

# Project Administration Manual

Project Number: 47305-002

Loan Number: 3471

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## Uzbekistan: Horticulture Value Chain Development Project

**Important Note:** This Project Administration Manual is an active document. It will be updated and revised progressively as and when necessary during each review mission. The contents herein are intended to assist and facilitate project management and implementation. If there is any conflict with any other legal agreement(s) related to this project, the provisions in the legal agreements will prevail.

## ABBREVIATIONS

ADB	–	Asian Development Bank
CAR	–	capital adequacy ratio
CBU	–	Central Bank of Uzbekistan
CQS	–	Consultant's Qualification Selection
ESMS	–	environmental and social management system
GAP	–	gender action plan
HVCDP	–	Horticulture Value Chain Development Project
IFRS	–	International Financial Reporting Standards
ISA	–	International Standards of Auditing
MOA	–	Ministry of Agriculture
MOF	–	Ministry of Finance
NCB	–	National Competitive Bidding
NPL	–	non-performing loans
PFI	–	participating financial institution
PIU	–	project implementation unit
PMO	–	project management office
AIFSA	–	Agency for Implementation of Projects in the field of Agroindustry and Food Security
SLA	–	subsidiary loan agreement
SOE	–	statement of expenditure

## **CONTENTS**

	Page
<b>I. PROJECT DESCRIPTION</b>	1
<b>II. IMPLEMENTATION PLANS</b>	1
A. Project Readiness Activities	1
B. Overall Project Implementation Plan	2
<b>III. PROJECT MANAGEMENT ARRANGEMENTS</b>	2
A. Project Implementation Organizations: Roles and Responsibilities	2
B. Key Persons Involved in Implementation	3
C. Project Organization Structure	6
D. Eligibility Criteria for PFIs, Subborrowers, Subprojects and Subloans	8
E. Preliminary Qualified Participating Financial Institutions	12
<b>IV. COSTS AND FINANCING</b>	13
A. Allocation and Withdrawal of Loan Proceeds	13
B. Detailed Cost Estimates by Financier	15
C. Contract Awards and Disbursement S-Curves	15
D. Fund Flow Diagram	17
<b>V. FINANCIAL MANAGEMENT</b>	17
A. Financial Management Assessment	17
B. Disbursement	20
C. Accounting	22
D. Auditing and Public Disclosure	22
<b>VI. PROCUREMENT AND CONSULTING SERVICES</b>	23
A. Advance Contracting and Retroactive Financing	23
B. Procurement of Goods, Works, and Consulting Services	23
C. Procurement Plan	25
D. National Competitive Bidding	31
<b>VII. SAFEGUARDS</b>	31
<b>VIII. GENDER AND SOCIAL DIMENSIONS</b>	32
<b>IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION</b>	34
A. Project Design and Monitoring Framework	34
B. Monitoring and Reporting	36
C. Evaluation	36
<b>X. ANTICORRUPTION POLICY</b>	37
<b>XI. ACCOUNTABILITY MECHANISM</b>	37
<b>XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL</b>	37

## **Project Administration Manual Purpose**

The project administration manual (PAM) describes essential requirements for the Ministry of Finance, Agency for Implementation of Projects in the field of Agroindustry and Food Security (AIFSA)<sup>1</sup> – the executing agency, and the participating financial institutions (PFIs) – implementing agencies to carry out the project in accordance with the loan and project agreements of the government of Uzbekistan and the participating financial institutions (PFIs) and Asian Development Bank (ADB). The PAM provides relevant reporting requirements and instructions either through linkages to relevant URLs or direct reference.

The MOF, AIFSA and PFIs are wholly responsible for the implementation of the ADB-financed project, in accordance with the loan and project agreements entered into by the government and ADB and each PFI. ADB staff is responsible for supporting implementation including monitoring compliance by MOF, AIFSA, and each PFI.

At loan negotiations, the Government of Uzbekistan and ADB shall agree to the PAM and ensure consistency with the loan and project agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan and project agreements, the provisions of the loan and project agreements shall prevail.

After ADB Board approval of the project, changes in implementation arrangements are subject to agreement and approval by the Government of Uzbekistan, the PFIs and ADB and upon such approval, such changes will be incorporated in the updated PAM.

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<sup>1</sup> AIFSA was established through the merger of the Rural Restructuring Agency (RRA) and the Center for Implementation of the Projects in Agricultural and Water Sector (CIPAWS) in accordance with Presidential Decree No. UP-5418 dated 17 April 2018. The decree acknowledges that AIFSA is the legal successor of the RRA and the CIPAWS with regard to their rights, obligations, and contracts.

## I. PROJECT DESCRIPTION

1. The proposed project will support the government strategy in horticulture value chain development through increasing outreach of participating financial institutions (PFI) to horticulture farmers and entrepreneurs in all in twelve regions nationwide and the Republic of Karakalpakstan. It will improve access to market-based bank finance for farmers, agro-processing enterprises, owners and operators of cold storage facilities, trading and logistics service suppliers involved in the horticulture value chain. The project will help increase farm productivity, processing and storage capacity, and reduce post-harvest losses through upgrading and setting up intensive orchards, modern and efficient greenhouses, processing, storage and refrigeration facilities. This will in turn promote long-term economic and environmental sustainability, and enhance profitability for farmers and agribusiness enterprises.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

**Table 1: Project Readiness Activities<sup>a</sup>**

Indicative Activities	2016-2017						Unit
	Nov/ 16	Dec/ 16	Jan/ 17	Feb/ 17	Mar/ 17	Apr/ 17	
National feasibility study	▲						ADB
Government approval (issuance of government resolution)		▲					MOF
Loan and project agreements signing			▲				ADB, MOF, PFIs
Government legal opinion provided			▲				MOF, MOJ
Government budget inclusion			▲				MOF
Signing of the subsidiary loan agreements between MOF and PFIs			▲				MOF, PFIs
Acceptable project implementation units in each PFI are formed			▲				PFIs
Each PFI appoint a focal person to oversee implementation of ESMS and gender action plan			▲				PFIs
ADB confirms acceptability of PFIs' established ESMS and conducts training on ESMS to PFI staff.			▲				PFIs If ESMS is not ready PFIs can only finance Category C subprojects
On-lending arrangements are in place							ADB, MOF, PFIs
Loan effectiveness				▲			ADB

<sup>a</sup> Assuming Board approval in November 2016.

ADB = Asian Development Bank; MOF = Ministry of Finance; PFI = participating finance institution; ESMS = environmental and social management system  
Source: ADB staff estimates

## B. Overall Project Implementation Plan

**Table 2: Project Implementation Plan**

Indicative Activities	2017				2018				2019				2020				2021				2022			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
ADB executes project agreement with the PFIs.																								
Environmental and social management systems (ESMS) of PFIs are established																								
PFIs disburse subloans to horticulture subborrowers																								
<b>Project Management Activities</b>																								
ADB review missions																								
Submission of quarterly progress reports																								
Submission of annual safeguards monitoring report																								
Submission of Project Completion Report																								

ESMS = Environmental and social management system; PFI = participating financial institution; Q = quarter.

Source: Asian Development Bank.

## III. PROJECT MANAGEMENT ARRANGEMENTS

### A. Project Implementation Organizations: Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
Agency for Implementation of Projects in the Field of Agro-industry and Food Security (Executing Agency)	<ul style="list-style-type: none"> <li>➤ Together with the Ministry of Finance, execute subsidiary loan agreements with the PFIs</li> <li>➤ Monitor PFIs' performance and compliance with project agreements against design and monitoring framework (DMF) targets</li> <li>➤ Coordinate capacity development activities with regard to PFIs and subborrowers</li> <li>➤ Monitor timely disbursement of ADB loan funds to PFIs</li> <li>➤ Submit project completion report to ADB within 6 months from project closing date</li> </ul>
Participating financial institutions (PFIs) (Implementing Agencies)	<ul style="list-style-type: none"> <li>➤ Carry out credit origination and monitoring of eligible sub-borrowers in line with sound banking principles</li> <li>➤ Select subloans in accordance with eligibility criteria set out in the project agreements</li> <li>➤ Establish environmental and social management systems and ensure that subborrowers comply with ADB's Safeguard Policy Statement (SPS) and applicable environmental, health and safety and social laws and regulations of the Republic of Uzbekistan</li> <li>➤ Manage financial reporting, accounting, and auditing of project-related activities</li> <li>➤ Designate dedicated staff for project implementation unit</li> <li>➤ Implement Gender Action Plan (GAP)</li> <li>➤ Submit to ADB annual audited financial statements that include an audit management letter and an audit opinion on the use of loan proceeds, and the statement of the imprest account</li> <li>➤ Submit to ADB quarterly progress reports within 30 days from the end of each quarter, and respond to other information requests</li> <li>➤ Submit to ADB annual safeguards monitoring report in February</li> </ul>

Project implementation organizations	Management Roles and Responsibilities
	each year
Asian Development Bank (ADB)	<ul style="list-style-type: none"> <li>➤ Monitor project achievements as described in the DMF and compliance of MOF and the PFIs with covenants and safeguards as set out in loan and project agreements</li> <li>➤ Conduct field reviews of implementation twice a year</li> </ul>

## B. Key Persons Involved in Implementation

Executing Agency	
<b>Ministry of Finance</b>	<p>Officer's Name: Timur Ishmentov  Position: First Deputy Minister  Email address: <a href="mailto:mmirzaev@mf.uz">mmirzaev@mf.uz</a>  Bakhtiyor Maksimkulov  Position: Head  Foreign Assets and Liabilities Management Department  Telephone: (+998 71) 239 1128  Email address: <a href="mailto:dmaksimkulov@mf.uz">dmaksimkulov@mf.uz</a>  Office Address: 5, Mustaqilik Square, Tashkent 100008, Republic of Uzbekistan</p>
<b>Agency for Implementation of Projects in the Field of Agro-industry and Food Security (AIFSA)</b>	<p>Officer's Name: Shokhrukh Shoakhmedov  Position: Director General  Telephone: (+998 71) 237 1657  Email address: <a href="mailto:info@AIFSA.uz">info@AIFSA.uz</a>  Officer's Name: Bakhtiyor Kamalov  Position: Deputy General Director  Telephone: (+998 71) 237 1889  Email address: <a href="mailto:resp@sk.uz">resp@sk.uz</a>  Office Address: 1A, block "A", Labzak Street, Tashkent, 100000, Republic of Uzbekistan</p>

Implementing Agencies	
<b>Joint-Stock Commercial Bank with Foreign Capital Hamkorbank</b>	<p>Officer's Name: Mr. Jasur Ibragimovich Khasanov  Position: Chairman of the Management Board  Telephone: (+998 74) 2980898  Email address: <a href="mailto:j.khasanov@hamkorbank.uz">j.khasanov@hamkorbank.uz</a>  Officer's Name: Ravshan Kadirov  Position: Head of International Financial Institutions Division  Telephone: (+998 71) 150 9128  Email address: <a href="mailto:r.kadirov@hamkorbank.uz">r.kadirov@hamkorbank.uz</a>  Office Address: 85, Babur Av., Andijan, 170119 Republic of Uzbekistan</p>
<b>Joint-Stock Innovation Commercial Bank "Ipak Yuli"</b>	<p>Officer's Name: Saidabrur Saidagzamovich Saidakhmedov  Position: Chairman of the Management Board  Telephone: (+998 71) 120 3878  Email address: <a href="mailto:a.saidakhmedov@ipakyulibank.uz">a.saidakhmedov@ipakyulibank.uz</a>  Officer's Name: Dilaziz Sultanov  Position: Head of Division International Financial Institutions Division  Telephone: (+998 71) 140 7804  Email address: <a href="mailto:d.sultanov@ipakyulibank.uz">d.sultanov@ipakyulibank.uz</a>  Office Address: 2, A. Kodiriy Str., Yunusabad District</p>

	100017 Tashkent, Republic of Uzbekistan
<b>Private Joint-Stock Commercial Bank "Davrbank"</b>	<p>Officer's Name: Abdumajid Abduvahitovich Samadov  Position: Chairman of the Management Board  Officer's Name: Mirsodiq Mirzahidov  Position: Head of Department for cooperation with IFIs  Email address: <a href="mailto:mirsodiq.mirzahidov@davrbank.uz">mirsodiq.mirzahidov@davrbank.uz</a>  Telephone: (+998 71) 248 3430  Office Address: Block A, Navoi-Zarqaynar Street., Tashkent, 100011, Republic of Uzbekistan</p>
<b>The National Bank for Foreign Economic Activity of the Republic of Uzbekistan (NBU)</b>	<p>Officer's Name: Alisher Kudratullaevich Mirsoatov  Position: Chairman of the Board  Telephone: (+998 71) 235 3952, 235 3852  Email address: <a href="mailto:info@nbu.uz">info@nbu.uz</a>  Officer's Name: Obid Akhmedov  Position: Head of Credit Department  Telephone: (+998 71) 234 1119  Email address: <a href="mailto:oakmedov@central.nbu.com">oakmedov@central.nbu.com</a>  Office Address: 101, Amir Temur str., Yunusabad District, Tashkent, 100084, Republic of Uzbekistan</p>
<b>Joint Stock Commercial Bank "Asaka"</b>	<p>Officer's Name: Nodirbek Narzullaevich Saydullaev  Position: Chairman of the Management Board  Telephone: (+998 71) 120 8111  Email address: <a href="mailto:reception1@asakabank.uz">reception1@asakabank.uz</a>  Officer's Name: Abror Mirziyaev  Position: Head of International and Correspondent Banking Division  Telephone: (+998 71) 120 8230  Email address: <a href="mailto:ifiteam@asakabank.uz">ifiteam@asakabank.uz</a>  Office Address: 67, Nukus str., Mirobod District, Tashkent, 100015, Republic of Uzbekistan</p>
<b>Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" (Uzpromstroybank)</b>	<p>Officer's Name: Sakhi Saparmukhamedovich Annaklichev  Position: First Deputy Chairman of the Management Board  Telephone: (+998 71) 120 4582  Email address: <a href="mailto:perviyzam@uzpsb.uz">perviyzam@uzpsb.uz</a>  Officer's Name: Ilkhom Khudayberganov  Position: Head of Department for cooperation with international organizations  Telephone: (+998 71) 120 4531  Email address: <a href="mailto:i.khudayberganov@uzpsb.uz">i.khudayberganov@uzpsb.uz</a>  Office Address: 3, Shahrizabzskaya str., Yunusabad District, Tashkent, 100000, Republic of Uzbekistan</p>
<b>Joint Stock Commercial Mortgage Bank "Ipoteka Bank"</b>	<p>Officer's Name: Elyor Isroilovich Inomjonov  Position: First Deputy Chairman of the Management Board  Telephone: (+998 78) 150 4888  Email address: <a href="mailto:info@ipotekabank.uz">info@ipotekabank.uz</a>  Officer's Name: Sherzod Boltaev  Position: Head of the Section of Financing Projects at the expense of foreign credit lines  Telephone: (+998 78) 150 8987  Email address: <a href="mailto:sh_boltayev@ipotekabank.uz">sh_boltayev@ipotekabank.uz</a>  Office Address: 30, Shahrizabzskaya str., Yunusabad District,</p>

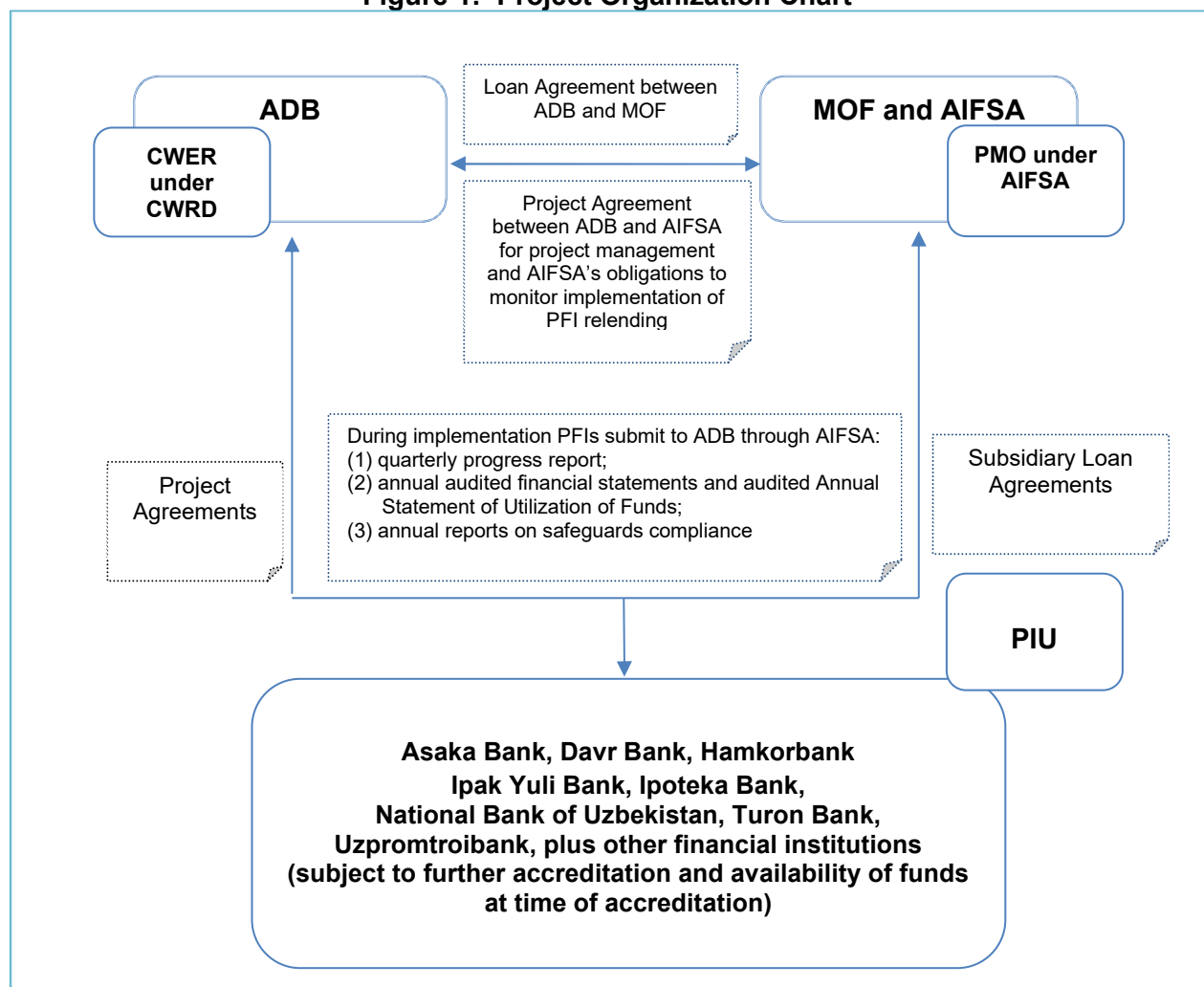


	Tashkent, 100000, Republic of Uzbekistan
<b>Joint Stock Commercial Bank “Turon Bank”</b>	<p>Officer's Name: Chori Sadibakosovich Mirzaev  Position: Chairman of the Management Board  Telephone: (+998 95) 144 6000  Email address: <a href="mailto:mirzaev_ch@turonbank.uz">mirzaev_ch@turonbank.uz</a></p> <p>Officer's Name: Alisher Abdurazokov  Position: Director of Centre of coordination, investment activity and project management  Telephone: (+998 71) 202 0101 (ext.218)  Email address: <a href="mailto:abdurazokov_a@turonbank.uz">abdurazokov_a@turonbank.uz</a>  Office Address: 4A, Abay str, Shayhontohur District, Tashkent, 100011, Republic of Uzbekistan</p>
<b>Asian Development Bank</b>	
Environment, Natural Resources, and Agriculture Division (CWER), Central and West Asia Department (CWRD)	<p>Yasmin Siddiqi  Director, CWER  Telephone: +632 632 6234  Email address: <a href="mailto:ysiddiqi@adb.org">ysiddiqi@adb.org</a></p>
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## C. Project Organization Structure

2. The Agency for Implementation of Projects in the Field of Agro-industry and Food Security (AIFSA) will be the executing agency. A project management office (PMO) is set up under the existing organization of AIFSA. The PMO will be provided with staff and operational costs and be responsible for monitoring the project implementation, including training, capacity development, and providing technical support to PFIs. To enhance capacity of the AIFSA, PMO staff will include in-house AIFSA staff and contracted experts to save the cost of engaging a large team of consultants for project management and to ensure efficient utilization of the loan fund allocated to project management (estimated at \$3.0 million). A list of PMO staff is in Table 3. Each PFI will establish a project implementation unit (PIU) under its existing structure to oversee the implementation of the credit line activities at the respective PFI. The project organization chart is in Figure 1.

**Figure 1: Project Organization Chart**



ADB = Asian Development Bank; CWER = Environment, Natural Resources, and Agriculture Division of Central and West Asia Department of ADB; CWRD = Central and West Asia Department of ADB; MOF = Ministry of Finance; PFI = participating financial institution; PIU = project implementation unit; PMO = project management office; and AIFSA = Agency for Implementation of Projects in the Field of Agro-industry and Food Security.

Source: Asian Development Bank.

3. The PMO staff list is in Table 3.

**Table 3: Staff List of the Project Management Office**

<b>Staff Category/Title</b>	<b>Number of Staff</b>	<b>Person Month</b>	<b>Total Person-Months</b>
<b>A. Management staff</b>			
Director General (incremental)	1	6	<b>6</b>
Project manager	1	60	<b>60</b>
Chief accountant	1	60	<b>60</b>
Financial specialist	1	60	<b>60</b>
Logistics specialist/economist	1	60	<b>60</b>
Marketing specialist	1	60	<b>60</b>
Procurement specialist	1	60	<b>60</b>
Credit line coordinator	1	60	<b>60</b>
Credit specialist	1	60	<b>60</b>
Subprojects monitoring specialist	1	60	<b>60</b>
Monitoring and evaluation specialist	1	60	<b>60</b>
Environmental specialist	1	60	<b>60</b>
Social development and gender specialist	1	60	<b>60</b>
Legal Counsel	1	60	<b>60</b>
<b>Subtotal (A)</b>			<b>786</b>
<b>B. Support Staff</b>			
Interpreter	1	60	<b>60</b>
Office manager/secretary	1	60	<b>60</b>
Driver (2 persons)	2	60	<b>120</b>
Security Staff	1	60	<b>60</b>
Cleaner	1	60	<b>60</b>
<b>Subtotal (B)</b>			<b>360</b>
<b>Grand Total (A+B)</b>			<b>1,146</b>

Source: Asian Development Bank and Agency for Implementation of Projects in the Field of Agro-industry and Food Security.

## **D. Eligibility Criteria for PFIs, Subborrowers, Subprojects and Subloans**

### **1. Eligibility Criteria for Participating Financial Institutions (PFI)**

#### **a. Introduction**

4. A financial institution wishing to participate in the implementation of the ADB-financed Horticulture Value Chain Development Project is required to qualify as a participating financial institution (PFI) by satisfying eligibility criteria specified in ADB's Operations Manual Bank Policies (OM D6/BP) of 2003, and undergoing a due diligence assessment based on operational, financial and management criteria defined in this document and incorporated into associated project documents. A PFI will also be required to sign a tri-partite Subsidiary Loan Agreement (SLA) with the Republic of Uzbekistan Ministry of Finance (MOF) and the Agency for Implementation of Projects in the Field of Agro-industry and Food Security (AIFSA) of the Ministry of Agriculture (MOA). A PFI is required to satisfy the specified eligibility criteria both on commencement of and on an on-going basis throughout the implementation of the project. Each PFI will be required to provide to AIFSA information to enable it to monitor its continued eligibility during implementation. ADB reserves the right to disallow disbursements from the credit facility to any PFI not conforming with any of the specified criteria until such time as the PFI is able to satisfy the criteria. The PFI will be required to remedy any noncompliance with eligibility criteria within 6 months of default and, in any event, within the disbursement period of the project. Terms and conditions of the SLA will take precedence over eligibility criteria defined in this document.

5. Potential PFIs will be assessed through a due diligence procedure in accordance with the requirements of ADB. During the detailed due diligence assessment, particular attention will be given to the overall lending capabilities, and financial and loan portfolio performance. The PFI will be required have satisfactory financial and management structure, a satisfactory risk-based capital adequacy, an acceptable asset quality and lending performance, adequate liquidity, and the organization, management and technical staff and other resources required for the efficient operation of a financial institution.

#### **b. General Criteria**

6. In order to be eligible to access the project credit line, a PFI will be required at the time of accessing the facility and on an on-going basis to:

- (i) be in compliance with all banking laws of Uzbekistan and prudential regulations of the Central Bank of Uzbekistan (CBU), including laws and regulations on anti-money laundering and combating the financing of terrorism,
- (ii) have sound, profitable performance in the three years preceding participation in the project credit line in the delivery of credit to clients engaged in the agriculture value chain, namely pre-production (farm technology, input and service supply), production, and post-harvest (storage, processing, marketing, etc.) of horticultural produce, defined as fruit, vegetables, nuts and spices,
- (iii) have in place or be prepared to put in place lending policies and a strategy for lending to horticulture clients,
- (iv) be committed to onlending funds from the credit line to eligible clients (subborrowers), who are engaged in horticulture,
- (v) have or be willing to open branches in the districts covered by the project or to be able to ensure other ways of servicing potential subborrowers in those districts,
- (vi) have or be willing to engage/develop the necessary staff, knowledge, physical and

- (vii) other resources to implement the project credit line, and undergo an annual audit that is conducted in accordance with International Standards of Auditing (ISA) by an audit company acceptable to ADB for the purposes of the audit of financial institutions. Eligibility will depend upon the audit resulting in an unqualified audit opinion.

**c. Prudential Standards and Financial Performance Criteria**

7. In order to be eligible to access the project credit line, a PFI will ensure that it remains financially sound throughout the project implementation period.

**(i) Prudential Standards**

8. Specifically, it will be required at the time of accessing the credit line and on an on-going basis to:

- (i) comply with the prudential regulations issued by CBU, and
- (ii) comply with CBU's measures for corporate governance of financial institutions, which include (a) corporate governance structures that promote effective identification, monitoring, and management of all material business risks, (b) systems for ensuring compliance with all statutory and regulatory requirements, (c) implementation of financial disclosure requirements for market participants and observers, and (d) setting of corporate governance objectives, strategies, and techniques.

**(ii) Financial Performance**

9. Specifically, it will be required at the time of accessing the facility and on an on-going basis to:

- (i) comply with the prudential regulations issued by CBU with regard to capital adequacy,
- (ii) maintain a return on average assets ratio of not less than 1%, where the return on average assets ratio is defined as net income after tax divided by its average total assets in a financial year,
- (iii) maintain a cost to income ratio of under 75%, where the cost to income ratio is calculated as the total of operating expenses plus non-operating expenses divided by the total of operating income plus non-operating income,
- (iv) maintain a maximum ratio of the value of net non-performing loans (NPLs) to the total value of loans outstanding of 5%, where net NPLs are defined as total NPLs minus reserves, and an NPL is any loan for which a repayment of principal or payment of interest has been overdue for a period of more than 90 days after the due date,
- (v) maintain a maximum limit on exposure to a single borrower or group of related borrowers of 25%, where the limit is calculated as such an individual exposure divided by the total value of loans outstanding,
- (vi) maintain a maximum limit on the portfolio exposure to one insider (defined as members of the Supervisory Board and the Management Board of a PFI, employees in management position and shareholders with voting rights in excess of 10%) of 25% and an aggregate portfolio exposure to all insiders of 100% of Tier 1 capital as defined by CBU regulations,
- (vii) have a positive net income for the current and two immediately preceding financial years, and

10. The financial ratios specified above will be as reported in the PFIs management accounts in accordance with International Financial Reporting Standards, and the CAR in accordance with the Basel Committee on Banking Supervision (Basel III) methodology.

#### **d. Governance and Management Criteria**

11. In order to be eligible to access the project credit line, a PFI will be required at the time of accessing the facility and on an on-going basis, as assessed by ADB, to:

- (i) have a Supervisory Board responsible for setting the overall bank policy and performing appropriate oversight of the PFI's operations,
- (ii) have a qualified and capable management team,
- (iii) have a sound business plan and appropriate budgeting and budget control procedures,
- (iv) have acceptable asset quality and management policies, procedures and staff capacity,
- (v) have sound lending policies and procedures in respect of the entire credit cycle, problem loan management, write-off of assets, credit approval authority, etc.,
- (vi) have effective risk management and adequate processes and/or procedures (e.g., credit risk manual) that cover the credit and market (e.g., interest rate and foreign exchange) risks, asset-liability risk, and operational risk. The PFI should have the control structure and capacity to systematically evaluate and/or conduct risk appraisal, asset-liability management, internal control and compliance,
- (vii) have satisfactory internal control and audit procedures, including accounting principles and procedures, financial documents, internal controls and reporting, and operational controls, confirmed by an audit company acceptable to ADB for the purposes of the audit of financial institutions,
- (viii) not be exposed to undue interest rate risk, as confirmed by annual financial statements audited by an audit company acceptable to ADB for the purposes of the audit of financial institutions,
- (ix) have an internal reporting and management information system capable of providing sufficient information necessary for managing the PFI's operations, performance and risks,
- (x) have an environmental and social management system (ESMS) in place in compliance with ADB's Safeguard Policy Statement (2009),
- (xi) ensure that the ESMS incorporates (a) third party monitoring of subprojects, (b) guidelines for site visits to subproject sites, and (c) a tracking system of subprojects,
- (xii) ensure that adequately qualified and trained staff are designated to manage the ESMS, and
- (xiii) monitor and supervise the implementation of subborrowers' subprojects financed through the IMAP credit facility.

#### **2. Eligibility Criteria for Subborrowers**

12. It will be the responsibility of the PFI to ensure that subborrowers at all times satisfy the criteria defined below. Where a subborrower during the term of a subloan fails to comply with the specified criteria, the PFI will take appropriate steps to ensure immediate compliance. Where noncompliance continues the PFI will implement measures in accordance with the SLA.

13. In order to be eligible to access subloans through a PFI, a subborrower will be required at the time of accessing the credit facility and on an on-going basis to:

- (i) be an entity of entrepreneurial activities established and registered in accordance with applicable laws of Uzbekistan, and be in compliance with all laws and regulations of Uzbekistan, and,
- (ii) not be a related party with respect to the PFI under the laws of Uzbekistan and the regulations of CBU.

14. A PFI will be responsible for conducting due diligence on prospective subborrowers in accordance with the PFI's prevailing credit and risk management policies and procedures and following appropriate commercial banking criteria together with past and ongoing environmental performance. In the event that such due diligence is not undertaken or is not undertaken in with appropriate degree of rigor, the subborrower may be required to immediately repay to the PFI any funds disbursed and the PFI to repay such funds to MOF, in accordance with the terms of the SLA.

### **3. Eligibility Criteria for Subprojects**

15. Subprojects to be financed by subloans will be required to:

- (i) compromise activities or outputs that are not included in the list of prohibited investment activities provided in ADB's Safeguard Policy Statement (SPS) 2009,
- (ii) not involve any environmental impacts defined under Category A of the SPS, or under Class 1 or 2 of the Government of Uzbekistan's environmental laws and regulations, or that are included in the Environmental Exclusion Checklist,
- (iii) have no involuntary resettlement or ethnic minority/indigenous people's impact as defined in the SPS,
- (iv) not involve mining or genetically modified organisms,
- (v) not involve any activity included in ADB's Prohibited Investment List, and
- (vi) be related to the following activities (not necessarily the sole or primary activity) which are deemed by the PFI to comply with the terms of the SLA:
  - (a) the manufacture and/or supply of farm technology, machinery, and infrastructure, and the supply of farm inputs and services appropriate to the production of horticultural produce,
  - (b) the production of horticultural produce, and
  - (c) the post-harvest handling, storage, processing and marketing of horticultural produce.

### **4. Eligibility Criteria for Subloans**

16. Subloans to be provided under the credit facility will be required to:

- (i) be for investment purposes (purchase of capital assets) only,
- (ii) be subject to a maximum subloan amount of \$5.0 million (five million US dollars),
- (iii) be for a maximum tenor of 10 years with a grace period to be negotiated between the PFI and the subborrower,
- (iv) carry a rate of interest determined by the PFI based on its prevailing credit and risk management policies and procedures,
- (v) finance a maximum of 75% of the subproject investment costs. The balance of

- such costs shall be met from the subborrower's own financial resources, which will not include debt financing from other sources. Any valuation of a subborrower's share of financing by in-kind contribution shall be done in an objective and transparent manner acceptable to ADB,
- (vi) provide collateral in the form of realizable, unencumbered assets equivalent to 125% of the value of the subloan, and
  - (vii) maintain a debt-service coverage ratio in relation to the subproject/subloan financing of 1.2.

## **E. Preliminary Qualified Participating Financial Institutions**

17. Twelve (12) financial institutions were identified for due diligence to assess their potential participation in the project. These financial institutions are: Agrobank, Asaka Bank, Davr Bank, Hamkorbank, Ipak Yuli Bank, Ipoteka Bank, Mikrocreditbank, National Bank of Uzbekistan (NBU), Qishloq Qurilish Bank (QQB), Turon Bank, Uzpromstroybank, and Xalq Bank.

18. The following ADB eligibility criteria have been used for selection of PFIs: (i) financial soundness as evidenced by adequate capital, asset quality, liquidity, and profitability; (ii) adequate credit and risk management policies, operating systems, and procedures; (iii) compliance with prudential regulations, including exposure limits; (iv) acceptable corporate and financial governance and management practices including, among other things, transparent financial disclosure policies and practices; (v) sound business objectives and strategy and/or plan; (vi) autonomy in lending and pricing decisions; and (vii) adequate policies, systems, and procedures to assess and monitor the economic, social, and environmental impact of subprojects in accordance with parameters established by ADB.

19. Based on detailed Eligibility Criteria for Participating Financial Institutions (PFI) in Section D.1 (above), eight (8) financial institutions are qualified and included as implementing agencies for the proposed project. They are: Asaka Bank, Davr Bank, Hamkorbank, Ipak Yuli Bank, Ipoteka Bank, National Bank of Uzbekistan (NBU), Turon Bank, and Uzpromstroybank.

20. Four financial institutions namely Agrobank, Mikrocreditbank, QQB, and Xalq Bank did not qualify, but have all indicated continued interest in participating in the proposed project. Aloqa Bank and Orient Finance Bank expressed its interest in participation on 30 August 2016 and on 29 September 2016 respectively through AIFSA. It is proposed that all these six financial institutions be included in the project as potential partners for another round of accreditation during the project implementation, subject to loan fund utilization and availability at that point in time.



## IV. COSTS AND FINANCING

### A. Allocation and Withdrawal of Loan Proceeds

21. The government has requested a loan in various currencies equivalent to \$154.0 million from ADB's Special Funds resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2.0% per annum (interest to be capitalized during project implementation), and such other terms and conditions set forth in the draft loan and project agreements. Subborrowers will contribute \$40.0 million as their equity contribution for subprojects financed by the loan and the Government will contribute \$21.0 million, including \$19 million through exemptions of taxes and duties for imported goods and \$2 million for interest charge during implementation.<sup>1</sup> The government will relend the proceeds of the loan in US dollars through subsidiary loan agreements to PFIs that satisfy ADB's eligibility criteria set out in the PAM and the loan and project agreements.<sup>2</sup> The government is expected to relend the proceeds of the loan to the PFIs at the same tenor and grace period at which it received the funds from ADB. The government's relending rate will be the interest rate charged by ADB for the loan plus an appropriate margin to cover administrative and risk costs on the PFIs.<sup>3</sup> PFIs' subloans may be issued in US dollars and/or local currency, and priced by PFIs at market rates that cover risks related to foreign exchange, credit, maturity, and interest rates. Repayment of subloans may be in US dollars and/or local currency subject to the subborrowers' demand and revenue stream of the subprojects as well as specific agreements between PFIs and subborrowers. Subloans extended by PFIs will have a tenor up to 10 years. PFIs will determine the creditworthiness of subborrowers and assume the full credit risk. The maximum subloan size will be \$5.0 million based on previous and prospective demand of PFIs' clientele. Allocation of loan proceeds as of 30 June 2019 is in Table 4.

**Table 4: Allocation and Withdrawal of Loan Proceeds**

Horticulture Value Chain Development Project				
CATEGORY			ADB ADF LOAN FINANCING	
Number	Item	Amount Allocated [\$]		Percentage and Basis for Withdrawal from the Loan Account
		Category	Sub- Category	
1	Credit Lines to Participating Financial Institutions	151,430,069		
1A	Financing of Subloans–National Bank of Uzbekistan <sup>a</sup>		50,593,885	100 percent of total expenditure claimed

<sup>1</sup> PFIs will determine subborrower equity contributions based on the nature of the credit risk, which based on the credit policy of each PFI would range from 20% to 30% of the subproject cost.

<sup>2</sup> Based on each PFI absorptive capacity, tentative loan allocation is set as follows: Hamkorbank (\$25 million), Ipak Yuli Bank (\$10 million), Davr Bank (\$6 million), Ipoteka Bank (\$11 million), Turon Bank (\$5 million), Asaka Bank (\$10 million), Uzpromstroybank (\$15 million), and National Bank of Uzbekistan (\$50 million). An amount of \$17 million is reserved for competitive withdrawal and/or new PFI accreditation.

<sup>3</sup> The government will charge the interest on the ADB loan plus 0.2% per annum to the PFIs. The PFIs' interest rates carry the cost for (i) loan origination, (ii) the provision of foreign exchange to service the ADB loan, and (iii) credit risk and related capital charges.

Horticulture Value Chain Development Project				
CATEGORY			ADB ADF LOAN FINANCING	
Number	Item	Amount Allocated [\$]		Percentage and Basis for Withdrawal from the Loan Account
		Category	Sub-Category	
1B	Financing of Subloans–Uzpromstroybank <sup>a</sup>		15,163,026	100 percent of total expenditure claimed
1C	Financing of Subloans–Asaka Bank <sup>a</sup>		46,673,158	100 percent of total expenditure claimed
1D	Financing of Subloans–Ipoteka Bank <sup>a</sup>		11,000,000	100 percent of total expenditure claimed
1E	Financing of Subloans–Hamkorbank <sup>a</sup>		5,000,000	100 percent of total expenditure claimed
1F	Financing of Subloans–Ipak Yuli Bank <sup>a</sup>		10,000,000	100 percent of total expenditure claimed
1G	Financing of Subloans–Turon Bank <sup>a</sup>		10,000,000	100 percent of total expenditure claimed
1H	Financing of Subloans–Davr Bank <sup>a</sup>		3,000,000	100 percent of total expenditure claimed
1I	Unallocated for competitive withdrawal and/or new PFI accreditation		0	
2	Project Management and Implementation	1,491,113		100 percent of total expenditure claimed
<b>Total</b>		152,921,182		

PFI = participating financial institution. <sup>a</sup> Subject to the disbursement conditions set forth in Schedule 2 of the Loan Agreement and the Schedule of the project agreements with PFIs.

Source: Asian Development Bank estimates.

22. Table 4 also presents preliminary credit line allocations to each qualified PFI based on the ability to absorb the ADB's loan fund and the capacity to disburse subloans among others. An unallocated fund of \$19 million was reallocated for competitive utilization based on demand and for the second round of accreditation of PFIs during the project implementation period. The Loan Agreement provides that the Government shall reallocate the funds among the PFIs in a manner acceptable to ADB should there be a change in the composition of the PFIs or a need to reallocate the proceeds of the ADB loan.

## B. Detailed Cost Estimates by Financier

**Table 5: Detailed Cost Estimates by Financier**

Unit: \$'000

	ADF Loan		The Government		Subborrowers		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment Costs</b>								
A. Credit Lines to PFIs /a	151,000.0	100.0	0.0	0.0	0.0	0.0	151,000.0	71.9
B. Subborrower's Contribution	0.0	0.0	0.0	0.0	40,000.0	100.0	40,000.0	19.0
C. Government's Contribution	0.0	0.0	19,000.0	100.0	0.0	0.0	19,000.0	9.0
<b>Total Investment Costs</b>	151,000.0	71.9	19,000.0	9.0	40,000.0	19.0	210,000.0	97.7
<b>II. Recurrent Costs</b>								
A. Incremental Staff /b	1,254.0	100.0	0.0	0.0	0.0	0.0	1,254.0	41.8
B. Office Operation and Transportation Expenses /c	646.0	100.0	0.0	0.0	0.0	0.0	646.0	21.5
C. Training and Technical Services	600.0	100.0	0.0	0.0	0.0	0.0	600.0	20.0
D. Allocations for Follow-on Project Preparation	500.0	100.0	0.0	0.0	0.0	0.0	500.0	16.7
<b>Total Recurrent Costs</b>	3,000.0	100.0	0.0	0.0	0.0	0.0	3,000.0	1.4
Interest During Implementation	0.0	0.0	2,000.0	0.0	0.0	0.0	2,000.0	0.9
<b>Total PROJECT COSTS</b>	154,000.0	71.6	21,000.0	9.8	40,000.0	18.6	215,000.0	100.0

/a Participating Financial Institutions

/b Inclusive of required social payments

/c Inclusive of financial audits

Source: ADB estimates

## C. Contract Awards and Disbursement S-Curves

23. The current allocation of the ADB loan to PFIs is presented in Table 4 (under Allocation and Withdrawal of Loan Proceeds). The Loan Agreement provides that the Government shall reallocate the funds among the PFIs in a manner acceptable to ADB should there be a change in the composition of the PFIs or a need to reallocate the proceeds of the ADB loan. Projected disbursements will be confirmed with the MOF, AIFSA, and PFIs during ADB inception mission and the PAM will be updated accordingly. Contract awards and disbursement S-curves are in Table 6.

**Table 6: Projections for Contract Awards and Disbursement**

Asian Development Fund (loan) (\$ million equivalent)										
Projections for Contract Awards						Projections for Disbursement				
Year	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2017	0.0	2.0	3.0	5.0	10.0	0.0	0.0	2.0	3.0	5.0
2018	11.0	10.0	10.0	7.0	38.0	12.0	11.0	9.0	9.0	41.0
2019	15.0	10.0	10.0	8.0	43.0	13.0	12.0	11.0	9.0	45.0
2020	15.0	8.0	6.0	5.0	34.0	13.0	7.0	7.0	6.0	33.0
2021	15.0	5.0	5.0	4.0	29.0	10.0	8.0	7.0	5.0	30.0
<b>Total</b>	<b>56.0</b>	<b>35.0</b>	<b>34.0</b>	<b>29.0</b>	<b>154.0</b>	<b>48.0</b>	<b>38.0</b>	<b>36.0</b>	<b>32.0</b>	<b>154.0</b>

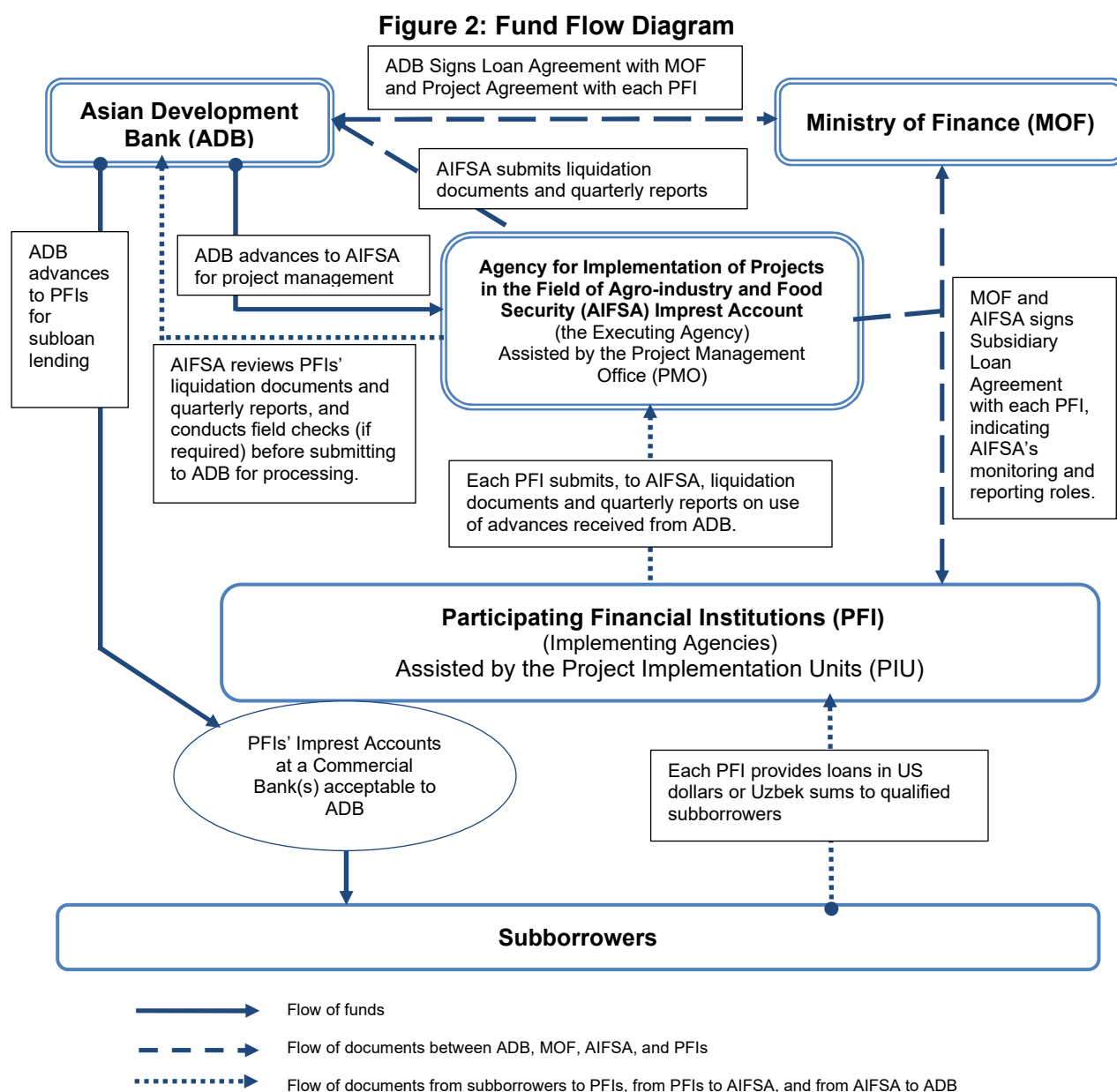
  

\$ million

Year

Source: ADB estimates

## D. Fund Flow Diagram



ADB = Asian Development Bank; MOF = Ministry of Finance; PFI = participating financial institution; PIU = project implementation unit; PMO = project management office; and AIFSA = Agency for Implementation of Projects in the Field of Agro-industry and Food Security.

## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

24. A financial management assessment (FMA) of the proposed project was conducted between June and August 2016 in accordance with ADB's Guidelines for the Financial

Management and Analysis of Projects,<sup>4</sup> ADB's Financial Due Diligence: A Methodology Note,<sup>5</sup> and ADB's Technical Guidance Note on Financial Management Assessment.<sup>6</sup> The FMA covered the role of the Agency for Implementation of Projects in the Field of Agro-industry and Food Security (AIFSA) as the executing agency for the project and eight participating financial institutions (PFIs) as implementing agencies for the project (National Bank of Uzbekistan, Uzpromstroybank, Asaka Bank, Ipoteka Bank, Hamkorbank, Ipak Yuli Bank, Turon Bank, and Davr Bank).

**25. Agency for Implementation of Projects in the Field of Agro-industry and Food Security (AIFSA).** Based on the assessment of AIFSA, there are no significant financial management risks in respect of AIFSA's proposed role in project management under HVCDP. AIFSA has significant experience in the implementation of projects financed by ADB, the World Bank and other international financial institutions. The financial management arrangements in place for those projects are appropriate for HVCDP. AIFSA is institutionally capable and familiar with projects of a similar nature. Based on lessons learnt from previous ADB-financed projects with AIFSA as the executing agency, the following features have been included in the project design to preempt potential procurement issues: (i) over 95% of the loan proceeds will be channeled directly to PFIs through imprest accounts established at commercial banks acceptable to ADB, and not through AIFSA; (ii) AIFSA is only tasked with project management and implementation activities to monitor sublending, compliances for safeguards, gender, and financial covenants, financial auditing, and capacity building and technical support to PFIs and subborrowers; (iii) total project loan allocation to AIFSA is only \$3.0 million, which entails the purchase of some minor items such as vehicles, office equipment and supplies, and service contracts of some technical experts and there is no works contract procurement involving AIFSA; and (iv) the Borrower covenants are included in the loan agreement to ensure that AIFSA has sufficient funds to satisfy its liabilities arising from any goods and/or consulting services contracts.

**26. Participating Financial Institutions.** No key financial management risks exist in relation to the proposed PFIs that would undermine implementation of the project. Several of the PFIs have limitations in staffing in respect of accounting, internal audit and risk management. Some PFIs also have other minor financial management limitations. However, these limitations have not adversely affected the implementation of other projects or the delivery of credit funds financed by government or international financial institutions. No specific actions to address PFIs' financial management limitations prior to the withdrawal of funds by PFIs are recommended. Actions to address each PFI's and AIFSA's financial management limitations during project implementation are provided in Table 7.

**Table 7: Financial Management Action Plans**

<b>Participating Financial Institution and Action Item</b>	<b>Complied by</b>
<b>National Bank of Uzbekistan</b>	
Recruit qualified accounting staff with IFRS experience	Q1 2018
Develop and implement IFRS training	Q1 2018
Recruit staff with internal audit and risk management qualification/certification	Q1 2018
Support existing staff to obtain internal audit and risk management qualification/certification	Q1 2018
Develop and implement internal audit training	Q1 2018
Procure/implement risk management software	Q1 2018
<b>Uzpromstroybank</b>	

<sup>4</sup> ADB. 2005. *Guidelines for the Financial Management and Analysis of Project*. Manila.

<sup>5</sup> ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

<sup>6</sup> ADB. 2015. *Financial Management Technical Guidance Note*. Manila.

<b>Participating Financial Institution and Action Item</b>	<b>Complied by</b>
Recruit qualified accounting staff with IFRS experience	Q1 2018
Develop and implement IFRS training	Q1 2018
Recruit staff with internal audit and risk management qualification/certification	Q1 2018
Support existing staff to obtain internal audit and risk management qualification/certification	Q1 2018
Develop and implement internal audit training	Q1 2018
<b>Asaka Bank</b>	
Improve monitoring of foreign currency positions	Q1 2018
Recruit qualified accounting staff with IFRS experience	Q1 2018
Develop and implement IFRS training	Q1 2018
Recruit staff with internal audit and risk management qualification/certification	Q1 2018
Support existing staff to obtain internal audit and risk management qualification/certification	Q1 2018
Develop and implement internal audit training	Q1 2018
<b>Ipoteka Bank</b>	
Recruit staff in key credit, accounting and financial reporting areas	Q1 2018
Improve monitoring for foreign currency positions	Q1 2018
Expand IFRS training	Q1 2018
<b>Hamkorbank</b>	
Improve foreign currency risk management	Q1 2018
Develop and implement IFRS training	Q1 2018
Recruit staff with internal audit and risk management qualification/certification	Q1 2018
Support existing staff to obtain internal audit and risk management qualification/certification	Q1 2018
<b>Ipak Yuli Bank</b>	
Recruit qualified accounting staff with IFRS experience	Q1 2018
Develop and implement training in IFRS	Q1 2018
Develop and implement training in risk management	Q1 2018
<b>Turon Bank</b>	
Separate the functions currently assigned to the risk management department to enhance risk management	Q1 2018
Develop and implement IFRS training	Q1 2018
Recruit staff with internal audit and risk management qualification/certification	Q1 2018
Support existing staff to obtain internal audit and risk management qualification/certification	Q1 2018
<b>Davr Bank</b>	
Separate the functions currently assigned to the risk management department to enhance risk management	Q1 2018
Develop and implement training in IFRS	Q1 2018
Recruit staff with internal audit and risk management qualification/certification	Q1 2018
Support existing staff to obtain internal audit and risk management qualification/certification	Q1 2018
<b>Agency for Implementation of Projects in the Field of Agro-industry and Food Security</b>	
Include comparison of actual and budgeted expenditure in the accounting system	Q1 2018
Recruit IPSAS qualified accounting staff and/or support existing accounting staff to obtain IPSAS qualification/certification	Q1 2018
Develop and implement training plan for external and internal training on IPSAS for accounting staff	Q1 2018
CBU = Central Bank of Uzbekistan, IFRS = International Financial Reporting Standards; IPSAS = International Public Sector Accounting Standards.	

Source: Asian Development Bank.

27. In addition to financial management action plans, PFI must comply with all CBU prudential

regulations<sup>7</sup> and ADB financial covenants throughout project implementation. The assessment of compliance will be based on the PFI's CBU call reports and financial statements prepared according to International Financial Reporting Standards (IFRS) for the year ending 31 December prior to the PFI's withdrawal.

28. For specific PFIs with outstanding issues on financial covenants, actions plan for compliances are as follows:

- National Bank of Uzbekistan shall be complied with CBU regulation on provisioning for substandard loans by Q2 2018.
- Uzpromstroybank shall be complied with (i) CBU regulation on provisioning for loss loans by Q2 2018; and (ii) ADB financial covenant on ROA by Q2 2018.
- Asaka Bank shall be complied with: CBU regulation on open foreign currency position by Q2 2018.
- Ipoteka Bank shall be complied with: (i) CBU regulation on open foreign currency position by Q2 2018; (ii) ADB financial covenant on cost to income ratio by Q2 2018.
- Turon Bank shall be complied with: ADB financial covenant on cost to income ratio by Q2 2018.

## **B. Disbursement**

29. In order to expedite the disbursement process for the proposed project, the ADB's Statement of Expenditure (SOE) procedures for financial intermediary (FI) loans will be applied. The disbursement arrangements are described below, and the fund flow diagram is Chart 5.

30. **Disbursement Processing Sequence.** The following disbursement sequence will be followed:

- 1) PFI prepares the first six-month's disbursement projections (based on estimates of market demand for potential horticulture-related subloans) for the initial 6 months after project start-up for ADB's project division (CWER) endorsement.
- 2) PFI submits a withdrawal application for initial advance after confirming that all the disbursement conditions have been met, and the first six-month's disbursement projections to AIFSA for checking and transmission to ADB.
- 3) ADB reviews the withdrawal application and makes necessary advance to PFI's imprest account opened at a commercial bank acceptable to ADB.<sup>8</sup>
- 4) PFI submits the first three subloan applications to AIFSA for checking and forwarding for ADB's review and approval.
- 5) PFI disburses subloans.
- 6) PFI submits withdrawal application to AIFSA for checking and transmission to ADB.
- 7) ADB reviews withdrawal and replenishes PFI's imprest account as necessary.
- 8) For subsequent six-month periods, (a) PFI disburses subloans using the fund in the imprest account; (b) PFI then submit documents (including list of disbursed subloans and withdrawal application) to AIFSA for checking of eligibility (if any issues, AIFSA clarifies with PFI); and (c) ADB reviews withdrawal and replenishes imprest account as necessary.

31. The ADB's ADF loan proceeds will be disbursed in accordance with ADB's *Loan*

<sup>7</sup> CBU prudential regulations are presented in Supplementary Document 19 (Annex).

<sup>8</sup> All eight selected PFIs are capable of (i) executing foreign exchange and local currency transactions; (ii) handling a large volume of transactions; and (iii) issuing detailed monthly bank statements promptly. Therefore, these PFIs can open separate accounts and/or sub-ledgers for ADB funds in their own accounting systems for the project purpose.



*Disbursement Handbook* (2015, as amended from time to time), and detailed arrangements agreed upon between the government and ADB. The PFIs will be responsible for preparing disbursement projections; collecting and retaining supporting documents; and preparing and sending the list of approved subloans and withdrawal applications to AIFSA. AIFSA will be responsible for checking and submitting the PFIs' disbursement projections and PFIs' withdrawal applications to ADB. In addition, AIFSA will be responsible for preparing disbursement projections related to project management expenses; collecting and retaining supporting documents; and preparing and sending withdrawal applications related to project management expenses to ADB.

32. PFIs will disburse subloans based on the six-month disbursement projections approved by ADB. PFIs are required to submit the first three subloan applications to AIFSA for checking and forwarding for ADB's review and approval. Before submitting a PFI's withdrawal application to ADB, AIFSA may request the respective PFI to provide full set of documents for subloans already approved by the respective PFI. Within 7 working days from receipt of subloan documents, AIFSA will check to ensure that such approved subloans meet all eligibility criteria set forth in the PAM. In case a subloan does not meet all eligibility criteria, AIFSA will request the respective PFI to (i) remove such an ineligible subloan from its list of subloans, (ii) make refund to the imprest account, if disbursement is made from the imprest account; and (iii) adjust the withdrawal application accordingly before AIFSA's onward submission of the list of subloans and withdrawal application to ADB. AIFSA reserves the right to conduct the checking activities either for all approved subloans or a specific number of approved subloans on a sample basis.

33. **Imprest fund procedure.** ADB's imprest fund and SOE procedures will be used for disbursement under the ADB's ADF loan.<sup>9</sup> AIFSA and each PFI will open one US dollar imprest account at a commercial bank(s) acceptable to ADB to facilitate disbursements. AIFSA and each PFI will establish an imprest account in its name and shall be accountable and responsible for proper use of advances to the imprest account. The outstanding advance to the imprest account under AIFSA's name will not exceed AIFSA's estimated six-month budget required for project management expenses. The outstanding advance to the respective imprest account under each PFI's name will not exceed each PFI's estimated six-month budget required for payments to be made to eligible subborrowers. The request for initial and additional advances to the imprest account should be accompanied by an Estimate of Expenditure Sheet detailing (i) the estimated expenditure for project management for the forthcoming six (6) months in the case of AIFSA, and (ii) the estimated subloans for the forthcoming six (6) months in the case of PFI. The ADB's project division (CWER) responsible for project administration will review the reasonableness of the 6-month estimates provided by AIFSA and each PFI.

34. **Statement of expenditure procedure.**<sup>10</sup> The SOE procedure will be used for reimbursement of eligible expenditures or liquidation of advances to the imprest account(s). AIFSA and PFIs are required to ensure that supporting documents and records for the ADB's ADF loan amounts claimed under the SOE procedure are maintained and made available for review by ADB's disbursement and review missions, upon ADB's requests for submission of supporting documents on a sampling basis, and for independent audit.

35. Before submission of the first withdrawal application, the AIFSA and each PFI will submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal

<sup>9</sup> Details about SOE procedures are available at [http://www.adb.org/documents/handbooks/loan\\_disbursement/default.asp](http://www.adb.org/documents/handbooks/loan_disbursement/default.asp).

<sup>10</sup> SOE forms are available in Appendix 9B and 9C of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

applications together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is set in accordance with the Loan Disbursement Handbook (LDH). Individual payments below this amount should be paid by each PFI and subsequently claimed from ADB (i) through reimbursement; or (ii) from the imprest account, unless otherwise accepted by ADB.

36. Each liquidation report financed from the ADB's ADF loan will include (a) withdrawal application for liquidation of advance, (b) statement of expenditures on the ADB's ADF loan, (c) bank statement for the imprest account, (d) the Imprest Account Reconciliation Statements (IARs) required to reconcile all bank statements against the AIFSA's and PFIs' records.

37. Supporting documents should be submitted to ADB or retained by AIFSA and PFIs in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) when liquidating or replenishing the imprest accounts.

38. **Conditions for Loan Disbursement applicable to all PFIs.** No withdrawal shall be made under the project for any PFI until such time as the PFI has: (a) established an ESMS in a manner satisfactory to ADB, which includes but not limited to (i) guidelines for site visits of qualified subprojects; and (ii) a tracking system of qualified subprojects; and (iii) appointed designated staff who is capable and adequately trained in fully implementing the ESMS, in particular implementing environmental category B qualified subprojects including and executing any corrective or preventive measures needed to ensure compliance of such qualified subprojects with applicable national laws and regulations and the SPS.

39. Specific financial covenants are presented under Section A. Financial Management Assessment.

## **C. Accounting**

40. The PFIs will maintain separate records relating to all subloans financed out of ADB's loan proceeds relating to this Project. The PFIs will prepare and submit to ADB (through AIFSA) in the English language within six (6) months of the end of each financial year the audited Annual Statement of Utilization of Funds for subloans approved and reimbursed by ADB ("Annual Statement of Utilization of Funds"). AIFSA will maintain separate records relating to all project management expenses financed out of ADB's loan proceeds relating to the project. AIFSA will prepare and submit to ADB in the English language within six (6) months of the end of each financial year the audited Annual Statement of Utilization of Funds for project management approved and reimbursed by ADB ("Annual Statement of Utilization of Funds").

## **D. Auditing and Public Disclosure**

41. AIFSA and PFIs shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the project and annual statements of utilization of funds for the Project in accordance with accounting principles acceptable to ADB; (iii) have such statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal controls of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year

to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

42. PFIs shall (i) provide their annual financial statements prepared in accordance with IFRS; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements and compliance with the financial covenants of the Project Agreement; and (iv) furnish to ADB, no later than six months after the close of the financial year, copies of such audited financial statements and auditors' opinion(s), all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

43. AIFSA and PFIs shall enable ADB, upon ADB's request, to discuss the statements of utilization of funds for the Project and the financial statements of the PFIs and its financial affairs where they relate to the Project with the auditors appointed by the PFIs and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. AIFSA and PFIs shall enable ADB's representatives to inspect any Qualified Subborrower, any Qualified Subproject, and any relevant records and documents.

44. The government, the EA (AIFSA), and the IAs (PFIs) have been made aware of the ADB's approach to delayed submission, and requirements for satisfactory and acceptable quality of the audited annual Statements of Utilization of Funds.<sup>11</sup> ADB reserves the right to request a change in the auditor, or request for additional support to be provided to the auditor, if the audits are not satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that ADB's financing is used in accordance with ADB's policies and procedures.

45. Public disclosure of the annual audited financial statements for the project, including the auditor's opinion on the statements, will be guided by ADB's Public Communications Policy 2011.<sup>12</sup> After the review, ADB will disclose the audited financial statements for the project and the opinion of the auditors no later than 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website. The auditors may not restrict the publication of their opinion. The management letter and audited entity financial statements will not be disclosed.

## **VI. PROCUREMENT AND CONSULTING SERVICES**

### **A. Advance Contracting and Retroactive Financing**

46. Not applicable.

### **B. Procurement of Goods, Works, and Consulting Services**

47. All procurement of goods and works will be undertaken in accordance with ADB's

<sup>11</sup> Delayed submission of audited statements (i) of utilization of funds or (ii) financials will trigger the following:

- a. ADB will remind the executing agency that statements are overdue.
- b. If the delay exceeds 6 months, ADB will discontinue disbursements and inform the executing agency that the loan may be suspended if the audit documents are not received within 12 months after the due date.

<sup>12</sup> Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

*Procurement Guidelines* (2015, as amended from time to time).

48. Procurement of subloan-financed goods and works will be undertaken by subborrowers based on commercial practices. PFIs will monitor the subloan utilization based on their existing regulations. Due diligence of PFIs indicated that PFIs' loan monitoring procedures are adequate in ensuring that utilization of loan funds are for the purpose(s) agreed with PFIs.

49. It is noted that potential subborrowers are likely to utilize subloan proceeds for procurement of materials, processing equipment, machinery and other goods, works, and consulting services from both ADB and non-ADB member countries, based on market nature of the project investments, subborrowers' demand, and procurement history in projects and programs of similar nature. ADB's Board approval pursuant to Article 14(ix) of the Agreement Establishing the Asian Development Bank, will be sought to allow procurement of goods, works, and consulting services from non-ADB member countries.

50. For procurement of goods and services related to project management, the procurement plan indicates review procedures, goods, and consulting service contract packages. No international competitive bidding (ICB) or national competitive bidding (NCB) are envisaged for project management. For goods to be procured by AIFSA, shopping procedures will be used in accordance with ADB's *Procurement Guidelines* (2015, as amended from time to time).

51. Consultants will be recruited according to ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time). Except for project financial audit, consulting services presented in Table 11 will be procured by AIFSA on needs basis. Recruitment plan and detailed scope of works with terms of reference should be discussed with ADB in advance.

## C. Procurement Plan

52. Various packages of the procurement plan are presented in the following sections. The basic data of the Project is given in Table 8.

**Table 8: Basic Data**

<b>Project Name:</b> Horticulture Value Chain Development Project	
<b>Project Number:</b> 47305-002-UZB	<b>Approval Number:</b> 3471-UZB
<b>Country:</b> Uzbekistan	<b>Executing Agency:</b> Agency for Implementation of Projects in the Field of Agro-Industry and Food Security (AIFSA)
<b>Project Procurement Risk:</b> Low	<b>Implementing Agency:</b> Asaka Bank, Hamkorbank, Ipak Yuli Bank, Joint Stock Commercial Bank "Turon Bank", Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" (Uzpromstroybank), JointStock Commercial Mortgage Bank "Ipoteka Bank", Natl Bank of Uzbekistan for Foreign Eco Activity, Private Joint-Stock Commercial Bank "Davr Bank"
<b>Project Financing Amount:</b> US\$ 215,000,000 <b>ADB Financing:</b> US\$ 154,000,000 <b>Cofinancing (ADB Administered):</b> <b>Non-ADB Financing:</b> US\$ 61,000,000	<b>Project Closing Date:</b> 30 June 2022
<b>Date of First Procurement Plan:</b> 30 June 2016	<b>Date of this Procurement Plan:</b> 17 March 2020
<b>Advance Contracting:</b> No	<b>e-GP:</b> No

### 1. Methods, Thresholds, Review and 18-Month Procurement Plan

#### a. Procurement and Consulting Methods and Thresholds

53. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

**Table 9: Procurement of Goods and Works**

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding for Goods	US\$ 2,000,000 and Above	
National Competitive Bidding for Goods	Between US\$ 100,000 and US\$ 1,999,999	The first NCB is subject to prior review, thereafter, post review.
Shopping for Goods	Up to US\$ 99,999	
International Competitive Bidding for Works	US\$ 5,000,000 and Above	
National Competitive Bidding for Works	Between US\$ 100,000 and US\$ 4,999,999	The first NCB is subject to prior review, thereafter, post review.
Shopping for Works	Up to US\$ 99,999	

**Table 10: Procurement of Consulting Services**

Consulting Services	
Method	Comments
Consultant's Qualification Selection for Consulting Firm	National assignment
Least-Cost Selection for Consulting Firm	National assignment
Quality- and Cost-Based Selection for Consulting Firm	International and national assignments

**b. Goods and Works Contracts Estimated to Cost \$1 Million or More**

54. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

**Table 11: Goods and Works Contracts Estimated to Cost \$1 Million or More**

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
None							

**c. Consulting Services Contracts Estimated to Cost \$100,000 or More**

55. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

**Table 12: Consulting Services Contracts Estimated to Cost \$100,000 or More**

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
None							

**d. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)**

56. The following table lists smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

**Table 13: Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contract Less than \$100,000 (Smaller Value Contracts)**

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
None								

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
CS-08	Financial audit for 2020-2022	75,000.00	1	LCS	Prior	Q4 / 2020	BTP	Assignment: National  Comments: Assignment: National
CS-10	Project Mid-Term Assessment	90,000.00	1	QCBS	Prior	Q2 / 2020	BTP	Assignment: National  Quality-Cost Ratio: 80:20  Comments: Assignment: National Quality-Cost Ratio: 80:20 Comments: Tentative allocation which will be decided at later stage of project implementation. There is no dropdown arrow in PRS, but the intended recruitment method is QCBS (BTP).
CS-11	Establishment of Women Farmers Associations (WFA) and creation of Council of Women Farmers (CWF)	60,000.00	1	CQS	Prior	Q3 / 2020	BTP	Assignment: National  Comments: This assignment is part of the Gender Action Plan. The EA requested to review and approve terms of reference on 15 July 2019. After internal discussions with Social Development Officer and project team shared suggestions to the EA for consideration.

CS-12	Overseas tour to study international experience in horticulture value chain	98,000.00	1	LCS	Prior	Q2 / 2020	BTP	Assignment: National  Comments: Assignment: National. this is tentative date. It may change depending on the situation around COVID-19.
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**e. Indicative List of Packages Required Under the Project**

57. The following table provides indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

**Table 14: Indicative List of Packages Required Under the Project**

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Comments
None							

Consulting Services							
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/Post)	Type of Proposal	Comments
CS-09	Allocations for preparation of future phases of the Project	424,000.00	1	QCBS	Prior	BTP	Assignment: International  Quality-Cost Ratio: 80:20  Comments: Tentative allocation with estimated 3 contracts. There is no dropdown arrow in PRS, but the intended recruitment method is QCBS (STP)



**f. List of Awarded and On-going, and Completed Contracts**

58. The following tables list the awarded and on-going contracts and completed contracts.

**Table 15: Awarded and Ongoing Contracts**

<b>Goods and Works</b>						
<b>General Description</b>	<b>Estimated Value</b>	<b>Awarded Contract Value</b>	<b>Procurement Method</b>	<b>Advertisement Date (quarter/year)</b>	<b>Date of ADB Approval of Contract Award</b>	<b>Comments</b>
Renovation of the project management office using the shopping method	66,200.00	61,248.00	SHOPPING	Q3 / 2019	06-NOV-19	Awarded to NEW HOPE STROY LLC (Uzbekistan). Construction works are still in progress.

<b>Consulting Services</b>						
<b>General Description</b>	<b>Estimated Value</b>	<b>Awarded Contract Value</b>	<b>Recruitment Method</b>	<b>Advertisement Date (quarter/year)</b>	<b>Date of ADB Approval of Contract Award</b>	<b>Comments</b>
Financial audit for 2017-2019	75,000.00	26,730.00	LCS	Q4 / 2017	23-APR-18	Contract awarded to TSIAR FINANS LLC. Ongoing. Audit for 2018-2019 is expected to complete in May 2020.
Technical Support to PFIs in Horticulture Subloan Appraisal, Monitoring, and ESMS Training and Implementation	98,000.00	96,420.00	CQS	Q3 / 2019	19-NOV-19	awarded to JV Eco-Spectri LLC & Eco-Spectri Uzbekistan LLC. Monitoring and training activities are still under process.

**Completed Contracts**

<b>Goods and Works</b>								
<b>Package Number</b>	<b>General Description</b>	<b>Estimated Value</b>	<b>Awarded Contract Value</b>	<b>Procurement Method</b>	<b>Advertisement Date (quarter/year)</b>	<b>Date of ADB Approval of Contract Award</b>	<b>Date of Completion</b>	<b>Comments</b>
GD-01	Office equipment for PMO	26,800.00	24,304.00	SHOPPING	Q2 / 2017	07-JUL-17	07-JUL-17	Awarded to JV LLC Elegant Trade Line & Hi Soft Computers
GD-02	Office furniture for PMO	11,200.00	8,589.00	SHOPPING	Q2 / 2017	07-JUL-17	07-JUL-17	Awarded to LLC Uyut Mebel Servis
GD-03	Vehicle for PMO	50,000.00	43,400.00	SHOPPING	Q3 / 2017	12-SEP-17	12-SEP-17	JSC General Motors Uzbekistan

GD-05	Renovation of the project management office, using the shopping method	95,000.00	83,743.00	SHOPPING	Q2 / 2019	24-APR-19	30-JUN-19	Awarded to "IMC Global" LTD (Uzbekistan)
GD-06	Additional office equipment for PMO	11,700.00	8,377.00	SHOPPING	Q2 / 2019	14-JUN-19	10-JUL-19	Awarded to PE "SARKOM NET" (Uzbekistan)

Consulting Services								
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
CS-06	Preparing national feasibility documents for government's approval of the additional financing loan	50,000.00	49,858.00	CQS	Q1 / 2018	09-APR-18	30-NOV-18	Contract was awarded to Islomatkonsalting service. Feasibility Study was prepared. Program resolution was approved by government.
CS-05	Training for main stakeholders and beneficiaries on the topic "Delivery of fruits of & vegetable products to the consumer and exporting" and associated gender development & mainstreaming	70,000.00	57,365.00	CQS	Q1 / 2018	27-OCT-18	26-FEB-19	Contract awarded to Center for support of farmers and entrepreneurship of Uzbekistan. Final report submitted.
CS-03	Training for main stakeholders and beneficiaries on the topic "Production & growing of fruits & vegetables" and associated gender development & mainstreaming	70,000.00	63,033.00	CQS	Q1 / 2018	27-OCT-18	26-FEB-19	Contract awarded to a consortium of 'Intellect Management " LLC and Uzbekistan association of business incubators and technoparks. Final report submitted.

CS-04	Training for main stakeholders and beneficiaries on the topic "Storage and processing of fruits of & vegetables" and associated gender development & mainstreaming	70,000.00	63,033.00	CQS	Q1 / 2018	27-OCT-18	26-FEB-19	Contract awarded to a consortium of 'Intellect Management " LLC and Uzbekistan association of business incubators and technoparks. Final report submitted.
CS-07	Support to Uzagroexport in conducting marketing research	98,000.00	91,308.00	CQS	Q1 / 2018	03-APR-19	03-DEC-19	Contract awarded to KPMG Tax and Advisory LLC. Final report submitted.

#### **D. National Competitive Bidding**

59. Not applicable.

### **VII. SAFEGUARDS**

60. ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth Appendix 5 of the SPS, and the Project Prohibited Investment Activities List (Appendix 1b of the ESMS).<sup>13</sup> Subprojects categorized A for environment within the meaning of ADB's SPS (2009) or Class 1 or 2 under the government environmental impact assessment requirement (Appendix 3 of ESMS) or fall under the Environmental Exclusion List (Appendix 2b of ESMS) or having involuntary resettlement impacts or impacts on indigenous peoples will not be eligible for financing under this project. This project is categorized as FI for environment and FI (treated as C) for involuntary resettlement (IR), and indigenous peoples (IP) safeguards since there are no indigenous people's communities in Uzbekistan.

61. Each PFI will have in place an ESMS to be maintained as part of its overall management system to meet Uzbekistan's national laws and regulations and ADB's SPS. Eligible subprojects will follow Uzbekistan national environmental regulations. Each PFI is required to (i) demonstrate to ADB that it has a satisfactory ESMS in place prior to the first disbursement by ADB; and (ii) provide to the AIFSA (the EA) annual reports on its ESMS performance (Appendix 8 of the ESMS).

62. The government shall cause each PFI to ensure that the preparation, design construction, implementation, operation and decommissioning of each Qualified Subproject comply with (a) all applicable laws and regulations of the Government relating to environment, health, and safety; (b) the Environment Safeguards; and (c) the ESMS, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

63. PFIs shall ensure that each subproject comply with (a) all applicable laws and regulations

<sup>13</sup> Environmental and Social Management System Arrangement (accessible from the list of linked documents in Appendix 2 of the RRP; linked document 13).

of the Government relating to environment, health, and safety; (b) ADB's SPS (2009); (c) its ESMS; and (d) and any corrective or preventative actions set forth in an annual Environmental and Social Performance Report. PFIs shall use their ESMSs for subproject screening, credit appraisal and approval, supervision and monitoring of subproject implementation.

### VIII. GENDER AND SOCIAL DIMENSIONS

64. The project is categorized as "effective gender mainstreaming". It includes nine (9) gender actions, six (6) associated with the project output and three (3) related to project management and implementation. For the project output, these actions are: (i) ensure that horticulture-related subprojects financed by PFIs' subloans prioritize utilization of female workers; (ii) set up Association of Women Farmers and Dehkans in 5 regions (Bukhara, Fergana, Sirdarya, Surkhandarya, and Tashkent); (iii) set up Women's Groups (Ustoz-Shogird)<sup>14</sup> to promote new farms and agribusiness enterprises; (iv) disseminate success stories of Women's Groups and Associations of Women Farmers and Dehkans; (v) conduct gender awareness seminars/training for main stakeholders and beneficiaries (AIFSA, Council of Farmers, PFIs at the regional level, and representatives of agribusiness processing entrepreneurship) of the project in the 5 regions. For project management and implementation, these actions are: (i) recruit national social development and gender specialist in the project implementation office; (ii) ensure collection of sex-disaggregated baseline and end-line information; (iii) identify gender and development focal persons at each PFI for adequate implementation and monitoring gender indicators/targets; and (iv) capacity development training and consultation with project management office, and project implementation units on the implementation of the gender action plan.

65. The AIFSA and PFIs will carry out and monitor the progress of gender and social dimensions as described in the gender action plan as described in Table 13.

**Table 13: Gender Action Plan**

Activities	Performance Targets/ Indicators	Responsibility	Time Frame
<b>A. Output: Finance to horticulture sector increased</b>			
1. Ensure that horticulture-related subprojects financed by PFIs' subloans prioritize utilization of female workers.	At least 20% of subproject labor is female workers in the subproject vicinity.	PMO and PFIs	2017–2021
2. Set up Association of Women Farmers and Dehkans in 5 regions (Bukhara, Fergana, Sirdarya, Surkhandarya, and Tashkent)	At least 5 Associations of Women Farmers and dehkans are established and registered and are functional in 5 regions.  At least 20% of Associations' members are rural makhalla women leaders/female heads of households.	PMO (social development and gender specialist) in collaboration with Council of Farmers of Uzbekistan, Khokimiyats, Women Committee of Uzbekistan.	2017–2021
3. Set up Women's Groups (Ustoz-Shogird) <sup>15</sup> to promote new farms and agribusiness enterprises.	At least 1 group established in each of the 5 regions.		

<sup>14</sup> "Ustoz-Shogird" translated from Uzbek means "Teacher – Student" and share success experience in 5 regions and distributes success stories of role model through mass media (newspapers, radio).

<sup>15</sup> "Ustoz-Shogird" translated from Uzbek means "Teacher – Student" and share success experience in 5 regions and distributes success stories of role model through mass media (newspapers, radio).

Activities	Performance Targets/ Indicators	Responsibility	Time Frame
4. Disseminate success stories of Women's Groups and Associations of Women Farmers and Dekhans	At least 3 articles in the newspapers or radio about the Women Groups per year.  At least 5 qualitative women's success stories of role model in Uzbek and Russian.		
5. Conduct gender awareness seminars/training for main stakeholders and beneficiaries (AIFSA, Council of Farmers, PFIs at the regional level, and representatives of agribusiness processing entrepreneurship) of the Project in the 5 regions.	At least 1 training is conducted for the main stakeholders in each of the five regions (at least 30 participants per region are trained, of which at least 30% of participants are women).		
<b>B. Project Management and Implementation</b>			
6. Recruit national social development and gender specialist in the PMO.	Specialist available in PMO to implement GAP with sufficient budget allocation.	PMO	From Q1 2018 to Q3 2021
7. Ensure collection of sex-disaggregated baseline and end-line information.	Sex-disaggregated baseline/end-line information available and M&E reports. Social/gender profile in the relevant reports.	PMO (social development and gender specialist) and PIUs.	2017–2021
8. Identify gender and development focal persons at each PFI for adequate implementation and monitoring gender indicators/targets stated in the GAP.	Availability of gender and development focal persons in PFIs during project implementation.	PMO (social development and gender specialist) and PIUs.	By Q1 2017
9. Capacity development training and consultation with PMO, and PIUs on the implementation of the GAP.	Progress toward meeting the GAP indicators and targets relating to capacity building component.  Regular monitoring and reporting of GAP indicators.	PIUs in collaboration with the regional state departments of statistics and ADB's URM.	

GAP = gender action plan, M&E = monitoring and evaluation, PIU = project implementation unit, PMO = project management office, makhalla = community-based local organization, Khokimiyat = self-governance body, AIFSA = Rural Restructuring Agency.

Source: Asian Development Bank.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

### A. Project Design and Monitoring Framework

<b>Impact the Project is Aligned with:</b> Improved contribution of horticulture sector to inclusive economic growth and rural employment <sup>a</sup>			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<b>Outcome</b>  Production and marketing of horticultural products increased	By 2022: a. Exports of horticultural produce increased: <ul style="list-style-type: none"> <li>Vegetables: to 630,000 tons (2015 baseline: 286,600 tons)</li> <li>Melons: to 16,900 tons (2015 baseline: 7,700 tons)</li> <li>Fruits: to 239,140 tons (2015 baseline: 108,700 tons)</li> <li>Grapes: to 326,300 tons (2015 baseline: 186,900 tons)</li> </ul> b. Value of exports of horticultural produces increased to \$1.3 billion (2015 baseline: \$0.6 billion)	a–b. National Statistics Committee. Ministry of Economy; MOA; AIFSA monitoring reports; Customs data; and Uzagroexport reports.	Reduced economic activity affects debt service capacity of horticulture farmers and enterprises.  Increased risk provisions and anticipated challenges of banks related to adoption of CBU's capital adequacy requirement may require additional capital to maintain compliance with prudential standards.  Credit risk incurred by PFIs.
<b>Output</b>  Finance to the horticulture sector increased	By 2021: 1a. 332 subloans extended to horticulture development, of which: <sup>b</sup> <ul style="list-style-type: none"> <li>181 for production; and</li> <li>151 for storage improvement and processing</li> </ul> 1b. Subprojects financed by PFIs' subloans employ at least 20% female workers	1a–b. PFIs' progress reports and AIFSA monitoring reports	
<b>Key Activities with Milestones</b>  <b>1. Finance to the horticulture sector increased</b> 1.1 Establish ESMS at PFIs (Q1 2017). 1.2 Disburse PFIs' loans to horticulture farms and enterprises (Q2 2017–Q4 2021).  <b>Project Management Activities</b> Set up PMO with required staffing by Q1 2017. Set up PIU at each PFI by Q1 2017. Set up PPMS by Q1 2017. Provide technical support to PFIs and subborrowers (Q2 2017–Q4 2021) Prepare project completion report by Q4 2021.			
<b>Inputs</b>  ADB : \$154.0 million (loan) - Asian Development Fund Subborrowers : \$40.0 million (equity contribution) Government : \$21.0 million (including \$19.0 million through exemption of taxes and duties for imported			

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
goods and \$2.0 million for interest charges during implementation)			
<b>Assumptions for Partner Financing</b>			
Not applicable.			

ADB = Asian Development Bank, ESMS = environmental and social management system, MOA = Ministry of Agriculture, PFI = participating financial institution, PIU = project implementation unit, PMO = project management office, PPMS = project performance management system, Q = quarter, AIFSA = Agency for Implementation of Projects in the field of Agroindustry and Food Security (under MOA).

<sup>a</sup>Government of Uzbekistan. 2015. *Presidential Decree No. UP-4707: On the measures for structural reforms, modernization and diversification of production in 2015–2019*. Tashkent.

<sup>b</sup>Of total \$149 million available for credit lines to PFIs, tentative allocation is as follows: \$40 million for production and \$109 for storage improvement and processing. However, actual subloans and amounts will be totally demand driven.

Source: Asian Development Bank.

## B. Monitoring and Reporting

66. **Project performance monitoring.** Each PFI will be required to include in its quarterly progress reports information on its small businesses subloan portfolio: (i) name or type of loan product, (ii) borrower characteristics (male and female owned), (iii) loan tenor, (iv) interest rate, (v) repeat loan, new loan (vi) classification by size, (vii) sector of activity, (viii) region, (ix) number of employees (male and female), and (x) loans approved and disbursed. The reporting template will be provided to the AIFSA and PFIs prior to the inception mission. These reports will be ADB's basis for monitoring and updating project performance and measuring the development impact of the project.

67. **Compliance monitoring.** Compliance of the PFIs to project agreement covenants will be monitored through periodic ADB review missions, quarterly progress reports by the PFIs, random spot checks of subloan documents, and review of the PFIs' audited financial statements. An environmental specialist will be recruited by the PMO (based in AIFSA) to help monitor PFIs' training, provide assistance to PFIs for ESMS establishment and operations including the preparation of Annual Environmental and Social (ES) performance reports of the PFIs.

68. **Safeguards monitoring.** Monitoring and reporting of the implementation of safeguards requirements and procedures within the established ESMS will be prepared by PFIs. The PFIs' quarterly progress reports will include status of compliance with safeguards covenants. The PFIs will submit to AIFSA (the EA) annual ES performance reports (Appendix 8 of the ESMS in RRP's linked document 12) by the end of January every year. Based on the PFIs' annual reports, AIFSA will submit to ADB annual Safeguard Monitoring reports (Appendix 9 of the ESMS) by mid-February of the following calendar year.

69. **Gender and social dimensions monitoring.** PFIs will be required to report the GAP achievements in their quarterly progress reports.

## C. Evaluation

70. ADB will conduct semiannual and mid-term review missions to assess the progress of the project and review compliance with the loan agreement and project agreement covenants. The mid-term review mission will undertake a comprehensive review of the project design and the performance of the project. It may require a change in the design and implementation arrangements. Within 6 months after the loan closing date, MOF will submit a project completion report to ADB in a form acceptable to ADB.<sup>16</sup>

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<sup>16</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>.



## **X. ANTICORRUPTION POLICY**

71. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>17</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.<sup>18</sup> To support these efforts, relevant provisions will be included in the legal agreements.

## **XI. ACCOUNTABILITY MECHANISM**

72. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>19</sup>

## **XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL**

73. All revisions/updates during course of project implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

<b>Description of Revision</b>	<b>Date</b>
PAM Agreed with the Government, AIFSA, and PFIs at loan negotiation	18/10/2016
Loan Review Mission	08/07/2019
Loan Review Mission	07/09/2020

<sup>17</sup> Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>18</sup> ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

<sup>19</sup> Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.