Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 16-Jul-2022 | Report No: PIDISDSA34537

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Uzbekistan	P177825	Second Livestock Sector Development Project	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
EUROPE AND CENTRAL ASIA	20-Jun-2022	03-Oct-2022	Agriculture and Food
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance	State Committee of Veterinary and Livestock Development	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to support the development of a productive, market-oriented, sustainable and inclusive livestock subsector in Uzbekistan.

Components

Component 1: Strengthen public livestock support services
Component 2: Strengthen market and value addition infrastructure and facilitate trade
Component 3: Green and resilient livestock value chains
Component 4: Project management and coordination

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	300.00
Total Financing	300.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	150.00

International Development Association (IDA)	150.00
IDA Credit	150.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

Uzbekistan is a lower middle-income country aspiring to become an upper middle-income country by 2030 while maintaining equitable income distribution and halving poverty by 2026. Its GDP per capita grew by an annual average of about five percent between 2010 and 2020, and this was well above regional and other lower-middle income country averages. Poverty fell from nearly 28 percent in 2000 to 11 percent in 2019. Between 2018 and 2020, life expectancy rose by more than two years, access to primary and secondary education became universal, and the number of higher education institutions grew by 88 percent (with enrollment up by 54 percent). Nevertheless, high unemployment and low wages resulted in a mass labor migration mainly to Russia and Kazakhstan, with remittances until recently accounting for about 10-12 percent of the GDP. Despite increased urbanization, particularly in recent years, poverty remains a rural phenomenon as 75 percent of those living in extreme poverty still reside in rural areas where agriculture and livestock are the main sources of livelihoods.[1]

The COVID-19 pandemic slowed down Uzbekistan's economic growth, but the country did not fall into recession. Uzbekistan was one of only three economies in Eastern Europe and Central Asia (ECA) that maintained positive economic growth in 2020.[2] Fast policy measures backed by the Anti-Crisis Fund (US$1 billion or 2.2 percent of GDP) to support and sustain the economic activity served to cushion the shocks of an acute effect of the COVID-19 pandemic. The agriculture sector proved resilient to the outbreak of COVID-19[3] thereby sustaining the economic growth of the country. In 2020, the agriculture GDP grew by three percent, higher than the industry, service and transport sectors, the latter having decelerated by -2.2 percent.[4] In agriculture, the

[1] Uzbekistan Country Partnership Framework FY22-26 Concept Note.
[2] Turkstra, Alberto, and Matthew Neapole. 06 June 2020. Uzbekistan's Economic Resilience in the Face of COVID-19. European Institute for Asian Studies (EIAS). Available at: https://eias.org/op-ed/uzbekistans-economic-resilience-in-the-face-of-covid-19/
[3] Etenesh B. Asfaw, Iroda Amirova and Shakhzoda Erkinova. March 2021. The Impact of COVID-19 on Agriculture, Food and Rural Areas in Central Asia and Caucasus Countries: The case of Uzbekistan. Center for Policy Research and Outreach at the Westminster International University in Tashkent (CPRO/WIUT).
[4] The GDP deflator index, relative to 2019, used by the State Statistics Committee is 11.9 percent.

government implemented policy measures that countered the negative impacts of COVID-19, including: monitoring market prices of food products important for national food security, e.g., meat and milk, and ensuring their sufficient supply; provision of 0.01 ha of greenhouse for cultivating fresh vegetables to families; leasing land plots (for up to one hectare), primarily to low-income families with agricultural knowledge and skills in need; financial support to low-income families participating in poultry cooperatives in the order of US$50 thousand per family; allocating US$0.5 billion from the Anti-Crisis Fund to cover up to 50 percent of the transportation costs (by road) of exporters of fruits and vegetables; and allocating up to one hectare of land for rural youth and returnee migrants.

The war in Ukraine is exerting new pressures on Uzbekistan, the implications of which are not yet clear. The war is expected to have large indirect effects on Uzbekistan particularly for wheat, even if it does not import much wheat from Russia and Ukraine. One scenario is that a sharply lower supply of wheat and other cereals from Russia and Ukraine onto global markets will put an upward pressure on grain prices in Kazakhstan, increasing demand for Kazakh wheat in places, which used to buy Russian or Ukrainian wheat. This coupled with Kazakhstan's latest export restrictions of wheat leave other Central Asian (CAs) countries with no alternatives to source wheat. The result will be an immediate impact on food security in CAs countries through higher food prices. This situation will have not only immediate negative effect on food security; it could also damage it in the long run. Moreover, reduced remittances to countries in CAs are expected to significantly increase food insecurity risks via an income reduction and job losses. Based on an initial assessment of the first-round effects of a decline in economic activity in Russia (that will dampen employment and incomes of migrant workers and their ability to send remittances) and a weakening of the ruble against the US dollar (which will reduce the nominal US dollar value of remittances sent in rubles), the revised projected growth rates of remittances in CAs in 2022 are expected to average around -25 percentage points.

Uzbekistan is vulnerable to climate change particularly in the sectors of agriculture, energy, and water. Uzbekistan ranks second in terms of disaster risk and is in the top 20 in the world in terms of its exposure to drought,[5] and droughts may become more frequent due to decreases in runoffs of Amu and Syr Darya Rivers. Anticipated impacts include increases in monthly maximum temperatures, reduced and high variability of rainfall, and increased glacier melting with implications for water availability and river flow. For agriculture, it is manifested in the form of extreme temperatures, less precipitation hence risk of water availability, high hazard from wildfires and increased incidence of pests, insects, and diseases. Climate change is also expected to adversely affect soil fertility, because of droughts, and exacerbate soil salinity due to water scarcity and other factors. The likely effect of climate change on the livestock subsector, is not very clear. On the one hand, the direct effects via projected increase in temperatures, and more frequent episodes of sustained exposure to extreme heat, are expected to directly reduce livestock productivity. On the other hand, the indirect effects on pasture yields are not expected to be as severe across all three agroecological zones (AEZs) in Uzbekistan. Lastly, changes in the temperature regime, precipitation amount, and air humidity may stimulate outbursts of plant and animal emerging diseases and the propagation of certain pest varieties.[6] Most of the rural population is set to be disproportionately affected by climate change risks since their livelihoods depend on agriculture and livestock, and since they have relatively lower ability to adapt and spend a high share of their income on food, on average 50 percent.[7]

[5] The World Bank Group and the Asian Development Bank. 2021. Climate Risk Country Profile: Uzbekistan.
[6] The World Bank Group and the Asian Development Bank. 2021. Climate Risk Country Profile: Uzbekistan.
[7] WBG. 2019. Uzbekistan Country Economic Update Summer 2019.

Sectoral and Institutional Context

Livestock is one of the key economic subsectors of Uzbekistan's economy constituting 13 percent of the GDP and about 50 percent (livestock value added) of the national agricultural GDP (AgGDP) and this is without accounting for the estimated monetary value of organic matter from livestock (manure). Out of the total livestock value-added, cattle (dairy and beef) contribute 76 percent; small ruminants (meat) nine percent; poultry (meat and egg) seven percent; and fish (meat) two percent. Further livestock value added comes from other livestock value chains, including apiculture (honey), rabbit (meat), horse (meat and breeding), ostrich (meat), and camel (milk). Livestock constitutes 45 to 67 percent of the rural household income and plays a significant role for food and nutrition security. It is also an important source of employment and constitutes about 27 percent of the agricultural employment,[8] including in primary production and along livestock value chains. Dairy (cattle), meat (cattle, small ruminants, poultry, and fish), and egg (poultry) are the most important livestock value chains.

Livestock production has grown over the last three decades,[9] but is not meeting the growing demand. It grew by 4.2 percent and 6.5 percent in 2017 and 2018, respectively outpacing the overall average growth in agriculture, which was 1.2 percent in 2017 and 0.2 percent in 2018. Despite the growth in livestock production, however, the country has not been able to meet its increasing domestic demand for animal source foods (ASFs) hence is a net importer of livestock products. The increase in per capita livestock production is low compared to neighboring countries, such as Russia, Türkiye, and Kazakhstan. Besides, livestock productivity in general is low, and the productivity of animals kept by dehkans is lower than those kept by commercial farmers and agribusinesses. The increase in the demand for ASFs is expected to continue, and it is projected that by 2035, under a business-as-usual scenario, Uzbekistan can experience 41 and 48 percent production and consumption gaps in milk and meat, respectively, a deficit that could widen, unless interventions are made to address the challenges the livestock subsector is facing.

The livestock subsector is characterized by limited commercial orientation due to inadequate market and value addition infrastructures, limited access to finance, weak public support services and lack of climate resilience. Physical infrastructures, including market centers, stock routes or slaughtering houses, processing plants, and milk collection centers, are few and lack the appropriate facilities and equipment. Value addition facilities are either lacking or suffer from limited investments. Only a small portion of livestock products goes through value addition, and that comes mainly from commercial farmers and agribusinesses. Limited access to finance is the other challenge faced by the livestock subsector. The credit accessed by the subsector is disproportionately low compared with its contribution to GDP. Indicatively, in 2019, aggregate livestock lending accounted for one percent of the overall banks' loan portfolios, while the subsector contributed about eight percent of GDP. The public sector dominates livestock support services but has largely remained weak. The State Committee of Veterinary and Livestock Development (SCVLD),[10] which is the Competent Authority (CA) responsible for providing livestock public support services as well as some elements of veterinary public health suffers from weak management and service delivery capacity. Livestock public support services and programs are often not climate smart and not yet sufficiently targeted towards climate goals despite the country's commitment to climate targets. Policies and legislations related to the livestock subsector are not yet sufficiently considering climate actions and solutions, and even when espousing to principles of climate adaptation and mitigation they can be

[8] State Committee of the Republic of Uzbekistan on Statistics.
[9] Uzbekistan Livestock Subsector Development Strategy 2020-2030- and Five-Year Investment Plan 2020-2025.
[10] The SCVLD includes its branch offices at the regional and district level, Livestock Research Institutes (RIs), National Veterinary Laboratories Network (NVLNs), Border Inspection Posts (BIPs), and Artificial Insemination (AI) centers.

incoherent and have little or no assessment of their likely impacts on climate adaptation and mitigation, productivity, and the environment.

The government has recently approved the Livestock Subsector Development Strategy 2020-2030 and Five-year Investment Plan 2020-2025. The vision of the Strategy, which is aligned with the Agriculture Sector Development Strategy (ADS) 2020-2030, is to develop a competitive, sustainable, resilient, and inclusive livestock subsector that contributes to a prosperous and green Uzbekistan. The goal of the Strategy is to transform and modernize the livestock subsector by increasing production, productivity, and income; improving the access to market and finance of livestock farmers, agribusinesses, and other value chain actors; developing more green, resilient, sustainable, and competitive livestock value chains; and enhancing food and nutrition security. The Strategy also identified key priority development areas, including: (a) inclusion and modernization of dehkans; (b) improving animal feed and nutrition; (c) management and delivery of public livestock support services; (d) livestock breeding and genetics; (e) livestock market and value addition infrastructures; (f) border security and quarantine; and (g) digitizing livestock production. The Strategy also supports the promotion of sustainable and energy-efficient livestock production practices that will reduce GHG emissions, thus contributing to the overall national goal of GHG reduction. Improving the coordination and management capacity of the SCVLD, gender and nutrition considerations, climate change and jobs creation are all mainstreamed in each priority development area identified in the Strategy.

The project will contribute to the implementation of a One Health approach. One Health is a collaborative approach that explicitly combines human, animal and ecosystem health to prevent, detect, respond to, and recover from infectious diseases, with an endpoint of improving global health security and achieving and sustaining gains in development. It involves increased intersectoral cooperation on human and animal health, including on epidemiological surveillance, promotion of food safety, prevention of antimicrobial resistance (AMR), and outbreak, emergency, and pandemic preparedness. The World Bank supports the development of a Regional One Health Framework for Action that will provide a vision and a road map for regional and cross-sectoral cooperation for One Health implementation in Central Asia, including Uzbekistan. The COVID-19 pandemic has caused over 200,000 cases and 1,588 deaths in the country, demonstrating the need to ramp-up pandemic preparedness. Regulatory and institutional elements are in place to control some zoonotic diseases such as tuberculosis and brucellosis, but much remains to be done in terms of epidemiologic surveillance, cross ministerial collaboration, and information management. The country also needs a better understanding and control of food safety and AMR issues, which are largely unknown but of increasing concern. The project will support the operationalization of One Health approach by building on the on-going dialogue at both high- and technical-levels among representatives from the agriculture, environment, health, and livestock and veterinary sectors and seeking alignment with the Regional One Health Framework for Action.

The project is consistent with the new Country Partnership Framework (CPF)[11] and the Second Systematic Country Diagnostic[12] (SCD) for Uzbekistan. It falls under the CPF's High Level Outcomes: 1 - Increase Inclusive Private Sector Employment, supporting a more strategic engagement in agriculture; 2 - Improve Human Capital; and 3 - Improve Livelihoods and Resilience through Greener Growth. The project will also support the CPF's cross-cutting objectives of closing gender gaps and strengthening Citizen Engagement and accountability in public services. The project is also aligned with the Second SCD, which emphasizes the need for: (a) a stronger private

[11] World Bank Group. 2022. CPF for the Republic of Uzbekistan for the Period FY2022 – FY2026.
[12] World Bank Group. 2021. The Second Country Systematic Diagnostic for Uzbekistan: Towards a Prosperous and Inclusive Future.

sector response, through its support for the development of a vibrant, competitive and private sector-led livestock subsector; (b) effectiveness and accountability of the state, through the project's support for strengthening public livestock institutions with the aim to reduce their economic footprint while improving their capacity, regulatory quality, and accountability; (c) effective investments in people, through the project's support for human capacity building; and (d) an environmentally sustainable growth model that promotes efficient use of natural resources, through the project's support for the generation of climate smart and inclusive livestock production technologies and their dissemination to and adoption by end users as well as the development of green and resilient livestock value chains.

The project is aligned with the World Bank Group's (WBG) twin goals and strategic directions. Specifically, the project will support ending extreme poverty and boosting shared prosperity and two focal areas of the WBG "Saving Lives, Scaling-up Impact and Getting Back on Track" approach paper of June 2020 in response to the COVID-19 crisis including: (a) economic response for saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation; and (b) focused support for strengthening policies, institutions, and investments for resilient and sustainable recovery. Moreover, the underlying themes of the project, specifically, inclusion, and climate resilience and mitigation, reflect the three dimensions of the World Bank's GRID (Green, Resilient, and Inclusive Development) Approach and RISE (resilience, inclusion, sustainability, and efficiency) pillars. The GRID Approach is identified by the World Bank as important to achieving a more sustainable and equitable recovery from COVID-19 and a long-term development paradigm.[13] Besides, the project incorporates the RISE pillars identified by the World Bank as having a large impact on economic and social development around the globe and being key to achieving the goals of a fairer, more efficient, and sustainable economy.[14] The project also builds on the World Bank ECA Climate Change Action Plan (2021-2025) to support ambitious, people-centered transitions in ECA by prioritizing amongst others climate-smart agri-food and livestock value chains with a priority to achieve sustainable and carbon neutral/negative livestock systems.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The proposed Project Development Objective (PDO) is to support the development of a productive, market-oriented, sustainable and inclusive livestock subsector in Uzbekistan.

Key Results

The proposed project will transform the livestock subsector by promoting the development of sustainable livestock production systems that can efficiently respond to the growing demand for ASFs. It would (a) strengthen the capacity of public livestock institutions for better management and enhanced service delivery; (b) improve market access, enhance value addition, and facilitate import control; and (c) develop green, resilient, and competitive livestock value chains. The proposed project would also help livestock farmers employ good animal husbandry practice (GAHP) by addressing breeding and genetics, feed and nutrition, animal health and

[13] From COVID-19 Crisis Response to Resilient Recovery - Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID). Washington, D.C. https://thedocs.worldbank.org/en/doc/9385bfef1c330ed6ed972dd9e70d0fb7-0200022021/original/DC2021-0004-Green-Resilient-final.pdf

[14] World Bank. 2021. The RISE Framework. Washington, D.C.

veterinary, and animal husbandry as well as create new and better paying jobs. All activities and investments supported through the project would facilitate the wide adoption of climate smart and improved livestock production technologies and practices ranging from adaptation and increased productivity (resulting in lower emission intensities) to specific mitigation options such as covered manure storage, biogas and energy saving technologies.

D. Project Description

Component 1: Strengthen public livestock support services. The objective of this component is to improve the capacity of public institutions involved in providing livestock support services[15]. This component has four subcomponents: (a) improving the enabling environment; (b) strengthening the management and service delivery capacity of the SCVLD; (c) strengthening livestock extension and advisory services; and (d) strengthening research and development.

Subcomponent 1.1: Improve the enabling environment. The objective of this subcomponent is to improve the policy and legal framework of the livestock subsector. The subcomponent would support: (a) review of existing policies, legislations, regulations, institutions and standards, including: (i) identifying gaps and implementation challenges, (ii) developing new and/or revising/updating existing policies, legislations, regulations, institutions and standards, and harmonizing them with regional and international standards; and (b) provision of technical assistance for the SCVLD and other stakeholders with a particular focus on climate change adaptation and mitigation. The support would also focus on raising awareness and progressive implementation of the collaborative One Health approach.

Subcomponent 1.2: Strengthen the SCVLD. The objective of this subcomponent is to improve the management and service delivery capacity of the SCVLD. The subcomponent would support: (a) system capacity building, (b) infrastructure capacity building, and (c) human capacity building. The support to strengthen the SCVLD would be based on priority development areas identified by the various OIE PVS missions as well as the LSSDS and a detailed human and infrastructure capacity needs assessment that would be undertaken during implementation.

Subcomponent 1.3: Strengthen public livestock extension and advisory services. The objective of this subcomponent is to further improve livestock extension and advisory service provision. The subcomponent would support: (a) capacity building primarily of the Agency, but also other public livestock extension and advisory service providing institutions as deemed necessary, including (i) infrastructure capacity building, (ii) human capacity building; (b) the establishment of demonstration plots, including (i) infrastructure, and (ii) human capacity building; and (c) technical assistance for public education campaign using traditional and new media tools to raise awareness about diet-appropriate nutrition and food preparation practices in collaboration with the Ministry of Health (MOH).

Subcomponent 1.4: Strengthen public livestock research and development. The objective of this subcomponent is to build the capacity of selected public institutions involved in livestock research and development. The subcomponent would support: (a) infrastructure capacity building; and (b) human capacity building.

Component 2: Strengthen market and value addition infrastructures and facilitate trade. The objective of this component is to improve the access to market of livestock farmers, agribusiness and other value chain actors and enhance import control. The component has three subcomponents, including: (a) strengthening market and value addition infrastructures; (b) strengthening border security and quarantine; and (c) operationalizing the AIR&T system.

Subcomponent 2.1: Strengthen livestock market and value addition infrastructures. With a focus on dehkans, the objective of this subcomponent is to improve market access for livestock farmers, processors, and other value chain actors. The subcomponent would support: (a) establishing new and/or strengthening and modernizing existing livestock market and value addition infrastructures. This includes: (i) infrastructure capacity building and (ii) human capacity building; (b) the development of vertical and horizontal integration/coordination among livestock value chain actors for production, processing, marketing, and input supplies through productive alliances and partnerships, with due attention to women and youth and possibilities of greening; and (c) establishing livestock market information infrastructure.

Subcomponent 2.2: Strengthen border security and quarantine. The objective of this subcomponent is to enhance import control and thereby protect the health of the population and animals (including wildlife), as well as ensure food safety. The subcomponent would support: (a) the development of a comprehensive and integrated border control strategy; (b) strengthening BIPs; (c) establishing on-farm quarantine stations; and (d) establishing cross-border collaboration on animal movements and control.

Subcomponent 2.3: Operationalize AIR&T system. The objective of this subcomponent is to support the government in the implementation (roll out) of the AIR&T system. The subcomponent would support: (a) procurement of information and communications technology (ICT) equipment; (b) field activities; (c) drafting legislations and rules; (d) human resource development; and (e) awareness creation.

Component 3: Green and resilient livestock value chains. The objective of this component is to modernize livestock value chains and make them greener and more resilient, by improving access to finance and technology of livestock farmers, agribusinesses, productive alliances, and other value chain actors. The component supports: (a) credit line to participating financial institutions (PFIs) for provision of working capital and investment finance to the livestock subsector nationwide for farmers, agribusinesses, productive alliances and other value chain actors, including for climate-resilient and green livestock farming, marketing, distribution, and processing; and (b) capacity building for PFIs on sector-specific loan product development, loan appraisal, environmental and social standards, and monitoring in the livestock subsector.

Subcomponent 3.1: Improve access to finance. The objective of this subcomponent is to improve the access to finance of livestock producers interested in improving the climate resilient of their farms and in greening livestock production. The credit line would have two windows. Window 1 will support loans in the amount of up to US$1 million in order to meet the needs of commercial farmers, agribusinesses, productive alliances, and other value chain actors who are generally operating within this scale. Window 2 would be for loans up to US$50,000 targeting dehkans (very small farmers with up to five dairy cows or equivalent in other animals), using more streamlined procedures. The initial credit line allocation is US$100 million under Window 1 and US$50 million under Window 2.

Subcomponent 3.2: Strengthen the capacity of PFIs. The objective of this subcomponent is to build the capacity of PFIs, including through trainings, study tours and exchange visits to staff and managers of PFIs so that they can introduce innovative financing instruments such as digital financial services and value chain financing modalities for livestock farmers and agribusiness enterprises.

Component 4: Project management and coordination. This component will be implemented by the project implementation unit (PIU) established under the auspices of the SCVLD. The component will support incremental operating costs for project execution, including project administration and management, management of social and environmental issues, financial management (FM), procurement, contract administration, project reporting, and monitoring and evaluation (M&E). It will also finance consultancy services (individual and firm) hired to complement capacity building of the implementation units, baseline and project completion surveys, preparation of assessments and data collection, annual project audits.

[15] These include veterinary and animal health services; extension, and advisory services; and research and development, including educational institutions i.e., universities and colleges.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

Operational Policy 7.50 is triggered because the project supports the rehabilitation of existing irrigation schemes in selected public research institutions, which are already consuming water from the two main transboundary rivers, Syr Darya and Amu Darya, and their tributaries which are shared by Tajikistan with Afghanistan, Turkmenistan, the Kyrgyz Republic, and Kazakhstan. However, paragraph 7 of the Policy specifies three exceptions to the requirement that the other riparian states be notified of the project. For this project the exception of paragraph 7(a) of the Policy applies. According to paragraph 7(a): "For any ongoing schemes, projects involving additions or alterations that require rehabilitation, construction, or other changes that in the judgment of the Bank (i) will not adversely change the quality or quantity of water flows to the other riparians; and (ii) will not be adversely affected by the other riparians' possible water use. This exception applies only to minor additions or alterations to the ongoing scheme; it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear a new or different scheme". Given the nature and scope of project investments, which represent rehabilitation, minor additions or alterations to ongoing schemes, the Task Team has determined that the project activities will not adversely affect the quantity or quality of the water flowing to downstream riparians, and the project will not be affected by other riparians' possible water use. Accordingly, the task team has prepared the Exception Memo, which was cleared by Regional Vice President on May 20, 2022.

The environment risk is rated Moderate, and the social risks is rated Substantial for an overall ESF risk of Substantial. Under the project, two categories of risks are recognized: one, as related to the impacts of the project activities; and the other, contextual. The former relates to civil works related environmental disturbances, and land acquisition/usage related economic and/or physical displacement and inclusion/exclusion. The latter, contextual risks, relate to chiefly land tenure and land allocation and tenure security. All the project related risks are identifiable and manageable. These risks are covered by ESS 1, ESS 2, ESS 3, ESS 4, ESS 5, ESS 6, and ESS 10.

Most of the environmental risks are expected to occur during the construction phase and relate to occupational health and safety hazards, generation of solid waste, air pollution and noise, and disruption of traffic. Under Component 1, the proposed project's main efforts will be on strengthening public institutions in the livestock sector through consultant services, capacity building, purchase of training and goods, purchase of new equipment, development of information management systems, transfer of technologies and knowledge, among others. These activities will have limited environmental impacts, such as the generation of waste. However, physical works such as construction, rehabilitation/renovation of existing administrative and laboratory facilities under Subcomponents 1.2, 1.3 and 1.4 will generate significant impacts, but these impacts are site-specific and temporary (dust, noise, construction litter, occupational and safety risks) that can be readily mitigated by applying good construction management practices. The majority of the environmental risks of the

project would be associated with Component 2 aimed at improving physical livestock market infrastructure and Component 3 aimed at improving access to finance for livestock farmers country-wide, which, in turn, encourage farmers to increase number of livestock and build new infrastructure. Risks will stem from investments in improving physical market infrastructures (such as well-facilitated market centers, stock routes or slaughtering houses, livestock product processing plants, and milk collection centers), as well as rehabilitation/renovation and refurbishment of office and laboratory buildings. These impacts would be associated with noise, dust, air and water pollution, health hazards and labor safety issues. All of them are expected to be typical for small to medium scale construction/rehabilitation works or for various livestock processing activities, temporary by nature and site specific and can be easily mitigated by applying best construction and/or livestock-processing practices and relevant mitigation measures. However, at this stage, the scale or complexity of renovations, the estimated number of investments on new roads, markets, centers, plants are not known to assess the significance of these impacts.

The main social risks relate to: (a) possible exclusion of farmers (e.g., small farms, women headed farms) from access to credit lines; (b) land acquisition and resettlement related economic and physical displacement; (c) SEA/SH, labor management, forced and child labor; and (d) social risks related to the construction of livestock infrastructure, such as demonstration centers, livestock market infrastructures, and quarantine stations. Some small and marginal farms and households may feel excluded because of the insufficiency of credit lines to support them. This inclusion risk will be mitigated through enhanced attention to public awareness, outreach, and transparency in selection procedures. There is a need to ensure that all farmers, and particularly small farmers, women farmers, and vulnerable groups such as the rural poor, have equal access to participate in and benefit from project initiatives. There are also several social risks in the broader context of the livestock sector, including the capacity of the implementing agency which lead to project social risk being assessed as Substantial. These relate to the transparency and equity of land allocation and land tenure security in the establishment of livestock complexes, information constraints, the overall ability of smaller farmers to partake in benefits of the project, risks of reduced access to land and productive assets due to land reallocation, and the capacity of state institutions and financing institutions to monitor labor and working conditions across rural enterprises. The labor influx, GBV risk, including SEA/SH, is assessed as Moderate mostly due to the status of national GBV legislation, gender norms, and little or no labor coming from outside local rural communities; nevertheless, there may be some risks. All the proposed large investments and civil works include substantial social risks related to labor management, land acquisition and involuntary resettlement. The proposed project will also provide a window for loans up to US$50, 000 targeting small livestock farmers. The window is deemed necessary to fill the credit gap of small livestock farmers who have not been able to access previous credit lines under the LSDP. E&S procedures to be put in place under the project have to consider these contextual risks, manage, and monitor them as they relate to project-supported activities, and provide adequate attention to capacity-building activities of the involved implementing institutions. Significant reputational risks are also present given a prior history of forced evictions and forced and child labor in the country. These need to be mitigated with sufficient awareness, capacity-building, and monitoring systems during project implementation.

The project is taking a framework approach because the details about the investments and their exact locations (could be located anywhere across the country) are not known and most of which will not become known until after implementation begins. The following instruments will be prepared and disclosed before appraisal: (a) Environmental and Social Management Framework (ESMF): (b) Resettlement Policy Framework (RPF); (c) SEP; and (d) Labor Management Procedures (LMP). The ESMF will be prepared and disclosed before appraisal. It will assess current pest management practices and recommend areas for improvement; provide guidelines for assessing project activities; and, where necessary, preparing and implementing the project specific

Pest Management Plan (PMP) and the site-specific Environmental and Social Impact Assessments/Environmental and Social Management Plans (ESIA/ESMPs). The RPF will likewise indicate when site specific Resettlement Action Plans (RAPs) will be required.

Social Impacts. On social front, the positive social impacts include establishing new jobs and jobsites; increased involvement of dehkans (small farms) and rural women to the credit lines; increased public awareness among vulnerable (small, young) producers as well as women farmers and other users; strengthened institutional capacity for better agrobusiness planning and practices due to enhanced skills in management of innovative financial schemes using PFIs. However, there are some social risks that primarily relates to the possibility of excluding small and marginal farms and households from full access to credit lines either due to lack of information or insufficiency of credit lines (e.g., small farms, women headed farms) ; the possible land acquisition and resettlement related economic and physical displacement due to a new construction of livestock infrastructures; community disturbance during the civil works by Contractors including labor influx, SEA/SH.. E&S procedures to be put in place under the project have to take into account these contextual risks and manage and monitor the risks as they relate to project-supported activities. Project shall provide adequate attention to public awareness, outreach, and transparency in selection procedures as well as capacity-building activities of the involved PFIs to ensure that all farmers, particularly small farmers, women farmers, and vulnerable groups such as the rural poor, have equal access to participate in and benefit from project initiatives. Significant reputational risks are also present given the prior history of forced evictions, forced and child labor in the country. These need to be mitigated with sufficient awareness, capacity-building, and monitoring systems during the project implementation.

Involuntary resettlement. ESS 5 has been triggered because project interventions may result in land acquisition, temporary loss of livelihoods and/or limited physical and economic resettlement in construction works stipulated in subcomponent 2.1. The location of specific interventions is not known and therefore, a Resettlement Policy Framework (RPF) will be prepared and disclosed at appraisal stage. Specific attention will be given to the development of a grievance mechanism (GM) at the community level that will be accessible to all stakeholders as well as arrangements for monitoring the implementation of the resettlement plans. Resettlement financing will the responsibility of the Borrower.

Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH). The SEA/SH risk is assessed moderate primarily due to interventions being carried out in rural areas. Moderate amounts of labor influx and project activities in rural and hard-to-supervise areas may also contribute to increased risk. In order to mitigate the risks, a SEA/SH Action Plan, including the Accountability and Response Framework as part of the ESMP will be prepared before civil works. The contractor/consultant's response to these requirements will be required to be reflected in their C-ESMP, detailing the: (i) SEA/SH comprehensive risk assessment within the ESIA(s); (ii) SEA/SH requirements in bidding documents; (iii) GBV risks and mitigation measures in contractors' ESMP(s); (iv) mapping of GBV/SEA service providers; (v) sensitization of communities and workers on SEA/SH; (vi) signing and training on Codes of Conduct for all project staff and workers; (vii) referral pathway to GBV service providers; and (viii) hiring of GBV expertise, support and monitoring.

Stakeholder engagement. A Stakeholder Engagement Plan (SEP) will be prepared before appraisal and updated before the negotiations. This will provide stakeholders the opportunity to be aware of project activities and their potential impacts and become conversant with the environmental and social risk mitigation requirements, principles, and the rationale for participatory approaches. The SEP and this process will be updated where

necessary and sustained throughout project implementation to ensure that the stakeholder engagement approaches are responsive to project needs.

Grievance mechanism. The project will establish a GM to ensure that concerns of project beneficiaries, stakeholders, communities, and project affected households are taken care of and complaints and suggestions duly addressed. A layered GM (with coverage at the national, state, and local levels) will be developed by the SCVLD. The GM will include reporting channels that are ethical, confidential, and safe for women and girls to report SEA/SH issues. A procedural manual for grievance redress officers at all levels will be developed detailing the procedures, roles, and responsibilities to resolve beneficiaries' complaints. Additionally, grievance redress structures at project levels will be constituted (with women representatives) to ensure that project-related complaints are promptly reviewed, addressed, and properly documented.

Labor Management Procedure (LMP). A LMP will be prepared before appraisal and updated before negotiations to facilitate the planning and implementation of the main labor management requirements of the project. The LMP will include aspects related to working conditions, employment, occupational health and safety, and a worker specific grievance mechanism (GM).

E. Implementation

Institutional and Implementation Arrangements

The primary implementing agency for the project will be SCVLD. The SCVLD will be the lead implementing agency (IA) with the overall responsibility for coordinating all aspects of the project, including contributions by the different relevant committees, ministries and agencies participating in the project's implementation. The main responsibilities of the SCVLD will include project oversight, coordination, planning, technical support, fiduciary compliance, and support, environmental and social standards (ESS) compliance and support, and M&E. The SCVLD will be accountable for authorizing and verifying all project transactions and will work closely with the World Bank's Task Team during project implementation.

The SCVLD will be supported by the existing PIU at headquarters (Tashkent) and Regional PIUs (RPIUs) established in all project-implementing regions under the LSDP. The PIU is already fully staffed but its staffing as well as the staffing of the RPIUs will be revised (more and required staff will be recruited) to reflect the design of the proposed project. The PIU will report directly to the SCVLD (Chairman) whereas the RPIUs will report to the Project Manager, who is also head of the PIU. The PIUs will support the SCVLD in the implementation of the project. The PIUs will be equipped and strengthened to support project management and coordination. The PIUs will be responsible for facilitating day-to-day implementation of the project in close collaboration with other implementing institutions at national, regional, and local levels. They will also be responsible for ensuring fiduciary and ESS compliance and provision of support to implementing institutions.

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