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Independent Office of Evaluation

Republic of Uzbekistan

COUNTRY STRATEGY AND PROGRAMME EVALUATION





Republic of Uzbekistan

Country Strategy and Programme Evaluation

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Photos of activities supported by IFAD-financed projects in the Republic of Uzbekistan

Front cover: Families in Uzbekistan are supported by the IFAD-funded Horticultural Support Project. Through the project, more than 2,200 farmers have been trained in horticultural production, marketing and agribusiness. ©IFAD/Lenyara Fundukova

Back cover: Greenhouse with seedlings in production at the Central Nursery of the Mirzaev Scientific Research Institute of Horticulture and Viticulture, Denau, Surkhandarya. The Horticulture Support Project has developed the capacity of the central nursery for research and development of healthy varieties and seedlings (left) ©IFAD/Isroiljon Khakimjonov; Through the Horticulture Support Project, IFAD has established partnerships with financial institutions that provide microloans to farmers for investments in: greenhouses, orchards and vineyards; agricultural, processing and packaging equipment; and cold storage facilities. About 1,000 full-time jobs were created by the project and project beneficiaries reported an increase in income (right). ©IFAD/Lenyara Fundukova

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Foreword

In 2021/2022, the Independent Office of Evaluation of IFAD conducted the first country strategy and programme evaluation in the Republic of Uzbekistan, covering the period from 2011 to 2020. The evaluation found that IFAD responded to important shifts in government policies in the agriculture and rural sector by focusing on the value chain approach to agribusiness development, combined with the provision of rural finance. IFAD was the first international financial institution to provide loan finance to the horticulture value chain in the country, and to champion direct support to the most vulnerable group, the dehkan farmers.

On the other hand, the evaluation findings also pointed out areas of where the country programme experienced challenges. Firstly, despite efforts at design stage, IFAD's strategy to target the poorest during the implementation period was not sufficiently tailored to the needs of the different beneficiary groups. Geographic targeting focused on the poorest areas, yet a shift in geographic and sector targeting from one project to the other did not allow IFAD to consolidate results and build on experience. Secondly, limited programme support and interactions with in-country partners have affected programme achievements and the potential for policy engagement. Lastly, the evaluation found that the monitoring and evaluation system was weak, which affected the ability to capture evidence of impacts and results, inhibited the generation of knowledge and reduced IFAD's capacity to unlock the learning needed to promote innovation and scaling up, as well as to influence policy.

The evaluation concludes that IFAD's support can continue to be catalytic in Uzbekistan by strengthening the strategic partnership with the Government, in order to effectively address development challenges in the horticulture and livestock sub-sectors. However, improvement is needed in several areas, including: (i) effective targeting strategies; (ii) better linkage with the private sector; and (iii) enhanced support in implementing the country programme.

I hope that this evaluation will provide the foundation for enhancing country-level engagement in support of inclusive and sustainable rural transformation.



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Currency equivalent, weights and measures

Currency equivalent

Currency unit = UZS (Uzbekistan Som)
US\$1.00 = UZS 1,700 (at design)
US\$1.00 = 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

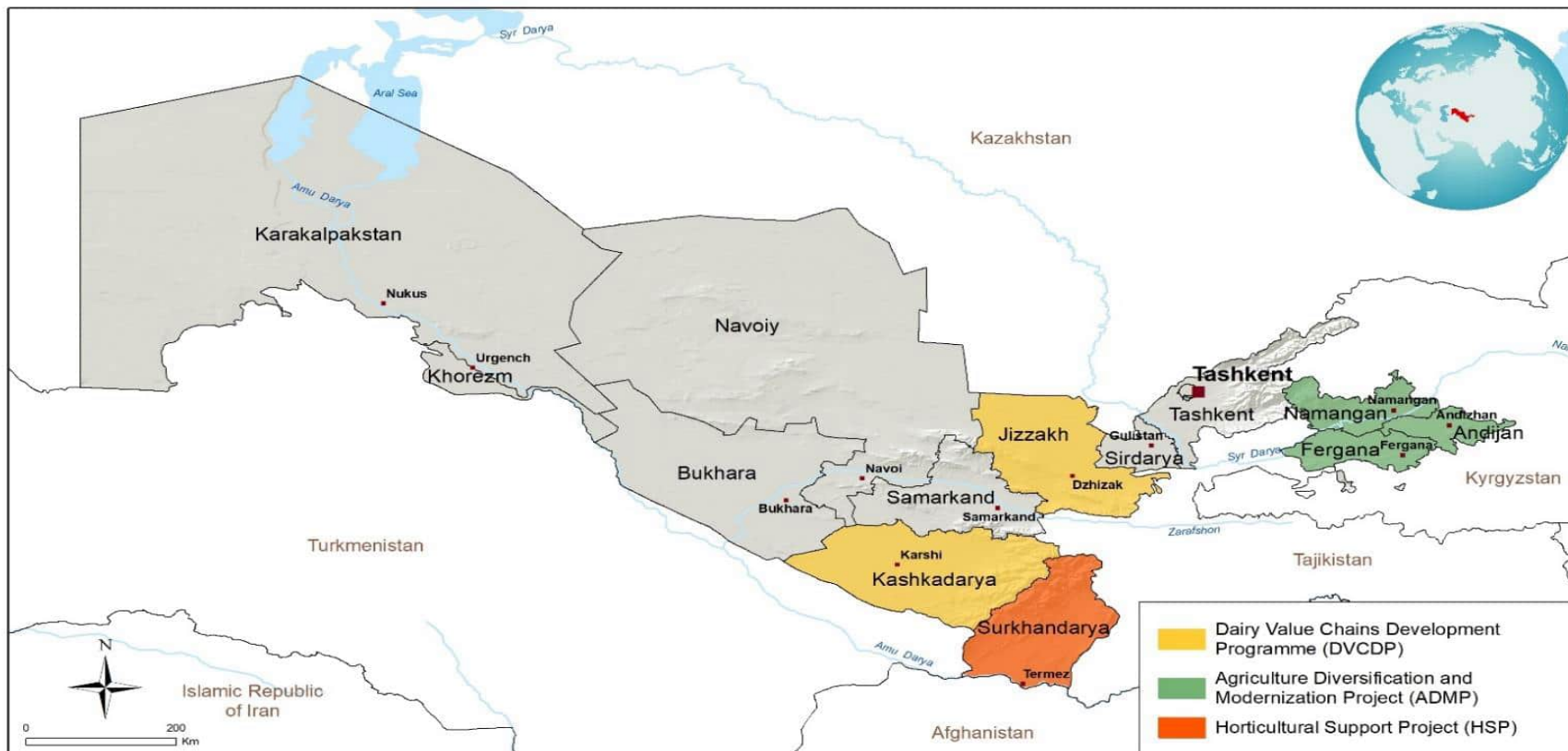
ADB	Asian Development Bank
ADMP	Agriculture Diversification and Modernization Project
AKIS	Agriculture Knowledge and Innovation Service
CAREC	Central Asia Regional Economic Cooperation Program
COSOP	country strategic opportunities programme
CLARA	Cash-flow Linked Agricultural Risk Assessment
CSPE	country strategy and programme evaluation
DVCDP	Dairy Value Chains Development Program
EFA	economic and financial analysis
EIRR	economic internal rate of return
FAO	Food and Agriculture Organization of the United Nations
FPPC	forum for private-public collaboration
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (Germany)
HSP	Horticultural Support Project
IFI	international financial institution
IOE	Independent Office of Evaluation of IFAD
M&E	monitoring and evaluation
NEN	Near East, North Africa and Europe Division of IFAD
O&M	operation and maintenance
PCR	project completion report
PDR	project design report
PFI	participating financing institution
PMU	project management unit
PPE	project performance evaluation
PSC	project steering committee
SSTC-ADFS	South-South and Triangular Cooperation for Agricultural Development and Enhanced Food Security
RRA	Rural Restructuring Agency
UZAIFFSA	Uzbekistan Agency for Implementation of Projects in the Field of Agroindustry and Food Security
WCA	water consumers' association

Map of IFAD-supported operations in Uzbekistan

Uzbekistan

IFAD-funded operations

Country strategy and programme evaluation



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 01-02-2021

Executive summary

A. Background

1. **Objectives.** In line with the IFAD Evaluation Policy,¹ and as approved by the IFAD Executive Board, the Independent Office of Evaluation of IFAD (IOE) undertook the first country strategy and programme evaluation (CSPE) in the Republic of Uzbekistan. The main objectives of the CSPE were to: (i) assess the results and performance of the IFAD strategy for 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.
2. **Scope.** The scope of the CSPE was defined within the context of the ongoing COVID-19 pandemic. It 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 Programme (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, and ADMP only became effective in January 2019 and therefore its evaluability was limited. Despite the limitations posed by the pandemic, mixed methods were applied for data collection (through virtual meetings and field visits), which allowed for triangulation and conclusions to be drawn.

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

3. **Country background.** Uzbekistan has undergone a significant political and economic transition from a centrally-planned to a market-based economy, following its independence from the former Soviet Union in August 1991. This accelerated in 2017, with a change of leadership, state-led reforms and a gradual liberalization of the economy and trade.
4. Agriculture has been, and continues to be, an engine of economic growth. Yet, access to finance, production infrastructure, extension services and value chains remain limited, particularly for the poorest smallholders - the dehqan farmers.² Dehqan farms produce the majority of the country's livestock and horticulture products. They employ 60 per cent of the farm labour force, generate 70 per cent of country's total agricultural output, and 35 per cent of the agricultural export value, yet they operate on less than 20 per cent of the country's arable land.³ Social development is strengthening, but gender inequality and growing rural unemployment is prevalent, and the country also faces increasing environmental threats from climate change.
5. **IFAD's engagement with Uzbekistan is relatively recent.** Uzbekistan joined IFAD in 2011, since when IFAD has approved three loan projects in the horticulture and dairy production sectors (including in-project grants) for a total of US\$128 million, along with two regional grant-funded activities. There is no in-country office, and the portfolio is managed from the subregional hub in Istanbul. The first results-based COSOP for Uzbekistan was prepared in 2017 to cover the four-year period until 2021. The focus was on rural small-scale producers, particularly dehqan farmers, to improve their agricultural productivity and participation in value chains, while integrating the sustainable use of natural resources and climate-resilient technologies.

¹ <https://ioe.ifad.org/it/evaluation-policy>

² Dehqan farmers have small-scale household farms averaging less than 2 ha.

³ The World Bank. *Uzbekistan: Agricultural Trade Policy Report (2018)*.

C. Performance and rural poverty impact of the country strategy and programme

6. **Relevance.** The relevance of IFAD's country strategy and programme is rated as moderately satisfactory. The development strategy pursued by IFAD responded to important shifts in government policies and interests in the agriculture and rural sectors during the last decade, promoting a more diversified and sustainable sectoral approach. It was the first international finance institution (IFI) to provide loan finance to the horticulture value chain in the country, and championed direct support to the most vulnerable group, the dehkans 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 dehkans and women, and later youth, was innovative and important in the Uzbek setting.
7. Yet, the relevance of IFAD's country strategy and programme is heavily affected by several factors. Key among them were the initially poor alignment with IFAD's corporate priorities, the overall weak strategic orientation of the COSOP, the absence of an effective monitoring system, and the disconnect between IFAD design documents and the feasibility studies prepared by the Government. Many innovative aspects, the targeting approach and value chain focus, were lost in the feasibility studies. Moreover, the CSPE highlights the low attention given to risks in implementing value chain operations in a new country, weakness in implementation arrangements, as well as a shift in geographic and sectoral focus which limited the consolidation of results. These factors heavily affected programme implementation.
8. **Coherence.** The coherence of IFAD's country strategy and programme is moderately unsatisfactory. Knowledge management, partnership-building and policy engagement are also individually rated as moderately unsatisfactory. IFAD covered (and continues to cover) a specific niche in Uzbekistan which reflects its comparative advantage with smallholders. The Fund is directly targeting 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 was diminished by the limited efforts spent on building on the synergies with other development interventions and consolidating results. IFAD's positioning in the country was not guided by a strategic vision, either intended or formalized in the 2017 COSOP. The internal coherence of the strategy did not build on the complementarity between the lending and non-lending programme, and steer further partnership and policy dialogue. Grants are detached from the rest of the programme. No action plan was developed to guide knowledge management, and formally document and disseminate the results of the projects to unlock the deeper potential for learning, the promotion of innovation and scaling up and influencing policy dialogue. While there are some recent, supportive policy changes and signs of growing interest from the Government 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.
9. **Efficiency.** The efficiency of IFAD's country strategy and programme is moderately satisfactory. There is no doubt that the environment in 2011 was challenging. There were delays in start-up in both HSP and DVCDP, mainly due to the feasibility study process of the Government, and there were initial difficulties with the contracting procedures, but both partners have learned to manage these processes. Planned synchronization of activities, such as providing capacity-building prior to investment, did not occur, as the emphasis was on disbursement. Insufficient funds have been disbursed for project management (even though they were planned for in the project budget), and this has had a negative impact on implementation. Particularly with a new country, technical assistance is needed to ensure good implementation. Despite this, and the serious currency devaluation that occurred in 2017, the indicators of economic efficiency are quite positive and the cost per beneficiary was contained.

10. **Effectiveness.** The effectiveness and innovation of IFAD's country strategy and programme are both rated as moderately satisfactory. These ratings take into account the political context in Uzbekistan prior to 2017, the disconnect between IFAD design documents and the feasibility studies which, as mentioned above, constrained implementation, and the absence of an effective monitoring system which limited the assessment of the contribution of IFAD's country strategy to immediate and longer-term results on the ground. Overall, the objectives of the three thematic areas selected for focus by the CSPE (targeting, pro-poor value chain development, and rural finance), and also reflected in the COSOP, were only partially achieved. Geographic targeting has been fairly successful, being based on poverty levels and potential for the sector, as well as guidance given by the Government. However, changing the region in each project missed the opportunity to build on achievements. IFAD introduced some innovations in social and sectoral targeting and its outreach was good overall. However, disaggregation by target group shows that dehqan farmers and women are underrepresented as beneficiaries of project-supported activities, and in particular, of rural finance initiatives. Owing to the absence of an adequate monitoring system and poverty data, it is challenging to verify whether the poorest dehqans have actually been reached. While in HSP and DVCDP, dehqan farmers received the majority of the bank loans, the value of the loans has been very small. It has certainly proved difficult to involve women in project activities (such as training and loans), due to cultural barriers. In HSP, gender was not given much attention, but there have since been improvements in DVCDP and ADMP.
11. The value chain approach emphasized at design stage has not been evident in implementation of HSP and DVCDP, and was apparently poorly understood. Efforts were made to support value chain development through innovations such as the fora for private-public collaboration within DVCDP, but they did not develop beyond an opportunity for meetings into a true innovation platform. ADMP is also piloting several innovative ideas to support different points in the value chains as well as mapping their subsectors. IFAD support has enhanced agricultural skills through training sessions and study tours, though not in a very structured manner. In practice, the focus of training, technical assistance and the provision of rural finance has been on production, particularly on importing dairy heifers in DVCDP and ADMP, without clearly linking the various elements of the value chains. This is typical when entering a new sector, especially in a situation of low community trust; however, because the focus of the projects keeps changing, it has not been possible to develop to later phases to emphasize issues such as processing, packaging and marketing.
12. IFAD projects contributed to enhanced access to rural finance services, and this was greatly appreciated by beneficiaries and national authorities. Adoption of the Cash-flow Linked Agricultural Risk Assessment (CLARA) programme by participating financial institutions (PFIs) helped the banks with credit management. However, although it was agreed in the project design documents that the PFIs would contribute matching funds from their own resources, this criterion was not included in the final subsidiary loan agreements (nor did the subsidiary loan agreements refer to any borrower selection criteria or project priorities). No working capital loans were issued. Many loans were issued in US dollars in order to pay for imports, especially in DVCDP. The devaluation of local currency has put many borrowers at risk, despite the Government's intervention introducing the State Fund for Entrepreneurship Support.
13. **Rural poverty 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 are not sufficiently robust. The other two operations of the three funded so far were 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. Moreover, outcome-level data are not available.

Monitoring systems need to improve to measure impact. It is presumed that there were positive impacts of HSP on food security and nutrition, as well as improved incomes and assets. New jobs have been created in HSP and DVCDP, although it is not clear whether these will be permanent. No effort has been made to build social capital with the development of cooperatives or water user associations, partly due to layers of distrust. In common with all the IFIs, initially there has been insufficient support for institutional capacity development, which may impact sustainability. Finally, as analysed under coherence, it is difficult to draw clear links to policy development and attribute the growing interest of the Government on dekhani farmers to IFAD.

14. **Gender equality and women's empowerment.** IFAD's country strategy and programme is assessed as moderately unsatisfactory for gender equality and women's empowerment. The prevailing cultural attitudes make the involvement of women in training sessions and project activities difficult. Gender targeting was poor in HSP and is slowly improving in the later projects, although targeting women through loans remains weak. The collateral and registration requirements, as well as the low levels of financial literacy and business management limited the access of women and poor households to finance. While there have been some positive results for increasing women's assets and incomes through new jobs, training and production gains, there is little influence on improving the opportunities for women's voices to be heard and improved involvement in decision-making or lessening their workload as yet. Similarly, there was no youth focus in HSP, but youth are gradually receiving increasing more 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 and youth action plans; however, more commitment is still required from the leadership. The COSOP did not include the lessons learned on gender from the earlier projects, nor propose ways to address the remaining difficult cultural and structural barriers.
15. **Sustainability and scaling up.** The CSPE assessed the likely sustainability of the country strategy without providing a rating, given that two out of three projects are ongoing. The sustainability of HSP was assessed and rated through a dedicated PPE. Specific domains of sustainability are: (i) environment and natural resources management and climate change adaptation and, (ii) scaling up. These were individually rated as moderately satisfactory. On the positive side, IFAD has been the first IFI to provide loan financing to the horticulture and dairy sectors and its role in promoting dehkans is acknowledged by the Government and other financiers. Government policy has recently begun to reflect these issues and replicate them more widely with the Strategy for Agricultural Development 2020-2030 and Presidential decrees. The sectors of horticulture and dairy production are likely to be financially and economically sustainable, despite the negative impact of COVID-19 on markets. Attention on the environment and climate change issues is improving, with the incorporation of improved irrigation technology and renewable energy on a small scale.
16. However, there is a risk that institutional memory could be lost with the restructuring of the Uzbekistan Agency for Implementation of Projects in the Field of Agroindustry and Food Security (UZAIFSA). The institutional support and training in operations and maintenance (O&M) for irrigation infrastructure and water use was inadequate, considering its importance for sustainable functioning. The lack of consideration among PFIs of environmental threats (such as the potential for poor manure-handling to pollute water sources) when issuing loans is also a risk for sustainability. During the planning stages of DVCDP, attention was given to greenhouse gas risks; however, more serious effort is needed to improve bovine nutrition and manage manure, in order to consider dairy a sustainable activity.

D. Performance of partners

17. **IFAD.** IFAD began work in Uzbekistan in 2011, within a policy environment that was not conducive to good project planning. Poverty, which is a key focus for IFAD, was not recognized officially by the Government, which maintained a strong control over planning. The first COSOP prepared in 2017 did not formally recognize the challenges or integrate lessons learned from HSP and DVCDP. Lessons have, however, been internalized and there is increasing attention to value chains, the needs of dekhans and gender in ADMP. The number of supervision missions to support project start-up and implementation has improved since HSP, yet more attention should be paid to monitoring and evaluation (M&E), knowledge management, gender mainstreaming, and procurement. IFAD's performance is rated as moderately satisfactory.
18. **Government.** The change of government in 2017 has improved the policy environment and coherence with IFAD's improved targeting of smallholders, women and youth. Counterpart funds have been provided in a timely manner. Yet, the performance of the Government is only moderately satisfactory due to the disconnect between the feasibility studies it prepared, which did not integrate IFAD approaches and interpreted IFAD projects more as credit operations than value chain development programmes and owing to the frequent institutional changes which delayed implementation.

E. Conclusions

19. **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, being IFAD's first experience 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. 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.
20. There is, however, room for improvement moving forward, especially in considering 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.
21. **First, targeting dehkans was relevant as they are the drivers of horticulture and livestock production and the 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 and an adequate policy environment, there is an incentive for the PFIs to issue fewer, larger loans, and this will favour more elite capture and decrease the potential impact on rural poverty.
22. Along the same lines, too little focus has been placed on supporting gender equality and youth outcomes until recently. The requirements at design constrained women's participation. While it is recognized 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 the achievement of the 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. These are good steps forward, but more follow-through is needed, as the DVCDP will end soon. Youth is being addressed with ADMP.

23. **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 missed this opportunity, meaning that IFAD interventions were spread too thinly and did not build on previous investments, experience and knowledge.
24. **Third, the assessment of results was constrained by the lack of a solid M&E system.** The CSPE found data to be scarce and unreliable. There was too much focus on disbursing and implementing activities rather than outcomes, and a 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.
25. **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 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 the 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 approach can offer great potential to contribute more broadly to the country's transition to more inclusive rural transformation.

F. Recommendations

26. **Recommendation 1. Effective targeting strategies, including through pro-poor value chains, should be at the core of the new strategy in order to reach the poorest.** 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 lines 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 reinstating 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 most vulnerable people to participate in projects;
 - (iii) support the development of clear linkages with rural entrepreneurs either via direct contracts or by creating formal associations with cooperatives;
 - (iv) strengthen producers' associations through capacity-building in order to allow these organizations to protect the smallest producers and use them to establish linkages with medium- and large-scale producers.
27. **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 provides opportunities to engage with the private sector.** Uzbekistan is a middle-income country and as such, new ways of working are needed. Other IFIs can provide large loans. IFAD's added value can be much more than purely 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, public-private partnerships (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. Further 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 enable new partnerships to be built, including with the private sector. Future grants could be used to support piloting innovations as they are developed.
28. **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 and analysis and use such data moving forward. Data should be collected according to a clear plan and analysed to ensure course correction takes place 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, this could include the 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.
29. **Recommendation 4. Enhance country presence and programme support.** IFAD will improve portfolio and programme support by using instruments to finance pre-implementation preparation work and capacity-building to facilitate project implementation readiness, such as the 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 close supervision, programme management, monitoring, and policy dialogue. To this end, adequate human and financial resources and reduced staff rotation from both IFAD and the Government must be ensured.

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 reinstating 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. **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.

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

For the Government of
Uzbekistan
Deputy Minister for
Investments and Foreign
Trade



Shukhrat VAFAEV

Signed on

For the Government of
Uzbekistan
Deputy Minister of
Agriculture



Kakhramon YULDASHEV

Signed on 3-June-2022

For the International Fund
for Agricultural
Development (IFAD)
Associate Vice-President
PMD



Donal BROWN

Republic of Uzbekistan

Country strategy and programme evaluation

I. Background

A. Introduction

1. In line with the IFAD Evaluation Policy,¹ and as approved by the IFAD Executive Board, the Independent Office of Evaluation of IFAD (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 during 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, implicitly and explicitly, 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 Programme (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. ADMP only 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, 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).² Given that the portfolio comprised three operations, of which two are still ongoing, 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 criteria.

¹ <https://ioe.ifad.org/it/evaluation-policy>.

² The standard rating scale adopted by IOE is 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory.

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

7. The CSPE involved extensive in-person and online stakeholder and beneficiary interviews, focus group discussions and field visits. Some analysis of land use changes in the HSP took place utilizing remote sensing techniques. In addition, the CSPE conducted a 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 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 monitoring and evaluation (M&E) data was of insufficient 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 supplemented 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 collecting data through extensive interviews and engagement in the field, with the international team members participating remotely.

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, with half of its population living in rural areas.** Uzbekistan is home to over 33 million people. Nearly 50 per cent of the total Uzbek population lives in rural areas and 75 per cent of the population is classed as low-income.³ Two thirds of the rural population depend on agriculture, which accounted for 28 per cent of GDP and 26 per cent of the labour force in 2019.⁴ Agricultural expenditure was 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 as other Central Asian countries.⁵ However, the data for 2016-2020 show that government-financed agricultural expenditures as a percentage of total public expenditures averaged 8.5 per cent.⁶ Agricultural land represents about 64 per cent of the total land area and it belongs entirely to the State.⁷
2. **Uzbekistan is a country in transition from a centrally-planned economy to a market-based one.** The Republic of Uzbekistan⁸ 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 and fossil fuels remained under state planning until 2017 when President Shavkat Mirziyoyev provided a blueprint for reforms with the "Strategy of Action" (February 2017) aiming to: reduce the state's role in the economy; strengthen the role and rights of the private sector; stimulate the development of small businesses and private entrepreneurship; attract foreign investment; improve the investment climate; and improve relations and cooperation with neighbouring countries in the region.
4. Socio-economic policies changed drastically as the Government embarked on structural reforms to enhance its citizens' welfare, create an enabling environment for businesses, achieve full liberalization of the economy and trade, and make Uzbekistan competitive in a regional and international context. An important step in this direction has been the reduction in controls of foreign exchange rates and currency in September 2017,⁹ tariff reductions and liberalization of prices.
5. **Recent policy reforms were geared towards agricultural diversification.** In this context, the Government started the important process of agricultural diversification. In particular, the Strategy of Action outlines the need for diversification away from cotton and wheat into high value-added and labour-intensive production and processing, which is expected to contribute to the 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

³ Action Document for EU Budget Support to the Agriculture Sector in the Republic of Uzbekistan (2020).

⁴ World Bank, World Development Indicators, 2021.

⁵ FAO 2020. Europe and Central Asia Regional Overview of Food Insecurity, 2019.

⁶ World Bank, Uzbekistan: Second Agricultural Public Expenditure Review, 2021 - (varying between 7.5 per cent in 2020 to 18.8 per cent in 2017).

⁷ Land Code of the republic of Uzbekistan. 30.04.98, no. 598-I (amended in 2019).

⁸ Hereafter referred to as Uzbekistan.

⁹ As a result of the exchange rate liberalization, the average official exchange rate per US dollar was recorded at UZS 8,069 in 2018, from UZS 2,967 in 2016 (ADB. May 2019. Country Partnership Strategy. Uzbekistan, 2019-2023 - Supporting Economic Transformation).

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

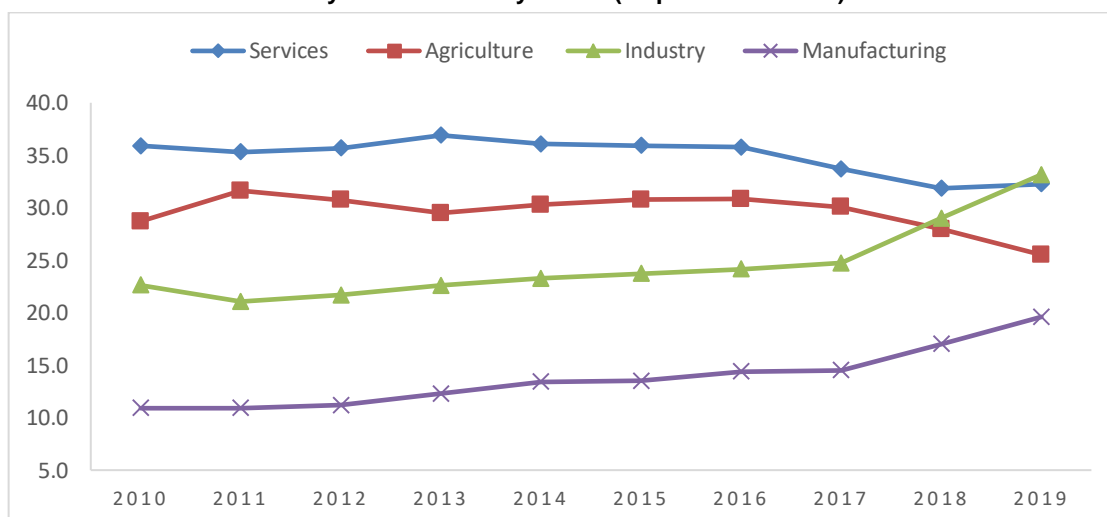
6. In 2019, the Government issued a Presidential Decree (no.5853) outlining its long-term vision for the development of the agricultural sector for 2020 - 2030. The main goal is to develop a competitive, market-oriented, private sector-led, and export-based agri-food sector that will increase farm incomes, improve food security, and ensure the sustainable use of natural resources.¹⁰
7. Through various legislative measures, the Government has supported the production of horticultural products using grants and subsidized loans. For instance, the Decree on "Measures for further development of horticulture and greenhouse economy in Uzbekistan"¹¹ aims to introduce efficient mechanisms of state support for horticulture and greenhouse farming (e.g. providing concessional loans, subsidies for introducing water-saving technologies and letters of guarantee for obtaining bank loans) and overall increase the 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 important reforms above reflect how central the agriculture and rural sector is for the development of the country. Uzbekistan has shown stable economic growth between 2000 and 2015 when annual gross domestic product (GDP) growth averaged 6.8 per cent.¹² 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.¹³ The main driver of economic growth has been the services sector, followed by industry¹⁴ and agriculture, together constituting approximately one third of GDP (figure 1).

Figure 1

Performance of the economy. Value added by sector (as per cent of GDP)



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

¹⁰ 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.

¹¹ Presidential Decree No.4246 adopted on 20 March 2019.

¹² <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2019&locations=UZ&start=2000>

¹³ World Bank data, GDP per capita (current US\$) – Uzbekistan.

¹⁴ 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 facilitating the growth in agriculture, though state-owned enterprises still have an important role to play. The contribution of small- and medium-sized enterprises (SMEs) to GDP rose from 31 per cent in 2000 to 57 per cent in 2016 and their share of employment from 50 per cent to 78 per cent over the same period.¹⁵
10. However, small businesses and private entrepreneurs 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 assets, and mainly lending to state-owned enterprises. The non-bank finance industry and capital markets are not yet a viable substitute for bank lending for private businesses.¹⁶ Despite favourable political support,¹⁷ 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. Rather than using formal finance, the majority of households and firms save and borrow informally, as the high cost of finance is inhibitive. In 2017, only 2.3 per cent of adults borrowed money from a financial institution.¹⁸ Firms report that complex application procedures and high collateral requirements are the second and third most important reasons for not using formal finance.¹⁹ Funding constraints limit the innovation potential of the private sector (limiting the inclination to take on risk), and growth-oriented SMEs lack the diversified financing options that go beyond traditional bank credit to realize their potential.²⁰
12. **The shift from cotton and wheat into high value-added and labour-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 consumes 90 per cent of the total water used in agriculture and 75 per cent of the water used in the entire country, and has much lower profits, labour intensity and productivity than most 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 tons in 2010, and 10,129,300 tons in 2015, while cotton production has fallen.²¹ The economic importance of the subsector is significant; it accounts for more than 35 per cent (or about US\$1.2 billion in 2019) of the agricultural export value.²² However, 65 per cent of productive farmland in Uzbekistan is still locked into cotton and wheat production. There is some additional support 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, 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

¹⁵ State Committee of the Republic of Uzbekistan on Statistics.

¹⁶ ADB, 2020.

¹⁷ The Government launched Strategy of Actions for the Development of Uzbekistan for 2017-2021 in 2017 and the Strategy for Innovative Development in 2018.

¹⁸ Asian Development Bank Institute, 2019. Working Paper. Small- and medium-sized enterprise finance in Uzbekistan: Challenges and opportunities.

¹⁹ Asian Development Bank Institute, 2018. Working Paper Series. Financial inclusion, regulation and literacy in Uzbekistan.

²⁰ ADB, 2020.

²¹ "Establishment of Agricultural Product Selling Value Chain and Direction of Investment Funds", page 29. Available at: http://agriculture.uz/filesarchive/agrар_vestnik_4_2020.pdf

²² 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>

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 output, and 35 per cent of the agriculture export value.²³ On the other hand, individual private farms produce almost exclusively cotton and wheat according to state-ordered quotas;²⁴ 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 per cent of horticultural commodities are produced by dehkan farms.²⁵ The livestock sector also plays an important role in the economy, both at the national level (representing 40 per cent of the agricultural GDP in 2013), and at household level by providing employment and household incomes from sale of produce, with 85 per cent of milk sales coming from dehkan farms. 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 the loss of young and skilled family members and aging farm labour; the limited access to finance to purchase production inputs, due to a lack of collateral; and very limited market awareness or access to public research, agricultural extension and advisory services. Moreover, irrigation systems in rural areas are outdated and rely on old and inefficient pumps that consume as much as 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.²⁶

²³ The World Bank. *Uzbekistan: Agricultural Trade Policy Report, 2018*.

²⁴ If farmers fail to comply with state-ordered quotas, they can be deprived of their lease contract and therefore lose their rights to land. The state, on the other hand, provides material support and inputs to the farmers at preferential or subsidized prices.

²⁵ IFAD (2016). *Social, Environmental and Climate Assessment Preparatory Study, Republic of Uzbekistan, Tashkent*.

²⁶ State Committee of the Republic of Uzbekistan on Statistics.

Box 1

Land tenure system

In contrast to other Central Asian countries that pursued a land privatization policy after independence, Uzbekistan took a number of steps, 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 a state-owned national resource and protected as the basis of the population's life, activity and welfare.

These two main farming entities have different rights to land. The *dehkans* have long-lasting inheritable rights but are not allowed to sell or buy land, sublet the land, nor 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, while *dehkans* are free to sell all their production at market prices. Extra land can be allocated by local government at the request of private farms or *dehkans*, for instance to graze cattle or produce fodder. However, as land resources are scarce, it is very difficult to obtain and is a severe constraint on additional production. Neither private farmers nor *dehkan* farms are allowed to use their land as collateral for bank loans. Their only collateral for 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 their rights will be recognized and enforced at low cost and does not provide them with mechanisms allowing any adjustment under changing conditions.

Source: IOE²⁷

15. **Agricultural value chain development remains weak**, with limited competitiveness within a small food industry, and many entrepreneurs need tailored investment and more business opportunities. The high costs for the harvesting, transportation, storage, packing and certification of produce also undermines the efforts of businesses to add value.²⁸ 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 they become participants in global value chains. Trade facilitation and cross-border export regimes however are complex, time-consuming and costly due to Uzbekistan's location as a doubly landlocked country.²⁹ Under the Central Asia Regional Economic Cooperation programme,³⁰ a limited number of border crossing points have been set up, but the Uzbek Government still retains strict control, with perishable products often being lost when exports are held up by bureaucracy.
16. **With regard to livestock**, the decree on "additional measures for support of animal husbandry by the government"³¹ seeks to ensure a stable supply of meat, milk, eggs and other livestock products in the domestic market, expand the fodder base for livestock, increase the production of competitive products in domestic and foreign markets, as well as introduce science-based methods and intensive production technologies. However, despite such supportive reforms, there are policy, regulatory

²⁷ Land Code of the Republic of Uzbekistan. 30.04.98, no. 598-I (amended in 2019).

²⁸ ADB, 2020.

²⁹ ADB, May 2020. Uzbekistan Quality Job Creation as a Cornerstone for Sustainable Economic Growth. Country Diagnostic Study.

³⁰ The Central Asia Regional Economic Cooperation (Programme) 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.

³¹ Presidential Decree No.5017 approved on 3 March 2021.

and value chain constraints that still create 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, poor nutrition and lack of expert care). In addition, the 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.³² The industry provides regular income to rural households and sources of high-quality protein, especially for women and children.

Socio-economic context

18. **Social development indicators improved steadily 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 numbers below the US\$3.20 a day poverty line.³³ According to government data, the proportion of the population living below the poverty line³⁴ decreased from 19.5 per cent in 2009 to 11 per cent in 2019. The Gini index³⁵ fell from 0.39 in 2000 to 0.25 in 2019, showing that income inequality has also 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.³⁶ There has been significant progress in reducing the percentage of the 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 presents a current value of 0.710, ranking Uzbekistan 108 out of 189 countries and territories, below the average of 0.779 for countries in Europe and Central Asia.³⁷ Disparities persist between urban and rural areas, where poverty remains concentrated. A growing rural population, coupled with mechanization and diversification in agriculture, results in higher migration 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.³⁸ While the average total per capita income recorded in Tashkent in 2019 was UZS (Uzbekistan Som) 19,352, it amounted to less than half of that in most of the rural regions (figure 2), which are the ones targeted by IFAD operations.³⁹

³² 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.

³³ World Bank (2019b) ‘Uzbekistan country economic update, summer 2019: toward a new economy’. Washington DC: World Bank.

³⁴ The national poverty line is based on a minimum food consumption norm of 2,100 calories per person per day.

³⁵ The Gini coefficient provides an index to measure inequality. Although there are no internationally-defined standard threshold values, it is usually recognized that Gini index<0.2 corresponds to perfect income equality, 0.2–0.3 indicates relative equality, 0.3–0.4 corresponds to a relatively reasonable income gap, 0.4–0.5 suggests high income disparity, and above 0.5 corresponds to severe income disparity.

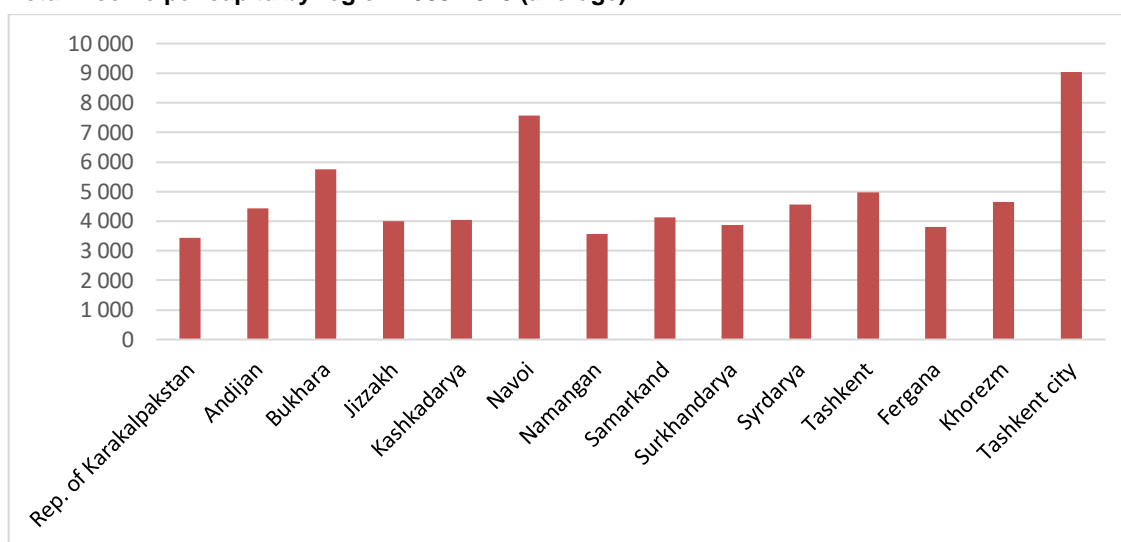
³⁶ Population Reference Bureau (2021). The average was calculated on the under-five mortality rates of Uzbekistan, Kazakhstan, Tajikistan, Turkmenistan, and Kyrgyzstan.

³⁷ UNDP, HDR, 2019.

³⁸ FAO, 2019. Gender, agriculture and rural development in Uzbekistan.

³⁹ The HSP targeted the region of Surkhandarya; the DVCDP targeted the regions of Kashkadarya and Jizzakh; and the ADMP worked in the regions of Ferghana, Namangan and Andijan.

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 where a high proportion 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.⁴⁰ 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 2018.⁴¹
21. In 2018, Uzbekistan ranked 64th out of 162 countries in the Gender Inequality Index,⁴² but gender statistics and sex-disaggregated data relevant to existing gender inequalities, in particular at a rural level, are lacking. Nonetheless, it is clear that women face a number of inequality-related issues. They include the labour 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, and while men migrate away from 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 agricultural work. They are mainly in low-skilled manual occupations, unprotected by the labour law and with a significant wage gap. There is both vertical and horizontal gender-based segregation of the labour market. Women represent only about 4 per cent 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 either. Although legislation guarantees equal rights to property ownership for women and men, inheritance traditionally favours 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

⁴⁰ ADB, May 2019. Country Partnership Strategy. Uzbekistan, 2019-2023 - Supporting Economic Transformation.

⁴¹ The World Bank. "Growth and Job Creation in Uzbekistan: An In-depth Diagnostic". December 2018.

⁴² The Gender Inequality Index 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. Source: HUMAN DEVELOPMENT REPORT 2019. Technical notes. Calculating the human development indices - graphical presentation. Technical Note 4. Gender Inequality Index.

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.⁴³ As women's financial literacy is also lower than men's, their access to finance is unequally constrained.⁴⁴

23. **The above socio-economic challenges have been exacerbated by the COVID-19 pandemic which has affected 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 10 per cent in minimum wages, and diverted 2.5 per cent of GDP to additional health spending, public works and support to business. In the same period, exports and imports fell by 22.6 per cent and 15 per cent, respectively.⁴⁵ 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 2019.⁴⁶ Increased external borrowing from multilateral and bilateral partners helped finance the higher current account deficit.
24. **Although the country is rich in natural resources, it is facing severe environmental challenges,** including such consequences as the desiccation of the Aral Sea,⁴⁷ soil erosion, salinization of water and scarcity of water resources, the effects of the massive use of chemicals for cotton cultivation,⁴⁸ poor wastewater treatment, and air pollution. According to the UN Environment Programme,⁴⁹ the country is expected to face increasing temperatures, higher water demand and declining water availability, as well as experience 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.^{50,51}

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).

⁴³ FAO, 2019. Gender, agriculture and rural development in Uzbekistan. Country Gender Assessment Series.

⁴⁴ ADB, December 2018. Uzbekistan Country Gender Assessment Update.

⁴⁵ World Bank, Macro Economic Outlook. Uzbekistan. October 2020.

⁴⁶ IMF. Request for disbursement under the Rapid Credit Facility and purchase under the Rapid Financing Instrument, Country Report No. 20/171. May 2020.

⁴⁷ The Aral Sea in Central Asia, which was the world's fourth largest inland sea, started to shrink in the 1960s, when the Soviet state 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.

⁴⁸ 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.

⁴⁹ United Nations Environment Programme. (2017) Outlook on climate change adaptation in the Central Asian Mountains. Executive Summary. Mountain Adaptation Outlook Series.

⁵⁰ 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.

⁵¹ World Bank (2013). Uzbekistan: Overview of climate change activities. Washington, DC. Available at: <https://openknowledge.worldbank.org/handle/10986/17550>

Table 1
Status of IFAD-supported interventions

<i>ID</i>	<i>Project</i>	<i>Type</i>	<i>Total cost</i>	<i>Status</i>
1100001606	Horticultural Support Project	Credit and financial services	31.69	Closed
1100001714	Dairy Value Chains Development Program	Rural development	39.41	Ongoing (mid-point surpassed)
2000001283	Agriculture Diversification and Modernization Project	Credit and financial services	364.16	Ongoing

Source: IFAD Oracle Business Intelligence.

26. While HSP was a highly concessional loan, 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 cofinancing 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).⁵² The sources of financing were highly concessional loans amounting to US\$9.6 million, and blended terms loans amounting to US\$116 million. Annex IV presents the list and timeline of IFAD's interventions in Uzbekistan since 2012 and the related implementation arrangements.

⁵² Rounding errors occur because values are given to the nearest million.

Table 2
Snapshot of IFAD operations in Uzbekistan since 2012

First IFAD-funded project	2012
Number of approved loans	3
Ongoing projects	2
Total amount of IFAD lending	US\$129 million
Counterpart funding	US\$29 million
Beneficiary contributions	US\$34 million
Cofinancing amount (local)	US\$31 million
Cofinancing amount (international)	US\$212 million
Total portfolio cost	US\$435 million
Lending terms	Highly Concessional (HSP); Blended terms (DVCDP; ADMP)
Main cofinanciers	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 subregional hub in 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 midterm review mission was conducted in June 2019 and the completion review took place in August 2020. The next COSOP will be informed by the CPSE findings and recommendations and will cover the period 2022-2026.

Table 3
Main features of the 2017 RB-COSOP

<i>COSOP 2017</i>	
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	World Bank, Asian Development Bank, USAID, the European Commission, Agence Française de Développement and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).
Main target groups	(i) Dehkan farmers; (ii) smaller private farmers and rural entrepreneurs; (iii) rural unemployed; (iii) women and youth within these target groups.
Policy dialogue	Opportunities to improve the livelihoods of 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 country office in Uzbekistan. The Country Director is based in IFAD's regional hub in Istanbul.

Source: IFAD, COSOP 2017.

Key points

- Uzbekistan has experienced a significant transition since joining IFAD in 2011, as in 2017 a new government drove 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 labour force, supporting two thirds of the population in 2019. Previously, cotton and wheat were the main products, but agricultural diversification is under way. Dehkan farmers (or very small-scale farmers) are the main producers, particularly in the sectors of fruit and vegetable production and dairy farming.
- While production is growing, there are weaknesses in the full agricultural value chain, including lack of security of land tenure, deteriorating infrastructure dating from the Soviet period, inadequate knowledge and extension services, and low access to markets.
- Social development is strengthening, but there is significant 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 supported 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 subregional 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 the targeting approach adopted are consistent with the objectives; and (iii) the strategy has been adapted to address any 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 for 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-centred, 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 as 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 economic growth and poverty reduction plans.**⁵³ These plans focused on inclusive economic development starting from the agriculture sector, which translated into increased focus over the past 10 years on small businesses primarily in rural areas, to the diversification of the sector and to improve access to finance and infrastructure, especially for vulnerable groups.
32. More recently, the Government's focus on 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 in adopting a climate-smart-agriculture approach as a response to the threat of climate change, and in particular, growing 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 impacts of dairy production on greenhouse gas production. More consideration of climate concerns was given in the COSOP and ADMP design.
33. **While larger international financial institutions (IFIs) focused on providing technical assistance, IFAD was the first development partner to support horticulture through 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 Government's plan 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 fruit and vegetables. As such, IFAD's support to this process was timely and was closely followed by other donors. The World Bank and Asian Development Bank (ADB) are currently implementing major interventions in the horticultural subsectors following IFAD's lead with HSP and ADMP is continuing in that direction. Moreover, as discussed under the section outlining the relevance of the targeting strategy, HSP is recognized by in-country partners as the first loan operation to ever target directly the dehkan farmers.

⁵³ As outlined in the Welfare Improvement Strategy 2008-2010, the subsequent Welfare Improvement Strategy 2013-2015, in the current "Development Strategy" (February 2017) and Strategy for Agricultural Development 2020-2030 adopted in October 2019 Decree 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.

34. **The focus of IFAD's interventions on a value chain approach to agribusiness development, combined with the provision of rural finance, capacity-building and a 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. Although there was insufficient detail on how the links would happen, the design of HSP was geared towards the development of the horticulture value chain for six different commodities together with providing rural finance and capacity-building to support modern appropriate technology (such as improved rootstock and irrigation) to small-scale horticultural units. However, as is further explored under effectiveness, in practice it was a traditional operation, with its main focus on rural finance and production and very limited linkages between actors established.
35. IFAD learned from HSP, and made efforts in subsequent designs to incorporate more granularity on how the value chains would develop. DVCDP focused on dairy production and aimed to introduce a more detailed value chain model including outlining the dynamics of interaction among value chain actors, such as through multi-stakeholder fora and strategic investment plans. The ADMP design includes more features of value chain development, such as conducting rapid market assessments of existing and potential value chains and subsectors, and mapping value chain stakeholders to develop roadmaps for leading enterprises. The design also incorporates supportive elements such as enhanced loan guarantees and use of the CLARA 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 a focus on phytosanitary (plant health) and other standards required for exports.
36. **IFAD's implicit strategy was to address smallholders' need, especially of dehkan farmers' to access medium- and long-term finance.** HSP was clearly focused on rural finance provision. DVCDP is supporting the development of mechanisms to assist commercial banks in providing credit to dehkan farms and the owners of land plots, hence it is contributing to the outcomes of the country's Agri-food Development Strategy 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 programmes for all agricultural subsectors, except cotton and wheat, including both investment and working capital. Furthermore, it is establishing a special credit window with affordable and flexible lending products for youth, who are otherwise underserved by financial services.
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 and field visits carried out in the context of the CSPE 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 putting less focus on corporate strategies and avoiding placing too many conditions on the loans. HSP did not fully mainstream themes such as gender and the 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 the high rates of out-migration of young people from rural areas.⁵⁴ DVCDP and especially ADMP included important elements to tackle environmental and climate change issues and targeted youth in their design.

⁵⁴ 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>

38. **The alignment of the country strategy with IFAD’s rural finance policy was also weak.** This is because the enabling environment was not sufficiently conducive to be able to focus on the meso level. At the micro level, the only financial providers at the time of HSP, and still, to date, were 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.⁵⁵ 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 2010.⁵⁶ 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 and the involvement of the International Finance Corporation (IFC) which may pave the way to a more conducive policy environment.
39. **IFAD eventually developed its 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 strategic objectives of the COSOP were well aligned with the objectives of the Welfare Improvement Strategy 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 the Welfare Improvement Strategy.
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, and did not adopt a programmatic approach to IFAD’s interventions in Uzbekistan. 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 dehqan farmers by the Government enhanced the alignment of the current COSOP with the national strategies and is likely to support closer alignment in the next COSOP. The CSPE interviews with Government counterparts pointed to the continued relevance of IFAD’s operations in Uzbekistan and highlighted 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 there were some efforts to build on the lessons from HSP.** DVCDP and ADMP built on the lessons from HSP to some extent (and from other livestock 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 focus on environment and climate change. In addition, the later projects recognized the importance of sequenced capacity-building, centrally and at PFI and field level, and planned the capacity-building to take place

⁵⁵ 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.*”

⁵⁶ 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 World Bank and involvement of IFC.

prior to issuing loans. However, as further explained in the effectiveness chapter, in practice this sequencing did not happen, and the Government focus was on issuing loans quickly without waiting for the capacity-building element.

42. **Despite alignment with the country priorities, multiple factors reduced the relevance of IFAD's strategy and programme. First, there was 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 as well as 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 it 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. The document follows a standard business plan format and mostly covers aspects of implementation, including technical and technological management with detailed financial and economic projections and an economic value justification. Generally, 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 while preparing the design documents. While the latter adopted a value chain approach, the feasibility studies were too prescriptive and this approach constrained the flexibility of demand-driven value chain processes. In the end, the projects focused mainly on increasing production. This limited the quality of design and, as explored later in the report, caused other negative 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 intending to address the entire value chain of many commodities. The interviews undertaken in the context of the CSPE revealed that the initial belief was that farmers already had the know-how and only needed funds to succeed. Yet, the technical capacities at the country level proved 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 insufficient interest from the Government in using loans for the 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 inadequate 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 and developing the market links and introducing value chain elements, instead the focus moved from horticulture to livestock and to different geographic regions.
46. **Finally, project arrangements were not conducive to effective management, or 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 or the DVCDP and ADMP staff and farmers. This reduces information flows and ownership.

Adjustments to design

47. **Both the Government and IFAD have correctly recognized some design problems and made adjustments after supervision missions and the midterm review of both HSP and DVCDP, however, not all the changes necessary have been addressed.** Adjustments sought to address some of the discrepancies between the project design and the feasibility study in HSP, such as 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 on irrigation, where output targets had already been achieved, to component 2 on 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 for working capital loans, despite the recommendations of the midterm review.
48. In DVCDP, following supervision missions, additional staff were recruited to improve the outreach to women about loans and offering training, and to provide livestock support to farmers at regional level. A midterm review took place in September 2021 to look at issues arising in implementation (such as with the Forum for Private-Public Collaboration [FPPC] or research funds) and adjust the design as required. The basic administrative issue about the end date of the project has not been officially resolved, despite many discussions.

Design of the targeting strategy

49. **As the key role of dekhani farmers in the agriculture sector has only recently been recognized by the Government, measures of their poverty status are not available.** The concept of poverty was not recognized in Uzbekistan when the HSP design was developed and reference was made only to 'less advantaged' populations.^{57,58} In practice the targeting was to dekhans rather than poor farmers, as there was no measurement of their poverty status. In addition, the political support needed to target dekhans effectively was missing. Government representatives were more interested in funding large-scale farmers, and opposed IFAD's interest in dekhans, according to interviews conducted during the CSPE. It took a change of President for the Uzbek Government to acknowledge the key role played by dekhani farmers in agricultural output production and to take legislative measures to protect the rights and interests of individual farms, dekhani farms and owners of household plots.⁵⁹ Dekhans still have limited control over their land, although 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 the local government, which for instance, continues to prioritize cotton or wheat production, rather than fodder for dairy cows.
50. **Against this background, IFAD's role in social group and sector targeting is relevant.** IFAD was the first IFI to directly target dekhani farmers and to focus on horticulture and dairy as the key sectors for dekhans. 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 dekhani farmers and small-scale private horticultural and livestock

⁵⁷ According to respondents, this only changed in 2019, when the President issued a statement recognizing the millions living in poverty, and in March 2020 the Ministry of Economy and Industry changed its name to the Ministry of Economic Development and Poverty Reduction.

⁵⁸ HSP Project Final Design Report Working Paper 1: Poverty, Gender and Targeting.

⁵⁹ 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, dekhani farmers, and owners of household plots with the purpose of efficient use of agricultural arable land."

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 as well as the 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, although they have supported larger-scale producers.

51. **Targeting women, and later youth, has been addressed mainly through establishing 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, ensured women's participation. On the other hand, DVCDP introduced a female quota differentiated according to the type of activity offered (50 per cent for training and 30 per cent for loan beneficiaries). The ADMP, in addition to setting specific targets for women's participation (20 and 30 per cent for loans and training 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 also have a significant competitive advantage in the horticulture or livestock subsectors. HSP focused on the southern region of Surkhandarya, with high concentrations of disadvantaged people and significant poverty rates, combined with having a high productive potential in the agricultural subsector 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 per cent and 41 per cent, 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 actor to provide loan finance to the horticulture value chain in the country, and championed direct support to the most vulnerable group, the dehqan 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 dehkans and women, and later youth, was innovative and important in the Uzbek context.
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, among which is the disconnect between IFAD's design documents and the feasibility studies prepared by the Government, the low attention paid to the risks of implementing value chain operations in a new country, the uncondusive

implementation arrangements in force, 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

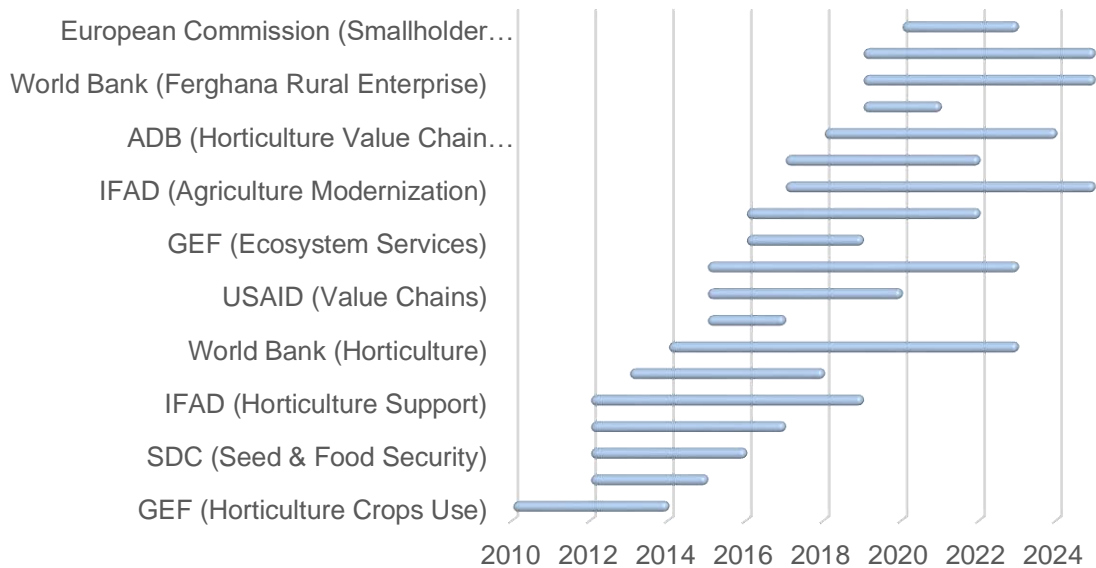
56. **IFAD has a clear comparative advantage in Uzbekistan of focusing on smallholders, which is recognized and appreciated by in-country partners.** The CSPE interviews that took place with the Government and other development partners revealed that IFAD is known in the country for directly targeting the poorest people in rural areas. As such, IFAD built on its comparative advantage and continues to cover a specific niche, compared to other international organizations and IFIs that target medium- and large-sized businesses. This approach is now very much appreciated 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 figure 3 below shows, GIZ,⁶⁰ the Swiss Agency for Development and Cooperation and the Global Environment Facility⁶¹ all had small interventions in horticulture around the time of HSP (or even before) but provided only technical assistance, rather than finance. The World Bank and ADB investments started later than HSP. Similarly, DVCDP is the first investment in the dairy value chain. Initially, the Government steered the World Bank away from the HSP location of Surkhandarya to avoid overlaps, but once HSP ended, the World Bank expanded there, providing the opportunity to build on HSP's experiences. The World Bank, European Union (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 under way for a new IFAD project in the Aral Sea area. This would provide an opportunity for working with other partners who have expressed an interest in linking with 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 further consolidating their achievements.

⁶⁰ Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

⁶¹ Global Environment Facility.

Figure 3

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 analysed under relevance, this was initially due to the context that the country was not yet suitable for a programmatic approach. Two of the three investments in the portfolio were designed before the COSOP and the ADMP design overlapped with the COSOP preparation. Consequently, 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’s strategic positioning in the country. In addition, no matter how good the internal coherence of the projects may have been, important elements of the design, among them knowledge management, monitoring and evaluation (M&E) and targeting women, 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 while making strategic choices.** Unfortunately, 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, does not develop 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 relying on a clear theory of change that builds a complementary approach across the lending and non-lending portfolio to marry 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 and 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 fruit and vegetable value chains to Armenia, Georgia, Moldova, the Netherlands (Kingdom of) and Türkiye. Participants included heads of agricultural enterprises, agro-firms and farms (mainly medium- and large-scale farmers), as well as ministry and the Agroindustry and Food Security Agency (UZAIFFSA) 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 and cold store owners interviewed during the field visits were satisfied with their improved knowledge regarding horticulture production. However, these exchanges were ad hoc and not connected to a strategic vision to capture lessons and replicate successful practices.
63. The FPPC promoted by DVCDP was 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 or outputs of programme activities and the institutional arrangements for their delivery. Provision was made under the programme's budget for media production and the development, printing and dissemination of training materials for dairy modernization, and building a website. 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, DVCDP project staff 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 apparently no joint training sessions, nor do the project staff meet in person from different provinces. 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, scaling up and influence policy dialogue.**⁶² 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 goals and objectives, yet the linkages with the lending portfolio are not clearly laid out. Despite the recommendations of the midterm review of the COSOP and supervision missions of the projects, a clear knowledge management 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 recognized by the COSOP completion review (2021).

⁶² A comprehensive policy mapping and prioritization was carried out after the CSPE data collection. It involved eight countries including Uzbekistan and the process culminated with a regional high-level policy dialogue organized by IFAD in November 2021 with Uzbekistan a flagship partnership case. This can be a good starting point to develop an approach specific to non-lending activities (NLAs) for Uzbekistan in the context of the next COSOP.

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 or learning. In practice, knowledge 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 non-lending activities approach, due to the absence of a specific strategy guiding such activities, coupled with the absence of an IFAD Country Office 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.⁶³ 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 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, the private sector and research institutions have not been sufficiently explored until now.** The COSOP correctly identified the World Bank, ADB, the USAID, the EU, 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 partnerships. In 2019, the Law on Public-Private Partnerships (PPP) was approved⁶⁴ to regulate relations in the field of such partnerships, including concessions. To date PPPs have not been developed in the agriculture sector, however, on June 6 2021, the President signed a decree on implementing greenhouses under the PPP modality.⁶⁵ This holds some promise for investments in horticulture, and it could be an area for IFAD to explore in the future.

⁶³ This does not necessarily require an ICO, but does require consistent and regular support and visits from the CPM.

⁶⁴ Law LRU-537. Adopted by the Legislative Chamber on 26 April 2019. Approved by the Senate on 3 May 2019.

⁶⁵ 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. The Central Asia Regional Economic Cooperation Program (CAREC) is actively involved in climate change programmes and phytosanitary certification for agriculture products in CAREC countries. Uzbekistan provided a good case study among regional 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 training, including on agriculture and water management.
73. **Despite the limited country presence, IFAD's partnership with national authorities was commendable.** The Government appreciates IFAD's work in the country and considers IFAD to be a reputable 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.⁶⁶
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 World Bank-financed Ferghana Valley Rural Enterprise Development Project, which covers the same geographic regions and partners with the same implementing agency. As reported by the COSOP completion review and confirmed by the World Bank representatives, IFAD and the World Bank have agreed to strive for the closest possible coordination and collaboration between the two projects and have pledged to recognize 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 World Bank, the Food and Agriculture Organization of the United Nations and the 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 exchange and dialogue on innovations. Notably, IFAD was not involved in the working group developing this, in part due to having no 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 involves 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 problems faced by smallholders to repay their loans after the devaluation of the Uzbek som in 2017. As a result, UZAIFSA established a fund to

⁶⁶ By means of a Presidential Decree, signed on 3 March 2021, the project implementing responsibility for DVCDP was transferred from UZAIFSA to the SCVLD.

support the farmers. Moreover, IFAD played an important role in supporting smallholder agriculture development and in targeting 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 World Bank, 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 also not formally documented. Overall, the investment on communicating lessons and results to key decision-makers and packaging learnings 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 the performance of partners, **frequent institutional changes** from both IFAD and the Government, limited country presence and irregular missions from IFAD, 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 associated expenses. In DVCDP, the IFAD grant was better focused, as it was intended to cover the costs of the FPPCs (including technical assistance, equipment and training). In ADMP, IFAD grant funds were expected to cover part of the national and international technical assistance 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, such as the Adaption for Smallholder Agriculture Programme, the Smallholder Agribusiness Partnerships Programme, and of external funding (such as the Global Environment Fund and the Global Climate Fund) to address major environmental and climate change issues.
80. **Two regional grants (the Central Asian Countries Initiative for Land Management [CALCILM II]⁶⁷ and the South-South and Triangular Cooperation Development and Enhanced Food Security [SSTC-ADFS]⁶⁸ 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 CALCILM II systematized more than 90 sustainable land management 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, it has focused on improving the nutritional value of available feed through various treatments, as a way of dealing with increased pressure on

⁶⁷ Knowledge Management in CACILM II (Central Asian Countries Initiative for Land Management), with ICARDA as recipient.

⁶⁸ 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).

pastures. The affordability of such treatments for small producers of interest to IFAD, however, is not clear. Overall, the 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 or 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 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 Near East, North Africa, Europe and Central Asia and Central and Eastern Europe and Newly Independent States regions.⁶⁹ Its activities targeted rural youth and women, promoting innovations in water preservation technologies, water efficient crops and scaling up policies for improved 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 their 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 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 the Arab States. While this is relevant to IFAD's 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 operationalized 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 directly targeting 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 in building on the synergies with other development interventions and consolidating results. The internal coherence of the strategy is poor and does not extend the complementarity between the lending and non-lending programme to steer partnerships 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 to 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

⁶⁹ The countries initially targeted were Algeria, Hungary, Morocco, Türkiye and Uzbekistan. In 2016, more countries expressed their interest in participating in the initiative. Through the financial support from the Islamic Development Bank which joined the partnership in 2016, the number of countries covered increased to include Kazakhstan, Kyrgyzstan, Sudan and Tunisia.

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 the 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.

(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 household (ex ante) in US\$	Cost per household (ex post) in US\$
HSP	20	102%	100%	2 686	1 026
DVCDP	18	92%	32 ⁷⁰	3 284	n.a
ADMP	13	31.8%	100% ⁷¹	1 581	n.a.

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

86. The HSP has experienced the greatest effectiveness lag (20 months), followed by the DVCDP with 18 months and the ADMP with 13 months, all above the Near East, North Africa and Europe Division (NEN) average of 11.2 months and the IFAD average of 11.7 months.⁷² The project was intended to last for a period of six years from its entry into force (December 2013), but it was completed in December 2019 rather than in December 2017 as planned without the need to extend the original duration. In addition, the duration of DVCDP was established by its 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 set in 2022. This inconsistency, with little time remaining before project closure, remains and has not yet been addressed by the Government despite IFAD's repeated urging about the need to revise the financing agreement as soon as possible (documented 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 relating 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 proved satisfactory, the actual disbursements under project components were usually much lower than forecasted

⁷⁰ As of June 2021.

⁷¹ As of 31 March 2021.

⁷² IFAD, Near East, North Africa and Europe Division. Portfolio Performance Report. Annual Review July 2014 - June 2015. Volume I.

in the AWPBs, mainly due to poor implementation performance on the ground, delays in procurement for some key activities, and the delay caused by the failure of private contractors to complete 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.

88. The DVCDP performed better than the HSP, with a disbursement rate that remained above IFAD's average until 2021, when the onset of the COVID-19 pandemic obviously affected budget execution.⁷³ However, like the HSP, the DVCDP is 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 the implementation of several key recommendations. In particular, the following actions remain outstanding: (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, with associated travel restrictions and restrictions on public gatherings, affected the project budget execution in DVCDP and ADMP.** DVCDP was impacted in particular with disruption to training and international consultancies. The ADMP, which is now in its third year of implementation, has disbursement rates for the IFAD loan and grant at 36.6 per cent and 100 per cent of the total approved amount respectively (as of 31 March 2021, first tranche only).⁷⁴ 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 still early in the year, but it demonstrates the usual pattern that disbursement of funds for loans always precedes the capacity-building and infrastructure, hence suggests the sequencing is also likely to be problematic in ADMP.
- (ii) Project management costs**
90. **Insufficient funds were allocated and even less was expended on project management.** The project design report of HSP estimated the management costs at 7.9 per cent of the total project costs. At completion, these costs were 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 represents 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 for assessing DVCDP project management costs. While some may argue

⁷³ However, the emphasis on purchase of heifers is likely to have contributed to this high disbursement rate.

⁷⁴ The financing agreement for the first tranche of the ADMP was signed in January 2019 (IFAD financing of US\$46.2 million loan and US\$300,000 grant), and subsequently the project was declared effective. The additional financing agreement was signed on 4 August 2020 for the second tranche (IFAD loan of US\$46.2 million and IFAD grant of US\$800,000), and it is now effective.

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 new ways of working, and there have been changes in institutional arrangements.** When the first IFAD operation in Uzbekistan started, the project implementation unit of the HSP was new to IFAD's procedures and requirements, and as a result, the project was slow in putting in place all the procedures required. This was particularly true for the procurement function which should have been provided with staff capacity-building, as was recommended at various times by supervision missions. Procurement issues have indeed caused delays in implementing key activities, e.g. in-vitro laboratory equipment, affecting their timely delivery. In addition, project implementation capacities have been weakened by continued staff turnover in 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 into the project implementation unit. 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, or ensuring 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 project management office staff contracts, except for the project coordinator who resigned, will be confirmed and the formal transfer will become effective by July 2021.

(iii) 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 dollars for every dollar invested in the project.⁷⁵ 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 (NPV) 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.⁷⁶ However, to ensure comparability of results notwithstanding the great devaluation of the national currency, key parameters (e.g. prices) were also adjusted in real terms to a common price level by the ex-post economic and financial analysis (EFA).⁷⁷ 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 the COVID-19 restrictions that prevented collection of primary data from farmers, such as their 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 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 US\$1.002 million,

⁷⁵ Horticultural Support Project. Project Completion Report. Main report and appendices (page 25).

⁷⁶ IFAD, 2012. Horticultural Support Project. Project Final Design Report, Volume I: Main Report and Annexes.

⁷⁷ The economic and financial analysis in the PCR was carried out remotely due to the travel restrictions imposed during 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 and the internal rate of return calculated over the project duration (6 years) and its capitalization phase (a further 14 years).

indicating that the project is still economically viable. The upcoming midterm review, 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 whether the cost of production and processing has been reduced for all stakeholders. At present it is not possible to confirm if the investment has been cost effective in the sense that significantly more milk has been produced or that the dairy value chain is more efficient due to project interventions.

95. **Costs 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 (lower than planned) results. Overall, the HSP reportedly reached 18,242 households against a revised forecast of 11,000.⁷⁸ 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 the 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 synchronized 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 subdomain of effectiveness relates to innovation, which is the extent to which interventions brought a solution (such as a practice, approach or 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 addressing challenges in relation to rural poverty reduction.⁷⁹
98. **The CSPE assessment of the effectiveness of IFAD's strategy and programme is heavily affected by contextual factors.** IFAD is recognized by the 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, and had effects on 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 primarily trusting their immediate family. PFIs have demonstrated a reluctance to loan to dehkans due to the overhead costs involved 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

⁷⁸ The midterm review has reduced this indicator from 11,800 to 11,000 households.

⁷⁹ Conditions that qualify as an innovation include: 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 or bundling together several small innovations. Most of the time they are holistic solutions or approaches applied or implemented by IFAD-supported operations.

2016-17 have provided a more conducive environment in which to implement the projects.

99. As discussed earlier, the disconnect between IFAD's design documents and the feasibility studies meant that government staff worked with different projects to those that had been agreed with IFAD. Despite being repeatedly 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), inadequate 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 experienced difficulties in establishing reliable monitoring. It has been challenging to obtain 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 an important feedback loop 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 has tended to be lost to other projects or sectors.
101. **Having clarified the issues above, the effectiveness of the country strategy is assessed based on the three thematic areas 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 also because the recent presidential decree on dekhkan farmers recognizes them as an important beneficiary group given their role in production and they were not otherwise receiving support as partners are still focusing on larger producers, offering more economy of scale. Hence, the targeting of dekhkans provides the opportunity to cover a strategic niche in the country and tap into increasing the production potential of smallholder rural farmers.
103. **IFAD's overall outreach was satisfactory and its social and sectoral targeting was innovative.** In the 2017 COSOP the target groups were identified as being dekhkan farmers; smaller private farmers and rural entrepreneurs; the 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 5,473⁸⁰ persons reported to have received services were women (30 per cent). However, disaggregation by target group shows that dekhkan farmers and women are underrepresented as beneficiaries of the 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 dekhkans have been enthusiastic about moving to vegetable and fruit production. IFAD was also a leader in financing dairy production

⁸⁰ 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.

particularly within the smallholder population (while other financiers such as the World Bank and the Agence Française de Développement (AFD) 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 the regions in which each project took place was wise. There is some advantage for a relatively small agency to focus on one region, applying a territorial approach, in order to maximize capacity and impact.
106. **Targeting of dehkans was not effective during implementation.** There is a lack of clarity about the poverty level of dehkans, as no monitoring data is collected on their poverty status. At the time of HSP, this was understandable as the concept of 'poverty' was not officially recognized in Uzbekistan. Some poor dehkan farmers were excluded due to the demands for collateral, 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 1,620 new jobs (of which 796 were for women) where it is not possible to assess how many jobs went to dehkan farmers. Likewise, in DVCDP, while training targets 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 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 to allow even larger loans. Registration requirements did not allow poorer and disadvantaged applicants to access credit, according to feedback from interviews. In addition, there is limited evidence that the targeting criteria were consistently observed during decisions on activities. For instance, 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), the lack of business registration, and cultural issues are barriers to 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 available, it was difficult to actively engage women.
110. **Finally, it was not apparent that there was any initial focus on age, ethnicity or disability** within 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.⁸¹ This is in line with the growing interest of the Government which is giving

⁸¹ In the PDR there is a specification of 50 per cent women within subcomponent 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 per cent of loans under subcomponent 2.3 going to women to date.

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 and dairy value chains developed

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.⁸² The delays in procurement, for example for the irrigation⁸³ and laboratory activities in HSP, meant that the synergies in the value chain were not achieved by 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 agro-firms 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 and packaging equipment. Project technical staff provide advisory services to farmers on issues such as reproduction, artificial insemination, nutrition and veterinary care. Yet, the agro-firms have not received much attention. Project staff claimed that the beneficiaries independently decide 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's funding in DVCDP and ADMP has been on importing 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, emphasizing artificial insemination from the start might have been more effective and further training reflecting this has been introduced recently.
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 for wheat and cotton

⁸² 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 did not include the cost of construction works, transport to the site, and installation of the equipment. IFAD brought in an international expert who 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 lacks the required ventilation.

⁸³ 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 did not always have the experience or machinery. ADB or the World Bank 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.

production, leaving insufficient land for fodder crop production which could 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 had 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 efficiency of production with increased 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 would be in more conducive settings. This results in longer inter-calving periods, potentially less milk once the cow calves, and lower milk production per animal over her lifetime. They also need better housing and veterinary care. These problems generally lead to disappointment and economic loss for the farmer, who has imported the cow with high expectations. There are also problems with potable water supply at farm level in many areas, which is important for maintaining hygiene in milk collection, storage and processing, as well as insufficient links to extension services, processing and marketing. These issues were planned to be addressed in DVCDP, but they remain critical limitations, even though they are well recognized by 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 using cheap equipment, low-quality preservatives, and not following 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 exceeded** and in HSP, according to the PCR, 3,251 persons were trained (1,075 women), compared with a target of 1,800 (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. Agro-firms 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 9,000.
118. According to the beneficiaries interviewed during the CSPE, the training sessions were of good quality and appear 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, the study tours arranged did open the eyes of some participants to new ways of organizing production and linkages, as confirmed by the field visits. Study tours exploring alternative fruit and vegetable value chains took place in Armenia, Georgia, Moldova, the Netherlands (Kingdom of) and Türkiye. 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 seedling 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 under way, 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 offered to the groups and therefore it is difficult to claim that simply having access to water truly represents 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 is 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. Inevitably, this results in reduced 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 agro-firms for processing, storage and marketing facilities and networks, were considered innovative at the time of planning HSP, given that the government priorities were entirely focused on production. Ideas such as scholarships and educational support were expected to enable technology testing and demonstrations and the professionalization of veterinary services. However, as noted, these linkage outcomes did not materialize.
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 they observed 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 FPPC⁸⁴ sessions 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 included increased awareness of the opportunities in the dairy value chain, and more loans were taken. However, there were no clear outcomes in terms of public-private-producer partnership arrangements or technical innovations for research and testing, and no issues were 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 further nurtured.⁸⁵
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 design concept.

⁸⁴ 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' councils, the Business Women's Association of Uzbekistan, community innovation centres) 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.

⁸⁵ IFAD conducted a midterm 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.

125. **Within ADMP, there are several innovative ideas to support different points in the value chains as well as map the subsectors.** Solar-powered agrometeorological 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, 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 its approach to food safety and packaging and harmonize many agricultural and food standards. To this end, ADMP has financed consultancy support to assess equipment and accreditation needs for the Agricultural Standardization Centre, 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. This was often beneficiaries' first opportunity to take a loan, though there were some complaints about the processes, as for example, they found it difficult to comply with the loan procedures and requirements for collateral. 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 arranging 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 in providing rural finance services. First, the data show that loans benefitted larger agribusinesses.** The HSP PCR describes the targeting of smallholder farmers 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	Average size	Total loans	Average size	Total loans	Average size
Dehkans	183	13,981	217	9,330	3	147,491
Small farm production and service units	58	15,663				
Farms	72	59,579	126	66,006	69	113,039
Agro-firms and 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, which still remains 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.⁸⁶ However, beneficiaries reported difficulties in accessing loan guarantees, so to date, few 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, raising the question whether they are in fact loans to poor dehkans. The possible explanation may be that the ADMP borrowers possess dehkan status, but have other income sources or employment. Formally they qualify in the view of the PFIs, but they are not "dehkans" by the socio-economic definition or the target group description provided in the design documents. The project is only in its initial stage of implementation and there is opportunity 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 agro-firms 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.⁸⁷ 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 agro-firms were expected, as a condition of project support, to agree on the targeting criteria for each project and engage fully with the small-scale producers. However,

⁸⁶ However, both farmers and project staff commented during the field visit to end beneficiaries that 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.

⁸⁷ This was also noted in the May 2016 Supervision Mission Report.

in practice in HSP and DVCDP the subsidiary loan agreements 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 focused on their own interests, rather than supporting the major 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 the bank's own funds has not been included into the SLA conditions (at least for HSP and DVCDP). The SLA stipulates that up to 100 per cent 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 the contributions of PFIs, though the link to DVCDP is unclear.
134. **Moreover, the exchange rate liberalization 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 as they repaid loans under the HSP and DVCDP refinanced credit that had been tied to the US dollar value, and this led to reduced demand for loans (this is visible in the dramatic decrease in loans issued during 2017 and 2018). The subsidiary loan agreements concluded in 2014, 2015 and 2016 were all in US dollars 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 continue to face currency risks. Overall repayment rates are not reported in the HSP PCR, nor is there disaggregated data on repayment rates across the subcomponents 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 uncondusive 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 access to finance particularly of women and poor households. Moreover, no working capital loans were issued. Banks are reluctant to encourage small loans due to the administrative burden involved 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 attempt made in introducing innovative rural finance support, however the effectiveness of these efforts is still**

questionable. The Government introduced an indirect way to subsidize borrowers (via interest rate and collateral subsidies) through the State Guarantee Fund (box 3).⁸⁸ Its main objective is to compensate for the stringent collateral requirements and allow good business projects without adequate collateral to get finance. In practice, however, the application of the fund in HSP and DVCDP has not been transparent.

Box 3

Guarantee Fund use in ADMP

In ADMP, the Guarantee Fund offers a specific tool, intended to support 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 UZS, and 6.5 per cent in US\$). 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 State Fund’s launch agreement was signed in February 2021, and the Fund provided the first guarantees of UZS 5.4 billion for 19 loans worth a total of UZS 22 billion (approximately US\$2.1 million), but all the guarantees were provided for loans disbursed from the IFAD-funded credit line. This was inconsistent with 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 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 cash flows generated are far more accurate. At the same time, they also acknowledge that the system cannot completely replace human judgement (even for the repayment schedule options) but it offers a good support tool. The use of CLARA also requires good levels of qualifications and understanding of financial accounting and analysis, consequently personnel using it need 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 training and study tours, and it contributed to improved access to rural finance services which was greatly appreciated by the beneficiaries and national authorities. Further innovations were also 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 subsectors. On a less positive note, owing to the absence of an adequate monitoring system and accurate 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 the implementation of HSP and DVCDP, and was apparently poorly understood. In practice, the focus has been on production, particularly on supporting the imports of dairy heifers, and on the provision of rural finance without linking the various elements of the value chains with any clarity.

⁸⁸ Presidential Decree No. PP-2768 of 10 February 2017, “On the creation of the guarantee fund for the development of small entrepreneurship.”

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 lack of 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.⁸⁹ 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 dehqan 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 data, only one out of three projects is completed. Furthermore, 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, both targets of increasing asset ownership and incomes by 20 per cent 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. While 1,500⁹⁰ new jobs were to be created through project support, these were estimated variously 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 dehqans 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 present a significant barrier. Most of the jobs were seasonal and created for workers employed during the harvest (in greenhouses, vineyards or orchards) and in the 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, 1,227 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 2,000 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.** Dehqans are responsible for a significant segment of total agricultural production in Uzbekistan, a key reason for targeting them in these 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 of 2018⁹¹ indicated that almost 90 per cent of a sample of beneficiaries recorded an increase (from medium to high) in crop

⁸⁹ 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).

⁹⁰ This target was decreased from the initial 2,000 jobs planned.

⁹¹ Quoted in the PCR.

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, and may favour commercial farmers, rather than the dehkans. In the DVCDP 2020 outcome survey, 75 per cent 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 aspects of production, 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 training 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 mobilization or organization.** This may be partly due to distrust of organizations beyond the family, as a legacy from the Soviet period. Hence important organizations 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 recognized that the water consumers associations (WCA) lack capacity in the important areas of organization, water management, and operation and maintenance. While the water users visited in the field expressed confidence in their capacities to use the water effectively and maintain their newly rehabilitated canals, the long-term sustainability of the irrigation systems 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 the Government and other donors, IFAD was recognized as having been the champion of dehkans, as well as the first investor to support 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 2020-2030,⁹² the Presidential Decree No. 4246⁹³ on support to horticulture, and the recent law on Dehkan farms⁹⁴ 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 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 the approval of the HSP. For example, there were significant weaknesses with regard to the 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

⁹² Approved by the Decree of the President of Uzbekistan No. PP-5853 on October 23, 2019.

⁹³ 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. it provides 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.

⁹⁴ The Law on Dehkan Farms (approved by the Senate on 12 March 2021) puts more emphasis on smallholder farmers, giving them more freedoms and expanding their permitted farming area up to 10 ha.

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, implementing agencies were constrained by limited institutional capacity, particularly in attracting and retaining qualified local personnel, and suffered 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. **The impact on banks is positive, but its sustainability is questionable.** By requiring the PFIs to issue loans to dehkans (a new client) and in extending support to new sectors (horticulture and dairy), IFAD has had a positive impact. However, the capacities of participating financial institutions did not receive sufficient attention and assistance. It is not yet clear that the PFIs will continue to issue loans to dehkans outside such 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 IFAD's strategy and programme in Uzbekistan is not rated given that only one of the three projects is completed and the little data available do not provide sufficient evidence to make an assessment.

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 the utmost importance to help achieve IFAD's priorities in the absence of a COSOP and considering the country context.⁹⁵ The project design documents 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 as 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 robust gender focus in HSP. The DVCDP and ADMP designs do provide more proposals to address women in the project, and 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 focus. While there is relevant legislation and some strategies in place regarding gender equality, there is limited intersection with addressing gender gaps in the projects. The two main bodies working with women are non-government organizations, 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 it 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 training.
152. **In addition, there is no mention of targeting women in the feasibility studies of either HSP or DVCDP.** As a result, there was no attention given throughout HSP implementation to gender concerns or the gender targets identified in the PDR. Gender issues were never prioritized in budgeting, planning or 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

⁹⁵ Although the IFAD Policy on Gender Equality and Women's Empowerment 2012 was available.

project gender quotas was incumbent on the M&E Officer, who was supposed to act also as gender focal point/coordinator and work collaboratively with the women's committees, *mahalla*⁹⁶ committees members, and the deputy governors (*Hokims*) responsible for women's affairs at regional and district levels. However, owing 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 the 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 growing women's ability to increase their earnings. The HSP and DVCDP are providing training in income-generating activities, covering a cumulative number of 745 women so far. The use of household methodologies as envisaged by the DVCDP, should have a positive impact in terms of promoting shared decision-making and planning and enabling a better gender-balanced workload.
154. **The COSOP was a missed opportunity to draw from experience and provide strong 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 identifying improvements to the low outreach to women as an issue which could 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 a low percentage of women accessing training and loans in the past. Moreover, the COSOP did not include any reference to the IFAD Gender Equality and Women's Empowerment 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 HSP's low outreach to women, and at that point in time also the low outreach 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 the rural finance activities of all projects was negatively affected by the **requirement to hold business registration** to be eligible for lending activities. Rural women are seldom registered business owners in Uzbekistan, and usually lack the collateral (typically in the form of vehicles or buildings) and business registration to obtain the loans. Moreover, **women's financial literacy is weak**, and this affects their capacity and confidence to submit loan applications (particularly as, until recently, they needed to complete the application in the Russian language, rather than Uzbek), they are less used to considering 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 outreach to women. 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 it still remains below the target of 30 per cent. ADMP to date reports 13 per cent of the loans have been taken by women.
156. Moreover, **the prevailing cultural attitudes in Uzbekistan discourage women from participating in training or from travelling alone** which presents another barrier. Gender-balanced participation in training activities was challenging. IFAD supervision missions tried to address the issue of women's participation under HSP

⁹⁶ The word *mahalla* refers to a neighbourhood or local community. Meaning "local" in its Uzbek derivation of the Arabic term, *mahalla* are residential community associations that were once common throughout the Islamic world but now, outside of Uzbekistan, they are a disappearing institution.

and proposed to either involve local non-government organizations and women's 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 eventually achieved (33 per cent of women trained at completion).

157. Under HSP, only three women participated in study tours in Georgia and Türkiye 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 organized close to the farm, ensuring the participation of women was difficult. Men were reluctant to allow them to participate, and women were shy or too busy. ADMP plans to hold further training sessions at community level in an effort to improve participation.
158. **Data on women's participation in HSP was not reported.** The impact of training was not documented by the HSP's 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 recorded. Similarly, if the project had any impact on the reduction of women's workload, such as by providing improved access to irrigation facilities, this was not documented. Finally, the project did not report any possible change in women's decision-making power and asset ownership as a result of project activities.
159. **The performance of IFAD's strategy to ensure women's participation has improved in the ongoing projects.** The PMUs of DVCDP and ADMP hired gender specialists and this decision allowed gender action plans to be prepared and adopted and some progress in women's outreach to be made. 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 1,113 new jobs were reported, of which 438 were for women as of October 2020. The projects still under way are expected to strengthen women's decision-making role at the household and community level, through the use of household methodologies, equal representation in the FPPC, technical and entrepreneurial training, and further opportunities for study tours. Both DVCDP and ADMP address the issue of women's workload and include some investments and activities that should help in reducing it, such as the adoption of drip irrigation systems, greenhouses and other technologies that can be incorporated on the household plots near homes. However, available documentation does not allow for an assessment at this stage of whether the two current 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 measure whether the project is having any impact on the percentage of women-owned enterprises operating profitably, on reductions to women's workloads or any strengthened role in decision-making.
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 given the early stages of implementation, and the COVID-19-related restrictions. The women interviewed by the CSPE team were reported to be enthusiastic about starting small businesses in sewing and cooking. However, their limited access to collateral and lack of support from PFIs and local authorities affected their capacity to take loans. With encouragement from project staff, PFIs were beginning to employ female loan officers to support women borrowers from April 2021. The gender action plans should also reflect gender-sensitive planning and budgeting, which is not yet happening. However, 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.⁹⁷ The upcoming partnership within ADMP with the Business Women's Association of Uzbekistan⁹⁸ is promising to support women's inclusion, providing that the contract is finalized as soon as possible to conduct training sessions in a timely manner.

161. ADMP's design includes youth as a target group and provides youth-dedicated credit lines, which is also specified in the feasibility study. However, only six loans within the youth credit line had been issued by April 2021, and research on youth and women's specific needs 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 to address this oversight.
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 targeting women's access to loans remains poor. While there have been some positive results in the area of improving women's assets and incomes (via new jobs, training and production gains), there is little influence on improving women's voices, increasing their 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 and 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 prevalent and 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 be 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 still ongoing. 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 neutral to positive net returns would begin to accrue from year 4 and continue for the foreseeable future. Structuring the project in more than one phase might consolidate results and secure stronger market linkages and more sustainable returns. It is likely that the market will be domestic 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

⁹⁷ It is noted that indicators to follow the impact of household methodologies have been included in the Gender Action Plan. They are, however, 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.

⁹⁸ The Business Women's Association of Uzbekistan and its regional and district branch offices organize training workshops and seminars including 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.

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, data collection and the introduction of clear exit strategies embedded in the next COSOP will ensure that appropriate capacity-building is provided and benefits maximized.
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. UZAIFSA was 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 cannot 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 issue loans to dehkans due to the additional risks and paperwork involved. It was also anticipated that they would offer loans 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 situation is improving in DVCDP as the Ministry of Finance has agreed to sustain DVCDP's line of credit 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 therefore 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 promoted by IFAD alone. While there have been some contributions to women's economic empowerment and employment, changes in a more equitable workload and encouraging women's voices to be heard are not yet evident. It is doubtful whether the changes introduced recently 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 still 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 prove to be a way forward, although it is still unclear how this model will apply to the horticulture and dairy sectors.

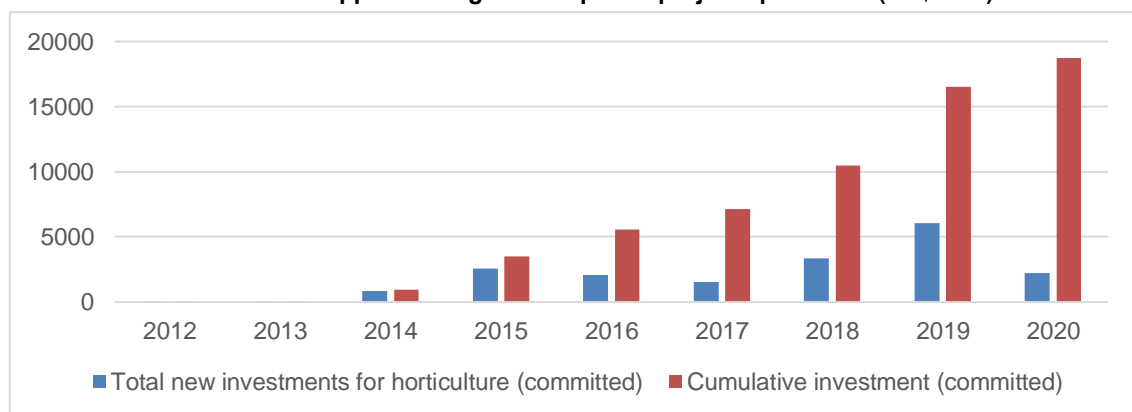
172. Water Consumers’ Associations (WCAs) would have been obvious organizations to engage with in the selection of contractors and capacity-building for appropriate water use, water saving and operation and maintenance (O&M) activities, however, they have been largely missed. Field visits indicated that individual irrigation beneficiaries are keen to participate in O&M activities, but how they will be organized is unclear. Irrigation investments are unlikely to function sustainably without training for farmers, water users and WCAs. WCAs’ budgets are generated from the irrigation service fees set by the association and paid for by farmers, but the fees are too low to ensure adequate maintenance costs can be covered. More efforts are needed in the 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 supporting 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 a coincidence is unclear and how far efforts will be replicated by the Government or other donors remains to be seen. In fact, dehkans have not been a 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 scaling up the horticulture value chain, as was intended at design when there was an expectation that the 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 4). However, as already mentioned, this increase supporting 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 4

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 the horticulture and dairy sectors, and to use a pro-poor targeting approach. They also acknowledge 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 opportunities for 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 the DVCDP, despite the expectation that ideas for policy development might emerge from the FPPCs. Further information-sharing and policy work could facilitate this. Uzbekistan today is offering a more conducive environment to partnership-building and innovation, which could provide fertile ground for greater collaboration and deeper IFAD 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 attention on these issues is growing in the ongoing projects.** Climate change will further increase the extremely high water demands of wheat and cotton production. The diversification towards horticulture and more efficient crop varieties, such as fruit and vegetables, and the use of improved water management techniques were expected to enhance the resilience of agricultural producers through the HSP. 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. However, disaster preparedness or risk reduction were not considered in the design.
178. DVCDP reflected to some extent climate change issues, with a 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 the likely 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 significantly from 17.75 million m³ to 4.4 million m³. Field visits found that, in the schemes visited, the work was of good quality and farmers were satisfied with 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 patchy⁹⁹ and does not support good operation and maintenance, yet HSP did not concentrate on 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 had moved out of the area. Finally, the quality of works

⁹⁹ Both in Uzbekistan as a whole, and specifically in the project area, according to interviews.

executed in some schemes was poor, and some recently completed canal sections already require urgent maintenance to avoid further deterioration.

180. **The introduction of drip irrigation allowed for the 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 mainly applied in greenhouses, permitting more efficient use of scarce water resources, and fertilizers – although uptake has been limited.¹⁰⁰ Further training is also important for understanding how to apply conventional irrigation water at the optimal time of the day and in appropriate quantities. It was assumed that training would be delivered to the farmers and dehkans on a range of topics to support adaptation strategies, but the HSP PPE could find no evidence of any such training having taken place. This issue is being addressed in the ADMP. There are plans for training WCAs and others on the most 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 pending 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.** Potable water is important for milk hygiene, but also critical for cows to drink, and to maintain fodder production. While this was mentioned in the PDR, there were no project activities implemented to develop secure water supplies.
182. **Environmental impact assessments are not a requirement for loan issuance, and this poses a distinct environmental threat especially for dairy production.** In HSP the final design report stated that environmental impact assessments for all investment proposals were needed.¹⁰¹ 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 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 PDR¹⁰² 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 and the DVCDP have been used to purchase heifers, this is a significant threat. The environmental and social management plan which was 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 farmers, especially those entering a new sector.
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 a positive environmental conclusion for all the rehabilitated canals; however, this has not occurred for the DVCDP investments. Presumably, this

¹⁰⁰ The PPE team did not see any drip irrigation technologies during the field visit.

¹⁰¹ 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 (G'lavgosecoexpertiza) 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".

¹⁰² 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 an environmental and social management plan and train farmers to minimize environmental damage.

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 recognized at design stage as a risk of ruminant production.** Increasing the number of ruminants (in DVCDP and ADMP) was recognized to be a risk for greenhouse gas emission increases, however it was argued that producing fewer, but better-quality production 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 tool designed by the Food and Agriculture Organization of the United Nations (FAO) for carbon appraisal analysis, was applied at the design stage. This found that the project could provide a mitigation impact of 23,830 tons CO₂ on 10 years or 2,383 tons CO₂ 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 midterm 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 advisable to give training in safe handling and disposal for safe and sustainable implementation and hygiene issues.
187. **Opportunities for the increased 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 generating power 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.¹⁰³
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, the World Bank and the European Bank for Reconstruction and Development on solar power plants and renewable energy. IFAD has also been involved in a new project in the Aral Sea area, which will have a climate change adaptation focus.
189. **Summary. The CSPE assesses the 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 acknowledged by the Government and other financiers. Government policy has recently begun to reflect these issues, through the Strategy for Agricultural Development 2020-2030 and presidential decrees. The attention to environment and climate change issues is improving.

¹⁰³ For instance, the project design refers to energy efficient greenhouse construction, energy savings via optimized operation of pumps, and solar-powered meteorological stations. To date, there has been no discussion of energy efficiency in the supervision mission reports, although the construction of the pipe wells and solar-powered meteorological stations has been noted.

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

Key points

- IFAD responded to important shifts in government policies in the agriculture and rural sectors by providing pioneering support via loans to the horticulture and dairy sectors and targeting the vulnerable dekhani 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 other innovative and valuable aspects of planned assistance, targeting and the value chain focus, were lost in the feasibility studies.
- External and internal coherence have been weak. IFAD's strategic positioning in the country was not guided by a strategic vision, nor was it intended or 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 introduced some key innovations and its outreach was overall good. The support provided has enhanced agricultural skills through training 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 dekhans have actually been reached. The value chain approach emphasized at the design stage has not been evident in the 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 historic and cultural distrust.
- Gender and youth equality were not addressed initially other than with setting quotas. The cultural constraints on women make it difficult to involve them in training and project activities. Both gender- and youth-related issues are getting more focus in recent times, with recruitment of gender staff, preparation of gender action plans (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 increase 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 the implementation of projects.** According to IFAD's Operational Procedures and Guidelines for Country Strategies,¹⁰⁴ 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 setting out 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 described earlier, the policy environment was not conducive to good project planning in 2011.** Poverty (a key focus for IFAD) was not even 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 over 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 of perspective or a 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 took place,

¹⁰⁴ Available at <https://www.ifad.org/en/-/document/guidelines-for-preparation-and-implementation-of-a-results-based-country-strategic-opportunities-programme>.

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 to date, and one implementation support mission. In line with 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 Regional Bureau 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 of targeting, gender, climate adaptation, youth and nutrition, are also prioritized 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 county programme managers 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 incumbent) have served as country programme managers or country directors for Uzbekistan, being based in Rome headquarters or in the subregional hub of Istanbul as IFAD does not have a resident representation in Tashkent. The high turnover in the 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 inhibited 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 (the 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 pivotal 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 policy.
203. **Institutional changes and project staff turnover were frequent on the Government side as well.** 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 the issues anticipated 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 to implement 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 role as the previous incumbent has resigned. It is hoped that this will mitigate the potential loss in project management experience, institutional memory and staff turnover.¹⁰⁵ However, as the ADMP will also move to the Ministry of Agriculture, there is a risk of weaker linkages between the projects.

204. The physical location of the project management unit 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 committee (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 a PSC and has not provided notice of any alternative arrangements to IFAD. IFAD is currently looking forward to receiving feedback from the Government on the role of the PSC as well as on the contradiction in the date of completion of DVCDP.¹⁰⁶
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, and 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 capturing experience and knowledge. As the COSOP also stressed, such a knowledge base was intended to 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 strategic objective 1 the institutional policy and non-lending objective of informing policy discussions with the Government and other partners with evidence-based data and knowledge products on productivity and the income of small-scale dehkan farmers. These were good ideas but were not implemented.

¹⁰⁵ In addition, ADMP is planned to transfer to the Ministry of Agriculture, although there are many livestock activities.

¹⁰⁶ 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 Financing Agreement as soon as possible (noted in many supervision mission reports).

207. Difficulties are partly due to the focus on disbursement, rather than broader project outcomes. For example, in the DVCDP, the M&E system appears not to produce data on milk production changes (the 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 (which is too late to change course, if needed). 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 all dehkans are poor, yet the evidence from CSPE field visits and interviews shows 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 integrated into 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, and training and technical manuals for beneficiaries. Neither of the two projects has a knowledge management specialist role and as a result, no knowledge management strategy has been developed. Hiring such a specialist would be the best way for DVCDP to fill this gap, but since there is no budget allocated for this work it is advisable that IFAD support the PMO to identify key knowledge management 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 knowledge function having been used to inform decision-making at project level, or any policymaking 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 beneficiaries, and weak information flows between the PMU and the regional project implementation units. 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 any data produced.
210. All IFAD projects have or are collecting gender-disaggregated data. However, several issues exist in terms of the 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 categorized as dehkans may not in fact be poor and they are taking loans of a size not typically associated with the poor. In the future, monitoring 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 coherence between the design document and the feasibility studies prepared by the Government, which affected implementation and the 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 focus, and this has reduced the immense potential benefits 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 ratings for IFAD's country strategy and programme in Uzbekistan.

Table 6
CSPE ratings

<i>Evaluation Criteria</i>	<i>Rating</i>
Relevance	4
Coherence	3
<ul style="list-style-type: none"> • Knowledge management • Partnership development • Policy dialogue 	3 3 3
Effectiveness	4
<ul style="list-style-type: none"> • Innovation 	4
Efficiency	4
Rural poverty impact	n.a.
Sustainability	n.a.
<ul style="list-style-type: none"> • Scaling up • Natural resources management and climate change adaptation 	4 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 increasing its attention on the poorest and prioritizing 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 able to support improved partnership and policy dialogue.
215. **First, targeting dehkans was relevant as they are the drivers of horticulture and livestock production and key to reducing 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 dehqan 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 requirements at design constrained women's participation. While it is recognized 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 the 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 have the chance to 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 unreliable. There was too much focus on disbursing and implementing activities rather than outcomes, and a 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 reduced the potential for policy dialogue to boost scaling up 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 could 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 reinstating 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 most vulnerable people to participate in projects;
 - (iii) focus on the development of clear linkages with rural entrepreneurs either via direct contracts or in formal associations with cooperatives;
 - (iv) strengthen producers' associations through capacity-building to allow these organizations to protect the smallest producers and use them to establish further linkages with medium- and 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,

public-private partnerships 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. A clearer sector and geographic focus should be developed, 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 the development of knowledge management and promote opportunities to build new partnerships, including with the private sector. Future grants could be used to support piloting innovations as they emerge.

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 allow for 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 adjustment when necessary. This will require capacity-building and improved tools – for instance, the use of mobile phone apps for farmers to directly update data on production, 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 clear pro-poor and gender focus, project management units need qualified staff and technical assistance.
224. **Recommendation 4. Enhance country presence and programme support.** IFAD should improve portfolio and programme support by using instruments to finance pre-implementation preparation work and capacity-building to facilitate project implementation readiness, such as the 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 ongoing supervision, programme management and monitoring, and policy dialogue. To this end, adequate human and financial resources and less staff rotation from both IFAD and the Government must be ensured.

Definition of the evaluation criteria used by IOE

<i>Evaluation criteria</i>	<i>Ratings</i>
<p>Relevance</p> <p>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.</p> <p>*Evaluations will analyse the strategy pursued whether explicit (written) or implicit.</p>	YES
<p>Coherence (mainly for country level and strategic evaluations)</p> <p>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.</p> <p>Non-lending activities are specific domains to assess coherence</p> <p>Knowledge management</p> <p>The extent to which the IFAD-funded country programme is capturing, creating, distilling, sharing and using knowledge</p> <p>Partnership-building</p> <p>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</p> <p>Policy engagement</p> <p>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</p>	YES
<p>Effectiveness</p> <p>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</p> <p>A specific sub-domain of effectiveness relates to</p> <p>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.¹</p>	YES
<p>Efficiency</p> <p>The extent to which the intervention or strategy delivers, or is likely to deliver, results in an economic and timely way</p> <p>"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).</p>	YES
<p>Impact</p> <p>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.</p> <p>The criterion includes the following domains:</p> <ul style="list-style-type: none"> -changes in incomes, assets and productive capacities -changes in social / human capital 	NO

¹ 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.

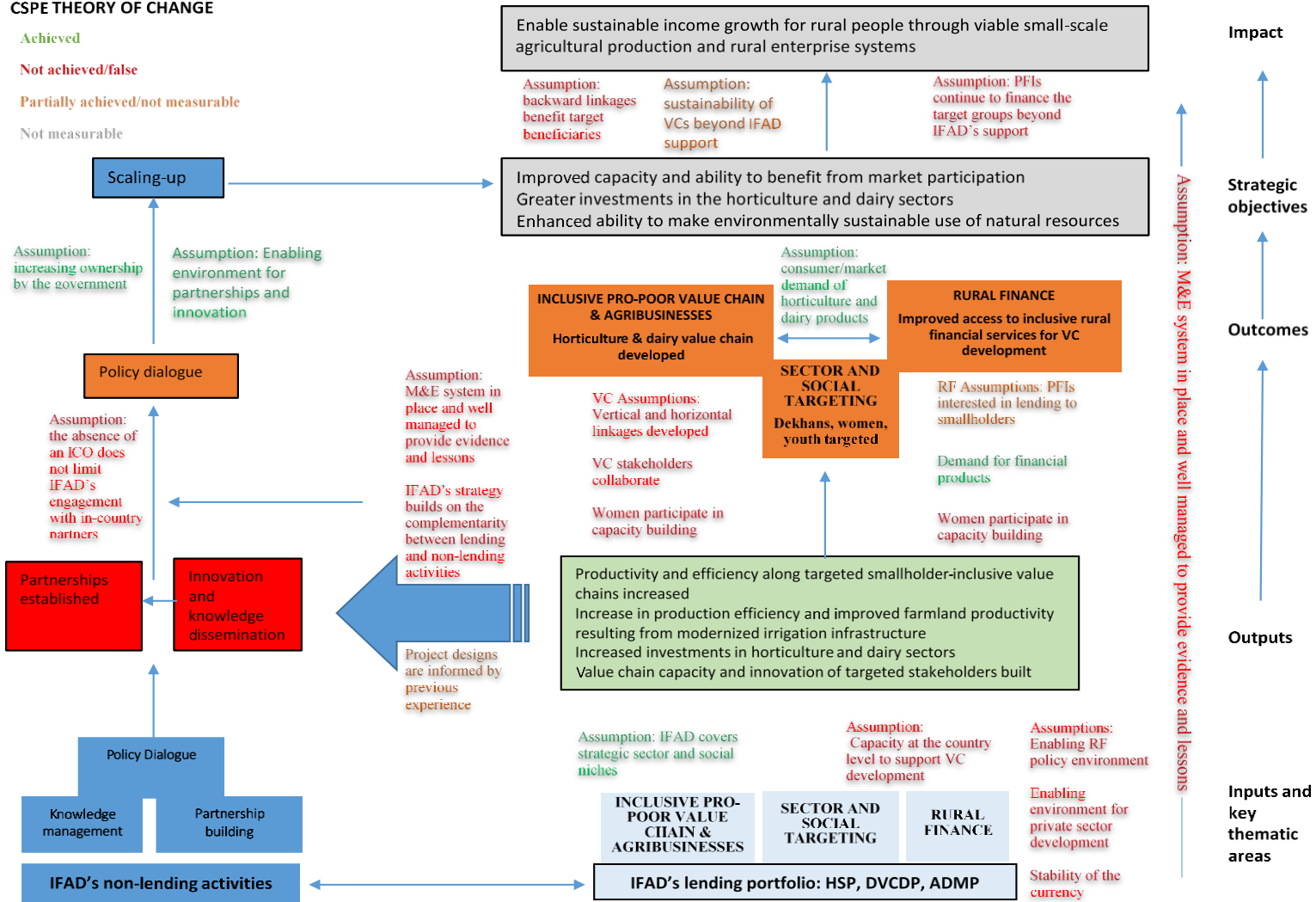
<p>-changes in household food security and nutrition</p> <p>-changes in institution and policies</p> <p>The analysis of impact will seek to determine whether changes have been transformational, generating changes that can lead societies onto fundamentally different development pathways (e.g., due to the size or distributional effects of changes to poor and marginalized groups)</p>	
<p>Sustainability</p> <p>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.</p> <p>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.</p> <p>Specific domain of sustainability:</p> <p>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.</p> <p>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).</p> <p>*Note that scaling up does not only relate to innovations</p>	<p>NO</p> <p>YES</p> <p>YES</p>
<p>Gender equality and women's empowerment.</p> <p>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.</p> <p>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).</p> <p>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.²</p>	<p>YES</p>
<p>Performance of partners (assessed separately for IFAD and the Government)</p> <p>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.</p> <p>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.</p>	<p>YES</p>

² 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

CSPE THEORY OF CHANGE

- Achieved
- Not achieved/false
- Partially achieved/not measurable
- Not measurable



Evaluation framework

<i>Evaluation criteria* and related evaluation questions</i>	<i>Indicators</i>	<i>Sources</i>
Relevance		
<p>Was the country strategy and programme relevant in relation to: (a) Uzbekistan development needs and challenges, and (b) IFAD's corporate strategies and priorities?</p> <p>Are IFAD priority themes sufficiently addressed in the 2017 COSOP?</p> <p>Does the strategy build on lessons learned?</p> <p>To what extent were the projects and the country programme adjusted to retain continued relevance?</p> <p>Is the targeting approach adopted by the country programme tailored to the needs of the poorest? Did the targeting strategy focus on Dekhan farmers?</p> <p>How was the quality of project designs?</p> <p>How is the design of the interventions in terms resources and M&E?</p>	<p>Extent to which IFAD analysed and aligned projects to national policy in design and strategy documents, and incorporated new policies through supervision documents.</p> <p>Alignment of project goals and objectives to national and sectoral policies at design</p> <p>Modification of project goals and objectives in line with contemporary changes to national and sectoral policies</p> <p>Technical content of projects</p> <p>Presence / absence of analysis of problems and analysis of risks and proposals made to palliate risks</p> <p>Follow-up made to address implementation problems</p>	<p>Review of project design, Interviews with national authorities and implementing agencies.</p> <p>Discussion with local government officials.</p>
Coherence (including NLAs)		
<p>What was IFAD added value and comparative advantage in Uzbekistan?</p> <p>How did IFAD position itself and its work in partnership with other development partners in Uzbekistan?</p> <p>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)?</p> <p>What is IFAD doing in comparison with what others are doing?</p> <p>Did the non-lending activities contribute to a coherent country programme strategy?</p> <p>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?</p> <p>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?</p> <p>To what extent were non-lending activities embedded into the loan portfolio (e.g. with loan-component grants for policy engagement)?</p>	<p>Level of coordination/harmonization with other partners</p> <p>Number of projects and sectors covered by other development partners</p>	<p>Available literature</p> <p>Interviews with in-country development partners and stakeholders</p>

Evaluation criteria* and related evaluation questions	Indicators	Sources
What were the specific contributions from grants to lending operations and non-lending activities?		
Effectiveness		
<p>Were the objectives of the country strategy and programme (lending and non-lending activities) achieved at the time of the CSPE?</p> <p>What innovations have been introduced? What are the characteristics of innovations promoted? Are they functional?</p>	<p>Comparison of intended vs actual population covered</p> <p>Comparison of results achieved vs design</p> <p>Quality of works (e.g., feeder roads, irrigation)</p> <p>Type of innovations and Technology adoption rate</p> <p>Increase in number and better functioning of Farmers' associations, cooperatives etc.</p> <p>Improved management of resources (pastures, water)</p> <p>Extent to which analysis and dialogue with partners was sufficient and sound enough to inform non-lending activities</p> <p>IFAD's participation in donor-coordinated studies</p> <p>Number of meetings with other development partners</p> <p>N and type of projects implemented by other development partners</p> <p>Regional exchanges</p> <p>Focus of supervision missions on KM</p>	<p>Review of available reports and data</p> <p>Spot-verification during field visits</p> <p>Validation in the field</p> <p>Primary data collection and interviews</p> <p>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.</p> <p>Remote sensing data analysis</p> <p>IFAD's innovation policy</p> <p>In-country interviews with key stakeholders (government, development partners, NGOs, private sector)</p> <p>Project documents including COSOP, supervision mission reports</p>
Efficiency		
<p>How efficiently has IFAD's support been delivered over the evaluation period?</p> <p>What financial or technical inputs (e.g. loans, grants, technical assistance) have been deployed in what ways?</p> <p>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.</p>	<p>Management costs</p> <p>Levels of staffing</p> <p>Disbursement rates</p> <p>Cost/beneficiary</p> <p>Unit costs (benchmarked against other projects and Government unit costs)</p>	<p>Desk Review</p> <p>Financial data from projects</p> <p>Interviews with project finance officers</p>

Evaluation criteria* and related evaluation questions	Indicators	Sources
<p>How was IFAD human resource deployed and organized to supervise and support the lending portfolio and to engage in non-lending activities?</p> <p>What were the main factors affecting efficiency in the closed projects?</p> <p>What are the trends in the ongoing project?</p>	<p>Economic Rate of Return</p> <p>Compliance with loan agreements and loan conditions</p>	
Impact		
<p>Has IFAD country strategy had the anticipated impact on the target group (including: Dekhkan smallholders, women, indigenous peoples, youth, persons with disability etc.)?</p> <p>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?</p> <p>From an equity perspective, have very poor / marginalized groups, special categories, benefited in a sizable manner?</p>	<p>Changes in physical assets (farmland, housing, irrigation infrastructure, r etc.)</p> <p>Changes in the composition and level of household income</p> <p>Rate of increase in smallholders' profits</p> <p>Changes in financial assets and/or debts</p> <p>Employment rate in rural areas covered by IFAD</p> <p>Access to market information and prices</p> <p>Access to financial services</p> <p>Loans to dekhans and other disadvantage groups (n and USD)</p> <p>Amount of loans spent in technological improvements</p> <p>Education levels</p> <p>Availability and affordability of food</p> <p>Land productivity, yields return to labour</p> <p>Nutrition status</p>	<p>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.</p> <p>The CSPE will also gather primary data through a survey, focus groups, GDs and interviews, and remote sensing data analysis.</p> <p>Data will be disaggregated by age, ethnic group, geographic location.</p>
Sustainability		
<p>To what extent did the intervention/country strategy and programme contribute to long-term institutional, environmental and social sustainability?</p> <p>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?</p> <p>Are grassroots able to continue functioning after project closure?</p> <p>What evidence is there that practices introduced by the programme have been scaled up?</p>	<p>Availability of activities in support to small producers (e.g. technical assistance, extension, training)</p> <p>Gross margins of farming / non-farming enterprises supported by the projects</p> <p>Continuation of activities, regular meetings</p> <p>Existence and quality of project exit strategies</p> <p>Extent to which government and other donor partners have incorporated IFAD practices into their own projects and strategies.</p>	<p>Interviews with government staff (national / local) and with end-clients</p> <p>Project documents and selected development partner projects</p> <p>Key informant interviews (IFAD; local and regional level staff, former project staff, selected groups, selected development financiers)</p> <p>Focus group discussions (selected groups of beneficiaries)</p>

<i>Evaluation criteria* and related evaluation questions</i>	<i>Indicators</i>	<i>Sources</i>
<p>To what extent did the country strategy support the adoption of environmentally sustainable and climate-resilient technologies and practices?</p> <p>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?</p>	<p>Government co-financing ratio of similar practices/projects</p> <p>Financing of similar practices/projects by other partners and organizations</p> <p>Engagement / interest of private sector to expand or take over</p>	<p>IFAD's operational framework for scaling up</p>
<p>Performance of partners</p>		
<p>Did the partners pay adequate attention to design quality (adhering to quality standards when available) and have realistic expectations on targets and implementation capacity?</p> <p>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)?</p> <p>Were management decisions supported by a functioning M&E system?</p>	<p>N and quality of supervision missions</p> <p>Quality of midterm review</p> <p>Quality of COSOP review</p> <p>Quality of completion reports</p> <p>M&E system in place</p> <p>Financial management system</p>	<p>Interviews</p> <p>COSOP and project documents</p>

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

List of IFAD supported interventions

ID	Project		Dates				Financing (million US\$)					
	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 Fls)	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 Fls)	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	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	31.69	Closed

ID	Project Name	Type	Location	Components	Implementation Arrangements (from PDRs)	Total cost (million US\$)	Status
				Component 4. Programme Management	<p>including budgeting, procurement, accounting and disbursement; (iii) monitoring and evaluation; and (iv) providing, as appropriate, implementation support to implementing partners and beneficiaries. Appropriate arrangements for monitoring of the Rural Finance component after Project completion shall be agreed between the Borrower/Recipient and the Fund.</p> <p>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.</p>		
1100001714	Dairy Value Chains Development Project	Rural Development	Jizzakh and Kashkadarya	<p>Component 1. Dairy Value Chain Capacity and Innovation Built.</p> <p>Component 2. Dairy Production and Processing Development Financed</p>	<p>Overall management oversight will rest with a Programme Steering Committee (PSC). The DVCDP Programme Director would act as Secretary to the PSC.</p> <p>The Ministry of Agriculture and Water Resources (MAWR) has been identified as the implementing agency.</p> <p>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, while 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.</p> <p>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)</p>	39.41	Ongoing
2000001283	Agriculture Diversification and Modernization Project	Credit and Financial Services	Andijan, Fergana and Namangan (Fergana Valley)	<p>Component 1. Inclusive Value Chains Development</p> <p>Component 2. Inclusive Rural Finance</p> <p>Component 3. Climate-resilient Rural Infrastructure</p>	<p>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.</p> <p>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.</p> <p>Day-to-day oversight of the ADMP's management will rest with a PMU embedded in the RRA, a State entity within the MAWR.</p> <p>The PMU will be based in Tashkent. A Project Implementation Team (PIT) will be established in one of the project regions. The PIT will be responsible for day-to-day implementation in the field</p>	364.16	Ongoing

ID	Project Name	Type	Location	Components	Implementation Arrangements (from PDRs)	Total cost (million US\$)	Status
					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

<i>Grant ID</i>	<i>Name</i>	<i>Type of grant</i>	<i>Countries included</i>	<i>Date of effectiveness</i>	<i>Date of closing</i>	<i>Amount in US\$</i>	<i>Recipient</i>
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

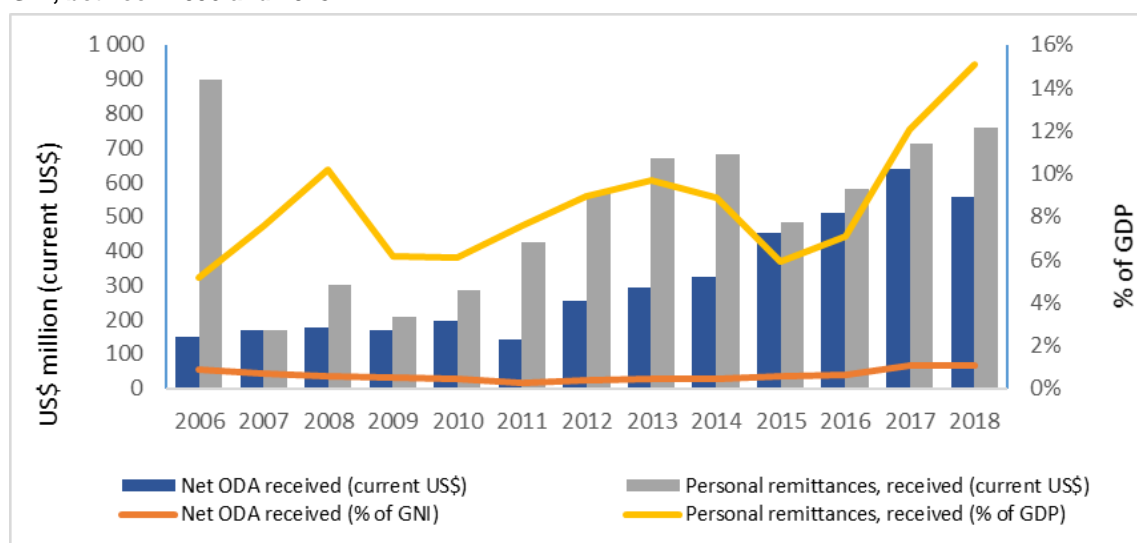
Source: IFAD GRIPS 2020; Grant documents; OPR Grant Status Report tool.

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).¹ 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.² In practice, remittances have overshadowed ODA during this period (see figure 5 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 5

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



Source: World Bank 2020.

¹ FAO Aidmonitor.

² 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 Economist 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

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Larisa Ismailova, Head of Public Relations, Ipoteka Bank

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Sarvarbek Shoyimardonov, Head, Sariosiyo Branch, Sanoat Qurilish Bank

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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

Agro-firms (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

Agro-firm (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

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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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