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EUROPEAN EXTERNAL ACTION SERVICE



EUROPEAN COMMISSION - DIRECTORATE GENERAL
FOR DEVELOPMENT AND COOPERATION - EUROPEAID

**MULTIANNUAL INDICATIVE PROGRAMME (MIP)
2014-2020 FOR UZBEKISTAN**

MULTIANNUAL INDICATIVE PROGRAMME (MIP) 2014-2020 FOR UZBEKISTAN

A double land-locked country situated at the core of Central Asia, Uzbekistan accounts for half of the population of the region and borders all the other countries of Central Asia as well as Afghanistan. Its political system has remained highly centralised, with the state, and especially the executive power, playing a leading role in the country's politics as well as its social and economic policy. Economic, social and political reforms have long remained very gradual. With the consolidation of the Uzbek state now well underway but also the emergence of new challenges, the need for reforms has become more pressing and some recent efforts have been initiated to promote private entrepreneurship, governmental accountability and a stronger civil society, for which Uzbekistan has expressed its interest in benefitting from international experience and cooperation.

1. The overall lines for the EU response

1.1. Strategic objectives of the EU's relationship with the partner country

In line with the EU Central Asia Strategy for a New Partnership¹, the overarching policy objectives of the EU relations with Uzbekistan can be summarised as follows: encourage political and economic reforms in line with the principles and values of democracy and market-based economy; improve the living standards of the population; and help sustain the country's stability and security, which, due to Uzbekistan's strategic location and large population, is essential for the stability of the whole Central Asian region. These objectives have to be pursued in a challenging international and domestic context, marked by the uncertainties surrounding post-ISAF Afghanistan, regional disagreements over water resources and the forthcoming legislative and presidential elections in Uzbekistan. The Agenda for Change² of EU Development policy sets out a strategic EU approach to reducing poverty, including through a more targeted allocation of funding and concentration on fewer sectors which are key for long-term sustainable and inclusive growth, with a specific focus on energy and agriculture sectors as key drivers for economic and social development.

In the framework of the Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013³ covering EU regional and bilateral development co-operation to the countries of the region, the following core objectives were identified: to help eradicate poverty, increase the standard of living of the population, to promote the stability and security of the region and to facilitate regional cooperation between Central Asia countries and with the EU, notably in the rule of law, energy, environment and higher education sectors.

¹ <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2010113%202007%20INIT>

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Increasing the Impact of EU Development Policy: an Agenda for Change, COM(2011) 637 final, 13 October 2011.

³ http://www.eeas.europa.eu/central_asia/rsp/07_13_en.pdf

In line with DCI goals, EU recent and ongoing bilateral co-operation projects in Uzbekistan have focused on rule of law/criminal justice reform, the improvement of social services, in particular mother and child health and inclusive education, rural development, strengthening of civil society/local actors and support to SMEs. Regional projects for Central Asia support the efforts of the countries of the region to reform border management, improve the energy and environment sectors, and promote regional cooperation in the areas of rule of law, environment and higher education.

As a lower middle-income country, Uzbekistan should continue to benefit from bilateral cooperation with the EU in the period 2014-2020. During the programming phase the EU and Uzbekistan explored several ways of fostering the country's development, including reducing water consumption for irrigation, promoting small-business enterprises, developing exports of agriculture and agro-food products while improving the living standards in the poorest regions. The eleventh meeting of the Cooperation Council between the European Union (EU) and the Republic of Uzbekistan held on 17 March 2014 in Brussels evinced a large commonality of views between the two partners on the main cooperation priority for the forthcoming period, with rural development as the core sector of concentration.⁴ Building upon this general understanding, the MIP aims at supporting sustainable practices, including the safeguarding of ecosystem services, giving priority to locally-developed practices and focusing on smallholder agriculture and rural livelihoods, the formation of producers' groups, the supply and marketing chain, and government efforts to facilitate responsible private investment.

In addition to the bilateral cooperation foreseen under this MIP, the EU regional cooperation Central Asia programmes and other relevant EU instruments and thematic programmes will also contribute to the attainment of the EU objectives in the political dimension, on economic and social development as well as on national and regional security issues. The EU Strategic Framework and Action Plan on Human Rights and Democracy calls for a human rights based approach to development cooperation to be reflected throughout the whole programming.

1.2. Choice of sectors

The choice of rural development as the core sector of the EU cooperation responds to the following considerations.

The economic model of the country is designed to provide protection and incentives for the development of local industries as a way of stimulating the domestic production and developing its export capacity with a view to making Uzbekistan a high income industrialised economy by the middle of the century. Achieving this goal would require the implementation of reforms to diversify and broaden the economy, strengthen the human capital and improve competitiveness, first and foremost in the agriculture sector whose potential has remained largely untapped and which is due to play a key role in terms of employment and food security. Beyond economic benefits, diversifying the Uzbek agriculture away from the Soviet legacy of a relatively rigid and state-driven cotton monoculture can be expected to free up private initiative and have transformational effects on the Uzbek society at large, including labour standards and wider employment practices in the agriculture sector.

⁴ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/141612.pdf

Uzbekistan's challenges are compounded by the country's geography and climate as well as natural disasters, by its rapidly-increasing population, and by economic activities that have damaged the nation's fragile ecosystems. The Aral Sea disaster has had a negative impact on regional economics, the environment, and the health and livelihoods of the local population. The situation with water supply in Uzbekistan can further worsen due to climate change and the expected reduction of the existing water resources, potentially exacerbating regional tensions over water between neighbours. Rural areas – most of all remote areas - and agriculture in particular will be the most affected sector throughout the country, especially in case of natural disasters.

a) Rural development and agriculture: a key national priority for Uzbekistan

Economically, Uzbekistan is a lower middle-income and largely agricultural country, also rich in natural resources. It is the world's sixth largest producer of cotton, the export of which together with gas, gold, uranium, copper and other commodities is the main growth factor. Over 50% of the population and 75% of the lower income population⁵ live in rural areas. Of these, almost two thirds make their living from agriculture, many of which living under the threat of desertification.

The Uzbek government realises the high importance of rural development. This priority was already reflected in the Presidential Decree about the State programme "Year of Rural Development and Welfare", which sets the goals of the development policy for 2009 and beyond. The "Welfare Improvement Strategy of the Republic of Uzbekistan for 2013-2015 (WIS II)", approved by the Uzbek government in February 2013, pays major attention to the development of rural areas and sets out concrete targets for the upcoming years. Special attention will be paid to the improvement of labour efficiency as well as income generation, based on agrarian development, improved infrastructure and the development of agro-processing activities. It is expected that higher labour efficiency would decrease the primary costs of products, making foodstuff more affordable to low-income populations, while a growth in employment can serve as a source of income-generation and can enhance the population's welfare. To this aim, it is envisaged to ensure the growth of the agrarian sector by an annual average of 5.4% in the period of 2013-2015. It is also planned to increase the share of fruit-and-vegetable processing industries in the total volume of production from 13% in 2012 to 16 - 20% in 2015, and that of meat and dairy products from 11% to 20% during the same period.

b) Rural development, agriculture and employment

With its rapidly growing population, one of the most difficult challenges the country is facing is the lack of employment opportunities for the youth, with high discrepancies between the rural and urban areas. Additionally, the population characteristics of Uzbekistan are likely to change over the next five to ten years. First, the population is growing quite rapidly (1.3 – 1.7% per annum⁶). Second, with more than two-thirds of the population under 24 years of age,⁷ the working-age population⁸ is increasing and producing an excess of supply on the

⁵ <http://www.uz.undp.org/content/uzbekistan/en/home/countryinfo/>

⁶ Annual population growth rate – National Figures provided by the Government of Uzbekistan, Centre for Economic Research.

⁷ UNFPA – Country Programme document for Uzbekistan (2010-2015)

labour market, which is not being fully absorbed domestically and leads to important migration flows to Russia and Kazakhstan.⁹ Approximately 10% of Uzbekistan's labour force works abroad. But this migration pattern may change as a result of returning economic migrants due to the global financial crisis or to changes in the immigration policies, which may in turn impact the flow of remittances. Although some measures have already been taken to develop a state employment programme, rural development will remain essential to absorb the growing labour force and cushion possible external shocks in terms of immigration policies. In this context, agriculture will perform a vital role in the Government strategy for employment-intensive rural regeneration, reducing inequalities and contributing to a more cohesive urban/rural social policy, thus helping to defuse possible social tensions and improve overall working conditions.

c) Rural development, environment and climate change

More than 90% of water in this arid country is used for irrigation. With 85% of water originating in upstream states and increasing impacts from climate change, water resources are stretched beyond the capacity of the government to effectively manage them. Despite recent efforts to introduce drip irrigation, water use efficiency in agriculture is still very low, with ever more frequent water shortages which, in turn, affect other, more economically productive sectors. The irrigation system contains many inefficiencies and is in many respects based on the old infrastructure from Soviet times. There are little economic incentives for farmers to introduce water-saving technologies as water for irrigation purposes is supplied at no cost to them. According to official statistics, only 62% of the rural population has access to drinking water. The use of livestock manure has also been declining, imposing a greater dependence on artificial fertilisers. Overgrazing affects nearly 74% of grazing lands, leading to erosion and desertification.

d) Rural development, governance and civil society

The general difficulties faced in promoting civil society are even more acute in Uzbekistan's rural areas. Adequate reforms to improve the overall system of public governance are still to be put in place, in particular to ensure transparency and openness of government bodies as well as to make public policies making process more inclusive, at central and at local levels. A different system of governance for the local actors, with their real empowerment and autonomous status, is a key pre-requisite for an effective development of rural areas. Other pressing issues include the need to improve public awareness of and adherence to human rights principles, ensure access to justice for vulnerable groups, and promote gender equality.

⁸ Welfare Improvement Strategy for Uzbekistan – 2008-10 section 2.7 The Labour Market and Employment.

⁹ Human Development Report 2009 pages 40, 54 and 83

A recurrent problem that local Civil Society organisations (CSO) are facing is the lack of internal capacity, including funding and staff. Some, especially in rural regions, do not have basic administrative tools allowing them to elaborate proposals and organise fund-raising and manage their projects in line with the required standards. Others are relatively developed but often work in isolation with risks of overlapping and duplication of activities. CSO should be actively involved in the promotion of rural development and community mobilisation through vocational training and empowerment activities for vulnerable populations (lower income families, unemployed youth, returned labour migrants, etc.).

e) EU experience in rural development, lessons learnt and strategy

On rural development, the most recent experience of cooperation in the sector the EU can take stock of and build upon in Uzbekistan is related to the programme on the "Enhancement of Living Standards (ELS) in Fergana Valley and Karakalpakstan" as well as the "Sustainable Rural Development" and civil society (IBPP) programmes. The ELS projects focused on improving the capacity of local authorities for regional development, worked with communities on small scale interventions to create income generating opportunities and improve living standards, and helped address other barriers to employment generation (access to micro finance, extension services, training etc.). The main lessons learnt from the above mentioned a.m. recent EU co-operation framework are the following:

- Vulnerability in rural areas has multiple causes. Therefore a comprehensive and effective poverty reduction strategy should encourage income generation activities within a wider educational framework. Future interventions should support the linkage between community extension agents and private seed companies. This would create a partnership based on mutual interest between communities and private sector extension services that would provide rural communities with sustainable access to modern farm technologies, bringing higher income opportunities.
- The strategy implemented for ELS was mainly based on fragmented community-based actions responding to immediate community needs (mainly infrastructure and basic services) but lacking a long term vision. As a result, positive initiatives were not anchored in national policy and long term institutional building. Hence the importance to comprehensively cover the national, regional and local levels to ensure a greater impact.
- An economic orientation with a focus on support to small-scale business/small-farmers/ local communities' productive actions and job-creation mechanisms is essential for defining a long-term vision in line with country strategies and EU development goals.
- Rural development is a multi-dimensional sector. Therefore, it is important to encourage multi-stakeholder partnerships and involve all line ministries concerned with rural development in order to ensure a competence-based division of labour.

- Pilot demonstration models can serve as a balanced combination between hard and soft components. Experience shows that neither Technical Assistance nor Equipment as standalone inputs are sustainable in the long-term. Therefore the core strategy should be the combination of theory with practice to generate demonstrative effects that can be replicated and scaled-up. Pilot models should be implemented in the perspective of providing inputs to the policy making process.
- Local socio-economic actors can effectively be mobilised for service delivery programmes in rural areas.
- Taking into account lessons learned from these programmes and projects implemented in other sectors (Health, Rule of Law), the need emerges to regroup activities and projects into a comprehensive and integrated sector programme, instead of pursuing isolated, scattered actions.

Building on its past experiences and taking into account other donors' complementary activities, the European Union's intervention in rural development will continue aiming at poverty reduction and wealth creation in rural communities, the improvement of the quality of life, living standards and food security of people residing in isolated or sparsely populated areas, and the protection of natural resources. Its scope extends beyond the traditional focus on agriculture as it will support income and employment generating investments in village infrastructure, in local cooperatives, family farms, micro and small- sized enterprises. Rural development interventions may also include sustainable energy, improvement in rural areas of water/sanitation and irrigation systems, as well as climate change resilience actions or disaster risk reduction measures, when relevant and appropriate.

In this respect, the EU cooperation programme will aim at contributing to the establishment of an integrated water and natural resource management framework, thereby also fostering the improvement of irrigation systems and efficient and equitable water management as well as community investments in agriculture diversification. It will aim at developing sustainable practices in agriculture and land use, fostering renewable energy, energy efficiency and loss reduction, reducing the negative impacts of erosion and protect the remaining biodiversity. In this way, EU cooperation can contribute to mitigate the causes of natural resources degradation and the effects of climate change and natural disasters, increasing the resilience of the population.

Development co-operation activities may also include capacity building and institutional strengthening for the different stakeholders at rural development level (e.g. farmers, civil society, water users) and the institutional development of central and sub-national administrations, including statistical authorities.

The EU will also include in development programmes, as appropriate, the promotion of socio-economic rights, decent work in line with ILO Core Labour Standards and the MoU signed in April 2014 between Uzbekistan and the International Labour Organisation, Corporate Social Responsibility, social inclusion, non-discrimination and equal opportunities for all, including the accessibility to employment of the most marginalised and vulnerable groups.

To respond to the preference of Uzbek authorities for tangible support in the form of supplies and investment, the innovative mechanism "blending", which combines EU grants with loans or equity from public and private financiers, would be relevant. This modality of development aid would allow Uzbekistan to trigger loans from European and International Financing Institutions for investments on renewable energy, energy efficiency, water, and environment/climate change. In practice, EIB's presence in Uzbekistan would be a key factor for using the blending facility. At this stage, only the Agence Française de Development (AFD) is in the position to trigger such financing modality in Uzbekistan.

2. Financial overview

During the 2014-2020 period covered by this Multiannual Indicative Programme, a total EU grant of EUR 168 million is planned for Uzbekistan bilateral assistance programmes under the EU Development Cooperation Instrument (DCI), equivalent to an average annual budget of EUR 24 million per year. This indicative budget has been allocated as follows:

Rural Development	EUR 165.5 million	98.5% of total
Support measures	EUR 2.5 million	1.5% of total

The EU will provide financing through the following implementation modalities: technical expertise and capacity building; replicable pilots including supplies and works as appropriate; studies and investment promotion activities including the possibility of blending grants with loans (e.g. provided under IFCA); and grants in support to Civil Society development at rural level. The ratio between different modalities will depend on the context valid at programme formulation stage.

3. EU support per sector

In order to have the greatest impact, the EU seeks to focus its support to the Republic of Uzbekistan and to concentrate its bilateral development cooperation 2014-2020 in support to a single sector:

Rural Development (DAC CODE 43040) with an indicative amount of EUR 165.5 million

Taking into account the wide-ranging nature of the needs to be addressed to achieve inclusive and sustainable growth for human development in the rural sector, the main priority will be integrated rural development. This may include but is not restricted to activities in the areas of agricultural productivity and marketing, private sector development on rural level, water supply/small irrigation schemes, and affordable, secure and sustainable energy. Funds will also be earmarked to finance activities of Civil Society Organisations in support of rural development.

Cross-cutting issues, such as environment and climate change, disaster risk reduction, local governance, anti-corruption, human rights, core labour standards and gender, will be mainstreamed in all components of this EU support programme for Uzbekistan.

3.1. Overall and specific objectives pursued

Overall objective

Contribute to sustainable and inclusive growth in the rural sector in Uzbekistan in the context of a changing climate.

Specific objectives

1. Contribute to the diversification and increased productivity of agriculture;
2. Contribute to the sustainable management of natural resources and ecosystems;
3. Contribute to employment and income generation in rural areas;
4. Contribute to the enhancement of socio-economic living standards of the most vulnerable groups in rural areas.

3.2. For each of the specific objectives the main expected results are:

1. Diversification and increased productivity of agriculture

- 1.1 Diversified agricultural and non-agricultural production (practices and commodities);
- 1.2 Increased agricultural production;
- 1.3 Increased efficiency of farming;
- 1.4 Increased competitiveness of the national agro-industry;
- 1.5 Upgraded capacities of public administration in development of rural areas.

2. Sustainable management of natural resources and ecosystems

- 2.1 Improved drinking water supply and sanitation;
- 2.2 Improved mechanisms and innovative technologies introduced for the efficient usage of land and water resources in the agrarian sector;
- 2.3 Increased use of renewable energies in rural areas and improved energy efficiency;
- 2.4 Improved resilience to climate change effects and reduced impacts of desertification in rural areas;
- 2.5 Upgraded capacities of public administration and local authorities in rural areas for management and use of natural resources.

3. Employment and income generation in rural areas

- 3.1 Enabling business environment developed for small businesses and private entrepreneurship, namely for women and youth;
- 3.2 Enhanced capacities and incomes of entrepreneurs, farmers and households in rural areas;
- 3.3 Increased job opportunities in rural areas.

4. Enhancement of living standards and welfare of the most vulnerable groups in rural areas

- 4.1 Strengthened capacity of rural Civil Society Organisations (CSOs) and local authorities in the provision of social services and specific needs to the most in need population;
- 4.2 Socially vulnerable groups in rural areas are empowered through specific CSO activities, including educational or socio-cultural activities;
- 4.3 Welfare improvement in the rural areas.

3.3. Main indicators for each result

The main indicators for measuring the aforementioned results are listed in the sector intervention framework attached in Annex 3 "Sector intervention framework and performance indicators".

3.4. Donor coordination and policy dialogue

Effective since 2012, the EU Delegation in Tashkent contributes to strengthening the policy dialogue with Government and stakeholders.

The principal interlocutors of the EU are the Ministry of Foreign Affairs and the National Coordination Unit for EU Cooperation acting under the Cabinet of Ministers (NCU). For the EU, this situation inherited from the TACIS period is different from that of other donors who interact directly with the Ministry of Finance. The Mission of Uzbekistan in Brussels also maintains close contacts on development issues. In terms of line ministries, the Ministry of Agriculture and Water Resources is becoming the main interlocutor at technical level and started to play a leading role for development cooperation in the rural sector, involving other key institutions like the Ministry of Economy, the Association of Farmers, etc. Concerning investment, the Ministry of Foreign Economic Relations, Investment and Trade is the principal partner. The Chamber of Commerce and Industry and the Uzbek association of NGOs NANNAUZ are key interlocutors for private sector and the civil society development respectively. It is expected that policy dialogue will be strengthened with the increasing importance of EU support to rural development.

Donor coordination will be pursued with the numerous donors who devote major attention to rural development and related areas in Uzbekistan. These include Germany, Switzerland, the United States, Israel, the UN family, the World Bank and the Asian Development Bank (see annexed donor matrix). The project "Aid Coordination and Management" launched by UNDP in June 2013 contributes to strengthening the capacities of the relevant government institutions in better coordination, management and mobilisation of external resources at country and sectors level, in order to improve synergy and effectiveness of aid delivery in Uzbekistan.

3.5. The Government's financial and policy commitments

Presidential decrees and legislative documents confirm that Uzbekistan gives a priority to the development of rural areas. This policy commitment was already reflected in the Presidential Decree about the State programme "Year of Rural Development and Welfare", which set the goals for development policy in 2009 and beyond. The recent "Welfare Improvement Strategy of the Republic of Uzbekistan for 2013-2015 (WIS II)" approved by the Uzbek government in February 2013 pays major attention to various aspects of the development of rural areas and sets out concrete targets to be reached in the upcoming years.

Uzbekistan plans to finance 75% of its investments in the social sectors from public resources and 25% in the agriculture and water sectors, as reflected in the WIS II (Annex 3 - Need for Investments for the Implementation of the projects in the Social Sector). The complement is expected to come from private resources and the donor community.

3.6. Environmental assessment

When needed, the appropriate type of environmental assessment and climate screening (Strategic Environmental Assessment or Environmental Impact Assessment) will be carried out following guidelines (<http://capacitv4dev.ec.europa.eu/public-environment-climate/documents>) and following Uzbek regulations.

3.7. Overall risk assessment of the sector intervention

1) Political stability:

Parliamentary elections are scheduled for December 2014 and presidential elections for spring 2015. These elections will follow recently adopted constitutional amendments that are expected to introduce a new division of institutional powers at the top of the executive branch. It can nonetheless be assumed that major changes that could affect the overall stability of the country, the Government's overall policy priorities, or their relations with the EU are unlikely. This concerns in particular the implementation of the poverty reduction strategy WIS II or sector policies to be carried out according to agreed action plans by the Government with the assistance of other donors. If not addressed, the lack of employment opportunities for a rapidly growing young population could cause social frustration and generate tensions in the society. Due to the size of their migrant populations, the social stability of Central Asian countries like Uzbekistan could also be affected by changes in the migration policies of the surrounding states, where most of their migrants work.

2) Regional stability:

There is a possibility of deterioration of the regional security following the ISAF withdrawal from Afghanistan. Tensions between neighbours over water management issues are likely to persist. Should open conflicts erupt, this could reverberate on the relations of Central Asian countries with the international community and affect development cooperation policies.

3) Policy dialogue:

While the EU cooperation policy tends to focus on support to policy reforms and capacity building, Uzbek authorities usually tend to emphasise equipment supplies, pilot projects and investment. Reconciling these two approaches and making them complementary has been challenging at times in the past and will require close consideration. The recourse to loan-blending instruments to support investments could provide an adequate response to mitigate this risk and maximise the absorption capacity.

4) Investment facility:

The number of development banks susceptible of operating EU loan-blending instruments is currently limited. For the moment only the Agence Française de Développement (AFD) is in a position to use this financing modality in Uzbekistan. The presence of the EIB and other European institutions in Uzbekistan would be a key factor to increase the use of the blending facility.

5) Results monitoring:

The limited availability of relevant and independently verified data to monitor aid impact and the relative lack of aid information management practice and systems could create problems in terms of results monitoring.

The results oriented approach of EU aid programmes and the newly introduced monitoring through the EU Development and Cooperation Results Framework will contribute to the introduction of better practice, starting at the implementation level.

4. Support Measures

Measures to support or accompany the programming, preparation or implementation of actions. An indicative amount of maximum EUR 2.5 million may be set aside for support measures associated with the preparation, the follow-up and the monitoring of cooperation activities. In line with Art. 3 of Regulation (EU) No 236/2014, activities may cover:

- (a) Studies, meetings, information, awareness-raising, training, preparation and exchange of lessons learnt and best practices, publication activities and any other administrative or technical assistance expenditure necessary for the management of actions;
- (b) Research activities and studies on relevant issues and the dissemination thereof;
- (c) Expenditure related to the provision of information and communication actions, including the development of communication strategies and corporate communication of the political priorities of the Union.

Attachments

Annex 1: Country at a glance

Annex 2: Donor Matrix

Annex 3: Sector intervention framework and performance indicators

Annex 4: Indicative timetable for commitments

Annex 1: Country at a glance

Uzbekistan: Development Indicators	
Non-MDG	
Population in millions	29.74 [2012]
Annual population growth rate (%)	1.6 [2010 – 2012]
Adult literacy rate (%)	99.4 [2010]
Population in urban areas (%)	36.2 [2011]
MDG	
Population living on less than \$1.25 (PPP) a day (%)	...
Population living below the national poverty line (%)	17.7 [2010]
Under-5 mortality rate per 1.000 live births	49 [2011]
Population using an improved drinking water source (%)	87 [2010]

... = data not available, MDG = Millennium Development Goal, PPP = purchasing power parity.

Sources: ADB. Basic statistics 2013. Manila

United Nations Educational, Scientific and Cultural Organization (UNESCO). 2013. Institute for Statistics Data Centre;
World Bank. 2013. World Development Indicators Online.

Uzbekistan: Economic Indicators, 2002-2012					
Economic Indicator	2008	2009	2010	2011	2012
Per capita GNI, Atlas method (\$)	960	1,130	1,300	1,510	...
GDP growth (% change per year)	9.0	8.1	8.5	8.3	8.2
Unemployment rate (%)	0.1	0.2	0.1	0.2	...
Fiscal balance (% of GDP)	4.5	0.6	1.8	(1.5)	(0.7)
Export growth (% change per year)	40.5	(4.2)	4.7	31.3	2.2
Import growth (% change per year)	48.5	(2.7)	(6.8)	26.5	11.4
Current account balance (% of GDP)	8.9	2.2	6.6	8.1	4.7
External debt (% of GNI)	14.3	16.1	15.5	17.9	...

() = negative, ... = data not available, GDP – gross domestic product, GNI = gross national income.

Sources: ADB. 2013. Asian Development Outlook 2013. Manila;

ADB staff estimates; economy sources;

World Bank. 2013. World Development Indicators Online.

Annex 2: Donor Matrix**Multilateral cooperation, ongoing projects**

WORLD BANK			
sector	project	duration	commitment amount
EDUCATION (110)	Second Basic Education	2009-2014	\$28,000,000
HEALTH (120)	Health System Improvement Project	2011-2018	\$93,000,000
	Additional Financing to Health System Improvement Project	2013-?	\$93,000,000
WATER AND SANITATION (140)	Alat and Karakul Water Supply Project	2012-2017	\$82,000,000
	Syrdarya Water Supply Project	2011-2017	\$88,000,000
	Ferghana Valley Water Resources Management Phase-I Project	2009-2016	\$65,540,000
	Bukhara & Samarkand Sewerage Project	N/A	\$55,000,000
	South Karakalpakstan Water Resources MGMT Improvement (pipeline)	N/A	\$220,410,000
ENERGY GENERATION AND SUPPLY (230)	Energy Efficiency - Industrial Enterprises	N/A	\$125,000,000
	Talimarjan Transmission Project	N/A	\$110,000,000
	Advanced Electricity Metering Project	N/A	\$180,000,000
AGRICULTURE (311)	Sustainable Agriculture and Climate Change Mitigation Project	2013-?	\$12,700,000
RURAL DEVELOPMENT (43040)	Rural Enterprise Support Project Phase II	2008-2016	\$107,960,000
	Additional Financing for the Second Rural Enterprise Support Project	2012-2016	\$40,000,000

ADB			
sector	project	approved in	ADB financing
WATER AND SANITATION (140)	Water Supply and Sanitation Services Investment Program - Tranche 4 + 3 + 2 + 1	2011+ 2013 + 2010 + 2009	\$42,000,000 + 58,000,000 + 140,000,000 60,000,000
	Amu Bukhara Irrigation System Rehabilitation Project (loan + tech. assistance)	2013	\$220,000,000 + 225,000 (TA)
	Water Resources Management (TA)	2012	\$1,500,000
	Second Water Supply and Sanitation Investment Program (TA)	2012	\$800,000
	E-Government for Effective Public Management (Technical assistance)	2012	\$1,100,000
GOVERNMENT AND CIVIL SOCIETY (150)	Strengthening Governance and Improving Local Government Capacity for Results-Based Service Delivery (tech. assistance)	2012	\$680,000
	Sustaining Growth and Improving Welfare	2010	\$750,000
Social/welfare services	Housing for Integrated Rural Development Improvement		

16010)	Program - Tranche 2 + 1 (Multitranche financing facility)		
	Samarkand Solar Power Project (loan + technical assistance)	2013 + 2011	\$200,000,000 + 200,000,000 + 500,000,000
Housing policy and administrative management (16030)	Solar Energy Development (technical assistance)	2013	\$110,000,000
ENERGY GENERATION AND SUPPLY (230)	Talimarjan Power Project (formerly CASAREM-Talimarjan Energy Development Project) (loan)	2011	\$2,250,000
	Second Small and Microfinance Development Project (loan)	2010	\$350,000,000
	CAREC Corridor 2 Road Investment Program II (MFF, Tranche 2+3)...	2010	\$50,600,000
BANKING AND FINANCIAL SERVICES (240)	Solid Waste Management Improvement Project (loan + tech. assistance)	2010	\$220,000,000 + 100,000,000
BUSINESS AND OTHER SERVICES (250)		2013 + 2011	\$69,000,000 + \$700,000
ENVIRONMENT (410-41082)			

UNICEF

sector	project	duration	budget
EDUCATION (110)	Child-centred education	N/A	N/A
HEALTH (120)	Improvement of Mother and Child Health Services II (<i>co-funded by the EU</i>)	2012 - 2016	EUR 7 190 000
SOCIAL WELFARE SERVICES (16010)	Protecting children	N/A	N/A
	Children and social policy	N/A	N/A

UNESCO

sector	project	duration	budget
EDUCATION (110)	Education for Sustainable development	2005-2014	
VOVATIONAL TRAINING (11330)	Education in Emergencies (DRR curricula update on TVET system of Uzbekistan)	4 months, ongoing	\$30,000
WATER AND SANITATION (140)	Awareness-building activities for promoting knowledge and innovation for sustainable management and conservation of freshwater resources, strengthening institutional capacities for water security in Uzbekistan.	2014-2016	\$20,000
	Promoting sustainable management and conservation of freshwater by supporting knowledge transfer and capacity building in study of underground water resources and aquifers in Uzbekistan.	2011-2013	\$6,800
TOURISM (332)	Reinforcing the development of tourism industry and rural infrastructure in Karakalpakstan	3/2013-3/2014	\$55,770

	UN Joint Aral Sea Programme (a component devoted to the tourism development)	3/2012-3/2015	\$60,000
ENVIRONMENT (410-41082)	Sustaining livelihoods affected by the Aral Sea Disaster	ongoing	\$193,000

UNDP			
sector	project	duration	UNDP commitment
HEALTH (120)	Continuing Scale Up of the Response to HIV	2012-2013?	\$22,718,844
	Strengthening National Capacities to Address Emerging Challenges in fighting the Spread of Three Diseases (AIDS, Tuberculosis and Malaria)	2012-2013?	\$328,001
WATER AND SANITATION (140)	Integrated Water Resources Management and Water Efficiency Plan of the Zarafshan River Basin	2010-2013?	\$1,471,883
	National Schedule in Biodiversity in Support of the Implementation of the CBD Strategic Plan in Uzbekistan in 2011-2020	2010-2015?	\$150,000
GOVERNMENT AND CIVIL SOCIETY (150)	Budget System Reform in Uzbekistan	2010-2013?	\$1,365,335
	Capacity Building for Economic Forecasting and Planning at National and Local Levels	2009-2014?	\$723,146
	Supporting Modernisation, Accelerated Reform and Transformation (SMART)	2013-2015?	\$500,000
	Local Governance Support: Participation and Partnership	2010-2013?	\$2,313,875
	Inclusive Employment and Social Partnership	2011-2014?	\$1,200,000
	Social Innovation and Volunteerism in Uzbekistan	2012-2014?	\$572,000
ENERGY GENERATION AND SUPPLY (230)	Promoting Energy Efficiency in Public Buildings in Uzbekistan	2006-2014?	\$470,880
	Mainstreaming Biodiversity into Uzbekistan's Oil and Gas Policies and Operations	2010-2014?	\$200,000
BUSINESS AND OTHER SERVICES (250)	Business Forum of Uzbekistan (Phase II)	2011-2013?	\$750,000
ENVIRONMENT (410-41082)	UN Aral Sea Programme	2012-2015?	\$3,840,450
	GEF Small Grants Programme in Uzbekistan	2008-2018?	\$1,095,048
	Strengthening Disaster Risk Management Capacities in Uzbekistan	2010-2014?	\$1726,409

Bilateral cooperation, ongoing projects

GERMANY			
sector	project	duration	budget
EDUCATION (110)	Manager Training Programme	2006-2015	N/A
	Advanced training of doctors and medical staff to work on modern, high-tech medical equipment in Uzbekistan	2011-2014	N/A
VOCATIONAL TRAINING (11330)	Professional education and training in Central Asia I	2010-2018	N/A
HEALTH (120)	Advanced training of doctors and medical staff to work on modern, high-tech medical equipment	2011-2014	N/A
	System development in sexual and reproductive health and rights (SRHR) – Central Asia	2009-2018	N/A
	Promotion of Reproductive Health	2002-	N/A
	Equipment for the National Cardiology Centre	since 1993	N/A
	Modernization of hospitals in regions	since 1993	N/A
	Promotion of Reproductive Health (Fammily planning)	since 2002	N/A
	System development in sexual and reproductive health and rights (SRHR) – Central Asia	2009-2018	N/A
	Programme to Combat Tuberculosis and Tuberculosis Control Programme I and III	since 2001	N/A
WATER AND SANITATION (140)	Transboundary water management in Central Asia (<i>EU co-financing</i>)	2009-2014	N/A
	Drinking Water Supply Khorezm	2007-2012	N/A
GOVERNMENT AND CIVIL SOCIETY (150)	Promotion of the rule of law in Central Asia	2012-2021	N/A
OTHER SOCIAL INFRASTRUCTURE AND SERVICES (160)	Adapting to Climate Change through Sustainable Management of Resources and Cross-Border Cooperation on Disaster Prevention in Central Asia	2010-2013	N/A
	Supporting regional economic cooperation	2005-2014	N/A
	Sustainable economic development in selected regions	2009-2014	N/A
	Projects to reduce greenhouse gas emissions (regional project "climate-friendly economies"), adaptation to climate change	since 2001	N/A
	Sustainable use of natural resources in Central Asia	2002-2014	N/A
BANKING AND FINANCIAL SERVICES (240)	Introduction of the dual training course "Bank Assistant"	since 2012	N/A
	Development of the national strategy to mobilize the local self-potential of savings	since 2010	N/A
	First micro-insurance in Central Asia "Xalq Sugurta"	since 2010	N/A
	Promotion of SMEs, Structure a Micro insurance company	since 2010	N/A
	Credit Line for Private-Sector Investment Promotion (SME II)	since 2006	N/A
	Promote the private sector on the financial sector	N/A	N/A
	Development of a concept for the improved management of state property	N/A	N/A

BUSINESS AND OTHER SERVICES (250)	CIM - Projects	N/A	N/A
AGRICULTURE (311)	SES	N/A	N/A
	Sustainable pasture management in Central Asia	2002-2015	N/A
TOURISM (332)	SGE-EH - Projekte	N/A	N/A
ENVIRONMENT (410-41082)	Sustainable use of natural resources in Central Asia		
		2002-2015	N/A

SWITZERLAND

sector	project	duration	budget
WATER AND SANITATION (140)	Regional Rural Water Supply and Sanitation Project in Ferghana Valley	N/A	N/A
	Rural Enterprise Support Program Phase II (with the WB)	N/A	N/A
	Water Resource Management Sector Project (with the ADB)	N/A	N/A
	Bukhara-Samarkand Water Supply	N/A	N/A

FRANCE

sector	project	duration	budget
EDUCATION (110)	Bourses du Gouvernement français et soutien à la coopération universitaire	N/A	approx. EUR 170 000 per year
HEALTH (120)	Projet Hygiène hospitalière/ GIP Esther et échanges d'expertise	1 year	EUR 35 000
GOVERNMENT AND CIVIL SOCIETY (150)	Administration publique : échanges d'expertise et stages	N/A	EUR 10 000 per year
BANKING AND FINANCIAL SERVICES (240)	Coopération entre les Trésors publics français et ouzbek	N/A	EUR 10 000 per year
TOURISM (332)	Développement du tourisme de montagne/ ADETEF	N/A	not set yet

CZECH REPUBLIC

sector	project	duration	budget
HEALTH (120)	Supply of medical equipment for a pediatrician's office in Nukus (under preparation)		
		2014	EUR 7 500

USA			
sector	project	duration	budget
HEALTH (120)	Quality Health Care Project	2010-2015	\$8,800,000
	Dialogue on HIV and TB	2009-2014	\$2,400,000
	TB CARE I	2010-2015	\$4,000,000
	Partnership Project for TB Control	2012-2015	\$2,600,000
GOVERNMENT AND CIVIL SOCIETY (150)	Legal Support for Civil Society	2009-2014	\$600,000
	Uzbekistan Civil Society - Parliamentary Engagement Program	2013-2015	\$1,300,000
BUSINESS AND OTHER SERVICES (250)	Regional Economic Cooperation (REC)	2011-2015	\$4,800,000
	VEGA/Emerging Market Development Advisors Program	2012-2016	\$100,000 per year
AGRICULTURE (311)	Agricultural Linkages Plus (AgLinks Plus)	2011-2015	\$12,000,000

Annex 3: Sector intervention framework and performance indicators

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

Indicators need to be disaggregated by gender, if possible and appropriate. The Baselines will be included in Action documents at the latest.

Sector 1: Rural Development		
Specific objective 1: Contribute to the diversification and productivity of agriculture		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
ER1 Diversified agricultural and non-agricultural production (practices and commodities)	I1 Land used for sustainable agriculture (non cotton) in ha I2 Crop diversification	World Bank FAO Stat
ER2 Increased agricultural production	I 1 Agricultural production index I 2 Food supply/capita in kcal/day	National Statistics, especially from Ministry of Agriculture and Water Resources
ER3 Increased efficiency of farming	I 1 Number of people receiving rural advisory services on farming efficiency with EU support	EU programme and project progress reports
ER4 Increased competitiveness of the national agro-industry	I1 Value of domestic food production compared to food imports	Reports and assessments by the Development partners
ER5 Upgraded capacities of public administration in development in rural areas	I1 Number of development plans and budgets drafted and implemented in rural areas with EU support	Targeted surveys Final evaluation compared to Programme baseline study

Specific objective 2: Contribute to a more effective use of natural resources in rural areas		
ER1 Improved drinking water supply and sanitation	I1 % of population with access to water-supply network in rural areas	National Statistics Targeted surveys
ER2 Improved mechanisms and innovative technologies introduced for the efficient usage of land and water resources in the agrarian sector	I1 Water consumption per ha of cultivated land using improved mechanisms and innovative technologies I2 % change in yields resulting from improved management practices and innovative technologies	EU programmes and project progress reports Reports and assessments by the Development partners Final evaluation compared to Programme baseline study
ER3 Increased use of renewable energies in rural areas and improved energy efficiency	I1 Number of people provided with access to renewable energy with EU support I2 Number of people receiving capacity building services on energy efficiency with EU support	World Bank
ER4 Improved resilience to climate change effects and reduced impacts of desertification in rural areas	I1 % change in yields resulting from use of improved practices after retaining use of technologies or management practices I2 Number of people receiving capacity building services on natural resources use efficiency with EU support	
ER5 Upgraded capacities of public administration and local authorities in rural areas for management and use of natural resources	I1 Status of the regulatory framework for water management: overall framework drafted and implemented with EU support	

Specific objective 3: Contribute to employment and income generation in rural areas		
ER1 Enabling business environment developed for small businesses and private entrepreneurship, namely for women and youth	I1 Agriculture value added (% of GDP) I2 Ranking in the Ease of doing business	WB and UNDP statistics SME Registration records Global Competitiveness Index (GCI-World Economic Forum) National statistics Targeted surveys (e.g. enterprise-level surveys)
ER2 Enhanced capacities and incomes of entrepreneurs, farmers and households in rural areas	I1 Number of rural SMEs with loans or credit lines as a result of EU support I2 % increase in rural households revenues	EU programme and project progress reports Reports and assessments by the Development partners
ER3 Increased job opportunities in rural areas	I1 The level of employment in agriculture as a % of total employment	Final evaluation compared to Programme baseline study

Specific objective 4: Contribute to the enhancement of socio-economic living standards in the rural areas, with focus on the most vulnerable groups		
ER1 Strengthened capacity of rural civil society organizations (CSO) and local authorities in the provision of social services and specific needs to the most in need population	I1 Volume of EU assistance projects on social protection implemented by CSOs and benefiting directly vulnerable populations in Uzbekistan	National Statistics, especially from Ministry of Justice Uzbek NGO's association NANNAUZ
ER2 Socially vulnerable groups in rural areas are empowered through specific CSO activities	I1 Number of consultation meetings organised with civil society in rural areas	EU programme and project progress reports
ER3 Welfare improvement in the rural areas	I1 % of population living on less than USD 2 per day	Reports and assessments by the Development partners Targeted surveys Final evaluation compared to Programme baseline study World Bank

Annex 4: Indicative timetable for commitments

The amounts mentioned in this table are indicative.

SECTOR	Indicative allocation (million EUR)	2014	2015	2016	2017	2018	2019	2020
Rural Development	165.5	20.0	22.0	24.0	24.5	25.0	25.0	25.0
Support Measures	2.5		1.0		1.5			
Total Commitments	168.0	20.0	23.0	24.0	26.0	25.0	25.0	25.0

