

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: CWEN

TA No., Country and Name: TA 4820-UZB: Implementation and Monitoring of Policy Reforms in the Agriculture Sector		Amount Approved: \$800,000	
		Revised Amount: \$800,000	
Executing Agency Ministry of Economy	Source of Funding TASF and PRF ²	Amount Undisbursed: \$122,823.45	Amount Utilized: \$677,176.55
TA Approval Date 24 July 2006	TA Signing Date 2 April 2007	Fielding of First Consultants 20 June 2007	TA Completion Date Original: 30 September 2008 Actual: 31 December 2008 Account Closing Date Original: 31 December 2008 Actual: 19 June 2009

Description

The agriculture sector in Uzbekistan (UZB) is dominated by state-funded and regulated programs to grow cotton and wheat, which account for 85% of cultivated area. These programs severely limit the ability of farmers to achieve an adequate standard of living and result in the degradation of natural resources due to unsustainable crop rotations and inefficient use of water. Rural poverty levels are stagnant at around 30% of the rural population. This technical assistance (TA) is an associated TA to the UZB Land Improvement Project (L2245/2246-UZB) and was designed to assist the Government in developing a market-based sector through a major revision of current agriculture policies. Project investments comprising rehabilitation of irrigation systems and introduction of land improvement and institutional measures are necessary but not sufficient conditions for achieving the desired project impact of sustained income increases to the farmer beneficiaries. Equally important is a policy environment that is conducive for farmers and private sector to develop and freely participate in markets. This TA was designed to continue the analytical work and support to reforms initiated by the ADB's TA "Agriculture Sector Review and Planning" and the World Bank's "Cotton Taxation Study."

Expected Impact, Outcome and Outputs

The expected impact of L2245/2246-UZB, to which the TA is associated, is increased income of farmers in nine districts in Bukhara, Kashkadarya and Navoi provinces. To achieve the impact, the intended outcome of the TA was accelerated implementation of agriculture sector reforms. The key TA outputs were to be: (i) an agreed policy reform road map for agriculture/rural development done in a participatory and rigorous manner and based on rigorous assessment of the current situation; (ii) facilitation of the implementation of the reform package; (iii) awareness raising of local government and rural communities regarding implementation of these reforms; and (iv) monitoring and evaluation (M&E) system developed for evaluating the reforms' impact.

Delivery of Inputs and Conduct of Activities

The TA delivered the planned inputs and conducted the related activities in a timely manner, using the limited resources in an efficient and expeditious fashion. The TA produced a range of interim reports and outputs, leading to a comprehensive and pragmatic agriculture development road map. Two surveys were conducted: a farm management survey based on a sample of 850 farm interviews, and a survey of relevant agencies in 17 raions on delivery of input services. The TA also conducted stakeholder workshops in 17 selected raions to assess the impact of current policies at the field level. The findings of these workshops were the bases for two national level seminars, one on gender issues in collaboration with the Women's Business Forum, and the other on the suggested road map. These workshops were highly effective in increasing awareness among a wide range of stakeholders on the urgent need for more market-based agriculture reforms.

The TA included 59.17 person months (p-m) of consultant inputs (14.67 p-m of foreign, and 44.5 p-m of domestic). In the end, however, a total of 56.94 p-m of consultant inputs (12.67 p-m of foreign and 44.27 p-m of domestic) were used to undertake the surveys, workshops, and various thematic issues. The consultants completed most of the tasks assigned with the exception of the M&E inputs (primarily 2 p-m input of the international M&E expert), which could not be undertaken due to Government refusal to accept a review of their M&E system. Overall, the quality of individual subject reports is variably consistent with the wide range of authors but generally of a good standard as working documents. The final report covers all the key sector issues and clearly highlights the deficiencies of the existing regime many of which come from the stakeholder workshops. In retrospect, the terms of reference (TORs) of the TA did not allow for adequate time for debate and consideration of the TA findings within the 18-month period. The policy issues under analysis represent fundamental change to the current approach and time allocated for extensive consultation both with external agencies and between Government

¹ In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

² Poverty Reduction Cooperation Fund (PRF). Contributor: The Government of the United Kingdom.

agencies was quite limited.

The TA design was sufficiently flexible to ensure effective delivery of the outputs. A minor change of implementation arrangement was done to accommodate the purchase of computers for the local governments to effectively perform their M&E role. Another minor change was done to engage a local expert to update the 2004 World Bank study on cotton taxes and subsidies, and an international expert to assess the cotton marketing aspect.

Due to budget constraints, ADB only undertook 4 review missions. Nonetheless, the missions were effective in encouraging the EA to act on pending matters relating to conduct of survey and the local workshops, promoting effective advocacy for reforms with the EA, and focusing the technical analysis of the policy reforms. As a result, ADB's performance has been assessed as satisfactory. The inputs from Government agencies were much less than that expected or required. The EA did not provide the office space agreed. Accordingly, the EA's performance was less than satisfactory.

Evaluation of Outputs and Achievement of Outcome

The TA produced the following reports: (i) a farm income and expenditure report based on the farm management survey; (ii) study on farm input services; (iii) a report on irrigation water management; (iv) a report on gender issues in the agriculture sector; (v) an assessment of agricultural credit availability and the need for alternative initiatives; (vi) an assessment of the taxes and subsidies applied to the cotton subsector and net transfers out of agriculture; (vii) an analysis of the commodity marketing chains, especially for cotton; (viii) an assessment of the existing monitoring activities of the agricultural sector; (ix) proceedings of the national workshop; and (x) a suggested comprehensive road map that details policy and institutional reforms through phased implementation of market reforms. The TA recommendations made a compelling case for replacing the current top-down regulatory environment with a bottom-up system giving farmers and raion authorities the initiative to propose agricultural output targets.

The TA delivered the planned outputs to provide the Government with a spectrum of pragmatic policy and institutional reform options that would accelerate the implementation of essential agriculture reforms. Delivery of the key TA outcome through implementation of the recommended reforms and objective monitoring of these reforms could only be accomplished with the full support and buy-in of the Government. While the Government has become more open to reforms, it still prefers to implement piecemeal reforms in the agriculture sector, which have become the major stumbling block to ensuring inclusive sustainable growth to the economy.

Overall Assessment and Rating

Overall, the TA was successful. Its focus on agriculture policy reforms was highly relevant because the binding constraint to the Uzbekistan economy's movement up the economic growth ladder is the hugely interventionist role of government in agriculture, particularly cotton and wheat. The TA was also highly efficient in the timely delivery of inputs and outputs and the expeditious use of limited resources; was flexible to take into account exigencies that were not foreseen during the preparation of the TA for effective advocacy of reforms; was innovative in its advocacy tools; was highly participatory, reaching a wide range and huge number of stakeholders; and was pragmatic in the recommendations of the reform measures in that the reforms factored in the nature and pace of political receptiveness for reforms. Actual implementation of reforms, the TA's expected outcome, hinges on political commitment and willingness to change by the Government of Uzbekistan.

Major Lessons

Government ownership and interest is key to external analysis of its policies. Working with the Government ensures access to data and openness to discuss policy issues with external experts. Further, agriculture sector policy dialogue should be conducted in a coordinated manner with all major donors involved. In Uzbekistan, sufficient analysis is on the table from various sources with specific recommendations which donors could come together to support. The need, therefore, is to obtain a better understanding of the Government's decision-making process and for donors with a common agenda to move closer to that process. Policy analysis of the agriculture sector by externally-funded donors would be more effective under the remit of the Cabinet of Ministers rather than a single ministry.

Recommendations and Follow-Up Actions

There is a need to follow up the TA findings with a policy dialogue which places the phased reform program before a panel of Government agencies. A joint presentation with the World Bank and other donors, possibly Integrated Water Management Institute, would be a logical next step forward. The Government is supposed to have a working group looking into agriculture sector reforms and the Ministry of Agriculture and Water Resources is supposed to be working on an irrigation water management strategy. It would be helpful if these initiatives could be combined with the TA findings within the working group forum. Further work is needed on rationalizing the monitoring of the agriculture sector but specific recommendations will have to await the outcome of any policy dialogue or new reform measures.