

## **Ex-Ante Evaluation (for Japanese ODA Loan)**

**Central Asia and the Caucasus Division,  
East and Central Asia and the Caucasus Department  
Japan International Cooperation Agency**

### **1. Name of the Program**

- (1) Country: The Republic of Uzbekistan (Uzbekistan)
  - (2) Program: Sustainable Economy and Social Development Support Programme Loan (hereinafter referred to as "the Program")
  - (3) Program Site / Target Area: All areas of Uzbekistan
- Loan Agreement: February 19, 2024

### **2. Background and Necessity of the Program**

- (1) Current State and Issues of the Economic Sector and the Priority of the Program in Uzbekistan

The economic growth rate of the Republic of Uzbekistan (hereinafter referred to as "Uzbekistan") exceeded 5% in 2018 and 2019, slowed to 1.9% in 2020 due to the impact of the spread of the COVID-19, but recovered to 7.4% in 2021, supported by the global economic recovery, rising gold prices and increased remittances from migrant workers, etc. Although economic growth in 2022 was expected to be 5.3% as of April 2021 (International Monetary Fund (hereinafter referred to as "IMF" )), the crisis in Ukraine and economic sanctions against Russia that occurred from February 2022 onwards had a significant impact on the country's economy, slowing the forecast to 3.4% as of June 2022. In particular, inflation has risen (12%, IMF) due to increased transport costs (30-40%, Asian Development Bank (hereinafter referred to as "ADB")) arising from Uzbekistan's dependence on routes via Russia for the majority of its logistics and soaring food prices (15%, IMF), affecting the country's economy, especially the vulnerable groups. The government of Uzbekistan started to take measures to contribute to economic and social stabilisation by increasing public spending to support economic activity and assist the vulnerable groups. Typical examples are price adjustments for ensuring a stable food supply and support for job creation, etc. (totaling approximately USD 586 million) and the provision of benefits to vulnerable groups such as pensioners, persons with disabilities, families who have lost breadwinners, and families with minors and handicapped children (totaling approximately USD 641 million).<sup>1</sup>

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<sup>1</sup> More than 2 million women and 4.5 million children are eligible for these supports.

While Eurobonds for 2019-2021 were previously issued to cover the budget deficit, the bonds could not be issued for 2022 due to sharply rising interest rates in major currencies and heightened geopolitical risks. On the other hand, due to the need to continue market economy-oriented reforms and as measures to support vulnerable groups and strengthen resilience, the government decided not to curb expenditure, and it has led to requests for financial assistance from international institutions and donors, including Japan, to fill the fiscal gap.

The “Uzbekistan-2030” Strategy, published in October 2023, sets a target of achieving a GDP per capita of USD 4,000 by 2030, with the prosperity of the people through sustainable economic growth as a key item. In relation to policy actions in the Program, the goals of the strategy include, inter alia, promoting a further transition to the private sector by reducing the number of state-owned enterprises to one-sixth, developing microfinance, increasing the share of women in management positions to 30% and strengthening the social security system.

The Program will provide financial support to the government of Uzbekistan, which is affected by the global economic crisis triggered by the crisis in Ukraine, to support the continued implementation of economic reforms towards a market economy, which the government is promoting, and to strengthen social inclusion and stability by providing support to vulnerable groups. The Program can be regarded as a high priority one that supports the pillars of the “Uzbekistan-2030” Strategy: “Creating decent conditions to unlock the potential of every person”, “Ensuring the prosperity of the population through sustainable economic growth” and “Ensuring the rule of law, organizing people-centered public administration.”

## (2) Japan’s and JICA’s Policy Cooperation Policy and Operations in the Economic Sector

Country Assistance Policy for the Republic of Uzbekistan (September 2022) stipulates "Promoting Sustainable Economic Growth and Reducing Inequalities" as a basic policy. In addition, the JICA Country Analysis Paper for the Republic of Uzbekistan (updated in March 2023) also stipulates "sustainable economic growth" as the basic policy for assistance to Uzbekistan, and the Program is consistent with these Policy and Analysis.

Strengthening market institutions and the environment for private sector growth, improving state-owned enterprise management and increasing social inclusion and resilience, which are addressed in the policy matrix of the Program, are in line with JICA's Global Agenda: '4. Private Sector Development', '12. Governance', '9. Social Security / Disability and Development' and '14. Gender

and Development'. The Program will contribute to economic and social stability in Uzbekistan, where the geopolitical crisis is expected to cause serious concerns for vulnerable groups and a slowdown in the economic reforms being implemented, and is also expected to contribute to SDG Goals 1 (No Poverty), 3 (Good Health and Well-being), 5 (Gender Equality) and 8 (Decent Work and Economic Growth).

In relation to JICA projects, the Program is deeply connected to business human resources development through technical cooperation to the Uzbekistan-Japan Center for Human Resource Development, efforts to improve legislation and tax administration, including the "Project on the Commentary on the Bankruptcy Law," as well as the promotion of business of Japanese companies in Uzbekistan through "Investment Promotion Adviser" and JICA's public private partnership projects.

In addition, the Program will help Uzbekistan to cope with the effects of the geopolitical crisis triggered by the Ukraine crisis and will contribute to ensuring peace and stability in the 'Free and Open Indo-Pacific'.

### (3) Other Donors' Activities

The World Bank agreed to the fifth Development Policy Operation (hereinafter referred to as "DPO V") and the fund was disbursed in December 2022 as an emergency response to the geopolitical crisis (USD 950 million). The Program is a co-financing with DPO V. In addition, other organizations have also committed to provide financial support: the ADB (USD 650 million), the Asian Infrastructure Investment Bank (AIIB) (USD 530 million), the French Development Agency (AFD) (USD 152 million), the International Islamic Trade Finance Corporation (USD 100 million), and the Organisation of Petroleum Exporting Countries (OPEC) Fund for International Development (USD 100 million).

## **3. Program Description**

### (1) Program Description

#### 1) Program Objective

The objective of the Program is to support economic reforms of the Government of the Republic of Uzbekistan for transition to market economy and enhancement of protection of the vulnerable through budget support, thereby contributing to promoting the economic stabilization and development efforts of the Republic of Uzbekistan.

#### 2) Program Components

Through financial support, the Program will promote initiatives of the Government of Uzbekistan in the following areas. The policy matrix is shown in the Annex.

a) Strengthening market institutions and the environment for private sector growth: establishing a legal framework for privatisation of state-owned enterprises, privatising mobile telecommunications service providers, improving the efficiency and inclusiveness of financial markets, modernising insolvency law to support the resilient recovery of private companies and strengthening the legal framework for competition..

b) Improving state-owned enterprise management: strengthening the governance of state-owned enterprises and reducing the financial risk of state-owned enterprises.

c) Increasing social inclusion and resilience: improving the efficiency and transparency of the social protection system and promoting active participation of women in the private sector.

3) Program Beneficiaries (Target Group)

Nationals of Uzbekistan (population 35.2 million)

(2) Estimated Program Cost

37,000 million Yen

(3) Schedule

The financial support for the Program is set to start in March 2022, after Ukraine crisis. The Program will be completed upon completion of the disbursement (scheduled for February 2024).

(4) Program Implementation Structure

1) Borrower: The Republic of Uzbekistan

2) Guarantor: N/A

3) Executing Agency: Ministry of Economy and Finance

4) Operation and Maintenance System : The Ministry of Economy and Finance is in charge of coordinating and reporting the progress and results of policy actions by relevant ministries and agencies.

(5) Collaboration and Sharing of Roles with Other Donors

1) Japan's Activity: Business human resources development is carried out under the Technical Cooperation "Project for Capacity Development of Business Persons and Networking through Uzbekistan-Japan Center for Human Resource Development (Phase 2)." It is expected that by enhancing an environment for a market economy through this Program, the human

resources trained in the above-mentioned project will be able to further contribute to the growth of Uzbekistan's economy. In addition, JICA provides the Country-focused Training "Enhancement of Judicial Ability to Strengthen the Protection of Rights in the Free-Market Economy System," which would enhance capacity to properly apply the law and improve the workability of the law. Since many of the policy actions of the Program are related to the development of laws, such as the law on privatisation of state-owned enterprises, it is expected that the training will contribute to the achievement of the target values of indicators.

2) Other Donors' Activity: The loan is a co-financing with DPO V.

#### (6) Environmental and Social Consideration

1) Category: C

2) Reason for Categorization: The program is likely to have minimal adverse impact on the environment under the JICA guidelines for environmental and social considerations (January 2022).

#### (7) Cross-Sectoral Issues

Financial support under the Program will be used to mobilize funds for vulnerable groups affected by the geopolitical crisis, which will contribute to reducing the number of poor households.

(8) Gender Category: GI (S) (Gender Informed (Significant))

<Details of Activities/Reason for Categorization>

Gender-based issues were identified through discussions with the implementing agencies. The Program has a plan to support women from multiple perspectives through the policy matrix and various initiatives and indicators have been incorporated.

(9) Other Important Issues: N/A

### **4. Targeted Outcomes**

#### (1) Quantitative Effects

1) Outcomes (Operation and Effect Indicators)

As shown in the Annex, the evaluation of the Program will be based on the indicators in the policy matrix. For the Operation and Effect Indicators, the same indicators are set as those of the World Bank, the co-financing partner.

(2) Qualitative Effects: Stable economic growth and social stability

(3) Internal Rate of Return: The Internal Rate of Return is not calculated for program-type loan.

### **5. External Factors and Risk Control**

(1) Preconditions: N/A

(2) External Factors: N/A

## **6. Lessons Learned from Past Projects**

In Ex-post evaluation for emergency budget support loans to three Southeast Asian countries (Philippines “Emergency Budget Support Japanese ODA Loan,” Indonesia “Climate Change Program Loan (II) (including Economic Stimulus and Budget Support Loan)” and Vietnam “Eighth Poverty Reduction Support Credit with Economic Stimulus Support”) implemented from 2009 to 2010 during the Lehman Shock (evaluation year: 2011), it was stated as a lesson that if one of the objectives of emergency budget support is to provide funds promptly to facilitate a rapid response to a crisis, the timing of the provision of assistance is important in order to enhance its effectiveness and that it is desirable to simplify procedures for providing assistance to the extent possible and to make the mechanism as agile and flexible as possible. In addition, the Ex-post evaluation of the “COVID-19 Crisis Response Emergency Support Loan” in Uzbekistan (a co-financing with the World Bank and agreement signed in 2021), which was replaced by the World Bank's Implementation Completion Report Review, has also indicated that collaboration and coordination with other development partners, including JICA, which implement related projects, is essential for enhancing the results of assistance.

Based on the above, the Program co-finances with the World Bank, using the World Bank's existing budget support framework (DPO) and aimed to provide funds quickly by utilising the same policy matrix as the World Bank. Information sharing and discussions on possible collaboration with other development partners, including the World Bank, will also be carried out during the implementation phase.

## **7. Evaluation Results**

The Program is in line with the Uzbekistan's development challenges and the cooperation policy and analysis of Japan and JICA and will contribute to economic and social stability through financial support in Uzbekistan, where the geopolitical crisis is expected to cause serious concerns for vulnerable groups and a slowdown in ongoing economic reforms. The necessity for JICA to support the Program is substantial as it is considered to contribute to SDG Goals 1 (No Poverty), 3 (Good Health and Well-being), 5 (Gender Equality) and 8 (Decent Work and Economic Growth).

## **8. Plan for Future Evaluation**

(1) Indicators to be Used

As indicated in Section 4.

(2) Future Evaluation Schedule

Ex-post evaluation: 1 year and 4 months after the program completion

END

Annex Document: Policy Matrix

## Policy Matrix for Sustainable Economy and Social Development Support Programme Loan

Reform Area	Prior Actions	Achievement	Indicators	Baseline	Target
<b>Pillar 1: Strengthening market institutions and the environment for private sector growth.</b>					
<b>Reform Area 1:</b> To modernize the legal framework for state-owned enterprise privatization, increase the transparency of privatization processes, and support increased private sector investments	GOU's submission of a law on privatization for parliamentary approval.	Achieved	Number of annual privatization progress reports prepared and published in accordance with requirements in Article 22 the new privatization legislation.	0 (August 2022)	At least 1 (end-June 2024)
<b>Reform Area 2:</b> To increase private investment in the mobile	GOU's approval of the privatization, through a transparent process, of a fully state-owned mobile telecommunications services	Achieved	Number of licensed mobile (telecommunications) network	2 (August 2022)	At least 3 (end-June 2024)

telecommunications sector and accelerate the expansion of mobile digital services	provider.		operators (MNOs) that are fully privately owned.		
<b>Reform Area 3:</b> To modernize the legal framework that governs the regulation and supervision of non-bank credit organizations and support the expansion of non-bank credit markets	GOU's enactment of a law on non-bank credit organizations and microfinance activities	Achieved	Assets of registered Non-Bank Credit Organizations, as a percentage of total banking sector assets	0.3 (2020)	At least 5 (end-June 2024)
<b>Reform Area 4:</b> To modernize the legal framework that governs insolvency and to support a resilient recovery through the restructuring of	GOU's enactment of a law on insolvency.	Achieved	Percentage of filings for restructuring cases over total cases	0.1. (2021)	At least 5 (end-June 2024).

<p>distressed but viable firms and distressed consumers</p>					
<p><b>Reform Area 5:</b> To strengthen the competition legal framework</p>	<p>GOU's submission of a law on competition for parliamentary approval that defines</p> <p>(i) the operative rules applicable to enforcement investigations and merger notifications, including procedural requirements and safeguards</p> <p>(ii) the functions of the competition authority as a compliance agency, including its involvement in state-owned enterprises oversight and areas for inter-agency collaboration.</p>	<p>Achieved</p>	<p>Number of anticompetitive practices sanctioned under the new competition law.</p>	<p>0 (August 2022)</p>	<p>At least 20 (end-June 2024)</p>
<p><b>Pillar 2: Improving State-owned Enterprise Management.</b></p>					
<p><b>Reform Area 6:</b> To improve the financial sustainability of state-owned</p>	<p>1. GOU's restriction of state-owned enterprises from engaging in new commercial activities, or owning or</p>	<p>Achieved</p>	<p>Submission of quarterly financial reports by all state-owned</p>	<p>0 (August 2022)</p>	<p>100% of large state-owned enterprises</p>

<p>enterprise operations</p>	<p>acquiring shares in other enterprises, that are not consistent with their core business, in accordance with their respective strategic plans</p> <ol style="list-style-type: none"> <li>2. revision of the performance assessment criteria for supervisory boards of state-owned enterprises to include the achievement of corporate organizational improvement outcomes and improved financial sustainability</li> </ol>		<p>enterprises to the Ministry of Economy and Finance</p>		<p>under the ownership management of the Ministry of Economy and Finance submit at least 4 quarterly reports (end-June 2024)</p>
<p><b>Reform Area 7:</b> To reduce fiscal risks arising from state-owned enterprises</p>	<p>GOU's</p> <ol style="list-style-type: none"> <li>1. requirement of the assignment of financial risk ratings to all state-owned enterprises based on transparent business solvency, liquidity, and profitability criteria</li> <li>2. establishment of risk-based ceilings and approval procedures for the issuance of non-guaranteed debt by state-</li> </ol>				

	<p>owned enterprises</p> <p>3. requirement to state-owned enterprises to regularly provide financial data to the Ministry of Economy and Finance</p>				
<b>Pillar 3: Increasing social inclusion and resilience</b>					
<p><b>Reform Area 8:</b></p> <p>To improve the effectiveness of the social protection system in supporting vulnerable people, including those affected by climate change</p>	<p>GOU's approval of National Social Protection Strategy that</p> <p>i) clarify institutional roles and responsibilities for the design and delivery of social protection</p> <p>ii) designate the Single Registry of Social Protection as the single window for social assistance delivery</p> <p>iii) introduce a result-oriented budget system to achieve the GOU's social protection policy goals</p>	Achieved	Share of social assistance beneficiaries among the poorest 40 percent of people.	58% (2021)	65% (2023)
<p><b>Reform Area 9:</b></p> <p>To reduce hiring discrimination barriers against women in the</p>	<p>GOU's abrogation of the requirements that private employers pay maternity benefits and payment of such benefits public funds.</p>	Achieved	Percentage of women employed in the formal private sector for	0 (August 2022)	100 (end-June 2024)

private sector			more than 6 months who are eligible to receive maternity leave benefits paid through social insurance.		
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