Government of the Republic of Uzbekistan

United Nations Development Programme

The Council of Ministers, Republic of Karakalpakstan, Uzbekistan

Enhancement of Living Standards in Karakalpakstan

Proposal ID: 00038935
Project ID: 00043429

Brief description

The overall objective of the Project is to improve livelihoods of local communities in the Republic of Karakalpakstan through empowerment of local communities, income generation and job-creation. The specific objectives of the project are to:

(a) support the authorities and local communities to develop and implement regional/local development strategies;

(b) empower local communities to engage in their socio-economic development;

(c) increase and diversify access of low income population/farmers to finance (and business services).
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UNDAF Outcome(s)/Indicator(s):
(If no UNDAF, leave blank)

Strengthen national and local level capacity to develop, implement and monitor strategies for improving living standards.

Expected Outcome(s)/Indicator(s):

Poor and vulnerable people’s access to quality community-based social services improved and new sources of income created.

Expected Output(s)/Annual Targets:

Regional/local institutions are strengthened to conceive and implement employment generation and poverty reduction initiatives.

Implementing partner:

Council of Ministers, Republic of Karakalpakstan

Responsible parties:

United Nations Development Programme

Programme Period:
Country Programme 2005-2009

Programme Component:
MYFF serv.line 1.3: Local poverty initiative including microfinance

Project Title:
Enhancement of Living Standards in Karakalpakstan

Project ID: 00043429


Management Arrangement: NEX

Total Budget (incl. GMS): €1,100,000

Allocated resources:
- Government: n/a
- Regular (TRAC): €160,000 (incl. ISS)
- Other:
  - EC: €1,000,000 (incl. GMS & ISS)

Agreed by the Council of Ministers of the Republic of Karakalpakstan:

Agreed by UNDP: Fikret Akcura, UNDP Resident Representative and UN Resident Coordinator
Section I

Part I. Situation Analysis

The Republic of Karakalpakstan is a sovereign state within the Republic of Uzbekistan. Its territory is 166,600 sq.km (37% of the total area) and the population is 1.6 mln people (approximately 5.6% of the total population), however, its GDP is only 2.4% of that of Uzbekistan. It is populated mainly by Karakalpaks in the North and Uzbeks in the South.

Karakalpakstan has its own peculiarities which define the character of its economy and infrastructure. Low density of the population and vast areas of land significantly increase the cost of investments into its industrial, physical and social infrastructure. Remoteness of settlements, factories and SME enterprises also increases the cost of manufactured production due to additional expenses for delivery of raw materials, energy resources, water, electricity, and export of this production. All this accounts to a great extent for the 'closeness' of the Karakalpak economy from neighbouring regions and countries.

The main sectors of the economy are agriculture (cotton, rice, melons, watermelons, vegetables, karakul sheep, and cattle) and industry (electricity and energy production, textile and food industry). The cotton reprocessing is the leading branch of industry.

Water supply has always been an issue in the region, as Karakalpakstan is situated at the downstream end of the Amu Darya River, which is the primary source of water supply for the region. The continued policies of redirection of the Amu Darya waters upstream, primarily for irrigation, have meant that water supply to Karakalpakstan is limited. It has resulted in the significant reduction in the size of the Aral Sea, now commonly recognised as an extremely serious ecological disaster. The limited supply of ground water and low rainfall also mean that land is relatively infertile and very saline. Therefore, agriculture requires much work and effort. The government lately is realizing that only those agricultural crops and industries should be chosen for the development of the Karakalpak economy that do not require much water.

Conditions facing the mainly rural population of Karakalpakstan are extremely harsh, and the region is experiencing very low levels of living standards, with all the associated economic and social consequences. There are serious health problems, including widespread tuberculosis and cancerous illnesses, social problems including alcoholism and domestic violence, and large scale economic migration, both to urban areas and a cross border to neighbouring countries.

Measures to enhance living standards in the region require a wide range of issues to be addressed, including:

- income generation, including agricultural and industrial diversification and growth in micro enterprises as well as small and medium enterprises (SMEs);
- improved access to education;
- improved access to basic health care;
- enhanced social support, particularly for vulnerable groups such as children and the elderly;
- provision of adequate social safety nets;
- reduction in the negative impacts of economic migration.

Additionally, measures to improve the available data on income levels, health and social problems associated with declining living standards are required to improve the ability of the authorities, donor agencies and Non-Governmental Organizations (NGOs) to respond to the needs of the vulnerable population.

All the above issues are identified in the recently adopted Country Programme Action Plan (CPAP) between the Government of Uzbekistan and UNDP.

Part II. Strategy

Considering that the scale of socio-economic problems in Karakalpakstan is huge compared to technical assistance that can be provided within the framework of one project, the issue of targeting the assistance is crucial.
The overall objective of the Project is to improve livelihoods of local communities in the Republic of Karakalpakstan through empowerment of local communities, income generation and job-creation.

The specific objectives of the project are to:

(a) support the authorities and local communities to develop and implement regional/local development strategies;
(b) empower local communities to engage in their socio-economic development;
(c) increase and diversify access of low income population/farmers to finance (and business services).

The project will apply criteria competitive for selecting target districts, communities, mahallas, groups and individuals to ensure a balance between concrete needs and commitments to address them in order to ensure effectiveness and sustainability of intervention. Moreover this targeted assistance, while initiated in a competitive and transparent manner, will also focus on the specific needs of men and women in the region, ensuring to the greatest extent possible equal participation in relation to gender.

While districts (3 districts will be selected) where activities will be undertaken will be identified in a consultative process involving major project stakeholders (EC, UNDP, Cabinet of Ministers of Uzbekistan, Council of Ministers of Karakalpakstan) as well as khokimiyats of would-be beneficiary districts, there will be a fair competitive process when selecting communities and mahallas for social investment projects, groups/individuals - for micro-credit schemes, civil society groups - for various civic undertakings. Particular attention will be paid to equal participation of men and women during the process.

As some activities in Karakalpakstan would require some preparatory work be undertaken at the national level, as much as possible such activities will be conducted in the framework of related UNDP projects (for example UNDP Statistical Project) or be cost-shared by the EC Enhancement of Living Standards project in Fergana with whom this project may finance up to half of the activities at the national level. This also will apply to some management arrangements (see Implementation Arrangements below), where, for the purposes of administering the EC funds, UNDP and the government counterpart agencies will also establish some position(s) at the national level for both projects (example: Programme Coordinator).

As much as possible the project will use the existing experience of and the infrastructure created by UNDP and other organizations. Currently active UNDP projects in Karakalpakstan as much as possible will cooperate and complement the activities of Enhancement of Living Standards project in Karakalpakstan. The project’s operations have much in common with UNDP’s Sustainable Income Generation Programme, which, among others, contains micro-credit schemes and training components, and the UNDP’s Development Support Services Programme, which, among others, administers a public works programme, which involves significant interactions with local communities. In the case of micro-credit schemes, as much as possible known and experienced micro finance institutions that have been supported by UNDP, Asian Development Bank (ADB), and other partners would be used to deliver products to direct beneficiaries.

It is the intention of this project to use the successful experience of the EC funded project in Kashkadaria and Surkhandaria (Social Investment Fund). Techniques applied in managing Social Investment Funds, as much as possible will be applied in administering similar schemes in Karakalpakstan. Exchange of experiences and knowledge between beneficiaries of past and new projects will also be used in the process in order to internalize lessons learnt from previous experiences.

Part III. Management Arrangements

The project will be implemented under the responsibility of the UNDP office in Tashkent, Uzbekistan, on the basis of the provisions of the grant agreement concluded between the European Commission and UNDP. UNDP applies National Execution (NEX) modality in implementing this project, which implies closer cooperation with a designated government institution in executing the project.
Considering that this project is being implemented in conjunction with the similar project in the Ferghana Valley whose subject, budget, timeframe are somewhat similar as well as considering that these project require similar partnership arrangements with the central government, it was decided to establish dual implementation arrangements.

Namely, the Programme Steering Committee comprising the Cabinet of Ministers, UNDP, EC, TACIS National Coordination Unit, Council of Ministers of Karakalpakstan, Khokimiyat of Namangan Viloyat, relevant non-governmental stakeholders will oversee the overall implementation of the two projects. For this purpose a Tashkent based post of Programme Coordinator (cost-shared by two projects) will be established whose main responsibility will be to ensure that EU grants are being implemented in accordance with the agreed terms of reference as well as provide strategic advice and support to the two projects. The steering committee will meet minimum twice a year to review progress to date and suggest changes/alteration of work plans in view of changes in priority or circumstances.

The Steering Committee and the Programme Coordinator will be supported by services of a Technical Adviser, who will be an Uzbek national. He/she will provide on-going advice on the implementation of the two projects (Enhancement of Living Standards project in Karakalpakstan and Enhancement of Living Standards project in Ferghana) and his/her services will be cost-shared by both Enhancement of Living Standards project in Karakalpakstan and Enhancement of Living Standards project in Ferghana.

At the level of Karakalpakstan, the Council of Ministers of Karakalpakstan will act as an implementing agency and appoint a Regional Counterpart/Regional Project Coordinator (a government employee, not paid by the Project), who jointly with the UNDP Country Office and the Programme Coordinator supervise project management staff recruited locally on project funds. A Project Manager will be responsible for day-to-day management of the project and delivery of outputs in accordance with overall work plans and quarterly work plans as agreed with UNDP during the course of implementation.

All project staff will be recruited in accordance with UNDP recruitment rules (Job Descriptions are part of the UNDP/EC agreement which is attached).

UNDP will provide the following support services for the implementation of the project:

- Identification and assistance with and recruitment of project personnel; procurement of goods and services in accordance with the UNDP regulations, rules, policies and procedures;
- Access to UNDP-managed global information systems, the network of UNDP country offices and specialized information systems, including rosters of consultants and providers of development services.

Part IV. Monitoring and Evaluation

The project will be subject to monitoring by the UNDP Country Office in accordance with UNDP monitoring and evaluation guidelines. Namely, Annual Project Work plans will be prepared and agreed by the project stakeholders. Such work plans will basically serve as a planning, coordination and monitoring tool. At the end of the project, a final project progress report will be prepared to assess the project impact and lessons learnt.

Since most of the funds for this project come from the EC, there will be additional reporting requirement, which will be as follows:

An inception report will be submitted three months after contract signature. Thereafter, progress reports will be prepared every six months and a final report upon project completion. All reports shall comply with the provisions set out in Article 2 of the General Conditions. In particular:

- The inception report will include a detailed work-programme. The work programme will define the activities including associated 'benchmarks' or 'indicators of achievement' for each component and
demonstrate how those relate to the programme's overall and specific objective(s), preferably in the form of a logical framework matrix. It shall also describe relevant risks and assumptions and means for verifying achievement of project results and objectives. In addition, the inception report shall include a detailed description of the project environment.

- Quarterly progress reports shall describe relevant changes to the project environment, implementation of project activities, progress towards achievement of results and objectives during the reporting period and an updated version of the work programme for the remaining project period. At the end of the project a final report will be prepared, and a final review will be undertaken.
- The final report shall furthermore include a section on lessons learnt for similar interventions in the future.

All reports should be shared with the beneficiaries, EC, and the TACIS National Coordination Unit. All reports are subject to approval by the European Commission. Monitoring and evaluation activities will be conducted in line with the provisions of Article 8 of the General Conditions. The project may be subject to the standard monitoring arrangements for actions financed under the European Commission's Tacis Programme.

Part V. Legal Context

This Project Document shall be the instrument referred to as the project document in Article 1 of the Standard Basic Assistance Agreement (SBAA) between the Government of Uzbekistan and the United Nations Development Programme (UNDP), signed by the Parties on 10th June 1993.

The following types of revisions may be made to this project document with the signature of the UNDP Resident Representative, provided he or she is assured that the other signatories of the project document have no objection to the proposed changes:

a. Revision of, or addition of, any of the annexes of the project document;

b. Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by rearrangements of inputs agreed to or by cost increases due to inflation.

c. Mandatory annual revisions, which re-phase the delivery of agreed, project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility.