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Investing in rural people in **Uzbekistan**

Uzbekistan is a landlocked, lower-middle-income country with a total population of 31.8 million people (2016). The country had a gross national income per capita of US\$2,220 in 2016. Uzbekistan experienced significant economic growth from 2014 to 2016, largely attributed to increased exports of gas, gold and copper.

The economic growth can also be attributed to the development of small private businesses in all sectors of the economy, which has resulted in job creation, private income growth and poverty reduction. For example, the official poverty rate declined from 12.8 per cent in 2015 to about 12.4 per cent in 2016. The agriculture sector employs about 25 per cent of the country's labour force, and its share of GDP is estimated at 18 per cent (2016).

About 60 per cent of the population live in rural areas, out of which an estimated 40 per cent are directly engaged in agriculture-related activities. Cotton and grains are the main crops in Uzbekistan, while horticultural products, fruits, vegetables and livestock production are important sources of income for rural families.

Common characteristics of the horticultural and livestock sectors are small-scale, semi-commercial private farms and smallholder farm enterprises

known as *dekhan* farmers. These farmers have access to land through lifelong leaseholds of plots of between 0.3 and 0.5 hectares. The current land tenure and allocation structure is the result of land distribution and privatization initiatives following the restructuring of large collective and state farms after independence. Smallholder families face significant challenges, notably limited access to land and irrigation water. Rural productivity remains low owing to the lack of productive assets, good infrastructure, energy, modern technology, and knowledge for coping with natural disasters and climate change challenges.



Eradicating rural poverty in Uzbekistan

In recent years, economic growth has slowed, and the Government of Uzbekistan has introduced a series of economic reforms, including a switch to domestic demand as the main driver of economic growth and a liberalization of the foreign exchange market, to spur economic growth. Diversification, modernization and import substitution of agriculture production is a priority policy of the government, as stipulated in the Presidential Decree on agriculture sector reforms and development for 2016-2020. More recently, the government has adopted the National Strategy of Action for the Development of Uzbekistan 2017–2021, which outlines priority areas such as improving public administration and state building, economic growth, liberalization of the economy and improvement of social safety nets.

IFAD works to **improve rural productivity** in Uzbekistan by investing in productive assets, good infrastructure, **energy and modern technology**

IFAD's strategy in Uzbekistan

IFAD has been investing in Uzbekistan since 2012, providing financing worth US\$81.7 million to three loan-financed projects/programmes that are intended to directly benefit 98,800 households at a total cost of US\$81.7 million. IFAD projects work to enable sustainable income growth for rural people through viable small-scale agricultural production and rural enterprise systems, with a specific focus on *dekhan* farmers, rural women and youth. IFAD projects follow a value chain approach through which diversification of products, particularly horticulture crops, livestock and related subsectors, is expected to enhance rural family incomes and reduce the number of low-income households in the country.

IFAD's experience in promoting this approach in the country suggests that the role of the private sector is crucial, as traders, aggregators, processors, exporters and other private actors often shape how the value chains perform. In Uzbekistan, IFAD works actively to promote conducive partnerships between the private sector and smallholder producers for their own benefit. Although IFAD's portfolio in Uzbekistan is relatively young, it has been successful in addressing the challenges of the rural poor. The government has officially recognized IFAD as a pioneer in developing the agriculture sector and in addressing the challenges facing the small-scale and *dekhan* farmers.

Recently, IFAD's value chain approach in the dairy and horticulture sectors has been replicated by other large donors such as the World Bank. The IFAD country strategic opportunities programme 2017-2021 for Uzbekistan aims to: improve rural people's capacity and ability to benefit from high-value agricultural systems; increase the productive assets and competitiveness of smaller-scale productive entities in rural areas to enhance their participation in markets; and enhance the ability of small-scale producers to make environmentally sustainable use of natural resources and build their proficiency in adapting to climatic variations and shocks affecting their economic activities.

Ongoing operations

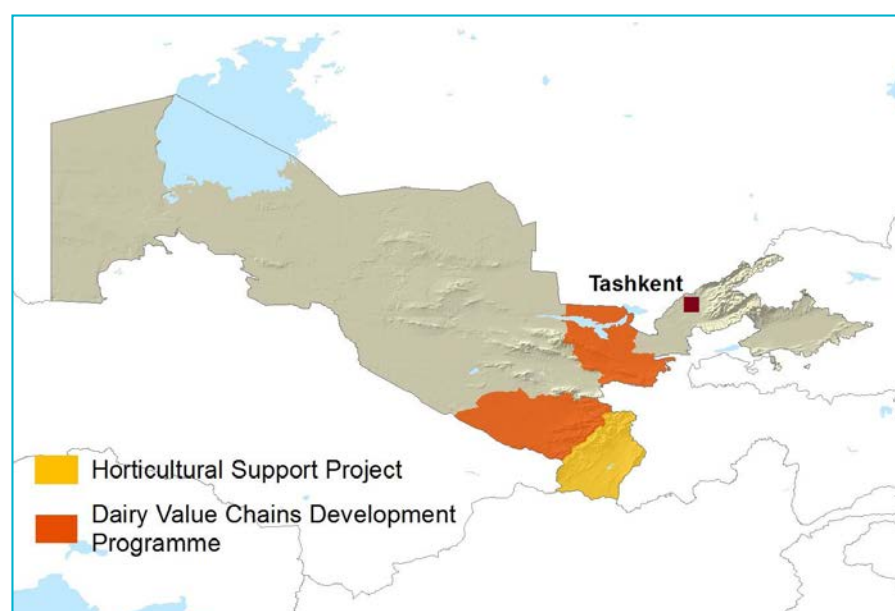
Dairy Value Chains Development Programme

With a total cost of US\$39.4 million and running from 2017 to 2023, this programme aims to directly benefit 12,000 households in the Jizzakh and Kashkadarya regions. IFAD is providing financing worth US\$24.6 million. The development objective is to improve the livelihoods of rural people by assisting smallholder dairy farms to increase their productivity, competitiveness, commercial farmer linkages and access to markets. The project specifically aims to build the national capacity of smallholder dairy farmers and private commercial farms for sustainable, efficient production, processing and marketing of dairy products. The project also seeks to create decent employment opportunities along the dairy value chain.

Horticultural Support Project

IFAD is providing US\$10.6 million in financing to this project, which has a total cost of US\$31.7 million, while the Spanish Trust Fund is providing cofinancing worth US\$11.4 million. Running from 2013 to 2019, the project is intended to directly benefit 11,800 households in the Surkhandarya region. The development objective is to increase the incomes and assets of smallholder farmers, processors and service providers in the horticultural subsector.

IFAD supports
**smallholder
dekhan farmers**
to develop farming
businesses and
**enhance rural
family incomes**



To achieve this, the project supports modern, efficient farming techniques, advanced irrigation networks, improved access to domestic and international markets, and investments in productive assets for horticulture, mainly through the establishment of rural refinancing facilities and medium- to long-term financing for agro firms. Through the project, more than 2,200 farmers have been trained in horticultural production, marketing and agribusiness. IFAD has established partnerships with some financial institutions that provide microloans to farmers for investments in: greenhouses, orchards and vineyards; agricultural, processing and packaging equipment; and cold storage facilities. As of November 2017, about 1,000 full-time jobs had been created by the project, more than 300 loans had been provided to smallholder farmers, and project beneficiaries had reported an increase in income.



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IFAD has invested in rural people for 40 years, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$20.4 billion in grants and low-interest loans to projects that have reached about 480 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

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