

## **RECOMMENDATIONS TO PRACTICAL IMPLEMENTATION OF DEVELOPMENT STRATEGY FOR CENTER OF ECONOMIC RESEARCH**

Being cognizant of the need to clearly articulate and pursue its long-term development objectives, CER convened a Strategy Formulation Committee which has drafted a Strategic Sustainability Plan. The plan envisages CER evolving in a fully independent and sustainable think tank which will maintain its cutting edge position in applied economic policy analysis in Uzbekistan. According to the Development Strategy that is based on the above plan, CER will graduate from direct support of its founding sponsors, the Government of Uzbekistan and UNDP, while continuing its active engagement with both of these key stakeholders and with other donor, civil society and private sector constituencies.

An assessment of CER's performance up to date prepared by Leonid Polishchuk allowed to produce specific recommendations towards the Development Strategy of CER, based on the revealed competitive advantages of the Center, its development potential, constraints and bottlenecks, as well as on the evolving environment in which CER will be operating in the years to come.

### **CER's size, organization, and spheres of competence**

CER's analytical agenda rapidly expanded over the last several years, reflecting the growing needs of policy reform in Uzbekistan. The Center's staff grew accordingly, although much of the work was carried out in the CER's signature fashion, by expert teams involving outside experts and government officials.

This growth of scope and scale of CER's operations was appropriate, given the multiple calls for policy studies and the Center's unique ability to answer such calls. However, CER might be approaching its growth limits, beyond which it would become less manageable and able to deliver quality products. Besides, the emergence of other think tank-like organizations in Uzbekistan, some of which specialize in particular fields of economic policy analysis, could reduce the appeal of the ad-hoc team model. For the time being this model allows CER to outperform its competitors which often lack the human and relational capital available at CER and professional and organizational know-how, but these competitive advantages of the Center could erode over time.

It is therefore suggested that CER becomes more specialized and establishes itself as a 'specialty boutique' in particular areas of policy-making where it accumulates in-house professional experience, information and other ingredients of policy studies. Such areas of primary competence should be chosen based on the Center's assessment of the current

and future needs in policy studies in Uzbekistan, professional interests of its key staff members, its own and its potential competitors' relative strengths and weaknesses.

Two of the present seven thematic groups of CER – Fiscal Policy and Monetary Policy units – work in the areas where other institutions specialized in fiscal and monetary studies are now active. At present CER cooperates with these other institutions, through outsourcing and/or recruitment their staff members in the Center's project teams, but it is likely that in the future these organizations will be also competing with each other. CER has strong background in macroeconomic studies (which were initially its main focus) and in fiscal analysis, but needs to review its options and make a decision on whether these areas of policy analysis will continue to be prominent the center's thematic portfolio. No matter what the results of such reassessment will be, it is also recommended to consider the following thematic options:

- Institutional environment in Uzbekistan (including the informal sector)
- Labor market problems
- Poverty, inequality and economic development
- Civil service reform and prevention of corruption
- Public sector reform (including education, health care, and safety nets)
- Economics of legal reform, courts and law-enforcement
- Government decentralization
- Trade policies
- Rural economic development
- Information and telecommunication technologies

The list of CER's thematic priorities should be neither closed nor exclusive, and should not prevent the Center from implementing projects in other thematic areas. Its purpose is to identify areas of specialization where CER will be investing its development resources and where it intends to stay on the leading edge in the increasingly competitive policy analysis market in Uzbekistan.

### **Human capital**

CER has an excellent team of analysts and managers who are recognized leaders in their fields of expertise. However, the heavy reliance on the model where CER's 'top guns' serve as project coordinators restricts opportunities and time available for their own professional growth as policy analysts. This trend should be counteracted by maximizing substantive input and participation of CER analysts in the Center's policy studies (perhaps by splitting team management and intellectual leadership functions between those at CER specializing in team coordination and management and those that do mainly analytical work). CER should gradually increase the share of projects which are implemented primarily by its own analysts, where outsiders (such as government officials) supply information, participate in discussion of work in progress, provide 'reality check' and facilitate implementation.

Other options for professional growth of CER's analysts are:

- Enrollment in educational/training programs
- Participation in joint collaborative studies with leading Western economists and policy experts
- Writing professional papers for submission to reviewed international journals
- Preparing and teaching on part-time basis of undergraduate and graduate courses in Uzbek universities
- Professional exchanges, visits and internships at foreign think tanks and universities

Recruitment of younger analysts could best be accomplished through supervision at CER of graduate work of promising students, with the option of subsequent employment.

Professional growth of personnel is a difficult problem for any think tank which lives off 'soft money' and needs to be concerned about a steady inflow of revenues. Such concerns could be in conflict with the long-term objective of professional development, which requires balancing long-term and short-term objectives of an institution. This task can be made easier by maximizing opportunities for in-depth research and analytical work by CER staff members in the ongoing revenue-generating projects, by producing research papers based on such projects, presenting their results (stripped of technical details) at seminars and conferences, etc.

### **Marketing and fundraising**

Emerging think tanks in transition countries are often supported with core grants provided by donors who are concerned with *institutional development* of new organizations. As a think tank matures, gains professional and organizational strength, accumulates human, institutional and relational capital, develops reputation and track record, it supplements core funding with additional revenues from various funding sources, primarily grants and contracts awarded by multiple donors. This allows nascent think tanks to 'graduate' from initial support, which could be either gradually phased out or continued on contractual basis, instead of general purpose block grants. CER should follow this general trend.

To improve its fundraising prospects, the Center has to regularly inform potential donors of its work, new projects, recent accomplishments and growing potential. To this end, donors' representatives should be invited to CER's public events and, if appropriate, Steering Committee meetings where CER project portfolio is discussed. Another option is to circulate among the donors a periodic newsletter which provides a regular update on CER's work and capabilities. These outreach mechanisms will not immediately generate new projects, but will keep the Center on donors' 'radar screens' and will improve chances of winning future grants and contracts.

It is unlikely that new donors will agree to join a donor consortium to provide further institutional support to an already successful think tank. Their reluctance is two-fold – first, newcomers won't be able to take credit for setting up a successful institution, and second, demonstrated success of the think tank is an evidence that the organization is past its infancy, which weakens the case for additional no-string-attached institutional support.

Instead, CER should practice direct communication with individual donors, approaching them one-by-one with specific project proposals. Such proposals should emphasize the ability of the Center to further the donor's main objectives and programmatic priorities. The latter will have to be clearly identified either by studying the donor's official materials, web site, etc. or through preliminary fact-finding contacts. A winning grant application should demonstrate why CER is best suited to meet the donor's specific needs, and how the proposed project would advance the donor's agenda. The prospects for such efforts with major international donors present in Uzbekistan, are very good. The Center is well-known and well-respected in the donor community, and its proposals would be welcomed and taken seriously.

Many foundations that are potentially interested in supporting projects in Uzbekistan don't have offices in the country (or even in the Central Asian region). CER's marketing should include such foundations as well, first by mailing its materials, and later, if initial correspondence showed significant mutual interest, by visiting their headquarters. IRIS could help CER with identifying such potential donors.

## **Dissemination**

The Center's dissemination and outreach program is well-known and praised for quality and effectiveness, but could still be improved.

First, some of CER's counterparts are concerned that CER oftentimes publicly circulates only brief abstracts of its studies, citing confidentiality constraints or use of classified information. While these are valid reasons, limited releases of policy products undermine CER's reputation outside of the government as a top policy analysis institution. In particular, the national and international community of policy experts and professional economists has to be better informed of CER's work. To this end, it is recommended that CER launches its working papers series (preferably in English, or even better in English and Russian) which will be available on the web and addressed primarily to professional economists, policy experts and development and donor organizations. While it would be unrealistic to expect every CER's project leads to a policy paper, there should a critical mass of such papers produced annually (at least 5-10 a year), based on the projects which are less technical and where circulation restrictions would be less binding.

CER's *Economic Review* is unanimously considered as the best economic periodical of the country. Publication of the journal is subsidized by the Center, and for the time being this practice will continue, as subscription and sale proceeds are unlikely to cover the production cost, and advertisement revenues will most likely remain modest. Still, the

journal remains a mix of different types of materials, including in-depth analyses, sometimes with formulas and other technical details, shorted policy papers, foreign press digests, and general interest publications. Perhaps the first type of materials is less suitable for the model of journal that *Economic Review* is following; it would be more appropriate to circulate such materials as professional papers (e.g. in the aforementioned working paper series, or submitted to specialized journals).

CER has to increase the coverage of its work in the national general media, by issuing press releases or by presenting its work to journalists that are affiliated with project teams. It should also more broadly practice public presentations of its work through conferences, policy roundtables, etc.

It is critically important for CER's long-term development prospects that the papers of staff members are submitted for publication in international professional journals. Joint submissions with foreign colleagues that work on collaborative projects with CER are also highly desirable.

### **Educational programs**

CER's outreach efforts include attempts to venture into economic education at the university level. While links to post-secondary institutions are natural, given CER's mandate and role, the Center has to clearly visualize its competitive advantages in advancing modern economic curriculum in Uzbekistan, find niches that it intends to fill, coordinate its efforts with other economic curriculum reform programs, and establish partnership relations with the nation's universities. CER has good opportunities for providing internship for post-graduate students who can be later recruited as staff members (and perhaps even opening its own *aspirantura* in applied economic analysis), as well as for producing and teaching applied courses in such fields as economics of regulation, law and economics, public sector economics, development and reform, etc.

CER could establish partnership relations with economics departments of leading universities in Russia, Central and Eastern Europe, and the West, to develop and deliver the above courses in cooperation with foreign colleagues. There are very good opportunities for CER's partnership with the New Economic School (NES) in Moscow – the top Master's level program in economics in the former Soviet Union. Such partnership could include collaborative course work, training programs in Uzbekistan, exchange visits to NES for CER staff members, etc.

Natural audiences for CER's educational and training programs beyond universities are government officials, civil servants and public sector employees, journalists and economic experts in Uzbekistan and throughout the Central Asian region. International development agencies broadly fund such programs, and CER could become their implementing agent.

## **Engagement with government**

Close relations with the government as one CER's main assets, both in terms of funding and access to information, and as an opportunity to communicate policy studies, shape government agenda and otherwise influence policy-making process. These close relations are also valued by donors who view them as an opportunity to advance economic reform in Uzbekistan through projects implemented by CER.

However, the changing circumstances require modification of CER's engagement with the government. First, this relationship should be made more transparent on put on a contractual base. The contract should confirm the Center's role as a source of policy advice for the government, and specify the government's long-term commitment to provide the Center with funding and in-kind support. The contract should also confirm the role of CER in training of government employees and civil servants. The contract will have to ascertain that the Government respects professional independence of the Center and refrains from control over its policy outputs, assessments and implications.

Greater transparency in relations with government will also assure donors that there are institutionalized channels to communicate CER's studies into the policy-making process (at present some donors want to see more evidences that CER's policy work is indeed a potent factor in government policy-making in Uzbekistan).

One of important areas of CER's communication with the government is the new regime for research and development in Uzbekistan. The recent reform which has established the Center for Science and Technologies that is expected to allocate government contracts and grants for research remains incomplete, as there are no clear procedure for awarding such contracts, allocation of funds between thematic areas, quality control, etc. CER would benefit from a transparent merit-based regime of government funding or policy studies, and has the professional capacity to help government establish such regime, reflecting best international practices and realities of Uzbekistan.

## **Relations with UNDP**

Support of UNDP, and in particular core funding, gave CER a strong development impulse. Despite of the demonstrated success of the Center, its enhanced professional and institutional capacity and improved ability to raise funds on its own, cooperation with UNDP remains an important condition of sustainable development of CER. If such cooperation were abruptly discontinued, it would have undermined the unique position of the Center as a bridge between the Government of Uzbekistan and international development agencies, and could have been misinterpreted in the rest of the donors' community as a lack of confidence in CER.

At the same time the mode of cooperation between UNPD and CER should evolve to reflect the increased maturity of the Center, prepare it to eventual graduation from UNDP's support, and be more consistent with the independent think tank model. This

requires replacement of a block institutional development grant by financing tied to specific projects and activities that directly benefit the donor and the recipient of funds. It is proposed that this new mode of funding consist of two stages.

In the first stage which could last up to a year CER helps UNDP to develop a mid-term action program in Uzbekistan. CER will receive appropriate compensation with UNDP, offered on the contractual basis, for its role in the work on the action plan.

At the second stage the jointly produced action plan will be implemented, with continued active involvement of CER. This time the Center will have specific roles to play in the UNDP's activities and projects provided by the action plan, and again, will be contracted by UNDP to perform its services.

The feasibility and potential of the proposed strategy can be seen from the fact that the United Nation Team in Uzbekistan has already been successfully collaborating with CER on important policy analysis projects, including the joint study by UNDP and CER on "Linking Macroeconomic Policy to Poverty Reduction in Uzbekistan" (2003), which has become an analytical cornerstone for UNPD's strategy in the country.

### **Think tank networking and partnership**

CER could assume a leading role in building a professional network that includes other policy institutions in Uzbekistan and neighboring countries, and establish itself as a regional hub of think tank movement. This would contribute to CER's prominence with international donors and programs and further facilitate fundraising.

CER should also explore opportunities for entering into professional partnership with other institutions from the transition region and the West, and for joint fundraising efforts on behalf of partner institutions. Such institutions could include major universities and think tanks with interest in Central Asia, as well as international umbrella programs (such as the Kennan Institute, American Association for Advancement of Slavic Studies, etc. Potential partners should be included in the circulation list of the newsletter suggested earlier in these recommendations.

IRIS Center at the University of Maryland has a broad experience of fruitful partnership with policy think tanks in transition and developing countries, and would be willing to explore opportunities for cooperation with CER, identify analytical projects of mutual interest, and jointly seek support for such projects.