

## 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 Site / Target Area: All areas of Uzbekistan
- (3) Program: Inclusive and Resilient Socio-Economic Development Programme Loan (hereinafter referred to as “the Program”)

Loan Agreement: August 11, 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 Republic of Uzbekistan (hereinafter referred to as “Uzbekistan”) has been rapidly transitioning toward a market economy since President Mirziyoyev took office in December 2016, promoting private-sector-led economic growth by abolishing government foreign currency controls and price controls, privatizing state-owned enterprises, and promoting foreign investment, etc. (JICA, 2023).

Under these circumstances, the economy showed a decline in real GDP growth from 6.0% in 2019 to 2.0% in 2020 as a result of the spread of COVID-19 in 2020, but then recovered to reach 7.4% in 2021. In addition, Russia’s invasion of Ukraine in 2022 led to economic sanctions against Russia, which had a negative impact on the country’s consumption and investment growth. However, real GDP growth remained higher than expected at 5.7% in 2022, supported by remittances from abroad by immigrants and other sources, as well as exports. However, since Uzbekistan is a former member of the Soviet Union and has close economic ties with Russia, the government of Uzbekistan has made fiscal expenditures to secure food and fuel and protect vulnerable groups, etc. in order to mitigate the negative effects of Russia’s invasion of Ukraine, including the disruption of distribution from Russia and the associated price escalation. Furthermore, increased spending on the repayment of principal and interest on previously borrowed debt for the implementation of economic reforms and the protection of vulnerable groups, etc., resulted in a budget deficit of 4.1% of GDP in 2022. Although real GDP growth was 6.0% in 2023 and is expected to remain in the 5% range in 2024, in 2023, the negative impact of the Russian invasion of Ukraine led to an increase in expenditures from fuel imports to meet increased

energy demand, subsidies to control domestic energy prices, and increases in minimum wages for civil servants, etc. At the same time, revenues decreased with the reduction in the value-added tax rate and the global decline in prices of cotton yarn and copper, the country's main products, resulting in the budget deficit growing to 5.7% of GDP (World Bank, 2023).

As described above, the government of Uzbekistan has been managing the economy to maintain economic growth while mobilizing fiscal resources in response to various crises. However, Uzbekistan remains in the early stages of transition to a market economy, and it is necessary to continue this transition in order to promote economic growth and improve the quality of life of its people. To achieve economic growth, the government needs to establish a system that allows free economic activity based on principles of market economics, and to develop human resources that contribute to industrial development, support technological research and development, and improve infrastructure such as transportation and logistics networks. At the same time, it is also important to mitigate the environmental burdens and widening disparities that arise in the process of economic development, and to enhance the sustainability of growth, which require measures to prevent negative environmental impacts and the provision of adequate social services.

The "Uzbekistan-2030 Strategy," published in October 2023, sets the goal of becoming a high-middle income country by 2030 through sustainable economic development by promoting a market economy. As measures for sustainable economic development, the Strategy mentions the implementation of appropriate fiscal and economic policies and public debt management strategies, the promotion of industry in priority sectors such as manufacturing, mining, and agriculture, the securing of necessary energy and the promotion of the transition to a green economy, and the transition of state enterprises and other monopolistic sectors to market principles and the promotion of a growing share of the economy of the private sector to accelerate financial sector reforms and integration into international transportation networks. Additionally, it also addresses the need for an environmentally friendly economy that takes into account energy efficiency and other factors, reform of the education system, and the enhancement of social services for vulnerable groups, such as women. The Program is aligned with the initiatives set forth in the Strategy, as listed in the Policy Matrix. Thus, the Program is considered a high priority program in relation to the country's development plan.

## (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) specifies the basic policy of “Promoting Sustainable Economic Growth and Reducing Inequalities.” In addition, the JICA Country Analysis Paper for the Republic of Uzbekistan (updated in March 2023) also specifies the basic policy of the “Promotion of Sustainable Economic Growth and the Elimination of Disparities” for assistance to Uzbekistan, identifying the priority areas of “sustainable economic growth and industrial diversification and advancement” (employment creation through agricultural promotion, logistics improvement, etc.) and “building a fair and sustainable society” (expansion of social services, energy conservation and low carbon, environmental management), etc. The Program is consistent with these policies and this analysis.

Creating Markets, Improving Fiscal Risk Management and Public Procurement, Supporting Social Inclusion and Green Resilience, Investment in people, and Connectivity as contained in the Policy Matrix align with the JICA Global Agenda items (3) Energy and Mining, (4) Private Sector Development, (8) Education, (9) Social Security/Disability and Development, (13) Public Finance and Financial System, (14) Gender Equality and Women's Empowerment, and (16) Climate Change. The Program will also contribute to the realization of sustainable economic growth and an inclusive and resilient society through financial support and is expected to contribute to the SDGs Goals 1 (No Poverty), 3 (Good Health and Well-being), 5 (Gender Equality), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth) and 13 (Climate Action).

The Program also contributes to “investment in people” as included in the joint statement of the Foreign Ministers' Meeting of the “Central Asia plus Japan” Dialogue (December 2022), a framework for dialogue between Japan and Central Asian countries.

## (3) Other Donors' Activities

The World Bank has supported the transition to a market economy through the implementation of various measures (such as the privatization of state-owned enterprises) based on the policy matrix through five rounds of Development Policy Operations (hereinafter referred to as “DPO”). In December 2023, the World Bank disbursed a loan of US\$800 million through DPO VI, and the Asian Infrastructure Investment Bank provided US\$670 million and the Kreditanstalt für Wiederaufbau (KfW Development Bank) provided €150 million as co-financing

with DPO VI.

### **3. Program Description**

#### (1) Program Description

##### 1) Program Objective

The objective of the Program is to support the government of the Republic of Uzbekistan in advancing the transition to a market economy while promoting measures to enhance social inclusiveness and reduce environmental burden through budget support, thereby contributing to sustainable economic growth and the realization of an inclusive and resilient society in the Republic of Uzbekistan.

##### 2) Program Components

The Program seeks to promote initiatives by the government of Uzbekistan in the following areas, through financial support. The policy matrix is shown in the Annex. In addition to the same policy actions as those of the World Bank, the co-financing partner, JICA will set its own policy actions (parts of c), d) and e)).

- a) Creating Markets
- b) Improving Fiscal Risk Management and Public Procurement
- c) Supporting Social Inclusion and Green Resilience
- d) Investment in people
- e) Connectivity

##### 3) Project Beneficiaries (Target group)

Nationals of Uzbekistan (population 35.2 million)

#### (2) Estimated Program Cost

39,000 million Yen

#### (3) Schedule

Due to the financial burden on the government for FY 2024, resulting from the spread of COVID-19 and the invasion of Ukraine, the financial support for the Program is set to start on January 1, 2024. The Program will be completed upon completion of the disbursement (scheduled for September 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: The "Sustainable Economy and Social Development Support Programme Loan" (37 billion yen, co-financed with the World Bank) approved in February 2024 aims to support the government's transition toward a market economy and to promote efforts to protect vulnerable groups in Uzbekistan. The Program will further advance the transition toward a market economy and protection of vulnerable groups promoted with the Program.

In relation to JICA's own policy actions in the Program, with respect to energy efficiency, in addition to the technical cooperation "Project for Strengthening Energy Conservation Capacity through the Establishment of an Energy Manager Scheme and Zero-Energy Building (ZEB) Demonstration Pilot Project" started in FY 2024, the Japanese ODA loan "Promoting Energy Efficiency in Public Building Project" and the "Energy Efficiency and Conservation Promotion Financing Project" are being formation. Third-country training will be conducted in cooperation with the World Customs Organization on import/export procedures. Through these projects, the achievement of the Program's targets will be promoted, while promoting the formation and effective implementation of projects currently being prepared.

In addition, through overseas investment and financing projects such as the "Zarafshan Wind Power Project," JICA is promoting private investment and increasing power supply from renewable energy generation, thus supporting sustainable economic growth and the reduction of greenhouse gas emissions, and some of the reform items in the Program will contribute to these efforts. Furthermore, JICA supports the transition to a market economy from the perspective of human resource development through the technical cooperation "The Project for Strengthening the Capacity of Institutional Management and Self-sustaining Development of Uzbek-Japan Innovation Center of Youth Phase-2" (2021–2025), and it is expected that by creating an environment for the transition to a market economy through the Program, the human resources developed through this project will be able to play an even more active role and contribute further to the growth of the economy of Uzbekistan.

#### 2) Other Donors' Activity

The Program is co-financed with the World Bank DPO VI. As mentioned above, in addition to the same policy actions as those co-financed with the World Bank, JICA will set its own policy actions. Thus, JICA will play a part in promoting

reforms in a wide range of areas covered by DPO VI, while also promoting collaborations with the priority areas and related projects of Japan and JICA.

(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

The Program aims to integrate and strengthen the social security system as one of its policy actions, and to ensure that social security services reach the poor, thereby contributing to poverty reduction. In addition, other policy actions have been established to promote climate change targets (mitigation and adaptation measures) and the transition to a green economy, as well as the promotion of renewable energy and energy conservation, contributing to mitigating the effects of climate change by reducing greenhouse gas (GHG) emissions and incorporating climate change adaptation measures in sectoral development plans.

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

<Details of Activities/Reason for Categorization> World Bank research shows that gender-based violence (GBV) is a serious problem in Uzbekistan based on available administrative data and qualitative information, although there is no data at the national level. The issue is that GBV is difficult to be made public, and it is difficult to prove the existence of GBV and to obtain protection from GBV, making it difficult for victims to obtain redress. Therefore, one of the policy actions includes strengthening measures to prevent violence against women and urges the enactment of laws and regulations that treat GBV as a crime, establishing penalties, and strengthening protection for victims, setting as an indicator the percentage of GBV cases in which a ruling is issued to protect the victims.

(9) Other Important Issues: N/A

<b>4. Targeted Outcomes</b>
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(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.

(2) Qualitative Effects: Sustainable economic growth and an inclusive and resilient society

(3) Internal Rate of Return: The internal Rate of Return is not calculated for

program-type loans.

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

(1) Preconditions: N/A

(2) External Factors: N/A

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

In the ex-post evaluation of the “Development Policy Support Program – Investment Climate” of the Republic of the Philippines (evaluation year: FY 2017), lessons were learned that sharing the policy matrix through co-financing can be expected to have a leveraging effect on the promotion of reforms, making it easier to handle issues that are difficult to handle alone. The evaluation also recommended that when incorporating JICA’s own policy actions into the policy matrix, the scope of support should be limited to areas where related JICA projects can be implemented, in order to ensure that there is a monitoring system. In addition, the report points out that monitoring after project completion is necessary for the project to be effective, and that the roles of the organization in charge, what should be monitored, and the frequency and methods of reporting should be explicitly agreed upon in advance with the agencies involved.

In the ex-post evaluation of the “Sixth, Eighth, Ninth and Tenth Poverty Reduction Support Credit” for the Socialist Republic of Vietnam (evaluation year: FY 2014), the importance of providing incentives for line ministries to be actively involved is mentioned. The evaluation also suggests strengthening the links between development policy loans and technical cooperation, and consciously creating a mechanism that brings concrete benefits to line ministries.

Given the above, the Program aims to promote major reforms by utilizing the World Bank’s policy matrix, while also setting JICA’s own policy actions to achieve results in JICA’s priority areas. In setting JICA’s own policy actions, care has been taken to select areas closely related to the technical cooperation and loans being formed, and to ensure appropriate monitoring and sufficient involvement of line ministries and agencies.

## **7. Evaluation Results**

The Program is consistent with Uzbekistan’s development issues and the cooperation policy and analysis of Japan and JICA and will contribute to the realization of sustainable economic growth and an inclusive and resilient society through financial assistance. 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), 7 (Affordable and Clean Energy), 8

(Decent Work and Economic Growth) and 13 (Climate Action).

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

(1) Indicators to be Used

As indicated in Section 4.

(2) Future Evaluation Schedule

Ex-post evaluation: 2 year and 4 months after the program completion

END

Annex: Policy Matrix



## Annex: Policy Matrix

Reform Area	Prior Action	Status of Prior Action (July 2024)	Indicator	Baseline	Target
<b>【Pillar 1】 Creating Markets</b>					
1. Establishment of an independent energy regulator and tariff reform	To strengthen market institutions in the energy sector, the Borrower (a) (i) establishes an independent energy regulator to be responsible for consolidated regulation of the energy sector; (ii) orders the separation of the energy network operation and commercial functions of the power transmission company, JSC National Electric Grid of Uzbekistan (NEGU); through the Presidential Decree No. 166 dated September 28, 2023 and; (b) increases tariff levels for legal entities <sup>1</sup> in 2023, through a Resolution of the Cabinet of Ministers No. 475 dated September 15, 2023.	Achieved	Energy tariffs recovering portion of their costs (%)	Electricity – 61% cost recovery Natural gas – 43% cost recovery (September 2023)	Electricity – 100% cost recovery Natural gas – 100% cost recovery (end-2026)
2. Strengthening of competitiveness and institutional framework in the railway sector	To strengthen competitive and institutional framework in the railway sector, the Borrower has approves institutional reforms in the sector, mandating UTY to undertake the following corporate restructuring: the separation of infrastructure, freight, and passenger business units; the modernization of accounting systems to ensure the effectiveness and transparency; and the unbundling and sale of non-core assets through the Presidential Decree No. 329 dated October 10, 2023	Achieved	Existence of a budgeted PSA	No PSA exists.	No PSA exists.
3. Strengthening of competitive environment and institutional framework in the chemical sector	To create favorable market conditions in the chemical sector, the Borrower: (i) mandates the organizational structure unbundling of UKS, and transferred the regulatory and SOE shareholding functions of UKS to responsible government bodies through the Presidential Resolution No. 169 dated October 12, 2023; (ii) authorizes the Ministry of Industry, Investments and Trade (MIIT) to sign an agreement for the divestment of FerganaAzot following a competitive bidding process through the Presidential Resolution No. 242, dated July 27, 2023.	Achieved	Number of companies in the chemical sector with a majority of private ownership	0 (2022)	2 (end-2026)

Reform Area	Prior Action	Status of Prior Action (July 2024)	Indicator	Baseline	Target
4. Liberalization of the agricultural market and enhanced assurance of the right of landowner	To liberalize the agriculture sector and promote higher productivity, the Borrower (i) abolishes the crop placement system for all crops, through a Presidential Decree No. 90 dated June 10, 2023; and (ii) orders measures to strengthen the implementation of abolishment of the crop placement system, through Protocol No. 60 from the Republican Commission on deepening economic reforms in agriculture of the Cabinet of Ministers, dated and approved by the Prime Minister on 28 September, 2023.	Achieved	Land productivity index 2022=100 (agriculture value added in real terms in billion sums per '000 hectare of sown area)	100% (2022)	115% (corresponding 15 % cumulative increase compared to 2022) (end-2026)
<b>【Pillar 2】 Improving Fiscal Risk Management and Public Procurement</b>					
5. Enhanced management of fiscal risk	To strengthen fiscal risk management, the Borrower has mandated the Fiscal Risk Department within MEF to evaluate, monitor and report on contingent liabilities in PPP projects and to define the methodology, through a Resolution of the Cabinet of Ministers No. 558, dated October 23, 2023.	Achieved	Fiscal risk framework and publication of report on contingent liabilities from the PPPs.	No fiscal framework or methodology and no report on contingent liabilities from PPPs. (September 2023)	Approved fiscal framework, adopted methodology for fiscal risks assessment and management and at least 1 fiscal risk report covering PPP contingent liabilities (end-2026)
<b>【Pillar 3】 Supporting Social Inclusion and Green Resilience</b>					
6. Consolidation and strengthening of social security system	To consolidate and strengthen Uzbekistan's social protection system and ensure a well-coordinated policy framework, the Borrower establishes the National Agency for Social Protection with the mandate to lead the social protection policy under the President, through a Presidential Decree No.82 dated June 1, 2023.	Achieved	The share of the poorest quantile receiving at least one type of social protection support	79% (2022)	85% (end-2025)
			The share of the labor force contributing to the new social insurance schemes	0% (2022)	15% (end-2026)

Reform Area	Prior Action	Status of Prior Action (July 2024)	Indicator	Baseline	Target
7. Strengthened protection of women against violence	To strengthen the protection of women against violence, including intimate partner violence (physical, sexual, economic and psychological) and sexual violence by a nonpartner, the Borrower approves measures which, inter alia, criminalize domestic violence, increase punishments for sexual crimes, makes economic and psychological violence and sexual harassment criminal offense; and extends protection orders for GBV survivors to up to one year, through a Law No. 829 dated April 11, 2023.	Achieved	Percentage of GBV cases filed, including domestic and sexual violence, that receive a verdict protecting survivors.	5% (September 2023) N/A	35% (end-2026) N/A
8. Improved access to state-sponsored legal aid	To improve access to free legal aid for low-income persons, including GBV survivors, the Borrower expands the eligibility for state-sponsored legal representation to low-income persons in civil and criminal cases through Law No.848 dated June 16, 2023.	Achieved	N/A		
9. Promotion of climate change targets and transition to green economy	To scale up action on climate change, the Borrower set more ambitious climate mitigation and adaptation targets and timebound programs, through a Presidential Resolution No. 436 dated December 2, 2022.	Achieved	GHG emissions intensity (kg CO2eq/USD GDP)	2.55 kg/USD (2017)	2.42 kg/USD (end-202)
10. Improvement of institutional alignment of environment and climate change and air quality	To step up action on air quality management and improve institutional alignment of environment and climate change, the Borrower strengthens the capacity and mandate of the new Ministry for the Environment, Ecology and Climate Change and updates the air pollution control framework by revisions to the pollution charge system, and improves air quality monitoring and enforcement, through Presidential Resolution No. 171 and Presidential Decree No. 81 dated May 31, 2023.	Achieved	Reduction in air pollutants emitted by industrial sources relative to 202240 (% by weight)	0%	6% (end-2026)
11. Attraction of investments into green activities	To attract investments into green activities, the Borrower established a national green taxonomy that sets a clear framework for defining environmentally sustainability, through a Resolution of the Cabinet of Ministers No. 561, dated October 25, 2023	Achieved	The share of state supported investments that conform with the Green Taxonomy	0% (2022)	30% (end-2026)

Reform Area	Prior Action	Status of Prior Action (July 2024)	Indicator	Baseline	Target
J1. Promotion of energy conservation	To enhance capacity for the energy efficiency activities in the industrial and consumer (residential and commercial) sectors, the Ministry of Energy signs the Record of Discussions (R/D) on “Project for Strengthening Energy Conservation Capacity through the Establishment of an Energy Manager Scheme and Zero-Energy Building (ZEB) Demonstration Pilot Project”.	Achieved	Number of public buildings renovated with EC or renewable energy (At least 20 % energy saving after renovation)	0 (2022)	250 (end-2026)
<b>【Pillar 4】 Investment in People</b>					
J2. Improvement of quality of higher education	To foster human resources necessary for economic development and promotion of transition to market economy, while the Borrower continues allocating scholarships for master’s and doctoral programs at overseas universities 5 times more than the average before 2021, including in economics and finance, through the Presidential Decree No. 6168 dated February 11, 2021, the MHESI sends an opinion to the MIIT on the strengthening engineering education in Uzbekistan according to international standard, including through the potential Japanese ODA project	Achieved	Number of students (Masters or higher level) sent abroad including Japan in engineering, economics and finance fields	47 (2021)	54 (end-2026)
J3. Improvement of the quality of learning	To contribute to the improvement of education quality in Uzbekistan, the Ministry of Preschool and School Education expresses the intention to further improve capacity in educational research and evaluation, particularly in areas aligned with the Uzbekistan 2030 Strategy (Presidential Decree No. UP-158, Sep 11, 2023)	Achieved	Number of research and evaluation of the education system in Uzbekistan being conducted with the aim to develop policy recommendations.	0 (2022)	1 (end-2026)
<b>【Pillar 5】 Connectivity</b>					
J4. Improvement of the procedures of import and export clearance	To facilitate trade through fast and effective customs clearance procedures, that the State Customs Committee representatives attend the high-level explanatory meeting of the training program conducted by JICA/WCO on improving the efficiency of customs clearance procedures, reducing the time required for customs clearance, and preventing the flow of harmful/prohibited goods into and out of the country.	Achieved	1. Number of State Customs Committee officials trained by WCO that lead to fast and effective customs clearance procedures that lead to trade facilitation. 2. Implementation of Time Release Study (TRS)	1.0 (2022) 2.N/A (2022)	1. 2 (end-2026) 2. Being implemented (end-2026)

Reform Area	Prior Action	Status of Prior Action (July 2024)	Indicator	Baseline	Target
J5. Minimizing the risk of money laundering and terrorist financing	Based on the results of the review report on Uzbekistan's measures against money laundering and terrorist financing published by the Eurasia Group on Money Laundering (EAG) in October 2022, the Authorities confirms regular evaluation of risks linked to money laundering and terrorist financing.	Achieved	Number of the regular evaluations after October 2022	1 (2022)	5 (end-2026)

(J1-5 are actions original to JICA Programme.)