

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**UZBEKISTAN**

**CENTER FOR ECONOMIC RESEARCH**  
**a joint facility of the Government of Uzbekistan and UNDP**

**CENTER FOR ECONOMIC AND SOCIAL STUDIES**  
**UZB/97/008**

**REPORT of the CER'S STRATEGY FORMULATION MISSION**

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## **EXECUTIVE SUMMARY**

The Uzbek Government's overriding economic policy objectives in recent years were aimed at keeping a stable economy and maximizing economic growth while ensuring social and political stability. The Government of Uzbekistan (GoU) strongly recognizes the need to improve its macroeconomic management capacities nationwide.

The idea of the Center on Economic Research has started as a project, originally called "Macroeconomic and Policy Studies", which was created for 36 months (January 1998 – December 2000) and was extended at the request of the GoU until December 2003 as the "Center on Economic and Social Studies" (CESS). CESS aims at providing policy advice to the GoU on key issues of economic and social policy; contributing to the national capacity building, raising public awareness on socio-economic issues and institutional development of the Center for Economic Research (CER) as the joint facility of the Government and UNDP.

A President Decree has established the CER in April 1999 on the basis of UNDP Project UZB/97/008 as a Government and UNDP joint facility to enhance economic management capacities of Uzbekistan toward market economy through policy advice to the GoU, capacity building and dissemination of economic information.

In June 2002 this Mission of International Consultants was invited to assist the CER in formulating its long-term Sustainable Organizational Development strategy. The CER Organizational Development (OD) strategy has been formulated on the basis of a combination of rational, scientific examinations and educated, intuitive best guesses.

The CER's development history and profile present the path of its evolution from an idea to a capable institution with a wide scope of activities where its primary activity was policy advice and additional services in implementing and executing projects aimed at supporting policy advice. UNDP and GoU jointly for 9 years, put unprecedented efforts and resources in setting up and developing the CER as a policy advice think-tank institution.

The stakeholders view CER's primary function as policy advice (think-tank) and the secondary functions basically support the policy advice function (implementing/executing agency). The CER's Mission Statement jointly developed by the CER management staff and this team of consultants concludes that the Program Portfolio will be strengthened and consist of:

1. Strategic Policy Advice,
2. Socio-Economic Management Capacity Development,
3. Real and Virtual Dialogue/Participatory-based Information Channeling and Publications,
4. Institution Building, and
5. Development and Implementation of Know-How Marketing Instruments

The mission assisted the CER in elaborating its Organizational Development (OD) strategy, which is its plan of action and will serve as a useful guide for operational planning and a reference for eventual evaluations.

The CER's Programmatic Strategy reflects the major transformation the CER is going to undertake in order to begin acting as a full-fledged strategic think-tank and, supportive to the think-tank, as an implementing/executing agency. Programmatic Management Strategies were developed to support implementation of the major Programmatic Strategies, such as Public Relations, Resource Mobilization, Capacity Building and Networking Strategies as well as Risk Management Strategy.

The Organizational Strategy outlines the organizational structure that should be adopted to support Programmatic Strategy implementation. The Organizational Management Strategies will support functioning of the new organizational structure.

The Functional Strategy developed during the mission employs exploration into the appropriate legal structure and Financial Management Strategy to support the CER's new organizational efficiency and effectiveness.

The report also summarized all major conclusions and recommendations, which were to help the CER management in adjusting its future strategic planning efforts.

## I. INTRODUCTION

The Uzbek Government's overriding economic policy objectives in recent years have been, and continue to be, to keep a stable economy and maximize economic growth while ensuring social and political stability. The Government of Uzbekistan (GoU) strongly recognizes the need to improve its microeconomic management capacities nationwide. The dramatic increased international focus on the Central Asia region after the September 11 events is reflected in increased technical and financial assistance. The Government of Uzbekistan could take advantage of this increased regional attention in its unprecedented efforts in strengthening its strategic economic management capacities.

A slight speeding up of economic reforms has been observed already by independent international and local experts interviewed, but the reforms have not yet accelerated sufficiently to contribute to bringing economic growth at the desired pace. Still, observable weakness in the GoU's economic management capacities could be a root cause of that failure. In responding to that capacity development need and upon the GoU request, in 1994 UNDP first launched the UZB/93/007 project entitled "Macroeconomic Policy Analysis and Training" as the initial support. In 1998, based on the experience of the previous project, UNDP launched UZB/97/008 project entitled the "Center for Economic and Social Studies" (CESS).

This project was designed for 36 months (January 1998 – December 2000) and upon the GoU request was extended until December 2003. CESS aims at providing policy advice to the GoU on key issues of economic and social policy, contributing to the national capacity building, raising public awareness on socio-economic issues and setting up the Center for Economic Research (CER) as the joint facility of the Government and UNDP.

A President Decree established the CER in April 1999 on the basis of UNDP Project UZB/97/008 as a Government and UNDP joint facility to enhance the economic management capacities of Uzbekistan toward a market economy through policy advice to the GoU, capacity building and dissemination of economic information.

Independent evaluators came to the positive conclusions regarding the UZB/97/008–CESS project results. The overall conclusion of the second evaluation was that "at the end of December 2003 the Project will be completed successfully." Relating to the issue of the sustainability of the Project results, which is directly tied to the CER's sustainability as an institution after December 2003, due to UNDP's clearly articulated Exit Strategy and its clear message delivered that further extension of the Project, in its current form, will not be forthcoming, the second evaluator recommended alternative-financing modalities to be sought and examined by the CER.

This Report is the output of the forward-looking **challenging exercise** of our Strategy Formulation Mission for the CER Organizational Development as an independent, self-sufficient stand-alone think-tank and implementing agency. The Mission was carried out in Tashkent between June 17 and July 15, 2002, and aimed to formulate the draft Strategic Sustainability Plan for CER Organizational Development to be approved by the 2002 Tripartite Review Meeting. The special focuses of the Strategy Formulation Mission are pretty broad and clearly spelled out in the ToR of the Mission and ToRs of Consultants (see Annex A) selected and, in short, are the following:

1. ensuring the CER's institutional and financial sustainability with special focus on fund-raising activities and relations with current and potential donors;
2. a comprehensive scheme of functioning and structural integrity of Endowment Fund or other similar mechanism to be created in order to support future sustainable activity of the CER;

3. a detailed plan of actions for the Donors' Conference and recommendations on its organizational and substantive issues;
4. ways of strengthening the CER in its capacity as the Government's think tank;
5. development and piloting, on the basis of the CER, of a new rational modality for management and financing of applied social and economic studies;
6. determination and diversification of the range and the scope of activities, products and services and sources of appropriate financing for CER's activities;
7. stimulation of demand for CER products and services both from the Government and other partners;
8. improvement of quality of the policy advice papers of the CER; and
9. expansion of CER's networking with research centers abroad, international and national donors and CER's beneficiaries.

The findings, conclusions and recommendations of the Mission are based on outputs of several brainstorming sessions conducted as an inclusive, participatory process in which the CER's Steering Committee representatives and Staff's Senior Management took an active role. Opinions and critical comments of all interested stakeholders and beneficiaries were given serious consideration.

This Strategy Formulation Mission Report's core, integral element is, **the CER Draft Strategic Sustainability Plan**, which could be easily pulled out separately and considered as a ready draft to communicate, discuss and present for comments. **For that purpose the draft's wording differs from the Mission Report's wording and some statements are repeated.** The CER Draft Strategic Sustainability Plan should be reviewed, finalized and adopted/approved by the CER's Steering Committee as soon as possible.

The Strategy Formulation Mission expresses its gratitude to all persons interviewed (see Annex B) who have given their time generously to discuss and express their opinions freely with respect to the Project-CESS and the CER. The Mission would like to bring its highest appreciation to all persons interviewed and especially to the CER's Steering Committee representatives and Senior Management Staff for their openness to questioning the status quo.

## **II. CER SITUATION ASSESSMENT**

### **1. Methodology Applied**

The CER Organizational Development (OD) strategy has been formulated on the basis of a combination of rational, scientific examinations (using tools and techniques of Situational Analysis and Situation Assessment, Competitive Analysis, SWOT Analysis, Economic and Social Cost-Benefit Analysis and the MacMillan Matrix) and educated, intuitive best guesses.

The draft CER Strategic Sustainability Plan development process was an inclusive, participatory and consultative process with all stakeholders and entailed:

- examining the CER's critical issues;
- determining how the CER's strengths and skills can be employed to address the critical issues;
- analyzing opportunities and strengths and looking for ways to synthesize the two;
- assessing both general risks and fundraising risks and exploring risk management opportunities; and
- exploring and choosing the best approaches for the CER OD.

For the CER strategy generation, the following techniques were applied:

- three separate questionnaires were developed for interviewing the CER Steering Committee, staff members and other stakeholders;
- interviews were conducted with the key stakeholders (the CER Steering Committee and staff members, representatives of relevant Government agencies and interested donor community, NGOs, private consulting firms, CER management and staff, UZB/97/008 project personnel and groups/individuals benefiting from the project)
- training and participatory sessions with the CER-designated Institutional Development Committee (strategy planning committee) were held to brainstorm uses of strengths and opportunities to address the critical issues.
- roundtable discussions were conducted to investigate and evaluate the possible strategies and insure the most effective possible input into a realistic strategy generation.

## **2. Background and the Current State of CER Institutional Development**

### **2.1. CER Development History**

The background of the CER development from an idea to an institution is presented below.

In responding to the need for economic management capacities development and upon Government request, in 1994 UNDP launched the UZB/93/007 project entitled “Macroeconomic Policy Analysis and Training” as the initial support by UNDP through UNOPS execution. The project received the Government satisfaction being highly efficient in terms of both policy advising and enhancing capacities of civil servants for key economic agencies of the country.

In 1998, based on the experience of the previous project, UNDP launched UZB/97/008 project entitled the “Center for Economic and Social Studies” . This project was designed for 36 months (January 1998 – December 2000). Upon the Government request, the Tripartite meeting on 20 December 2000 came to the agreement to extend the UZB/97/008

until December 2003, however UNDP clearly articulated its Exit Strategy by the conclusion of the extension period. The CESS project aims at providing policy advice to the Government on key issues of economic and social policy, contributing to the national capacity building, raising public awareness on socio-economic issues and setting up the Center for Economic Research as the joint facility of the Government and UNDP.

The Project was first evaluated in January 1999. The overall conclusion of the evaluation was that the objectives of the Project as per the project document had almost been fulfilled. It also stated that UNDP and GoU successful joint efforts in the CER development made it to have a key role to play in equipping the Government to make sound economic decisions even as the reform agenda was growing more complex.

The CER was established by the President Decree # P-982, dated April 7, 1999 on the basis of UNDP Project UZB/97/008 as a Government and UNDP joint facility to enhance economic management capacities of Uzbekistan toward a market economy through policy advice to the Government of Uzbekistan, capacity building and dissemination of socio-economic information.

The second project evaluation in November-December, 2001 aimed “to assess the implementation of the Project, its relevance to the national priorities of the country, its efficiency and effectiveness, its impact and sustainability. It also attempted to provide some relevant recommendations not only with respect to the Project but also with respect to the future of CER.”

The independent evaluator came to highly positive conclusions relating to the UZB/97/008 – CESS project document, log-frame prepared for the extension, management and execution, implementation arrangements, counterpart support, quality of outputs and satisfaction of beneficiaries, effectiveness and efficiency, current and further impact of outputs and highlighted the most outstanding direct and indirect impacts of the Project (along with the CER) and stressed that the Project within its timeframe will continue to have that impact. The overall conclusion of the second evaluation was “that at the end of December 2003 the Project will be completed successfully. Hence any recommendation with respect to the Project itself is not warranted here.”

Relating to the issue of sustainability of the Project results, which is directly tied to the CER’s sustainability as an institution after December 2003, due to UNDP’s clearly articulated Exit Strategy and its clear message delivered that further extension of the Project in its current form will not be forthcoming, the Evaluation Mission recommended alternative financing modalities be sought by the CER.

## **2.2. Current State of CER**

In the detailed history above, it is worth highlighting that UNDP and GoU jointly, during 9 years, put unprecedented efforts and resources into the idea of having a macroeconomic analysis supply to the Government, through the means of UNDP projects, up to setting up and developing the CER as the think-tank institution. It is also worth mentioning the financial commitment of GoU being almost equal to UNDP’s for the CER development. It would be rather difficult to find such an exemplary cooperation and collaboration in terms of efforts, time and funds contributed toward establishment of such an instrumental facility between a donor and host government as in the case of the CER from both GoU and UNDP sides. Moreover, such exemplary GoU and UNDP cooperation has attracted other donors to cooperate and bring management support (to become members of the CER Steering Committee) and funded projects to be implemented by the CER.

The CER in mid-2002 finds itself at a critical juncture. UNDP pending exit from the current funding at year-end 2003 looms large in the near-term horizon. Since its creation in April 1999, the CER has established its reputation and market niche as the leading economic and social policy research institution in Uzbekistan. It is distinguished from the various government-funded think-tanks subordinated to particular ministries or academic institutions by its unique mandate to cut across various sectors of the Uzbek economy and society and by its support from UNDP, which affords CER greater international access, partial relaxation from burdensome state administrative reporting requirements, and a higher salary scale to attract leading trilingual professional and support staff.

The CER is officially a budgetary organization under the Office of the State Advisor on Economic Policy to the President of Uzbekistan, but is essentially a hybrid since, owing to UNDP funding; it is managed according to UNDP National Execution (NEX) policies and procedures. The other half of the hybrid is UNDP Project UZ/97/008-CESS, a continuation of an earlier technical assistance project first launched in 1994. Both the GoU and UNDP fund CER, but only the UNDP funds CESS.

### **3. External Stakeholders' Perceptions**

The Government representatives expressed overall an extremely positive opinion of the CER as a policy advice institution, its programs and activities, considering its capacities as the highest in the market. Almost the same opinion was received from the donor side, although it should be mentioned that the CER is not sufficiently visible on the grant market.

Governmental officials and other economic research centers mentioned that the CER's competitive advantage is its capacity, uniquely presented in the country, in managing research and other projects. Another unique advantage was mentioned - its inclusive and participatory development of policy advice papers - which brings other unique opportunities to involved governmental and independent experts to upgrade their knowledge, skills and have an impact on decision-making. Emphasized as most important is that the GoU officials could then apply the new knowledge and skills at their work place, since they are the primary implementers of the policy advice after being adopted by the Government.

Moreover, almost all Governmental officials mentioned that by such project management technique - unique for Uzbekistan – the CER is not only filling gaps in training and retraining of civil servants in economic management, but also, through that dialogue process gradually is growing as a “FORUM” for consensus-building.

However, there is a dilemma in perception of the CER by the major donor agencies related to the level of its dependency of the Government of Uzbekistan. On one hand, one of the major factors that obstruct more effective cooperation between the CER and the donor agencies is the perception of the CER as an institution, which is entirely dependent on the Government of Uzbekistan, which might prevent it from an independent policy advice. On the other hand, one of the comparative current advantages of the CER for almost all the donor agencies, which emerges from the closeness of the CER to the Government of Uzbekistan, is its relatively successful access to progressive policy advice, as well as to some information, which otherwise would not be available. This dilemma needs to be dealt with properly to allow for further institutional development of the CER.

Actually since the last evaluation mission, preconditions for the CER sustainability in resource mobilization after the completion of the Project is dramatically changed to opposite: it has worsened. Opinions expressed by GoU officials and donors (except UNDP) lead one to deeply realize that the CER's “ownership” is questioned, even through the Project's execution modality is NEX, a modality that establishes ownership. Moreover, Government decision-makers (not members of the Steering Committee) do not consider the CER as an autonomous

institution, but influenced by UNDP and other donors, who are members of the Steering Committee. On the other side, donors including some who are members of the Steering Committee, consider the CER as a “100% governmental organization”. In other words, ownership and legal status of the CER was questioned from both sides. However, Mission discussions helped to realize that (i) a new organizational structure could bring back credibility and (ii) what matters most is not the legal status, but rather ownership in providing independent high-quality policy advice to the Government.

All the donors, as well as private firms and local NGOs, with whom we met during the Mission complained about the difficulty of accessing accurate, reliable data from the GoU. In this regard, CER has a competitive advantage over the other research centers, in that CER policy papers are deemed to be based on better, more accurately sourced information. On the other hand, Governmental officials would like to receive more analytical data and information on global market trends from the CER. It seems that all stakeholders consider the CER as a **HUB** for reliable information and solid analysis.

The impacts of CER policy advice and other services by both informed donors and GoU officials were clearly articulated, however the significant lag/delay of their appearance in the Governmental decisions was also mentioned, though admittedly this is beyond the CER’s mandate and hence control.

Donors also communicated their continued strong interest in supporting the GoU along the path of reform and indicated that pent-up donor funding definitely exists exactly in the sphere where CER currently works.

Fact-finding with the major donor agencies represented in Uzbekistan shows that although most of the donors provide generally positive feedback about the idea of an Endowment Fund, where the financial contributions are made to support the overall mission of the CER without any obligations over some concrete projects, they still admit that at least at this point in time they would prefer to cooperate on the basis of concrete projects, where they would have more influence over identification of problems, strategies, as well as achievement and monitoring of results.

#### **4. CER Internal Environment**

From the beginning of 2004, the CER must be responsive to a dynamic, changing environment. Strategic planning involves anticipating the future environment, though the decisions are made in the present. This means that over time, the CER must stay abreast of changes in order to make the best decisions it can at any given point - it must manage, as well as plan, strategically. Evaluation of the CER management (both Steering Committee and Staff) in its capacity in strategic thinking and acting brought the conclusion that the CER has pretty well observed strategic management and the senior staff is open to learning how to think and act strategically.

The recently changed CER’s executive structure reflects its current services and (in the face of upcoming changes) urgent needs in raising market visibility and resources mobilization as well as institutional development. A trade-off between (a) changing the structure and (b) maintenance of smooth operation could be considered as a strategic approach in light of the upcoming changes.

It needs to be pointed out that CER possesses considerable management and administrative capacities. The multi-dimensional character of the CER’s activities, its evolutionary institutional growth, and the complex political and economic environment in which it operates creates significant management and administrative challenges. The need for

the CER to adapt to changing opportunities as well as to Government and donor priorities also presents challenges regarding the coherence of all its activities.

The CER operates in a complex environment and, despite this, the relationship of the CER staff to the various stakeholders is very close to excellent. There is clearly good will toward the CER and especially its staff. This speaks well for the leadership and the personnel of the CER.

Following the institutional growth of the CER, considerable improvements have been made in the management and administrative capacities for the last several years but there is substantial room for further improvement. The following are the major aspects that should be paid an increased attention:

- Reasonably ambitious planning and programming of the CER activities would require relevant implementation capacity of its personnel;
- Further institutional growth of the CER would demand an increased understanding and application of internal procedures for effective project management;
- Diversification of the CER activities would require careful planning of all the activities in a coherent and periodic manner;
- Further specialization of the departments within the CER would increase the role of internal networking and horizontal connections between the departments;
- Necessity to work with various donors would require an increased quality of systematic project by project financial accounting;
- Tracking of timelines and milestones for the CER activities and projects would need to become more careful;
- Multi-dimensional character of the CER's activities would require an appropriate data base maintenance and management system to collect and track project activities and related costs necessary for monitoring and evaluation purposes.

Programs and project operational management, both staff performance and the extent to which the CER programs are successfully implemented bring the conclusion that there is a need for improvement in developing and adopting a Management Information System.

Although the outreach of the CER into the oblasts of Uzbekistan is quite satisfactory, it should be mentioned, that it bears a selective character, which results in some oblasts being excluded from the list of its network.

According to the conclusion of the consultative mission, the networking activities have been implemented quite successfully by the CER.

Considering the CER's contacts with similar research institutions and think tanks abroad it should be noted that the partnership relations that have been established with such institutions are quite effective. The exchanges of experts and mutual sharing of useful information could serve as examples of this two-sided equal communication.

Since the establishment of the CER no formal Public Relations strategy was adopted. This is based on the absence of any written or oral description of such strategy, in spite of the existence of a specialized Public Relations department within the CER. Still, due to the extraordinary communication and other skills of the top management of the CER, its corporate image was managed quite effectively with respect to the level of requirements of that early phase of CER's evolution.

During that time there were three major audiences targeted by the CER's proactive communication efforts: (a) the Government of Uzbekistan, (b) the donor community, which was mainly represented by the United Nations Development Programme, with some attention

given to other donors, such as World Bank, DFID, Open Society Institute, and (c) the general public, through the release of the “Economic Review” magazine and Web-page.

The CER’s accomplished, current and forthcoming projects and programs - “program portfolio” (see Annex C) - were grouped into the five following categories:

1. Policy Advice
2. Economic Management Capacity Development
3. Information Dissemination and Publications
4. Institution Building
5. Revenue Oriented Projects

Evaluation of research papers for policy advice allowed us to come to the conclusion that the majority of research papers are not driven by government demand and do not reflect the GoU current resource-driven economic policy (i) in utilizing its comparative advantages (natural resources, cheap labor force and so on) and (ii) hence being a “response-based” short-run economic management routinely responding and managing emerged problems, instead of a forward looking *strategic economic policy*, which will lead to building of competitive advantages. In other words, most CER’s research and policy advice are prepared on a dialogue basis.

Research topics are initially proposed by the CER Research Unit and widely circulated for discussion in various forums amongst various GoU constituencies, donors, and other stakeholders. At the end of this consultative process, the Steering Committee approves the final annual research agenda. Such process allows focusing on the primary role of a policy advice think-tank, which are strategic issues and equipping the GoU with strategic policy advice. It should be mentioned that some research papers and policy advice were up-stream and contributed to the strategic decision-making. However, that dialogue-participatory-based process should be strengthened. There is a need to update and widen analytical approaches and instruments for research through training with the world’s best socio-economic schools.

The analysis of last decade’s development proves, that sustainable economic development could be reached by those countries, whose economic development is based on the **competitive advantages** of knowledge, information and productivity, but not on **comparative advantages** (availability of natural resources, inexpensive labor, fertile soil etc). The basic and valuable information to update and widen analytical approaches and instruments and hence adopt a proactive policy advice could be found in some sources mentioned in footnotes<sup>1</sup>. Updated analytical instruments would allow the CER to research and develop strategic policy advice as well.

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<sup>1</sup> 1. Michael E. Porter, “Competitive Advantages of Nations”, 1990.

2. Michael Fairbanks & Stace Lindsay. PLOWING THE SEA: Nurturing the Hidden Sources of Growth in the Developing World, 1997.

3. The **Global Competitiveness Report**, published by the World Economic Forum (WEF) for last three years. MICHAEL E. PORTER, Institute for Strategy and Competitiveness, Harvard Business School, JEFFERY D. SACHS, Center for International Development at Harvard University and JOHN W. MCARTHUR, Center for International Development at Harvard University are main contributors to the report. Two major Indexes by WEF Ranking are Growth Competitiveness Index and Current Competitiveness Index.

Growth Competitiveness Index - measures factors that contribute to a high rate of growth in GDP per capita, this approach led by Professor JEFFERY D. SACHS.

Current Competitiveness Index-this Index aims to measure the conditions that determine a nation's sustainable level of productivity, this approach led by Professor MICHAEL E. PORTER.

The concepts of economic creativity or creativity as a factor of competitiveness was central for last year’s overall Growth Competitiveness Index, is one of component of it. It is presented as the Economic Creativity Index and quantifies the distinct effect of innovation versus diffusion as contributors to economic growth.

In addition to the above, it should be mentioned that some research papers could be more oriented to bringing business perspectives and more proactive in bringing comparative information on Uzbekistan, especially after removing censorship.

Evaluation of programs through economic, social cost/benefit and competitive analysis helped the Mission to come to the following conclusions:

- The market for comprehensive economic policy advice is empty and the CER, even not being widely visible on the grant market, has a special niche and dominates the grant market. Other economic research centers have their own niches but cannot play a role of alternative coverage. GoU and donors have a strong interest to fund this CER function.
- The CER has a strong competitive advantage in Economic Management Capacity Building. The GoU and donors have a strong interest to fund this CER function as well.
- However, within the Information Dissemination program, publication of “Economic Review” magazine could be considered as a potentially financially endangered project, although for coming few years there are no envisaged competitors on the market with such quality of articles, analysis and statistical data. As far as the magazine is an extremely effective tool in capacity building, the magazine could be considered as the “soul of the CER” (it fits to the mission, alternative coverage is low, has strong competition position, but it is a “difficult” project in attracting funds) and should be supported by other programs till opportunities will be found to outsource it.
- Institution Building projects could be considered also as the part of policy advice (relating to “Rational Modality”, an explanation of this program is below) and other projects contribute to the CER mission. Except the “Rational Modality” project, in other institutional development projects the CER acts as an implementing agency. So they generate both bringing some funds and raising the CER’s capacities and reputation.
- Revenue Oriented Projects, could be considered not only revenue-generating activities but also as instruments of market research/monitoring and information sources for other programs within the CER portfolio. They also can play a role of a market instrument to identify new programs to initiate and be implemented. All initiated projects (including the Internet Café) have that nature.

The special strength and competitive advantages of the CER are its research capacities and dynamic management of that research. However, on-site analysis proves that in the Uzbek competitive environment, donors and clients alike are beginning to demand more accountability; thus grant money and contributions are getting harder to come by, even as need and demand are increasing. Macroeconomic analysis by its nature has a very limited niche in the grant and general market. As soon as the reform in financing schemes of Economic Research Centers will be completed and enforced (the reform has been initiated by the CER and entitled “Rational Modality for management and financing of independent research institutions”) that niche will be more and more covered by other Research Centers, although there will still be a niche for comprehensive research, which would be covered mainly by the CER.

A programmatic strategic approach should be taken in marketing new fields of competence, widening research themes and policy advice papers. Along with macroeconomic<sup>2</sup> issues, microeconomic analysis, FDI and ICT Industry, other priority

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<sup>2</sup> It is worth mentioning that sooner or later macroeconomic stability will be reached. It is believed that the following expressions would support the point: “While much progress has been made in understanding the macroeconomic side of development, there has been an increasing recognition that macroeconomic reform is necessary but not sufficient. As, or more, important are the microeconomic

industries as well as socio-economic and development issues should be covered by the CER research. Security issues (including but not limited to food security, economic and real sector's security, health security and others) as fields to focus on could be discussed with the GoU to explore a potential need in strategic policy advice.

Law and regulations drafting and expert services as supportive and complementary to policy advice papers could be considered and could bring additional strength to the CER in its think-tank capacities.

Another interesting direction could be marketing the CER in the Central Asian region, to share experience and explore possibilities of **conceptual partnership**, collaboration and other opportunities. The special field of interest could be “research-dialogue-consensus building” and regional security in the very broad term.

Interviews with several donors indicated strong interest and willingness to pay to have the Economic Review in English. (Although marketing research shows that what a potential customer says in a focus group observation does not always correlate to their action, in this case, we believe the action will follow the intent.) The pent-up demand comes not only from donors resident in Uzbekistan, but from any Westerner considering an investment in Central Asia who begins to do data-gathering.

Interviews with several donors also reveal that they are impressed with the quality of the Economic Review research and the professionalism of the CER staff. Several responded positively to the prospect of contracting with the CER for consulting services either directly or for recommending the CER as sub-contractor to the foreign prime contractors chosen to implement their programs. The expertise and knowledge base within the CER exists; by offering consulting services to donors and private firms alike, the CER's core assets can be greater capitalized.

Threats to CER's future sustainability are predetermined by its strengths. The latter are the GoU and UNDP and donors' support and resources, which grant them a comparative advantage to hire the best qualified specialists and secure demand for services (policy advice). Moreover, the competitive advantage that the CER has is its developed capacities in strategic managing the institution and management of projects, which would be deteriorated unless funds will be raised and special privileges granted. Development of new fields of competence (like ICT policy paper preparation) and diversification of services (like revenue-oriented projects) was the strategically correct decision taken by the current management in face of future uncertainty. Another correct decision taken by the current management is to provide services as an implementing agency for donors' programs; again it is the very approach to bring opportunities.

## 5. CER External Environment

The assessment was based on desk analysis and interviewing of the key persons who could provide their own assessment and on-site expertise on the current state, possible trends

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foundations of development, rooted in nature of firm strategies and in the institutions, resources, and policies that constitute the environment in which firms compete”. By Michael E. Porter, Professor, Harvard Business School, 1990

“Stability in the macroeconomy is only table-stakes today. A more predictable and business-friendly economic climate can get a developing country into the game, but it cannot ensure success in the game”. By Michael Fairbanks & Stace Lindsay, *PLOWING THE SEA: Nurturing the Hidden Sources of Growth in the Developing World*, 1997.

and forecasting of political, economic, social, technological, demographic and legal changes in the Uzbek reality.

The IMF and the World Bank assessments present uncertainty for any speed up of economic reforms in Uzbekistan. However, the Mission observed some positive changes that directly could impact the CER activities and bring observable opportunities: lifting away censorship and the beginning of the exchange rate unification process.

In the field directly tied to CER research activity, a more liberal framework has been introduced. Currently, the State Committee on Science and Technology (“GKNT”) allocates GoU funding (of course, through the Ministry of Finance) for research amongst the various research centers within ministries and higher academic institutions. All are free to lobby for work (i.e. funding) from various sources, especially the donor community. However, regulations to implement that framework are still underdeveloped and the CER, as initiator of that reform (“Rational Modality”), is taking a proactive role in the development and piloting of those regulations and procedures. This Mission’s provided consultancy covering internal regulations and procedures development issues as well.

The unique nature of the CER’s activities, idiosyncrasies and peculiarities of Uzbek economic development, and accordingly Uzbekistan’s legislation all necessitate looking for a special *arrangement* for the CER’s continued operation as a think-tank and implementing agency.

During the last years of operations of the CER, significant resources have been raised with the bilateral and multilateral donor agencies for its activities and the possibility for substantial additional resource mobilization exists. There is a clear potential to maintain mutually beneficial relationships with the existing donors of the CER, even as new support sources are sought.

The CER Steering Committee, staff, external stakeholders, partners, beneficiaries and competitors agreed that an acceleration of economic reforms would bring changes to the external environment in which the CER operates, but not at the needed pace to become favorable by the end of 2003.

### **III. CER DRAFT STRATEGIC SUSTAINABILITY PLAN**

#### **1. Executive Summary**

In order to advance its organizational development, the CER has designated a Strategy Formulation Committee, which received assistance from this team of International Consultants. As a result of the joint exercise the following tasks were undertaken:

- a) Current status of the CER was assessed, including the CER’s operating Programmatic, Organizational, Functional and other Strategies,
- b) Critical issues related to the CER’s organizational development as well as strategies to address them were identified,
- c) New Mission and Vision Statements were formulated, and
- d) This draft Strategic Sustainability Plan for CER was developed according to its new Mission Statement.

The Draft Strategic Sustainability Plan will be discussed, finalized and approved by the Steering Committee by the end of 2002. In the middle of 2003, the CER will follow its revised directions for its organizational development strategy and in 2004 will start as an independent, stand-alone and self-sufficient organization.

The Strategic Sustainability Plan developed by the CER is based on its overall mission and vision, as well as thorough analysis of all the specific strategies called upon to support its overall organizational development process.

The mission of the CER is to be the crossroads in creating knowledge on social and economic issues important for the well-being of Uzbek citizens and a “forum” for debating them through a dialogue-participatory-inclusive process and channeling them through our conceptual partnership network. The CER, as an opinion-developing institution, is established to promote formation of a democratic civil society and free market economy in Uzbekistan by providing high quality policy advice to the Government of Uzbekistan in creating an environment where constructive ideas could be transferred into sound economic policy actions to help the country to cope with social and economic transformation.

By the end of the decade, the CER will serve as a unique **hub** for knowledge and development in the Republic of Uzbekistan with its strategic and conceptual partnership network within the Central Asia region and all over the world.

The three different categories of strategies that are developed and analyzed in the Strategic Sustainability Plan are the programmatic, organizational, and functional strategies. The difference between categories is its focus:

- The Programmatic strategy addresses mainly the issue of transition from policy advice service to a full-fledged strategic policy advice think-tank. Issues of forming a full-fledged implementing/executing agency in developing, management and delivery of other programs within the CER mission to support its function as a think-tank, will be considered as well, such as widening the fields of competence, including but not limited to microeconomic analysis, FDI and ICT industry, law and regulation drafting, development issues and others.
- The Organizational strategy outlines the planned avenue for organizational structure development to support the implementation of the Programmatic Strategy of the CER, such as the structural transition from a GoU-UNDP joint facility to an independent stand-alone institution, the CER’s new organizational structure, collaboration, selection of activities, etc.
- Functional strategies articulate what legal set-up would be the most appropriate to support the Programmatic and Organizational Strategies and how to manage administration and support needs that impact the organization's efficiency and effectiveness, such as developing salary schemes and additional intangible and indirect benefits to prevent a “brain drain”, developing a management information system that will allow the CER to gradually shift from UNDP guidelines to the Uzbek legal environment at the end of the transition stage.

## **2. CER Mission and Vision Statements**

### **2.1. CER Mission Statement**

Our mission is to be the crossroads in creating knowledge on social and economic issues important for well-being of Uzbek citizens and “forum” for debating them through dialogue-participatory-inclusive process and channeling them through our conceptual partnership network.

The CER, as an opinion-developing institution, is established to promote formation of a democratic civil society and free market economy in Uzbekistan by providing high quality policy advice to the Government of Uzbekistan on creating an environment where

constructive ideas could be transferred into sound economic policy actions to help the country cope with social and economic transformation.

The CER has unique process skills in bringing experts together to explore issues and exchange views in order through shared learning to generate innovative proposals for practical socio-economic policy measures, to identify and analyze key development issues in the country, its impediments and opportunities, to support economic and social changes in the country.

The CER is also to encourage and support the implementation of free market experience and know-how through networking that will influence Uzbekistan's effective participation in the global economy.

The CER primary tasks are:

- to provoke public discussions on economic issues;
- to provide independent expert opinions and analyses;
- to inform and influence policy- and decision makers and the society;
- to encourage pro-active dialogue;
- to research socio-economic issues and introduce best practices;
- to provide analysis of alternative approaches to economic issues.
- to advocate and contribute to the national capacity building.

The CER is independent in its research agenda and policy advice. It is a non-profit joint think-tank of the Government of Uzbekistan, donor community and private sector of Uzbekistan. It acquires its funding from diverse sources – government, donor community, foundations and private firms. The Representative Board of Directors/Trustees (the Board) and funding diversity ensure that no single voice dominates the research and policy advice (or the research and policy advice agenda developed by consensus). The Board of Directors/Trustees ensures good stewardship of these resources.

The CER “Program Portfolio” covers the following directions:

1. Strategic Policy Advice
2. Socio-Economic Management Capacity Development
3. Real and Virtual Dialogue/Participatory-based Information Channeling and Publications
4. Institution Building
5. Development and Implementation of Know-How Marketing Instruments

Programs are ambitious in their scope, but start-up times and implementation are limited due to the CER's unique management capacities and by attracting expertise from the government, universities, other R&D, NGOs and the private sector, locally and internationally. Dozens of people volunteer their time to participate in the governance and the research process. The Program Portfolio is coherent and brings inputs into policy advice think tank. CER Programs enrich each other by inputs, outputs and outcomes.

## **2.2 CER Vision Statement**

By the end of the decade, the CER will be a **knowledge and development HUB** of Uzbekistan with a strategic and conceptual partnership network within the Central Asia region and all over the world.

## **3. CER History, Profile and OD Prerequisites**

### 3.1. CER Institutional Development History

Within a few years after independence, having recognized the need for greater capacity development amongst its economic and social policymakers, the GoU requested technical support from the UNDP, which launched Project UZB/93/007 “Macroeconomic Policy Analysis and Training” in 1994. The project proved to be highly efficient in terms of both policy advising and enhancing the capacities of civil servants within key GoU economic agencies. In 1998, based on the experience of the previous project, the UNDP launched Project UZB/97/008 entitled the “Center for Economic and Social Studies” (CESS). This project was designed for 36 months (January 1998 – December 2000) and upon the GoU request was extended until December 2003. CESS aims at providing policy advice to the GoU on key issues of economic and social policy, contributing to the national capacity building, raising public awareness on socio-economic issues and setting up the Center for Economic Research (CER) as the joint facility of the Government and UNDP. The CER was established in April 1999 to enhance the economic management capacities of the GoU, especially in its unique pace toward a market economy, through policy advice, capacity building and dissemination of socio-economic information – in other words, as the GoU’s economic and social policy think tank.

Although the CER has proven itself an indispensable tool and reliable resource for the GoU economic apparatus, at the end of 2003, UNDP funding of CER/CESS in its current format will cease. During its three year life thus far and projected five year duration, the GoU has contributed cost-sharing funds almost equal to the UNDP’s which attests to the significance and relevance bestowed on CER by the GoU, a view shared by others in the donor community.

The CER’s oversight and management body is the Steering Committee, whose members represent both the GoU and donor community (including the UNDP). Chaired by State Advisor to the President of Uzbekistan on Economic Policy, Mr. Vyacheslav Golyshev, the CER Steering Committee approves the annual list of research topics as well as CER’s internal rules and operating procedures. Research topics are initially proposed by the CER Research Unit and widely circulated for discussion in various forums amongst various GoU constituencies, donors, and other stakeholders. At the end of this consultative process, the Steering Committee approves the final annual research agenda.

### 3.3. CER Profile

Since 1998, the CER has produced more than 80 policy papers covering the most important themes of economic and social development including:

- economic liberalization in foreign trade,
- fiscal policies promoting economic liberalization,
- enabling SME development in a liberalized environment,
- monetary policy promoting economic liberalization,
- industrial policy and agrarian reform in a liberalized economy,
- monetary regulation,
- debt restructuring,
- micro-credits,
- living standards assessment, etc.

In 1998, 1999, and 2000, the CER produced the UNDP’s National Human Development Report including not only the technical research, but also all administrative and managerial efforts to arrange translation, editing, printing, and circulation.

Training is an integral part of CER's profile. Workshops for civil servants, including mid-level government officials within the Program in Economic Policy Analysis (PEPA) Courses sponsored by the World Bank during 1999-2002 were organized and implemented by the CER on an interactive basis, since the CER considers training to be an essential tool for promoting discussions between national and international experts. CER workshops are designed to be practical and applied, including real-world examples and case studies. In addition, the CER organizes seminars led by foreign and local experts. More than 300 specialists from key economic agencies in Uzbekistan, including those from the regional authorities, have been trained under CER-organized seminars.

The Economic Review is CER's flagship publication, a monthly journal of articles and regular columns on economics – both international and national, economic statistics, markets, as well as science, education and innovation, consumers' interests, and the Internet. The Economic Review is provided to some GoU readers free-of-charge and sold to the public at retail points throughout Tashkent. Also produced by the CER is the monthly digest "Review of Foreign Press" which keeps the top GoU officials informed on the international issues most relevant to Uzbekistan. The gender report "Status of Women in Uzbekistan" was also produced by the CER.

The CER has accumulated extensive experience as implementing agency of a variety of projects initiated together in cooperation with international donor organizations, such as the WB, DFID, TACIS, Open Society Institute (OSI) and Eurasia Foundation. The main goals of these projects are

- improvement of socio-economic policy,
- contribution to the national capacity building via formal and informal training, and
- raising of public awareness on economic development issues as well as other aspects of development strategies and policies such as:
  - politics,
  - mass media,
  - society,
  - Information Communication Technology (ICT) development strategy, etc.

These projects include, but are not limited to:

- WB – Demonstration version of the portal "Uzbekistan Development Gateway"
- TACIS – Publication of the statistical bulletin "Uzbekistan Economic Trends"
- OSI – Economic education and preparation of a methodical manual on teaching macroeconomics in Uzbek.

Several other projects with international organizations (e.g. USAID, JICA) are planned in the nearest future.

Organizationally, the CER is divided into four functional or line Units (or Divisions) as follows:

1. the Research Unit and
2. the Editorial Unit, which together comprise the core of CER as well as
3. the Public Relations/Fundraising Unit, and
4. the Institutional Development Unit

as well as the Operations Unit which handles all financial, accounting, personnel, information technology, facilities, and administrative matters.

### **3.3. CER Organizational Development Prerequisites**

The CER's development history and profile present the path of its development from an idea to the capable institution with a wide scope of activities where the primary activity is

policy advice and additional services in several projects' implementation and execution to support policy advice.

UNDP and GoU jointly, during 9 years, put unprecedented efforts and resources in setting up and developing the CER toward a policy advice think-tank institution.

According to evaluation missions, both GoU and donors (affiliated and not affiliated with the CER) and direct and indirect beneficiaries as well, agree that the CER is exemplary and unique with its organizational arrangement and capacities, its services and activities are at the utmost importance for the country, most of them are satisfied with quality provided and would be supportive to benefit from more processed reliable information, analysis and services.

Governmental officials and other economic research centers agree that the CER's competitive advantage is its , capacity, uniquely presented in the country, in managing research and other projects. Another unique advantage was mentioned, its inclusive and participatory development of policy advice paper - which brings other unique opportunities to involved governmental and independent experts to update and upgrade their knowledge, skills and have an impact on decision-making. Emphasized as most important is that the GoU officials could then apply the new knowledge and skills at their work place, since they are the primary implementers of those policy advices after being adopted by the Government.

Moreover, almost all Governmental officials mentioned, that by such project management technique - unique for Uzbekistan – the CER is not only filling gaps in training and retraining of civil servants in economic management, but also, through that dialogue-process gradually is growing as a “FORUM” for consensus building.

The stakeholders' opinions presented above support that assertion that the CER has already accumulated sufficient capacities, experience and reputation to become an independent stand-alone self-sufficient institution.

For its further OD, the CER has designated a Strategy Formulation Committee, which received this International Consultant Team's assistance and: a) assessed the current state of the CER, including the CER's operating Programmatic, Organizational, Functional and other Strategies, b) identified critical issues for OD and strategies to address them, c) formulated new mission and vision statements, and d) developed a Draft Strategic Sustainability Plan for CER according to its new Mission Statement. The Draft Strategic Sustainability Plan will be discussed, finalized and approved by the Steering Committee by the end of 2002. In mid-2003, the CER will meet with already defined main directions of its OD strategy and by 2004 will start as an independent, stand-alone and self-sufficient organization.

## **4. CER Critical Issues and Strategies**

### **4.1. CER Current Strategies**

The CER's current programs, organizational structure and legal setup are uniquely designed by the Presidential Decree and Tripartite minutes to insure a smooth transition toward an independent stand-alone self-sufficient organization.

1. The scope of programs has laid a solid basis for further Programmatic strategy of CER as a policy advice think-tank and, additionally donors' and clients' program implementing/executing agency.

2. The CER's organizational structural design: the representative Steering Committee as a management board and the staff as an executive body with their distinct functional

distributions have already laid a serious basis as well for the further development toward a stand-alone organization.

3. The current legal set-up, which grants the CER a right to operate on the basis of UNDP rules and procedures and certain privileges has allowed to lay a basis for effective and efficient operation.

These strategies have solidly contributed to the CER institutional growth as the GoU and UNDP joint facility. For the CER's further institutional development toward a stand-alone organization critical issues were identified.

#### **4.2. CER OD Major Critical Issues**

The CER's major critical issues for its overall OD identified for immediate, short and long term attention are

- a) new programs and their quality,
- b) structural development and ownership issues,
- c) resource mobilization, and
- d) legal set up

All of them are interrelated in terms of strategies to be developed and actions to be taken.

To address these critical issues the CER will employ simultaneously three different categories of strategies toward establishing itself as an independent stand-alone self-sufficient institution.

These three different categories of strategies are programmatic, organizational, and functional. The difference among the categories is the focus of the strategy:

- Programmatic strategy will address mainly the issue of transition from policy advice service to a full-fledged strategic policy advice think tank. Issues of forming a full-fledged implementing/executing agency in developing, managing and delivering of other programs within the CER mission to support think tank, will be considered as well (e.g., widen fields of competence, including but not limited to microeconomic analysis, FDI and ICT Industry, law and regulation drafting, development issues and others).
- Organizational strategy will outline the planned avenue for organizational structure development to support Programmatic Strategy implementation (e.g., the structural transition from the GoU and UNDP joint facility to an independent stand-alone institution, the CER's new organizational structure, collaborations, selection of activities, etc.).
- Functional strategies will articulate what legal set-up will be the most appropriate to support Programmatic and Organizational Strategies and how to manage administration and support needs that impact the organization's efficiency and effectiveness (e.g., develop a salary schemes and additional intangible and indirect benefits to prevent brain drain, develop a financial system that will allow gradually to shift from UNDP guidelines to the Uzbek legal environment at the end of the transition stage).

### **5. CER Program and Management Goals and Objectives**

In this section the CER present its Organizational Development (OD) strategy, which is its plan of action and will serve as a useful guide for operational planning and a reference for evaluation.

The CER's Programmatic Strategy reflects the major transformation that the CER is going to undertake in order to begin acting as a full-fledged strategic think-tank and supportive

to the think-tank an implementing/executing agency. Programmatic Management Strategies are developed to support implementation of the major Programmatic Strategies (Public Relations, Resource Mobilization, Capacity Building and Networking Strategies as well as Risk Management Strategy).

The Organizational Strategy outlines the organizational structure should be adopted to support Programmatic Strategy implementation. The Organizational Management Strategies will support functioning of the new organizational structure.

The Functional Strategy employs the appropriate Legal Set-up Exploring and Financial Management Strategies to support the CER's new organization's efficiency and effectiveness.

## **5.1. CER Programmatic Strategy and Programs' Management Strategy**

### **5.1.1. CER Programmatic Strategy**

The CER's functions are policy advice as the primary function (think tank) and other functions mainly to support policy advice function (implementing/executing agency). The CER's mission stated that "Program Portfolio" will be strengthened and will become

1. Strategic Policy Advice
2. Socio-Economic Management Capacity Development
3. Real and Virtual Dialogue/Participatory-based Information Channeling and Publications
4. Institution Building
5. Development and Implementation of Know-How Marketing Instruments

#### **5.1.1.1. Policy Advice - Think-Tank**

According to the mission statement the current programs on high-quality strategic policy advice and economic management capacity building and information dissemination are and will remain the core and primary services and competencies of the CER. The CER's Policy Advice Program's objective will be along with the demand driven macroeconomic research to develop research and policy advice focused on strategic economic development issues. The "program portfolio" and activities will be selected to be coherent and bring inputs to strategic Policy Advice program. Some research papers will be more oriented to bringing business perspectives and more proactive in bringing comparative information on Uzbekistan.

The programmatic function of Policy Advice will be broadened. This function will be based on results already achieved in bring synergized policy advice, capacities and information up to the Government, "horizontally" to the middle layer of civil servants and to public. The broader function of the CER will be to serve as a HUB in bringing cohesion to the local and international economic community of Uzbekistan. Real and virtual dialogue process to become effective and instrumental "FORUM" will be strengthened.

In addition, law and regulations drafting and expert services as supportive and complimentary to policy advice paper will be considered to enrich the CER in its think-tank capacities.

#### **5.1.1.2. Additional Services-Implementing/Executing Agency**

The strategy for these services is to develop and implement only programs being coherent with policy advice think-tank.

A strategic approach will be taken in marketing new fields of competence, widening research themes and policy advice papers. Along with macroeconomic issues, microeconomic analysis, FDI and ICT Industry, other priority industries as well as socio- economic and development issues will be considered to be covered by the CER research. These perspective fields as well as security issues (including but not limited to food security, economic security, health security and others) as field to focus on will be discussed with the GoU to explore a potential need in strategic policy advice.

The strategy for revenue-oriented programs will be strengthened to become the Development and Implementation of Marketing Instruments as a mix of programs that ensure organizational viability as well as to be resource for high-quality policy advice.

The Institution Building Projects will be strengthened and supported by law and regulation drafting.

Another programmatic direction will be marketing the CER in the Central Asian region, to share experience and explore possibilities of **strategic and conceptual partnership**, collaboration and other opportunities. The special fields of interest could be to explore “research-dialogue-consensus building” and regional security in the very broad term.

### **5.1.2. Programmatic Management Strategies**

The CER will employ the following Management Strategies to support the Programmatic Strategy implementation:

**Resource Mobilization Strategy**

**Public Relation Strategy**

**Capacity Building Strategy**

**Networking Strategy**

**Risk Management Strategy**

**Executive Staff Additional Strategies**

It is worth to highlight that the CER’s new organizational structure within the CER Organizational Strategy (see below) should be considered the first step in earning the GoU’s on the one hand and donors’ and clients’ credibility on the other hand, by raising resource mobilization capabilities and bringing new opportunities for fundraising. The CER’s new Board composition, together with the Board’s carefully designed procedures and responsibilities could be the most instrumental in resource mobilization. A Programmatic Strategy could be considered as the tool for widening the opportunities of the funding sources (through widening and diversification of fields of competence). Public Relations strategy, Resource Mobilization strategy and, as one of these strategies’ major actions, a carefully designed preparation and organization of the Donors’ Conferences should be considered as essential actions for resource mobilization and fundraising.

#### **5.1.2.1.Resource Mobilization Strategy**

Partnership with Donors. In order to successfully mobilize resources with the bilateral and multilateral donor agencies, the CER will seek to develop permanent partnership relations with every donor. This will include periodic meetings with donors, as well as mutually beneficial information exchange. The CER will invite the donors to participate in the discussions of the reports produced as a result of its research and policy advice activities, thus getting donors’ intellectual contribution, as well as showing the quality of CER work. In order to ensure long-term interest of the existing donors in partnership with the CER it will more actively involve them into the general progress of the CER activities, by inviting them at the meetings of the Steering Committee (especially those, who are the official members of this

Committee). The CER will also strive to facilitate the networking between the donors and the civil society institutions using the advantage of its widely developed network of local partners in Tashkent and in the oblasts of Uzbekistan. Another direction that will be explored is cooperation with the international donor community in the neighboring Central Asian states, where there is no alternative institution present currently.

Donors' Priorities. Taking into consideration that every donor organization has its own development agenda, and list of priority areas of support, the CER will separately approach every donor and will learn the procedures of every donor. This will be done having in mind, that any serious contribution, such as sought by the CER, from any of the bilateral or multilateral donor, implies that they discuss and approve it with their governments or governing bodies at the highest level, which makes the decision-making process very time-consuming. In order to avoid any misunderstanding in the organization of the Donors' Conference, the idea of the Donors' Conference, and especially its timing, will be carefully discussed with the potential donors. Before the Donors' Conference would start, the CER will strive to have a minimum critical mass of realistic donor commitments. At the Donors' Conference these commitments would be announced, which would attract other potential donors to make their contributions. In order to ensure a high-level participation of the representatives of donor community, it is hoped that the Government of Uzbekistan would host the Donors' Conference.

Two Stages of Resource Mobilization. In order to effectively use the limited time and resources, the CER will split the resource mobilization strategy into two stages: First stage, short-term, will be targeted mainly at two to three donor agencies, with which the CER has a realistic expectation to raise additional resources, sufficient for its operations during at least two years after 2003. The first stage will start immediately and, hopefully, would successfully finish at the Donors' Conference (if it will be decided to conduct it), or by the end of 2002. Second stage, long-term, will be targeted at all other potential donors, including the international foundations. This stage will start at the Donors' Conference (or anytime after the First stage) and take an ongoing character. Also, the CER will include the formulation of the Endowment fund in its long-term sustainability agenda.

New Revenue Generation The following are focus areas for the New Revenue Generation:

1. The Economic Review

Primarily, the efforts at increasing revenue from the Economic Review are targeted at increased commercialization.

a. Translate to English

This will broaden the audience and paying market-size (Annex X. Marketing "Economic Review").

b. Increased Advertising

The Economic Review current readership consists of the most powerful government and business elite in Uzbekistan. By itself this should command a top-scale advertising rate. Next, increased foreign readership should increase the advertising rate even further.

c. Contacts with Foreign Periodicals

The CER will market to foreign international business publications such as the Economist, the Financial Times, Foreign Affairs, etc. As the New York Times and Wall Street Journal cooperate with major Russian business news organizations (Moscow Times, Skate Press, etc.), Western journals which write about and research Uzbekistan should know they can turn to CER.

d. Reorganization of Marketing and Advertising Activities

Promoting the Economic Review will be lead and done by professionals devoted to marketing.

e. Web Site

English-language abstracts of Economic Review will be available on the Web site, to tempt the viewer to purchase the Economic Review in full, or perhaps to purchase just the full article. The CER web site will appear prominently in the results from any search engine used in the West if one enters simply “Uzbekistan”, “Economy” and certainly if the searcher enters anything more descriptive such as “Reports”, “Statistics”, etc

## 2. Consulting Services

By offering consulting services to donors and private firms alike, the CER’s core assets can be greater capitalized.

Drafting of new economic-related laws – a natural extension from current work, but probably a lot of competition.

## 3. New Building, Facilities

A range of possibilities exists for capitalizing on any under-utilized space in the new building. A cafeteria will employ some Western know-how to distinguish it from the traditional, national restaurant (while still serving national dishes) such as air conditioning, efficient operations, and comfortable, modern interior. The cafeteria will also be positioned with the image of a “thinking person’s” place to eat and socialize. A cafeteria will be a social place where people can read current journals, plug in their laptop and even surf the web. A cafeteria will be the current Economic Review magazine available for review (with sufficient theft-proof mechanisms installed) either loosely, inserted in frames along the wall, or under the glass table-top covers. Also, Western economic publications will be available via similarly accessible viewing schemes. Such a cafeteria could be especially popular with the CER college interns and their circle of friends.

In addition to the graduate school suggested by Dr. Fuat Andic, either the graduate school’s or CER’s library may have some untapped commercial value if, thanks to CER’s greater financial resources can offer larger access to domestic and foreign press, faster access to the internet, higher quality printing and binding services, etc. than the public or academic libraries or the average Internet café.

Enlarged Internet café. Larger and more appealing rooms will be available in the new facilities. The enlarged café will be physically adjacent, even connected to, the new cafeteria.

The CER will offer its employees auxiliary services in order to keep them productive, such as day care centers where employees’ young children will stay after nursery/kindergarten until the end of the parents’ work day or exercise centers, since health and productivity are strongly correlated.

### 5.1.2.2. Public Relations Strategy

#### Sustainability Plan

In order to increase the effectiveness of the Public Relations activities and the efficiency of the staff involved in these activities the following aspects will be taken into account:

Objectives. Taking into account that the Public Relations strategy of the CER is viewed as one among other tools for its successful institutional development, it’s overall objective is limited to *influencing the opinions and perceptions of various important target audiences in such a way, that allows best possible institutional development of the CER.* In doing so, all other objectives related to any problem associated with every separate target

audience will be absolutely relevant to the overall Institutional Development Strategy of the CER.

Planning. The CER will organize its Public Relations activities as an ongoing activity, which will be based on quarterly work plans provided by the Public Relations department, synchronized with other departments, and approved by the top management of the CER. Plans will clearly identify problems to be solved by the Public Relations activities, objectives with respect to every target audience, concrete list of activities, as well as resource requirements, timing, and expected results. The communication with at least priority target audiences will take an ongoing character rather than a one-time initiative.

Diversified Approach. More diversified approach will be adopted by the CER in addressing its major target audiences. It is hoped that every separate target audience will be targeted by a separate Public Relations campaign, so that in fact CER will run several Public Relations campaigns in parallel. On the other hand, because diversification implies increased costs, it will be clearly balanced with the benefits it would bring. Therefore, the priority target audiences will be identified by the CER, which will be given special focus in terms of Public Relations campaigns, whereas all other target audiences will benefit from the campaigns organized for the priority audiences.

### **5.1.2.3. Capacity Building Strategy**

The following major aspects will comprise the CER capacity building strategy:

Ongoing Training Plan. The introduction of the internal training plan for the personnel of the CER is a very important area for the ongoing capacity building of its personnel. Formulation of such plan will apply the bottom-up needs-based approach, which will be balanced by a thorough cost/benefit analysis of any training proposed. The initiative will be taken by the human resource department, and will rather take an ongoing character in order to enable the CER to adequately react to constantly changing environment. Taking into account further institutional growth of the CER and expected diversification of its activities, the project management skills will be considered as a universal training need for almost every staff member of the CER. Training in project management will be organized and conducted using the internal capacities of the CER, as well as the training materials provided in the framework of the current strategy formulation mission. Taking into account the process of the internal decentralization that is conducted in the CER, special attention will be paid to the immediate training needs (gaps) of the heads of all departments in the CER (management staff).

Brain Drain Prevention. As any institution in a transition economy, the CER undergoes the risk of a brain drain. One of the first steps that will be taken in order to avoid this risk will be promotion of the image of the CER as a “career tramplng”, emphasizing though, that the longer one stays with the CER, the better for them in the future. Because it is well-understood that at some point in time, it is virtually impossible to avoid the brain drain, the CER will seek to turn its weakness into the strength: develop such a relationship with every staff member of the CER, that everyone who leaves its, would become its *agent* for development. In this case the CER will become interested in helping its employees to work better, in helping them to grow, and to get promoted, because it can further use their position outside the CER for mutual benefit. In order to develop such a relationship, the CER will hold regular (once every six months) meetings with every staff member in order to forecast their personal plans, assess their level of satisfaction, and find the right tools for personal motivation. Such work will become a responsibility of heads of the departments within the CER.

**Documenting of Experiences.** Another important factor for the institutional capacity building of the CER, which is related to the brain drain, is institutional memory. In order to avoid the risk of loss of useful unique experiences generated by the staff members of the CER, who may decide to leave the organization for another job, the CER will create a unified document, which might be called “CER Institutional Memory” or some other way, where the best practices, CER policies, experiences, and successful approaches will be documented periodically by all the key staff members. This document will be also used to quickly update newcomers in the organization, thus decreasing the time for their orientation and increasing their efficiency.

#### **5.1.2.4. Networking Strategy**

##### Sustainability Plan

**Joint Projects and Fundraising.** While new foreign research institutions and similar think tanks will continue to be sought with the view of developing networking partnership contacts, the relationships with the existing national and foreign research partners will be further strengthened through more active and efficient utilization of such contacts. The CER will strive to initiate joint research, educational and scholars/practitioners exchange programs, or other projects with every networking partner, by combining the research and other resource capacities, as well as through joint fundraising campaigns for every particular project. Such approach will, on one hand, keep the research focus for the CER activities, and, on the other hand, allow diversifying the fundraising sources for the CER.

**Develop the Bottom-Up Approach.** The CER will broaden the contact base with all the oblasts of Uzbekistan through the Hokimiyats, and some NGOs, if it will be possible. In order to efficiently implement this task, the CER will unify the messages to the local partners, thus reducing the time expenditures. In line with possible initiation of joint projects, an increased coverage by the CER to all the oblasts of Uzbekistan will be a first step to develop a universal bottom-up approach towards identification and formulation of proposals for research topics (its part, related to practical problems). It will be kept in mind that the deeper networking relationships would go at the level of Hokomiyats, the more diversified the cooperation could be. Ideally, it is planned to eventually develop a one-to-one partnership cooperation with every oblast over some concrete project.

**Internal CER Networking.** In order to further enhance the time-management capacities within the CER an increased attention will be paid to establishing internal CER information networks based on the functional needs and responsibilities of every department. Although the ideal full-fledged solution here would be to establish a Management Information System (as well as for the overall advancement of the CER effectiveness), one of the immediate steps that will be undertaken in this respect is the identification of format, minimum contents, and frequency of the information flows needed by every department (for example, the PR Department) from other departments (for example, Research Department) within the CER.

#### **5.1.2.5. Risk Management Strategy**

The CER’s Risk Management Strategy development and implementation will consist of the following several steps to be accomplished during the period of 2-6 months after the Steering Committee will approve the Strategic Sustainability Plan.

The **first** and utmost **step** of the CER’s Risk Management Strategy development in defining the risk management purpose is already accomplished. The *purpose* of the CER Risk Management Strategy is the maintenance of CER’s credibility as a reliable institution in

providing high-quality strategic policy advice and other implementation/execution services to GoU, donor and international community, and private sector.

As the **second step** of the CER's Risk Management Strategic Plan, the CER will designate the Risk Management Committee (RMC). According to identified envisaged risks it should consist of 4-5 representatives of CER's top management and Board (or still Steering Committee) responsible for the CER Fundraising, Resource Mobilization, Finance, Public Relation, Security and Human Resources. The RMC will work in partnership with the executive director and a professional responsible for financial management to oversee the risk management function. The RMC will develop an operational plan and incorporate risk management into the CER operation by way of simply anticipating events, planning a response, and, wherever possible, providing adequate financing if something does go wrong.

As the **third step**, the RMC will develop an operational plan to deal with the following identified and already acknowledged by the CER interrelated critical issues and risks, which could affect supporters' credibility and risk fundraising.

Acknowledged critical issues and risks are:

1. current (minor) and possible future brain drain which could result in loss of high-quality research and services delivery capacities of CER and accordingly in loss of the GoU's and other donors' credibility.
2. security (potential fraud: theft or misappropriation) – loss in timely provision of high quality services and resulting loss of credibility.
3. operational management (provision of correct and timely information on any inquiry) – loss of credibility
4. potential loss of tax exempt status and the potential loss of continuing GoU support

In addition to above risks, measures should be developed and included in the implementation plan on monitoring of CER assets for early identification of possible risks.

The following categories cover CER assets:

- **People**: board members, employees, clients, donors, volunteers.
- **Property**: buildings, facilities, equipment, materials, copyrights, and possibly trademarks.
- **“Income”**: government support, grants, contributions, and sales.
- **Goodwill**: reputation, stature in the community, the ability to raise funds and appeal to prospective specialists and volunteers.

These assets should be constantly monitored to identify risks and develop responsive actions in order to prevent or mitigate threats to CER's ability to accomplish its mission.

As the **fourth step** of the implementation plan development, the RMC will decide how to manage risks, using risk management strategies. The four basic strategies for controlling risk will be employed are:

**Avoidance**- not offering or ceasing provision of a service or conducting of an activity considered too risky.

**Modification** - changing the activity so that the chance of harm occurring and impact of potential damage are within acceptable limits.

**Retention** - accepting all or part of the risk, and getting prepared for the consequences.

**Sharing** - considering sharing the risk with another organization. Examples of risk sharing include mutual aid agreements with other nonprofits and sharing responsibility for a risk with another service provider through a contractual arrangement.

The written implementation plan will outline how the CER will manage its major risks and describe the suggested strategy, or combination of strategies that the CER will employ.

As the **fifth step**, the CER Board should formally adopt the implementation plan. The CER Risk Management Strategy implementation will begin when the RMC will distribute

and explain the implementation plan to everyone affected by it. Certain employees and volunteers may need training to enable them to meet their specific risk management responsibilities.

The **sixth step** of Risk Management Strategy, the following activity could be considered. The dynamic nature of CER in response to changes in its of external environment and clients' needs requires that the RMC revisit its strategies at least annually. The committee will evaluate the Risk Management Implementation Plan to ensure its continued relevancy, comprehensiveness, and effectiveness.

The Board will provide leadership and direction for the CER overall risk management program.

#### **5.1.2.6. CER Executive Body Strategies**

The CER's executing body will compose of at least five Units/Divisions. A one Unite will be an Operations Unit to deal with financial issues and support other Program Units.

Program Units will cover programs, their implementation and organizational development, resource mobilization, fundraising and public relations as well.

A Research Unit will employ the Producer Satisfaction Maximization strategy to operate towards a goal of satisfying the professional needs of GoU, Board of Directors, a donor, rather than the established needs of external clients and customers.

An Editorial Unit will try to operationalize the Full Cost Recovery strategy, which will allow to manage its programs and services so that it financially breaks even, providing as much service as the finances will allow. Adoption of this strategy is an effort to provide services without entering fiscal crisis.

Units assigned for Public Relations and Resource Mobilization/Fundraising will employ New Revenue strategy, which will use direct marketing activities designed to receive grants and generate new revenue from specific funding sources. The latter activities will include, but are not limited to, starting a new service or program, approaching a new funding source, changing the way services are provided, or setting up a profit making venture.

Either a new Unit or dedicated group under one of operating Units will be focused on marketing and increasing advertising for the "Economic Review" magazine.

### **5.2. Organizational Strategy and Organizational Management Strategy**

#### **5.2.1. Organizational/Institutional Development**

In executing its mission and achieving its mission's goals the CER will consider the most appropriate organizational structure and ownership set up in order to stay independent in its strategic policy advice and other programmatic approaches.

The overall critical issue of the CER organizational development is the rehabilitation and maintenance of the GoU and donors'/clients' credibility in its ability to provide independent policy advice to the GoU, which will also contribute into its dynamic sustainability.

**a) Concerning the **organizational structure****, the full-fledged structure of a non-profit institution with its usual distinct responsibilities between the Board on one hand and the Staff on the other hand will be established. In other words, the structure, functions and relations of the management body and staff will be improved and brought to ones of an independent institution. The CER will consist of the Board and the Executing Staff. The CER will consider having a Board of Directors/Trustees (the Board). In the new wave of its institutional

development, the CER will consider the establishment of a Board where the Government and representatives of the donor community and clients will be equally presented. What is most important, the broad and equal representation of all stakeholders (the GoU on the one hand and donors/contributors on the other hand) in the Board would secure independent policy advice upon careful recruitment of the Board members and design of the decision-making procedures. That will lay a basis for effective and efficient functioning of the CER as an independent policy advice think-tank meeting expectations of both the GoU and donors and clients.

In other words, balanced representation in the Board and inclusive and participatory procedures in the decision-making should bring shared ownership and as well as responsibility and credibility to all stakeholders within and outside of the CER. **Such equal representation in the Board will bring to the CER an independency in its programmatic, operational and reporting policies and meet GoU and donors/clients expectation in balancing their joint efforts within the mission of the CER. By employing a transparency policy the CER could secure stakeholders credibility. By building and finalizing the shared mission and vision of the CER via an inclusive, participatory process Board members (the GoU and representatives of donors/clients community) as well as the Executive Staff will take on shared ownership.** The CER will consider setting up also an Advisory Board/Counsel to the Board of Trustees, where prominent individuals would be invited and a Board of Supporters to the CER, where interested in CER activities private individuals would be invited

Board will have two roles: supporting and governing. Both of these Board roles will be distinguished from that of management, the province of the Chief Executive Officer (or Managing Director or Executive Director), which membership with Board should be carefully assessed and decision taken.

**b) Concerning funding** sources of the CER activities in light of providing independent policy advice and credibility the following funding arrangement will be presented, discussed and negotiated. Contributions of funds should be secured from GoU, donors and clients. At the beginning of the CER operation within the new organizational structure, the equal contribution of funds both from GoU and joint fund from donors and clients would build mutual credibility. Funds could be contributed in different forms and the idea of the Endowment Fund could be implemented in this scheme as well.

These arrangements will allow securing credibility for CER's sustainable operation and laying a basis for the dynamic sustainability of the CER Organizational Development.

## **5.2.2. Organizational Management Strategy**

### **5.2.2.1. Board Management Strategy**

Board will adopt two roles supporting and governing. Both these roles are critical to effective work by nonprofit organizations. The two roles of support and governance encompass different tasks. In the role of supporters Board members will strive to ensure the success of the organization. The Board will raise money, bring contacts and clout to the organization, and provide special skills and act as ambassadors to the GoU, donor community and other clients. The governance role, on the other hand, will have as its goal protection of the public interest and donors. Governance responsibilities for Board will include selecting the top executive (the Chief Executive Officer) and assessing his or her performance, reviewing and authorizing plans and commitments, ensuring compliance with legal and contract requirements, and evaluating the organization's work.

To do a good job of monitoring, the Board will supervise independent program, management and financial evaluations by contracting independent evaluators. In other words, the Board will need to acquire independent information, an outside "second opinion."

The role of the full Board is one of governance and oversight. As the entity responsible for governing the organization, its focus should remain on the ultimate and overarching goals and strategies necessary to achieve organizational success.

Both of these Board roles will be distinguished from that of management, the province of the Chief Executive Officer or Managing Director or Executive Director, which membership with Board should be carefully assessed and decision taken.

Usually the Board delegates management of the Strategic plan (with all covered strategies) to staff, where under supervision of the executive director the senior management staff develop implementing and operational plans to be approved by Board and executed by the staff.

It is worth mentioning that the Board-Staff relationship is a paradoxical one. When acting in their governing role, the Board must stand above staff and be the "boss." But when acting in their supporting role, Board members act to support and assist staff-led work. A first step towards an effective board is acknowledgment of the paradox, and the need to perform both functions equally well.

Training the Board in governance and support functions and the Staff in management will be organized in upgrading their knowledge and skills according to the modalities of their new operations.

The Board also will provide leadership and direction for the CER overall risk management program. The Board will pay close attention to the risks inherent in its governance activities. The Board's position will enable it to protect the CER against potential risks by:

- Establishing long-term goals and short-term objectives for the CER's program initiatives, Board and staff;
- Measuring performance against established goals and objectives;
- Approving an action plan to meet the CER's goals and objectives, and delegating responsibility for plan implementation to the CER's Chief Executive;
- Monitoring the action plan's implementation;
- Ensuring the availability and proper use of funds to support administrative and program activities through active participation in fundraising programs and the development and monitoring of financial management and fundraising policies; and
- Directing necessary changes in focus and monitoring the impact of these changes.

#### **5.2.2.2. Executive Staff Management Strategy**

Chief Executive Officer/Managing Director/Executive Director of the CER will receive delegation of power in day-to-day managing of the CER.

The main following strategies will be employed:

1. Trade-off between Strategic Policy Advice and Government Demand Driven Programs strategy will be adopted to allow preparing sound agenda for development and implementation according to needs of GoU in strategic and short-run policy advice as well in order to support the Government in its economic management.

2. Legitimization Strategy could be considered as the driving force for the decision-making and will be employed by the top staff management. That strategy aims to communicate to donor community and clients to learn their existing standards and norms - that donors and clients are legitimate and worthy partners or donors or clients to deal with in accordance to the mission statement and match the CER services to their priorities.

3. Seeking endorsements or board participation from prominent individuals will be the strategy of the top executive management to present for revision and approval to the Board.

4. The work organization will be based on teamwork and flexible forms of work organization. However, a trade-off between (a) changing the structure and (b) maintenance of smooth operation will be a strategy in light of the upcoming changes.

### 5.3. Functional Strategy

#### 5.3.1. Appropriate Legal Set-Up Exploring Strategy

Functional strategy for the CER development aims to explore and arrange a legal set up, which in the current Uzbek legal framework and socio-economic circumstances will support the CER Programmatic Strategy and be effective in achieving the CER's mission goals.

**A quasi-governmental institution** (agency, think tank and etc.) is shown to be the most effective where policy advice and/or recommendations should be brought to a government, to be taken into account by a government and their implementations to be achieved. An example for such a think tank could be The Woodrow Wilson International Center for Scholars, a public-private partnership, which supports scholarship and links that scholarship to issues of concern to official Washington. Another example could be brought from the field of investment promotion. In 1997 UNCTAD produced a publication entitled *Survey of Best Practices in Investment Promotion*. The survey was conducted in cooperation with the World Association of Investment Promotion Agencies (WAIPA). The publication<sup>3</sup> brings assessments of effectiveness and efficiency of Investment Promotion Agencies worldwide where the most instrumental in achieving the impact on government decision-making are quasi-government or quasi-private agencies.

Recently, in the field directly tied to CER research activity, a more liberal regulatory framework has been introduced. Currently, the State Committee on Science and Technology ("GKNT") allocates GoU funding for research amongst the various research centers within ministries and higher academic institutions. All are free to lobby for work (i.e. funding) from various sources, especially the donor community. **However, regulations to implement that framework are still underdeveloped** and the CER, as initiator of that reform ('Rational Modality'), is taking a proactive role in the development and piloting of those regulations and procedures.

All above and the unique nature of the CER's activities, idiosyncrasies and peculiarities of Uzbek economic development, and accordingly Uzbekistan's legislation all necessitate looking for a special *arrangement* for the CER's continued operation as the think-tank and implementing/executing agency.

Concerning the legal registration of the above-presented full-fledged CER organizational structure as a non-profit, quasi-governmental (or could be called either quasi-state, or quasi-public, or quasi-private, or quasi-nongovernmental, etc) institution, different

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<sup>3</sup> Survey of Best Practices in Investment Promotion. UNCTAD/ITE/IIP/1. UN, New York and Geneva, 1997

options within the Uzbek legislation could be considered. The most important is to secure credibility of all involved stakeholders and reach the shared ownership and responsibilities. The suggested legal set up options are auxiliary points to support the shared ownership and responsibilities of all involved parties.

To grow toward its organizational independency, from the CER/CESS-UNDP Project hybrid structure towards a uniform, homogeneous institution the CER will consider two stages of its functional development with alternative scenarios.

**The first stage** should be considered as **the transitional stage** toward full functional independency. The transitional stage aims at addressing the critical issue of possible brain drain and will consider seeking the extension of the GoU Presidential Decree of granting the CER at least the same package of privileges to act on the basis of UNDP rules and procedures, but with an organizational structure of the CER, which will be as it is usual practice of any non-profit institution with distinct functions of the Board and the Staff. The transitional stage is the stage, when the GoU and UNDP provide their support from the beginning of 2004. A suggested duration is from 3 to 5 years. In this light, further development of the current legal registration status based on the Presidential Decree and cost-sharing arrangement with UNDP could be considered as one of the priority steps to consider and negotiate. That will greatly contribute to avoidance of any additional shock to the CER in its organizational development process. However, the new structure, relationship and functions covered by those legal documents should be rearranged according to the new Programmatic Strategy, organizational structure and other strategies to be applied.

**The second stage is the sustainable stage**, when after the transitional stage, according to the new external environment different legal set up possibilities could be considered.

For the transitional stage of the CER's OD's legal set up and funding, two simultaneous preparation and arrangement approaches will be taken to discuss and negotiate with the GoU and UNDP to select the most appropriate legal set up and funding scenario. Other major donors in the country will be invited to take part in the process as well.

With GoU three alternative proposals could be considered to discuss and after reaching an agreement to present the draft package for approval:

- Alternative 1.** To extent the current legal set-up of the CER up to 2006 or 2007, with similar privileges granted by the GoU in terms of information access and UNDP rules and procedures, also covering the CER new organizational structure, relationships both within the Board and between the Board and Staff, new CER functions and funding schemes.
- Alternative 2.** To grant to CER the new quasi-governmental status (for example a state joint stock company, or any other) up to 2006 or 2007, with similar privileges granted by the GoU in terms of information access and UNDP rules and procedures, also covering the CER new organizational structure, relationships both within the Board and between the Board and Staff, new CER functions and funding schemes.
- Alternative 3.** To grant to CER the new quasi-non-governmental status (for example a "Service"-Учреждение status, according to Uzbek legislation covering NGOs or any other) up to 2006 or 2007, with similar privileges granted by the GoU in terms of information access and UNDP rules and procedures, also covering the CER new organizational structure, relationships both within the Board

and between the Board and Staff, new CER functions and funding schemes.

The CER's association with UNDP for the transitional stage of its organizational development aims to secure at minimum a cost-sharing agreement to operate within guidelines of UNDP rules and procedures and possible projects/programs to implement/execute. For association with UNDP two options could be considered to discuss and after reaching an agreement to present proposals along with GoU preliminary agreement (or TPR meeting could do that):

**Option 1.** Cost sharing arrangement with 100% of third party cost-sharing.

**Option 2.** Cost sharing arrangement with 100% of third party cost-sharing with secured/negotiated UNDP contracts to implement UNDP current and new projects/programs (not relating to the extension of UZB/98).

Obviously the second alternative with GoU and the second option with UNDP would be the best ones. However, whichever alternative and option will be selected to negotiate, the preparations for them will start immediately after the approval of this draft Strategic Sustainability Plan by the Steering Committee, shaped with the Donors' Conference not later than the end of 2002, and a secure registration package not later than September 2003.

### **5.3.2. Financial Management Strategy**

The Operations Unit management will employ Full Cost Recovery and Increased Efficiency/Automation strategies. Full Cost Recovery strategy will try to that all Operations Unit costs are recovered (a) as an overhead charge to CER's other four program or "line" units and (b) built into the cost structure of new projects, programs, special-order reports and publications.

Increased efficiency/automation the Operations Unit's efforts to reduce first its own internal costs via increased efficiency and office automation, then applying lessons learned to the four other CER units in order to offset the potential loss of revenues or grant monies. This strategy implementation will include, but is not limited to appealing to UNDP for reduced/consolidated reporting requirements, an integrated accounting system to reduce accounting data entry and tracking, increasing staff workloads, increasing use of part time or volunteer staff, eliminating some services, or reducing non-fixed expenses such as not urgent training or supplies. As a measure of internal capacity building, training in the new software package will be necessary for several operations Unit staff professionals.

Under current circumstances, and especially given the CER Transition Model's goal of increasing CER's capacity as the implementing/executing agent for various donors and funding sources, the physically over-crowded office conditions of the Operations Unit need to be rectified as well.

#### IV. DONORS' CONFERENCE

**Slogan** "Mutual Support, Offering and Receiving"

The CER organizational development toward the independent self-sufficient institution and Resource Mobilization Strategy are necessitated to convey several Donors' Conferences. The main strategy adopted by the CER for any Conference conveyed is that "offering and receiving" directions should go along for any targeted audiences.

The stage of CER transitional development from UNDP Project- supported institution toward a full-fledged organization with its independent management and finance operation necessitates conveying the Donors' Conference before finalizing the draft Strategic Sustainability Plan, not later than the end of 2002.

The Donors' Conference should be very carefully prepared through conducting several meetings with governmental officials, representatives of donor and international communities and clients (one by one, separately and together) by presenting a) the CER's programs, achievements, and critical issues and b) the CER's concept of strategic organizational development. These meetings will allow an assessment CER's organizational performance and receipt of guidance for future client needs and programming focuses. The main purpose of this series of meetings should be to receive feedback, advice and develop common expectation from the Donors' Conference.

The Donors' Conference supposed will play several roles and bring to the CER organizational development in completing its mission.

The **purpose** of convening the Donors' Conference is: a) to raise the CER's visibility on the grant market, b) to present the CER's capabilities, and c) to receive support for the CER's activities.

The target **audience** of the Donors' Conference will be GOU officials, economic and social research centers of the GoU, UNDP and UN agencies, international and donor communities, some representatives of local and international academic, R&D, and NGO communities, and local and foreign prominent individuals.

The **objective** of the Donors' Conference is to market the CER through a) assessing the CER's visibility on the grant market, b) raising the CER visibility on the grant market, c) raising donors' support visibility, d) offering the CER's services, and e) receiving support in the CER's organizational development.

The CER will seek different kind of support: financial, technical and non-financial.

Financial: direct contribution (by exploring the possibility of establishing the Endowment Fund), contracts, and privileges.

Technical: advices, training, networking and information.

Non-financial: secured participation in the CER activities, advocacy, institutional, image building, advice and consultancy on the agenda of activities

The CER will **offer** to the audience:

- information on the CER research, services, and capacities;
- invitation to the CER's new Board of Directors and/or Advisory Board;
- invitation to participate in Forums to be organized by the CER by bringing prominent lecturers;
- access to information through free dialog with the Forum Members;
- to take advantage of the CER capacities as channel for policy advice;

- the CER's raw and processed statistical information;
- information on export supply, export potential and investment opportunities;
- information on Uzbekistan's ICT development;
- information on security issues; and
- to take advantage of the CER skills, capacities in project and program implementation and execution.

**To market itself the CER will present:**

- promotional material on the CER and its programs and services;
- perceptions on the CER and its activities by GoU, donors, clients and partners;
- the scope and duration of UNDP support; and
- the CER organizational development strategy, and capacities and potential for new project and program implementation.

**Anticipated** outcomes of the Donors' Conference are the following:

- Assessment of the CER positioning on the grant market by receiving stakeholders' perception on CER as an organization, its programs and activities;
- Assessment of demand for CER activities;
- Raised visibility on the grant market;
- Identification of potential stakeholders, partners and possible supporters;
- Identification of new programs and services to initiate; and
- Advice and support on the CER's organizational development strategy.

Outputs and outcomes of the Donors' Conference will be analyzed and taken into account to finalize the CER organizational development strategy and the CER Strategic Sustainability Plan. An assessment will help to identify the sustainability of the draft strategy developed in terms of the new organizational structure, legal status and functional development. A Board of Trustees, Advisory Board to the Board of Trustees and an additional structure of Board of Supporters could be assessed as well.

Drafted Materials and Documents in Preparation for the Donors' Conference are presented in the Annex H.

## V. CONCLUSIONS AND RECOMMENDATIONS

### 1. Conclusions

Based on the review of relevant documents, survey and interviews conducted with internal and external stakeholders and direct and indirect beneficiaries the mission reaches the following conclusions of two natures: strategic and others tactical.

#### 1.1. Conclusions of a Strategic Nature

##### Organizational Development

- UNDP and GoU jointly, during 9 years, put unprecedented efforts and resources in setting up and developing the CER toward the think-tank institution. It is also worth to mention the commitment of the GoU in terms of almost equal to UNDP financial contributions for the CER development.
- The CER is officially a budgetary organization under the Office of the State Advisor on Economic Policy to the President of Uzbekistan, but essentially is a joint facility of the GoU and UNDP, owing both UNDP and GoU funding, having a joint management body – Steering Committee, consisting of representatives of GoU, UNDP and other donors and it is managed according to UNDP National Execution policies and procedures.
- Both GoU and donors (affiliated and not affiliated with the CER) and direct and indirect beneficiaries as well, agree that the CER is exemplary and unique with its organizational arrangement and capacities, its services and activities are at the utmost importance for the country, most of them are satisfied with quality provided and would be supportive to benefit from more processed reliable information and analysis and services.
- The CER due to many reasons presented throughout the report is uniquely positioned in the grant market and has certain complete advantages and certain secured niches, which could be fully utilized for its sustainability. However, due to the same and other reasons the CER is not sufficiently visible on the grant market.
- Donors can trust the CER for effective implementation of their programs as evidenced by the Program in Economic Policy Analysis (PEPA) Courses sponsored by the World Bank during 1999-2002 to train civil servants and mid-level government officials. Working under a \$414,000 WB grant, the CER, utilizing national and international experts, effectively designed and delivered workshops which were practical and applied, including real-world examples and case studies.
- Since the last evaluation mission, the CER static sustainability and potential sustainability in resource mobilization after the completion of the Project is dramatically changed to opposite: it is worsened. The ownership issue, which is precondition for the CER both current and future sustainability is questioned. The current organizational structure, legal set-up and operation do not meet anymore neither GoU nor donors expectations requirements.
- Both GoU and donors (affiliated and not affiliated with the CER) and direct and indirect beneficiaries as well would be very supportive to the CER both in current services and activities and in broadening them if the ownership issue would be arranged in a satisfactory manner.
- Critical issues of the CER sustainable organizational development are identified and acknowledged by all management and the staff as following:
  - strengthening programs
  - new organizational structure and ownership issue
  - legal status, and
  - sources of its funding

Alternative strategies to address them are developed via an inclusive and participatory process by this strategy formulation mission to begin the consultation with all stakeholders.

- Opinions surveyed prove that consultations are very welcomed by all stakeholders to find out the most appropriate arrangement and support the CER's sustainable development as the joint think tank and implementing/executing agency.
- The CER's staff senior management capabilities and capacities in strategic and dynamic management in dealing with sustainability issues are in place and could be fully utilized by the CER Steering Committee.
- Threats for the CER future sustainability are predetermined by its strengths. The competitive advantages of the CER's developed capacities in strategically managing both the institution and its projects would be deteriorated if funds would not be raised and special privileges will not be granted.
- The CER is distinguished from the various government-funded think tanks by its support from the GoU and UNDP, which affords CER greater international access, partial relaxation from burdensome state administrative reporting requirements, tax exemption, access to official information, and a higher salary scale to attract leading trilingual professional and support staff.
- Although, in the field directly tied to CER research activity, a more liberal framework has been introduced, overall legislative and economic environment are not favorable to operate effectively unless special privileges are granted.
- The legislative framework and overall economic environment do not allow for the inception of the Endowment Fund by Dec. 2003, however the Endowment Fund may well be the preferred longer-term mechanism for CER sustainability. Prospective investors to such a Fund would need significant lead time to be convinced.
- All interviewed agreed that an acceleration of economic reforms would bring changes to the external environment in which the CER operates, but not at the needed pace to become favorable by the end of 2003.

### **Organizational Management Strategy**

- Based on the feedback received from some of the major donors, the overall donor assistance for Uzbekistan is going to be growing because of the general increase of the interest in the Central Asian region. This is not only going to be reflected in the increased technical and financial assistance from existing donor organizations. New organizations are going to enter the Uzbek "donor market" looking for reliable local implementing partners.
- It should be taken into account that the level of transparency is quite increased between the donor agencies. This, among other things, allows them to share a generally positive opinion about the role of the CER and its effectiveness both as the think tank and the implementing/executing agency. So far, only donors, who have dealt with the CER before, are aware of its institutional strengths.
- One extremely effective networking tool, used by the CER in its work with the governmental institutions deserves particular attention, because in some cases it could be equally effective in networking with other CER partners. This tool could be called "participatory research and policy advice". The essence of this tool is that while conducting any research which would result in some concrete policy-related advices, the CER involves in the research process from the very beginning those, who are going to be responsible for eventual implementation of the policy advise made as a result of such research. This does not only increase the feeling of ownership over the results of the research, but also allows to create an utmost quality of research papers by bringing together the top practitioners and academia in any given area of research.

## 1.2. Conclusions of a Tactical Nature

- The CER's research agenda is the result of a consultative and participatory process and not solely GoU-driven, nor does it exclusively reflect the GoU current resource-driven economic policy. Research topics are initially proposed by the CER Research Unit and widely circulated for discussion in various forums amongst various GoU constituencies, donors, and other stakeholders. At the end of this consultative process, the Steering Committee approves the final annual research agenda.
- In its current state, the Operations Unit would be extremely hard pressed, together with the relevant functional Units, to expand the range and scope of CER's role as implementation agent for other donors and funding sources. Burdened by repetitive UNDP reporting and monitoring requirements, tracking accounting data on separately standing Excel spreadsheets, and crowded into a small office that stifles efficiency and productivity, the Operations Unit is barely keeping its head above water, and not prepared for expansion - yet.
- The Economic Review magazine, as well as some other publications, serves as an excellent tool for sharing new information with the CER networking partners. Major feedback received about the magazine from the English-speaking partners, such as embassies, bilateral and multilateral missions, was that the information contained in it had been very useful, and the only improvement they could recommend was to translate some more articles, or at least their outlines into English, which would help to get more English-speaking networking partners to become involved into the process through the CER publications.
- The Economic Review, the CER's flagship publication, is under-utilized as a revenue-generating vehicle and should undergo measures designed for greater commercialization.

## 2. Recommendations

The strategy formulation mission makes recommendations of two natures as well: strategic and tactical.

### 2.1. Recommendations of a Strategic Nature

#### Organizational Development

- The CER could consider its institutional/organizational transition toward an independent stand-alone think-tank by adopting medium-term and long-term strategies. The medium-term strategy addresses the transitional stage and should include finalization of the long-term strategy.
- The CER can consider its medium-term organizational structure in transitional stage as staying a joint facility of GoU and Donors, with primary focus being policy advisory services. The transitional stage toward a full-fledged stand-alone semi-governmental (or semi-NGO) status or non-governmental independent think-tank (agency, or think tank and agency, and so on) should provide valuable lessons and opportunities for further development.
- The CER's structural rearrangement for the transitional stage could involve trade-off of ownership through equal representation of GoU and donors in its governing body, the Board of Trustees, and possibly equal funding from both sides during the transitional stage. Careful recruitment of Board members and design of Board's decision-making procedures should become the basis for effective and efficient functioning of the CER as an independent policy advice think tank meeting expectations of both the GoU on one hand and donors and clients on the other hand.
- Trade-off of representation in the Board and inclusive, participatory decision-making procedures could bring shared ownership, responsibility and credibility to all stakeholders within and outside - the CER.

- The medium-term strategy for the transitional stage – should have a duration from 3 to 5 years.
- The organizational structure of the CER for the transitional period could be considered the following: The Board of Directors and Staff. In addition, an Advisory Board and a Board of Supporters to assist the Board of Trustees and Staff in their decision-making could be established. The Board of Directors should be responsible for governance/ supervision and support, while day-to-day operation and agenda development (subject to approval by the Board of Directors) should be a province of the Staff, headed by a Chief Executive Officer (CEO), who is appointed by the Board of Directors. The Board of Directors should decide the CEO's membership in the Board of Directors.
- Further development of the current legal registration status based on the Presidential Decree and cost-sharing arrangement with UNDP should be considered a priority step to consider and negotiate with both. That will greatly help avoid any additional shock to the CER in its organizational development process. However, the CER structure and functions covered by those legal documents should be rearranged according to the new structure (Board and Execution Staff, and their relations), functions and procedures.
- For the ultimate stand-alone stage, depending of the lessons learned during the transitional stage, improvements or rearrangements of the CER organizational structure, representation in the Board, and funding should all be explored.
- During the Transition Period, CER should actively seek to implement projects of a broad donor/customer base, but especially from those donors who would be likely candidates to invest in the Endowment Fund, either due to greater interest in CER's long-term sustainability, or greater flexibility within their organization's funding possibilities.

### **Organizational Management Strategy**

- Among the most important factors that play a major role in building the internal capacity of an institution is the internal cohesion of its staff. One of the first steps to undertake in this respect is to make it clear for everyone what is the vision and mission of the organization, what are its objectives and strategies. Every staff member should have a feeling of ownership over the achievements of the organization, should experience pride for its successes, and shame for its failures. Certain thought needs to be given to the remuneration system, as it has been already started by the CER management. While thinking about remuneration there could be two types of remuneration mechanisms. One could be used for positions, where the level of success and achievement directly corresponds to the effort, taken by the staff member. In this case the remuneration could consist of two parts: minimum fixed salary and the commission, which would be estimated in proportion to the result achieved. Another could be used for the positions, where level of achievement is not easily tracked, because it highly depends on the efforts of other members of the team. In this case it is recommended to have a general fixed salary only. It is important to note, that improving the remuneration system might not always help by itself. One additional step should be to show how to work more effectively. For example, if the staff members are encouraged to take the initiative and apply for the grants on behalf of organization, having been promised good incentives for their effective work, they might need to be prompted how to effectively apply for grants, too. After they know the way, they will successfully follow it many times.
- Better internal information flows and horizontal connections that would enable the CER to manage its activities and to monitor progress more effectively. These efficiencies can be achieved through improvements in several management areas, key amongst them the establishment of a management information system (MIS) and decentralization of the decision-making process, which has already started as the initiative of the CER top management in the form of the realignment. MIS is a standard management tool especially among organizations which perceive complex objectives and implement diversified activities. For example, using MIS in the framework of the CER's Public Relations activities would be a new, effective tool to address various target audiences in parallel allowing the PR Unit to: (a)

better organize and control the responsiveness of the CER to the needs of all the target audiences, which is crucial for maintaining a positive corporate image, and (b) increase the efficiency of work of the CER's staff responsible for the PR activities.

- With respect to the Endowment Fund it is recommended to include its formulation in the long-term sustainability agenda of the CER. Rather than inviting the donors to make their endowments without any particular project plan, which they are not ready to do, during the Transition Period, after any particular donor makes a contribution into some concrete project, if not already a member of the Steering Committee, it would be invited either as a member or observer, monitor the success of his project and the CER in general. By doing so, it is hoped that the major donors who would contribute to the CER would gradually develop a feeling of ownership. Only after such a long-term exercise it would be feasible to invite the donors to make their long-term contributions into the Endowment Fund.
- Since an enabling legislative and investment environment for creating the Endowment Fund in Uzbekistan by the end of the Transition Period is uncertain, it is recommended to seriously investigate the option of establishing the Endowment Fund abroad initially. The foreign-based Endowment Fund could then contribute to the CER as third-party cost-sharing for core operations or specific purposes. If the environment in Uzbekistan is conducive, the Endowment Fund could then be transferred; if not, the CER Endowment Fund would stay foreign-based as the longer-term solution after the Transition Period.
- CER needs to be well-positioned for every particular donor by making its mission and institutional strengths obvious. Donor visibility is critical. Although is not always mentioned, it is the internationally accepted practice that certain actions should be taken by any recipient of the donor support towards increasing the visibility of the donor in the country, by means of mass-media, promotional materials, special events. It is recommended that hence forward, a special effort would be made to increase the visibility of the donors, who have already contributed to the CER, as well as those who would contribute in the future. On the other hand, it should be taken into consideration that the more visible the CER will be to every particular donor, the more likely that the CER will establish a long-term partnership with them.
- One of the challenges faced by the Public Relations component of the CER is to clearly broaden its image in the perceptions of major target audiences, so that it goes beyond the limits of just a research institution.
- There is a need to clearly identify all the target audiences and put clear objectives for the CER's Public Relations activities with respect to each target audience. This is important in order to economize the financial and other resources of the CER by picking the most appropriate and cost-effective tools to influence the perceptions about the CER of each target audience. It is also recommended that more detailed grouping such as "Government – President's Office", and "Government – Line Ministries and their Research Centers" would be adopted rather than the generalized grouping, such as just "Government". This needs to be done in the cases where there are identified different problems associated with various sub-groups within general target audience.
- Among the factors that are crucial for maintaining an ongoing cooperation with the current donors and any future donors is the quality of reporting materials. It should be noticed that the overall quality of the reporting materials produced within the CER is quite impressive. In order to utilize reporting as an effective tool for further resource mobilization, it is recommended that the reporting formats would be adjusted according to the preferences of any given donor.
- Promotional materials may be distributed. As a guiding rule for any promotional material it is important that such material needs to clearly advocate the vision and the strategy of the CER with respect to the interests and objectives of the given target audience. In line with this, it should be pointing out concrete strengths of the CER relevant to the interests of the target audience, backstopped by brief quantitative (number of beneficiaries and clients served, costs of projects implemented), qualitative (proven outcomes, letters of gratitude, etc.), and visual (photos) information from previous experiences of the CER. It is also

important that in terms of language, formatting, and logical succession of the integral parts of a promotional material, the information would be provided in a way, which would be most appropriate to the habits of the given target audience. It is also important that the information provided in the promotional material could be proven, if checked.

- The CER should initiate joint research, educational and scholars/practitioners exchange programs, or other projects with every networking partner, by combining the research and other resource capacities, as well as through joint fundraising campaigns for every particular project. Such approach would, on one hand, keep the research focus for the CER activities, and, on the other hand, allow diversifying the fundraising sources for the CER.
- It is recommended to broaden the contact base with all the oblasts of Uzbekistan through the Hokimiyats, and some NGOs, if possible. In order to efficiently implement this task it is recommended to unify the messages to the local partners, thus reducing the time expenditures. In line with possible initiation of joint projects, an increased coverage by the CER to all the oblasts of Uzbekistan would be a first step to develop a universal bottom-up approach towards identification and formulation of proposals for research topics (its part, related to practical problems). The deeper networking relationships would go at the level of Hokimiyats, the more diversified the cooperation could be. Ideally, it could eventually realize itself into the one-to-one partnership cooperation with every oblast over some concrete projects.
- Increased attention should be devoted to establishing internal information networks based on the functional needs and responsibilities of every department. Although the ideal full-fledged solution here would be to establish a Management Information System (as well as for the overall advancement of the CER effectiveness), one of the immediate steps to undertake in this respect could be the identification of format, minimum contents, and frequency of the information flows needed by every department (for example, the PR Department) from other departments (for example, Research Department) within the CER.

## **2.2. Recommendations of a Tactical Nature**

- Up-dated analytical instruments should be developed and applied to allow the CER to equip the GoU with strategic policy advice tools. The CER's research and policy advice as well some research papers should be more oriented to bringing business perspectives and more proactive in bringing comparative information on Uzbekistan.
- An approach should be taken in marketing new fields of competence, widening research themes and policy advice papers. Along with macroeconomic issues, microeconomic analysis, FDI and ICT Industry, other priority industries as well as socio- economic and development issues should be covered by the CER research. Security issues (including but not limited to food security, economic and real sectors security, health security and others) as field to focus on could be discussed with the GoU to explore a potential need in strategic policy advice.
- Law and regulations drafting and expert services as supportive and complimentary to policy advice papers should be considered and could bring additional strength to the CER in its think tank capacities.
- Another interesting direction could be marketing the CER in the Central Asian region, to share experience and explore possibilities of conceptual partnership, collaboration and other opportunities. The special field of interest could be “research-dialogue-consensus building” and regional security in the very broad term.
- Relationships should be established and continuously nurtured with analogous think tanks in the West for possible to “twinning” relationships which could lead to project implementations, via their contacts with the international donors.
- Open channels of communications should be established and maintained with the International Divisions of the major Western Endowment Funds, especially those engaged in

economic and social policy research (which, by liberal interpretation, can be applied to many) to raise their interest and awareness in Uzbekistan and CER in particular.

- Appeal to UNDP for a partial relaxation of those reporting requirements, which are redundant, through a more rational reporting regime.
- After careful and exhaustive product research, install an automated accounting system to reduce the number of data entry points, reduce human error, and provide better cost accounting. For example, Research Consultants – even their subcontractors – and editors could better track the amount of time spent on each paper or activity associated with each paper as well as other costs.
- Apply fully loaded overhead allocation to completely assign costs to functional Units and new projects. Include overhead costs in preparing bids for new projects.
- Until the CER transfers to its new office building, obtain additional premises in its current premises in order to afford the Operations Unit a more efficient working environment. Depending on office space availability, each functional Unit head should also have an improved working environment i.e. his own office.
- During the Transition period, as prospects for the Endowment Fund grow, training with Western counterpart Endowment Funds i.e. potential investors should be pursued.
- Constantly monitor that the CER Web Site appears prominently on the first screen of results after a web-searcher inputs “Uzbekistan” and “Economics” or “Social Policy” or “Statistics”.