
President's report on a proposed grant to the private sector for Hamkorbank for Uzbek REMIT: Unlocking finance and skills for rural entrepreneurs

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 26.

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I. Background and compliance with the IFAD Regular Grants Policy

1. Remittances are a crucial financial inflow for Central Asia, representing a significant contribution to the economy of the region, with an estimated US\$24.65 billion received in 2024.¹
2. In the case of Uzbekistan, even though its economy is diversified, the country still relies heavily on remittances, which reached US\$14.8 billion in 2024.² In the first half of 2025, remittances amounted to US\$8.2 billion. The Russian Federation accounted for 77 per cent in 2024 of these remittances, but inflows from Kazakhstan, the Republic of Korea, and the United States of America are rising.³
3. Remittance-receiving households and returnees in Uzbekistan, particularly those in rural areas, face persistent barriers that prevent them from effectively accessing, using and benefiting from formal financial services and investment opportunities. Technological limitations (inability to score remittance recipients or returnees with savings from migration) and legal restrictions (prohibition on lending to customers without official income in the country) exclude these groups from formal credit opportunities, leading to micro, small and medium-sized enterprises (MSMEs) experiencing financing gaps of up to 80 per cent.⁴
4. In Uzbekistan, access to formal financial services remains uneven, with rural and remote communities facing acute barriers related to the use of formal financial services (for example, 15.1 per cent of the urban population borrows from a formal financial institution versus 9.9 per cent in rural areas). As of January 2025, the country had about 6,500 bank offices nationwide, most of which were located in urban areas.⁵
5. Labour migration is central to Uzbekistan's economy. In 2024, 1.35 million Uzbeks worked abroad, down from 2.1 million in 2022. The Russian Federation hosted 60 per cent of Uzbek migrants, with a growing proportion also in Kazakhstan, the Republic of Korea, and the European Union (EU). By the end of 2024, 250,000 labour migrants had returned to the country.⁶
6. Uzbek returnee migrants work predominantly in the informal sector, particularly in agriculture, construction, trade and transport. A large portion of returnees, especially those from rural areas, return to family subsistence farming or small-scale agricultural production. However, the lack of adequate financing and technical support makes it difficult to transform family farming into a sustainable livelihood, often prompting returnees to reconsider migration and support relatives left behind through remittances.
7. The proposed project will be financed through the supplementary-funded programme cofinanced by the EU entitled Platform for Remittances, Investments

¹ Ratha, Dilip; Plaza, Sonia; Kim, Eung Ju. In 2024, remittance flows to low- and middle-income countries are expected to reach USD 685 billion, larger than foreign direct investment and official development assistance combined. People Move blog. (World Bank, 18 December 2024).

² State Committee of the Republic of Uzbekistan on Statistics, *Official Statistics Portal*, <https://stat.uz/en>.

³ KNOMAD – Global Knowledge Partnership on Migration and Development. *Remittances Data* (World Bank, 2024) <https://www.knomad.org/data/remittances>.

⁴ SME Finance Forum. *MSME Finance Gap Database* (2025), <https://www.smefinanceforum.org/data-sites/msme-finance-gap>.

⁵ Central Bank of the Republic of Uzbekistan, *Balance of Payments, International Investment Position and External Debt: Annual Report 2024* (March 2025).

⁶ International Organization for Migration (IOM), Uzbekistan. *Migration Situation Report: October–December 2024*. (2025).

and Migrants' Entrepreneurship in Central Asia (REMIT PRIME Central Asia), implemented by IFAD's Financing Facility for Remittances. The REMIT PRIME Central Asia programme aims to maximize the impact of remittances on sustainable development in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan by advancing digital financial inclusion and income-generating activities, enhancing the enabling environment for affordable digital remittance markets, and promoting sustainable economic integration of rural families reliant on remittances and reintegration of returnees.

8. As per the IFAD Private Sector Engagement Strategy 2019–2024, the Regular Grants Policy, IFAD's operating procedures for supplementary funds and the Delegation of Authority Framework, all funds granted to private sector entities must be approved by the Executive Board.
9. The recipient was identified through competitive selection by means of a [national call for proposals](#) in Uzbekistan. The selection criteria are detailed in appendix III. Hamkorbank stood out as the most suitable candidate given its strong rural client base (approximately 40 per cent of its portfolio), its demonstrated track record in inclusive finance and digitalization, and its ongoing non-sovereign operation (NSO) loan with IFAD. The proposed grant has been designed to align closely with the NSO intervention, creating complementarities that will strengthen the expected results in enhancing financial inclusion in rural areas.
10. The project approach responds to the National Financial Inclusion Strategy approved through Government Resolution 314 of 1 July 2022 and the 2030 National Development Strategy of Uzbekistan, both of which highlight the need for expanding access to finance for rural populations and the economic reintegration of returnee migrants. The project will seek synergies with current and upcoming IFAD projects in the country.

II. The proposed project

11. The overall goal of the project is to strengthen financial inclusion and promote productive livelihoods for rural remittance-recipient households and returning migrants in Uzbekistan through innovative credit solutions, tailored loan products, and capacity-building support. The specific objectives are: (i) to design, introduce, and pilot a remittance-based credit scoring model within the Central Bank's sandbox, generating evidence and lessons to inform potential nationwide adoption; (ii) to expand access to credit for remittance-recipient households and returnees by tailoring financial products to their income patterns; and (iii) to strengthen the capacity of rural households, particularly women, to effectively utilize remittance-linked credit through business training and mentorship programmes.
12. The project has been structured to avoid market distortion by targeting underserved segments and fostering innovation. In particular, this small-scale, innovative pilot project aims to demonstrate viable, scalable models that stimulate competition and broader adoption without distorting the market. It is designed to test digital solutions that promote financial inclusion, especially in rural and underserved areas. The knowledge generated will be shared as a public good, and the targeted, limited nature of its interventions ensures that they complement, rather than disrupt, market dynamics, supporting national financial inclusion goals and fostering healthy competition.
13. The project will be implemented in rural areas of Uzbekistan, with a primary focus on the Ferghana region and other areas characterized by high migration and the NSO activities. The direct target group will be composed of approximately 3,900 rural residents who either receive remittances or are returnees, of whom an estimated 50 per cent will be women. Within this group, around 3,000 individuals will benefit from the new lending product, 900 will participate in business training, and 100 will receive tailored mentorship support in addition to training.

14. The project will be closely aligned with the ongoing NSO loan to Hamkorbank [Scaling up the Sustainable Production of Pro-Poor Value Chains through Microfinance](#). While the NSO provides capital to expand Hamkorbank's agricultural loan portfolio for small-scale producers, producers' organizations, and agri-MSMEs, the proposed grant complements this effort by focusing on remittance-recipient households and returnees – a significant but underserved segment of rural clients. The grant will introduce innovation through a transaction-based scoring model that expands access to clients without formal income, while also providing non-financial services such as financial literacy support, business training, and mentorship through Hamkorbank's rural offices. Both initiatives are geographically aligned, particularly in the Ferghana region, ensuring that the grant strengthens the pipeline of potential NSO beneficiaries and maximizes development impact. Coordination with IFAD will help to ensure that targeting, product design, and beneficiary support are fully complementary, with no double-counting, thereby enhancing outreach, reducing repayment risks and reinforcing the sustainability of both operations.
15. The project will be implemented over 18 months and will include the following components:
16. **Component 1: Enhancing access to tailored financial products for remittance recipients and returnees.** This component will focus on addressing the regulatory and institutional barriers that prevent remittance recipients and returnees from accessing credit. It will support the design and piloting of a new transaction-based credit scoring model, to be tested within the Central Bank's Regulatory Sandbox, and the adaptation of a dedicated loan product tailored to remittance recipients. Approximately 3,000 individuals are expected to benefit from these new financial solutions, which will enable them to leverage remittance inflows and savings to start businesses and strengthen their livelihoods. Outreach campaigns will ensure awareness and uptake of the new products.
17. **Component 2: Providing non-financial support for productive livelihoods.** This component will expand Hamkorbank's service offering in rural areas by equipping selected mini-offices to deliver business training and mentorship services to remittance recipients and returnees. Around 900 individuals will participate in business training programmes designed to strengthen their entrepreneurial and financial management skills, while approximately 100 of the most promising participants will receive tailored mentorship from local entrepreneurs. These services will complement the new loan product by ensuring that beneficiaries are able to apply credit effectively and sustainably to productive activities.
18. This component will also strengthen Hamkorbank's systems and staff capacities to integrate the remittance-based credit scoring model into its operations and extend services through rural mini-offices. It will also generate lessons from the sandbox pilot to inform regulatory dialogue with the Central Bank of Uzbekistan and potential replication by other financial institutions. By combining product innovation with non-financial services, the component will reduce repayment risks, promote responsible borrowing, and create opportunities for scaling successful approaches nationally and regionally.
19. **Component 3: Project management and monitoring.** This component will provide effective coordination, financial management and monitoring of project activities. It will include semi-annual reporting on financial and operational progress, external evaluations, and the preparation of a lessons learned report to capture challenges, risk-mitigation measures, and recommendations for replication in Uzbekistan and beyond.

III. Expected outcomes/outputs

20. The project is expected to have the following outcomes/outputs:

- (i) Access to adapted financial products and services for remittance recipients and returnees is enhanced.

Outcomes:

- Approximately 3,000 remittance recipients and returnees use the new lending product (including 1,500 women and 300 returnees);
- One transaction-based credit scoring model is developed and integrated into Hamkorbank's system;
- An agreement is secured with the Central Bank of Uzbekistan to pilot the model in the regulatory sandbox; and
- EUR 4,500,000 is disbursed through the adapted credit product.

Outputs:

- Five focus groups conducted with 50 participants (including 25 women and 10 returnees);
- One demand-side study completed, covering 500 remittance recipients/returnees (including 250 women and 100 returnees);
- One scoring model (solvency model) developed and integrated into the bank's system;
- One agreement with the Central Bank of Uzbekistan to test the scoring/solvency model in the regulatory sandbox;
- One report produced on the results of the regulatory sandbox testing;
- One business loan product designed and deployed for remittance recipients and returnees; and
- EUR 4,500,000 provided through the adapted credit product.

- (ii) Non-financial support to remittance recipients and returnees is strengthened.

Outcomes:

- 900 individuals participate in business training (including 450 women and 100 returnees);
- 100 individuals receive tailored mentorship support (including 50 women and 20 returnees); and
- 10 new businesses are established by programme mentees.

Outputs:

- Five rural mini-offices upgraded to pilot the new loan product and deliver non-financial services (100 per cent in IFAD target regions);
- Five mini-office employees trained to provide business training;
- 20 mentors trained to deliver tailored mentorship services;
- 60 business trainings delivered throughout the project; and
- 200 loan applications submitted by training participants for the adapted credit product.

IV. Implementation arrangements

21. Hamkorbank, as the recipient, will receive and manage the grant funds, and will be responsible for the overall project implementation. The recipient will conclude a

grant agreement with IFAD, which will outline the clauses and provisions governing the management of the funds, the implementation of the project and the recipient's performance.

22. There are deviations from the standard disbursement procedures. The disbursement will deviate from the General Provisions Applicable to IFAD Grant Agreements, as operational milestones have been introduced to allow the release of advance payments only upon the completion of specific activities. This approach is intended to keep the project on track to achieve its final objectives. The grant will have three disbursements:
 - (i) The first payment shall be disbursed after grant effectiveness in an amount that shall not exceed 75 per cent of the expenditures included in the relevant workplan and budget for year 1 that has received IFAD's no-objection;
 - (ii) A second payment, in an amount that shall not exceed 75 per cent of the expenditures included in the relevant workplan and budget for year 2 that has received IFAD's no-objection, shall be disbursed at IFAD's discretion, based on its assessment of the year 1 progress report, which will showcase the achievements of year 1, and upon submission of certified statements of expenditure demonstrating the use of at least 80 per cent of the first payment;
 - (iii) A final payment (if required, on the basis of IFAD's assessment) will be equal to the difference between the total amount spent by the recipient in the project during implementation and the amount already disbursed by IFAD within total grant financing. The final payment shall be disbursed at IFAD's discretion following receipt by IFAD of a satisfactory final completion report showcasing the achievement of all project outputs and outcomes.

V. Indicative project costs and financing

23. The total cost of the project is EUR 580,950, including an IFAD/EU grant contribution of EUR 407,500 (70.1 per cent) and a counterpart contribution of EUR 173,450 (29.9 per cent) provided by Hamkorbank, of which EUR 22,000 is in cash and EUR 151,450 in-kind.
24. The counterpart contribution from Hamkorbank will finance under component 1: (i) the organization of focus groups with the target group; (ii) the work of the bank's information technology (IT) personnel to integrate the new scoring process into the core banking system; (iii) personnel time for preparation and management of the scoring model testing in the Central Bank's regulatory sandbox; and (iv) implementation of the new lending product. Under component 2, Hamkorbank's contribution will cover (v) training of mini-office personnel on the new loan product; (vi) training of mentors; and (vii) the development of business training materials.
25. The IFAD/EU grant contribution will finance under component 1: (i) technical assistance for the development of the new scoring model, including specialized data analytics support; and (ii) the marketing campaign of the new lending product among the target group. Under component 2, the grant will finance: (iii) upgrading of the IT systems of the pilot mini-offices to support the new loan product; (iv) training of mini-office employees to deliver business trainings; (v) compensation of mentors for the delivery of tailored mentorship services; and (vi) organization of business trainings in rural areas. Under component 3, the grant will cover: (vii) project implementation unit costs; and (viii) the preparation of a lessons learned report.

Table 1
Costs by component and financier
 (Euros)

<i>Components</i>	<i>IFAD</i>	<i>Hamkorbank</i>	<i>Total</i>
1. Enhancing access to tailored financial products for remittance recipients and returnees	235 250	162 450	397 700
2. Providing non-financial support for productive livelihoods	135 000	11 000	146 000
3. Project management and monitoring	37 250	-	37 250
Total	407 500	173 450	580 950

Table 2
Costs by expenditure category and financier
 (Euros)

<i>Expenditure category</i>	<i>IFAD</i>	<i>Hamkorbank</i>	<i>Total</i>
1. Salaries and allowances	46 000	151 000	197 000
2. Consultancies	10 000	-	10 000
3. Goods, services, and inputs	345 500	20 000	365 500
4. Training and workshop	6 000	2 450	8 450
Total	407 500	173 450	580 950

VI. Recommendation

26. I recommend that the Executive Board approve the proposed grant funded by the European Union to Hamkorbank in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Uzbek REMIT: Unlocking finance and skills for rural entrepreneurs, shall provide a grant of four hundred seven thousand five hundred euros (EUR 407,500) to Hamkorbank upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Alvaro Lario
 President

Results-based logical framework

Objectives hierarchy		Objectively verifiable indicators	Means of verification	Assumptions
Goal	To strengthen financial inclusion and promote productive livelihoods for rural remittance-recipient households and returning migrants in Uzbekistan through innovative credit solutions, tailored loan products, and capacity-building support		Number of unique clients who receive remittances through the bank or self-declare as a returnee; verified based on the bank's registration system	
Objectives	<ul style="list-style-type: none"> Design, introduce, and pilot a remittance-based credit scoring model within the Central Bank's sandbox, generating evidence and lessons to inform potential nationwide adoption Expand access to credit for remittance-receiving households and returnees by tailoring financial products to their income patterns; and Strengthen the capacity of rural households, particularly women, to effectively utilize remittance-linked credit through business training and mentorship programmes. 		Project monitoring system Hamkorbank MIS Yearly IFAD project report Regular monitoring meeting notes	There is a demand among the remittance recipients for the financial resources, as well as willingness to invest into the business activities among the target group.
Outcomes/ outputs	Outcome 1 Enhancing access to adapted financial products and services for the remittance recipients and returnees Expected Outputs 1 <ul style="list-style-type: none"> Five focus groups conducted to inform the baseline model and demand-side analysis. 50 remittance recipients and returnees engaged in focus groups (including 25 women and 10 returnees). One demand-side study completed, covering 500 remittance recipients and returnees (including 250 women and 100 returnees). One report produced on the results of the Regulatory Sandbox testing. 	<ul style="list-style-type: none"> Approximately 3,000 remittance recipients and returnees using the new lending product, including 1,500 women and 300 returnees. One transaction-based credit scoring model developed and integrated into Hamkorbank's core banking system. One agreement with the Central Bank of Uzbekistan secured to test the scoring model in the Regulatory Sandbox. EUR 4,500,000 disbursed through the adapted credit product. 	Reports from the focus group discussions. Signed attendance lists with participant profiles. Gender- and returnee-disaggregated data summary Signed agreements with the Central Bank. Regular monitoring meetings. Reports from the trainings. Training curriculum and agenda Attendance sheets. Pre- and post-training assessments. Certificates issued Loan application records from Hamkorbank system (gender/returnee-	There are enough creditworthy borrowers among the remittance recipients and returnees. The Central Bank of Uzbekistan continues to support testing and scaling of innovative products through the Regulatory Sandbox. Trained employees remain in their positions and apply the acquired skills in delivering trainings. Local entrepreneurs are willing to serve as mentors, and beneficiaries are receptive to mentorship. There is continued demand for business training and financial services in rural areas.

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> One business loan product designed and tailored to the needs of remittance recipients and returnees. <p>Outcome 2 Non-financial support to remittance recipients and returnees Expected Outputs 2</p> <ul style="list-style-type: none"> Five rural mini-offices upgraded to pilot the new loan product and deliver non-financial services (100% in IFAD focus regions). Five mini-office employees trained to deliver business training. 20 mentors trained to provide tailored mentorship services. 60 business trainings delivered over the course of the project (five per month across the pilot mini-offices for 12 months). 200 loan applications submitted by business training participants for the adapted credit product. 	<p>900 participants (including 450 women and 100 returnees) complete business training.</p> <p>100 participants (including 50 women and 20 returnees) receive tailored mentorship support.</p> <p>10 new businesses formally established by mentees.</p>	disaggregated) • Internal bank MIS data reports	No major external shocks (e.g., conflict, natural disaster, prolonged COVID-type restrictions) disrupt in-person training and mentorship.
Key activities by component	<p>Component 1. Enhancing access to adapted financial products and services for remittance recipients and returnees</p> <p>1.1 Conduct demand-side analysis and focus groups to develop the baseline model hypothesis and understand financial needs of remittance recipients and returnees.</p> <p>1.2 Develop and integrate a transaction-based scoring model into Hamkorbank's system, with technical support for data analysis, IT integration, and testing.</p> <p>1.3 Pilot the scoring model within the Central Bank of Uzbekistan's Regulatory Sandbox and generate lessons for potential scale-up.</p> <p>1.4 Design and deploy an adapted loan product tailored to remittance recipients and returnees, aligned with NSO funding.</p> <p>1.5 Implement outreach and marketing campaigns (online and offline) to promote the new loan product among the target group.</p>	<p>1.1 Demand-side analysis and focus groups</p> <p>At least 5 focus group discussions completed with ≥50 participants (≥25 women, ≥10 returnees).</p> <p>One demand-side study produced covering ≥500 respondents (≥250 women, ≥100 returnees).</p> <p>Survey findings documented and used to inform credit product design.</p> <p>1.2 Transaction-based scoring model development</p> <p>One scoring model designed, tested, and integrated into Hamkorbank's core banking system</p> <p>1.3 Pilot in Central Bank Regulatory Sandbox</p> <p>Formal agreement signed with the Central Bank to test the scoring model in the Sandbox.</p>	<p>FGD reports including participant lists (sex- and status-disaggregated).</p> <p>Survey dataset and final demand-side study.</p> <p>Consultant reports and presentation to Hamkorbank/IFAD.</p> <p>Technical design documentation of the scoring model.</p> <p>Bank's IT integration records and system screenshots.</p>	

Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<p>Component 2. Providing non-financial support to remittance recipients and returnees</p> <p>2.1 Upgrade IT systems in five rural mini-offices to enable delivery of the new loan product.</p> <p>2.2 Build capacity of mini-office employees to deliver business trainings; conduct regular trainings for beneficiaries in rural areas.</p> <p>2.3 Establish and implement a mentorship programme by training local entrepreneurs as mentors, and matching them with selected beneficiaries to support business development.</p>	<p>One pilot report produced documenting effectiveness, risks, and recommendations.</p> <p>1.4 Deployment of adapted loan product</p> <p>One adapted loan product formally approved and launched</p> <p>EUR 4.5 million in loans disbursed to ≥3,000 remittance recipients/returnees (≥1,500 women, ≥300 returnees).</p> <p>1.5 Outreach and marketing campaigns</p> <p>At least 2 nationwide campaigns conducted (8 online, 5 offline).</p> <p>2.1 IT upgrades in mini-offices</p> <p>5 rural mini-offices upgraded with IT systems</p> <p>2.2 Capacity-building and business trainings</p> <p>5 mini-office employees trained</p> <p>≥60 business training sessions delivered (≥900 participants: ≥450 women, ≥100 returnees).</p> <p>2.3 Mentorship programme</p> <p>20 local entrepreneurs trained as mentors.</p> <p>≥100 mentees supported (≥50 women, ≥20 returnees).</p> <p>≥10 new businesses established by mentees within 12 months of programme participation.</p> <p>3.1 Financial and operational management</p> <p>100% of financial and operational documentation submitted on time</p> <p>3.2 Lessons-learned report</p> <p>One consolidated lessons-learned report produced by end of project.</p>	<p>Training materials and attendance sheets for IT staff.</p> <p>Signed agreement with Central Bank on Sandbox participation.</p> <p>Sandbox pilot report and monitoring data.</p> <p>Minutes/reports of consultation workshops with the Central Bank.</p> <p>Internal documentation on loan product approval and rollout.</p> <p>Loan disbursement records from Hamkorbank MIS.</p> <p>Beneficiary survey results and client satisfaction reports.</p> <p>Campaign materials (flyers, posters, social media ads).</p> <p>Analytics reports from digital platforms (impressions, reach, clicks).</p>	

Financial governance

Given the selection of a private sector entity as the recipient (see Appendix III for details on the competitive selection process), a sound financial management and governance frameworks will be set in place. These will ensure that IFAD resources are being used most efficiently to achieve the objectives of the project.

This appendix covers details on: (a) financial management overview, (b) financial management systems, and (c) audit arrangements.

a. Financial Management System, including accounting specifications

The project's financial management arrangements and internal control systems will be designed to meet IFAD's requirements, ensuring the efficient and accountable use of resources.

Hamkorbank has a robust internal control system and adheres to international accounting standards by using the International Financial Reporting Standards (IFRS).

The grant will use the EU-funded IFAD Grant Agreement template which covers specific EU fiduciary requirements related to disbursement, accounting, reporting and auditing. There will be deviation for provision 3.3 "Disbursement" under Schedule 3 of the Grant Agreement, other than that, General Provisions are the ones applicable to the EU-funded IFAD Grant Agreement.

The disbursement arrangement will deviate from section 3.3 of Schedule 3 – General Provisions Applicable to EU-Funded IFAD Grant Agreements. Instead, disbursement arrangements will follow the below structure.

The grant will include three disbursements to be triggered on the basis of the expected milestones below in IFAD's sole discretion:

1. The first advance payment after the grant effectiveness, for an amount that shall not exceed 75 per cent of the expenditures included in the relevant workplan and budget for Year 1 that has received IFAD no-objection.
2. A second payment in the second year of implementation, for an amount that shall not exceed 75 per cent of the expenditures included in the relevant workplan and budget for Year 2, that has received IFAD no-objection. This payment shall be disbursed after receipt by IFAD of a Progress Report from Year 1 showcasing the achievement of Year 1. This payment shall be disbursed in IFAD's discretion on the basis of its assessment of the Year 1 Progress Report achievements. In addition to the submission of a certified Statement of Expenditure demonstrating the use of at least 80% of the first payment.
3. A final payment (if required) should be the difference between the total amount spent by the Recipient in this project during implementation and the amount already disbursed by IFAD within total grant financing. This payment shall be disbursed after receipt by IFAD of a satisfactory Final Completion Report showcasing the achievement of all project outputs and outcomes.

The Recipient may request withdrawals from the Grant through the submission to IFAD of a Withdrawal Application and other required documentation as listed at www.ifad.org/grantforms. For the second and third Withdrawal Applications, in addition to the above-mentioned milestones, the Recipient shall submit to IFAD a Statement of

Expenditure demonstrating the use of at least 80 per cent of the preceding instalment and 100 per cent of previous instalments, if any. No Withdrawal Application will be accepted by IFAD after the Grant Closing Date unless IFAD has agreed in writing to an extension.

Each one of the above instalments will be channeled to the Recipient only if and to the extent the relevant funds under the EU Contribution have been duly received by IFAD from the EU. IFAD may also request additional information and supporting documentation.

Cash flow control will be managed by a dedicated Project Administrator at Hamkorbank, responsible for overseeing transfers, expenses, and pending balances. Hamkorbank's finance and control team, composed of seasoned professionals, will oversee the financial operations of the Grant. Hamkorbank is committed to conducting business with the highest level of integrity.

Hamkorbank maintains and enforces a robust compliance and ethics regime, including a Corporate Code of Ethics that requires all employees to adhere to standards of integrity, honesty, confidentiality, and non-corruption. The bank also supports compliance control mechanisms (such as Know Your Customer (KYC)/ Anti-Money Laundering (AML), risk assessments, and anti-bribery rules) to ensure operations conform with relevant laws and regulations. Business relationships are conducted in line with the high ethical standards set out in its Code of Ethics.

b. Procurement Procedures

Procurement of goods, works and services required for the Project shall be carried out in accordance with IFAD's Project Procurement Guidelines (<https://www.ifad.org/en/-/document/project-procurement-guidelines>), and as per procurement procedures agreed by the Parties, which cannot be materially altered without the prior approval of IFAD. In all cases where procurement worth more than two hundred thousand United States Dollars (USD 200,000) or equivalent is covered under the Project Budget, the Recipient shall be required to submit a Procurement Plan.

c. Audit Arrangements

As per section 3.8 of Schedule 3 of the standard EU-funded IFAD Grant Agreement, the Recipient is required to submit to IFAD its annual audited institutional financial statements, an audit opinion on the Statement of Expenditures and a report of the factual findings by no later than 6 months of the Recipient's fiscal year end.

Overview of selection process and rationale for selection of private sector recipient

The Recipient, Hamkorbank Bank, was selected through a competitive process under the framework of Platform for Remittances, Investments and Migrants' Entrepreneurship in Central Asia (REMIT PRIME Central Asia), a programme co-financed by the European Union, with the aim to maximize the developmental impact of remittances by increasing access to them through digital methods, promoting digital and financial inclusion, and enhancing migrant returnees' access to income generating activities, particularly in rural areas.

On 23 April 2024, PMI's Financing Facility for Remittances (FFR) launched the "*Migrant Contributions for Development Call for Proposals 2024 (CfP24) for Uzbekistan: Leveraging remittances to foster financial and digital inclusion, and support the sustainable reintegration of migrant returnees for local economic development in rural areas.*" Published guidelines can be found in this link: <http://ifad.org/en/w/calls-for-proposal/migrant-contributions-for-development-call-for-proposals-2024-for-uzbekistan>. The CfP24 had three stages:

PHASE 0. Eligibility Check (before May 2024)

Interested organizations were required to ensure they met eligibility conditions, including registration in an IFAD Member State, compliance with licensing requirements, capacity to sign financial/legal agreements with IFAD, availability of audited financial statements, and a proven track record in remittances, financial inclusion or migrant reintegration

PHASE 1. Initial Bilateral Meetings (10–14 June 2024)

An initial bilateral meeting was conducted either in person (16 May in Tashkent) or online (10–14 June). Proponents presented their project ideas, including relevant expertise, definition of the project, geographical coverage, expected results, and an indicative budget. Submission of Annex 1 was required by 7 June 2024.

Announcement of preselected proposals: 17 June 2024

PHASE 2. Final Bilateral Meetings (8–12 July 2024)

Applicants preselected in Phase 1 were invited to submit Annex 2 (by 5 July) and to present a detailed project proposal during a two-hour online meeting. This phase required presentation of project context, organizational expertise, project design, implementation arrangements, innovation, sustainability, scaling-up potential and a detailed budget.

Announcement of final selected proposals: 15 July 2024

A Competitive Selection Evaluation Team (CSET), chaired by the FFR Manager, was formed by remittance and development specialists: the FFR Portfolio Officer (PMI Division), two expert consultants in remittances, financial inclusion and local development from the FFR, and one Central Asia financial sector expert consultant of the FFR.

As a result of the CfP in Uzbekistan, seven proposals were received from four local banks, two international organizations, and one academic institution. A dedicated technical review committee conducted a thorough assessment and ranking of these proposals, ensuring compliance with eligibility criteria and alignment with the CfP objectives:

1. International Potato Center (CIP) – International Organization
2. Consort Group in partnership with Aloqabank – Commercial Bank
3. Business Development Bank – Commercial Bank
4. International Organization for Migration (IOM) – International Organization

5. International Agriculture University – Academic/Research Institution
6. Hamkorbank – Commercial Bank
7. Microcredit Bank – Commercial Bank

The proposals from CIP did not align with the priorities of the PRIME Program, and the ones from the International Agriculture University and Microcredit Bank did not include enough detail on the intervention to provide a comprehensive review. The other four proposals met the minimum criteria for competitive evaluation. The selection process adhered to the principles of impartiality, transparency, and rigor.

The CSET evaluated the proposals according to the following criteria: (i) Impact (30 per cent); (ii) Sustainability and Scalability (20 per cent); (iii) Relevant Expertise (20 per cent); (iv) Degree of innovation (10 per cent); (v) Market positioning (10 per cent); and (vi) Implementation strategy (10 per cent).

After evaluating the strengths and weaknesses of each submission, the evaluators selected four proposals: Consort Group in partnership with Aloqabank, Hamkorbank, Business Development Bank and IOM.

Hamkorbank was finally chosen as the grant recipient due to its strong institutional capacity, alignment with the Call for Proposals' strategic goals, and potential to deliver impact at scale. The European Union (EU), as the primary donor, reviewed the committee's recommendations and approved the final selection of the awarded project.

This decision for Hamkorbank was based on the following three key factors:

Financial inclusion and rural outreach. Hamkorbank serves nearly 900,000 remittance recipients, representing close to 20 per cent of the country's remittance market. The proposed project seeks to transform remittance flows into productive finance by leveraging transaction histories to improve credit eligibility for remittance recipients and returnees. To extend its reach to rural communities, the bank intends to pilot decentralized small branches that supplement traditional branches and provide business development services for small entrepreneurs. While quantitative outreach targets are still to be defined, the approach demonstrates a clear intent to extend services to underserved rural segments and to align with IFAD's NSO operation that targets low-end rural entrepreneurs.

Proven institutional and donor engagement capacity. Hamkorbank successfully passed IFAD's NSO due diligence process and already manages a USD 2.5 million senior loan from IFAD, highlighting its credibility as a financial partner. It has a dedicated department for remittances and extensive experience working with international financial institutions and donors. The project builds on this foundation but will require the establishment of a cross-departmental product development team and strong leadership to ensure smooth coordination across lending, remittances, and business development services.

Innovation in credit scoring and service delivery. The project introduces a particularly innovative approach by using remittance transaction history as a formal criterion in credit scoring, to be tested within the Central Bank's regulatory sandbox. If successful, this will represent a breakthrough in recognizing remittances as reliable income for assessing creditworthiness. Complementing this, the deployment of mini-offices offering financial literacy and business development support is a disruptive model to fill service gaps in rural areas. While the cost-effectiveness of this model still requires validation, the combination of financial and non-financial services offers a promising pathway for strengthening resilience and entrepreneurship among remittance-receiving households.

Overall, Hamkorbank is well-positioned to deliver meaningful progress in financial inclusion and resilience for remittance recipients and returnees in Uzbekistan. Its large

customer base, market share in remittances, experience with IFAD and other international partners, and commitment to innovation make it a strong candidate to implement the REMIT-PRIME Central Asia initiative in the country. Nevertheless, the project design will need to sharpen its focus on rural outreach, define clear beneficiary targets and metrics, and present a detailed cost structure to ensure value for money and long-term sustainability.