

Project Administration Manual

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Loan Number: [xxxxx]
6 August 2019 (negotiated)

Uzbekistan: Livestock 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
AIFSA	–	Agency for Implementation of Projects in the Field of Agro-industry and Food Security
CBU	–	Central Bank of Uzbekistan
ESMS	–	environmental and social management system
GAP	–	gender action plan
IABS	–	integrated automated banking system
IFRS	–	International Financial Reporting Standards
IPSAS	–	International Public Sector Accounting Standards
MOF	–	Ministry of Finance
PFI	–	participating financial institution
PIU	–	project implementation unit
PMO	–	project management office
QQB	–	Qishloq Qurilish Bank
SLA	–	subsidiary loan agreement
SOE	–	statement of expenditure
SPS	–	Safeguard Policy Statement

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Project Administration Manual Purpose

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM includes references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Finance (MOF), the Agency for Implementation of Projects in the Field of Agro-industry and Food Security (AIFSA), and participating financial institutions (PFIs) are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the Government of Uzbekistan and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by MOF, AIFSA, and PFIs of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the Government of Uzbekistan and ADB shall agree to the PAM and ensure consistency with the loan and project agreements. 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's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

I. PROJECT DESCRIPTION

1. The proposed project will support the development of livestock value chains by increasing outreach of participating financial institutions (PFIs) to livestock farmers and entrepreneurs throughout the country. The project impact will be contribution of the agriculture sector to inclusive economic growth, income and employment increased. The outcome will be production and marketing of livestock products increased. The project has two outputs as outlined below:

- (i) **Access to finance in the livestock subsector increased.** The project will provide long-term funds to PFIs to extend subloans to eligible subborrowers for capital investment. To be eligible, a subborrower must be a commercial entity registered under and compliant with Uzbek laws and regulations, must not be a PFI related party as defined by the Central Bank of Uzbekistan (CBU), and must have a maximum total asset value of \$50 million equivalent at the time of the application for a subloan. Investment subprojects will include but not be limited to livestock production, processing, input supply, and service delivery. The project will improve access to market-based bank finance for producers, processing enterprises, input suppliers and service providers in the livestock value chain. As such, it will help increase livestock productivity and sustainability, processing capacity and utilization, and marketing of inputs and livestock products.
- (ii) **Support services to the livestock subsector improved.** The project will facilitate the development of private sector veterinary practices to improve access to clinical veterinary services and animal management and health advice, including effective use of anti-microbial drugs. Specifically, the project will support the Institute of Veterinary Medicine (IVM) based in Samarkand province to (i) develop and deliver a continuing education program for veterinarians working in both public and private veterinary service provision; (ii) establish a veterinary association and upgrade an existing veterinary journal to further enhance professionalism and effective dissemination of veterinary best practices; (iii) establish a model private veterinary practice under the auspices of IVM as a model for the development of private veterinary service delivery in Uzbekistan; and (iv) replicate the model practice for at least six private veterinary practices in other areas of Uzbekistan. The project will also help develop capacity of PFIs in developing livestock lending policy and procedures, credit products, training staff in livestock sector lending, and implementing outreach strategy through increased client awareness of bank products and services and application procedures.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Project Readiness Activities

Indicative Activities	2019–2020						Responsibility
	Oct/ 19	Nov/ 19	Dec/ 19	Jan/ 20	Feb/ 20	Mar/ 20	
National feasibility study review by the government	▲						AIFSA
Government approval (issuance of government resolution)		▲					AIFISA, MOF
Loan and project agreements signing			▲				ADB, AIFSA, MOF, PFIs
Government legal opinion provided			▲				MOF, MOJ, AIFSA

Indicative Activities	2019–2020						Responsibility
	Oct/ 19	Nov/ 19	Dec/ 19	Jan/ 20	Feb/ 20	Mar/ 20	
Government budget inclusion			▲				MOF
Signing of the subsidiary loan agreements between MOF and PFIs				▲			AIFSA, MOF, PFIs
PMO establishment (by January 2020)				▲			AIFSA
PIU establishment (by January 2020)				▲			PFIs
Loan effectiveness					▲		ADB
Establishment of environmental and social management systems at PFIs					▲		ADB, AIFSA, PFIs
Disbursement of subloans to livestock producers and enterprises						▲	ADB, AIFSA, PFIs

Note: ADB Board consideration is expected on 30 September 2019.

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

Source: Asian Development Bank staff estimates.

B. Overall Project Implementation Plan

Table 2: Project Implementation Plan

[illegible]

[illegible]

Indicative Activities	2020				2021				2022				2023				2024				2025			
	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
subborrowers (2020–2024)																								
Prepare project completion report (Q4 2024–Q1 2025)																								

IVM = Institute of Veterinary Medicines, 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 (AIFSA) (Executing Agency)	<ul style="list-style-type: none"> ➤ Be accountable and responsible for advance account and withdrawal application ➤ Be responsible for monitoring and compliance with loan covenants ➤ Certify compliance of participating financial institutions (PFIs) eligibility criteria ➤ Monitor and certify compliance subloan, subproject, and subborrower with applicable criteria ➤ Together with the Ministry of Finance (MOF), execute subsidiary loan agreements with the PFIs ➤ Monitor PFIs' performance and compliance with project agreements against design and monitoring framework (DMF) targets ➤ Coordinate capacity development activities with regard to PFIs and subborrowers ➤ Monitor timely disbursement of ADB loan funds to PFIs ➤ Submit project completion report to ADB within 6 months from project closing date
Participating financial institutions (PFIs) (Implementing Agencies)	<ul style="list-style-type: none"> ➤ Carry out credit origination and monitoring of eligible subborrowers in line with sound banking principles ➤ Select subloans in accordance with eligibility criteria set out in the project agreements ➤ Monitor and certify compliance subloan, subproject, and subborrower with applicable criteria ➤ Be accountable for the use of advances and preparation of withdrawal applications ➤ Establish environmental and social management systems and ensure that subborrowers comply with ADB's Safeguard Policy Statement 2009 (SPS) and applicable environmental, health and safety, and social laws and regulations of the Republic of Uzbekistan ➤ Manage financial reporting, accounting, and auditing of project-related activities ➤ Designate dedicated staff for project implementation unit ➤ Implement Gender Action Plan (GAP) ➤ Submit annual audited statements of utilization of funds, and annual audited entity financial statements ➤ Submit to ADB quarterly progress reports within 30 days from the end of each quarter, and respond to other information requests ➤ Submit to ADB annual safeguards monitoring report in February each year
Asian Development Bank (ADB)	<ul style="list-style-type: none"> ➤ Monitor project achievements as described in the DMF and compliance of MOF and the PFIs with covenants and safeguards as set out in the loan and project agreements ➤ Conduct field reviews of implementation twice a year

B. Key Persons Involved in Implementation

Executing Agency	
Ministry of Finance	Officer's Name: Avaz Kamalov Position: Deputy Head of International Financial Relations Department Telephone: (+998 71) 239 1695 Email address: akamalov@mf.uz Office Address: 29, Istiqlol str., Tashkent 100017, Republic of Uzbekistan
Agency for Implementation of Projects in the Field of Agroindustry and Food Security (AIFSA)	Officer's Name: Shokhrukh Shoakhmedov Position: Director General Telephone: (+998 71) 241 5144 Email address: info@rra.uz , info@uzaijsa.uz Officer's Name: Bakhtiyor Kamalov Position: First Deputy General Director Telephone: (+998 71) 241 0091 Email address: info@rra.uz , info@uzaijsa.uz Office Address: 1A, block A, Labzak str., Tashkent, 100004, Republic of Uzbekistan

Implementing Agencies	
"Uzbek Industrial and Construction Bank" Joint-Stock Commercial Bank (Uzpromstroybank)	Officer's Name: Sakhi Annaklichev Position: First Deputy Chairman of the Board Telephone: (+998 78) 120 4582 Email address: annaklichev@uzpsb.uz Officer's Name: Akmal Palvanov Position: Head of International Financial Institutions Division Telephone: (+998 78) 120 4500 (ext.1105) Email address: ak_palvanov@uzpsb.uz Office Address: 3, Shakhrisabz str., Yunusabad District, Tashkent, 100000, Republic of Uzbekistan
Joint-Stock Commercial Bank "Turonbank" (Turonbank)	Officer's Name: Chori Mirzaev Position: Chairman of the Management Board Telephone: (+998 71) 244 3232 Email address: mirzaev_ch@turonbank.uz Officer's Name: Sultan Kaldibaev Position: Head of Center for Coordination of Investment Activity and Project Management Telephone: (+998 71) 202 0101 (ext.218), (+998 71) 244 27 95 Email address: kaldibaev_s@turonbank.uz Office Address: 4A, Abay str, Shayhontohur District, Tashkent, 100011, Republic of Uzbekistan
Joint-Stock Commercial Bank "Microcreditbank" (Microcreditbank)	Officer's Name: Aziz Nizamov Position: Deputy Chairman of the Management Board Telephone: (+998 71) 202 9999 (ext. 1006) Email address: a.nizamov@mkb.uz , a.nizamov@mikrokreditbank.uz Officer's Name: Shukhrat Elmuratov Position: Deputy Director of Center for Investment Activities and Project Management Telephone: (+998 71) 202 9999 (ext. 1011) Email address: sh.elmuratov@mikrokreditbank.uz , invest@mikrokreditbank.uz Office Address: 14, Lutfiy str., Chilonzor district, Tashkent, 100096, Republic of Uzbekistan
Joint-Stock Commercial Bank "Qishloq qurilish bank" (QQB)	Officer's Name: Alisher Muratov Position: Deputy Chairman of the Management Board

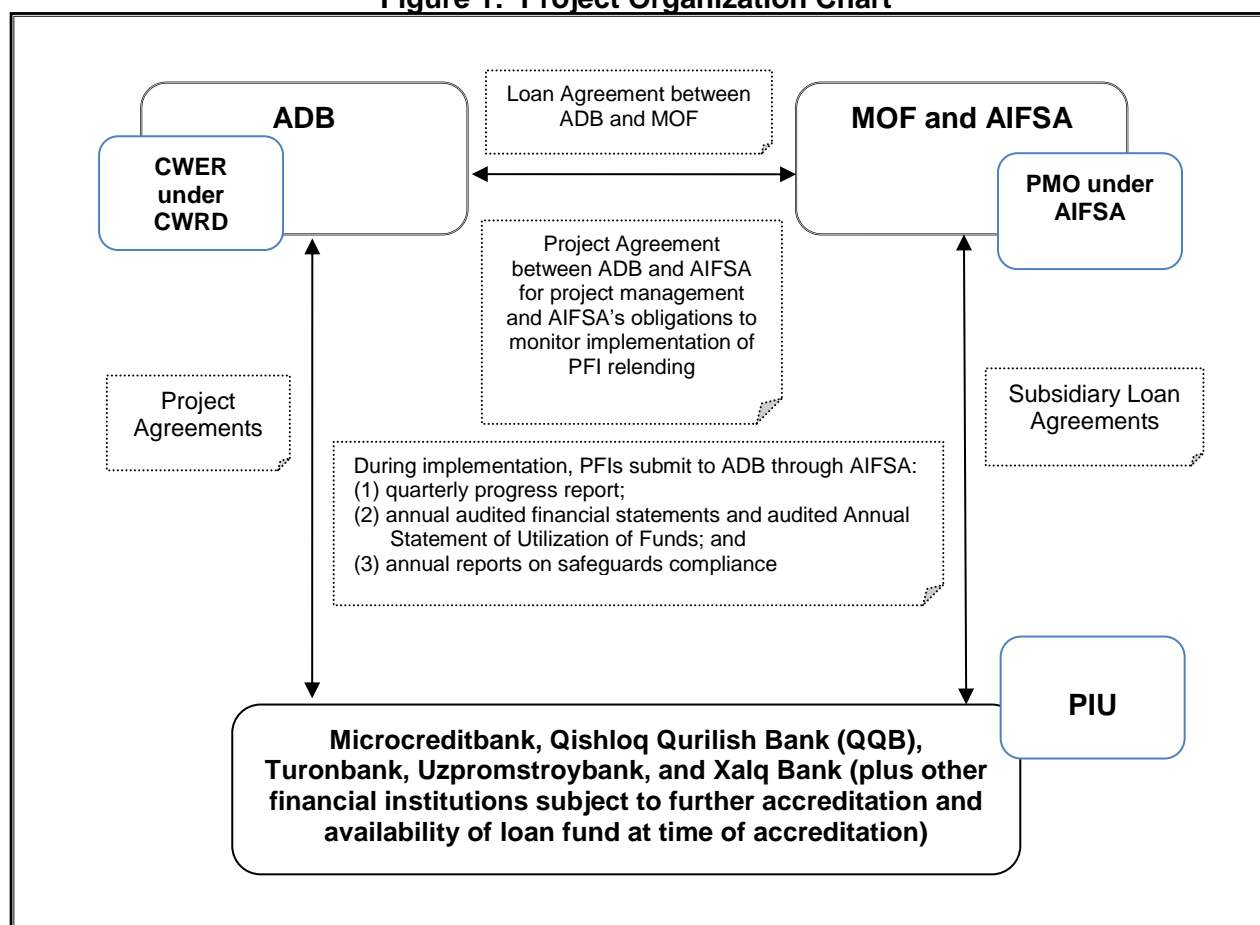
	<p>Telephone: (+998 78) 150 7695 Email address: a.muratov@qgb.uz Officer's Name: Saodat Niyazova Position: Chief Specialist of Lending in Foreign Currency Department Telephone: (+998 78) 150 76 41 Email address: invest@qgb.uz Office Address: 18A, Navoiy str., Shayhontohur District, Tashkent, 100011, Republic of Uzbekistan</p>
Joint-Stock Commercial Xalq Bank of the Republic of Uzbekistan (Xalq Bank)	<p>Officer's Name: Tokhirjon Rakhmonov Position: First Deputy Chairman of the Management Board Telephone: (+998 78) 120 1704 Email address: info@xb.uz Officer's Name: Sarvar Rasulov Position: Head of Working with Foreign Credit Lines Division Telephone: (+998 78) 120 1763 Email address: sarvar.rasulov@xb.uz Office Address: 46, Qatartol str., Chilonzor district, Tashkent, 100096, Republic of Uzbekistan</p>

Asian Development Bank	
Environment, Natural Resources, and Agriculture Division (CWER); Central and West Asia Department (CWRD)	<p>Donneth A. Walton Director, CWER Telephone: +632 632 5847 Email address: dwalton@adb.org</p>
Project Team Leader	<p>Bui Minh Giap Principal Natural Resources and Agriculture Economist Telephone: +632 632 6900 Email address: buigm@adb.org</p> <p>Contact person in Uzbekistan Resident Mission: Tal'at Nasirov Senior Project Officer Telephone: +998 78 1401920 Email address: tnasirov@adb.org</p>

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) will be 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. The PMO will be responsible for (i) reviewing and monitoring subproject implementation, (ii) overseeing project financial audits, and (iii) implementing veterinary services capacity development activities. AIFSA will recruit technical experts to support PFIs in developing livestock lending credit policy and procedures, credit products, and outreach strategy, and train PFI staff. 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; AIFSA = Agency for Implementation of Projects in the Field of Agro-industry and Food Security; 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; and PMO = project management office.
Source: Asian Development Bank.

3. The PMO staff list is in Table 3.

Table 3: Staff List of the Project Management Office

Staff Category/Title	Number of Staff	Person-Month	Total Person-Months
A. Management staff			
First Deputy Director General	1	24	24
Project Manager	1	60	60
Financial Management Specialist	1	60	60
Chief Accountant	1	60	60
Procurement Specialist	1	60	60
Project Monitoring and Evaluation Specialist	1	60	60
Subproject Monitoring Specialist	1	60	60
Legal Specialist	1	60	60
Livestock/Veterinary Specialist	1	60	60
Financial Institutions Specialist	1	60	60
Environment Specialist	1	60	60
Social and Gender Specialist	1	60	60
Credit Line Promotion Specialist	1	60	60
Subtotal (A)			744
B. Support Staff			
Office Manager/Secretary	1	60	60
Translator/Interpreter	1	60	60
Drivers (2)	2	60	120
Guard	1	60	60
Cleaner	1	60	60
Subtotal (B)			360
Grand Total (A+B)			1,104

Sources: 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 Livestock Value Chain Development Project is required to qualify as a 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 the associated project documents. A PFI will also be required to sign a tripartite Subsidiary Loan Agreement (SLA) with the Republic of Uzbekistan Ministry of Finance (MOF) and AIFSA. A PFI is required to satisfy the specified eligibility criteria both on commencement of and on an ongoing basis throughout the implementation of the project. Each PFI will be required to provide AIFSA with 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 that 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 a PFI's overall lending capabilities, and financial and loan portfolio performance. The PFI will be required to have a 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 ongoing 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 two years preceding participation in the project credit line in the delivery of credit to clients engaged in the agriculture value chain;
- (iii) have in place or be prepared to put in place lending policies and a strategy for lending to livestock clients;
- (iv) be committed to onlending funds from the credit line to eligible clients (subborrowers), who are engaged in livestock activities;
- (v) have or be willing to engage and/or develop the necessary staff, knowledge, and physical and other resources to implement the project credit line; and
- (vi) 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 ongoing basis, to comply with CBU criteria for corporate governance of financial institutions, which include (i) corporate governance structures that promote effective identification, monitoring, and management of all material business risks; (ii) systems for ensuring compliance with all statutory and regulatory requirements; (iii) implementation of financial disclosure requirements; and (iv) setting of corporate governance objectives, strategies, and procedures.

(ii) Financial Performance

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

- (i) maintain a total capital adequacy ratio of not less than the minimum requirement in the given financial year stipulated by the prudential regulations issued by CBU;
- (ii) maintain a return on average assets ratio of not less than 0.5%, where the return on average assets ratio is defined as net income after tax divided by the 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 operating expenses (comprising only employee costs and administrative expenses) divided by the total operating income plus non-operating income;
- (iv) maintain a maximum ratio of the value of non-performing loans to the total value of loans outstanding of 5%, where a non-performing loan is defined as 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; and
- (v) maintain a maximum limit on exposure to a single borrower or group of related borrowers of 25% of Tier 1 capital (as defined by CBU regulations).

10. The financial ratios specified above will be reported in the PFIs management accounts in accordance with the International Financial Reporting Standards, and the capital adequacy ratio 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 ongoing basis, as assessed by ADB, to:

- (i) have a Supervisory Board responsible for setting 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 SPS,
- (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 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 ongoing basis, to:

- (i) be an entity 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; and
- (iii) have a maximum total asset value of \$50 million equivalent at the time of the application for a subloan (based on financial statements).

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 the past and ongoing environmental performance. In the event that such due diligence is not undertaken or is not undertaken with appropriate 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 the SPS;
 - (ii) not involve in 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 and/or indigenous peoples impact as defined in the SPS;
 - (iv) not involve mining or genetically modified organisms;
 - (v) not involve in any activity included in ADB's Prohibited Investment List;
 - (vi) demonstrate financial and economic viability; and
 - (vii) 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 (including means of transportation and other associated facilities) related to livestock production, processing, marketing, input supply, and service provision;
 - (b) the supply of animals, inputs and services related to livestock production, processing, marketing, input supply, and service provision;
 - (c) the production of livestock products; and
 - (d) the handling, collection, storage, processing, and marketing of livestock 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 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 and/or subloan financing of 1.2.

E. Qualified Participating Financial Institutions

17. 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.

18. The financial analysis of PFIs participating in the Livestock Value Chain Development Project was undertaken as part of a broader financial due diligence that included financial management assessment and integrity due diligence. The analysis comprised a review of each PFI's financial performance and an assessment of its compliance with Central Bank of Uzbekistan (CBU) prudential regulations and Asian Development Bank (ADB) loan covenants established for the Livestock Value Chain Development Project. PFI due diligence has considered current and potential credit lines and loan funds from ADB, and other major development partners.¹

19. Five PFIs were selected: Microcreditbank, Qishloq Qurilish Bank (QQB), Turonbank, Uzpromstroybank, and Xalq Bank. Ipoteka Bank also expressed interest in participating but did not complete due diligence requirements in time for project processing. It will be considered for participation after project start-up. All selected PFIs satisfy ADB's eligibility criteria for financial intermediaries under ADB's Operations Manual Bank Policies (OM D6/BP) of 2003.

¹ Detailed financial due diligence and financial management assessment of each PFI and integrity due diligence reports are available upon request for ADB's internal review purpose only.

IV. COSTS AND FINANCING

A. Key Assumptions

20. The following key assumptions underpin the cost estimates and financing plan: (i) exchange rate: UZS8,440 = \$1.00; and (ii) price contingencies based on expected cumulative inflation over the implementation period as in Table 4. It is important to note that most of the loan fund (\$146 million out of the total \$150 million) will be channeled to PFIs for onlending and hence this amount is subject to neither price nor physical contingencies.

Table 4: Escalation Rates for Price Contingency Calculation

Item	2019	2020	2021	2022	2023	2024
Foreign rate of price inflation	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%
Domestic rate of price inflation	16.0%	14.0%	9.3%	8.1%	7.7%	7.7%

Source: Asian Development Bank.

B. Detailed Cost Estimates

Table 5: Detailed Cost Estimates by Expenditure Category

	(SUM Million)			% Total Base Costs	(US\$ '000)			% Total Base Costs
	Local	Foreign	Total		Local	Foreign	Total	
I. Investment Costs								
A. Subproject Finance - ADB	616,120	616,120	1,232,240	64.0	73,000	73,000	146,000	64.0
B. Subproject Finance - Subborrowers' Contribution	236,970	236,970	473,940	25.0	28,077	28,077	56,154	25.0
C. Subproject Finance - Government Contribution	189,579	-	189,579	10.0	22,462	-	22,462	10.0
D. Capacity Development	3,798	12,103	15,901	1.0	450	1,434	1,884	1.0
Total Investment Costs	1,046,467	865,193	1,911,660	99.0	123,989	102,511	226,500	99.0
II. Recurrent Costs								
A. Project Management Incremental Staff	9,894	-	9,894	1.0	1,172	-	1,172	1.0
B. Project Management Office Operation	4,980	-	4,980	0.0	590	-	590	0.0
C. Preparation of Follow-on Project	-	1,013	1,013	0.0	-	120	120	0.0
Total Recurrent Costs	14,873	1,013	15,886	1.0	1,762	120	1,882	1.0
Total BASELINE COSTS	1,061,341	866,206	1,927,546	100.0	125,751	102,631	228,382	100.0
Physical Contingencies	942	-	942	0.0	112	-	112	0.0
Price Contingencies	5,505	2,797	8,302	0.0	82	40	122	0.0
Total PROJECT COSTS	1,067,787	869,003	1,936,791	100.0	125,945	102,671	228,616	100.0
Interest During Implementation	-	74,875	74,875	4.0	-	8,838	8,838	4.0
Total Costs to be Financed	1,067,787	943,878	2,011,666	104.0	125,945	111,510	237,454	104.0

Source: ADB estimates

Table 6: Allocation and Withdrawal of Loan Proceeds

Livestock Value Chain Development Project				
CATEGORY			ADB COL FINANCING	
No.	Item	Amount Allocated [\$]		Percentage and Basis for Withdrawal from the Loan Account
		Category	Sub-Category	
1	Credit lines to participating financial institutions ^a	146,000,000		100 percent of total expenditure claimed (*)
2	Other expenditures: (i) capacity development; and (ii) recurrent costs (including [a] project management incremental staff; [b] project management office operation; and [c] preparation of follow-on project)	4,000,000		100 percent of total expenditure
	Total	150,000,000		

ADB = Asian Development Bank; COL = ordinary capital resources (concessional loan).

^a Subject to the disbursement conditions set forth in Schedule 2 of the Loan Agreement and the Schedule of the project agreements with each PFI.

(*) Exclusive of taxes and duties, to be financed by the Government through exemptions.

Source: ADB estimates.

Table 7: Detailed Cost Estimates by Financier (\$'000)

	ADB COL		The Government		Subborrowers		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs								
A. Subproject Finance - ADB	146,000	100.0	0	0.0	0	0.0	146,000	61.5
B. Subproject Finance - Subborrowers' Contribution	0	0.0	0	0.0	56,154	100.0	56,154	23.6
C. Subproject Finance - Government Contribution	0	0.0	22,462	100.0	0	0.0	22,462	9.5
D. Capacity Development	1,924	100.0	0	0.0	0	0.0	1,924	0.8
Total Investment Costs	147,924	65.3	22,462	9.9	56,154	24.8	226,540	95.4
II. Recurrent Costs								
A. Project Management Incremental Staff	1,289	100.0	0	0.0	0	0.0	1,289	0.5
B. Project Management Office Operation	666	100.0	0	0.0	0	0.0	666	0.3
C. Preparation of Follow-on Project	120	100.0	0	0.0	0	0.0	120	0.1
Total Recurrent Costs	2,076	100.0	0	0.0	0	0.0	2,076	0.9
Total PROJECT COSTS	150,000	65.6	22,462	9.8	56,154	24.6	228,616	96.3
Interest During Implementation	0	0.0	8,838	100.0	0	0.0	8,838	3.7
Total Disbursement	150,000	63.2	31,300	13.2	56,154	23.6	237,454	100.0

ADB = Asian Development Bank; COL = ordinary capital resource (concessional loan)

Source: ADB estimates

Table 8: Detailed Cost Estimates Output and Component (\$'000)

	Access to Long-term Finance in the Livestock Sector Increased	Support to Livestock Sector Enhanced	Project Management and Implementation	Total
I. Investment Costs				
A. Subproject Finance - ADB	146,000	-	-	146,000
B. Subproject Finance - Subborrowers' Contribution	56,154	-	-	56,154
C. Subproject Finance - Government Contribution	22,462	-	-	22,462
D. Capacity Development	-	1,924	-	1,924
Total Investment Costs	224,616	1,924	-	226,540
II. Recurrent Costs				
A. Project Management Incremental Staff	-	-	1,289	1,289
B. Project Management Office Operation	-	-	666	666
C. Preparation of Follow-on Project	-	-	120	120
Total Recurrent Costs	-	-	2,076	2,076
Total PROJECT COSTS	224,616	1,924	2,076	228,616
Interest During Implementation	8,684	74	80	8,838
Total Disbursement	233,300	1,999	2,156	237,454

Source: ADB estimates

Table 9: Detailed Cost Estimates by Year (\$'000)

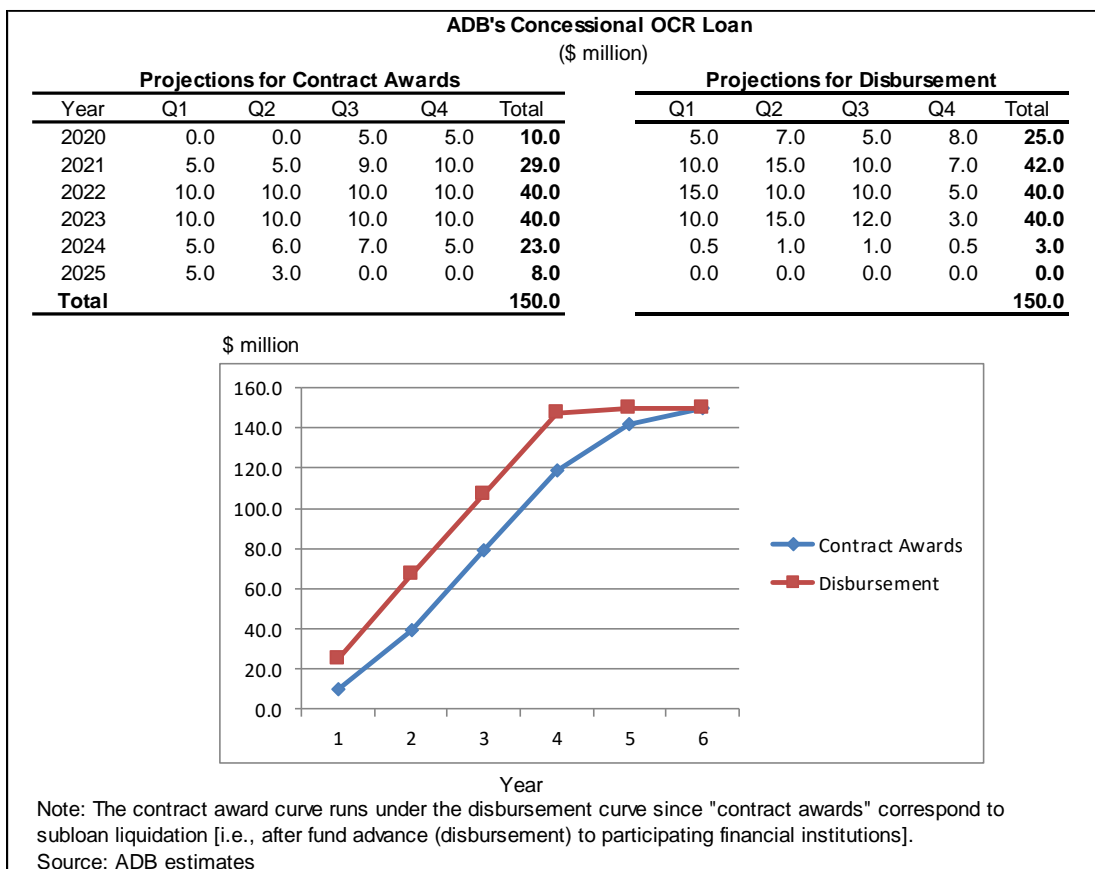
	2020	2021	2022	2023	2024	Total
I. Investment Costs						
A. Subproject Finance - ADB	43,800	58,400	14,600	14,600	14,600	146,000
B. Subproject Finance - Subborrowers' Contribution	16,846	22,462	5,615	5,615	5,615	56,154
C. Subproject Finance - Government Contribution	6,739	8,985	2,246	2,246	2,246	22,462
D. Capacity Development	1,034	363	217	175	135	1,924
Total Investment Costs	68,419	90,210	22,679	22,637	22,596	226,540
II. Recurrent Costs						
A. Project Management Incremental Staff	252	256	260	259	263	1,289
B. Project Management Office Operation	238	105	106	108	110	666
C. Preparation of Follow-on Project	-	-	120	-	-	120
Total Recurrent Costs	489	361	486	367	373	2,076
Total PROJECT COSTS	68,908	90,570	23,165	23,004	22,969	228,616
Interest During Implementation	723	1,665	1,909	2,150	2,391	8,838
Total Disbursement	69,631	92,235	25,074	25,154	25,360	237,454

Source: ADB estimates

C. Contract Awards and Disbursement S-Curves

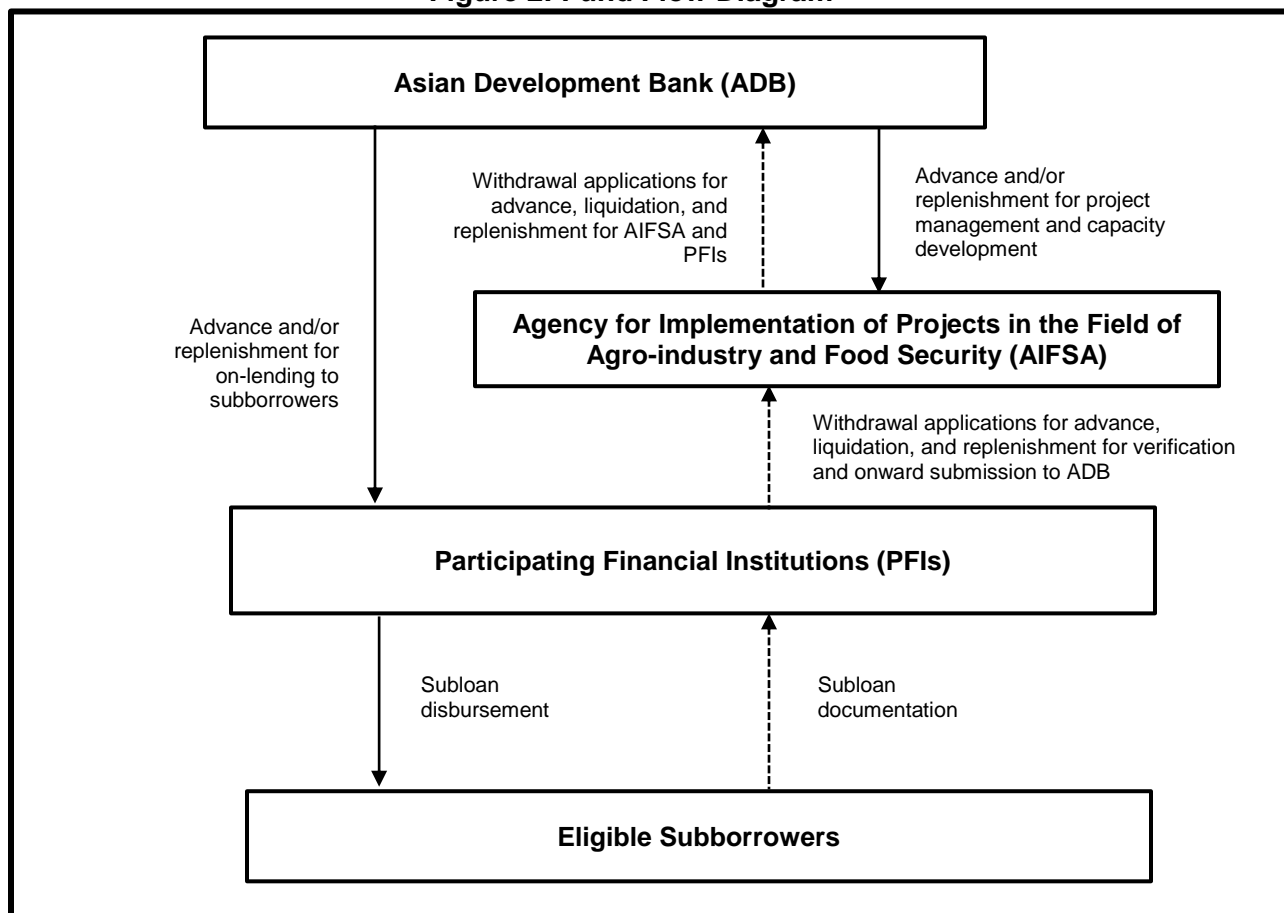
21. Contract awards and disbursement S-curves are in Table 10.

Table 10: Projections for Contract Awards and Disbursement



D. Fund Flow Diagram

Figure 2: Fund Flow Diagram



Source: Asian Development Bank.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

22. A financial management assessment of the proposed project was conducted between December 2018 and April 2019 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects,² ADB's Financial Due Diligence: A Methodology Note,³ ADB's Technical Guidance Note on Financial Management Assessment,⁴ and ADB's Technical Guidance Note on Financial Due Diligence for Financial Intermediaries.⁵ The financial management assessment covered the role of the AIFSA as the executing agency for the project and five PFIs as implementing agencies for the project (Microcreditbank, Qishloq Qurilish Bank [QQB], Turonbank, Uzpromstroybank, and Xalq Bank).

23. **Agency for Implementation of Projects in the Field of Agro-industry and Food Security (AIFSA).** Based on the assessment of AIFSA, there are no financial management risks that would undermine implementation of the project in respect of AIFSA's proposed role in project management. 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 the project. AIFSA is institutionally capable and familiar with projects of similar nature.

24. **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 the government or international financial institutions. No specific actions to address the PFIs' financial management limitations prior to the withdrawal of funds by PFIs are recommended.

25. It is concluded that while the overall pre-mitigation financial management risks of the AIFSA and PFIs are *substantial*, AIFSA and all selected PFIs have adequate experience and capacity, as observed in the implementation of the ongoing ADB-financed Horticulture Value Chain Development Project and its additional financing, to administer advance account procedures with the six (6) month-expenditure limit proposed and the statement of expenditure (SOE) procedures with no ceiling. Mitigating measures and actions to address each PFI's and AIFSA's financial management limitations have been discussed with each entity involved and included for time-bound compliance as outlined in Table 11.

² ADB. 2005. *Guidelines for the Financial Management and Analysis of Project*. Manila.

³ ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

⁴ ADB. 2015. *Financial Management Technical Guidance Note*. Manila.

⁵ ADB. 2018. *Financial Due Diligence for Financial Intermediaries: Technical Guidance Note*. Manila.

Table 11: Financial Management Action Plans

Participating Financial Institution and Action Item	Complied by
Microcreditbank	
Upgrade the banking system IABS to produce project reports with required specific loan information on subborrowers by livestock activity	Q4 2019
Train staff on ADB procedures and reporting	Q1 2020
Support existing staff to obtain IFRS, internal audit, and risk management qualification and/or certification	Q4 2020
Procure and/or implement specialized risk management software	Q4 2020
Introduce individual professional development plans for all staff as part of a performance evaluation system	Q4 2020
Qishloq Qurilish Bank (QQB)	
Hire staff to fill all vacancies to ensure full operation of the Risk Management Division	Q3 2019
Upgrade the banking system IABS to produce project reports with required specific loan information on subborrowers by livestock activity	Q4 2019
Support existing staff to obtain IFRS, internal audit, and risk management qualification and/or certification	Q4 2020
Procure and/or implement specialized risk management software	Q4 2020
Turonbank	
Upgrade the banking system IABS to produce project reports with required specific loan information on subborrowers by livestock activity	Q4 2019
Support existing staff to obtain IFRS, internal audit, and risk management qualification and/or certification	Q4 2020
Procure and/or implement specialized risk management software	Q4 2020
Uzpromstroybank	
Upgrade the banking system IABS to produce project reports with required specific loan information on subborrowers by livestock activity	Q4 2019
Support existing staff to obtain internal audit, and risk management qualification and/or certification	Q4 2020
Procure and/or implement specialized risk management software	Q4 2020
Introduce individual professional development plans for all staff as part of the performance evaluation system	Q4 2020
Xalq Bank	
Upgrade the banking system IABS to produce project reports with required specific loan information on subborrowers by livestock activity	Q4 2019
Train staff on ADB procedures and reporting	Q1 2020
Finalize procurement of specialized risk management software	Q1 2020
Support existing staff to obtain internal audit and risk management qualification and/or certification	Q4 2020
Agency for Implementation of Projects in the Field of Agro-industry and Food Security	
Finalize automated comparison of actual and budgeted expenditure in the accounting system	Q2 2019
Include a confidentiality clause into agreement with the 1-C franchisee which will be providing technical support to AIFSA under the project	Q1 2020
Recruit IPSAS qualified accounting staff and/or support existing accounting staff to obtain IPSAS qualification and/or certification	Q4 2020
AIFSA accounting staff to complete e-module on cash IPSAS	Q4 2020
Develop and implement training plan for external and internal training on IPSAS and changes in accounting and tax legislation for accounting staff	Q4 2020

ADB = Asian Development Bank, IFRS = International Financial Reporting Standards, IPSAS = International Public Sector Accounting Standards, IABS = Integrated Automated Banking System, AIFSA = Agency for Implementation of Projects in the Field of Agro-industry and Food Security, Q = quarter.

Source: Asian Development Bank.

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

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

- (i) Microcreditbank shall be complied with CBU regulation on provisioning for standard and unsatisfactory loans by Q4 2019.
- (ii) QQB shall be complied with CBU regulation on provisioning for standard loans and on the maximum exposure per single borrower or group of related borrowers for uncollateralized loans by Q4 2019.
- (iii) Turonbank shall be complied with (a) CBU regulation on provisioning for standard loans and the maximum exposure per single borrower or group of related borrowers by Q4 2019; and (b) ADB financial covenant on single borrower exposure by Q4 2019.
- (iv) Uzpromstroybank shall be complied with CBU regulation on provisioning for standard and unsatisfactory loans by Q4 2019.
- (v) Xalq Bank shall be complied with CBU regulation on provisioning for standard, unsatisfactory, and bad loans by Q4 2019.

B. Disbursement

28. In order to expedite the disbursement process for the proposed project, the ADB's Statement of Expenditure (SOE) procedures for financial intermediary loans will be applied. The advance fund processing sequence are described below and the fund flow diagram in Figure 2.

29. **Advance Fund Processing Sequence.** The following disbursement sequence will be followed:

- (i) PFI prepares the first six-month's disbursement projections (based on estimates of market demand for potential livestock-related subloans) for the initial 6 months after project start-up for ADB's project division (CWER) endorsement.
- (ii) 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.
- (iii) ADB reviews the withdrawal application and makes necessary advance to PFI's advance account.⁶
- (iv) PFI submits the first three subloan applications to AIFSA for checking and forwarding for review and approval by ADB's project division.
- (v) For subsequent six-month periods, (a) PFI disburses subloans using the fund in the advance 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 advance account as necessary. PFI is required to certify that all the eligibility criteria are met for liquidated subloans and AIFSA to confirm based on checking and regular monitoring.

⁶ All 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.

30. The ADB's loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),⁷ and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.⁸ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

31. 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. PFIs will submit the all withdrawal applications through AIFSA. In addition, AIFSA will be responsible for preparing disbursement projections related to project management and capacity development expenses, collecting and retaining supporting documents, and preparing and sending withdrawal applications related to project management and capacity development 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 a 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 advance account, if disbursement is made from the advance 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 check all approved subloans and/or a specific number of approved subloans on a sample basis.

33. **Advance fund procedure.** ADB's advance fund and SOE procedures will be used for disbursement under the ADB's loan.⁹ AIFSA and each PFI will open one US dollar advance account to facilitate disbursements. AIFSA and each PFI will establish an advance account in its name and shall be accountable and responsible for proper use of advances to the advance account. The outstanding advance to the advance 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 advance 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 advance 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 (SOE).**¹⁰ The SOE procedure will be used for

⁷ The handbook is available electronically from the ADB website (<http://www.adb.org/documents/loan-disbursement-handbook>)

⁸ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning

⁹ Details about SOE procedures are available at (http://www.adb.org/documents/handbooks/loan_disbursement/default.asp).

¹⁰ SOE forms are available in Appendix 7B and 7D of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

reimbursement of eligible expenditures or liquidation of advances to the advance account(s). AIFSA and PFIs are required to ensure that supporting documents and records for the ADB's 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 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. Individual payments below this amount should be paid by each PFI and subsequently claimed from ADB (i) through reimbursement; or (ii) from the advance account, unless otherwise accepted by ADB.

36. Each liquidation report financed from the ADB loan will include (i) withdrawal application for liquidation of advance, (ii) statement of expenditures on the ADB loan, (iii) bank statement for the advance account, and (iv) the Advance Account Reconciliation Statements 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* (2017, as amended from time to time) when liquidating or replenishing the advance 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 established an ESMS in accordance with ADB's Safeguard Policy Statement (2009) requirements. Other withdrawal conditions are in para. 5, Schedule 2 of the Loan Agreement.

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 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 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 Ministry of Finance, the AIFSA, and the PFIs have been made aware of ADB's approach to delayed submission, and requirements for satisfactory and acceptable quality of the audited annual Statements of Utilization of Funds.¹¹ 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 Access to Information Policy 2018.¹² 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.

¹¹ 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; and (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.

¹² ADB's Access to Information Policy 2018: <https://www.adb.org/documents/access-information-policy>.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

46. Not applicable.

B. Procurement of Goods, Works, and Consulting Services

47. Procurement of subloan-financed goods and works will be undertaken by subborrowers based on commercial practice. 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 loan funds are utilized for the purpose(s) agreed with PFIs.

48. For procurement of goods, works, non-consulting services, and consulting services for project management and capacity development, ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time) shall apply.

49. Before the start of any procurement, ADB and the government will review the public procurement laws of the central and state governments to ensure that the grant proceeds are used with due considerations to the core procurement principles and regulations defined in ADB's Procurement Regulations (2017, as amended from time to time). In case of any inconsistency, the ADB regulations prevail in accordance with provisions of the grant agreement.

50. All consultants will be recruited in accordance with ADB's Procurement Regulations (2017, as amended from time to time).¹³ Various consulting services for capacity development will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality-cost ratio of 90:10. Consulting services for project financial audits will be engaged using the least-cost selection (LCS) method.

51. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting services is stated herewith.

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 below.

¹³ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

Basic Data

Project Name: Livestock Value Chain Development Project	
Project Number: 52110-001-UZB	Approval Number:
Country: Republic of Uzbekistan	Executing Agency: Agency for Implementation of Projects in the Field of Agro-industry and Food Security (AIFSA)
Project Financing Amount: US\$237.45 million ((ADB Financing: US\$150.00 million; Subborrowers' Contribution: US\$56.15 million; Government Contribution: US\$31.30 million)	Implementing Agency: AIFSA and Participating Financial Institutions
Date of First Procurement Plan:	Date of this Procurement Plan:

a. Project Procurement Thresholds

53. Except as ADB may otherwise agree, the following process thresholds given in table below shall apply to procurement of goods and works.

Thresholds for Procurement of Goods and Works

Method	Threshold
Open Competitive Bidding (OCB) for Goods (National Advertisement)	Between \$100,001 to \$2,000,000
Request for Quotations for Goods (RFQs)	Up to \$100,000

Source: Asian Development Bank.

b. ADB Prior or Post Review

54. Except as ADB may otherwise agree, the following, given in table below, prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Methods

Procurement Method	Prior or Post	Comments
Procurement of Goods and Works		
Open Competitive Bidding for Goods	Prior	
Request for Quotations for Goods	Prior	
Recruitment of Consulting Firms		
Quality and Cost Based Selection (QCBS)	Prior	QCBS 90:10.
Least-cost Selection	Prior	

Source: Asian Development Bank.

c. 18-Month Procurement Plan

55. **Consulting Services Contracts Estimated to Cost More Than \$100,000.** Table below lists the consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

Consulting Services to be Procured during the First 18 Months

Package Number	General Description	Estimated Value (US\$)	Recruitment Method	Review (Prior / Post)	Type of Proposal	Advert. Date (Quarter/ Year)	Comments
CS-001	Capacity development for AIFSA and PFIs	216,731	QCBS (90:10)	Prior	Simplified Technical Proposal	Q2/2020	For improving subloan appraisal skills and social and environmental management in livestock lending.
CS-002	Capacity Development in Institute of Veterinary Medicine and State Veterinary and Livestock Committee	731,338	QCBS (90:10)	Prior	Simplified Technical Proposal	Q2/2020	For enhancing capacity in disease control
CS-003	Consulting services for establishment of private veterinary practices	586,325	QCBS (90:10)	Prior	Simplified Technical Proposal	Q2/2020	For enhancing capacity in disease control
CS-004	Project financial audits for the first three years (2020, 2021, and 2022)	103,717	LCS	Prior		Q3/2020	For project management and capacity development managed by AIFSA only

AIFSA = Agency for Implementation of Projects in the Field of Agro-industry and Food Security; LCS - least-cost selection;

PFI = participating financial institution; and QCBS = quality- and cost-based selection.

Note: Terms of reference for Package CS-001 are pending for documentation of actual implementation of the similar assistance under Loan 3471-UZB: Horticulture Value Chain Development Project and Loan 3673-UZB: Horticulture Value Chain Development Project (Additional Financing), while those for CS-002 and CS-003 packages are in Supplementary Document 16 (Veterinary Services Capacity Development) accessible from the list of linked documents in Appendix 2 of the RRP.

56. Goods Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000. Table below groups smaller-value goods, works and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

Smaller Value Contracts Estimated to Cost Less than \$1,000,000

Package Number	General Description	Estimated Value (US\$)	Procurement Method	Review (Prior/ Post/	Bidding Procedure	Advert. Date (Quarter/ Year)	Comments
Goods							
GW-001	Vehicles	55,828	RFQ	Prior		Q1/2020	Two (2) 4-wheel-drive vehicles for project management office
GW-002	Office equipment, airconditioners, computers and peripherals	51,362	RFQ	Prior		Q1/2020	For project management office
GW-003	Computer software	10,228	RFQ	Prior		Q1/2020	For project management office
GW-004	Equipment for establishment of private veterinary practices	300,000	OCB	Prior		Q1/2021	Subject to final details provided by consulting services under package CS-003
Consulting services							
CS-005	Project financial audit for the last two years (2023 and 2024)	69,145	LCS	Prior		Q4/2023	For project management and capacity development managed by AIFSA only

LCS - least-cost selection; OCB = open competitive bidding; RFQ = request for quotations

VII. SAFEGUARDS

57. 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.

58. ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth in Appendix 5 of the SPS, and the Project Prohibited Investment Activities List. The following subproject will not be eligible for financing under this project: (i) subprojects categorized A for environment within the meaning of ADB's SPS or class 1 or 2 under the government environmental impact assessment requirement, or (ii) subprojects falling under the Environmental Exclusion List or having involuntary resettlement impacts or impacts on indigenous peoples.

59. 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 executing agency) annual reports on its ESMS performance.

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

61. PFIs shall ensure that each subproject comply with (i) all applicable laws and regulations of the Government relating to environment, health, and safety; (ii) ADB's SPS; (iii) its ESMS; and (iv) 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, and supervision and monitoring of subproject implementation.

VIII. GENDER AND SOCIAL DIMENSIONS

62. The project is categorized as "effective gender mainstreaming". The AIFSA and PFIs will carry out and monitor the progress of gender and social dimensions as described in the gender action plan in Table 12.

Table 12: Gender Action Plan

Activities	Performance Targets/Indicators	Responsibility	Time Frame
Output 1: Access to finance in the livestock subsector increased			
1.1. Extend subloans to female-owned producers and agribusiness enterprises	At least 5% subloans (in number) extended to female-owned livestock producers and agribusiness enterprises (2019 baseline: 0)	PFIs	2020–2024

Activities	Performance Targets/Indicators	Responsibility	Time Frame
1.2. Employ female workers in subprojects financed by PFIs' subloans	At least 30% of subproject labor are female workers in the subproject vicinity (2019 baseline: 5%)	PFIs	2020–2024
1.3. Establish gender monitoring system in PFIs	Subloan monitoring system with sex-disaggregated data established in all PFIs (by subloan amount, number of subloans, new jobs created, number of female loan officers, number of PFI female staff at headquarters and branch levels including senior management) (2019 baseline: not applicable)	PFIs	2020–2024
1.4. Support potential subborrowers in preparing subloan documentation	Each PFI conducts at least two trainings for potential subborrowers in preparing subloan documentation (at least 30 participants per PFI, of which at least 30% of participants are women) (2019 baseline: 0)	PFIs	2020–2024
Output 2: Support services to the livestock subsector improved			
2.1. Organize training for veterinarians of the public and private veterinary services	Continuing education program for veterinarians established at IVM and at least 500 veterinarians trained under the program of which at least 150 are women (2019 baseline: 0, this is intended as a new initiative)	AIFSA, PMO, and IVM	2020–2024
2.2. Establish model private veterinary services	Model private veterinary service practice established and providing services to at least 150 livestock producers and/or processors, of which at least 45 are of female-owned livestock farms and/or processing enterprises (2019 baseline: 0; this is intended as access to private veterinary services to be piloted and replicated under the project, due to the sporadic services by the state veterinary system. As the pilot is to be designed and replicated, the baseline is zero)	AIFSA, PMO, and IVM	2020–2024
2.3. Strengthen capacity of PFI's staff in agribusiness lending	At least 80 PFIs loan officers (including at least 25 women) applying knowledge gained from project-financed training and training in livestock lending credit policy, product development, procedures, and outreach strategy (2019 baseline: 0; no female loan officer has been trained in livestock lending. Training of trainer at PFIs' head offices is intended and replicated to local branches)	AIFSA, PMO, and PFIs	2020–2024
Project management and implementation			
3.1. Establish PMO	PMO employs a gender and social development specialist to oversee execution and compliance of the gender dimensions and social safeguards (2019 baseline: not applicable, a new staff will be engaged for the project)	AIFSA, PMO	2020

Activities	Performance Targets/Indicators	Responsibility	Time Frame
3.2. Maintain project specific gender-disaggregated database and conduct periodic reviews and consultation on the GAP implementation	PMO collects sex-disaggregated data, analyzes, and reports annually as part of project progress reports (Note: the system is in place in AIFSA, project-specific data will be incorporated)	AIFSA, PMO	2020–2024
3.3. Conduct gender awareness training for PFIs' gender focal points to implement the gender action plan and establish gender monitoring and framework	PMO conducts at least 2 trainings for gender focal points of PFIs (at least 24 participants are trained, of which at least 8 participants are women) (Note: Similar training has been conducted under the ongoing projects at AIFSA. Additional training is intended as refresher training)	AIFSA, PMO	2020–2021

AIFSA = Agency for Implementation of Projects in the Field of Agro-industry and Food Security, GAP = gender action plan, IVM = Institute of Veterinary Medicines, PFI = participating financial institution, PMO = project management office. Source: Asian Development Bank.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Project Design and Monitoring Framework

63. Key monitoring indicators for the project are presented in the design and monitoring framework (DMF) in Appendix 1 of the Report and Recommendation of the President to the Board of Directors. The AIFSA will established a project performance monitoring system by Q2 2020 to enable monitoring of detailed activities, output, outcome, and impact indicators.

B. Monitoring and Reporting

64. **Project performance monitoring.** Each PFI will be required to include in its quarterly progress reports information on its 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.

65. **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 and assist PFIs in ESMS establishment and operations including the preparation of Annual Environmental and Social Performance Reports of the PFIs.

66. **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 executing agency) annual environmental and social performance reports by the end of January every year. Based on the PFIs' annual reports, AIFSA will submit to ADB annual Safeguard Monitoring reports by mid-February of the following calendar year.

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

C. Evaluation

68. ADB will conduct semiannual and midterm review missions to assess the progress of the project and review compliance with the loan agreement and project agreement covenants. The midterm 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 six (6) months after the loan closing date, MOF will submit a project completion report to ADB in a form acceptable to ADB.¹⁴

¹⁴ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>.

X. ANTICORRUPTION POLICY

69. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.¹⁵ 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.¹⁶ To support these efforts, relevant provisions will be included in the legal agreements.

XI. ACCOUNTABILITY MECHANISM

70. 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.¹⁷

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

71. All revisions and/or 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.

Description of Revision	Date
PAM Agreed with the Government, AIFSA, and PFIs at loan negotiations	06 August 2019
Inception mission	___/___/___

¹⁵ Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹⁶ ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

¹⁷ Accountability Mechanism: <http://www.adb.org/Accountability-Mechanism/default.asp>.