UNDAF Outcome(s)/Indicator(s): 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: Khokimiyat of Namangan Oblast

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 Ferghana Valley
Project ID: 00043456
Management Arrangement: NEX

Total Budget (incl. GMS) € 1,100,000
Allocated resources:
- Government n/a
- Regular (TRAC) € 100,000 (incl. ISS)
- Other:
  - EC € 1,000,000 (incl. GMS&ISS)

Agreed by the Khokimiyat of Namangan region:

Agreed by UNDP:
Government of the Republic of Uzbekistan

United Nations Development Programme

Khokimiyat of Namangan Oblast, Uzbekistan

Enhancement of Living Standards in Ferghana Valley

**Brief description**

The overall objective of the Project is to improve livelihoods of local communities in the Ferghana Valley and namely in the Namangan Oblast 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).
Part I. Situation Analysis

The Ferghana Valley consists of three viloyets (Andijan, Ferghana and Namangan) and has a population of 7 million (approximately 30% of the total population). 84% of the population is Uzbek, with other groups including Russians (mainly in Ferghana City), Tajiks and Kyrgyz. 68% of the population is rural. The Namangan viloyet is most vulnerable to decreases in living standards among the three Ferghana Valley provinces and it has received very little donor attention so far. It occupies 7,420 sq.km and has approximately 2 mln. people, the majority of which live in rural areas (62%).

Being surrounded by mountains with source of rivers, the Ferghana Valley is sufficiently endowed by water, which is used for irrigation. It is a rich agricultural region, producing cotton, grain, rice, fruits and vegetables. There is also a significant industrial base in the region, with major industries being agricultural production and processing, agricultural machinery, oil and oil refining, chemicals and fertilizers.

There are a number of factors that have contributed to the decrease in living standards in the region, which, among others, include the high birth rate, raising unemployment, particularly in urban areas, low productivity in agriculture, and poor health and communications infrastructure.

Unemployment is significant, as opportunities in industry at present are limited. Small-scale community based opportunities that would provide alternative sources of incomes to people do not exist. Growth of new opportunities for both entrepreneurs, and thus for potential employees of SMEs are restricted by lack of skills and knowledge in setting up and managing an enterprise, lack of access to finance, high levels of taxation on business.

Problems in agriculture also contribute to the decline in living standards. Although the Ferghana Valley is a very fertile region, cotton production still dominates, crowding out other crops (such as fruits and vegetables) that could be produced by individual farmers on a smaller scale. Small scale private farming is also constrained by lack of efficient distribution and marketing chains due to the poor transport infrastructure. The production of some crops such as rice could be profitable but in the absence of investments in appropriate irrigation infrastructure this potential is not adequately realized. Similarly, huge investments are required for silk cocoon production, which is another promising sector.

Living standards have also been affected by health-related and social problems, as well as economic migration. Health problems are strongly affected by diet and lack of basic amenities.

The significant part of income for people not involved in agriculture comes from economic migration, particularly in Russia. Social conditions of Uzbek migrants are not always good and incomes repatriated are not commensurate with efforts spent.

The enhancement of living standards in the Ferghana Valley requires a wide range of issues to be addressed, including:

- Income generation for urban and rural areas;
- Industrial diversification and growth in micro-enterprises, small and medium enterprises (SME);
- Agricultural diversification (particularly to encourage farmers’ enterprises) consistent with the prevailing state order system for cotton, wheat and rice;
- Greater involvement of civil society in defining needs of the population, as well as their increased participation in development planning processes.

In addition to the above, the following social issues need to be addressed:

- Improved access to education;
- Improved access to basic healthcare
Enhanced social support, particularly for vulnerable groups such as children and the elderly;
Provision of adequate social safety nets.

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 the Namangan Oblast 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 Namangan Oblast 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, Khokimiyat of Namangan Viloyet) 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 by men and women during this process.

As some activities in the Namangan Viloyet 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, the UNDP Statistical Project) or be cost-shared by EC Enhancement of Living Standards project in Karakalpakstan 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. Operations of this project have much in common with UNDP's Sustainable Income Generation Programme, which, among others, contains micro-credit schemes and micro-finance training components. In the case of micro-credit schemes, as much as possible established and experienced micro finance institutions 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 the Namangan Viloyet. 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.

The project will closely cooperate with similar EC funded projects implemented in the Ferghana Valley of Kyrgyzstan and Tajikistan. Sharing experiences and coordinating some activities will be a norm.

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 Karakalpakstan whose subject, budget, timeframe are somewhat similar as well as considering that these projects require similar partnership arrangements with the central government, it was decided to establish dual implementation arrangements (see Annex 2 for the management structure).

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 Advisor, 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 Ferghana and Enhancement of Living Standards in Karakalpakstan) and his/her services will be cost-shared by both projects.

At the level of the Ferghana Valley, the Khokimiyat of Namangan 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 will 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.