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ANNEX III

to the Commission Implementing Decision on the financing of the annual action plan in favour of
Uzbekistan for 2022

**Action Document for Budget Support for the development of Uzbekistan's agri-food sector and
resilient rural livelihoods**

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans in the sense of Article 23 (2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Budget Support for the development of Uzbekistan's agri-food sector and resilient rural livelihoods OPSYS: ACT-61294; Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative (TEI)	YES Support to a modern and sustainable agri-food sector and resilient livelihoods in Uzbekistan
3. Zone benefiting from the action	The action shall be carried out in the Republic of Uzbekistan
4. Programming document	Multiannual Indicative Programme (MIP) for Uzbekistan 2021-2027 ¹
5. Link with relevant MIP(s) objectives/expected results	Priority area 3: Development of a smart and eco-friendly agri-food sector Specific objectives: a) Agri-food policy framework and advisory services; and b) Sustainable, smart and resilient rural livelihoods
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Agriculture and rural development
7. Sustainable Development Goals (SDGs)	Main SDG Goals: SDG 2 Enhance food security and improved nutrition and promote sustainable agriculture; and Other significant SDGs: SDG 8 'Promote sustainable and inclusive economic growth through increased productive employment and decent work for men and women'; 1, 3, 5, 10, 12, 13, and 15.
8 a) DAC code(s)	DAC codes: 311 (Agriculture), - 50 percent DAC codes: 43040 (Rural Development) - 50 percent
8 b) Main Delivery Channel	Budget support
9. Targets	<input checked="" type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate

¹ European Commission (2020): Multiannual Indicative Programme 2021-2027 for Uzbekistan, available at: https://international-partnerships.ec.europa.eu/countries/uzbekistan_en

	<input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective
Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services		<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Connectivity Tags: transport people2people energy digital connectivity		<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Migration (methodology for tagging under development)		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	Reduction of Inequalities, (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): BGUE-B2022-14.020130-C1-INTPA Total estimated cost: EUR 27,000,000 Total amount of EU budget contribution EUR 27,000,000, of which EUR 20,000,000 for budget support and EUR 7,000,000 for complementary support. This action is part of a TEI. The indicative contributions of member states and European Development Finance Institutions (EDFIs) are: Germany - EUR 9 million, Latvia - EUR 0.2 million, France - EUR 217 million, EIB - EUR 100 million, EBRD – EUR 125.5 million.			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Direct management through: Budget Support: Sector Reform Performance Contract; Procurement; Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.2.			

1.2. Summary of the Action

The proposed intervention supports the 2021-27 MIP for Uzbekistan, Priority area 3: Development of a smart and eco-friendly agri-food sector, and shall contribute across both of its specific objectives 1: Agri-food policy framework and advisory services; and 2: Sustainable, smart and resilient rural livelihoods.

This is intended to be the second EU budget support. The first one was introduced in 2020 (EUR 40 million) benefitting the agri-food sector and rural livelihoods. The disbursement of funds was accelerated in view of the COVID-19 pandemic to support the progress of key reforms and the resilience of the most vulnerable rural population.

The overall objective of this action is “to contribute to the development of a sustainable market oriented and inclusive agri-food system that will increase farm income, expand rural livelihood opportunities and enhance food security for smallholder farmers, women and the most vulnerable groups in Uzbekistan”. The specific objectives are to support 1) the implementation framework of the agri-food development strategy, enabling inclusive development of a climate smart agri-food system; and 2) sustainable livelihood opportunities, decent jobs and access to markets for the most vulnerable (smallholders, micro, small and medium-size enterprises (MSMEs), youth, women, disabled, migrants).

The action shall be instrumental in sustaining the pace of reforms defined in the Uzbekistan Agri-food Development Strategy 2020-2030, and also in facilitating implementation of reforms in the area of Public Finance Management (PFM), budget transparency and oversight, and effective measures for macro-economic stability. The EU remains keen to promote a healthy, environmentally sustainable and fair food system that takes into consideration climate change and biodiversity, and supports the livelihoods, market inclusion and competitiveness of smallholder farmers, in particular, women, youth, and the most vulnerable. This should contribute as well to addressing the challenge of labour migration, originating predominantly from the rural areas of the country. The outputs of the Agri-food strategy buttressed through the budget support will also reinforce the government’s actions aimed at improving food security and nutrition, complying with international standards for food safety, and at creating a demand responsive agricultural innovation that promotes climate smart and digital solutions. The complementary capacity building component of this action will strengthen key institutional functions for strategic planning, the integrated management of development programmes, statistics and digital tools, advisory and business support services at central and local levels, and will contribute to better inter-institutional coordination of reform efforts. The assistance will be also provided to build capacities for trade and enhancing the potential for benefitting from the GSP+ and the Enhanced Partnership and Cooperation Agreement (EPCA) with EU. It will also further promote the private-public dialogue, and involvement in the sector governance of the civil society and farmer associations.

The action reflects the commitment that the Government of Uzbekistan (GoU) has towards economic liberalisation, WTO accession, gender equality, transition to a green economy, and the Paris Agreement, as overarching policy directions. It is aligned with EU policies and responds to the demand of counterparts for sharing the EU know-how, in

particular as related to the development of fair, healthy and environmentally-friendly food systems (“EU Farm to Fork Strategy”² and the European Green Deal³), support to family farming, food safety and integration into the global markets. The Action will target primarily SDG 2 Enhance food security and improved nutrition and promote sustainable agriculture, and SDG 8 Promote sustainable and inclusive economic growth through increased productive employment and decent work for men and women. It also intends to contribute to SDGs 1, 3, 5, 10, 12, 13, and 15.

The proposed outcomes are also aligned with the TEI in Uzbekistan entitled “*Support to a modern and sustainable agri-food sector and resilient rural livelihoods*”, which aims to facilitate inclusive, green, sustainable, gender responsive and climate-smart development of agri-food sector, and recovery of the Aral Sea region through blending operations, technical assistance (TA), budget support and policy dialogue. In addition to the EU, indicative contributions to the TEI are: France (AFD) - EUR 217 million, Germany (GIZ and KfW) - EUR 9 million, Latvia – EUR 0.2 million, EIB – EUR 100 million and EBRD – EUR 125.5 million.

2. RATIONALE

2.1 Context

The agriculture sector accounts for 26% of GDP and is therefore a major contributor not only to economic growth and export revenues but, crucially, to job creation and the fight against inequalities, playing an important role in the country’s green recovery from the COVID-19 crisis. Uzbekistan has been relatively successful to date in developing medium and small scale manufacturing based on textiles and agricultural value chains. Increases in domestic income and investment, as well as anti-crisis spending and tax relief measures have also contributed to relatively strong growth in 2021. However, with the consequences of Russia’s war of aggression against Ukraine, Uzbekistan’s growth is set to decline in 2022 due to a slowdown of remittances, the return of labour migrants, uncertain trade and investment flows from Russia as the biggest trade partner of Uzbekistan, currency devaluation and increased inflation, reducing the purchasing power of the population.

While the Government’s commitment to continuing reforms is strong, it faces the challenges of increasing inter-regional inequalities, a wide urban-rural poverty gap and gender-based inequalities. Almost half of the population and the majority of the poor live in rural areas. Employment potential in the agriculture, food and textile industries, especially for rural women and youth, is significant. However, while major progress has been achieved in the elimination of forced labour in cotton picking, there is a need for more support to the decent work agenda, and the transition to formal employment, as around 80% of agri-jobs are informal⁴, extensively exposing women to seasonal, low paid jobs lacking effective social security and protection. Furthermore, the employment of people with disabilities in rural areas represents a high challenge. In 2019 in rural areas, only 5.8 percent of men and women with disabilities aged 16–59 and 16–54 were officially employed. Employed persons with disabilities tend to work more in the informal sector, where discrimination on the basis of disability is high, and salaries are roughly half those in the formal sector. Children with learning disabilities face also institutional barriers in accessing vocational or higher education.

The proposed Action intends to reinforce the engagement by the GoU to implement the Agri-Food Development Strategy 2020-2030 through budgetary support, policy dialogue, and capacity building measures. It will build on the milestones achieved through the EU engagement in this sector, which has been the only focal area of our cooperation so far. Complementing the implementation of a first EU budget support operation, which has been on-going since February 2020, the focus will be maintained on creating the enabling conditions for smallholder farmers, women and the most vulnerable to improve their livelihoods and general wellbeing, and to support the phasing out of a command-based economy. The objectives of the EU action reflect the commitment that the GoU has towards economic liberalisation, WTO accession, gender equality, transition to green economy, and the Paris Agreement, as overarching policy directions. The action is aligned with EU policies and responds to the demand of counterparts in Uzbekistan for sharing the EU know-how, in particular as related to the development of fair, healthy and environmentally-friendly food systems (“EU Farm to Fork Strategy” and the European Green Deal), support to family farming, food safety, integration into the global markets and the implementation of EPCA.

² European Commission (2020): Farm to Fork Strategy, available at: https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy_en

³ European Commission (2019): A European Green Deal, available at https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

⁴ The ILO Decent Work Agenda is based on the following four pillars: full and productive employment, rights at work, social protection and the promotion of social dialogue

Since the change in leadership, the government has taken a series of positive steps showing a greater openness about human rights and has allowed several external independent scrutiny processes in Uzbekistan to be conducted (since 2017). A law was approved to strengthen the Human Rights Ombudsman (2018), and dialogue between the Uzbek authorities and international organisations which monitor human rights was revived. Within the agri-food sector, Uzbekistan has achieved significant progress in eradicating the systematic and systemic use of child labour and forced labour in the cotton industry. According to the ILO this is no longer a major concern⁵. Uzbekistan's national and foreign policy objectives are now closely aligned with those of the EU with a shared vision on peace, security, universal human rights, democracy and sustainable development, as reflected in the Enhanced Partnership and Cooperation Agreement which establishes a common values framework for policy and political dialogues.

This Action focuses on sustainable agriculture and food and nutrition security, which are at the top of the EU's long-term development cooperation objectives, as defined in the Agenda for Change, and it brings a strong coherent focus on people, planet and prosperity in line with the European Consensus for Development. Furthermore, an enhanced partnership is pursued through an integration of this Action with the TEI planned in this sector. The 2030 UN Agenda for Sustainable Development also puts an emphasis on rights and common responsibility for healthy environment and access to adequate, which will be supported in the proposed action. The Action will target primarily to SDG 2 Enhance food security and improved nutrition and promote sustainable agriculture, and SDG 8 'Promote sustainable and inclusive economic growth through increased productive employment and decent work for men and women. It also intends to contribute to SDGs 1, 3, 5, 10, 12, 13, and 15.

Agriculture and rural development has been the only focal sector of cooperation with Uzbekistan in the last MIP. The new Action will further facilitate support for inclusive, green, sustainable, gender responsive and climate-smart development through digital technologies, research and innovation. The joint engagement with the EU Member States and the EDFIs shall allow for enhanced engagement in the policy dialogue and support the promotion of the EU objectives.

The Action foresees an engagement with the authorities at both central and regional levels and multiple institutions in the agri-food sector. The EU budget support is expected to be effective in stimulating a stronger ownership of the reforms being undertaken in the agri-food sector and continued collaboration between the Ministry of Finance (MoF) and the multiple sector institutions. Inter-institutional governance mechanisms for the strategic reforms have been put in place and will be strengthened by the activity with a particular focus on private public dialogue targeting women farmers and entrepreneurs.

2.2 Problem Analysis

The Action is inspired by the EU “Farm to Fork” strategy promoting fair, healthy and environmentally-friendly food systems, and shall bring environmental, health and social benefits while offering economic gains in particular to primary smallholder producers, women and the most vulnerable who lag behind in terms of income and security of their livelihoods.

a) Competitive and inclusive agri-food value chains: One important socio-economic challenge lies in developing not only competitive but also inclusive value chains with more fair trading practices to support sustainable rural livelihoods, in particular those of women, youth and the most vulnerable. People under 30 years of age representing over 56% of the population require more jobs, particularly in rural areas where around half of the population of Uzbekistan lives. Entrenched gender stereotypes leading to almost exclusive responsibilities for unpaid domestic work and childcare, continue to undermine women's ability to participate in the labour force, both in terms of farm and non-farm employment. Overall, married women have a much lower likelihood of working than single women – 36 percent compared to 52 percent, and women are over-represented in informal, seasonal, and part-time jobs that were hit hard by the COVID-19 crisis. Moreover, among the working-age population, one in five males is an international migrant, and among the youth, the migration rates are particularly high—one in three males between the ages of 20 and 24. There is also internal migration from rural areas to urban centres. Males migrating from rural areas leave many women behind to manage *dehkan* farms and kitchen gardens while being especially vulnerable to poverty and social stigma. When women work informally on *dehkan* farms they do not receive protection under labour law in terms of sick pay, maternity or childcare leave, and are unlikely to benefit from rural advisory services. Interventions in this area should contribute to poverty reduction and prevention as the majority of the poor live in rural areas. The costs for collection, transportation, storage, processing, packaging and certification of products from the field to final consumers are high

⁵ “Third-party monitoring of measures against child labour and forced labour during the 2019 cotton harvest in Uzbekistan”, ILO 2020.

and significantly reduce competitiveness and profitability to smallholder farmers and processors. The diminishing monopoly of the government giving space to big private clusters puts the individual smallholders in a weak position, while they constitute the majority of producers (around 4.8 million). The variety of advisory and business support services still need to be developed together with new financing measures to facilitate a wider inclusion of agri-producers and processors in the strategic transformation and market integration.

b) Green transition could contribute to increased productivity and environmental sustainability. The agri-food sector is threatened by the increasing risks and uncertainties of climate change (variable rainfall distributions, intensity of rainfall, and rising temperatures) exacerbated by unsustainable agricultural practices. Those lead to decreasing quantities and quality of water resources, land degradation, desertification, soil salinity and infertility, and increased risks of flooding. These factors are further aggravated by old and inefficient (and extensively energy consuming) water distribution and irrigation systems. Unfortunately, the current taxation/tariffs of water for irrigation, linked to the land surface area, do not provide an incentive for the efficient use of the limited water resources. While subsidies are available for the introduction of drip irrigation, more support is needed for the development of alternative water resources to complement the surface and ground water. With respect to land management, pastures constitute almost half of the total land resources in the country and over 70% of the total area is regarded as degraded as a result of overgrazing, increasingly exposed to the erosive power of surface water runoff. Moreover, the insecurity of land tenure rights is a critical factor supporting unsustainable land use and discouraging agri-producers from investing in environmentally-friendly practices and climate-smart technologies. Uzbekistan risks facing acute deficiencies in water resources and an increase in land desertification and degradation threatening the country's food security. The support services facilitating the up-take of Good Agriculture and Environmental Practices, and organic production are currently at the initial stage of development. There are also no programmes supporting the development of skills for green jobs or green business start-ups. At the same time, the World Bank Group and Asian Development Bank (ADB) (2021) warn that increased temperatures and more rapid melting of glaciers elsewhere in the region may lead to severe water shortages along Uzbekistan's most important rivers, the Amu Darya and Syr Darya, by the 2040s and 2050s. The various scenarios predict temperature rises, droughts and water shortages that will reduce the yields of the major crops in Uzbekistan⁶. These projected climatic conditions and associated realities need to be seriously considered in any development intervention in the agricultural sector in the country.

c) Food and nutrition security and food safety will be addressed focusing on dealing with the lack of policy and regulatory framework and management tools supporting food security and nutrition and food safety. As the food system is one of the key drivers of climate change and environmental degradation, there is an urgent need to reduce dependency on pesticides and antimicrobials, reduce excess fertilisation, increase organic farming, improve animal welfare, and reverse biodiversity loss. This challenge is compounded by a lack of availability of modern, quality infrastructure, support services and information systems. Better food safety is vital for the health of the wider population of the country as well as for access to global markets. The EU Rapid Alert System for Food and Feed reports regularly on rejection from the EU market of products originating from Uzbekistan due to the high level of health threatening toxins. Nutrition insecurity amongst women and men as well as boys and girls in rural areas is a challenge, emanating from a lack of dietary and nutritional knowledge, hygiene and sanitation. This has led to a high incidence of under-nutrition and micronutrient deficiencies (anaemia and iron deficiency). While recent years have seen some progress in terms of anaemia in women of reproductive age (25% in 2019 compared to 46% in 2002) and child stunting (10.8% in 2019 compared to 25% in 2002), Uzbekistan has been identified as having the highest diet-related disease risk in the world. While a significant proportion of the population is unable to afford a healthy diet (one in three people living below EUR 3.2 a day) and the prevalence of food insecurity has increased from 11% in 2015 to 20% in 2019, half of the adult population are overweight or obese. Obesity disproportionately affects women (22%) as compared to men (16%) and at least one in eight adult women are living with diabetes.

The interventions under two focal areas under the priority 3 of MIP will be inter-linked and mutually reinforcing.

Under the focal area 1 - Agri-food policy framework and advisory services, the efforts will address the need for improved sector-wide governance, and policy and regulatory framework concerning, among others, the enabling business environment, land allocation (ensuring a transparent system to provide equal opportunities for women and

⁶ The World Bank Group and the Asian Development Bank (2021): Climate Risk Country Profile: Uzbekistan, available at: <https://climateknowledgeportal.worldbank.org/sites/default/files/2021-09/15838-Uzbekistan%20Country%20Profile-WEB.pdf>

men), food security and nutrition, food safety, and management of natural resources (water and pasture). A substantial engagement is also planned to build capacities of Agriculture Knowledge and Innovation System and in particular for services to smallholder farmers (research, advice, business support, credit), which are currently in a very initial stage of implementation. The challenges facing the agri-food sector governance are also linked to weak public institutions and a lack of availability of modern, quality infrastructure, and information systems. The key public services that still need to be delivered include the delivery of veterinary, phytosanitary and food safety support, including relevant laboratories and surveillance systems, quality infrastructure and logistics, intellectual property protection and certification systems. Interventions in this area would support producers and processors to secure (and sustain) access to new higher value agri-food markets. Efforts to tighten food safety and sustainability requirements are essential to raise food standards and integrate smallholder farmers and other stakeholders into competitive food value chains.

The vast majority of farmers and agri-businesses lack access to regular, reliable information, knowledge and advice to guide the development of their farms and businesses. Moreover, the governance systems need to be underpinned by more robust policy analysis and policy formulation processes, policy monitoring and evaluation, and impact assessment, to ensure that reforms are increasingly guided by evidence-based analysis and monitoring. This requires strengthening the sector statistics and data collection systems. The key areas for institutional capacity building encompass also PFM, strategic planning, integrated management of development programmes, digital governance tools and digital services.

The main stakeholders under this focal area are the Ministry of Agriculture (MoA), the MoF, Plant Quarantine and Protection Agency, and State Committee on Ecology and Environmental Protection. To the extent possible, the EU capacity building could be extended to other institutions in the sector, taking into consideration the high level of organisational fragmentation. The President's Administration has an important role in preparing the legal acts required for the implementation of the Agri-food Strategy, which are usually adopted by the President. Deputy Prime Minister co-chairs the inter-institutional Coordination Council of the Agri-food Strategy.

Under focal area 2 - Sustainable, smart and resilient rural livelihoods, the Action will put an emphasis on building capacity amongst smallholder farmers, cooperatives of producers and processors, and associations of smallholder farmers to advocate for family farming, and strengthen competitiveness and market inclusion with an emphasis on women's empowerment. Unfair trading practices in business-to-business relationships tend to result in low prices and margins and unfair dealing. The food supply chain is vulnerable to unfair trading practices due to stark imbalances between small and large operators. Farmers and small operators in the food supply chain often do not have sufficient bargaining power to defend against this. In order to strive for inclusivity in agricultural value chains, policies and investment are needed to organise small farmers into cooperatives and producer organisations, develop a business management training programme to strengthen their bargaining skills and facilitate their integration into modern value chains. Most small-scale producers are currently largely isolated from processing enterprises and export organisations. Critical to this process is strengthening the capacity of farmers to manage their organisations as profitable and sustainable business entities. To maximise engagement possibilities for youth, women and people with disabilities, support is needed for targeted business incubation schemes. While major progress has been achieved in the elimination of forced labour, particularly in cotton picking, there is a need for more support to a "decent work agenda" as around 80 per cent of agricultural jobs are informal and this is particularly relevant to women. This will require actions to support the transition to formal employment. Women's contributions to agricultural production are also largely informal, and underrepresented. Actions will be undertaken to ensure that women's views and needs are systematically integrated into policies on climate change, as well as water resources management, land management and energy efficiency.

Another key issue is social protection, which can help rural households to overcome the risks of poverty and food insecurity. A well-designed, gender-sensitive social protection scheme is needed to benefit women in terms of their economic and social empowerment. As there are no official statistics about social security or social assistance recipients by sex or by region in the country, there is a need for further study to identify whether social protection schemes are reaching the most vulnerable populations, especially women in rural areas who undertake irregular work, women heading households and single mothers, and returned migrants in this area.

Important stakeholders under this focal area are the private sector, women and the most vulnerable as well as smallholder farmers who will be assisted to form cooperatives and farmer organisations through bottom up processes.

2.3 Additional Areas of Assessment

2.3.1 Public Policy

At the end of 2019, the agri-food sector of Uzbekistan received a boost from the adoption of the ambitious Strategy for Agriculture Development 2020-2030 (approved by Presidential Decree No. PP-5853 on October 23, 2019). Recognising the imminent threats posed by environmental issues such as water shortages, land degradation and climate change, and acknowledging the weak performance of the sector due to the ineffective administrative/control approach, the Strategy sets out an ambitious and transformative agenda to end state production, improve land tenure and security, increase the transparency of land distribution, and redirect state agricultural financing to private sector enabling investments. Its vision is to develop a competitive, market-based and export-oriented agri-food sector that will increase farm incomes, create new jobs, enhance food security, and ensure sustainable use of natural resources. This would be done through nine priorities: (i) enhancing food security of the population; (ii) creating favourable environment for agribusiness and value chains; (iii) decreasing state involvement in sector management and enhancing investment attractiveness; (iv) encouraging rational use of natural resources and environmental protection; (v) developing modern public institutions; (vi) diversifying state expenditures; (vii) developing research, education, and advisory services; (viii) developing rural areas; and (ix) developing transparent statistics and information systems.

The Strategy has moved quickly from vision to implementation by tackling the biggest and most binding constraint to further change in the agriculture sector. In March 2020 (Presidential Resolution 4633), the GoU abolished the state cotton system, which previously had required all cotton produced in the country to be surrendered to the state, and for all cotton growing areas to meet (stringent) annual production targets. With historically severe penalties (including the loss of land use rights) levied against farmers who missed the target, the policy was widely viewed by observers as a binding constraint to ending forced and child labour in the cotton sector. The targets were also viewed as contributing significantly to agricultural practices that were environmentally suboptimal and discouraged adaptation to climate risks. With the end of mandatory state procurement, farmers will, in principle, have increased freedoms to determine, based on market conditions and availability of technologies, how and how much cotton to grow. However, the sale of raw cotton so far has been permitted only to the organisers of cotton-textile clusters, which are supposed to accelerate technological change in the cotton value chain, including through provision of advisory and other services to farmers. Farmers will also have increased freedoms in determining cost-optimal harvest strategies, the most common of which being the non-harvesting of residual cotton after the main harvest.

The reform of the wheat-flour-bread sector has been also underway. In March 2020 (Presidential Resolution 4634), the GoU announced the end of the state order system for wheat production and procurement starting from 2021. The Resolution abolished the state production and procurement targets as well as state farm-gate prices, to be enacted in 2021, despite the COVID-19 crisis and its negative impact on food security in Uzbekistan. The abolition of the state order system complements the bread price liberalisation in 2018 and the liberalisation of wheat flour prices in 2019. Public grain stocks, totalling 1.7 million tons in 2021, will replace the state procurement (3.2 million tons in 2020) and be redesigned to mitigate excessive wheat price volatility arising from fluctuations in domestic wheat production and a large import dependency from Kazakhstan, which keeps restricting wheat and flour exports from time to time.

Other less visible but important changes have also occurred in the last few years, accelerating in 2020. Water deficit has not been just recognised, but for the first time in the history of Uzbekistan, the GoU began proactive support to adoption of water-saving technologies in cotton and horticulture production. The national budget provided 120 billion Soms (EUR 11 million) in 2019 and 199 billion Soms in 2020 to co-finance investments in cotton's water-saving technologies, and 80 billion Soms (EUR 7.3 million) in 2020 for horticulture's water-saving technologies along with the legal requirements for all intensive orchards to include drip irrigation and other water-saving technologies as a part of investment package. A draft of a national livestock strategy was prepared in 2020/2021 (with EU technical assistance), and was subsequently adopted in March 2022, providing the basis for a strategic framework to guide development of a more resilient, inclusive, and sustainable development of this subsector, important for the country's food security and adaptation to climate warming.

During this period there has also been a growing recognition of the need to address the impact of climate change on the agri-food sector. Past national targets for the reduction of greenhouse gas emissions have been increased following the COP 26 meeting in 2021. For the agri-food sector this has increased the previous target of 10% reduction in emissions to 30% reduction targets by 2030. This has triggered the launch of an assessment of climate change and its impact on the sector, supported with EU technical assistance. The government is now committed to use the findings from this assessment to guide plans for formulation of a new programme for climate change adaptation and mitigation, anticipated to include the launch of pilot actions in 2022/2023. This is part of the wider investment process for the development of the National Agriculture Knowledge and Innovation System (AKIS) (which was framed through the adoption of a Presidential decree on AKIS in February 2021).

Inclusion of small farms and women, largely ignored in the past, has also now become a more prominent policy issue and priority for the government, with dekhan farms and women entrepreneurs now gaining more access to affordable credit, grant funds and public services. Recent years have seen more efforts to integrate small farms into horticulture and livestock value chains through public programmes supported by donors (EU, IFAD, and World Bank). And farmland tenure security received a boost from legalization of land sub-lease to dekhan farms⁷ to produce secondary crops and the introduction of a new law on dekhan farms with the provision for allowing them to receive additional leased land, which was previously prohibited. All these changes/shifts/actions provide a strong foundation for further agricultural reforms.

This reform programme has helped trigger a recovery in agricultural growth. After years of stagnant growth, and reflecting the strong supply response to reforms, the sector grew by 2.5 percent in 2019, despite a reduction in the total sown area by 2.2 percent. In 2020, despite the COVID-19 pandemic, agriculture was the driver of the overall economy's growth, growing by 3.0 percent vis-à-vis 1.7 percent of the GDP growth. In 2021, this growth has continued and is estimated to be in excess of 4.0%.

Horticulture export has been the driver of this turnaround. It almost doubled in under three years, from EUR 570 million in 2017 to EUR 1 200 million in 2019. In 2020, the horticulture export was hit by the COVID-19-induced restrictions and the lower purchasing power of consumers in Kazakhstan and Russia, traditional export destination, declining by 20 percent in 2020 compared to 2019. At the same time, the geography of horticulture export kept expanding in 2020.

Areas under permanent crops such as fruit orchards has increased, utilising land freed from cotton growing. In 2016, fruits were grown on 280 000 ha. In 2019, fruit growing area increased to 324 000 ha. In addition, traditional orchards with low productivity are being gradually replaced by intensive orchards with much higher productivity. These changes create a strong foundation for acceleration of future long-term agricultural growth.

Agri-food sector employment has remained stable at approximately 30% of the total labour force. In 2020, the sector employed an estimated 4.2 million people. Agricultural diversification helped many workers benefit from the shift in cropland from production of low-value cotton to production of high-value (and more labour intensive) horticulture products, offering wage workers and farmers better earning opportunities.

Horticulture value chain investments since 2017 have helped create productive and inclusive jobs in greenhouses, intensive orchards, storage, processing, and packaging facilities. More diverse agricultural production supported the food processing industry, where employment increased by 27%. In the textile and garment industry, employment grew by an estimated 60%. However, during the same period employment in primary agriculture has been gradually reducing. Overall, these trends indicate the opportunities that can be created by a more diversified agri-food sector which has the ability to expand, add value and create high value jobs and sustainable incomes, if reforms are kept on track. But the success of agri-food sector reforms is also highly dependent upon their effective implementation and in considering the future, developing a better understanding about 'how' to implement the reforms is clearly as important as 'what' to reform.

This requires strong governance and streamlined strategic management, programming and implementation structures, systems and procedures. Currently, the governance of the agri-food sector is extremely weak and fragmented. Specifically, there is a disconnection between priorities defined in the strategy and the planning, management and implementation of new policies, programmes and projects. Most projects remain, to a large extent, donor/International Financial Institution (IFI) driven, lacking effective coordination and development of synergies.

Moreover, project monitoring is predominantly process-oriented and evaluation is non-existent, making it very difficult for the MoA to effectively supervise and control key projects and programmes, and evaluation systems are also not in place to be able to assess what has worked well or less well in the implementation of past policies, programmes or projects. Strengthening monitoring and evaluation functions is necessary to ensure more effective use of public and donor funding in support of the sector. There is also no evidence-based policy making and data management remains weak. There is a lack of factual, evidence-based information and data that can provide the basis for policy analysis, economic research, new policy design and impact assessment. In addition, processes to systematically collect, collate and analyse available data are limited and not fit for purpose. Moreover, there are currently no effective internal systems for maintaining records or development of an institutional memory or organisational learning culture. Establishing such functions and support systems will significantly enhance organisational effectiveness and efficiency.

In recognition of these needs, in December 2021, the President adopted a new decree for the establishment of a new International Strategic Centre for Agri-food Development, which aims to address the strategic planning, programming, policy analysis and Monitoring & Evaluation (M&E) weaknesses, through the development of a 'think tank' and project

⁷ Food and Agriculture Organization of the United Nations (n.D.): Land tenure and related Institutions | Gender and Land Rights Database | Uzbekistan, available at: https://www.fao.org/gender-landrights-database/country-profiles/countries-list/land-tenure-and-related-institutions/en/?country_iso3=UZB

implementation team. This has the potential to create a critical mass of reform managers, change agents and implementers capable of driving long term structural change.

In conclusion, the policy is sufficiently relevant and credible for budget support contract objectives to be largely achieved. Therefore the policy can be supported by the Commission with the proposed budget support contract.

2.3.2 Macroeconomic Policy

The COVID-19 pandemic dramatically slowed Uzbekistan's economic growth in 2020, after years of robust expansion. In 2020 Uzbekistan's economy grew only 1.6% compared to 5.6% in 2019. In 2021 the national economy recovered robustly recording 7.4% GDP expansion.

According to the IMF the pandemic has had a marked, but so far relatively short-lived, adverse impact on Uzbekistan's economy. Although the pandemic hit the economy hard in the first half of 2020 and inflicted considerable hardship, the recession was moderated by strong and timely containment and support measures. The strong policy reaction allowed for a sharp rebound in activity in the second half of 2020 and throughout 2021, while the agricultural and construction sectors showed stable resilience over the bi-annual pandemic. In early 2022 the main scenario of the country's medium-term macroeconomic indicators forecast was that the average GDP growth rate over the next five years would be 6.5%.⁸ The economic growth was projected to return to pre-crisis levels starting from 2022 due to improving trading partner demand, the impact of structural reforms, and the steady progress being made with vaccinations. And after an impressive growth recovery in 2021, the 2022 target prior to Russia's Russia's war of aggression against Ukraine was at least 6% year-on-year growth. The latest growth expectations have been reviewed downwards and are now fluctuating between 3.5% and 4.5% in 2022.

The 2021 budget maintained adequate buffers and allocated sufficient resources to the healthcare system for vaccine rollout. The 2022 budget similarly supports healthcare as a priority. Due to the timely containment of COVID and fiscal measures the impact of the pandemic on Uzbek economy was relatively short-lived. Inflation has fluctuated since 2017 at an average rate of 15% but government fiscal policies brought it down to 10% by end-2021. IMF Uzbekistan Article IV Mission concluded in April 2022 that Uzbekistan's growth is expected to slow to 3–4 percent in 2022 (WB in June 2022 forecast 4.5% growth), down from 6 percent projected in January. Lower remittances and financing from Russia, and to a lesser extent a reduction in trade, due also to further supply chain disruptions, are projected to reduce consumption and investment. The current account deficit is projected to widen to about 9½ percent of GDP, with lower remittances partly offset by lower imports and higher commodity export receipts. Inflation is expected to remain elevated this year, at close to 12 percent, due to surges in international food and fuel prices.

The level of investment as a percentage of GDP has increased from 25.6% in 2017 to a high of 38.3% in 2019. Revised forecasts for 2022 suggest that investment will contract to 36.1%. External debt as a percentage of GDP has been increasing rising from a level of 34.1% in 2017 to 43.5% in 2019 pre-crisis. These figures have been forecast to reach 54.1% by the end of 2021. Public debt rose from 28% in 2019 to 38% in 2020. Debt limits have been included in the annual budget law. In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

Budget deficit: The budget deficit has substantially worsened since the introduction of the anti-crisis measures with revenues 2% of GDP lower in the first half of 2020 compared with the same period in 2019. This reflected lower tax and non-tax revenues due to anti-crisis tax deferments and weaker non-gold commodity exports. The higher budget deficit in 2020 has been financed primarily through an increase in external borrowing and an expanded domestic borrowing programme. External financing has included a World Bank supplementary loan of EUR 200 million (April 2020), an IMF Rapid Credit Facility/Rapid Financing Instrument of EUR 375 million, and an ADB EUR 500 million COVID-19 Active Response and Expenditure Support loan.

Revenues and expenditures: Budget spending increased sharply by about 4% of GDP in 2020 to manage the impact of COVID-19. Spending rose for healthcare, cash transfers to low-income households, financial support to enterprises, and an expansion of public works.

Monetary Policy: Monetary policy faces the difficult task of balancing fighting inflation while safeguarding the recovery. The Central Bank of Uzbekistan (CBU) acted decisively by raising its policy rate from 14 to 17 percent in

⁸ Ministry of Finance, World Bank and IMF forecasts

mid-March 2022 to anchor expectations and stem exchange rate pressures. The current policy stance appears appropriate to contain price pressures and gradually bring inflation down to the CBU's medium-term objective.

Fiscal Policy: The fiscal deficit widened to 4% of GDP in 2019 and 4.5% in 2020, due to increased investment and the impact of the pandemic, respectively. The 2021 budget maintained an accommodative fiscal stance targeting an overall fiscal deficit of around 5.4% of GDP (3.5% consolidated), to help with economic recovery and support households and businesses. It allocates significant resources to healthcare and social assistance while also catching up with delayed investment from 2020 and wage increases.

The World Bank is working with the IMF in supporting Uzbekistan's reform programme. Despite the pandemic the IMF is providing extensive technical assistance to the government and has increased staff monitoring. Technical assistance is being provided in the areas of debt and public financial management, stress testing, tax policy and administration, monetary and foreign exchange operations, and statistics (including external sector, government financial statistics, monetary and financial surveys, and national accounts).

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

2.3.3 Public Financial Management

IMF, WB, ADB, EU and UNDP are the main partners of the Uzbek fiscal authorities in the PFM area.

IMF has been instrumental in the Uzbek PFM reform strategy development and it was directly involved in drafting the strategy. IMF substantially helped the authorities in gaining the improvements attained so far and the Fund will be an even more essential partner in the immediate future for the MoF in the implementation of the approved PFM 2020-2024 Reform Strategy.

WB supports the MoF on programme/performance based budgeting. As part of the on-going fiscal reforms, the MoF within the Institutional Capacity Building loan instrument of the World Bank, is developing its programme/performance based budgeting and has hired the international consultant Linpico to support this process.

ADB are working on multiple areas in PFM with the MoF under the ongoing Economic Management Improvement Program Technical Assistance Facility. Medium Term Budget Framework (MTBF) is part of that TA action. ADB is also cooperating on debt management and internal audit.

UNDP has been assisting the Uzbek fiscal authorities in the development and publication of "Citizens' Budget".

In 2018 a Public Expenditure and Financial Accountability (PEFA) assessment was carried out highlighting the strength of Uzbekistan's upstream PFM system in contrast to relatively weaker downstream systems. 15 out of 31 indicators were rated A or B, while 16 – mainly downstream indicators – were rated C or D. The assessment showed that public finances have become more transparent as a result of increased budget and debt transparency. Some progress has also been made in other areas, such as procurement, audit, financial reporting, subnational transfers, and the production of adequate performance information for service delivery. However, there are also some weaknesses in the management of public assets and liabilities which in turn create fiscal risks. The PEFA also highlighted the weak areas related to policy-based fiscal strategy and budgeting. These are macroeconomic and fiscal forecasting, fiscal strategy, medium term fiscal management, and budget preparation.

IFIs active in PFM support for the MoF collectively believe that 2022 and 2023 are going to be crucial for the fiscal authorities of Uzbekistan in implementing their ambitious 2020 - 2024 PFM Reform Strategy.

The government has taken credible steps to develop and implement an ambitious PFM reform strategy (2019 -2024), drafted following the Presidential Resolution (2018) and fully embedded in the Economic Roadmap of the country (approved by the Presidential Decree No. UP-5614). The strategy aims to sustain macroeconomic stability by strengthening macroeconomic institutions, fiscal policy and tax reforms. The strategy covers a range of measures aimed at strengthening budget preparation and execution, public sector accounting, the treasury system as well as improving the legislative base for PFM reforms. The PFM Strategy is comprised of a PFM Strategic Action Plan that provides a sound basis for a comprehensive PFM reform and addresses the key weaknesses of the present PFM system in the country.

Debt management systems have also improved, and the government is in the final stages of upgrading and adopting a new debt management system, debt legislation, and a medium-term debt strategy. Progress to strengthen the Chamber of Accounts (CoA), the country's Supreme Audit Institution, is still in the initial phases of its development. A new law to strengthen the CoA was approved by Parliament in July 2019, which clarifies and expands the

institutional mandate of the CoA to go beyond financial and compliance audits to include regular efficiency and performance audits of government agencies. Staffing levels have increased, and the CoA is routinely conducting compliance and financial audits.

The foreign exchange control environment at the CBU maintains overall operational control over its exchange reserve management. The CBU has been audited regularly by internationally recognised audit firms and received satisfactory audit reports. In particular, the 2019 audit of the CBU's consolidated financial statements was conducted by an international audit firm, which issued an unmodified opinion on the financial statements. Financial statements are prepared in accordance with internal accounting and reporting procedures issued by the CBU. The audit was conducted in accordance with International Standards on Auditing. The audited financial statements of the CBU are not made publicly available and the Audit Report is for official use. The accompanied Management Letter issued by the auditor did not report any internal control issues.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.3.4 Transparency and Oversight of the Budget

The MoF has clearly defined the government's objectives to increase transparency and strengthen the application of the international fiscal statistics and reporting standards, improve the budget classification, presentation and reporting, strengthen fiscal risk disclosure, and address other fiscal transparency-related issues. Since 2018, significant progress has been made in improving public debt transparency. The MoF now regularly publishes detailed information on all new external loans, including the source and intended use of funds. Before a new external loan is signed and disbursed, the government must seek financial commitment authorisation from the President or the Cabinet of Ministers. This authorisation is published, and provides, in substantial detail, information about the project, the cost of funds, and the repayment profile. Prior to 2018, almost all this information was not publicly disseminated.

There has also been progress strengthening fiscal transparency and accountability, most notably in the budget preparation process. The MoF publishes fiscal data quarterly on its official website and "Open budget" portal. Importantly, in December 2019, the government announced a significant overhaul of the budget approval and accountability process. Under a newly approved Budget Law (ZRU-590) amending the 2013 Budget Code, Parliament has been vested with the responsibility of reviewing and approving budget legislation. This effectively transfers oversight of the budget process from the executive to the legislative and provides for a substantially more robust and public consultation and debate process on the budget.

For the first time, starting from the 2020 Budget, the draft budget is submitted to Parliament in November, with Parliamentary approval required before the start of the new fiscal year on 1 January. Following the approval of the annual budget law, the government is now required to provide quarterly budget execution progress reports to Parliament and appear before the Budget Committee to answer questions. The government remains committed to further fiscal and debt transparency reforms. From the 2021 Budget, the government integrated all externally financed expenditure (including development partner projects) into the consolidated budget, which further reduced off-budget balances to between 1-2 % of GDP. The authorities are also making progress with efforts to close and consolidate remaining off-budget spending, most notably through a commitment to close all ministerial off-budget accounts over the medium-term.

As part of anti-crisis measures, all revenues to these funds were redirected to the consolidated budget account. The authorities are also working to further enhance debt transparency, through the development of a medium-term debt strategy, new debt legislation intended to increase debt transparency and discipline, and publishing detailed quarterly Debt bulletins on the MoF's website.

The full compliance of the 2020 and 2021 Budget Laws will help establish a strong foundation for future reforms to the budget process. Over time, and as further fiscal transparency reforms are implemented, and as citizen and civil society capacity is built, the supported measures will lower fiscal risks and improve the efficiency of public spending.

The government has also adopted a new Fiscal strategy that aims to reform the public financial management between 2020 and 2024⁹. According to this strategy, the Ministry of Finance is committed to shift to a MTBF system and introducing a new "Program-based budgeting system". Currently, respective employees of the Ministry are working

⁹ Cabinet of Ministers Resolution №506 dated 24.08.2020 "On reforming the Public Financial management strategy of the Republic of Uzbekistan between 2020 and 2024". Available at <https://lex.uz/docs/4966572>

with international organisations including ADB and IMF, on reforming the budget process and gradually transiting to MTBF.

As part of this fiscal strategy, the MoF is planning to develop the programme/performance based budgeting system. With EU technical assistance support, there is a further commitment to implement a programme-based budgeting system to the MoA in 2021 - 2022 and coordination between the MoF and MoA has recently been initiated to manage this process.

Finally, the Cabinet of Ministers has adopted a roadmap for reporting according to the International Financial Reporting Standards in the public sector. In addition, information on deposits, loans and obligations of budget organizations and state-target funds will be made available in the future for the general public.

The fight against corruption is now one of the top priorities of the Uzbek authorities, with concrete measures going in the right direction. In 2017, the Law "On Combating Corruption" was adopted. During the following years, a number of related legislative acts were approved, amongst which the Laws "On Administrative Procedures", "On Public Control", "On Public Procurements", "On Dissemination of Legal Information and Ensuring Access to It" and "On the Protection of Victims, Witnesses and Other Participants in Criminal process". In 2020, the Presidential Decree "On additional measures to improve the anti-corruption system in the Republic of Uzbekistan" was adopted establishing the Anti-Corruption Agency in accordance with international standards (Articles 6 and 36 of the UNCAC). Also a fairly comprehensive Anti-corruption Strategy was adopted which, even if improvable, takes into account many international recommendations and best practices.

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.

3. DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to contribute to the development of a sustainable market-oriented and inclusive agri-food system that will increase farm income, expand livelihood opportunities and enhance food security for smallholder farmers, women and the most vulnerable groups in Uzbekistan.

The Specific Objectives (Outcomes) of this action are:

1. To support the implementation framework of the agri-food development strategy enabling inclusive development of a climate smart agri-food sector.
2. To support sustainable livelihood opportunities, food security and nutrition, decent jobs and access to markets for the most vulnerable (smallholders, MSMEs, youth, women, disabled, migrants).

The Induced Outputs to be delivered by this action and contributing to the corresponding Outcomes are inter-linked and mutually reinforcing. They contribute to the implementation of the sector strategy through:

Contributing to Outcome 1:

1. Enhanced policy and regulatory framework supporting competitive, inclusive and fair value chain development – Pillars 2, 5, and 9
2. Enhanced institutional capacities for effective promotion and uptake of environmentally sustainable practices – Pillars 8, and 4
3. Institutional capacities developed to ensure compliance with international standards for food safety, pesticide use and sanitary and phytosanitary regulatory measures - Pillars 1, and 2
4. Strengthened institutional capacities for PFM, incl. gender responsive budgeting, strategic planning, integrated management of development programmes, statistics, digital services; Pillars 5,6, and 9
5. Institutional capacities developed for a demand driven Agriculture Knowledge and Innovation System to support climate smart agri-food sector. (research, education, advisory services and finance); Pillar 7

Contributing to Outcome 2

6. Policy and regulatory framework established for food security and nutrition and related key institutional capacities developed. – Pillar 1
7. Revised land management legal framework allowing transparent equal access and rights to land use for women and men, and, supporting environmentally sustainable land use.- Pillars 2, 4, and 5

8. Enhanced capacities of smallholder farmer organisations (cooperatives, producer groups) to advocate for family farming, strengthen competitiveness and market inclusion with an emphasis on women's empowerment as well improve the registration, marketing and promotion of geographical indications. Pillar 2, and 8
9. Institutional capacities developed to support business incubation in rural areas with a particular focus on women, youth and other vulnerable groups– Pillar 2, and 8

The following are the expected direct outputs of this budget support contract:

- Continued policy dialogue with the national authorities, private sector and civil society;
- Continued dialogue with other development partners to coordinate and further align development cooperation;
- Increased capacities for programme formulation, planning, policy analysis, research and statistics
- Improved effectiveness and efficiency of budget allocation aligned with the priorities of the agri-food development strategy
- Regular monitoring of budget support eligibility criteria.
- Strengthened agriculture sector public finance management systems and processes.

The proposed Action is fully integrated with the TEI, which foresees the following result areas: a) Inclusive and climate-wise development of the livestock sector; b) Inclusive and green recovery of Aral Sea region; c) Support to start-ups and MSMEs development; and d) Sustainable economic development in rural areas.

3.2 Indicative Activities

Indicative activities under the Induced Outcome 1:

- Capacity building for development of a certification scheme for agri-producers and processors covering standards recognized in international markets, such as Global Gap, organic certification, Hazard Analysis Critical Control Point (HACCP),
- Establishment of field plant clinic/ advisory network to diagnose pests and advise farmers of appropriate Integrated Pest Management measures for plant protection;
- Training programmes for professional staff involved in the agri-food system information and statistic system and digital governance;
- Establishment of Innovation Councils with the equal participation of women;
- Design and introduction of Programme Budgeting and pilot Medium-Term Expenditure Framework for key budget user institutions in the agri-food sector;
- Roll out of a capacity building programme on Good Agricultural and Environmental Practices for farm and agri-business advisory services in all regions;
- Development of demand responsive research programmes responding to specific needs of regions;
- Design and implementation of pilot actions to demonstrate environmentally sustainable pasture management;
- Scaling up of the pilot farm support programme to additional regions;
- Establishment of an internationally accredited residue analysis laboratory;
- Revision of the law on food quality and safety to ensure full conformity with the WTO Application of Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) Agreements;
- Support for the development of an independent testing and certification scheme to assure produce quality and freedom from harmful residues/toxins;
- Support to the development of a regulatory framework for agribusiness to support the position of smallholders and small operators in agri-food value chains, inspired by the best practice of the EU on supporting fair trading practices;
- Design and piloting of water-saving technologies incentive schemes;
- Support to the implementation of Farmer Field School pilot programmes on Integrated Pest Management;
- Design and piloting of a support scheme to increase access of people in rural areas to renewable sources of energy, targeting solar panels, wind turbines and other relevant technologies;
- Development of revised curricula for agricultural universities and technical colleges that reflect the changes in the agri-food system;

Indicative activities under the Induced Outcome 2:

- Design of food and nutrition survey on diet diversity methodology and training of the survey/ analysis team;
- Preparation of a roadmap on priority actions to support food and nutrition security;

- Development of national dietary guidelines to establish a coherent basis for public food security and nutrition policies and to promote good nutrition and prevent Non-Communicable Diseases;
- Revision of the legal framework to strengthen the agriculture land tenure rights equitably for women and men and to remove the state from the practice of crop allocation;
- Assistance to establishment of small-scale farmer organisations (cooperatives, producer groups, farmer associations), including producers groups in the area of geographical indications;
- Piloting of an agribusiness incubation scheme for rural women and youth in selected AKIS pilot areas;
- Drafting of a regulatory framework to ensure decent employment and protection for women and small producers;
- Design and implementation of a pilot support scheme to promote the development and diversification of small-scale farms and agri-businesses targeting young farmers, entrepreneurs, start-up and producer associations;
- Design and launch of a support scheme to encourage the establishment of women farmer association, cooperatives and other producer organisations;
- Development of a national programme to promote a culture of healthy food consumption, including an annual communication campaign to increase awareness of food nutrition and the health benefits of regional food products;
- Design and implementation of a capacity building programme for farm and agri-business advisory service providers in farm and agribusiness management.

The commitment of the EU's contribution to the Team Europe Initiative foreseen under this action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

3.3 Mainstreaming

The action can be classified as a high-risk action since both of its outcomes (especially Outcome 2: Improved sustainable livelihood opportunities, decent jobs and access to markets for the most vulnerable) but also Outcome 1: Improved implementation framework of the agri-food development strategy enabling inclusive development of a climate smart agri-food sector, could be easily affected by natural hazards associated to climate change. To this end, it is suggested that all interventions supported through the action include at least a simple ex-ante Climate Risk Assessment to ensure that:

- They explicitly demonstrate awareness of climate risks and their potential level of negative impact, throughout the project's life-span.
- They will – with a high level of confidence – implement the relevant cost-effective adaptation measures (e.g. win-win options, no/low-regret option, or flexible development pathways that can be easily amended based on the changing climatic conditions) and/or wider strengthening resilience measures formulated in the relevant national/regional strategies on climate change, desertification and disaster risk reduction in Central Asia.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. A gender responsive rights-based approach which will leave no one behind and do-no-harm is identified as a significant cross-cutting element for the planning and execution of the proposed Action. Given that the drivers of food insecurity and malnutrition include multi-dimensional poverty, inequality and discrimination, the proposed action builds on the commitment of the Commission to adopt both a human-rights based and gender transformative approach to development cooperation. Gender equality is therefore designated as a significant objective and will be explicit in the proposed action's emphasis on reducing livelihood disparities and improving food security and nutrition among the rural population of Uzbekistan. This is in line with the Government's own recent efforts to increase the economic and social inclusion of women, which were part of the transformative reform agenda. In early 2021, the authorities announced a package of measures designed to reduce poverty among women. They include plans to expand women's employment and entrepreneurship, access to social assistance and healthcare, professional retraining and higher education, housing, and pre-school services, among other policies. Gender-sensitive social protection schemes and the provision of high quality and affordable pre-schools remain fundamental to women's economic and social empowerment in Uzbekistan.

However, in the context of broader agri-food sector reform and government efforts to improve the quality of diets for food security and good nutrition, gender equality and women's and girl's empowerment has yet to be adequately prioritised and there is poor awareness among policy makers regarding the significance of this agenda. A key priority for this action is to ensure that gender transformative objectives are meaningfully operationalised within the

framework of the agri-food sector. As such, the action will increase awareness and understanding of the gender issues related to women's access to land; expand women's participation in water user and farm organisations and agricultural fora; promote healthy food eating habits in particular for women and children (to address the high incidence of anaemia and stunting); and support women, youth and other vulnerable groups in rural areas to develop their entrepreneurial skills. This in turn will require actions to strengthen the gender responsive provision of services to small farms and agri-businesses, while raising awareness and developing capacities of key ministries and other agencies in line with Uzbekistan's global commitments on gender equality. A prerequisite for addressing gender-based land rights inequalities will be ensuring sex-disaggregated registries with data on ownership, leasing rights, farm ownership and enterprise registration. Opportunities to promote the advantages of gender responsive budgeting within the sector will also be explored in the context of policy dialogue.

Human Rights

A number of induced outputs in the Action Document support the empowerment of women to participate in the structured private-public dialogue led by the MoA and in monitoring of the sector reforms. Actions are also intended to address the issue of access to land for women and insecurity of land tenure. Efforts will be made to engage in reforms concerning the land management, including establishment of a transparent system for land allocation, which would provide equal opportunities for women and men. Another area of concern is assurance for decent employment for both women and men in the agri-food sector, which encompasses the agriculture production, food industry and textile industry. While major progress has been achieved in the elimination of forced labour in cotton picking, there is a need for more support to a "decent work agenda", and the transition to formal employment, as around 80 per cent of agri-jobs are informal. Additionally, support to skills development and internationally-recognised certification of qualifications is needed, in partnership with the private sector and in consultation with the rights holders, to enhance the employability potential of the rural population, with a focus on youth, women and other vulnerable groups.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the activity contributes to the development of a sustainable market oriented and inclusive agri-food system that will increase farm income, expand livelihood opportunities and enhance food security for smallholder farmers and the most vulnerable groups including people with disabilities. Efforts will be made to improve planning and implementation by engaging in a wider stakeholder consultation and dialogue including the most vulnerable beneficiaries. Capacity development activities will similarly aim at comprehensive inclusivity in particular as regards participation in sector governance, opportunities for jobs and development of skills for employment.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1. External environment	Risk 1. Decreasing quantities and deteriorating quality of water for irrigation due to dependence on cross-border resources (and unsustainable use).	H	H	EU assistance can be offered to 1. revise the tax/tariff system for irrigation water, which could support efficient use of limited resources; 2. support the adoption of Good Agriculture and Environmental Practices among agri-producers. EU budget support transfers to help in ensuring Government budget to provide additional support to the most vulnerable rural households and businesses.
	Risk 2: A resurgence of new types of COVID-19 viruses and surge in infection posing significant risks.	M	M	
2.Planning, processes and systems	Risk 3. High level of corruption in general and, of a critical importance, in land management; land tenure rights are poorly protected.	H	H	Continued EU technical assistance to support: a. capacity development for internal audit in the agri-food sector; b. improved transparency in land management, including through the introduction of digital tools.

	Risk 4. Possible lost opportunity due to limited efficiency in using substantial off-budget resources for agri-food development programmes.	H	H	Continued EU capacity development for improved integrated planning and implementation of development programmes
3. People and organisation	Risk 5 Weak staff capacities and inadequate organisational structures and business processes. Fragmentation of sector governance and budget responsibilities.	M	H	Continued EU technical assistance to support the organisational restructuring and revised business processes and for capacity building of staff.
	Risk 6: Low absorption due to lack of capacity of implementing agencies	M	H	Government and EU support to building capacity of implementing agencies.
4- Legal and regularity aspects	Risk 7: Presidential Administration not supporting the draft legal acts prepared by MoA. Vested interests in the agriculture sector prevent land tenure reforms to take place.	M	M	EU engagement in a dialogue with the President Administration. EU and development partner support in lobbying for positive changes in land reform.

Lessons Learnt:

There is a high demand for sharing of EU know-how and capacity building across multiple sector institutions. The first budget support contributed to building a stronger ownership and collaboration between the MoF and key ministries and agencies. Over the first three years there was a major effort made to create a legal and regulatory framework for the strategy, however, there is a need for a more in depth institutional and budgetary reforms necessary for successful implementation. As the strategy was adopted only at the end of 2019 and extends over a ten-year period it is important to acknowledge that the reform follows a gradual and phased implementation with the priorities and benchmarks reviewed on an annual basis.

The setting up of the Inter-institutional Coordination Council addresses institutional fragmentation that constrain the development of 'sector wide' approach. To strengthen governance and ensure the integrity of the planning and budgeting/financing processes, further work is needed to build capacities for management of the programme cycle as part of the sector reform programme. A continued focus on gender in the private public dialogue (launched in 2020) is needed and more effort made to empower women to take on decision making roles.

3.5 The Intervention Logic

The outcomes and outputs of the Action will support achieving the ultimate goal of contributing to the development of a sustainable market oriented and inclusive agri-food system that will increase farm income, expand livelihood opportunities and enhance food and nutrition security for smallholder farmers, women and the most vulnerable groups in Uzbekistan (2023-26). The action is divided into two outcomes to support 1) the implementation framework of the agri-food development strategy enabling inclusive development of a fair, healthy and climate smart agri-food system; and 2) sustainable livelihood opportunities, decent jobs and access to markets for the most vulnerable (smallholders, MSMEs, youth, women, disabled, migrants). The action is, consequently, designed to create a conducive and sustainable agri-food system while addressing downstream challenges of integrating small-scale farmers into modern value chains and ensuring livelihoods opportunities for women, youth and the most vulnerable. The continued EU technical assistance will be provided to develop capacities of the MoA and other public agencies while strengthening the policy and governance system. The latter outcome will be achieved by ensuring that local level capacity is available to organise smallholder farmers into cooperatives and develop their business and marketing skills to better access local and regional markets. This in turn will require facilitating links and partnerships with private sector stakeholders whilst protecting the interests of the target beneficiaries.

The induced outputs include actions aimed at improving the policy and regulatory framework to support competitive, inclusive and fair value chains, ensuring compliance with international and national standards for food safety, pesticide use and sanitary and phytosanitary regulatory measures. Attention will also be given to strengthening institutional capacities for the uptake of environmentally sustainable practices, ensuring equal access and rights to land use for women and men, interventions to address nutrition security and the promotion of entrepreneurship for smallholder farmers, women and youth. These activities will be supported by strengthened institutional capacities for PFM and strategic planning and management of the broad development programme portfolio.

The direct outputs of budgetary support will increase the technical and financial capacities of the MoA to enhance performance of government services. The action will directly support policy dialogue with the national authorities, private sector, civil society and development partners to better coordinate, integrate and align development cooperation. Attention will be placed on increasing public sector capacities for programme formulation, planning, policy analysis, research, statistics and public sector finance management systems. By targeting identified institutional, regulatory and organisational weaknesses in the existing sector governance structures, strategic planning and policy coordination between relevant Ministries and agencies will be strengthened, absorption capacities will be bolstered, and technical capacities established in the provision of core services and support systems. This will also assist in improving accountability in the use of public funds.

The changes in outcomes and impacts are expected from Government policies together with private sector and civil society initiatives as well as those of other development programmes. To achieve this intervention logic, there needs to be a continued commitment from the government to the gradual dismantling of the former centrally planned economic structures and systems and a move towards a more participatory and inclusive rural development free from state interference and direct control over individual farms and agribusinesses.

3.6 Logical Framework Matrix

BUDGET SUPPORT MODALITY as reflected by the /sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

Caveat: the indicators used in the LFM refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Results	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data (1 per indicator)
Indicative Impact of the policy	To contribute to the development of a sustainable market oriented and inclusive agri-food system that will increase farm income, expand rural livelihood opportunities and enhance food security for smallholder farmers and the most vulnerable groups.	<ol style="list-style-type: none"> 1. Agriculture labour productivity (EUR per agricultural worker per annum) 2. Poverty level by regions (rural/urban), but not by age, gender, employment status by State Statistics Committee. <p><i>From January 1, 2022, the amount of Minimum Consumer Spending (MCS) will be used as a criterion for poverty and a criterion for per capita income in identifying low-income people. Starting from 2022, until January 20 annually, SSC will annually publish the MCS, based on the inflation rate. The cost of MCS will be developed and approved by a government decree.</i></p> <p>Global food security index</p>	<ol style="list-style-type: none"> 1. EUR 4.42 (USD 4,221) (2020) 2. Share of total population living in poverty -11% in 2019 (8.4% in urban areas, 13.5% in rural areas) 3. 78th (2021) 		<ol style="list-style-type: none"> 1. State Statistics Committee (SSC) 2. State Statistics Committee 3. FAO
Expected Outcomes of the policy	Outcome 1: Improved implementation framework of the agri-food development strategy enabling inclusive development of a fair, healthy and climate smart agri-food system	<ol style="list-style-type: none"> 1.1 % increase in total land area irrigated with water saving technologies 1.2 Reduced incidence of anaemia amongst women; Reduced incidence of stunting in children under 5 years old 1.3 Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land (EURF 2.1) 	<ol style="list-style-type: none"> 6.9% (2020) 24.3% (2019) 10.8% (2017) 0 0 	<ol style="list-style-type: none"> 1.1 15% of total irrigated land 1.2 Decrease of anaemia incidence among women to 8% 7% incidence of stunting (2022) 	<ol style="list-style-type: none"> Ministry of Water Resources World Bank Data EU programme and MoA's reports

		1.4 Number of MSMEs applying Sustainable Consumption and Production practices with EU support (EURF 2.6)			EU programme and MoA's reports
	Outcome 2: Improved sustainable livelihood opportunities, decent jobs and access to markets for the most vulnerable (smallholders, MSMEs, youth, women, disabled, migrants)	2.1 Increase in average annual income of smallholder farmers (Dehkan) (disaggregated by men and women led) 2.2 Growth in the number of agri-food employment Agriculture Food industry Textile industry (disaggregated by gender and people with disabilities)	TBD 3,551,931 (2020) 97,692 (2020) 131,290 (2020)	20% increase 1% 3% 3%	M&E survey State Statistics Committee (SSC)
Induced Outputs <i>Improved public policies, public sector institutions, public spending and public service delivery</i>	Induced output 1: Enhanced policy and regulatory framework supporting competitive, inclusive and fair value chain development	World Bank – Enabling the Business of Agriculture	77 th (2019) Non existent (2022)		World Bank MoA
	Induced output 2: Enhanced institutional capacities for effective promotion and uptake of environmentally sustainable practices	Number of agri-producers and processors certified according to standards recognized in international markets (disaggregated by Global Gap, organic certification, Hazard Analysis Critical Control Point (HACCP)) .	TBC	TBC	
	Induced output 3: Institutional capacities developed to ensure compliance with international standards for food safety, pesticide use and sanitary and phytosanitary regulatory measures	Establishment of field plant clinic/ advisory network to diagnose pests and advise farmers of appropriate Integrated Pest Management measures for plant protection	0	2 pilot regions	
	Induced output 4: Strengthened institutional capacities for PFM, incl. gender responsive budgeting, strategic planning, integrated management of development programmes, statistics, digital services	Capacity development for the agri-food system information and statistic system and digital governance tools Revision of subsidy and taxation system assisted to support the objectives of the agri-food strategy	Sporadic/incomplete and lacking gender sensitive data Uncoordinated subsidy and tax system for agricultural producers	Gender sensitive data system operational and providing relevant data and progress reports Revised system officially adopted	SSC, Farmers Council, MoA MoF, State Tax Committee, MoA
	Induced output 5: Institutional capacities developed for a demand driven Agriculture Knowledge and Innovation System to support climate smart agri-food sector (research, education, advisory services and finance)	Operationalised AKIS centers in at least 4 more regions.	AKIS regional centers in Tashkent operational in 2022 and to be launched in 2022 in the Samarkand region.	Minimum 4 more regions	Organigramme of MoA/AKIS regional centres; MoA's reports on Strategy implementation.

	Induced output 6: Policy and regulatory framework established for food security and nutrition and related key institutional capacities developed.	Number of staff who benefitted from capacity building for conducting food and nutrition surveys including diet diversity for women etc. developed	0 staff trained No methodology in place	Minimum of 50 persons trained	SSC/Ministry of Health
	Induced output 7: Revised land management legal framework allowing transparent equal access and rights to land use for women and men and supporting environmentally sustainable land use.	Revision of the legal framework assisted to strengthen individual agriculture land tenure rights; To remove the state from the practice of crop allocation	A range ambiguous legal powers to remove land users from their land From 2023, it is planned to end centralised crop placement.	Land code revised Introduction of third party arbitration	Regulations and laws
	Induced output 8: Enhanced capacities of smallholder farmer organizations (cooperatives, producer groups) to advocate for family farming, strengthen competitiveness and market inclusion with an emphasis on women's empowerment	Number of small-scale farmer organizations (cooperatives, producer groups) established in selected AKIS pilot areas with number of members (disaggregated by gender) New GIs registrations	No baseline set No baseline set TBC	Increase in the number of farmer organisations % Increase the number of women in farmer organizations TBC	MoA, AKIS
	Induced output 9: Institutional capacities developed to support business incubation in rural areas with a particular focus on women, youth and other vulnerable groups	Business incubation programmes (including for green business) targeting rural women and youth piloted	Number of business incubation programs nationally (tba)	In at least two regions of AKIS	AKIS/ farmers councils MoA's reports
Direct Outputs Improvement in the relationship between external assistance and national budget and policy processes	Direct output 1: Continued policy dialogue with national authorities, private sector and civil society	Number of private sector stakeholders participating in private-public dialogue for a (disaggregated by gender and people with disabilities)	Ad hoc meetings, forums and participation	Policy dialogue meetings established on a regular basis	MoA reports on meetings
	Direct output 2: Continued dialogue with other development partners to coordinate, harmonize and align development cooperation programmes and actions	Number of donor coordination group meetings held by the Government	Ad hoc meetings, forums and participation	Regular (quarterly) government – development partner policy dialogue meetings	Development partner meeting records/ minutes
	Direct output 3: Strengthened institutional capacities for programme formulation, planning, policy analysis, research and statistics	Number of staff trained and attending in study tours in strategic planning, programming, monitoring and evaluation and policy analysis, statistics, information & digitalisation	No baseline set	Professional staff trained	MoA human resource records

	Direct output 4: Improved effectiveness and efficiency of budget allocation aligned with the priorities of the agri-food development strategy	Increase in the state budget expenditures on research and services (excluding water)			
	Direct output 5: Regular monitoring of budget support eligibility criteria: achievement of agriculture sector priority objectives; macro-economic developments; PFM eligibility	Meeting requirements for annual disbursements of budget support tranches	No baseline set	Fully functioning programme budgeting and mid-term expenditure framework	Budget support reports/ monitoring reports
	Direct output 6: Strengthened agriculture sector public finance management systems and processes.	Internal budget calendar aligned with the national budget calendar and procedures for submitting additional funding requests with a medium-term outlook and linked to sector strategic priorities implemented by at least one agri-food sector state agency (in addition to MoA) and its subordinate organisations.	Absence of internal budget system aligned with national budget calendar	Internal budget calendar aligned with the national budget calendar and procedures implemented by at least one agri-food sector state agency (in addition to MoA) and its subordinate organisations.	

4. IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Government of Uzbekistan.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

4.3.1 Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 20 000 000 (to be disbursed over two years) and for complementary support is EUR 7 000 000.

This represents an average of 6% of the yearly government budget for the sector (not including IFI loan finance, which is significant and currently amounts to over 2 billion USD). This amount is considered adequate to enable strategic shifts over a medium term in public expenditures and taxation, while assisting capacity building for sustainable financing of the sector, including mobilisation of private capital for services and development. The continuation of budget transfers together with a substantial capacity building component of this second budget support will further support a stronger ownership of the reform agenda by the government and stronger capacities to manage large envelopes of investments through loans, better aligned with the sector strategy. It will also allow to maintain the policy dialogue across a range of key areas, and regular performance assessments, which will be further enhanced through the Team Europe approach.

This amount is based on the analysis of the institutional framework and public services in the agricultural sector in Uzbekistan in 2021 and aims at supporting its further development in order to support the implementation of essential agricultural reforms, providing the incentive, over time, to introduce a more policy-driven, results-oriented, evidence-based policy approach and public finance management in the agriculture sector in Uzbekistan.

The following disbursement calendar and profile proposed for the action is indicative. The actual disbursement calendar and profile will be set out in the financing agreement and may remain subject to change.

Year one, 4th quarter of the year – EUR 10 million (EUR 3 million fixed and EUR 7 million variable tranches; Year two, 4th quarter of the year – EUR 10 million variable tranche).

4.3.2 Criteria for Disbursement of Budget Support

a) Conditions.

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Uzbekistan Agri-food Development Strategy 2020-2030 and continued credibility and relevance thereof or of the subsequent policy;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances;
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches may focus on the following policy priorities:

Agri-food sector finances and management; agriculture and rural advisory services; food security and nutrition system; climate change adaptation, mitigation & reduction of greenhouse gas (GHG) emissions; climate friendly

technologies and practices; food safety framework and services; agri-food sector governance, policy, and regulatory framework.

c) Modifications.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

4.3.3 Budget Support Details

A mix of fixed and variable tranches is proposed, with the following indicative breakdown:

<i>In EUR</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
Fixed tranche	3 000 000		
Variable tranche	7 000 000	10 000 000	
Total	10 000 000	10 000 000	

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Uzbek Soum will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement. An additional EUR 7 million will be allocated for complementary TA/capacity building support.

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁰.

4.4.1 Direct Management (Procurement)

A part of this action may be implemented through direct management (procurement), to contribute to the achievement of outcomes 1 and 2.

Outcome 1: Improved implementation framework of the agri-food development strategy enabling inclusive development of a fair, healthy and climate smart agri-food system:

- Induced output 1: Enhanced policy and regulatory framework supporting competitive, inclusive and fair value chain development
- Induced output 2: Enhanced institutional capacities for effective promotion and uptake of environmentally sustainable practices

¹⁰ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- Induced output 3: Institutional capacities developed to ensure compliance with international standards for food safety, pesticide use and sanitary and phytosanitary regulatory measures;
- Induced output 4: Strengthened institutional capacities for PFM, incl. gender responsive budgeting, strategic planning, integrated management of development programmes, statistics, digital services;
- Induced output 5: Institutional capacities developed for a demand driven Agriculture Knowledge and Innovation System to support climate smart agri-food sector (research, education, advisory services and finance);

Outcome 2: Improved sustainable livelihood opportunities, decent jobs and access to markets for the most vulnerable (smallholders, MSMEs, youth, women, disabled, migrants)

- Induced output 6: Policy and regulatory framework established for food security and nutrition and related key institutional capacities developed;
- Induced output 7: Revised land management legal framework allowing transparent equal access and rights to land use for women and men and supporting environmentally sustainable land use.

4.4.2 Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with (a) pillar assessed entity(ies).

This implementation entails a contribution to:

Outcome 1: Improved implementation framework of the agri-food development strategy enabling inclusive development of a fair, healthy and climate smart agri-food system:

- Induced output 3: Institutional capacities developed to ensure compliance with international standards for food safety, pesticide use and sanitary and phytosanitary regulatory measures;

Outcome 2: Improved sustainable livelihood opportunities, decent jobs and access to markets for the most vulnerable (smallholders, MSMEs, youth, women, disabled, migrants)

- Induced output 8: Enhanced capacity of smallholder farmer organisations (cooperatives, producer groups) to advocate for family farming, strengthen competitiveness and market inclusion with an emphasis on women's empowerment, and monitoring of reforms by farmer organisations/Civil Society Organisations;
- Induced output 9: Institutional capacities developed to support business incubation in rural areas with a particular focus on women, youth and other vulnerable groups.

The implementing entity/ies will be selected using the following criteria:

- competencies in Integrated Pest Management, Farmer Field School,
- engagement in Uzbekistan with smallholder farmers,
- international experience on agricultural and environmental issues, in field plant clinic/ advisory network
- prior or ongoing engagement in Uzbekistan in capacity building in fields related to the scope under the induced outputs 3, 8, and 9.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.4.1.

4.4.3. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If negotiations with the entities mentioned in the section 4.4.2. fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.4.1.

A part of the action mentioned in the section 4.4.1 could be partially implemented in indirect management with a Member State mandated body.

4.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult. (Article 28(10) NDICI-Global Europe Regulation).

4.6 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Specific objectives 1 and 2 – cf. section 4.3 Budget support	20,000,000.00
Specific objective 1 (outputs 1 to 5) and specific objective 2 (outputs 6 and 7) – cf. section 4.4.1 Direct management (procurement)	5,000,000.00
Specific objective 1 (output 3) and specific objective 2 (outputs 8 and 9) – cf. section 4.4.2 Indirect management with a pillar-assessed entity	1,750,000.00
Evaluation and Audit – cf. sections 5.2 and 0	250,000.00
Totals	27,000,000.00

4.7 Organisational Set-up and Responsibilities

This budget support will respect the governance structures established for the implementation of the Uzbekistan Agri-food Development Strategy. The inter-institutional Coordination Council (meeting once per year) is responsible for the guidance and oversight of the Strategy implementation. It is co-chaired by the Prime Minister and the Minister of Agriculture, and all the ministries and other executive bodies with a role in the implementation of the Strategy are represented. The secretariat role for the Council is provided by the MoA, supported by the EU technical assistance. The Council appoints specific subject Technical Working Groups. Development Partners Advisory Group is linked to the Council as well, so is the Agri-food Congress mandated to bring together representatives from the farming and agri-business community, academic institutions and civil society. In fact in 2021 MoA (assisted by EU) has also launched structured exchanges for private – public dialogue across regions, including dedicated platforms for women farmers and agri-entrepreneurs. MoA has also established some subject specific donor coordination groups.

In addition, a Steering Committee will continue to be operational for the capacity building component.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above-mentioned governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

A newly established International Strategic Centre for Agri-food Development, and MoA will have the principal responsibility to manage the monitoring system. This will include data collection, analysis, performance monitoring, evaluation, control and reporting.

The Results Framework of the Uzbekistan Agri-food Development Strategy 2020-2030 includes the higher-level outcome indicators at the agri-food sector level and a set of output indicators, which include the main performance indicators of this budget support. The monitoring of the overall implementation of the Strategy is under the responsibility of the MoA which reports on the progress achieved on a yearly basis to the inter-institutional Coordination Council and to the public. Indeed in 2022 the first Progress Report has been published, covering 2020 and 2021. The EU will continue providing assistance in strengthening the institutional capacities for monitoring and evaluation, which have been recently re-assigned to the International Strategic Centre for Agri-food Development, created in December 2021 under the MoA. This new centre will also provide the support function to the Coordination Council and the Donor Coordination Group, and foster the inter-institutional coordination, sharing of quality data, and accountability towards the private sector and civil society.

An annual performance review for this programme will take place to inform the disbursement request. Those reviews will include performance on the agriculture sector, the variable tranche indicators as well as the eligibility criteria on which the MoF will provide the information. A comprehensive report will be sent to the Delegation demonstrating achievement of progress for the four eligibility criteria and targets for the variable tranche indicators.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed and the capacity building in this field is provided by the EU technical assistance team. This assessment has fed into the design of the action and the selection of the following tentative, variable tranche indicators. The list of indicators will be refined when signing the financing agreement:

Indicator 1. Strengthened agriculture sector public finance management systems and processes

Indicator 2. Farm and agri-business advisory system programme established across all regions

Indicator 3. Established food security and nutrition system

Indicator 4. A programme of measures for agri-food sector climate change adaptation, mitigation & reduction of GHG emissions adopted and piloting of research in this area initiated.

Indicator 5: Improved financial support framework for small-scale farmers the uptake of new climate friendly technologies and adoption of good agricultural and environmental conditions practices.

Indicator 6. Improved level of compliance of food safety services with WTO requirements / codex alimentarius guidelines/ food safety and phytosanitary acceptability of agri-food exports improved

Indicator 7. Creating a favorable agri-business environment and added value chains/ and reducing the role of the state

5.2 Evaluation

Having regard to the importance of the action, a mid-term and final ex-post evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

A mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to possible design of the next phase of the budget support.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that there could be another budget support programme following this one.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders. As a TEI is foreseen in this sector a joint evaluation with EU Member States could be also considered.

The Commission shall inform the implementing partner at least 15 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements. It is foreseen that audit services may be contracted under a framework contract.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

APPENDIX 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entities'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention is defined in the related Action Document and it is revisable; it can be a(n) (group of) action(s) or a (group of) contract(s).

Tick in the left side column one of the three possible options for the level of definition of the Primary Intervention(s) identified in this action.

In the case of 'Group of actions' level, add references to the present action and other action concerning the same Primary Intervention.

In the case of 'Contract level', add the reference to the corresponding budgetary items in point 4.6, Indicative Budget.

Option 1: Action level		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
Option 2: Group of actions level		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#): <Present action> <Other action>
Option 3: Contract level		
<input type="checkbox"/>	Single Contract 1	<foreseen individual legal commitment (or contract)>
<input type="checkbox"/>	Single Contract 2	<foreseen individual legal commitment (or contract)>
<input type="checkbox"/>	Single Contract 3	<foreseen individual legal commitment (or contract)>
	(...)	
<input type="checkbox"/>	Group of contracts 1	<foreseen individual legal commitment (or contract) 1> <foreseen individual legal commitment (or contract) 2> <foreseen individual legal commitment (or contract) #>