast economic growth, combined with sustained remittance inflows to rural areas, lifted significant parts of the population out of poverty. Poverty levels in rural and urban areas in Uzbekistan are difficult to calculate, given the lack of international comparable data. The World Bank estimates that the poverty level was 9.6 per cent in 2018, based on the $3.20 a day poverty line.[36] According to government data, the proportion of the population living below the poverty line[37] decreased from 19.5 per cent in 2009 to 11 per cent in 2019. The Gini index[38] fell from 0.39 in

[31] ADB, 2020
[32] ADB, May 2020. Uzbekistan Quality Job Creation as a Cornerstone for Sustainable Economic Growth. Country Diagnostic Study.
[33] The Central Asia Regional Economic Cooperation (Program) – CAREC, is a partnership of eleven countries and six multilateral development institutions working together to promote sustained economic growth and poverty reduction in the region through regional investment projects and policy initiatives.
[34] Presidential Decree No.5017 approved on 3 March 2021.
[35] Robinson S (2020). Livestock in Central Asia: From rural subsistence to engine of growth? Discussion Paper, No.193, Leibniz Institute of Agricultural Development in Transition Economies (IAMO), Halle (Saale), Germany.
[36] World Bank (2019b) 'Uzbekistan country economic update, summer 2019: toward a new economy'. Washington DC: World Bank.
[37] The national poverty line is based on a minimum food consumption norm of 2,100 calories per person per day.
[38] The Gini coefficient provides an index to measure inequality. Although there are no internationally defined standard threshold values, it's usually recognized that Gini index<0.2 corresponds with perfect income equality, 0.2–0.3

2000 to 0.25 in 2019, showing that income inequality has overall decreased over time. The under-five mortality rate is estimated at 11 deaths per 1,000 live births, which is below the regional average of 20.8 deaths.[39] There has been significant progress in reducing the percentage of undernourished population, which fell from 19.4 per cent in 2001–2003 to 2.6 per cent in 2017–2019.

19. Uzbekistan's Human Development Index (HDI) presents a current value of 0.710 ranking Uzbekistan 108th out of 189 countries and territories, below the average of 0.779 for countries in Europe and Central Asia.[40] Disparities persist between urban and rural areas, where poverty remains concentrated. A growing rural population, coupled with mechanization and diversification in agriculture, results in more people migrating to urban areas or out of the country. Standing at 15.1 per cent in 2016, rural poverty is almost 6 per cent higher than in urban areas. Especially in rural populations, poverty is driven by factors such as low agricultural productivity, high dependency rates within households, limited access to productive assets and a high level of informality in rural labour markets.[41] While the average total per capita income recorded in Tashkent in 2019 was 19,352 som, it amounted to less than half in most of the rural regions (Figure 2), which are the ones targeted by IFAD operations.[42]

Figure 2
Total income per capita by region 2009-2019 (average)



20. The vulnerability of rural people is exacerbated by scarce employment opportunities. The demographic situation in Uzbekistan with a high share of youths coupled with largely jobless economic growth is a key area of concern for policy makers. From 2012 to 2017, the working-age population grew by 1.7 million, whereas employment growth was only 0.2 million, excluding migrants and informal workers.[43] Youth unemployment remains high at 12 per cent (2019). The lack of well-paid jobs in the rural sector leads to massive youth migration and entry into the informal economy; as a result, informal employment accounted for 59.3 per cent of workers in 2018.[44]

corresponds with relative equality, 0.3–0.4 corresponds with a relatively reasonable income gap, 0.4–0.5 corresponds with high income disparity, above 0.5 corresponds with severe income disparity.
[39] Population Reference Bureau (2021). The average was calculated on the under-five mortality rates of Uzbekistan, Kazakhstan, Tajikistan, Turkmenistan, and Kyrgyzstan.
[40] UNDP, HDR 2019.
[41] FAO, 2019. Gender, agriculture and rural development in Uzbekistan
[42] The HSP targeted the region of Surkhandarya; the DVCDP the regions of Kashkadarya and Jizzakh; and the ADMP the regions of Ferghana, Namangan and Andijan.
[43] ADB, May 2019. Country Partnership Strategy. Uzbekistan, 2019–2023 - Supporting Economic Transformation.
[44] The World Bank. "Growth and Job Creation in Uzbekistan: An In-depth Diagnostic". December 2018.

21. In 2018, Uzbekistan ranked 64th out of 162 countries in the Gender Inequality Index[45] (GII), but gender statistics and sex-disaggregated data relevant to existing gender inequalities, in particular at rural level, are lacking. Nonetheless, it is clear that women face a number of inequality-related issues. This includes the labor participation rate, which is much lower for women at 49 versus 77 per cent for men, with women concentrated in the low-paid sectors of the economy. Whilst men migrate out of rural areas (or out of the country) for better income opportunities, women mostly stay behind.

22. Rural women, who represent about 25 per cent of total agricultural workers, have very limited opportunities for employment outside of agricultural work. They are mainly in low-skilled manual occupations, without protection from the labor law and with a significant wage gap. There is both vertical and horizontal gender-based segregation of the labour market. Women represent only about four percent of the heads of private farms. There are no data about women heading dehkan farms, but since a very small number of women are heads of household, they are unlikely to be the formal heads of dehkan farms. Although legislation guarantees equal rights to property ownership for women and men, inheritance traditionally favors men. Thus, women have access to land as a member of the household, but they are seldom the registered leaseholder. As a result, only 22 per cent of the total value of property registered with the National Agency on Land and Property Cadaster is owned by women. However, as around 85 per cent of the labour migrants to Russia, for example, are men, there are many women left behind on farms. They need to carry out the agricultural work but have little power to manage the household finances.[46] As women's financial literacy is also lower than men's, their access to finance is unequally constrained.[47]

23. **The above socio-economic challenges are exacerbated by the COVID-19 pandemic which is affecting the economy by reducing growth and creating additional financing needs**. COVID-19 has limited the opportunities for work outside the country during 2020-21, forcing (mainly) men back into the country and reducing remittances. GDP growth was close to zero in the first half of 2020, compared with a 5.8 per cent growth in the same period of 2019, and remittances declined by 19 per cent. The unemployment rate increased dramatically, from 9.4 per cent in the first quarter of 2020 to 15 per cent in the second quarter. For the first time in two decades, poverty is projected to increase due to the consequences of the pandemic. The government has supported private consumption through an increase of about 17 per cent in social payments and of 10 per cent in minimum wages, and diverted 2.5 per cent of GDP to additional health spending, public works and support to enterprises. In the same period, exports and imports fell by 22.6 per cent and 15 per cent, respectively.[48] Lower revenue collection and large anti-crisis spending contributed to a fiscal deficit of about 5 per cent of GDP in the first half of 2020, compared to 1.75 per cent in 2019. [49] Increased external borrowing from multilateral and bilateral partners helped finance the higher current account deficit.

24. **Moreover, the country, though rich in natural resources, is facing several environmental challenges**, including the consequences of the desiccation of the

[45] The Gender Inequality Index (GII) shows the loss in potential human development due to inequality between female and male achievements in three dimensions - reproductive health, empowerment and the labour market. It ranges from 0, where women and men fare equally, to 1, where one gender fares as poorly as possible in all measured dimensions. (HUMAN DEVELOPMENT REPORT 2019. Technical notes. Calculating the human development indices—graphical presentation. Technical Note 4. Gender Inequality Index.
[46] FAO, 2019. Gender, agriculture and rural development in Uzbekistan. Country Gender Assessment Series.
[47] ADB, December 2018.Uzbekistan Country Gender Assessment. Update.
[48] World Bank, Macro Economic Outlook. Uzbekistan. October 2020
[49] IMF, Request for disbursement under the Rapid Credit Facility and purchase under the Rapid Financing Instrument, Country Report No. 20/171. May 2020

Aral Sea,[50] soil erosion, salinization of water and scarcity of water resources, massive use of chemicals for cotton cultivation,[51] poor wastewater treatment, and air pollution. According to the UN Environment Programme (UNEP)[52], the country is expected to face increasing temperatures, higher water demand and declining water availability, and an increase in the frequency of extreme weather events as a consequence of climate change. Increasing temperatures seriously threaten the productivity of the agricultural sector by accelerating the risk of water stress, particularly in irrigated agriculture, in a country where almost 90 per cent of consumed surface water is used for irrigation and where the irrigation system, as mentioned above, is often inefficient.[53] [54]

B. IFAD's strategy and country programme for the reviewed period

25. **IFAD's engagement with Uzbekistan is relatively recent**. Uzbekistan joined IFAD in 2011, and since then, IFAD has approved three projects for a total financial volume of US$128 million (Table 1).

Table 1
Status of IFAD supported interventions

ID	*Name Project*	*Type*	*Total cost*	*Status*
1100001606	Horticultural Support Project	Credit and Financial Services	31.69	Closed
1100001714	Dairy Value Chains Development Project	Rural Development	39.41	On-going (mid-point surpassed)
2000001283	Agriculture Diversification and Modernization Project	Credit and Financial Services	364.16	On-going

Source: IFAD GRIPS.

26. While HSP was a highly concessional loan, the Dairy Value Chain Development Project (DVCDP) and the Agriculture Diversification and Modernization Project (ADMP) provide blended terms. Taking into account counterpart funding from the Government (US$29 million), beneficiary contributions (US$34 million) and external co-financing from local and international partners (US$21 million and US$212 million respectively), the estimated costs of these operations were US$435 million (Table 2).[55] The sources of financing were highly concessional loans amounting to US$9.6 million, and blend terms loans amounting to US$116 million. Annex IV presents the list and timeline of IFAD's interventions in Uzbekistan since 2012 and related implementation arrangements.

[50] The Aral Sea in Central Asia, which was the was the world's fourth largest inland sea, started to shrink in the 1960s, when the Soviet redirected water from the two main rivers that flowed into it to feed vast new cotton fields. Today, the Sea is 10 per cent of its historic size.
[51] The use of fertilizers in Uzbekistan is 60–70 per cent higher than the world average. (UNECE. "Uzbekistan Environmental Performance Reviews. Third Review – Highlights". May 2020.
[52] UNEP (2017) Outlook on climate change adaptation in the Central Asian mountains. Executive Summary. Mountain Adaptation Outlook Series.
[53] On average, in Uzbekistan almost 90 per cent of crops and livestock production are grown under irrigated areas, while cotton is entirely grown under irrigation.
[54] World Bank (2013). Uzbekistan: Overview of climate change activities. Washington, DC. Available at: https://openknowledge.worldbank.org/handle/10986/17550
[55] Rounding errors occur because values given to nearest million.

Table 2
Snapshot of IFAD operations in Uzbekistan since 2012

First IFAD-funded project	2012
Number of approved loans	3
On-going projects	2
Total amount of IFAD lending	US$129 million
Counterpart funding	US$29 million
Beneficiary contributions	US$34 million
Co-financing amount (local)	US$31 million
Co-financing amount (international)	US$212 million
Total portfolio cost	US$435 million
Lending terms	Highly Concessional (HSP); Blended terms (DVCDP; ADMP)
Main co-financiers	IBRD, Spanish Fund
COSOP	2017
Country Office	There is no IFAD country office in Uzbekistan
Country programme managers since 2013	Vrej Jijyan (April 2020–present) based in Istanbul; Mohamed Abdelgadir (2017–2020); Frits Jepsen (2014–2017); Omer Zafar (2013); Henning Pedersen (2010-2013)
Main government partners	Ministry of Agriculture, Ministry of Water Resources, Rural Restructuring Agency, Ministry of Finance

Source: Oracle Business Intelligence.

27. IFAD does not have a country office in Uzbekistan. The Country Director manages the country portfolio from the IFAD Sub-regional Hub of Istanbul, with supervision and implementation support missions to the country.

28. **The first results-based country strategic opportunities programme (COSOP) for Uzbekistan was prepared in 2017 to cover the four-year period until 2021**. The focus was on rural small-scale producers, particularly dehkan farmers, to improve their agricultural productivity and participation in value chains, while integrating the sustainable use of natural resources and climate-resilient technologies (Table 3). A COSOP mid-term review mission was conducted in June 2019 and the completion review in August 2020. The next COSOP will be informed by the CPSE findings and recommendations and will cover the period2022-2026.

Table 3
Main features of the 2017 RB-COSOP

	COSOP 2017
Objectives	SO1: Improve rural people's capacity and ability to benefit from high-value agricultural systems; SO2: Increase the productive assets and competitiveness of smaller-scale productive entities in rural areas to enhance their market participation; SO3: Enhance the ability of small-scale producers to make environmentally sustainable use of natural resources, and raise their proficiency in adapting to climate variability and shocks affecting their economic activities.
Geographic priority	Regions of high development potential for horticulture but challenged by highest incidence of poverty, high population density and inadequate land and water management practices.
Subsector focus	Horticulture; Dairy products; Livestock; Rural financial services; Food security and nutrition.
Main partners	WB, ADB, the USAID, the European Commission (EC), Agence Française de Développement and the German Agency for International Cooperation (GIZ).
Main target groups	(i) Dehkan farmers; (ii) Smaller private farmers and rural entrepreneurs; (iii) Rural unemployed; (iii) Women and youth within these two target groups.
Policy dialogue	Opportunities for the improvement in the livelihoods of the less-advantaged rural populations; Promotion of the role played by dehkan farmers in the development of commercially viable businesses; Introduction of climate adaptation technologies.
Country presence	No ICO in Uzbekistan. The CD is based in the IFAD's regional hub in Istanbul.

Source: IFAD. COSOP 2017.

Key points

- Uzbekistan has undergone significant transition since joining IFAD in 2011, with a new government in 2017 driving change from a centrally planned to a market economy.
- Agriculture remains a significant part of the economy, accounting for 28 per cent of GDP and 26 per cent of the labor force, but supporting two-thirds of the population in 2019. Previously cotton and wheat were the main products, but agricultural diversification is underway. Dehkan farmers (or very small scale farmers) are the main producers, particularly in the sectors of fruit and vegetable production and dairy.
- While production is growing, there are weaknesses in the full agricultural value chain, including security of land tenure, deteriorating infrastructure from the Soviet period, inadequate knowledge and extension services, and access to markets.
- Social development is strengthening, but there is gender inequality and growing rural unemployment, as well as increasing environmental threats from climate change.
- IFAD has financed three loan projects in the horticulture and dairy production sectors (including in-project grants) since 2011 for a total of US$128 million, and two regional grant funded activities.
- IFAD has no country office in Uzbekistan and did not have a country strategy until 2017, when the COSOP was approved. The Country Director is based in the Sub-regional hub in Istanbul.

III. Performance and rural poverty impact of the Country Strategy and Programme

A. Relevance

29. **Definition of relevance.** The extent to which: (i) the objectives of the strategy (whether implicit or explicitly outlined in a COSOP) are consistent with beneficiaries' requirements, country needs, and corporate priorities; (ii) the design of the strategy and related targeting approach adopted are consistent with the objectives; and (iii) the strategy has been (re-) adapted to address changes in the context.

Relevance of IFAD's country strategy and programme to national priorities and corporate strategies

30. **In the absence of a COSOP in the period 2011 to 2017, and in a country that was starting to open to relationships beyond the ex-Soviet Union countries, but was still state-centered, the development strategy pursued by IFAD responded to important shifts in government policies** in the agriculture and rural sectors promoting a more diversified and sustainable sector. A COSOP was not required when Uzbekistan became an IFAD member country in 2011 and the Government was not keen to adopt a programmatic approach. Uzbekistan was a new member country and IFAD opted to implement one operation at a time in order to fit with the country priorities and learn from the experience.

31. **The key thematic areas covered by IFAD (value chain development, rural finance, small-scale agriculture and their interconnections) were relevant to the Government's growth and poverty reduction plans.**[56] These plans focused on inclusive economic growth starting from the agriculture sector, which translated into increased attention in the past 10 years to small businesses primarily in rural areas, to the diversification of the sector and to improve the access to finance and infrastructure especially of vulnerable groups.

32. More recently government attention to rural areas was characterized by an increased consideration of **environmental and climate change issues and a growing interest in renewable energy sources**. This aligned with IFAD's interests to adopt a climate smart agriculture approach, as a response to the threat of climate change, and in particular, water scarcity in rural areas. While the design of HSP did not address climate change concerns, the DVCDP design reflected climate change issues to some extent, with discussion of the risks of dairy production to greenhouse gas production. More consideration was given in the COSOP and ADMP design.

33. **While larger IFIs focused on providing technical assistance, IFAD was the first development partner to support horticulture via a loan project and to pioneer the direct targeting of the most vulnerable group, the dehkan farmers.** The design of the HSP responded to the political will of the Government to diversify the agriculture sector, increase farm profitability and transition from wheat and cotton production into higher value-added and labour-intensive production, such as fruits and vegetables. As such, IFAD's support to this process was timely and closely followed by other donors. The World Bank (WB) and Asian Development Bank (ADB) are currently implementing major interventions in the horticultural subsectors following IFAD's lead with HSP. ADMP is continuing in that direction. Moreover, as further explored under the relevance of the targeting

[56] As outlined in the Welfare Improvement Strategy 2008-2010 (WIS I), the subsequent WIS II 2013-2015, in the current "Development Strategy" (February 2017) and Strategy for Agricultural Development 2020-2030 adopted in October 2019Decree of the President of Uzbekistan No. 5853 "On Approval of the Strategy of Agricultural Development of the Republic of Uzbekistan 2020-2030" dated 23 October 2019.

strategy, HSP is recognised by in-country partners as the first loan operation to ever target directly the dehkan farmers.

34. **The focus of IFAD's interventions on the value chain approach to agribusiness development combined with the provision of rural finance, capacity building and pro-poor focus, was relevant to the country needs.** Uzbekistan was facing significant limitations, including low farm profitability, lack of market and technological information, weak extension services and poor access to finance. The design of HSP was geared in theory, though with insufficient detail on how the links would happen, towards the development of the horticulture value chain for six different commodities along with the provision of rural finance and capacity building to support modern and appropriate technology (such as improved rootstock and irrigation) to small-scale horticultural units. However, as further explored under effectiveness, in practice it was a traditional operation, with the main focus on rural finance and production and very limited linkages between actors established.

35. IFAD learned from HSP, with efforts to incorporate more detail in subsequent designs on how the value chains would develop. DVCDP focused on dairy production and aimed to introduce a more elaborated value chain model including dynamics of interaction among value chain actors, such as via multi-stakeholder fora and strategic investment plans. The ADMP design demonstrates more features of value chain development – such as conducting rapid market assessments of existing and potential value chains and sub-sectors, and mapping of the value chain stakeholders to develop roadmaps for leading enterprises. The design also incorporates elements such as enhanced loan guarantees and use of the CLARA risk assessment programme by PFIs to support the roll-out of loans to all segments of the value chain. The barriers to exports are also being addressed in ADMP, by giving attention to phytosanitary and other standards required for exports.

36. **IFAD's implicit strategy was to address across its operations the need to improve access to medium and long-term finance of smallholders, especially of dehkan farmers.** HSP was clearly focused on rural finance provision. DVCDP is supporting the development of mechanisms to assist commercial banks in the provision of credit resources for dehkan farms and owners of land plots hence it is contributing to the outcomes of the Agri-food Development Strategy of the Republic of Uzbekistan for 2020–2030. ADMP has introduced further improvements by backing the State Fund for the Support of the Development of Entrepreneurial Activity to provide credit guarantees to smallholders and other rural enterprises, who lack acceptable collateral by offering the partial coverage of lending risks. These guarantees should encourage banks to lend to the agricultural sector. The financing is offered for the categories of activities that are not covered by subsidized government programs for all agricultural sub-sectors, except cotton and wheat, including both investment and working capital. Furthermore, it is establishing a special credit window for youth who are underserved by financial services with affordable and flexible lending products.

37. **Overall, while the alignment with the government's needs was the main concern, the adherence to IFAD's corporate priorities was initially weak with HSP, improving with DVCDP and more recently with ADMP**. The interviews carried out in the context of the CSPE and field visits underlined that IFAD and other development partners were eager to start operations in a new country and support the shift towards diversification. Initially this implied less attention to corporate strategies and avoiding placing too many conditions on the loans. HSP did not fully mainstream themes such as gender and environment and climate change. Youth was not considered in project design, despite 60 per cent of the national population being under 30 years of age, and high rates of out-

migration of young people from rural areas.[57] DVCDP and especially ADMP included in the design important elements to tackle environmental and climate change issues and targeting of youth.

38. **The alignment of the country strategy with IFAD's rural finance policy was also weak.** This is because the enabling environment was not conducive to focus on the meso level. At the micro level, the only financial providers at the time of HSP, and still to date, were the branches of commercial banks (mainly state-owned enterprises) operating in rural areas and providing bank loans. HSP design documents make reference to the participation of credit unions that could become service providers for small farmers normally excluded from formal banking systems.[58] Channeling credit through credit unions was also expected to help in bringing down the high interest rates in credit unions. However, the Government deregistered most microfinance institutions in 2007, and credit unions ceased to exist in 2010.[59] The focus of the 2009 policy on the meso (financial infrastructure) and macro levels (policy, legislative, regulatory and supervisory framework) is missing in the portfolio. A new law on non-banking financial institutions is being developed with the assistance of the World Bank (WB) and involvement of the International Finance Corporation (IFC) which may pave the way to a more conducive policy environment.

39. **Eventually, IFAD developed the first COSOP in 2017. The document reflects IFAD's implicit earlier strategy in its objectives and is generally aligned with national and corporate strategies.** The COSOP goal and outcome were both consistent with the IFAD Strategic Framework 2016-2025. The strong focus of the COSOP on the poorest smallholders reflects IFAD's mandate well. In terms of alignment with national strategies, the SOs of the COSOP were well aligned with the objectives of the Welfare Improvement Strategy (WIS II) and its priority areas such as capacity building, access to finance, and investment in climate-resilient agronomic systems and sustainable land and water conservation techniques. One clear difference was that the targeting of dehkans was not a highlight of WIS II.

40. **Yet, its strategic orientation is weak and without concrete mechanisms for programme monitoring and management.** As further detailed in the next chapter on the coherence of the country strategy and programme, the COSOP was basically a desk study and as such it was not forward-looking, did not adopt a programmatic approach to IFAD's interventions in Uzbekistan and in the end it was not used as an instrument for strategic guidance for IFAD in the country. The recent increased attention to rural poverty and dehkan farmers by the Government enhanced the alignment of the current COSOP with the national strategies and is likely to support closer alignment of the next COSOP. The CSPE interviews with the government counterparts pointed to the continued relevance of IFAD's operations in Uzbekistan and to the need to have a reliable M&E system in place to collect data beyond the output level and transform them into knowledge that can inform decision making.

Quality of design

41. **The CSPE notes some efforts to build on lessons from HSP**. DVCDP and ADMP built on the lessons from HSP to some extent (and from other livestock

[57] UNICEF. 2020. Youth of Uzbekistan: Challenges and Prospects. Available at https://www.unicef.org/uzbekistan/media/3541/file/Youth%20of%20Uzbekistan-%20Challenges%20and%20Prospects.pdf

[58] HSP Design Working Paper 3 on rural finance: "*the intended participation of credit unions in project credit line activities will support their possibilities to attain sustainability, thereby establishing themselves as service providers to target groups not normally reached by the banking system.*"

[59] Deposit-taking microfinance institutions ceased existence in 2010 - with the reversal of the 2002 Credit Union Law they were all turned into non-deposit-taking financial institutions that lend their own funds. The focus of IFAD's 2009 policy on the meso (financial infrastructure) and macro levels (policy, legislative, regulatory and supervisory framework) is missing in the portfolio. Right now, a new law on non-banking financial institutions is being developed with the assistance of the WB and involvement of IFC.

projects in the region) and enhanced the design of the value chain and rural finance components. The targeting approach has progressively improved in terms of the relevance to IFAD's strategies. For example, ADMP is now directly targeting youth, and is improving its attention to environment and climate change. In addition, the later projects recognised the importance of sequenced capacity building – both centrally and at PFI and field level, and planned the capacity building to take place prior to issuing the loans. However, as further explained in the effectiveness chapter, in practice this sequencing did not happen, and the Government focus was to issue loans quickly without waiting for the capacity building.

42. **Despite the alignment with the country priorities, multiple factors reduced the relevance of IFAD's strategy and programme. First, there is a clear disconnect between IFAD design documents and the feasibility studies prepared by the Government.** The Government of Uzbekistan required feasibility studies for each of the IFAD-supported projects and for those of all other donors and financing institutions. According to the national procedures, the Feasibility Study is an obligatory document prepared in Russian for all state investments and guides implementation. The feasibility studies for IFAD-supported projects were not translated and superseded the official design documents, becoming the reference document for the Project Implementation Manuals (PIMs). The document follows a standard business plan format and mostly covers implementation aspects, including technical and technological management with detailed financial and economic projections and economic value justification. In most parts, they do not address development aspects of the projects, such as gender, rural poverty, and governance.

43. Moreover, the feasibility studies were not in sync with the studies conducted by IFAD in preparation of the design documents. While the latter adopted a value chain approach, the feasibility studies were too prescriptive and this constrained the flexibility of demand-driven value chain processes. In the end, the projects focused on increasing production. This limited the quality of design and, as explored later in the report, had cascading effects on the overall coherence, effectiveness and efficiency of the programme.

44. **Second, the absence of an enabling environment was underestimated at design.** The country was not yet ready for the complex design of projects aimed at addressing the entire value chain of a plurality of commodities. The interviews undertaken in the context of the CSPE revealed that the belief initially was that farmers had the know-how and only needed funds. Yet, the technical capacities at the country level were weak. The technical knowledge and expertise in project management was lacking and the capacity to attract qualified local personnel and retain staff was low. This was accompanied by the insufficient interest from the Government to use the loans for capacity building activities which are key to the success of such highly technical operations.

45. **Moreover, shifting the geographic and sector focus of the portfolio reflected the interest of the Government, but constrained the opportunity to consolidate results and build on experience.** The timeframe and resources required to develop a complex value chain were not adequate in a challenging, new environment for IFAD. The introduction of a value chain approach takes time and the implementation period was too short to achieve the objectives of HSP, a second phase would have perhaps allowed the progression from production to establishing effective links between stakeholders throughout the value chain. In HSP and DVCDP, there were long lag periods between the project design and implementation while the feasibility study was prepared, with the potential for conditions on the ground to have changed. Despite the short implementation period and scarce resources, rather than building on experience over several phases, consolidating in the same sector and geographical region, developing the

market links and introducing value chain elements, the focus moved from horticulture to livestock and to different geographic regions.

46. **Finally, project arrangements were not conducive to effective management and interactions and exchanges among stakeholders**. The location of the Project Management Unit (PMU) in the capital has meant that direct interaction with stakeholders and beneficiaries is limited. There is also little opportunity to share lessons between projects, for instance, the DVCDP and ADMP staff and farmers. This reduces information flows and ownership.

Adjustments to design

47. **Both Government and IFAD have correctly recognised some design problems and made adjustments after supervision missions and the Mid-term Review of both HSP and DVCDP, however, not all necessary changes have been addressed.** Adjustments sought to address some of the discrepancies between the project design and the feasibility study in HSP, such as with regard to further supporting women's access to finance. It was also planned to expand the scope of loans to include working capital. In 2018, the financing arrangement was thus modified to reflect a reallocation from Component 3 (irrigation), where output targets had already been achieved, to Component 2 (rural finance) with the objective of expanding the eligibility criteria for credit requests and increasing the number of women loan beneficiaries. It is noted however, that while the proportion of women loan takers increased slightly in the final implementation period, there were no adjustments in practice to allow working capital loans, despite the recommendations of the midterm review.

48. In DVCDP, following supervision missions, additional staff have been recruited to improve the outreach to women in loans and training, and provide livestock support to farmers at regional level. A MTR took place in September 2021 to look at issues arising in implementation (such as with the Forum for Public-Private Collaboration [FPPC] or research funds) and adjust the design as required. Hopefully, the outcome of the MTR will). The basic administrative issue of the end date of the project has not been officially resolved, despite many discussions.

Design of the targeting strategy

49. **The key role of Dekhan farmers in the agriculture sector has been only recently recognized by the government, measures of their poverty status are not available.** The concept of poverty was not recognised in Uzbekistan at the time of the HSP design and reference was made only to 'less advantaged' populations.[60] [61] In practice the targeting was to dehkans rather than poor farmers, as there was no measurement of their poverty status. In addition, the political support needed for effective targeting of dehkans was missing. Government representatives were more interested in funding large scale farmers, and opposed IFAD's interest in dehkans, according to interviews conducted during the CSPE. It took a change of President for the Uzbek government to acknowledge the key role played by dehkan farmers in agricultural output production and take legislative measures to protect rights and interests of individual farms, dehkan farms and owners of household plots.[62] Dehkans still have limited control of their land, though they have lifetime use and inheritance rights. However, they cannot use the land as collateral for bank loans, and land allocation remains in the hands of local government which continue to prioritise cotton or wheat production, rather than fodder for dairy cows, for instance.

[60] According to respondents, this only changed in 2019, when the President issued a statement recognizing the millions living in poverty, and in 3.2020 the Ministry of Economy and Industry changed its name to the Ministry of Economic Development and Poverty Reduction

[61] HSP Project Final Design Report Working Paper 1: Poverty, Gender and Targeting

[62] Presidential decree UP-5199 of 9 October 2017 "On measures of radical improvement of the system of protection of rights and legal interests of individual farms, dekhan farmers, and owners of household plots with the purpose of efficient use of agricultural arable land."

50. **Against this background, IFAD's role in social group and sector targeting is relevant.** IFAD was the first IFI to directly target dehkan farmers and to focus on horticulture and dairy, as key sectors for dehkans. Based on the many production constraints imposed on smallholder farmers (limited access to inputs, technology, credit and export channels), as well as the lack of public policies supporting them, IFAD identified dehkan farmers and small-scale private horticultural/livestock producers as its primary target group. HSP was the first loan-financed project to target smallholders in Uzbekistan. In addition, IFAD's operations target agribusiness entrepreneurs or service providers with existing or potential linkages with dehkans and small private farmers, to provide inputs and technical advice to the primary target group through self-targeted loans; and rural unemployed as recipients of project-supported job opportunities at both farm and processing level. Other IFIs have joined IFAD in supporting horticulture, and then dairy, though they have supported larger scale producers.

51. **Targeting of women, and later youth, has been addressed mainly through the establishment of participation quotas.** Within the target groups identified, women constitute a specific cluster under HSP, while DVCDP and ADMP also directly target rural youth. This was an important step, as it is unlikely that change could have taken place without quotas. In the HSP, a female quota of 30 per cent for direct beneficiaries of training, loans and employment opportunities, was planned to ensure women's participation. On the other hand, DVCDP introduced a female quota differentiated according to the type of activity offered (50 per cent for trainings, 30 per cent for loans beneficiaries), while ADMP, in addition to specific targets for women's participation (20 and 30 per cent for loans and trainings respectively), establishes a minimum target of 50 per cent of young women as beneficiaries of targeted loans ranging from US$ 5,000 to US$ 50,000, that are underserved by the ongoing Government programme or IFI supported projects.

52. **Geographic targeting has been relevant, as it was driven by poverty incidence combined with high productive potential in agriculture and livestock.** In accordance with the 2006 IFAD Policy on targeting as well as the Uzbek Welfare Improvement Strategy, the HSP, DVCDP and ADMP have focused on the regions of Uzbekistan which present high concentrations of poor people but have a significant competitive advantage in the horticulture or livestock sub-sectors. HSP focused on the southern region of Surkhandarya, with high concentrations of disadvantaged people and significant poverty rates, combined with a high productive potential in the agricultural sub-sector of interest for the target group (horticulture). For DVCDP, the geographic targeting was relevant given the socio-economic indicators of the Jizzakh and Kashkadarya regions, which in 2015 presented a poverty incidence of 29.6 percent and 41 percent, respectively. The COSOP (2017) specified that the target area should be "Regions of high development potential for horticulture but challenged by highest incidence of poverty, high population density and inadequate land and water management practices." The Ferghana Valley, where ADMP is located, has high population density and a relative lack of finance for rural development. At the start of the project, Namangan had the second lowest GDP per capita in the country. Consequently, it could be considered to reflect well the target in the COSOP.

53. **Summary. The relevance of IFAD's country strategy and programme is moderately satisfactory (4).** IFAD responded to important shifts in government policies in the agriculture and rural sectors promoting a more diversified and sustainable sector. It was the first to provide loan finance to the horticulture value chain in the country, and championed direct support to the most vulnerable group, the dehkan farmers. The focus on the value chain approach to agribusiness development combined with the provision of rural finance, capacity building and pro-poor focus, was relevant. Targeting of dehkans and women, and later youth, were innovative and important in the Uzbek setting.

54. Yet, the relevance of IFAD's country strategy and programme is only moderately satisfactory. The relevance of the strategy is heavily affected by several factors, key among them is the disconnect between IFAD design documents and the feasibility studies prepared by the Government, the low attention to risks in implementing value chain operations in a new country, the unconducive implementation arrangements as well as the shift in geographic and sector focus which limited the consolidation of results.

B. Coherence

55. **Definition**. Coherence comprises two notions: external and internal coherence. The external coherence is the consistency of the strategy with other actors' interventions in the same context. Internal coherence looks at the internal logic of the strategy, including the complementarity of lending and non-lending objectives within the country programme. Non-lending activities are specific domains of coherence.

External coherence

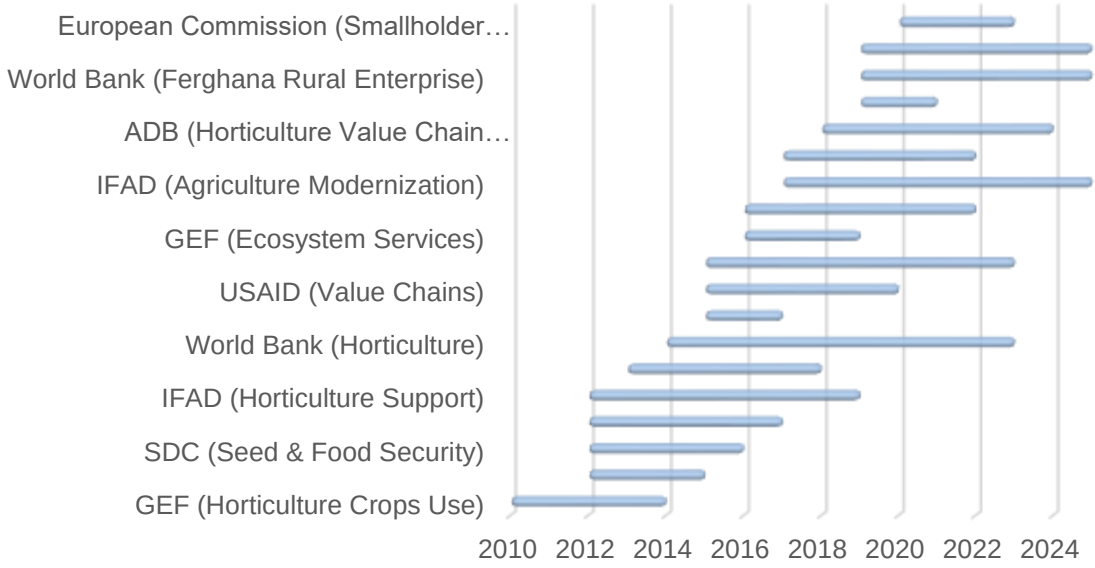
56. **IFAD has a clear comparative advantage in Uzbekistan of focusing on smallholders, which is recognized and appreciated by in-country partners.** The CSPE interviews held with the government and other development partners revealed that IFAD is known in the country for directly targeting the poorest people in rural areas. As such, IFAD built on its comparative advantage and continues to cover a specific niche, as compared to other international organizations and IFIs that target medium and large size businesses. This approach is very much appreciated now by the government at central and local levels.

57. **IFAD was one of the first financing organizations to invest in horticulture and dairy value chains**. As presented in Figure 4 below, GIZ[63], SDC[64] and GEF[65] all had small interventions in horticulture around the time of HSP (or even before) but provided only technical assistance, rather than finance. WB and ADB investments started later than HSP. Similarly, DVCDP is the first investment in the dairy value chain. Initially the Government steered the WB away from the HSP location of Surkhandarya to avoid overlaps; but once HSP ended, the WB expanded there giving some potential to build on HSP's experiences. The WB, EU and ADB are currently working in the horticulture, livestock and agrifood sectors in the same geographic area covered by ADMP, overlapping particularly in Andijan and Fergana. These interventions reflect the increasing interest of the government towards the diversification of the sector.

58. **The CSPE interviews confirmed that there is an untapped potential for synergies between development partners**. Early stage discussions are underway for a new IFAD project in the Aral Sea area. This would provide an opportunity for partnering with other partners who have expressed interest, to link to IFAD's work in the region on pasture management, and to focus more on climate change issues. However, it is also important to consolidate in the DVCDP and ADMP areas. COVID-19 has interfered with the implementation, and it may be inefficient to close those projects without consolidating the achievements.

[63] Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
[64] Swiss Agency for Development and Cooperation
[65] Global Environment Facility

Figure 4:
Timeline of horticulture and dairy-related projects by other development partners in Uzbekistan



Source: CSPE

Internal coherence

59. **IFAD's strategic positioning was not guided by an overall coherent vision or country strategy (neither intended nor formalized in a COSOP).** As analyzed under relevance, this was initially due to the context that was not suitable for a programmatic approach. Two of the three investments comprising the portfolio were designed before the COSOP and the ADMP design overlapped with the COSOP preparation. Consequently, the projects could not be structured explicitly around IFAD's country strategy - on the contrary, the COSOP was developed based on the projects. The shift of focus of IFAD's portfolio responded to the government priorities, yet it was not underpinned by a long-term strategic vision that would enhance IFAD strategic positioning in the country. In addition, no matter how good the internal coherence of the projects, important elements of the design, among them knowledge management, M&E and women targeting, were disregarded by the feasibility studies prepared by the government.

60. **The preparation of the first COSOP was the opportunity to formalize and better structure IFAD's engagement with the country and make strategic choices**. Yet, it translated into a missed opportunity as it was developed mainly as a desk study, during a period of changing IFAD country management. **The strategic orientation and internal coherence of the 2017 COSOP is weak, it does not build on the synergies of the lending and non-lending programme and does not provide concrete mechanisms for programme monitoring**. The COSOP comprises lending and some minor non-lending activities. However, the strategy is based on a Results Measurement Framework that reports only the outcome level indicators with ambitious targets, rather than on a clear theory of change that builds on the complementarities of the lending and non-lending portfolio to bring together these mutually reinforcing elements in a comprehensive and coherent country strategy and programme. An appropriate monitoring system was not established and as such measuring results is currently challenging at the output level, impossible at the outcome level required by the COSOP.

61. In practice, as detailed in the next paragraphs, **the COSOP could not be used as an instrument for strategic guidance for IFAD in the country, nor to drive partnership and dialogue based on acquired knowledge** and experiences on important issues that are gaining momentum in the agenda for policy discussion.

Along the same lines, the grants are detached from IFAD's programme in the country.

Knowledge management

62. **Knowledge management activities were included in project design documents and in the COSOP. In practice results and knowledge sharing within and across operations is very limited**. HSP funded international study tours on issues of fruit and vegetable value chains to Turkey, Georgia, the Netherlands, Armenia and Moldova. Participants included heads of agricultural enterprises, agro-firms and farms (mainly medium and large-scale farmers), as well as Ministry and UZAIFSA staff. The practical value was for them to learn about the logistics chain and to understand the benefits of cold store and harvest preservation. Farmers cold store owners interviewed during the field visits were satisfied with their improved knowledge regarding horticulture production. However, these exchanges are ad-hoc and not part of a strategic vision to capture lessons and replicate successful practices.

63. The FPPCs promoted by DVCDP were expected to play a major role in consolidating programme learning. The project implementation unit would be responsible for jointly developing a Communication Strategy for the Programme and, thereafter, documenting the technical content (outputs) of programme activities and the institutional arrangements for their delivery. Provision has been made under the Programme's budget for: media production; the development, printing and dissemination of training materials for dairy modernisation; and setting up a Programme web page. In practice, this did not occur.

64. Better coordination would have assisted with learning lessons within and between projects. During interviews or the field visits, project staff of DVCDP could answer questions on livestock or veterinary issues, but were unaware of any coordination, monitoring or marketing activities. There was no easily accessible register at provincial level of training provided, course contents or participants, nor evidence of post training assessments. There is little knowledge sharing within DVCDP – for instance, the two provinces appear to operate as outposts, connected only to Tashkent. There are not apparently joint trainings, nor do the project staff meet in person from one province to another. There is also no connection with the ADMP - despite the many opportunities to share learning, particularly on dairy issues.

65. **A systematic approach to knowledge management was not developed during the review period to unlock the potential for learning to promote innovation and scaling-up and influence policy dialogue.[66]** The projects, and later on the COSOP, correctly recognize that the pathway to scaling-up starts with an M&E system and knowledge generation to feed into operational policy dialogue. The COSOP mentions M&E and knowledge management in the logframe as one of the instruments to achieve the programme's strategic goal and objectives, yet the linkages with the lending portfolio are not clearly laid out. Despite the recommendations of the mid-term review of the COSOP and supervision missions of the projects, a clear KM strategy with resources attached to it was not developed. M&E of the COSOP has not received adequate and consistent attention starting from the design stage and during implementation. The M&E system at the project level did not systematically collect and store data, capture lessons and generate knowledge to inform decision-making and improve performance. This was recognised by the COSOP Completion Review (2021).

66. In addition to the above, while the design documents included knowledge management activities, the feasibility studies governing the projects did not make any mention of knowledge management, M&E and learning. In practice knowledge

[66] A comprehensive policy mapping and prioritization was carried out after the CSPE data collection. It involved 8 countries including Uzbekistan and the process culminated with a regional high-level policy dialogue organised by IFAD in November 2021 with Uzbekistan a flagship partnership case. This can be a good starting point to develop an NLA specific approach for Uzbekistan in the context of the next COSOP.

management did not receive attention within the country programme during the review period, as testified by the few knowledge management products developed which mainly concern training manuals related to horticultural production and marketing, and to animal husbandry, that were distributed to beneficiaries.

Partnership building

67. **The lack of clarity of the NLA approach due to the absence of a specific strategy guiding the non-lending activities, coupled with the absence of an IFAD Country Office (ICO) and frequent institutional changes, limited the Fund's ability to establish sustainable partnerships and to adequately participate in country-level policy dialogue**. Both the government and development partners concur that policy dialogue in Uzbekistan requires the country presence of IFAD and in particular the active presence of the Country Director[67]. IFAD is a signatory of the United Nations Sustainable Development Cooperation Framework and has been an active member of the United Nations Country Team. However, the Government and the COSOP completion review concluded "an important voice in the agricultural sector policy dialogue has often been absent at critical junctures in the very dynamic policy process in recent years" (paragraph 41). IFAD is not readily available for frequent technical exchanges that are key to ensure the effectiveness of policy dialogue efforts. The development partners highlighted during the interviews that most of the exchanges have occurred during design and supervision missions and this is clearly insufficient to ensure effective, frequent formal and informal dialogue with in-country stakeholders.

68. **The Government considered IFAD's projects to be low-risk pilots**, and as such it did not promote an enabling environment conducive to long lasting partnerships. Financing partnerships as envisaged have not materialized apart from co-financing from the IFC for the ADMP in the form of the cost of providing its CLARA agri-risk assessment software to the participating financial institutions. The PFIs did not contribute their own funds, as was in the original plans. In addition, the lack of a strategy for non-lending activities, of regular contacts with other development partners and of a stable country presence resulted in an ad-hoc liaison during design and supervision missions.

69. **The potential of long-term partnerships remains untapped as opportunities to engage with in-country partners, private sector and research institutions have not been sufficiently explored until now**. The COSOP correctly identified the WB, ADB, the USAID, the EC, AFD and the GIZ as key development partners in rural development in Uzbekistan. Further developing these partnerships would have been helpful to secure financing for technical assistance, training and capacity-building in IFAD financed projects, build on synergies and avoid overlaps in development assistance.

70. **The COSOP lacked concrete business opportunities for private sector partners which could be explored moving forward** to develop inclusive value chains, mobilize funds into small scale businesses and foster the expansion of public-private-producer partnership (4P). In 2019, The Law on Public-Private Partnerships was approved,[68] to regulate relations in the field of public-private partnerships, including concessions. To date the PPPs have not been developed in the agriculture sector, however, on June 6th, 2021, the President signed a Decree on implementing greenhouses under the PPP modality.[69] This holds some promise for investments in horticulture, and it could be an area for IFAD to explore in the future.

[67] This does not necessarily require an ICO, but does require consistent and regular support and visits from the CPM.
[68] Law LRU-537. Adopted by the Legislative Chamber on 26 April 2019. Approved by the Senate on 3 May 2019
[69] Presidential Decree 5138, 7th June 2021.

71. **IFAD's programme has an opportunity to expand strategically to take advantage of the Government's change of focus**. The Uzbek Agency for Small Business and Entrepreneurship Development and the State Fund for the Support of the Development of Entrepreneurial Activity established in 2020 under the new Ministry of Economic Development and Poverty Reduction, is increasing its focus on dehkans. Respondents from these agencies expressed their interest in future partnerships.

72. CAREC is actively involved in climate change programmes and phytosanitary certification for agriculture products in CAREC countries. Uzbekistan provided a good case study among CAREC countries introducing e-certification during the pandemic period 2019-2020. CAREC also manages an e-learning platform to exchange knowledge and experience in policy research and organize trainings including on agriculture and water management.

73. **Despite the limited country presence, IFAD's partnership with national authorities was commendable.** The government appreciates IFAD work in the country and considers IFAD to be a reputed partner. The main partner institutions have been the Ministry of Agriculture and the Ministry of Water Resources. The Rural Restructuring Agency (RRA), which is now known as UZAIFSA, was the executing agency. This choice was appropriate given the context in which the operations started. The interviews with government representatives highlighted not only the role of IFAD in opening the way to larger investments in the horticulture sector (though in practice the IFIs were already moving in this direction), but also the potential knowledge and technical expertise that the organization could provide moving forward. Staff of the State Committee for Veterinary and Livestock Development (SCVLD) also participated in Supervision Missions of DVCDP.[70]

74. **There are indications that the enabling environment for partnerships and knowledge sharing is improving.** This is supported by the recent partnership between ADMP and the WB-financed Ferghana Valley Rural Enterprise Development Project (REDP), which are covering the same geographic regions and partnering with the same implementing agency. As reported by the COSOP completion review and confirmed by the WB representatives, IFAD and the WB have agreed to strive for the closest possible coordination and collaboration between the two projects and have pledged to recognise each others' financing as parallel financing. Moreover, the government approved the regional Agriculture Knowledge and Innovation Service (AKIS), a broad system in which agriculture producers, research, education, information, farm advisory services and all other support systems, like farmer organization and finance, input and output institutions and regulatory policy, operate complementarily. The WB, FAO and EU have supported the AKIS strategy development, and several donors will provide funding to different elements. The AKIS could be used as a platform for exchanges and dialogue on innovations. Notably IFAD was not involved in the working group developing this, partly due to not having country presence.

Policy engagement at the country level

75. **The CSPE notes some positive results in policy engagement.** The Government and in-country development partners interviewed by the CSPE team recognized that IFAD had participated in the Donor Coordination Group in Agriculture in Uzbekistan, which comprises partners engaged in the agriculture sector in the country under the leadership of the Ministry of Agriculture. Some achievements in influencing national policies include the role played by IFAD in repeatedly bringing to the attention of UZAIFSA the issue faced by the smallholders to repay the loans after the devaluation of the Uzbek Som in 2017. As a result, UZAIFSA established a fund to support the famers. Moreover, IFAD played an important role in support for smallholder agriculture development and in targeting

[70] By means of a Presidential Decree, signed on 3 March 2021, the project implementing responsibility for DVCDP was transferred from UZAIFSA to the SCVLD.

the most vulnerable groups of the population. The IFAD-financed HSP and DVCDP were followed by larger investments by other partners such as ADB and the WB, though how much they were influenced by IFAD's experiences is unclear.

76. **The above results are not formally documented nor disseminated.** Scaling-up has not been adequately supported by formal communication and dissemination. As a result, IFAD's role in important national processes and reforms is not formally documented. Overall, the investment on communication of lessons and results to key decision-makers and packaging for policy dialogue was limited. The recent improvements in the enabling environment represent an opportunity for deeper engagement at the country level.

77. In addition, as further explored in the section on performance of partners, **frequent institutional changes** from both IFAD and the government, limited IFAD's country presence and irregular missions, particularly in the early years when regular missions might have established better routines and knowledge sharing, contributed to weakening policy dialogue.

Grants

78. **Grants used for supporting IFAD's programme in Uzbekistan were initially not focused**. The in-project grants (from IFAD and the Spanish Trust Fund in HSP) do not appear to have been particularly well focused, being intended to support technical assistance, project management, credit lines and some expenses. In DVCDP, the IFAD grant was better focused, as it was intended to be used to cover the costs of the FPPCs (including technical assistance (TA), equipment and training). In ADMP, IFAD grant funds were anticipated to cover part of the national and international TA related to value chain roadmap preparation and provision of CLARA systems for rural finance, hence were better focused. However, despite the clear benefit that might have been achieved with greater expenditure of grant funds on technical assistance, or to identify specific innovations for focus, expenditure has been slow.

79. The use of grants did not improve with the 2017 COSOP, which only implicitly refers to using grants to enhance the impact of the country portfolio in policy dialogue and partnership-building activities. Regarding the lending programme, the COSOP draws attention to the need that the country programme is funded by additional sources of other IFAD financing, i.e. ASAP, and of external funding (GEF, Glabal Climate Fund (GCF), etc.) to address major environmental and CC issues.

80. **Two regional grants (CACILM II[71] and the SSTC-ADFS[72] partnership initiative) were funded and supervised by IFAD and linked to Uzbekistan, however interactions with IFAD's operations in the country have been limited**. The CACILM II systematized more than 90 Sustainable Land Management (SLM) practices used by local producers in five central Asian countries. In Uzbekistan, the research focused on the identification of traditional technologies adapted or developed by producers, with more emphasis on large farming areas, and as such not immediately relevant to the IFAD projects' target groups. With regard to the livestock sector, CACILM II has focused on improving the nutritional value of available feed through various treatments, as a way of dealing with increased pressure on pastures. The affordability of such treatments for small producers of interest to IFAD, however, is not clear. Overall, interaction of CACILM II with IFAD projects in Uzbekistan was mainly limited to submitting progress reports and there is no evidence of any other type of communication/exchange established. Respondents also commented that there was little contact with HSP as ICARDA's research agenda was too small scale. Closer interaction might have been

[71] Knowledge Management in CACILM II (Central Asian Countries Initiative for Land Management), with ICARDA as recipient

[72] South-South and Triangular Cooperation for Agricultural Development and Enhanced Food Security (SSTC-ADFS), whose recipient is the UN Office for South-South Cooperation (UNOSSC)

relevant for sharing publications with HSP beneficiaries, on topics such as climate change and land degradation.

81. The SSTC-ADFS partnership initiative, launched in 2014 (and overlapping with the HSP and DVCDP implementation periods), is a cross-regional grant aiming to support the national strategies related to food security, nutrition and agricultural development in nine countries across the NENA and CEN region.[73] The activities targeted rural youth and women, and were promoting innovations in water preservation technologies, water efficient crops and scaling up policies for production and income generation.

82. SSTC-ADFS was not conceived to have direct links with other IFAD investments, although it was foreseen that it would involve beneficiaries and stakeholders of existing IFAD-funded projects to ensure complementarity of approaches and relevance of the activities. The Rural Restructuring Agency did present in a conference within the project, however, it is unclear whether there was any involvement of HSP or DVCDP beneficiaries in south-south activities. A core element of the partnership is the concept of thematic corridors, meant as knowledge sharing channels between countries on a specific theme of mutual interest. In total, eight thematic cross-regional corridors were agreed upon by the partners, with each country being responsible for the knowledge-sharing activities in the domain in which it has valuable expertise. For Uzbekistan, the thematic corridor selected by national focal points and stakeholders has been the "Horticulture Development" corridor from Central Asia to Arab States. While this is relevant to IFAD thematic focus, there is no evidence of any link established with the Horticulture Support Project. Under the SSTC-ADFS, a phone application (MEVA) allowing farmers to access value chain information, was first developed in Uzbekistan and then adapted and replicated in four other countries. However, the use of this application has not been operationalised in any of the IFAD projects in the country.

83. **Summary. The coherence of IFAD's country strategy and programme is moderately unsatisfactory (3). Knowledge management, partnership building and policy engagement are also individually rated as moderately unsatisfactory (3).** IFAD covered (and continues to cover) a specific niche in Uzbekistan which reflects its comparative advantage. The Fund is targeting directly the poorest people in rural areas and has been an early actor in horticulture and dairy loan activities. However, the external coherence of IFAD's strategy in Uzbekistan is diminished by the limited efforts spent to build on the synergies with other development interventions and consolidate results. The internal coherence of the strategy is poor and does not build on the complementarity between the lending and non-lending programme to steer partnership and policy dialogue. A systematic approach and an action plan to knowledge management was not developed during the review period to unlock the potential for learning to promote innovation and scaling-up and influence policy dialogue. While there are some recent policy changes and a growing interest in dehkans, there is insufficient evidence of direct links to IFAD's policy dialogue efforts. The potential for partnerships, including with the private sector, remains untapped. Grants are detached from the rest of the programme.

C. Efficiency

84. The criterion of efficiency assesses how economically resources are converted into results. This section explores factors that can affect such conversion, positively or negatively, such as timeliness in start-up and implementation, management cost ratios and internal rates of return, and their proximate causes.

[73] The countries initially targeted were Algeria, Hungary, Morocco, Turkey and Uzbekistan. In 2016, more countries expressed their interest to participate in the initiative. Through the financial support from the Islamic Development Bank (IsDB) that joined the partnership in 2016, the number of countries covered with the initiative increased by including Kazakhstan, Kyrgyzstan, Sudan, and Tunisia.

(i) Project timeliness, disbursement and implementation pace

85. **Feasibility studies prepared by the government led to significant delays and did not result in better design.** The requirement to conduct a Feasibility Study affected the timing of loan approval by the government and resulted in a long average timeline for project start-up (see Table 4 below).

Table 4

Timeliness, management costs and disbursement rates of IFAD projects in Uzbekistan

Project	*Effectiveness lag (months)*	*Overall disbursement rate*	*IFAD loan and grant disbursement rate*	*Cost per HH (ex ante) in US$*	*Cost per HH (ex post) in US$*
HSP	20	102%	100% 100%	2 686	1 026
DVCDP	18	92%	72% 32[74]	3 284	n.a
ADMP	13	31.8%	36.6% 100%[75]	1 581	n.a.

Source: Oracle Business Intelligence accessed September 2021; DVCDP Supervision Report, August 2021; Operational Results Management SystemSeptember 2021.

86. The HSP has experienced the greatest effectiveness lag (20 months), followed the DVCDP with 18 months and the ADMP with 13 months, all above the NEN average of 11.2 months and the IFAD average of 11.7 months.[76] The project was conceived as lasting for a period of six years from its entry into force (December 2013), it was completed in December 2019 rather than in December 2017 as planned with no need to extend the original duration. In addition, the duration of DVCDP is established by the Financing Agreement as being six years, meaning its closure is planned for 2023; however, in the Presidential Decree approved by the government, the project closure will be established in 2022. This inconsistency, with little time remaining before project closure, is still pending and has not yet been addressed by the government despite being urged by IFAD to revise the financing agreement as soon as possible (noted in many Supervisory Mission reports).

87. **Along the same lines, delays in disbursement and implementation, and problems with sequencing, have negatively affected all IFAD projects.** The HSP suffered from delays related to poor design and limited procurement capacities, while the implementation of DVCDP and ADMP is suffering from COVID-19 restrictions that are postponing most of the activities planned. The disbursement rate of HSP recorded a fluctuating trend and remained below the IFAD standards for most of its duration. In the last year of implementation, thanks to the completion of irrigation works and delivery of the in-vitro laboratory, disbursement targets were achieved. Although the final disbursement rates were satisfactory, the actual disbursements under project components were usually much lower than forecasted in the AWPBs, mainly due to poor implementation performance on the ground, delays in procurement for some key activities, and delay of the private contractors to complete planned activities on time. In particular, the installation of the in-vitro laboratory, the allocation of the credit funds for small dehkan farmers and the irrigation infrastructure are the areas where disbursements were typically lower than estimated.

[74] As of June 2021.
[75] As of 31 March 2021.
[76] IFAD, Near East, North Africa and Europe Division. Portfolio Performance Report. Annual Review July 2014-June 2015. Volume I.

88. The DVCDP has performed better than the HSP, with a disbursement rate that remained above IFAD average until 2021, when the onset of the COVID-19 pandemic obviously affected budget execution.[77]. However, and similarly to the HSP, the DVCDP is also suffering from an imbalance in disbursement figures between Components 1 and 2. As of 15 June 2021, Component 2 has disbursed 75 per cent of the allocated funds and reached 61 per cent of the targeted beneficiaries, while Component 1 remains behind schedule with a financial execution at 32 per cent. The main reason lies in the priority assigned to implementing credit activities rather than capacity-building activities, which should have ensured the inclusion of poor dehkan farmers in the dairy value chain. Moreover, the recent transfer of responsibility for project implementation to the State Committee for Veterinary and Livestock Development (SCVLD) has somehow slowed down the implementation of several key recommendations. In particular, the following actions remain pending: i) the amendment of the Presidential Decree to reflect the correct project end date (31 March 2023); and ii) the official request by the government to IFAD for the reallocation of loan funds as agreed with the supervision mission of September 2020.

89. **The outbreak of the COVID-19 pandemic and related public gatherings and travel restrictions affected the project budget execution in DVCDP and ADMP.** DVCDP was impacted in particular in training and international consultancies. With regard to the ADMP, which is now in its third year of implementation, the disbursement rates for the IFAD Loan and Grant are 36.6 per cent and 100 per cent of the total approved amount respectively (as of 31 March 2021, first tranche only[78]). The combined IFAD Loan and IFAD Grant disbursement percentage is 37 per cent of the total allocation (1st tranche only). Again, the disbursement breakdown by component reveals that while Component 2 (Inclusive Rural Finance) is well on track with 35 per cent of the allocated funds for 2021 already disbursed as of March 2021, Component 1 (Inclusive Value Chain Development) and 3 (Climate-Resilient Rural Infrastructure) are lagging behind with an annual disbursement rate for 2021 of just 3 per cent and 8 per cent respectively. Naturally this was early in the year still, but it demonstrates that disbursement of funds for loans is always preceding the capacity building and infrastructure, hence the sequencing is likely to be problematic in ADMP as well.

(iii) Project management costs

90. **Insufficient funds were allocated and even less was expended on project management.** The PDR of HSP estimated the management costs at 7.9 per cent of the total project costs. At completion, these costs resulted lower than planned at 5.2 per cent of the total amount disbursed. This value is below IFAD's average of 15 per cent. On the same line, the management costs of DVCDP were estimated at 7 per cent of the total project costs. As of June 2021, and according to the data provided by UZAIFSA, the project management component has disbursed US$0.6 million, which represent 3.4 per cent of the IFAD loan, which is expected to cover 15 per cent of the total management costs. The data currently available do not yet allow assessing DVCDP project management costs. While some may argue that this is efficient project implementation, it is also a risk. Given the capacity constraints encountered and the need for Uzbekistan, as a new partner, to quickly develop adequate systems for M&E, procurement, gender and environmental mainstreaming, and audit, the allotted budget for project management should have been fully spent on project management.

91. **Both IFAD and the Government have taken time to learn news ways of working, and there have been changes in institutional arrangements.** When

[77] However, the emphasis on purchase of heifers is likely to have contributed to this high disbursement rate.
[78] The Financing Agreement (FA) for the first tranche of the ADMP was signed in January 2019 (IFAD financing of USD 46.2 million Loan and USD 300 thousand Grant), and subsequently the project was declared effective. The Additional FA was signed on 4th August 2020 for the second tranche (IFAD Loan of USD 46.2 million and IFAD Grant of USD 800,000), and it is now effective.

the first IFAD operation in Uzbekistan started, the Project Implementation Unit of the HSP was new to IFAD procedures and requirements, and, as a result, the project was slow in putting in place all the procedures required. This was true in particular for the procurement function that should have been provided with capacity building of staff, as recommended at various times by supervision missions. Procurement issues have indeed caused delays in implementing key activities, i.e. in-vitro laboratory equipment, thus affecting the timeliness of their delivery. On the other hand, project implementation capacities have been weakened by continued staff turnover of some key positions (e.g. the M&E specialist) without any system in place for orienting new staff and ensuring their easy and rapid insertion in the PIU. Overall, project management has been mainly focused on achieving disbursement targets with little attention paid to monitoring the quality and the intended use of the loans granted, as well as to ensure that targeting criteria were applied (see Targeting section).

92. The DVCDP is currently facing a transition in the implementing agency from UZAIFSA to the SCVLD, with a corresponding shift in project management and staff. In order to ensure continuity of action and decision-making, IFAD has agreed with the SCVLD that the previous agency's PMO staff contracts, except for the Project Coordinator who resigned, will be confirmed and the formal transfer will become effective by July 2021.

(iv) Economic efficiency

93. **Despite the delays, the indicators of economic efficiency are quite positive.** The benefit cost ratio of the HSP is equal to 1.24 indicating a return of 1.24 dollar for every dollar invested in the project.[79] The ex-post economic internal rate of return (EIRR) is estimated by the Project Completion Report (PCR) at 24 per cent and the Net Present Value at US$13.3 million; this is above the EIRR of 22 per cent indicated by the PDR, but below the NPV of US$21.8 million.[80] However, to ensure comparability of results notwithstanding the great devaluation of the national currency, key parameters (e.g. prices) were adjusted in real terms and to a common price level by the ex-post Economic and Financial Analysis (EFA).).[81] In this calculation, the assumed EIRR increased to 28 per cent and the NPV decreased to US$13.7 million, showing that the investment is still expected to deliver good value for money, even if with a narrow margin. However, the findings of the ex-post EFA are only based on secondary data due to COVID-19 restrictions that prevented collection of primary data from farmers, such as actual production and income data. Moreover, given the delays in implementing some key outputs, it was not even possible for the EFA to take into account the expected outcomes of these investments.

94. The economic internal rate of return (EIRR) of DVCDP is estimated at 18 per cent, while the base case NPV of the programme's net benefit stream, discounted at 9 per cent, is US$ 24 million over 20 years. The EFA revised by the IFAD supervision mission of September 2020, demonstrated an overall project EIRR of 26 per cent and NPV of USD 1.002 million, indicating that the project is still economically viable. The upcoming MTR, planned for the second half of 2021, will conduct an in-depth EFA that aims to provide updated and more detailed data to assess project value for money. The DVCDP needs to monitor the amount of milk entering the dairy value chain and measure if the cost of production and processing has been reduced for all stakeholders. At present it is not possible to tell if the investment

[79] Horticultural Support Project. Project Completion Report. Main report and appendices (page 25).
[80] IFAD. 2012. Horticultural Support Project. Project Final Design Report, Volume I: Main Report and Annexes.
[81] The economic and financial Analysis in the PCR was carried out remotely due to the travel restrictions related to the COVID-19 pandemic. For this reason, the EFA is based on pre-existing models and information included in the appraisal document. The key indicators used to carry out the analysis were net present value (NPV) and the internal rate of return (IRR) calculated over the project duration (6 years) and its capitalization phase (other 14 years).

has been cost effective in the sense that significantly more milk has been produced and/or that the dairy value chain is more efficient due to project interventions.

95. **Cost per beneficiary** of the HSP were found to be lower at completion compared to design estimates, meaning that the project spent less to achieve the (lowered than planned) results. Overall, the HSP reportedly reached 18,242 households against a revised forecast of 11,000.[82] At project closure, total costs amounted to US$18,717,702, which results in a cost per household of US$1,403 against the appraisal estimate of US$2,685. Costs per beneficiary of DVCDP and ADMP are shown in Table 4. According to the supervision mission report of October 2020, the actual cost per beneficiary of DVCDP is almost 1.39 times higher than the one foreseen at design and this significant increase can be explained by the fact that PFIs' disbursement rate is very high – 245 per cent (overachievement).

96. **Summary. The efficiency of IFAD's country strategy and programme is moderately satisfactory (4).** There have been delays in start up in both HSP and DVCDP, mainly due to the Feasibility Study process, and there were initial difficulties with the contracting procedures, but both partners have learned. Planned synchronised activities, such as providing capacity building prior to investment, did not occur. Insufficient funds have been disbursed for project management, and this has had a negative impact on implementation. Despite this, and the serious currency devaluation, the economic efficiency is likely to be slightly positive.

D. Effectiveness

97. **Definition**. Effectiveness is the extent to which the country strategy achieved, or is expected to achieve, its objectives and its results at the time of the evaluation, including any differential results across groups. A specific sub-domain of effectiveness relates to innovation, which is the extent to which interventions brought a solution (practice, approach/method, process, product, or rule) that is novel, with respect to the specific context, time frame and stakeholders (intended users of the solution), with the purpose of improving performance and/or addressing challenge(s) in relation to rural poverty reduction.[83]

98. **The CSPE assessment of the effectiveness of IFAD's strategy and programme is heavily affected by contextual factors.** IFAD is recognised by Government and other partners as the first financier to work directly with small farmers. This required a considerable change in mindset and operational modalities during the pre-2017 period. Years of central management affected trust, collaboration, and fair contractual agreements among stakeholders which are vital for well-functioning value chains. The different levels of government agency have been used to functioning in a top-down manner and focusing on wheat and cotton. Farmers are used to accepting guidance from above and trusting primarily their immediate family. PFIs have demonstrated reluctance to loan to dehkans due to the overhead costs and they lacked experience in working in sectors such as horticulture and dairy. As a consequence, there was a learning process required for all stakeholders. The sudden economic and political changes in Uzbekistan in 2016-17, have provided a more conducive environment in which to implement the projects.

99. As analysed earlier, the disconnect between IFAD's design documents and the feasibility studies meant that the Government staff worked with effectively different projects to those that had been agreed upon with IFAD. Despite being repeatedly

[82] The MTR has reduced this indicator from 11,800 to 11,000 households.

[83] Conditions that qualify an innovation: newness to the context, to the intended users and the intended purpose of improving performance. Furthermore, the 2020 Corporate-level Evaluation on IFAD's support to Innovation defined transformational innovations as "those that are able to lift poor farmers above a threshold, where they cannot easily fall back after a shock". Those innovations tackle simultaneously multiple challenges faced by smallholder farmers. In IFAD operation contexts, this happens by packaging / bundling together several small innovations. They are most of the time holistic solutions or approaches applied of implemented by IFAD supported operations.

raised in Supervision Missions, these issues have not been addressed across the portfolio. In particular, there are no references to the lessons learned in the previous phases (and associated risks) and adherence to IFAD policies; and the sections on Planning, M&E and Knowledge Generation are mostly missing. Limited attention was paid to gender in the feasibility study for HSP and DVCDP.

100. **In addition to the above, the absence of an effective monitoring system constrained the assessment of the contribution of IFAD's country strategy to immediate and longer-term results on the ground.** All the projects have experienced difficulties in establishing reliable monitoring. It has been problematic to get clear measures of success as the data is either not available or unreliable. As a result, the measurement of COSOP outcomes is not possible and feeding back monitoring data into project implementation and allowing course correction is not happening. There has been a turnover of M&E staff in all the projects, so while efforts have been made, the M&E capacity building provided tends to be lost to other projects or sectors.

101. **Having clarified the above issues, the effectiveness of the country strategy is assessed based on three thematic areas as identified in the theory of change: targeting, pro-poor value chain development, and rural finance**. As detailed in the next paragraphs, overall, the objectives of the three thematic areas (or pathways) were only partially achieved. The operations contributing to the assessment are HSP and DVCDP, given that the former has concluded and the latter reached its mid-point in implementation. ADMP did not contribute to the assessment, however it is mentioned where appropriate to propose course corrections.

Thematic area 1 - Targeting: Dekhans, women, youth are effectively targeted

102. The CSPE considers targeting as a key thematic area not only for its strategic relevance at the IFAD corporate level, but especially because the recent Presidential decree on dehkan farmers recognises dehkans as an important beneficiary group given their role in production and other partners are still focusing on larger producers, due to the economy of scale. Hence, targeting of dehkans provides the opportunity to cover a strategic niche in the country and tap into the production potential of smallholder rural farmers.

103. **IFAD's overall outreach was satisfactory and its social and sectoral targeting innovative.** In the 2017 COSOP the target groups were identified as being Dehkan farmers; smaller private farmers and rural entrepreneurs; rural unemployed; and women and youth within all these groups. Overall outreach levels have been satisfactory. The HSP had planned to directly benefit 11,000 households and create 1,500 new jobs annually. At completion, the project had exceeded this target, directly benefitting 18,242 households, of which 5,473[84] persons reported to have received services were women (30 per cent). However, disaggregation by target group shows that dehkan farmers and women are underrepresented as beneficiaries of project-supported activities, and in particular, of rural finance initiatives (see Finance section below). DVCDP is overall recording good outreach rates with a total of 13,749 households reached as of June 2021 (114 per cent of appraisal target), including 6,622 women (183 per cent of appraisal target).

104. The CSPE field visits indicate that dehkans have been enthusiastic to move to vegetable and fruit production. IFAD was also a leader in financing dairy production particularly within the smallholder population (while other financiers such as the WB and the French development cooperation are working with larger operators).

105. **Geographic targeting has been fairly successful**, being based on poverty levels and potential for the sector. However, it is unclear whether changing region

[84] This appears to have been calculated by adding the numbers of women receiving bank loans, services and training, plus those women with new jobs, and some proportion of the irrigation beneficiaries.

with each project was wise. There is some advantage for a relatively small agency to focus on one region, applying a territorial approach, in order to maximise capacity and impact.

106. **Targeting of dehkans was not effective during implementation**. There is a lack of clarity on the poverty level of dehkans, as no monitoring data is collected on their poverty status. At the time of HSP, this is understandable as the concept of 'poverty' was not recognised in Uzbekistan. Some poor dehkan farmers were excluded due to the collateral demands, while richer dehkan holders may have taken the loans (though this is an assumption as there is no data). In ADMP, the target group changed from being described as 'low-income dehkans' in the PDR to 'dehkans' only in the feasibility study, making it impossible to really target poverty.

107. In HSP the total number of individuals trained was 3,251 (33 per cent were women). However, as the project did not report on the profile of the trainees, it is not possible to assess the actual number of *dehkan* farmers trained. The same applies to the reported 1620 new jobs (796 for women) of which it is not possible to assess how many went to dehkan farmers. Likewise, in DVCDP while targets in terms of training have been surpassed (12,440 people trained against a target of 9,000), the actual percentage of dehkan farmers trained could not be found in available documentation. Finally, available data for the rural finance component (thematic area 3) show that *dehkan* farmers and women are underrepresented as beneficiaries of project-supported activities.

108. Individual loans disbursed by the portfolio are large, particularly for supposedly poorer dehkans (Table 5) and there has been pressure in all the projects to raise the limits for even larger loans. Registration requirements did not allow poorer and disadvantaged applicants to access the credit, according to feedback from interviews. In addition, there is limited evidence that the targeting criteria were observed during decisions on activities. For instance, the supervision missions had to constantly encourage the project teams to increase the inclusion of dehkans and women. During the COVID-19 period, there have been more government initiatives to support smallholders in the difficult economic situation, reflecting the changing attitudes towards dehkans.

109. **Targeting of women has also been weak.** As further expanded under the gender equality and women's empowerment chapter, this applies to both the involvement of women in training activities and with loans. Difficulties with collateral (usually 125 per cent of the loan is required), lack of business registration, as well as cultural issues, constrain their involvement. Moreover, the bank loan application forms were not prepared in Uzbek until recently and women are typically less confident in written Russian. Without a specifically dedicated gender advisor initially it was found to be difficult to actively engage women.

110. **Finally, it was not apparent that there was any focus on age, ethnicity or disability**, initially within the IFAD interventions. However, there has been a gradually increasing focus on involving youth – while there was no specific mention of youth in HSP, and only minor targeting in DVCDP, in ADMP there has been more specific focus[85]. This is in line with the growing interest of the Government which is giving more attention to the identification of rural employment and enterprise opportunities for youth – particularly due to the reduction in remittances as a result of the limitations on migration imposed by COVID-19.

Thematic area 2 - Value chains and agribusiness: horticulture & dairy value chains developed

[85] In the PDR there is a specification of 50% women within Sub-Component 2.3 of loans for youth. The Aide Memoire of April 2021 noted that progress with loans for youth was low - only six loans had been disbursed under Subcomponent 2.3, however, of those six, four loans were for young women - this would imply 67% of loans under Sub-component 2.3 going to women to date.

111. **As observed under relevance, the value chain approach was a key element of IFAD's intended strategy and, later, of the COSOP. Yet, during implementation the focus remained on production.** The Feasibility Studies dropped most value chain elements and were very prescriptive. This constrained the possibility of a truly demand-driven approach for farmers, as activities and procurement were closely defined and at times proved to have incorrect specifications, such as the in-vitro laboratory equipment for HSP.[86] The delays in procurement, for example for the irrigation[87] and laboratory activities in HSP, meant that the synergies in the value chain were not achieved prior to the end of the project. Finally, IFAD's operations are relatively small in size and short in duration, which limit the achievement of pro-poor value chain development.

112. **The focus on production in HSP and DVCDP was seen throughout the portfolio, in finance, training activities and technical assistance.** In the end, 79 per cent of HSP loans were for on-farm activities, 50 per cent by value. In DVCDP, it was anticipated that not only would dairy production be increased, but that there would be improved linkages to agrofirms and processing, and public-private partnerships would be developed. However, market linkages are not well addressed and of the total loans issued, 75 per cent were directed to purchase of cows, and only 4 per cent to milk processing/packaging equipment. Project technical staff provide advisory services to farmers on issues such as reproduction, artificial insemination, nutrition and veterinary care. Yet, the agrofirms have not received much attention. Project staff claimed that the beneficiaries decide on their own regarding where, and for what price, to sell their milk products. The supervision missions have regularly noted the missing value chain approach, and the lack of implementation of technology innovation and dissemination activities.

113. **The focus of IFAD funding in DVCDP and ADMP has been on imports of pregnant heifers from Europe**. The logic was that livestock sector plays an important role in the economy, both at the national level and at household level. It contributes to food security and household nutrition, although smaller livestock could potentially have more impact at household level with less risk. In addition, emphasising artificial insemination from the start might have been more effective and further training has been given recently in this field, reflecting this.

114. The major constraint for dairy production is the nutrition of the animals. Fodder production is limited due to restrictions on land use controlled by the Khokimiyat, which require private farms to allocate a fixed amount of land to wheat and cotton production, leaving insufficient land for fodder crop production which would then be used in zero grazing situations (cut and fed fresh in stalls, hay or silage production). The field visits revealed that there has been discussion on improving production on smaller land areas, such as via hydroponics, but this has not progressed far to date. It was hoped that the risk of contributing to greenhouse gas emissions would be overcome by improving nutrition and increasing the

[86] According to the HSP PCR, the laboratory equipment delays were due to "incorrect specifications in the initial feasibility study, lack of adequate budget and delay in procurement, inability of selected supplier to deliver the equipment on time". (PCR p.9). In the 2015 Supervision Mission a decision was taken to contract an international consultant to carry out a study on market demand for tissue culture seedlings, and adjust the specifications. Again, in the February 2019 Supervision mission, there was still discussion of the lack of progress with procurement, although training activities had taken place. Interviews by the CSPE team confirmed this. It was reported that: the Feasibility Study budget included the price to deliver the equipment to Tashkent, with three quotes from Chinese contractors, however the estimate didn't include the cost of construction works, transport to the site, and installation of the equipment. IFAD brought in an international expert – he reviewed the plan and specifications and then raised the budget. The contract was tendered again and eventually the equipment was provided, but very late. In addition, the field visits reported that the capacity of the autoclave and the seedling acclimatization storage room are insufficient for needs, the heating of the greenhouse is inappropriate, and the laboratory building lack the required ventilation.

[87] According to the interviews conducted by the CSPE team: The irrigation sites/packages were quite small scale. This meant that contractors needed to have their own equipment already in the region, and it was difficult to get the national level contractors interested. However, the regional contractors didn't always have the experience or machinery. ADB or WB were paying the contractors in their projects through very large contracts. The lesson learned would be that it might be better to put several packages together to contract out a bigger job.

efficiency of production via quality rather than quantity of cows, however, it is unclear that this has happened.

115. While imported large breeds have the potential for much greater milk production than smaller local breeds, they also require much more feed. Without adequate nutrition to grow and maintain their larger body weight, they will cycle later and less regularly, and will have much lower pregnancy and calving rates than their potential. This results in longer inter-calving periods, potentially less milk once she calves, and less milk per animal over her lifetime. They also require better housing and veterinary care. These problems lead to disappointment and economic loss for the farmer, who has imported the cow with high expectations. As well as on the production side, there are problems with potable water supply at farm level in many areas, important for maintaining hygiene in milk collection, storage and processing, as well as insufficient links to extension services, processing and marketing. It was planned that these issues would be addressed in DVCDP, but they remain critical limitations, even though they are recognized by the staff.

116. For milk processing companies in the dairy value chain, aiming for quality processing, it is difficult to compete on price with many small local companies that use cheap equipment and low-quality preservatives, and do not follow strict hygiene and environmental requirements. There are currently no certification standards applied that might support good quality production. Yet the majority of the bank loans have gone to imports of dairy heifers (63 per cent of the number of loans issued, and 55 per cent by value).

117. **Quantitative targets for training were surpassed** and in HSP, according to the PCR, 3251 persons were trained (1075 women), compared with a target of 1800 (900 for IGAs and 900 for crops). A total of 62 agro-firms and 496 people accessing the business services offered by the Project were trained against a target of 15 agro-firms supported. Agrofirms interviewed by the PPE team reported increased volume of production and quality, which allowed them to bring on new clients. In addition, their new storage facilities allowed them to expand sales in the off-season period and reach new clients. In DVCDP, 12,440 people have been trained so far against a target of 9000.

118. According to the beneficiaries interviewed during the CSPE, the trainings were of good quality and it appears to have been put into practice, according to the HSP Impact Assessment and the field visits by the CSPE team, though there is no evidence of changes in knowledge or practice measured via pre- and post-training assessments. Respondents commented in particular on using their new knowledge in production, such as choosing better seeds or cultivation techniques for new crops, nutrition and animal health and husbandry or milk handling at farm level. There was less evidence of strengthened capacities in management or marketing.

119. In HSP, study tours did open the eyes of some participants to new ways of organising production and linkages, as confirmed by the field visits. Study tours took place on issues of fruit and vegetable value chains to Turkey, Georgia, the Netherlands, Armenia and Moldova. Participants included heads of agricultural enterprises, agro-firms and farms (mainly medium and large scale farmers), as well as Ministry and UZAIFSA staff. The practical value was for them to learn about the logistics chain and to understand the benefits of cold store and harvest preservation. The cold store owners also noted that they had learned to use their infrastructure more effectively.

120. **Sustainable land management was not achieved within HSP.** Two of the HSP indicators were not met, mainly due to the delays in activities. Firstly, *Hectares of land under seedlings from the Central Nursery*. As noted, the Central Nursery activity was only completed at the end of the project. The field visit confirmed that production of seedlings is underway, but there was no opportunity to plant them out during the project implementation. The indicator *Groups supported to sustainably manage natural resources and climate-related risks* was tied to the

irrigation rehabilitation. That was also completed only at the end of the project. While the project has counted the groups served by the irrigation as achieving this indicator, there was no associated training of the groups and therefore it is difficult to claim that simply having access to water is sustainable management.

121. **Secure land access is a continuing challenge and a barrier to more effective production**. During the field visit to ADMP, it was reported that land of low fertility, with irrigation problems and located far from the district centres, are often offered to dehkans. Even this option is not available for all. In the case of DVCDP, land availability for fodder production is a serious constraint and at the whim of local government, with the result that cattle are often poorly fed and grazing on the roadside. Inevitability, this results in less milk production.

122. **The projects introduced several value chain innovative elements at design, yet there was limited progress in implementation.** Value chain approaches, including strengthened linkages between producers and agrofirms for processing, storage and marketing facilities and networks, were considered innovative at the time of planning HSP, given that the Government was entirely focused on production. Ideas such as scholarships and educational support were expected to enable technology testing and demonstrations, and professionalization of veterinary services. However, as noted, these linkages did not eventuate

123. **DVCDP supported the Fora for Private-Public Collaboration (FPPCs)** as a tool for value chain development. This was an innovative concept, where guided meetings would allow the mixed group of stakeholders to identify the constraints in the dairy sector, understand public-private partnership business models, and develop their business plans and strategies jointly. It was also considered that research activities would be proposed to respond to the constraints identified. Four FPPCs[88] were conducted during 2018 and 2019, but the restrictions on meetings imposed due to COVID-19 meant that they have not been held officially during the last 18 months. Respondents reported that the results of the FPPC meetings held to date have been increased awareness of opportunities in the dairy value chain, and more loans taken. However, there were no clear outcomes in terms of 4Ps arrangements or technical innovations for research and testing, and no issues raised for policy dialogue. The concept of the FPPCs acting as an innovation platform did not seem to be understood, as also noted in Supervision Mission reports, and it may be that the trust required to build value chains needs to be nurtured.[89]

124. Within DVCDP a decision was taken to spend innovation research and dissemination funds on the Samarkand Veterinary Institute to buy lab equipment for milk and feed analysis. While this could provide potentially useful services for the dairy production, it is not an innovation, and appears to diverge considerably from the concept.

125. **Within ADMP, there are several innovative ideas to support different points in the value chains as well as mapping the sub-sectors.** Solar powered agro-meteorological stations are being developed, in order to pilot modern techniques for irrigation water management and application, and training should be provided by the installation company. Tenders have been run, however the installation is not yet complete, hence it is too early to comment on the success or otherwise of this activity. With the aim to improve access to extension services,

[88] The original plan was for quarterly meetings at province level then four national level fora would be held by the end of the project, therefore in quantitative terms the project has met the target, but not qualitatively. It was also anticipated that toward the end of the programme, the role of the fora's facilitator will shift from the contracted service provider to local institutions (e.g. Farmers' Council / BWAU / CCI) to ensure the sustainability of the consultative and learning process. It remains to be seen whether the meetings will continue in the post-project environment.

[89] IFAD conducted a mid-term review in September 2021, after the CSPE data collection period. The review identified the FPPCs as a potential platform for Non-Sovereign Operations in Uzbekistan as part of the IFAD12 intervention package.

the project has supported the construction and equipping of a veterinary clinic (just being completed during the field visit).

126. Standards and phytosanitary controls have also been considered. The PDR notes that in order to improve exports to the Russian Federation and Eurasian Economic Community, Uzbekistan must improve food safety and packaging and harmonize many agricultural and food standards. To this end, ADMP has financed consultancy support for the assessment of equipment and accreditation needs for the Agricultural Standardization Center, under the Ministry of Agriculture. Horticulture farmers are being offered certification in cooperation with the Agriculture Institute.

Thematic area 3 – Rural Finance: *improved access to inclusive rural financial services for value chain development.*

127. **Overall, the improved access to rural finance supported by IFAD is perceived as moderately satisfactory by the beneficiaries.** Interviews conducted by phone and during field visits to the HSP and DVCDP project sites reported overall satisfaction, as this was often their first opportunity to take a loan, though there were some complaints regarding the processes for example they found difficult to comply with the loan procedures and requirements for collaterals. Most beneficiaries reported that the loan helped them to increase family and business incomes, and they were mostly confident in their ability to repay the loan. After gaining experience with the loan procedures and business management skills, many were extending their businesses and applying for further loans.

128. **Learning has taken place with regard to capacity building of the PFIs.** Two banks that participated as PFIs in the HSP reported that they gained experience in credit for horticulture with IFAD's assistance. This included awareness raising for the branch credit personnel, which enabled them to better understand and assess the borrowers' business risks in horticulture (though this appears to have come mainly by learning on the job, as the local bank staff interviewed during field visits did not report having participated in any formal training). Similarly, the experience gained in the DVDCP project was reported by one bank to have improved bank personnel's understanding of dairy cattle breeds and the associated risks.

129. **However, several challenges affected the support of IFAD to the provision of rural finance services. First, the data show that loans benefitted larger agribusinesses.** The HSP PCR describes the targeting of smallholder famers with loan-financing as an innovation. However, this was not fully achieved in the HSP to the extent planned, for several reasons – including the collateral requirements and the changing emphasis of the Feasibility Study. As Table 5 below shows, the average loan size and value differ among the projects, with ADMP showing the highest average size. Moreover, while the number of loans issued has reflected the targeting of dehkans in HSP and DVCDP, the total value loaned has not.

Table 5.
Average loan size US$ by type of borrower

	HSP[1]		*DVCDP*		*ADMP*[2]	
	Total loans	Ave size	Total loans	Ave size	Total loans	Ave size
Dehkans	183	13,981	217	9,330	3	147,491
Small farm production & service units	58	15,663				
Farms	72	59,579	126	66,006	69	113,039
Agrofirms & Private enterprises	65	104,805	55	97,717	33	174,847

[1] Excluding 1 Dehkan with 150,000 loan (outlier)

[2] Unusual size of loans to dehkans in ADMP

Source: IOE background paper on rural finance.

130. Under the HSP rural finance component, dehkans and smallholders together received 64 per cent of all the loans offered, but loans to dehkan farmers represent just 18 per cent of the total loan value. The figures provided by the PCR estimated that overall, dehkan farmers represented less than 10 per cent of the total project beneficiaries. As of June 2021, dehkans have received 55 per cent of all the loans offered by DVCDP, but with loans to dehkans representing only 13 per cent of the total value of loans. IFAD is aware that DVCDP is far from achieving the intended results regarding targeting. It is necessary to closely monitor and follow up on the implementation of the multiple recommendations made to increase rural financial inclusion of dehkans before project completion. The current proportion of women borrowers is 22 per cent, still below the appraisal targets.

131. Along the same lines, some course corrections can be made to improve the performance of ADMP, as Box 2 shows.

Box 2
Some course corrections still needed in ADMP

Thirty-seven road maps were prepared by the end of 2020 in the context of ADMP.[90] However, beneficiaries reported difficulties in accessing loan guarantees, so to date, not many roadmaps have led to successful applications. No loans have yet been issued to youth applicants and the three loans disbursed to dehkans as of March 2021 were disproportionately large, drawing doubt on whether they are in fact poor dehkans. The possible explanation for this that the ADMP borrowers possess dehkan status, but have other income sources from other legal entities or employment. Formally they qualify in the view of the PFIs, but they are not "dehkans" by the socio-economic definition, and the target group description provided by the design documents. The project is in its initial stage of implementation and, as such, there is space moving forward to course correct and improve its performance in pro-poor targeting. Moreover, the need for specific windows for rural finance was demonstrated to be correct in HSP, as during the first years of implementation the windows for agrofirms and larger farms were used up rapidly. It is clear that if there had not been a dedicated dehkan window, the funds would not have reached the primary target group of HSP.[91] However, in ADMP, the credit windows are blurred - just giving a range of loan sizes without specifying the intended limits per target group. A further definition of the borrower selection criteria is needed to ensure better targeting.

Source: IOE.

132. **Second, the emphasis on value chain linkages is missing in loans.** The agrofirms were expected, as a condition of project support, to agree on the targeting criteria of each project and engage fully with the small-scale producers. However, in practice in HSP and DVCDP the Subsidiary Loan Agreements (SLAs) did not refer to any borrower selection criteria or project priorities, but only to PFIs. This means that all loans issued were stand-alone, with each borrower

[90] However, both farmers and project staff commented during the field visit to the end beneficiaries, the roadmaps are not of clear benefit yet. They were investing time and money to prepare them, but would prefer to integrate them to a business plan.
[91] This was also noted in the May 2016 Supervision Mission Report.

focused on their own interests, rather than supporting the objective of value chain integration. In ADMP, according to the April 2021 Supervision Mission, it appeared that PFIs were not fully aware of the eligible loan purposes – for example, that loans could be provided for post-farm services and businesses – which could be especially attractive to youth and women.

133. **Third, although it was agreed in the project design documents that the PFIs would contribute matching funds from their own resources, this has not happened.** According to bank staff interviewed, the contribution of banks own funds has not been included into the (SLA) conditions (at least for HSP and DVCDP). The SLA stipulates that up to 100% of the subsidiary funds can be used for the sub-loans. As a consequence, in HSP and ADMP there has not been any matching contribution from the PFIs. In DVCDP, the situation is less clear. The Supervision Report of October 2020 notes that the Government of Uzbekistan has initiated a number of projects at the national level to support the livestock sector by allocating subsidized loans to households. These funds are apparently counted as contributions of PFIs, though the link to DVCDP is unclear.

134. **Moreover, the exchange rate liberalisation affected banks and borrowers, and risks continue, with inadequate currency risk hedging by banks for US dollar denominated loans**. The exchange rate liberalization in 2017 and the subsequent devaluation of the local currency put borrowers in a difficult position repaying loans under the HSP and DVCDP refinanced credit that had been tied to the US dollar value, and led to reduced demand for loans (this is visible in the dramatic decrease in loans issued during 2017 and 2018). The SLAs concluded in 2014, 2015 and 2016 were all in US dollar but sub-loans were allowed in both currencies at the discretion of the bank. This particularly impacted the large loans taken by larger processing companies.

135. An eventual positive outcome was that the Government intervened to establish the State Fund for Entrepreneurship Support, to partially compensate for the exchange rate change, although the extent to which PFIs and beneficiaries are still liable is unclear. This impacted both on PFIs and borrowers with loans in US dollars. First-time borrowers could have been burdened with unserviceable debts, and risk-averse attitudes could discourage would-be entrepreneurs from taking additional loans in the future. In HSP, most smallholders had loans in local currency (89 per cent of dehkans), and it was only larger borrowers with US dollar loans that suffered. In DVCDP and ADMP most loans are destined to purchase dairy imports therefore despite the risk, the loans are still issued in US dollars, and many borrowers face currency risks. Overall repayment rates are not reported in the HSP PCR, nor is there disaggregated data on repayment rates across the sub-components and different categories of borrowers. The CSPE also found that the reporting of repayments (and in particular of non-performing loans) by the PFIs was weak or non-existent.

136. **Finally, an unconducive policy environment contributed to reduced results on the ground**. The collateral and registration requirements as well as the low levels of financial literacy and business management limited the access to finance of women and poor households. Moreover, no working capital loans were issued. Banks are reluctant to encourage small loans due to the administrative burden and the loan application documents were available only in Russian until recently, inhibiting access to those with less education (women and dehkans in particular).

137. **The evaluation notes the effort in innovating rural finance support, however the contribution of these efforts to effectiveness is still questionable.** The government introduced an indirect way to subsidize borrowers (via interest rate and collateral subsidies) via the State Guarantee Fund (Box 3).[92] Its main objective is to compensate the stringent collateral requirements and allow

[92] Presidential Decree No. No. PP-2768 of 10 February 2017 "On the creation of the guarantee fund for the development of small entrepreneurship."

good business projects without adequate collateral to get financed. In practice, however, application of the Fund in HSP and DVCDP has not been transparent.

Box 3:
Guarantee Fund use in ADMP

In ADMP, the Guarantee Fund is a specific tool, planned to support the borrowers with partial coverage of lending risks with normal loans. A credit window for youth was also established, with flexible loan requirements. Based on the provided loan data from ADMP (up to March 2021), there was no direct evidence of the Guarantee Fund subsidies being used yet. The interest rates on all loans are market based (19-21 per cent in SOM, and 6.5 per cent in USD). The Guarantee Fund was supposed to provide "partial coverage of lending risks" - which implies both collateral and interest rate subsidy. However, the Supervision Mission of April 2021, noted that the agreement regarding the State Fund was signed in February 2021, and the Fund provided the first guarantees of UZS 5.4 billion for 19 loans worth of UZS 22 billion (approx. USD 2.1 million), but all the guarantees were provided for loans disbursed from the IFAD-funded credit line. This went against the project design, as the intention was that the guarantees would support normal loans from the PFIs. In addition, gender and youth targets were missing from the Agreement, which will need to be amended.

Source. CSPE, based on project reports.

138. According to the Banks' Head Offices and the field interviews, the adoption of the CLARA system greatly helped their credit departments with automation and better organization of the data, and the generated cash flows are far more accurate. At the same time, they also acknowledge that the system cannot completely replace the human judgement (even for the repayment schedule options) but it is a good supporting tool. The use of CLARA also requires good qualification and understanding of the financial accounting and analysis and the personnel needs more (and regular) training.

139. **Summary. The effectiveness and innovation of IFAD's country strategy and programme are both rated as moderately satisfactory (4).** These ratings take into account the context in Uzbekistan prior to 2017 and the disconnect between IFAD design documents and the Feasibility Studies prepared by the government which affected implementation. Overall, the objectives of the three thematic areas were only partially achieved. IFAD introduced important innovations in social and sectoral targeting and its outreach was overall good. IFAD support has enhanced agricultural skills through trainings and study tours, it contributed to enhance access to rural finance services and this was greatly appreciated by the beneficiaries and national authorities. Further innovations were introduced for example the Fora for Private-Public Collaboration with DVCDP, ADMP is also piloting several innovative ideas to support different points in the value chains as well as mapping the sub-sectors. On a less positive note, owing to the absence of an adequate monitoring system and poverty data, it is challenging to verify whether the poorest dehkans have actually been reached. The value chain approach emphasised at design stage has not been evident in implementation of HSP and DVCDP, and was apparently poorly understood. In practice, the focus has been on production, particularly on imports of dairy heifers, and on the provision of rural finance without clearly linking the various elements of the value chains.

E. Rural poverty impact

140. This section provides a preliminary assessment without rating of the impact of IFAD's country strategy and programme on rural poverty. The assessment of impact faces the same challenges as effectiveness, with non-availability or poor quality of outcome data. While there is some information on project impact, drawn from the HSP Impact Assessment (2019), there were problems with the

methodology.[93] The Impact Assessment reported a decrease in poverty in Surkhandarya from 20.5 per cent in 2014, to 14.7 per cent in 2019, an impressive change. However, considering the HSP has targeted only about 7 per cent of the dehkan households in the entire region these results can hardly be attributed to the project's intervention alone. Moreover, in addition to the lack of outcome and impact level data, only one out of three projects is completed and two operations out of the three funded so far, have been designed and implemented without the COSOP, hence establishing any link between the assessment of the impact of the intended strategy with the COSOP would be anecdotal.

Household Income and Assets

141. **Household incomes and assets seems to be increasing as a result of job creation.** According to the HSP Impact Assessment (IA), both the targets of increasing 20 per cent in asset ownership and incomes were achieved, and in particular: i) the value of assets has increased by 28 per cent; ii) the total household income by 26.6 per cent; and iii) the average per capita income has increased by 30.1 per cent. Regarding the 1,500[94] new jobs to be created through project support, these were estimated either at 1,235 by the project and at 1,720 by the final assessment based on beneficiaries' estimations. In the DVCDP 2020 Outcome Survey, 73 per cent of beneficiaries selling dairy products reported they had increased their income.

142. **Yet, this increase does not benefit the dehkans and it is not clear if the jobs created will be permanent.** It is clear that the loans have not reached poor or low-income families as the collateral and other requirements are a significant barrier. Most of the jobs were seasonal and created for workers employed during the harvest (in greenhouses, vineyards or orchards) and in construction of storage facilities. In any case, documentary information on the actual number of jobs was not collected and therefore project impact in this respect cannot be properly assessed. In a qualitative sense, the feedback from the interviews conducted by phone and during the field visits were generally positive. In DVCDP, 1227 new jobs have been created to the end of 2020 (of which, 496 were for women). This is 61 per cent of the total target of 2000 jobs, so progress is positive, although there were fewer jobs for women than planned.

Food Security, Nutrition and Agricultural Productivity

143. **Impact on food security, nutrition and productivity is assumed to be positive, but there is insufficient evidence to confirm this**. Dehkans are responsible for a significant segment of total agricultural production in Uzbekistan, a key reason for targeting them in the projects. In HSP, no data is reported on household food security, though it is fair to assume that increasing and diversified production (including fresh fruit and vegetables) would lead to better nutrition at family level (though with relatively few beneficiaries). The project has not systematically documented the data on increase in yields; as a result, the PCR lacks documentary evidence underpinning the assumption of higher productivity. However, the improved access to irrigation in some households has improved production. The Annual Outcome Survey (AOS) of 2018[95] indicated that almost 90 per cent of a sample of beneficiaries recorded an increase (from medium to high) in crop productivity compared to 2017 but the sample size was unclear. There is no data related to the increase in the amount of marketed production and in the value of sales from horticulture. In DVCDP, it is assumed that there will be an impact on milk productivity – however, it may not be evenly spread, favouring the commercial farmers, rather than the dehkans. In the DVCDP 2020 Outcome

[93] For instance, impact results on poverty were assessed against the data provided by the State Statistics Committee, which are different from the data presented in the Baseline Survey (the baseline study reported a poverty rate of 16 per cent in 2014 in the region, while the SSC reports a poverty rate of 20 per cent).
[94] This target was decreased from the initial 2,000 jobs planned.
[95] Quoted in the PCR

survey, 75 percent of beneficiary household reported that their food security was improving, compared with 36 per cent of non-beneficiaries (though these were not matched households).

Human and Social Capital

144. **Human capital has been improved via training, with a focus mainly on production aspects, both in HSP and DVCDP.** Producers were applying the horticulture production knowledge and techniques gained during the HSP (45 per cent of respondents according to the HSP Impact Assessment). In addition, laboratory staff are confidently carrying out tissue culture (verified during the field visit). One positive outcome regarding value chain linkages was seen in the DVCDP 2020 Outcome Survey, where many respondents cited project trainings as a reason for their improved market access.

145. **There is so far no evidence of social capital being developed, in the form of social mobilisation or organisation**. This may be partly due to distrust of organisations beyond the family, as a holdover from the Soviet period. Hence, important organisations in value chains, such as cooperatives or marketing bodies were not supported. This was a particular weakness with regard to the irrigation activities, as it is widely recognised that the WUAs lack capacity in organisation, water management, and Operation and Maintenance. While the water users visited in the field expressed confidence in the capacities to use the water effectively and maintain their newly rehabilitated canals, the long-term sustainability is doubtful. While some irrigation engineers received training, the water users themselves did not.

Institutions and Policies

146. **IFAD appears to have had some impact on influencing the focus of the government, especially with regard to dehkans, despite limited policy work.** During interviews with Government and other donors, IFAD was recognised as having been the champion of dehkans, as well as the first investor in the sectors of horticulture and dairy (although this may have been coincidence as the other donors were already working on their own sectoral activities). While it is difficult to draw clear links to policy development, it is possible that the Strategy for Agriculture Development during 2020-2030,[96] the Presidential Decree No. 4246[97] on support to horticulture, and the recent Law on Dehkan Farms[98] may have been influenced by the initial work of IFAD. The HSP PCR reports that the project influenced the Government's decision to create a fund to help farmers with repayment issues and collateral requirements, however the interviews during the CSPE indicate that the support for borrowers was patchy.

147. **There has been insufficient attention paid to institutional capacity building, and consequently, limited impact**. IFAD and other IFIs overestimated the institutional capacities in Uzbekistan. There were significant needs for institutional capacity strengthening, yet these were not assessed in detail prior to approval of the HSP. For example, there were significant weaknesses with regard to Water Consumers' Associations (WCAs) and other institutions in the irrigation system, the rural finance system, and an agricultural extension system was virtually absent (it is only now beginning to be addressed with support of some donors). While support to the irrigation rehabilitation was successful initially, the benefits may not be sustainable as the WCAs lack capacities for ensuring continuing operation and maintenance (O&M). As noted by the COSOP, the

[96] Approved by the Decree of the President of Uzbekistan No. PP-5853 on October 23, 2019.
[97] the Presidential Decree No.4246 on 'Measures for further development of horticulture and greenhouse economy in Uzbekistan', adopted on 20 March 2019, aims at introducing efficient mechanisms of state support for horticulture and greenhouse (e.g. provide concessional loans, subsidies for introducing water-saving technologies and letter of guarantee for obtaining bank loans) and increasing production output of high quality, competitive and export-oriented agricultural commodities
[98] The Law on Dehkan Farms (approved by the Senate on March 12, 2021) puts more emphasis on smallholder farmers, giving them more freedoms and expanding their permitted farming area up to 10 ha

implementing agencies were constrained by limited institutional capacity, particularly in attracting and retaining qualified local personnel, and a lack of knowledge and technical expertise in project management. IFAD helped to strengthen management and operational functions in the Project Management Unit within UZAIFSA, although this has been recently dismantled.

148. **Impact on banks is positive, but its sustainability is questionable.** By requiring the PFIs to issue loans to dehkans (a new client) and in new sectors (horticulture and dairy), IFAD has had a positive impact. However, the capacities of participating financial institutions did not receive sufficient attention and support. It is not yet clear that the PFIs will continue to issue loans to dehkans outside of a targeted programme, as they consider the operational costs too high.

149. **Summary.** Overall, the impact on rural poverty seems to be positive, though few beneficiaries were impacted in HSP, and the true poverty levels of the beneficiary dehkans are unclear. Monitoring systems need to improve to identify true impact. The rural poverty impact of the IFAD's strategy and programme in Uzbekistan is not rated given that only one of the three projects is completed and the data available do not provide sufficient evidence.

F. Gender equality and women's empowerment

150. **IFAD did not have a sound strategy in Uzbekistan to guide gender mainstreaming**, which would have been of utmost importance to help achieve IFAD's priorities in the absence of a COSOP and in consideration of the country context.[99] The project design documents across the portfolio provided descriptive information about gender-related issues in the country and in the rural context based on secondary data. Neither HSP nor DVCDP planning teams conducted a full gender analysis during design. The project designs acknowledge the importance of targeting rural women and the various challenges that prevent them from having the same socio-economic opportunities than men, including limited access to and control over natural resources and lack of collateral for credit applications. However, beyond setting quotas, the design lacks a gender focus in HSP. The DVCDP and ADMP designs do provide more proposals to address women in the project, although naturally the same limitations imposed by cultural traditions exist.

151. **The three project documents note that the Government does not consider there is a need for gender mainstreaming.** Consequently, any emphasis on gender mainstreaming and women's empowerment received limited attention. While there are relevant legislation and strategies regarding gender equality, there is limited intersection with addressing gender gaps in the projects. The two main bodies working with women are NGOs, though closely aligned with the State. The Women's Committee is the main organization that coordinates women's issues and promotes gender equality in the country, but has limited influence over Government policies or projects. The Business Women's Association of Uzbekistan focuses on female entrepreneurs and it is being contracted by ADMP to support trainings.

152. **In addition, there is no mention of targeting of women in the feasibility studies of both HSP and DVCDP**. As a result, there was no attention throughout HSP implementation to the gender concerns and the gender targets identified in the PDR. Gender issues were never prioritized in budgeting, planning and implementation, and gender was not mainstreamed into project activities. Among other issues, in HSP a gender focal point was never appointed. The overall responsibility for achieving project gender quotas was incumbent on the M&E Officer, who was supposed to act also as "Gender Focal Point/Coordinator" and work in collaboration with the Women's Committees, mahalla committee members, and the Deputy Governors (Hokims) responsible for women's affairs at regional and

[99] Although the IFAD Policy on Gender Equality and Women's Empowerment 2012 was available.

district levels. However, also due to the high turnover within the M&E function, the post of Gender Focal Point has never existed in practice, and this interaction did not materialize for most of project duration. Similarly, the planned rural women's needs assessment was never carried out, leaving the project without a useful information base for gender-sensitive budgeting and planning.

153. While all the three projects share the same development objective of increasing smallholder farmers' incomes, no specific attention is dedicated to increasing women's income generating activities. The HSP and DVCDP have or are providing training in income-generating activities, covering a cumulative number of 745 women so far. The use of HHMs as envisaged by the DVCDP, should have a positive impact in terms of increased shared decision-making and planning and a better gender-balanced workload.

154. **The COSOP was a missed opportunity to draw from experience and provide strategic guidance**. The COSOP was approved in March 2017, when the HSP was in its fifth year of implementation. However, it does not include any "lessons learned" from HSP (or DVCDP) in terms of low outreach to women to inform ADMP that was being designed at the same time. With no gender analysis to support it, the COSOP simply reiterated the establishment of female quotas of 30 per cent for beneficiaries of training activities, without trying to address the root causes of such low percentage of women accessing trainings and loans previously. Moreover, the COSOP did not include any reference to the IFAD GEWE Policy of 2012, nor to its three Strategic Objectives of economic empowerment, equal voice and equitable workload balance. The 2019 COSOP Review did not draw any relevant lessons from the low women outreach of the HSP, and at that point in time also of the DVCDP.

155. **Several factors that were not adequately considered at design resulted in low outreach numbers for women and weak performance across the portfolio especially under the rural finance component.** Female participation in rural finance activities of all projects was affected by the **requirement of holding business registration** to be eligible for lending activities. However, rural women are seldom registered business owners in Uzbekistan, and usually lack the collateral (in the form typically of vehicles or buildings) and business registration to obtain the loans. Moreover, **women financial literacy is weak,** and this affects the capacity to handle loan applications (particularly as, until recently, they needed to fill the application in Russian language, rather than Uzbek), business planning and repayment options, and in the end makes them feel insecure and reluctant to approach the banking system. As a result, in HSP, only 18 per cent of loans went to women by completion, despite a reallocation of US$2.7 million to increase women outreach. In DVCDP, the percentage of women reached by rural financial services activities has increased from 9 per cent in September 2020 to 22 per cent in June 2021, though still remaining below the target of 30 per cent. ADMP to date reports 13 per cent of the loans that have been taken by women.

156. Moreover, **the prevailing cultural attitudes in Uzbekistan discourage women from participating in trainings or from travelling alone.** Gender balanced participation in training activities was challenging. IFAD supervision missions tried to address the issue of women's participation under HSP and proposed to either involve local Non-government organizations/women councils to identify suitable trainees under Component 1 or by including more appropriate selection criteria in the Subsidiary Loan Agreements under Component 2. The involvement of Women's Committees was useful, although the project was in its final phase of implementation it increased the percentage of women trained and gender targets under Component 1 were achieved (33 per cent of women trained at completion).

157. Under HSP, only three women participated in study tours in Turkey and Georgia out of 35 participants, and one woman out of 27 managers participated in international fairs organized in Azerbaijan, Kazakhstan, Latvia and Russia. Field visits to DVCDP found that even when training was organised close to the farm,

ensuring participation of women was difficult. Men were reluctant to allow them to participate, and women were shy or too busy. ADMP plans to hold trainings at community level in an effort to improve participation.

158. **Data on women's participation in HSP was not reported**. The impact of trainings was not documented by the HSP final impact study. While new jobs for women were created, any possible impact on the economic empowerment of newly employed women was not measured, nor was the project's impact on their decision-making role in local communities and institutions. Similarly, if the project had any impact on the reduction of women's workload, such as through improved access to irrigation facilities, this was not documented. Finally, the project did not report on any possible change in women's decision-making power and assets ownership as a result of project activities.

159. **The performance of IFAD's strategy to ensure women's participation has improved in the on-going projects.** The PMUs of DVCDP and ADMP hired gender specialists and this allowed the preparation and adoption of gender action plans and some progress in women outreach. Overall, women represent 48 per cent of the total beneficiaries reached so far by DVCDP (June 2021), while 40 per cent of the new jobs created in dairy production went to women. Given the involvement of women in the care and milking of cows, the latter is not surprising - in total 1113 new jobs were reported, of which 438 were for women as of October 2020. The ongoing projects are expected to strengthen women's decision-making role at the household and community level, through the use of household's methodologies, equal representation in the FPPC, technical and entrepreneurial training, and opportunities for study tours. Both DVCDP and ADMP address the issue of women's workload and include some investments/activities that should help in reducing it, such as the adoption of drip irrigation systems, green houses and other technologies that can be incorporated on the household plots near the houses. However, available documentation does not allow to assess, at present, if the two ongoing operations are having any success in this respect. Since the DVCDP has just started to report at outcome level, it is not yet possible to assess whether the project is having any impact on the percentage of women-owned enterprises operating profitably, on women's workload or decision-making role.

160. At the time of the CSPE field visit to ADMP, 13 per cent of the loans were disbursed to women, which can be considered reasonable enough given the early stages of implementation, and the COVID-19-related restrictions. The women interviewed by the CSPE team reported to be enthusiastic to start small businesses in sewing and cooking. However, their limited access to collateral and lack of attention from PFIs and local authorities affect their capacity to take loans. With encouragement from project staff, PFIs were beginning to employ female loan officers to work and support women borrowers from April 2021. The gender action plans should also reflect gender-sensitive planning and budgeting, which however is not yet happening. Both projects are planning to adopt household methodologies, such as the Gender Action Learning System to reduce intra-household disparities and contribute to women's empowerment.[100] The upcoming partnership within ADMP with the Business Women's Association of Uzbekistan[101] is promising to support women's inclusion, assuming that the contract is finalized as soon as possible to conduct training sessions in a timely manner.

161. ADMP design includes youth as a target group and provides youth-dedicated credit lines, and this is also specified in the Feasibility Study. Only six loans within the

[100] It is noted that indicators to follow the impact of household methodologies have been included in the GAP - however, they are mainly focused on achieving positive trends in incomes for women. It is hoped that the more transformative aims can also be tracked, such as changes in attitudes of other family members, work sharing and confidence building for women.

[101] The BWAU and its regional and district branch offices organize training workshops and seminars. The BWAU also provides training to unemployed women to help them establish their own independent businesses, and is involved in training women farmers on gender awareness, leadership and farm business development.

youth credit line had been issued by April 2021, and research on youth/women specific needs as planned in the 2020 progress report had not yet taken place. The agreement on the State Guarantee Fund failed to mention women and youth and the April 2021 Supervision Mission requested an amendment.

162. **Summary. IFAD's country strategy and programme is assessed as moderately unsatisfactory (3) for gender equality and women's empowerment.** Gender targeting was poor in HSP and is slowly improving in the later projects, although women targeting through loans remains poor. While there have been some positive results regarding women's assets and incomes (via new jobs, training and production gains), there is little influence on improving women's voice and involvement in decision-making or lessening their workload as yet. Similarly, there was no youth focus in HSP, but youth are gradually receiving increasing attention in the later projects in recognition of their importance in rural employment. The recently appointed technical advisors in DCVDP and ADMP are improving the focus on gender mainstreaming and have developed gender/youth action plans, however, more commitment is required from the leadership. The COSOP did not include the lessons learned regarding gender from the earlier projects, nor propose ways to address the difficult cultural and structural barriers.

G. Sustainability and scaling-up

163. **Definition**. Sustainability measures the extent to which the net benefits of the intervention or strategy continue and are scaled-up (or are likely to continue and scaled-up) by government authorities, donor organizations, the private sector and other agencies. Specific domains of sustainability are (i) environment and natural resources management and climate change adaptation, and, (ii) scaling-up. The CSPE assessed the likely sustainability of the country strategy without providing a rating given that two out of three projects are on-going. The sustainability of HSP was assessed and rated through a dedicated PPE. The CSPE provides individual ratings for scaling-up and environment and natural resources management and climate change.

164. **From a financial and economic sustainability perspective, horticulture and dairy production are likely to be financially, economically and institutionally sustainable, despite the negative impact of COVID-19 on markets**. In the completion report of the HSP, the financial returns were assessed over a 20 year period. It was estimated that non-negative net returns would begin to accrue from year 4 and continue for the foreseeable future. Structuring the project in more than one phase might have consolidated results and secured stronger market linkages and more sustainable returns. It is likely that the market will be domestic only, in the short term, as there are continuing barriers for export that were not addressed by HSP. According to interviews, the pandemic caused short term price falls in some commodities, but it could be anticipated that horticulture will provide good returns in the long run if linkages between value chain actors could be improved.

165. DVCDP is likely to offer sustainable returns, from increased milk production and processing and continuing employment, however the lack of strong integration with processing facilities and improved hygiene impedes growth. Improved monitoring and data collection and the introduction of clear exit strategies embedded in the next COSOP will ensure that appropriate capacity building is provided and benefits maximised.

166. Moreover, the CSPE interviews revealed that there is continued interest by all stakeholders in moving forward with the diversification of the horticulture and livestock production. The support of the Government to the AKIS can ensure stronger extension support moving forward, building on the capacity building provided by IFAD.

167. **There is a risk to institutional sustainability**, **if staff are not retained**. During IFAD's time working in Uzbekistan, the RRA became UZAIFSA, with little negative impact, though there have been continuing issues with staff turnover throughout. UZAIFSA has been dissolved in early 2021 and the projects are being split between the Veterinary Committee and the Ministry of Agriculture. The HSP PCR stated that the existence of UZAIFSA was an important means to ensure post-project sustainability, yet this will now disappear. UZAIFSA was a project management body, with little sectoral expertise, therefore it could be assumed that a move to the respective technical unit would improve implementation and sustainability. However, the dissolution could also entail a loss of institutional memory and a period of uncertainty if key staff familiar with IFAD's strategy and operations will not be retained.

168. **Sustainability of provision of loans to dehkans is uncertain.** Continuing support in the form of loans from the PFIs to HSP clients is unlikely. The expectation was that the PFIs would continue to offer loans from their own funds, but interviews during the CSPE demonstrated that they are reluctant to loan to dehkans due to the additional risks and paperwork. It was expected that this would take place during the implementation, but in practice loans were only made with IFAD funds. The use of the Revolving funds from the credit lines is also not clear as information was not disclosed to the CSPE. Another phase of HSP support would have been important to bed this arrangement down and make it more sustainable.

169. This is improving in DVCDP as the Ministry of Finance has agreed to sustain the line of credit of DVCDP by on-lending the IFAD loan to three state-owned commercial banks for 20 years with a grace period. This revolving fund should ensure the use of the dedicated windows of the dairy value chain investment fund beyond the lifespan of the project. However, it is also unlikely that the focus on small loans for dehkans will continue in the dairy sector.

170. **Social sustainability requires stronger and concerted collaboration with the government moving forward.** As mentioned throughout the evaluation, the context remains challenging and efforts towards greater gender equality and the formation of groups to support inclusive value chains cannot be pushed by IFAD alone. While there have been some contributions to women's economic empowerment and employment, changes regarding equitable workload and voice for women are not yet evident. It is doubtful whether the changes introduced by will be sustained. However, the work of the gender advisors and the application of Household Methodologies within the DVCDP may have more potential for creating sustainable change in gender equality.

171. The trust deficit due to past experiences has inhibited the development of social capital in the form of supporting producer links into groups, or with cooperatives and clusters. As mentioned, vertical integration and contractual relationships along the supported value chains did not materialize with HSP and it is far from happening with DVCDP. There is some unease with communal ways of working, a legacy from the Soviet period. The cluster system may eventually be a way forward, though it is still unclear how this model will apply to the horticulture and dairy sectors.

172. Water Consumers' Associations (WCAs) would have been an obvious organisation to include in selection of contractors, and capacity building for appropriate water use, water saving and Operation and Maintenance (O&M), however, they have been largely missed. Field visits indicated that individual irrigation beneficiaries are keen to participate in O&M activities, but the organisation is unclear. Irrigation investments are unlikely to function sustainability without training for farmers, water users and WCAs. WCA's budgets are generated from the irrigation service fees set by the Association and paid by farmers, but the fees are too low to ensure cost coverage for adequate maintenance activities. More efforts are needed in

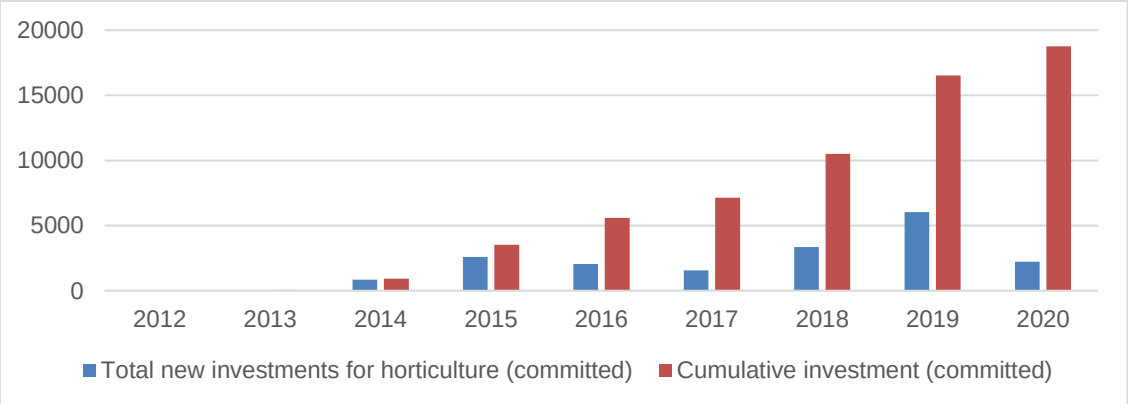
DVCDP to develop lasting relationships, for instance with the proposed Milk Collection Centres.

Scaling-up

173. **There are some signs of scaling-up.** For example, the Ministry of Finance will continue to finance DVCDP beyond the project implementation period. The recent Presidential decree on support for dehkans, and the incorporation of these ideas in the Strategy for Agricultural Development 2020-2030, suggest IFAD's work with dehkans has some policy level support, though whether this is a direct result of IFAD's work or unrelated is unclear and how far that results in replication by the Government or other donors remains to be seen. As a matter of fact, dehkans have not been the priority for other IFIs.

174. As underlined in the PPE of HSP, although designed as a pilot project, the HSP did not demonstrate the model for upscaling the horticulture value chain, as intended at design when there was an expectation that private sector would step in. Yet, there has been substantial investment in the development of horticulture after HSP, which was followed by much larger investments in horticulture. To date, nearly US$2 billion has been committed to horticultural development projects since the approval of the HSP in 2012 (Figure 5). However, as already mentioned, this increase in support to agriculture diversification is driven by the interest of the government and the funds remain geared towards larger scale agriculture. In addition, scaling up in the livestock sector has taken place with other donors committing significant funding (though this is likely to be correlation, not causation).

Figure 5.
Investment in horticulture support through development projects post-2012 (US$ '000)



Source: 2021 HSP PPE team analysis.

175. Development partners recognize that IFAD was the first to implement projects in horticulture, dairy, and to use a pro-poor targeting approach. They also note that they had learned from some of IFAD's experiences, for example in incorporating the Government's mandatory feasibility study more fully into the initial project design process. As mentioned earlier, the Ministry of Finance has agreed to sustain the line of credit of DVCDP which reinforces scaling-up.

176. **As explored under coherence, better results in scaling-up may have been achieved with more in-depth policy level work and knowledge management activities.** There is no evidence to date of policy support linked to the dairy sector as a result of IFAD's work or DVCDP, despite the expectation that ideas for policy development might emerge from the FPPCs. Further information sharing and policy work could facilitate this. Uzbekistan is offering today a more conducive environment to partnership building and innovation, which can provide the ground for greater collaboration and deeper IFAD's engagement at the country level.

Environment and natural resources management and adaptation to climate change

177. **As mentioned under relevance, climate change and environmental protection were initially not well internalized in HSP, however the attention to these issues is improving in the ongoing projects**. Climate change will further increase the already extremely high water demands of wheat and cotton production. The diversification towards horticulture and more efficient crop varieties, such as fruits and vegetables, and the use of improved water management techniques were expected in HSP to enhance the resilience of agricultural producers. However, climate change adaptation was not directly addressed in the design of the HSP, despite being a clear corporate priority under IFAD 8 and IFAD 9, when HSP was designed. Moreover, the likely impacts of climate change in Uzbekistan were well understood prior to the design of the HSP and environmental catastrophes such as extreme droughts have been a major concern for the country for several decades due to the shrinking of the Aral Sea. Disaster preparedness or risk reduction were not considered in the design.

178. DVCDP reflected to some extent climate change issues, with discussion of the risks of dairy production to greenhouse gas production. More consideration was given in the COSOP and ADMP design. Strategic Objective 3 of the COSOP 2017 aims to enhance the ability of small-scale producers to make environmentally sustainable use of natural resources, and raise their proficiency in adapting to climate variability and shocks affecting their economic activities. Within ADMP, a component on climate-resilient rural infrastructure addresses reliable irrigation water supply, the lack of which currently inhibits the involvement of dehkans in commercial agriculture.

179. **Irrigation and water supply support has been important, though small in scale, and needs enhanced institutional support.** Irrigation assists farmers to withstand increasingly variable rainfall, and thus contributes to resilience. Conventional irrigation rehabilitation in HSP has reduced water losses from 17.75 million m^3 to 4.4 million m^3. Field visits found that in the schemes visited, the work was of good quality and farmers were satisfied to have access to more reliable water supplies. However, as the irrigation schemes were finalized so late due to procurement problems (December 2019) and covered only a small part of the irrigated land, an estimate of their impact on water use is not possible. The improvements to the irrigation network were expected to provide a pilot demonstration model for replication. However, the delays also meant that demonstration multiplier effects were not realized. **Limited attention was paid to system planning, payment for water services and training in water management and operation and maintenance, which are vital to ensure the sustainability of infrastructure.** Payment for water services in Uzbekistan is patchy[102] and does not support good operation and maintenance, yet HSP did not pay attention tot these issues and focused mainly on rehabilitating old channels. In addition, water users were not trained and the field visits found that the few irrigation staff that received training have moved out of the area. Finally, the quality of works executed in some schemes was poor, and some recently completed canals sections already require urgent maintenance to avoid further deterioration.

180. **The introduction of drip irrigation allowed for more efficient use of water, but more training is needed to improve water use efficiency.** HSP introduced drip irrigation to support smallholders' adaptation to climate change. . Drip irrigation technologies were applied mainly in greenhouses, permitting more efficient use of scarce water resources, and fertilizers – although uptake has been limited.[103] Further training is also important for applying conventional irrigation

[102] Both in Uzbekistan as a whole, and specifically in the project area according to interviews
[103] The PPE team did not see any drip irrigation technologies during the field visit.

water at the best time of the day and in appropriate quantities. It was assumed that training would be delivered to the farmers and dehkans in a range of topics to support adaptation strategies, but the HSP PPE could find no evidence of such training having taken place. This issue is being addressed in the ADMP. There are plans for training WCAs and others on the effective use of water, and management and operation and maintenance of their irrigation systems in the future, once the construction is completed. However, there are some unresolved issues regarding the location and ownership of the wells, currently constructed on private land.

181. **Access to water supply has also been an issue for DVCDP**. For instance, potable water is important especially for milk hygiene, but also for cows to drink, and fodder production. While this was mentioned in the PDR, there were no project activities implemented to develop water supplies.

182. **Environmental impact assessments are not a requirement for loan issuance, and this can pose an environmental threat especially for dairy production.** In HSP the final design report stated that environmental impact assessments for all investment proposals were needed.[104] However, the PFIs have reported that these assessments were not carried out for sub-loans. In practice, while this was less problematic for HSP, for DVCDP the risks are greater given that the Uzbek Environment Agency only requires the environmental impact assessments for larger infrastructure, such as a milk processing facility, and not for purchases of cows or machinery.

183. There was an expectation in the DVCDP PDR[105] of environmental supervision, which in practice never materialized. Both bank loan beneficiaries and the PFIs reported there was no requirement for environmental screening prior to loan issuance. There could be potentially significant environmental impacts linked to dairy cattle, such as contamination of water sources or irrigation canals, and odour. As most of the funds in ADMP & DVCDP have been used to purchase heifers, this is a significant threat. The Environmental and Social Management Plan, included in the design of DVCDP to address the impact of dairy production intensification, has not been developed, mainly because of the lack of specialized human resources; the project has no natural resources management or climate change specialist to assist.

184. A so-called 'Positive conclusion' of national environmental assessment is required under other projects of UZAIFSA financed by IFIs - in the horticulture and livestock value chain programmes financed by ADB and the World Bank . In the case of HSP, contractors obtained the positive environmental conclusion for all the rehabilitated canals, however this has not occurred for the DVCDP investments. Presumably this is justified as IFAD investments are for small numbers of livestock per farm compared with the large individual herds of other IFIs. Yet, many smaller herds can pose similar environmental risks.

185. **Greenhouse gas production was recognised at design stage as a risk of ruminant production.** Increasing the number of ruminants (DVCDP and ADMP) was recognized to be a risk for greenhouse gas emission increases, however it was argued that producing fewer, but better-quality animals (with greater per capita production) might balance the risk. In addition, it was planned to fund activities such as improved fodder production and nutrition, manure management and biogas production, yet this did not occur. The Ex-Ante Carbon Balance Tool (EX-ACT), an innovative FAO-designed tool for carbon appraisal analysis, was applied at the

[104] In HSP the Final Design Report (p.12) stated "All HSP activities will be compliant with IFAD Guidelines on Environmental Assessment and Government of Uzbekistan environmental legislation, i.e. environmental assessment of all the investment proposals would have to be undertaken/approved by the State Environmental Expertise (Glavgosecoexpertiza) of the State Committee on Natural Protection. The preparation of, or the review and approval (or rejection) of developments on environmental grounds, is regulated by Decree of the Cabinet of Ministers No. 491 (31.12.2001): "On approval of the Regulation of the State Environmental Expertise".

[105] The PDR outlined a process for preparation of Strategic Investment Plans that would include Environmental and Social Impact Assessments. In addition, the DVCDP would formulate and Environmental and Social Management Plan and train farmers to minimise environmental damage.

design stage. This found that the project could provide a mitigation impact of 23,830 tons CO_2 on 10 years or 2,383 tons CO_2 per year. However, as this was dependent on improvements in nutrition, it is unclear whether this would have been achieved or whether the dairy production would have increased the greenhouse gas production. The DVCDP logical framework included an indicator "6,000 tonne CO2 mitigation impact over 10 years (based on EX-ACT analysis)" with the expectation that the Ex-ACT analysis would be repeated at mid term and completion. However, this appears to have dropped out of logframes in the Supervision Missions and there are no local experts with the skills to implement the assessment, so it is unlikely that it will take place.

186. **Occupational health and safety are a slight risk**, as noted during the CSPE field visits. Given the lack of experience of smallholders and processing plant staff when dealing with chemicals and pesticides, it would be important for safe and sustainable implementation to give training in safe handling and disposal, and hygiene issues.

187. **Opportunities for use of renewable energy and energy efficiency have been missed.** For instance, within HSP, it was noted that solar energy could have been used for power generation for greenhouses, instead of the polluting and expensive fossil fuel options. In DVCDP, biogas plant construction at farm level was proposed as an investment at design stage but has not apparently happened, presumably this would require an information and promotion campaign with farmers. In ADMP there is more focus on energy efficiency in the design, although to date this has not been reported in supervision missions.[106]

188. **In general, green investments offer a strategic opportunity moving forward.** Uzbekistan is striving for carbon neutrality by 2050 and regional dominance in renewable energy. The government sees the potential of green economy as an engine of growth and to this end is collaborating with ADB, WB and EBRD especially on solar power plants and renewable energy. IFAD has also been in discussions regarding a new project in the Aral Sea area, which will have a climate change adaptation focus.

189. **Summary. The CSPE assesses scaling-up as moderately satisfactory (4)** and **environment and natural resources management and climate change as moderately satisfactory (4).** On the positive side, IFAD has been the first IFI to provide loan financing to horticulture and dairy and its role in promoting dehkans is noted by the Government and other financiers. Government policy has recently begun to reflect these issues, via the Strategy for Agricultural Development 2020-2030 and Presidential decrees. The attention to environment and climate change issues is improving.

190. However, the institutional support and training in O&M of irrigation infrastructure and water use was scarce. The absence of consideration by PFIs of environmental threats when issuing loans is a risk for sustainability. More efforts are needed to improve cows' nutrition and manage manure, in order to consider dairy a sustainable activity.

[106] For instance, the project design refers to energy efficient greenhouse construction, energy savings via optimised operation of pumps, and solar-powered meteorological stations. To date, there hasn't been discussion of energy efficiency in the supervision mission reports, although the construction of the pipe wells and solar powered meteorological stations has been noted.

Key points

- IFAD responded to important shifts in government policies in the agriculture and rural sectors by pioneering support via loans to horticulture and dairy sectors and targeting the dekhan farmers and more recently women and youth. The focus on the value chain approach to agribusiness development combined with the provision of rural finance, capacity building and pro-poor focus, was appropriate. However, many innovative aspects, targeting and the value chain focus, were lost in the Feasibility Studies.
- Both external and internal coherence have been weak. IFAD's strategic positioning in the country was not guided by a strategic vision, neither intended nor formalized in the COSOP, to build on the complementarity between the lending and non-lending programme and steer partnership and policy dialogue. An action plan was not developed to guide knowledge management. As a result, an M&E system at the project level was not developed, results were not formally documented or disseminated and the potential for partnerships, including with the private sector, remains untapped. Grants remained detached from IFAD's programme in the country.
- IFAD's introduced some key innovations and its outreach was overall good. The support provided has enhanced agricultural skills through trainings and study tours, contributed to enhance access to rural finance services and this was greatly appreciated by the beneficiaries and national authorities. Yet, owing to the absence of an adequate monitoring system and poverty data, it is challenging to verify whether the poorest dehkans have actually been reached. The value chain approach emphasized at design stage has not been evident in implementation of HSP and DVCDP. In practice, the projects focused on production and on the provision of rural finance without clearly linking the various elements of the value chains.
- Efficiency has been negatively affected by significant delays, procurement issues, a currency devaluation, and inadequate, synchronized capacity building to support implementation. However, the benefits to beneficiaries are likely to be positive for those receiving support.
- HSP impact survey methodology was not robust, but it is presumed that there were positive impacts on food security and nutrition, as well as incomes and assets. There has not been any effort to work with social capital via development of cooperatives or WUAs, partly due to layers of distrust.
- Gender and youth were not addressed initially other than via quotas and in particular the cultural constraints on women make it difficult to involve them in trainings and project activities. Both gender and youth related issues are getting more attention in recent times, with recruitment of gender staff, preparation of GAPs and changes in Government policy.
- There are some results in scaling-up, although much more can be achieved with an appropriate knowledge management plan and policy dialogue. The introduction of irrigation technology is likely to be sustainable and will contribute to climate change adaptation on a small scale. Moving forward, increased attention is needed to support environment and natural resources management and climate change adaptation and increasing the institutional support and training in O&M of irrigation infrastructure and water use.

IV. Performance of partners

191. This section first assesses IFAD's responsibility for maintaining quality standard at design, to managing and responding to emerging changes in context, to help solving problems and implementation bottlenecks. For the Government, the CSPE assesses the degree of ownership and responsibility for implementation of operations, policy guidance, and mobilization of human and material resources, implementation management, and responsiveness to supervision recommendations and fiduciary aspects.

A. IFAD

192. **The framework for IFAD's strategic engagement with the government of Uzbekistan was not defined prior to starting implementation of projects**. According to IFAD Operational Procedures and Guidelines for Country Strategies,[107] a Country Strategy Note can be prepared instead of a COSOP under exceptional circumstances, such as when, "IFAD has insufficient country knowledge (e.g., because of limited or no engagement in the country)", which was the case of Uzbekistan. The Country Strategy and Concept Note was prepared in 2011 to outline an initial strategy for IFAD's general support to Uzbekistan and provide the concept for the first investment. This Note, however, does not include strategic objectives, expected results or risk management analysis. The Country Strategy Note is typically a provisional document that should evolve into a COSOP through an accurate analysis of IFAD's performance, including lessons learned during the Note period.

193. **As noted earlier, the policy environment was not conducive to good project planning in 2011.** Poverty (a key focus for IFAD) was not recognized officially by the Government, and the only financial providers were commercial banks (mainly state-owned). The country was transitioning from a centrally-planned to a market-economy, but the Government maintained strong control of planning. Other development partners faced similar problems - particularly with the Feasibility Studies. During the HSP planning, IFAD did not clearly appreciate the time this would take, nor the fact that the feasibility studies would change the design considerably and did not insist on key design features to be maintained until too late.

194. **The lack of a strategic framework developed jointly with the government has not allowed IFAD to agree on a common development vision** before the start of operations and to inform their implementation. The 2017 COSOP was not built on an accurate analysis of main issues and lessons from HSP experience, and, more importantly, does not include workable solutions to the challenges already faced and which continued to affect DVCDP. Divergences and/or lack of understanding between IFAD and the government about targeting and disbursement priorities, have indeed appeared after projects started being implemented, leading to low outreach and major implementation delays.

195. **Lessons from HSP have partly informed the ongoing projects**. Project designs show an improvement over time in terms of i) increased attention to value chains and rural entrepreneurship, ii) increased support to rural youth and gender mainstreaming, and iii) climate change. Yet, as explored earlier, the absence of a sound partnership and development strategy makes consolidation of results challenging.

Supervision and implementation support

196. **Project supervision has improved since HSP,** which had just four supervision missions carried out rather than six. There were no missions to the project between 2013 (entry into force) and mid-2015 when the first supervision mission

[107] Available at https://www.ifad.org/en/-/document/guidelines-for-preparation-and-implementation-of-a-results-based-country-strategic-opportunities-programme.

took place, which was a critical gap considering the need for guidance and relationship building during the early work. On the other hand, DVCDP has been regularly supervised with one mission per year until now, and one implementation support mission. Following IFAD's response to the COVID-19 crisis, IFAD missions planned for 2020 and 2021 were conducted remotely; while the DVCDP has benefitted from at least two missions in person until now, the ADMP, which entered into force in January 2019, has not yet received an in-country mission and has been only remotely supervised.

197. In August 2020, the RB-COSOP was reviewed by a remote mission as part of the design process of a new COSOP, reflecting the Uzbek Development Strategy for 2017-2021 and the new Strategy for Agricultural Development 2020-2030. The main lessons learned through the COSOP review include the need to provide greater implementation support to new clients to ensure that core IFAD goals with regard to targeting, gender, climate adaptation, youth and nutrition, are prioritised also under government policy formulation.

198. **The government appreciates IFAD supervision support and development partners underlined the good interactions during the supervision missions.** While there is no doubt that IFAD is investing time and effort to ensure projects are supervised, the quality of supervision is overall moderately satisfactory, as the support and guidance provided to project teams on M&E, knowledge management, gender mainstreaming, and procurement needs more attention moving forward.

199. **However, the high turnover in CPMs and limited interactions with government authorities and other development partners during the evaluation period constrained IFAD's engagement at the country level**. Since 2013, seven IFAD staff members (including the current) have served as Country Programme Managers (CPM)/Country Directors for Uzbekistan, being based in Rome HQ or in the Sub-Regional Hub of Istanbul as IFAD does not have a resident representation in Tashkent. The high turnover in the CPM position and the sporadic (and often ad hoc during supervision missions) liaison with in-country stakeholders have not allowed for continuity in interacting with the government, hindered institutional memory and any effective engagement of IFAD in policy dialogue and knowledge management.

200. **IFAD's performance is rated as moderately satisfactory (4).**

B. Government

Project management

201. Overall, **project management tends to diverge from the PDRs by overlooking the primary target groups (smallholder dehkan households) and interpreting the IFAD projects more as credit operations** than value chain development programmes. This situation is mainly due to the lack of integration of IFAD approaches and key targets in the Feasibility Study guiding project implementation, combined with weak capacities at the project level, which caused **severe disbursement and implementation delays that affected the entire strategy.** IFAD instruments to finance pre-implementation preparation work and capacity-building (Project Pre-financing Facility; and Non-reimbursable Technical Assistance for Project Start-up Facility), could be useful to the next generation of projects.

202. **Recent changes in Government policy improved the coherence between Government and IFAD aims.** In particular, CSPE interviews noted that the Government now appreciates the importance of providing support to dehkans, as important actors in food security and agricultural production. Issues such as climate change, gender and youth are also gaining more support from the Government, reflected in targeted bank loans and activities, as well as in policies.

203. **Institutional changes and project staff turnover were frequent also on the government side**. The government agency responsible for managing IFAD projects, the RRA, was replaced by the Uzbekistan Agency for Implementation of Projects in the Field of Agroindustry and Food Security (UZAIFSA) in 2018, following a number of institutional reforms. The effects of this transition on project management performance were more evident under HSP, for which IFAD has repeatedly provided recommendations on how to ensure a smooth and effective handover to limit the interruption of the activities, yet these were only partially addressed. Both HSP and DVCDP recorded some delays during the transition period, especially in the decision-making process. DVCDP is currently facing another transition of implementing agency from UZAIFSA to the State Committee for Veterinary and Livestock Development (SCVLD), with a corresponding shift in project management and staff. It is anticipated that this could provide stronger technical support and better alignment with the institutional set-up for implementing the 2020 – 2023 Livestock Development Strategy. In order to ensure continuity of action and decision-making, IFAD has agreed with the SCVLD that all previous PMO staff contracts will be confirmed, apart from the Project Coordinator who has resigned. This will hopefully mitigate the loss in project management experience and institutional memory and staff turnover.[108] However, as the ADMP will move to the Ministry of Agriculture, there is a risk of weaker linkages between the projects.

204. The physical location of the PMUs in Tashkent rather than in the project areas and the frequent staff turnover due to a high demand of qualified specialists from other donor-funded projects, have disrupted the continuity of management and oversight. In addition, the Project Steering Committees (PSC) should have ensured overall management oversight of IFAD projects. However, and for unspecified reasons, under the HSP the Committee has never been established and its role has been rather played by the Cabinet of Ministers. In the case of DVCDP, the government has decided not to establish any PSC but without providing any alternative arrangements to IFAD until now. IFAD is currently looking forward to receiving feedback from the government on the PSC but also on the contradiction in the date of completion of DVCDP.[109]

205. **Counterpart funds have been provided in a timely manner**, even if the final Government contribution under HSP was less than agreed in US dollars mainly due to the significant devaluation of the local currency following the liberalization of the exchange rate in 2017. Matching funds from the participating banks were anticipated in the designs but not specified in the sub-loan agreements, therefore were not included by the banks in the loans to beneficiaries.

206. **The M&E systems have never developed into the management information and knowledge tools anticipated at design**. Given the lack of previous operational experience in the country, the project design documents attached great importance to M&E systems as key tools to ensure learning through capture of experience, and knowledge gathering. As also stressed by the COSOP, such knowledge base would be fed into the country-level dialogue with the Government and shared with the development partners through learning notes on key IFAD interventions. In particular, the COSOP includes under SO1 the institutional policy/non-lending objective of informing policy discussions with the government and other partners with evidence-based data and knowledge products on productivity and income of small dehkans. These were all good ideas but were not implemented.

[108] In addition, ADMP is planned to transfer to the Ministry of Agriculture, although there are many livestock activities.
[109] The duration of DVCDP is established by the Financing Agreement as being six years, meaning its closure is planned for 2023; however, in the Presidential Decree approved by the government, the project closure is established in 2022. This inconsistency, two years before project closure, is still pending and has not yet been addressed by the government despite being urged by IFAD to revise the FA as soon as possible (noted in many Supervisory Mission reports).

207. Difficulties are partly due to the focus on disbursement, rather than project outcomes. For example, in the DVCDP, the M&E system appears to not produce data on milk production changes (outcome level), but only records the number of households reporting an increase. At objective level the increase in milk sales is only planned to be reported at the project end (a little late to change course). Instead, the monitoring focuses on activities, such as training and loans disbursed. Monitoring data does not indicate the poverty status of beneficiaries – it is assumed that dehkans are poor, yet it is evident from CSPE field visits and interviews that this is not always the case. On the positive side, in DVCDP and ADMP, the monitoring data is disaggregated in some indicators by age as well as sex. As the Feasibility Study strictly defines what can be done within each project there is limited capacity for the M&E data to be used via adaptive management to use the lessons learned and flexibly guide and adjust future implementation.

208. **The intended knowledge gathering function at project level was poorly performed by the M&E systems of HSP and DVCDP**, as they mainly consisted of producing technical and promotional documents, such as video documentaries, training manuals and technical manuals for beneficiaries. Neither of the two projects has a KM Specialist and as a result, no KM strategy has been developed. Hiring a KM specialist would be the best way for DVCDP to fill this gap, but since there is no budget for this it is advisable that IFAD support the PMO to identify key KM activities to be included in an Action Plan. This Plan should feed the preparation of the project exit strategy prior to completion and contribute to consolidating and sharing lessons learned over implementation. At present, there is no evidence of the KM function having been used to inform decision-making at project level, or any policy making process.

209. The main challenges faced by project M&E systems have concerned the quality and reliability of project databases, the lack of data collection at outcome and impact levels, double-counting of beneficiaries, and weak information flows between the PMU and the Regional PIUs. The main reasons for this poor performance are rooted in the weak capacities and qualifications among project staff, the frequent staff turnover within the M&E function, the shortage of adequate capacity building and technical assistance by IFAD, and ultimately, different attitudes between IFAD and government officials about what to monitor and how. Overall, the M&E function is still focused on disbursement levels rather than monitoring the effectiveness of investments and ensuring they reached the targeted beneficiaries. In order to be useful, there needs to be an opportunity to use M&E data for better, adaptive management, however, this does not appear to have happened. The strict constraints of the Feasibility Studies as well as the tradition of top-down management meant that there was little use of data produced.

210. All IFAD projects have or are collecting gender-disaggregated data. However, several issues exist in terms of quality and usefulness of the data collected. IFAD's intention was to target the rural poor, under the category of dehkans. However, it is becoming clear that those categorised as dehkans may not in fact be poor and they are taking loans of a size not typically associated with poverty levels. In the future, monitoring of the poverty rate of recipients would improve targeting. The DVCDP is maintaining a sex, age (where applicable) and geographically disaggregated database but is currently facing challenges in terms of data management, reliability and accuracy of the information reported (double counting of beneficiaries still needs to be addressed). **Government performance is moderately satisfactory (4).**

V. Overall achievement of IFAD's Country Strategy and Programme

211. **IFAD's country strategy and programme in Uzbekistan is overall moderately satisfactory**. The performance is only moderately satisfactory owing to the weaknesses of the targeting strategy during implementation, the lack of adherence between the design document and the feasibility studies prepared by the government, which affected implementation and results of the value chain approach, and the overall poor coherence of IFAD's country strategy. The linkages between the lending and non-lending programme were not explored. Monitoring, data collection and knowledge management did not receive adequate attention, and this has affected the immense benefit of using project monitoring data not only to course correct but also to measure and demonstrate progress on the ground, disseminate results, foster learning, nurture partnerships and influence policy dialogue.

212. Table 6 provides the rating for the IFAD's country strategy and programme in Uzbekistan.

Table 6
CSPE ratings

Evaluation Criteria	*Rating*
Relevance	4
Coherence	3
• Knowledge management	3
• Partnership development	3
• Policy dialogue	3
Effectiveness	4
• Innovation	4
Efficiency	4
Rural Poverty Impact	n.a.
Sustainability	n.a.
• Scaling-up	4
• Natural resources management and climate change adaptation	4
Gender equality and women's empowerment	3
Overall Achievement	4
Partner performance	
IFAD	4
Government	4

VI. Conclusions and recommendations

A. Conclusions

213. **The CSPE concludes that IFAD's strategy in Uzbekistan over the past 10 years is only moderately satisfactory: several strategic areas need to be revisited to establish a solid long-term partnership with the government.** Context is important to understand the performance of IFAD's country strategy. In the early years, as the first experience of IFAD in Uzbekistan, there was considerable learning required on both sides. There was little in the way of a market economy and it was only in 2017 that the country really began to open up. Despite these challenges, IFAD's support in promoting rural development was aligned with the country needs and priorities and, according to the government, will continue to be relevant for Uzbekistan given the persistent disparities in living standards between urban and rural areas and the effects of the global pandemic, which is reducing growth and creating additional financing needs.

214. Having said this, there is room for improvement moving forward especially in consideration of the catalytic role that IFAD could play in Uzbekistan and the recent more conducive policy environment. The Government of Uzbekistan is paying increasing attention to the poorest and to technical innovations, partnership building and policy dialogue. To respond to this positive change, several areas require attention in the next COSOP cycle to make it an instrument for strategic guidance for IFAD in the country and drive partnership and policy dialogue.

215. **First, targeting dehkans was relevant as they are the drivers of horticulture and livestock production and key to reduce rural poverty. Yet, the targeting strategy was not tailored to the needs of the different beneficiary groups**. IFAD pioneered direct support to the most vulnerable group, the dehkan farmers. They are a clear niche for IFAD, while other IFIs support larger scale producers. At present, it is not possible to know whether poorer dehkans are accessing finance or participating in project activities as poverty data on this group are not available. In practice, the large size of the loans and the collateral requirements suggest that they are not. Without close supervision, there is an incentive for the PFIs to issue fewer, larger loans, and this will favour elite capture and decrease the potential impact on rural poverty.

216. Along the same lines, little effort has gone to supporting gender equality and youth outcomes until recently. The above requirements at design constrained women's participation. While it is recognised that cultural norms make it difficult for Uzbek women to be actively involved in all value chain activities, gender equality and women's empowerment is a significant focus of IFAD's mandate and important for achievement of Sustainable Development Goals. Not only equitable economic empowerment should be addressed, but also enabling men and women to have equal voice and influence, and to achieve more equitable workloads. More recently the projects have taken some steps to develop gender strategies and action plans, and appoint gender advisors – good steps forward, but more follow-through is needed, as the DVCDP will end soon. Youth is being addressed with ADMP.

217. **Second, shifting geographic and sector targeting constrained the opportunity to consolidate results and build on experience**. Uzbekistan was not ready for a true value chain approach prior to 2017. There was insufficient productivity and production quality, and trust and collaboration among different categories of stakeholders was lacking. For instance, there were no functioning cooperatives that could have represented dehkans' interests. Producer group formation and empowerment takes time and hands-on support. In addition, there was insufficient knowledge and extension advice, and weak infrastructure. For these reasons, it made sense in HSP to focus on production, though a second phase might have allowed some value chain elements to develop. Changing sectors and geographical regions for each project misses this opportunity, meaning that

IFAD interventions are spread too thinly and do not build on previous investments, experience and knowledge.

218. **Third, the assessment of results was constrained by the lack of a solid M&E system.** The CSPE found data scarce and not reliable. There was too much focus on disbursing and implementing activities rather than outcomes, and reluctance to change course as needed. Supervision missions were unable to introduce some of the missing elements of the project designs as only the Feasibility Study indicators were observed. Despite capacity building efforts the M&E system remains weak, and this affected the availability of evidence of results, knowledge generation and the capacity of IFAD to unlock the potential for learning to promote innovation and scaling-up and influence policy dialogue.

219. **Finally, IFAD's weak programme support and overall sporadic interactions with in-country partners during the review period, affected results and the potential of policy dialogue to boost scaling-up of IFAD's innovations and approaches.** The disconnect between IFAD's design documents and the feasibility studies prepared by the government to guide project implementation affected projects' results and innovation potential, and caused disbursement and implementation delays. IFAD's limited interactions with in-country partners and the weak capacities at the project level constrained programme management and monitoring. Moreover, the high turnover of staff on IFAD and Government sides constrained IFAD's ability to ensure continuity, establish sustainable partnerships and adequately participate in country-level policy dialogue. Overall, IFAD's strategic orientation, including when the COSOP was finally designed, and the complementarity between lending, non-lending activities and grants were not sufficiently explored. This can offer great potential to contribute more broadly to the country's transition to more inclusive rural transformation.

B. Recommendations

220. Based on the evidence gathered, the analysis performed and the conclusions drawn, this CSPE offers the following recommendations.

221. **Recommendation 1. Effective targeting strategies should be at the core of the new strategy in order to reach the poorest including through pro-poor value chains.** Targeting strategies should be more effective in reaching genuinely poor dekhans, narrowing the gaps between men and women and between generations, in rural areas. Four immediate line of actions could be implemented to decrease the risk of elite capture in ongoing and future value chain operations:

    (i) target the genuinely poor based on participatory methods, considering assets and social status and, when possible, by reinstituting the 'low-income' criterion, rather than only nominating dehkans as a group to receive loans;

    (ii) weaken the "barriers to entry" (such as collateral requirements for loans) to enable the poorest and vulnerable people to participate in projects;

    (iii) give more attention to the development of clear linkages with rural entrepreneurs either via direct contracts or in formal associations with cooperatives;

    (iv) strengthening producers' associations through capacity building in order to allow these organisations to protect the smallest producers and use them to establish linkages with medium-large scale producers.

222. **Recommendation 2. IFAD and the Government of Uzbekistan should develop a COSOP that includes a coherent and viable action plan for non-lending activities and provide opportunities to engage with the private sector**. Uzbekistan is a middle-income country and as such, new ways of work are needed. Other IFIs can provide large loans. IFAD's added value may be more than focusing on production and providing rural finance. IFAD could add value in policy and capacity building on issues such as pro-poor value chains, climate smart

agriculture, PPPs and private sector engagement. In particular, the new COSOP should have a more realistic basis and a clear theory of change, building on the lessons learned from the loan and grant projects. Consideration should be given to developing a clearer sector and geographic focus, given the relatively small budget available – for instance, staying in one geographic location for more than one phase. It should include an action plan with adequate human and financial resources to ensure knowledge management and build new partnerships including with the private sector. Future grants could be used to support piloting of innovations as they are developed.

223. **Recommendation 3. IFAD's country strategy should devote attention and resources to develop robust project level M&E systems.** IFAD and the Government must work together to ensure data collection, analysis and use moving forward. Data should be collected according to a clear plan and analysed to ensure course correction as needed. This will be of utmost importance not only to collect evidence of results on the ground but also to monitor systematically, for instance, the environmental impact of the investments in livestock and course correct when necessary. This will require capacity building and improved tools – for instance, use of mobile phone apps for farmers to update data on production directly, and online systems for monitoring by project staff. Results should then be shared widely – with beneficiaries, country stakeholders and internationally, to promote learning and a culture of transparency. In order to support this, and ensure quality project management and a pro-poor and gender focus, project management units need qualified staff and technical assistance.

224. **Recommendation 4. Enhance country presence and programme support.** IFAD shall improve portfolio and programme support by using instruments to finance pre-implementation preparation work and capacity-building to facilitate project implementation readiness, such as Project Pre-financing Facility and the Non-reimbursable Technical Assistance for Project Start-up Facility. Moreover, an active and effective country presence will be key to ensure supervision, programme management and monitoring, and policy dialogue. To this end, adequate human and financial resources and less staff rotation from both IFAD and government must be ensured.

Definition of the evaluation criteria used by IOE

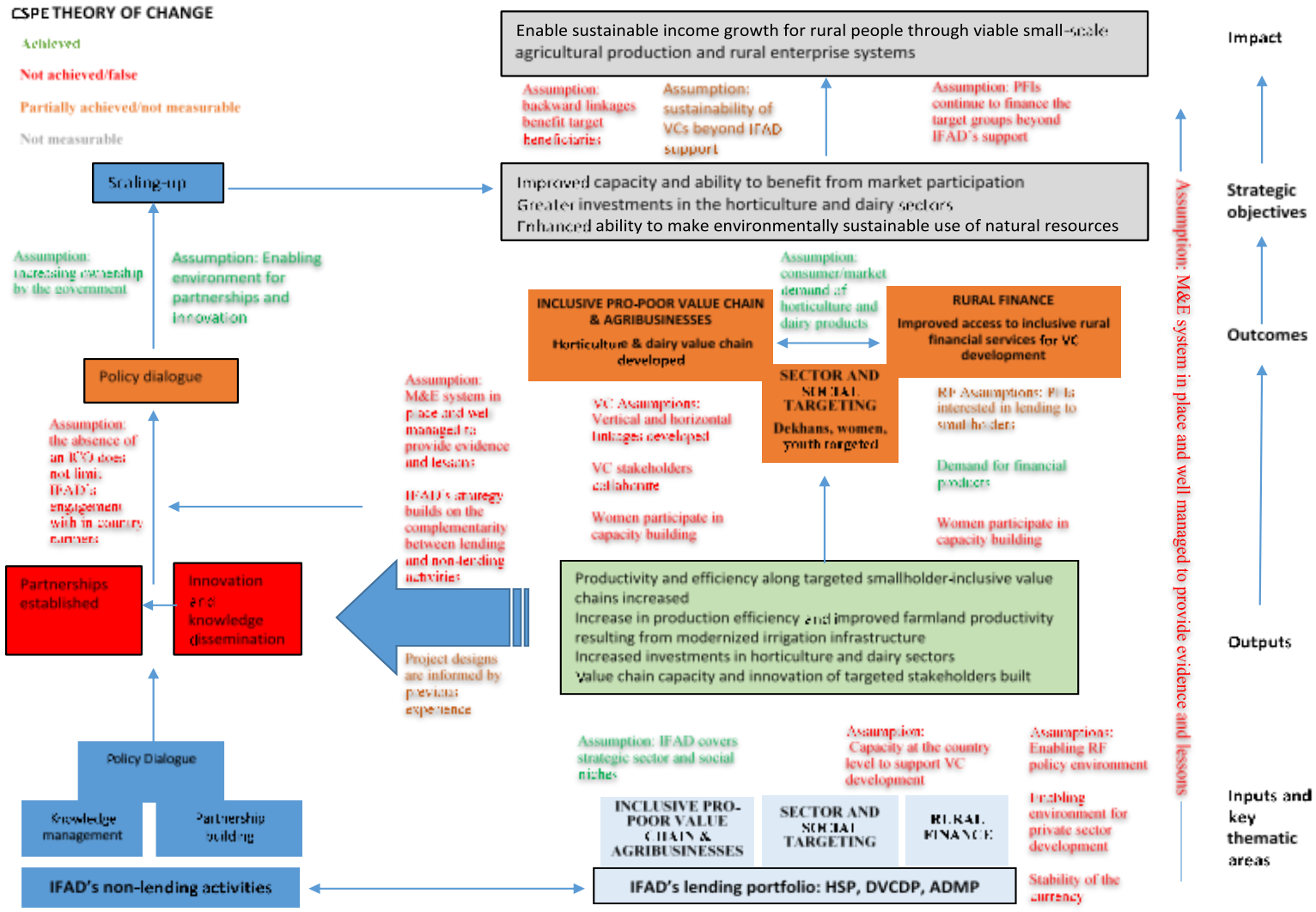
Evaluation criteria	Ratings
Relevance The extent to which: (i) the objectives of the intervention/ strategy are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies ; (ii) the design of the interventions / strategy*, the targeting strategies adopted are consistent with the objectives; and (iii) the intervention / strategy has been (re-) adapted to address changes in the context. *Evaluations will analyse the strategy pursued whether explicit (written) or implicit.	YES
Coherence (mainly for country level and strategic evaluations) This comprises two notions (internal and external coherence). Internal coherence is the synergy of the intervention/country strategy with other IFAD-supported interventions in a country, sector or institution. The external coherence is the consistency of the intervention/strategy with other actors' interventions in the same context. Non-lending activities are specific domains to assess coherence **Knowledge management** The extent to which the IFAD-funded country programme is capturing, creating, distilling, sharing and using knowledge **Partnership building** The extent to which IFAD is building timely, effective and sustainable partnerships with government institutions, private sector, organizations representing marginalized groups and other development partners to cooperate, avoid duplication of efforts and leverage the scaling up of recognized good practices and innovations in support of small-holder agriculture **Policy engagement** The extent to which IFAD and its country-level stakeholders engage to support dialogue on policy priorities or the design, implementation and assessment of formal institutions, policies and programmes that shape the economic opportunities for large numbers of rural people to move out of poverty	YES YES YES YES
Effectiveness The extent to which the intervention/country strategy achieved, or is expected to achieve, its objectives and its results at the time of the evaluation, including any differential results across groups A specific sub-domain of effectiveness relates to **Innovation,** the extent to which interventions brought a solution (practice, approach/method, process, product, or rule) that is novel, with respect to the specific context, time frame and stakeholders (intended users of the solution), with the purpose of improving performance and/or addressing challenge(s) in relation to rural poverty reduction.[110]	YES YES
Efficiency The extent to which the intervention or strategy delivers, or is likely to deliver, results in an economic and timely way "Economic" is the conversion of inputs (funds, expertise, natural resources, time, etc.) into outputs, outcomes and impacts, in the most cost-effective way possible, as compared to feasible alternatives in the context. "Timely" delivery is within the intended timeframe, or a timeframe reasonably adjusted to the demands of the evolving context. This may include assessing operational efficiency (how well the intervention was managed).	YES
Impact The extent to which an intervention/country strategy has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects. The criterion includes the following domains: -changes in incomes, assets and productive capacities -changes in social / human capital -changes in household food security and nutrition -changes in institution and policies	NO

[110] Conditions that qualify an innovation: newness to the context, to the intended users and the intended purpose of improving performance. Furthermore, the 2020 Corporate-level Evaluation on IFAD's support to Innovation defined transformational innovations as "those that are able to lift poor farmers above a threshold, where they cannot easily fall back after a shock". Those innovations tackle simultaneously multiple challenges faced by smallholder farmers. In IFAD operation contexts, this happens by packaging / bundling together several small innovations. They are most of the time holistic solutions or approaches applied of implemented by IFAD supported operations.

The analysis of impact will seek to determine whether changes have been transformational, generating changes that can lead societies onto fundamentally different development pathways (e.g., due to the size or distributional effects of changes to poor and marginalized groups)	
Sustainability The extent to which the net benefits of the intervention or strategy continue and are scaled-up (or are likely to continue and scaled-up) by government authorities, donor organizations, the private sector and others agencies. Note: This entails an examination of the financial, economic, social, environmental, and institutional capacities of the systems needed to sustain net benefits over time. It involves analyses of resilience, risks and potential trade-offs. **Specific domain of sustainability:** **Environment and natural resources management and climate change adaptation.** The extent to which the development interventions/strategy contribute to enhancing the environmental sustainability and resilience to climate change in small-scale agriculture. **Scaling-up*** takes place when: (i) other bi- and multi laterals partners, private sector, etc.) adopted and generalized the solution tested / implemented by IFAD; (ii) other stakeholders invested resources to bring the solution at scale; and (iii) the government applies a policy framework to generalize the solution tested / implemented by IFAD (from practice to a policy). *Note that scaling up does not only relate to innovations	NO YES YES
Gender equality and women's empowerment. The extent to which IFAD interventions have contributed to better gender equality and women's empowerment. For example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods; and in promoting sustainable, inclusive and far-reaching changes in social norms, attitudes, behaviours and beliefs underpinning gender inequality. Evaluations will assess to what extent interventions and strategies have been gender transformational, relative to the context, by: (i) addressing root causes of gender inequality and discrimination; (ii) acting upon gender roles, norms and power relations; (iii) promoting broader processes of social change (beyond the immediate intervention). Evaluators will consider differential impacts by gender and the way they interact with other forms of discrimination (such as age, race, ethnicity, social status and disability), also known as gender intersectionality.[111]	YES
Performance of partners (assessed separately for IFAD and the Government) The extent to which IFAD and the Government (including central and local authorities and executing agencies) supported design, implementation and the achievement of results and impact and the sustainability of the intervention/country programme. The adequacy of the Borrower's assumption of **ownership and responsibility during all project phases**, including government, implementing agency, and project company performance in ensuring quality preparation and implementation, compliance with covenants and agreements, establishing the basis for sustainability, and fostering participation by the project's stakeholders.	YES

[111] Evaluation Cooperation Group (2017) Gender. Main messages and findings from the ECG Gender practitioners' workshops. Washington, DC. https://www.ecgnet.org/document/main-messages-and-findings-ieg-gender-practitioners-workshop

CSPE Theory of Change



Evaluation framework

Evaluation criteria* and related evaluation questions	Indicators	Sources
Relevance		
Was the country strategy and programme relevant in relation to: (a) Uzbekistan development needs and challenges, and (b) IFAD's corporate strategies and priorities? Are IFAD priority themes sufficiently addressed in the 2017 COSOP? Does the strategy build on lessons learned? To what extent were the projects and the country programme adjusted to retain continued relevance? Is the targeting approach adopted by the country programme tailored to the needs of the poorest? Did the targeting strategy focus on Dekhan farmers? How was the quality of project designs? How is the design of the interventions in terms resources and M&E?	Extent to which IFAD analysed and aligned projects to national policy in design and strategy documents, and incorporated new policies through supervision documents. Alignment of project goals and objectives to national and sectoral policies at design Modification of project goals and objectives in line with contemporary changes to national and sectoral policies Technical content of projects Presence / absence of analysis of problems and analysis of risks and proposals made to palliate risks Follow-up made to address implementation problems	Review of project design, Interviews with national authorities and implementing agencies. Discussion with local government officials.
Coherence (including NLAs)		
What was IFAD added value and comparative advantage in Uzbekistan? How did IFAD position itself and its work in partnership with other development partners in Uzbekistan? To what extent is the country strategy and programme consistent with the interventions supported by other actors in the country (i.e. complementarity, harmonization, coordination with others, avoidance of duplication of efforts and the extent of value addition)? What is IFAD doing in comparison with what others are doing? Did the non-lending activities contribute to a coherent country programme strategy? What were the links between lending and non-lending activities? What did the grants contribute to the lending portfolio, e.g. in terms of innovations? Were the innovations only piloted, or have they been replicated/scaled up? Has IFAD proactively engaged in partnership-building and policy dialogue to facilitate the uptake of successful innovations and approaches? To what extent were non-lending activities embedded into the loan portfolio (e.g. with loan-component grants for policy engagement)? What were the specific contributions from grants to lending operations and non-lending activities?	Level of coordination/harmonization with other partners Number of projects and sectors covered by other development partners	Available literature Interviews with in-country development partners and stakeholders
Effectiveness		
Were the objectives of the country strategy and programme (lending and non-lending activities) achieved at the time of the CSPE? What innovations have been introduced? What are the characteristics of innovations promoted? Are they functional?	Comparison of intended vs actual population covered Comparison of results achieved vs design Quality of works (e.g., feeder roads, irrigation) Type of innovations and Technology adoption rate	Review of available reports and data Spot-verification during field visits Validation in the field

Evaluation criteria* and related evaluation questions	Indicators	Sources
	Increase in number and better functioning of Farmers' associations, cooperatives etc. Improved management of resources (pastures, water) Extent to which analysis and dialogue with partners was sufficient and sound enough to inform non-lending activities IFAD's participation in donor-coordinated studies Number of meetings with other development partners N and type of projects implemented by other development partners Regional exchanges Focus of supervision missions on KM	Primary data collection and interviews DVCDP is using Ex-ACT in greenhouse gas mitigation assessment. If the ex-ante data (estimations of with and without project) is available this would be useful to examine. Remote sensing data analysis IFAD's innovation policy In-country interviews with key stakeholders (government, development partners, NGOs, private sector) Project documents including COSOP, supervision mission reports
Efficiency		
How efficiently has IFAD's support been delivered over the evaluation period? What financial or technical inputs (e.g. loans, grants, technical assistance) have been deployed in what ways? How efficiently were the projects processed and implemented, including: (a) timeliness of project preparation and processing; (b) timeliness of implementation/disbursement (including project management performance); (c) cost-benefit, economic internal rate of return; (d) project management cost. How was IFAD human resource deployed and organized to supervise and support the lending portfolio and to engage in non-lending activities? What were the main factors affecting efficiency in the closed projects? What are the trends in the ongoing project?	Management costs Levels of staffing Disbursement rates Cost/beneficiary Unit costs (benchmarked against other projects and Government unit costs) Economic Rate of Return Compliance with loan agreements and loan conditions	Desk Review Financial data from projects Interviews with project finance officers
Impact		
Has IFAD country strategy had the anticipated impact on the target group (including: Dekhkan smallholders, women, indigenous peoples, youth, persons with disability etc.)? What are the observed changes in incomes, assets of the target group, household food security and nutrition, social/human capital and institutions and policies over the project/COSOP period? What explains those changes? What are the challenges? From an equity perspective, have very poor / marginalized groups, special categories, benefited in a sizable manner?	Changes in physical assets (farmland, housing, irrigation infrastructure, r etc.) Changes in the composition and level of household income Rate of increase in smallholders' profits Changes in financial assets and/or debts Employment rate in rural areas covered by IFAD Access to market information and prices Access to financial services Loans to dekhans and other disadvantage groups (n and USD) Amount of loans spent in technological improvements Education levels	Secondary evidence will come from outcome surveys and impact assessments. The CSPE main mission will provide an opportunity for spot-checking through individual and group interviews and direct team observation. The CSPE will also gather primary data through a survey, FGDs and interviews, and remote sensing data analysis.

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Evaluation criteria* and related evaluation questions	Indicators	Sources
	Availability and affordability of food Land productivity, yields return to labour Nutrition status	Data will be disaggregated by age, ethnic group, geographic location.
Sustainability		
To what extent did the intervention/country strategy and programme contribute to long-term institutional, environmental and social sustainability? What is the level of engagement, participation and ownership of the government, local communities, grass-roots organizations and the rural poor? In particular, did the government ensure budget allocations to cover operation and maintenance? Are grassroots able to continue functioning after project closure? What evidence is there that practices introduced by the programme have been scaled up? To what extent did the country strategy support the adoption of environmentally sustainable and climate-resilient technologies and practices? To what extent did the country strategy and programme contribute to reducing the environmental vulnerability of the beneficiaries and built resilience for sustainable natural resource management that contribute to poverty reduction?	Availability of activities in support to small producers (e.g. technical assistance, extension, training) Gross margins of farming / non-farming enterprises supported by the projects Continuation of activities, regular meetings Existence and quality of project exit strategies Extent to which government and other donor partners have incorporated IFAD practices into their own projects and strategies. Government co-financing ratio of similar practices/projects Financing of similar practices/projects by other partners and organisations Engagement / interest of private sector to expand or take over	Interviews with government staff (national / local) and with end-clients Project documents and selected development partner projects Key informant interviews (IFAD; local and regional level staff, former project staff, selected groups, selected development financiers) Focus group discussions (selected groups of beneficiaries) IFAD's operational framework for scaling up
Performance of partners		
Did the partners pay adequate attention to design quality (adhering to quality standards when available) and have realistic expectations on targets and implementation capacity? Did they provide oversight and strategic guidance at design and during implementation? Did Government comply with the loan covenants and fulfil its fiduciary responsibilities according to the loan agreement? To what extent did the Government demonstrate its ownership of the programme (and in the relevant sectors)? Were management decisions supported by a functioning M&E system?	N and quality of supervision missions Quality of mid-term review Quality of COSOP review Quality of completion reports M&E system in place Financial management system	Interviews COSOP and project documents

List and timeline of IFAD-supported operations in Uzbekistan since 2012

List of IFAD supported interventions

Project			*Dates*				*Financing (million US$)*					
ID	*Name*	*Type*	*Approval*	*Effective*	*Completion*	*Closing*	*IFAD*	*IFAD total*	*Government*	*Co-financing*	*Beneficiary*	*Total cost*
1100001606	Horticultural Support Project	Credit and Financial Services	03/04/2012	17/12/2013	31/12/2019	30/06/2020	9.63 (loan) 0.99 (grant)	10.63	1.95	11.36 (Spanish Fund) 2.58 (domestic FIs)	5.14	31.69
1100001714	Dairy Value Chains Development Project	Rural Development	15/09/2015	07/03/2017	31/03/2023	30/09/2023	23.90 (loan) 0.70 (grant)	24.60	0.315	7.24 (domestic FIs)	7.24	39.41
2000001283	Agriculture Diversification and Modernization Project	Credit and Financial Services	11/12/2017	09/01/2019	31/03/2025	30/09/2025	46.20 (loan) 46.20 (TU-LN) 0.300 (grant) 0.800 (grant)	93.50	27.04	200.00 (World Bank) 0.80 (IFC) 21.42 (other domestic)	1.93 19.46 (in-kind)	364.16
Total Financing since 2012								**128.73**	**29.30**	**212.6 (Intern.)** **31.2 (Dom.)**	**33.7**	**435.2**

Source: IFAD GRIPS 2020.

IFAD supported interventions

ID	*Project Name*	*Type*	*Location*	*Components*	*Implementation Arrangements (from PDRs)*	*Total cost (million US$)*	*Status*
1100001606	Horticultural Support Project	Credit and Financial Services	Surkhandarya	Component 1. Support for horticultural production and marketing Component 2. Rural finance Component 3. Rural infrastructure: improved irrigation network Component 4. Programme Management	Interagency Council has overall responsibility for management and oversight. Rural Restructuring Agency is the implementation agency. A Project management Unit (PMU) is embedded in RRA. The PMU shall have a Central Office in Tashkent and a Regional Office in the Project Area. The main functions of the PMU shall be: (i) project planning; (ii) financial administration including budgeting, procurement, accounting and disbursement; (iii) monitoring and evaluation; and (iv) providing, as appropriate, implementation support to implementing partners and	31.69	Closed

ID	Project Name	Type	Location	Components	Implementation Arrangements (from PDRs)	Total cost (million US$)	Status
					beneficiaries. Appropriate arrangements for monitoring of the Rural Finance component after Project completion shall be agreed between the Borrower/Recipient and the Fund. The Central Office in Tashkent is responsible for financial administration & procurement; and the Regional office in the project area is responsible for day to day implementation in the field.		
1100001714	Dairy Value Chains Development Project	Rural Development	Jizzakh and Kashkadarya	Component 1. Dairy Value Chain Capacity and Innovation Built. Component 2. Dairy Production and Processing Development Financed	Overall management oversight will rest with a Programme Steering Committee (PSC). The DVCDP Programme Director would act as Secretary to the PSC. The MAWR has been identified as the implementing agency. Day-to-day oversight of the DVCDP's management will rest with a PMO embedded in the Rural Restructuring Agency (RRA), a state entity dependent on the MAWR, whilst overall programme implementation oversight will be the responsibility of a PSC, under similar arrangements to those of the HSP, and consisting of representatives from key ministries, regional authorities and other relevant stakeholder organizations. Programme Implementation Teams (PITs) will be established in Jizzakh and Kashkadarya provinces. The PMO/PIT will coordinate the work of competitively selected private service providers and participating financial institutions (PFIs)	39.41	On-going
2000001283	Agriculture Diversification and Modernization Project	Credit and Financial Services	Andijan, Fergana and Namangan (Fergana Valley)	Component 1. Inclusive Value Chains Development Component 2. Inclusive Rural Finance Component 3. Climate-resilient Rural Infrastructure	Overall management oversight of the Project will rest with an Inter-agency Council (IC). The ADMP Project Manager would act as Secretary to the IC. The Ministry of Agriculture and Water Resources (MAWR) will have the overall responsibility for management of the Project on behalf of the Government of Uzbekistan. Day-to-day oversight of the ADMP's management will rest with a PMU embedded in the RRA, a State entity within the MAWR. The PMU will be based in Tashkent. A Project Implementation Team (PIT) will be established in one of the	364.16	On-going

ID	*Project Name*	*Type*	*Location*	*Components*	*Implementation Arrangements (from PDRs)*	*Total cost (million US$)*	*Status*
					project regions. The PIT will be responsible for day-to-day implementation in the field of all aspects of the Project, with the exception of financial administration and procurement, which will be managed entirely by the relevant personnel of the RRA/ADMP PMU at central level. The PMU/PIT will coordinate the work of competitively selected private service providers, consultants and participating financial institutions (PFIs) that will interact with VC actors on planning and financial matters.		

Source: IFAD GRIPS and PDRs

Timeline of IFAD supported interventions

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
COSOP				**IFAD 10 (46.5 US$ million**			**IFAD 11 (US$49 million)**						
HSP	**US$31.7 million**												
DVCDP					**US$39.4 million**								
ADMP							**US$163.4 million**						

a The table shows project dates starting from entry into force year.
Source: IOE elaboration based on IFAD Oracle Business Intelligence.

List of IFAD-supported grants

IFAD-financed and managed grants in Uzbekistan since 2012

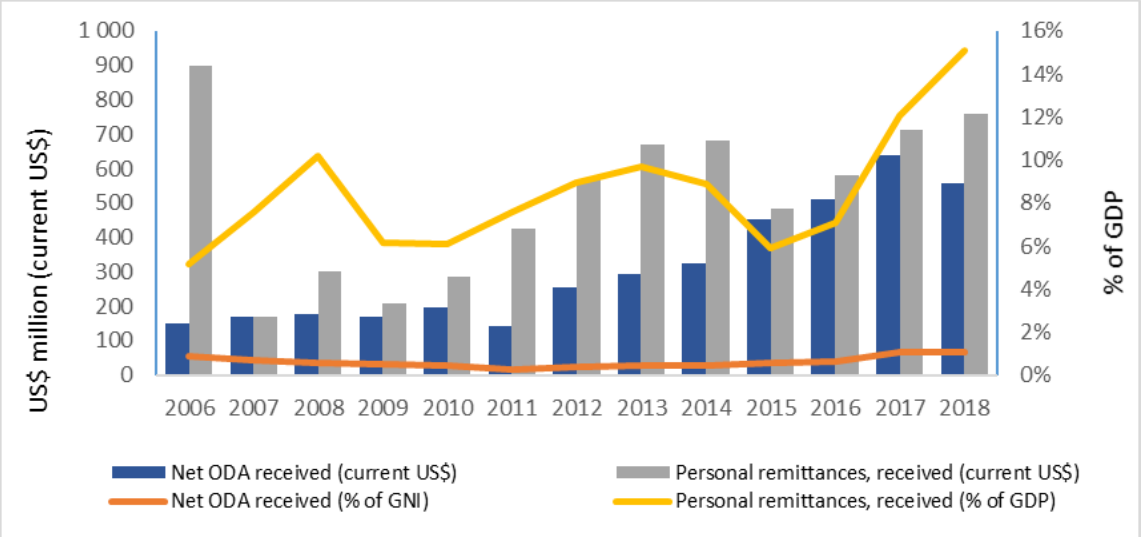
Grant ID	*Name*	*Type of grant*	*Countries included*	*Date of effectiveness*	*Date of closing*	*Amount in US$*	*Recipient*
1000004410	Knowledge Management in CACILM II (Central Asian Initiative for Land Management)	Regional	Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan.	01/02/2013	30/09/2016	1 400 000	ICARDA
2000000112	Increasing Food Security through South-South Cooperation in Agricultural Development in the NEN Region	Regional	Uzbekistan, Algeria, Egypt, Morocco, Turkey	09/12/2013	31/12/2018	1 800 000	UNOSCC
1100001606	Horticultural Support Project	Loan Component		17/12/2013	30/06/2020	1 000 000	HSP
1100001714	Dairy Value Chains Dev Program	Loan Component		07/03/2017	30/09/2023	500 000	DVCDP
2000001283	Agriculture Diversification and Modernization Project	Loan Component		09/01/2019	30/09/2025	300 000	ADMP
2000001283	Agriculture Diversification and Modernization Project	Loan Component		Approved: 11/12/2019		800 000	ADMP

Source: IFAD GRIPS 2020; Grant documents; OPR Grant Status Report tool.

Official development assistance

1. **Official Development Assistance** (ODA). The ODA totalled US$556 million in 2018 accounting for 1.1 per cent of the Gross National Income (GNI). The top five donors of ODA to Uzbekistan between 2005 and 2019 have been Japan, the International Development Association (IDA, of the World Bank), Asian Development Bank (ADB) (US$750 million), Korea, and the European Union (EU). The majority of ODA in 2017-2018 has been destined to education (32 per cent), followed by agriculture (22 per cent). The largest sources of development finance for the agriculture sector in the same period were the World Bank (US$710.4 million), followed by Japan (US$129.8 million), ADB (US$53.6 million) and its Special Funds (US$75.8 million), the EU (US$58.4 million), IFAD (US$55.6 Million).[112] China has grown to become a major donor in health and education sector through grants allocated for the improvement and upgrading of schools and hospitals.[113] In practice, remittances have overshadowed ODA during this period (see Figure 3 below). Remittances have represented on average 9 per cent of the GDP between 2006 and 2019 and have steadily increased since 2015, owing to exchange rate devaluation.

Figure 3.
ODA and remittances to Uzbekistan in absolute terms (current US$ million) and proportional to GNI, between 2006 and 2018



Source: World Bank 2020

[112] FAO Aidmonitor.
[113] Fabienne Bossuyt. *The EU's and China's development assistance towards Central Asia: low versus contested impact.* Eurasian Geography and Economics. 2019.

List of key persons met

Government

Gayrat Ganiev, Deputy Director General of UZAIFSA, and former HSP Procurement Specialist

Sherzod Ibragimov, DVCDP Manager, UZAIFSA

Jasur Matrasulov, ADMP Manager, UZAIFSA

Sobirjo Hayitov, former HSP Monitoring Specialist, UZAIFSA

Nodir Gafurov, former HSP Manager, former RRA

Anvar Kasimov, M&E Specialist, UZAIFSA

Umirbek Sultanov, M&E Specialist, UZAIFSA

Nargiza Azimova, Finance Specialist, UZAIFSA

Bobur Bekpulatov, Chief Accountant, UZAIFSA

Umirbek Sultanov, Rural Finance project coordinator, UZAIFSA

Umirbek Abdullaev, Manager, DVCDP, UZAIFSA

Dildora Amrirkulova, Gender Specialist, DVCDP, UZAIFSA

Nazifa Kamalova, Gender Specialist, DVCDP, UZAIFSA

Hulkar, Gender Specialist, DVCDP, UZAIFSA

Uktam Murodov – Livestock Specialist, DVCDP, UZAIFSA

Jakhongir Berdiev – Head of Ecological Expertise Department, Kashkadarya Region State Committee for Nature Protection.

Furkat Aliboev, Deputy Head, MIFT Department, Kashkadarya Region Khokimiat

Rustam Mamedov, Head of Agriculture Department. Kashkadarya Region MIFT

Shavkat Mamashaev - UZAIFSA Representative, Kashkhandarya

Yevgeniy Kalmikov, Rural Finance Specialist, Andijan region, ADMP/UZAIFSA

Umida Bakirova, Gender/Youth Specialist, ADMP/UZAIFSA

Tursunpulat Abduganiev, Rural Finance Specialist in Namangan, ADMP/UZAIFSA

Sardor Abdullaev, (Assistant of Tursunpulat – Rural Finance Specialist), ADMP/UZAIFSA

Oybek Astanov, UZAIFSA Regional Representative in Surkhandarya, former HSP Rural Finance Specialist

Abdukadirov Bakhrom, Deputy Head of Department for Cooperation with IFIs, MIFT

Alisher Shukurov, Specialist, Ministry of Agriculture

Bekzod Ibragimov, Chief Specialist of the Foreign Relations Department, Ministry of Economic Development and Poverty Reduction

Usarov Odil Suyunovich - Head of the Department for Coordination of Structural Reforms in Agriculture Ministry of Economic Development and Poverty Reduction

Muminov Akrom Adhamalievich - Head of the Department for Ensuring Stability, Analysis and Forecasting of the Internal Food Market, Ministry of Economic Development and Poverty Reduction

Bunyod Gafurov, Head of Department for Poverty Reduction, Ministry of Economic Development and Poverty Reduction

Fotima Abdusamatova, Chief of Party, Department for Agricultural Development, Ministry of Economic Development and Poverty Reduction

Majidov Fakhriddin, Lead Economist Debt Management Office Ministry of Finance of the RUz and focal point for IFAD projects, Ministry of Finance

Fakhriddin Majidov, Lead Economst at Debt Management Office, Ministry of Finance

Bakhtiyor Kamolov, Deputy Minister, Ministry of Water Resources

Khamdamov Khabibulo, Adviser to the Chairman on Innovations Development and Investments, State Committee of Veterinary and Livestock Development

Khamraev Bobur, Head of the Department of International Relations and Investment, State Committee of Veterinary and Livestock Development

IFAD

Bernard Hien, IFAD Director Hub for Eastern Europe and Central Asia, Acting Country Director (2021), Uzbekistan

Vrej Jijyan, Country Director (2020-2021), Uzbekistan

Frits Jepsen, former Country Programme Manager (2014-2017), Uzbekistan

Mohamed Abelgadir, former Country Programme Manager (2017-2019), Uzbekistan

Lenyara Fundukova, Senior Knowledge Management Officer, and formerly Acting Country Director (2019-2020), Uzbekistan

Vincenzo Galastro, IFAD consultant

Abdurazak Khujabekov, IFAD Country Representative in Uzbekistan

International and donor institutions

Frank Hollinger, Rural Finance Specialist, FAO Investment Centre

Anara Jumabayeva, Agricultural Economist, FAO Investment Centre

Bakhtiyor Mirzabaev, Trade and Agribusiness Specialist, USAID

Shahzoda Alikhanova, Environment and Energy Specialist, USAID

Sergiy Sorya, Lead Agriculture Economist, World Bank

Dilshod Khidirov, Agriculture Specialist, World Bank

Teklu Tesfaye, Task Team Leader Livestock, World Bank

Melissa Brown, Senior Agriculture Economist, World Bank

Sharifzoda Sharipov, Program Officer, JICA

Kenji Mishima, Coordinator, JICA

Mr Mori, Finance Officer, JICA

Oydin Sattarov, Program Officer, GIZ

Talat Nasirov, Senior Project Officer, ADB Resident Mission

Khalid Umar, Head of Institute, CAREC

Iskandar Abdullaev, Deputy Director, CAREC

Akmal Akramkhanov, Regional Manager, Central Asia, ICARDA

WCAs, Non-governmental organizations and associations

Mirzokhid Yuldoshev, Head of Information Centre, Farmer’s Association

Shamsiddin Hudoykulov, Kumkurgan District Water Consumer Association

Madjiddin Mukhiddinov, former Manager of the Chilim-Guzar WUA, Kumkurgan

Shokir Sokiev, Technical supervisor of the works in the irrigation canals, Kumkurgan-2 canal

Water users of Kumkurgan-2 canal

Water users of Sufiyon canal

Water users from Sufiyon and Khasankhan canals

Bektosh Narzullaev, Sariosiyo District Water Consumer Association

Mansurbek Zaylobidionov, Head of Construction Department, Norin-Karadarya ISA, Andijan

Banks

Nikita Mikanorov, Head of Investment Department, Xalq Bank

Ahror Nurmatov, 1st Category Specialist, Xalq Bank

Rustam Sultanov, Head of Department. Center for Investment Coordination and Project management, Xalq Bank

Ruslan Kharisov, Deputy Director of the Center for Investment Coordination and Project Management, Mikrocredit Bank

Sherzod Boltaev, Head of Division for Coordination of Investment Activity, Ipoteka Bank

Larisa Ismailova, Head of Public Relations, Ipoteka Bank

Ravshan Kadirov, Head of International Financial Institutions Division, Khamkor Bank

Sarvarbek Shoyimardonov, Head, Sariosiyo Branch, Sanoat Qurilish Bank

Mirakhmad Razzokov, Chief Specialist, Sariosiyo Branch, Sanoat Qurilish Bank

Akbarali Akhmedov, Manager, Sariosiyo Branch, Xalq Bank

Sherzod Yuldashev, Chief Specialist, Sariosiyo Branch, Xalq Bank

Ergash Mirzaev, Manager, Sariosiyo Branch, Qishloq Qurilish Bank

Sirohiddin Goibov, Leading Specialist, Sariosiyo Branch, Qishloq Qurilish Bank

Sherzod Musulmankulovich, Investment Projects Funding Centre, Surkhandarya branch of Qishloq Qurilish Bank

Hayom Yusufov, Deputy Head of the Bank, Surkhandarya branch of Xalq Bank

Mamayusuf Abdusamatov, Credit Monitoring Department, Surkhandarya branch of Mikrokredit Bank

Sardor Choriev, Leading Specialist, Termez branch, Uzsanoatqurilish Bank

Oybek Ziyodullaev, Investment Department Head, Karshi branch, Xalq Bank

Sukhrob Hujanazarov, Investment Department Leading Specialist, Karshi branch, Kishlok Kurilish Bank

Jurabek Madadov, Leading Specialist, Karshi branch, Mikrokredit Bank

Research and training institutions

Tolibjon Karimov, Rector, Andijan Agriculture Institute

Bahodirjon Nosirov, Head of the International Cooperation Office, Andijan Agriculture Institute

Oybek Jafarov, Researcher, Andijan Agriculture Institute

Zokirjon Bo'stonov, Researcher, Andijan Agriculture Institute

Nabira Djumabaeva, Leading Researcher, Production Center for Agriculture

Sanjar Adilov, Leading Researcher, Production Center for Agriculture

Director, Qorako'lchilik and Desert Ecology Research Institute

Shuhrat Ahmedov, Leading researcher, Scientific Research Institute of Horticulture, Wine Growing and Wine making, Denau branch

Jahongir Denov, Leading researcher, Scientific Research Institute of Horticulture, Wine Growing and Wine making, Denau branch

Sirojiddin Eshmatov, Researcher, Tashkent Institute of Irrigation

Jakhongir Ochildiev, Head of Laboratory, Central Nursery and Mirzaev Institute in Denau

Fahriddin Tulashev, Director, Central Nursery and Mirzaev Institute in Denau

Beneficiaries

HSP

Agrofirms (greenhouses and cold storage), Sariosiyo

Bobotog Makhalla leaders and community, Kumkurgan

Arpopoya Makhalla leaders and community, Kumkurgan

Farms (greenhouses), Bobotog

Shokhkishlok Makhalla leaders and community, Sariosiyo

Farm, Kumkurgan

Farm, Jarkurgan

Farms (greenhouses, orchard), Kumkurgan

Dehkans, Saliobod Makhalla, Bakhoriston village, Termez

Farm (greenhouse), Termez

Agrofirm (juices and beverages), Termez

15 telephone interviews with loan beneficiaries

DVCDP

Hasan Muradov – Head of "Yasen Service" Milk Processing Company, Karshi

Isroil Murtazaev – Manager of the Company, Yasen Service" Milk Processing Company, Karshi

Muhiddin Primov (Koson district) - Bunyod Chorvachilik farm head

Boymirza Hurshiev (Koson district) - Tuhtasin Hudoyarov dehkan farm

Inobat Kilicheva (Kasbi district) - Dehkan farm

Ulugbek Fayziev, Head of "Chaman Honobod" Farm, Karshi

Ortiq Fayziev, Manager of "Chaman Honobod" Farm, Karshi

Sanjar Ergashev, Head of "Fayziobod Naslli Chorva" Farm, Karshi

Jamshid Chuliev, Manager of "Fayziobod Naslli Chorva" Farm, Karshi

Akhror Bozorov, Head of "Saravarbek El ishonchi" Farm, Karshi

Nemat Hayiotv, Head of "Yuldashev Sunnat Nematovich" Farm, Karshi

Zulhumor Goyibova – Head of Yetti Khazina Chorva and Manager of Chorva rizk roz dehkan farm, Kasbi

Otakul Ruzikulov, Head of Chorva Rizk Roz dehkan farm, Kasbi

Norgul Ruzieva, Manager of Erkin Begmatov dehkan farm, Kasbi

Erkin Bekmatov, Head of the dehkan farm, Kasbi

Sokhiba Azizova, Head of "Sokhiba Azizova" farm, Kasbi

8 telephone interviews with loan beneficiaries

ADMP

Elmurod Chkalov, Asalarichilik Kelajagi (processing & packing equipment), Andijan

Shokhrukh Isomiddinov, XXI Asr Istikboli (dairy), Andijan

Dilfuza Ganiyeva, Karimjon Plus G (sheep), Namangan

Sobit Asriboev, Aksi Baraka (cattle for meat and milk), Namangan

Other resource persons

Olga Tomilova, Rural Finance Specialist, Independent Consultant

Richard Rozwadowski, Independent Consultant

Philip Chamberlain, Independent Consultant

Ruggero Malossi, Independent Consultant

Anton van Engelen, Independent Consultant

Victor Sechkin, Evaluation Expert, Aykan Invest

Adrian Neal, Policy Advisor, EU ASK Facility, Ministry of Agriculture, Uzbekistan

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