

Uzbekistan

Dairy Value Chains Development Project II

Project Design Report

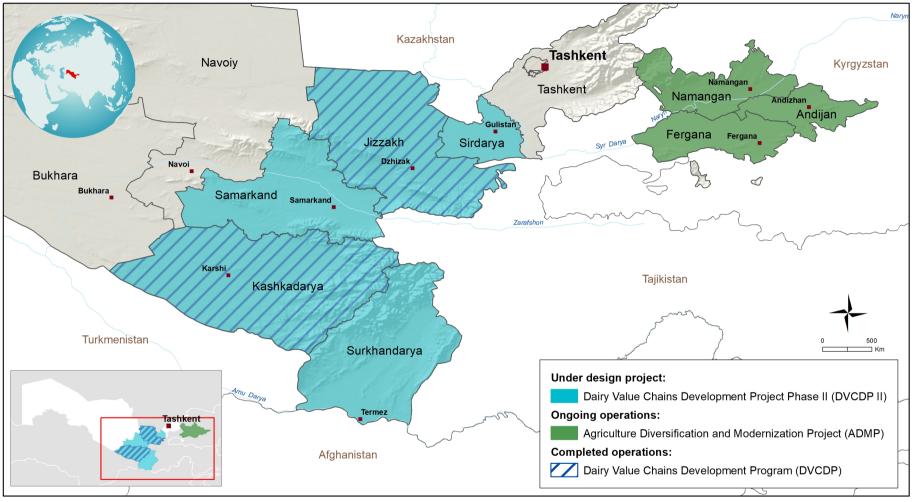
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IFAD Map compiled by IFAD | 10-08-2023

Abbreviations and Acronyms

NumAdditional DevelopmentAIDPPAgence Française du DevelopmentAIAfficial InseminationAISIAgricultural Knowledge and Innovation SystemAWPBAnnual Work Plan and BudgetBRAMIFA/DS Borrowd Resources Access MechanismCAWWCommunity Annual Health WorkorCOICare Outcome IndicatorCOSOPCountry Strategic Optimulitie StorgammesCAWWCommunity Annual Health WorkorCOIDCare Outcome IndicatorCOSOPCountry Strategic Optimulitie Storgamme EvaluationCVLDCommittee of Veterinary and Livestock DevelopmentCPDevelopment FinanciesPVCOPDairy Value Chains Development ProjectEDEnvironmental and Social Management SystemEDEnvironmental and Social Management SystemFAAFinancing AgreementFAAFinancing AgreementFAAFinancing AgreementFAAFinancing AgreementFAAFinancing AgreementFAAGross Domestic ProductGHLMGovernment of Livestock Environment Assessment ModelGULMGold Livestock Environment Assessment ModelGULMInternational Environment Assess	ADB	Asian Development Bank
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	MTR	Mid-Term Review

NCD	Non-Communicable Disease
NSO	Non-Sovereign Operation
OHS	Occupational Safety and Health
PBS	IFAD's Performance-Based Allocation System
PCR	Project Completion Review
PFIs	Participating Financial Institutions
PIM	Project Implementation Manual
PMU	Project Management Unit
PPL	Public Procurement Law
PRA	Participatory Rural Appraisal
PSC	Project Steering Committee
RFF	Regional Field Facilitator
RIA	Results and Impact Assessment
SDGs	Sustainable Development Goals
SECAP	Social Environmental and Climate Assessment Procedures
SEP	Stakeholder Engagement Plan
SHF	Smallholder Farmer
SO	Strategic Objective
ТА	Technical Assistance
ТоС	Theory of Change
ToR	Terms of Reference
ТоТ	Training of Trainers
UN	United Nations
USD	United-States Dollar
UZS	Uzbek Soum
VC	Value Chain
WB	World Bank
WCU	Women's Committee of Uzbekistan

In line with IFAD mainstreaming commitments, the project has been validated as:

 \Box Be gender transformative \Box Be youth sensitive \Box Be nutrition sensitive \Box Prioritize persons with disabilities \Box Prioritize indigenous peoples \Box Include climate finance \Box Build adaptive capacity

Executive Summary

The Government of Uzbekistan has identified livestock and dairy as a major drive for economic transformation in rural areas, contributing to a pro-poor economic growth, the integration of women and youth into the labour market, and improved nutrition. The majority of dairy cows in the country (94%) belongs to dekhan farmers, which produce 90% of the milk. They have the potential to meet the growing demand of milk, yet they have challenges in accessing inputs, affordable financing and markets, and they remain disproportionally affected by poverty, food insecurity, and climate change impacts. Linking this category of producers to markets (only 10% of their milk currently enters into the formal value chain), ensuring their access to services and efficient use of natural resources (land and water), is therefore of paramount importance to achieve an inclusive and sustainable development of the value chain and contribute to achieving food security.

The first phase of the Dairy Value Chains Development Project (DVCDP) managed to drive positive change in the dairy sector through improved access to finance and reinforced linkages between producers, processors and other stakeholders in the value chain. However, the limited budget allocated to building the business ecosystem and reinforcing capacities of producers led to mixed results in terms of improved productivity, and access to finance for dekhan farmers, women and youth.

DVCDP II will scale up the results achieved in DVCDP and build on the lessons learned to further organize and boost the dairy sector in Uzbekistan and enhance smallholder producer participation. DVCDP II will mostly target poor household and dekhan farmers, with a focus on: (i)*vulnerable household farmers* owning small stock (up to 5 cows) and with poor access to land and credit, mostly unregistered and with access to small size plots (between 0.3 to 1 hectare) (*approximatively* 65% of the total beneficiaries); (ii) better off household farmers (unregistered) and dekhan farmers (registered), owning larger stock (up to 20 cows) and with access to land, who often act as middlemen in their community and play an important role in the dairy value chain as service providers (feed and fodder, bulls for reproduction, etc.) for smallholder producers (*approximately* 25% of the total beneficiaries); and (iii) near landless and unemployed women and youth, including people with disabilities and returning migrants, who live below the poverty line and are willing to engage in the dairy sector (*approximately* 10% of the total beneficiaries).

DVCDP II project goal is to "Reduce poverty level among small scale dairy producers and mitigate the impacts of climate change in the subsector". The Project Development Objective (PDO) is "to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain and promote food security" by enhancing their market participation and increasing productivity. The project is structured in three inter-related components that will jointly contribute to achieve the above objective:

- Component 1 "Improving and increasing sustainable climate smart dairy production and access to required services". This
 component is focusing on production, with the objectives to increase milk volumes and quality, secure water and fodder and
 increase adoptions of dairy and climate smart methodologies and technologies at small producer level, and enhance
 smallholder household social and economic empowerment and (newly) developed farmer interest group organizations in
 support of increased dairy production and productivity, value chain strengthening, climate change mitigation and adaptation.
 The component also aims at increasing and improving access to suitable dairy production services, knowledge and inputs for
 smallholders and strengthening institutional capacity for smallholder dairy development, including animal extension and
 animal health services, applied research and strategic pilot investments.
- Component 2 "Increasing participation of small-scale farmers in the dairy value chain". This component aims at enhancing
 the participation of smallholder farmers in the dairy value chain, increasing their incomes and enhancing the competitiveness
 of the value chain. These outcomes will be reached through the establishment of 100 Milk Collection Centres (MCCs) (subcomponent 2.1), and the facilitation of access to credit for stakeholders in the dairy value chain through credit lines disbursed
 by commercial banks. A dedicated credit window targeting youth, women and unregistered farmers will be established under
 this component, backed by a dedicated guarantee mechanism.
- Component 3 "Policy support and Project management". The third component of the project covers policy support and technical arrangements related to the project management and coordination. It will include some policy support measures, including support to the establishment of a national dairy platform/forum, and participating in working groups to influence government policy on land reform.

DVCDP II will operate in five regions, namely Sirdarya, Jizzakh, Samarkand, Kashkadarya and Surkhandarya, and the duration of the project will be 7 years. It is anticipated that the project will reach approximately 31,000 households living in the five selected regions, and include 40% women, and 30% youth beneficiaries.

The cost of the Project is estimated at USD 47.432 million over a seven-year period. Of this total financing, IFAD's contribution to the project is USD 37.8 million (79.6%), including USD 30.0 million from IFAD's Performance-Based Allocation System (PBAS 12) and USD 7.8 million from IFAD's Borrowed Resource Access Mechanism (BRAM). The Government in-kind contributions to the project is expected to be USD 3.687 million (7.7%) and the beneficiaries will contribute to the project with USD 5.077 million (10.7%) in cash and with USD 0.867 million in-kind.

The economic and financial analysis of DVCDP II shows that the targeted activities are sound and the project is economically viable. The economic rate of return (ERR) for the entire project is 16.4%, and the economic net present value (ENPV) amounts to USD 41.6 million.

DVCDP II overall inherent risk level is rated as 'Moderate'. The Environmental and Social risk of DVCDP II is considered as "Substantial", due primarily to the focus of the project on intensive livestock systems and the concomitant risks to climate, soil and water pollution, health hazards, and labour-related health and safety issues often associated with these investments. The climate risk category is rated as "Moderate".

The lead Project agency (the "LPA") shall be the Minister of Agriculture (MoA) and most specifically the Committee of Veterinary and Livestock Development (CVLD), that falls under the supervision of the MoA. The LPA will ensure overall guidance and strategic directions of the project implementation process and will appoint the Project Director from its own staff, upon IFAD's agreement. A Project Management Unit (PMU) will be established within the CLVD for the day-to-day management and implementation of project activities as per approved work plan and budget, consisting of: (i) a central unit in Tashkent, and (ii) two decentralized units in Kashkadarya and Surkhandarya regions, that will be the so-called extended hands of the PMU in these two regions. This organizational set-up aims to ensure close monitoring of project activities and to facilitate awareness-raising and outreach of project beneficiaries in all project regions. A Project Steering Committee (PSC) chaired by the Ministry of Agriculture will be established to oversee the implementation and progress, provide strategic guidance and ensure alignment with national policies, consisting of representatives from key ministries, regional authorities and other relevant stakeholder organizations.

1. Context

A. National context and rationale for IFAD involvement

a. National Context

- Economic context. Uzbekistan is the largest country in Central Asia, with an area of 447,400 sq.km and a population of nearly 36 million in 2022. Since 2017, the country has undergone a significant economic transformation towards a diversified market economy. As a result of deep economic reforms, the country has experienced a steady annual GDP growth of about 5% between 2010 and 2020, well above regional and other lower-middle income country averages^[1]. This stable growth has laid the Uzbek authorities to set ambitious goals for the country, including joining the group of upper-middle income countries by 2030, and halving poverty by 2026^[2].
- 2. Social context. Income poverty in the country has dropped from 24% in 2000 to 11.5% in 2020, thus lifting 2.2 million people out of poverty[3]. However, the recent COVID 19 pandemic has reverted this trend, raising the incidence of poverty to 17%[4]. In addition, inter-regional inequalities remain wide, and tend to deepen over time. The urban-rural poverty gap is huge, and it is estimated that 75% of the poor live in rural areas, representing approximately 4.5 million people. Although poverty data disaggregated by target region and districts are not available, it is estimated that among the five target regions of DVCDP II, Samarkand, Surkhandarya, and Syrdarya have an above average number of districts with a poverty rate (e.g. monetary poverty) well above 10%. The country unemployment rate is estimated at 9,6% in 2022, out of a 15 million working age population (ILO stats).
- 3. Smallholder agricultural and rural development. Uzbekistan is still largely rural, with 17.5 million people out of a total population of 36 million living in rural areas (Uz Stat 2023). The country depends on agriculture for 23% of its GDP and 24% of the labour force (World Bank, ILO stats). Cotton and grains are the main crops, while fruits, vegetables and livestock production are important sources of income for rural families. Small-scale producers, including household farms and dekhan farmers[5] represent 5.5 million rural people as of 2021. Although small-scale agriculture remains a key driver of the agricultural diversification and transformation agenda in the country, small-scale producers have limited access to markets, services and credit, which is exacerbated by structural barriers impeding the use of agricultural land as collateral. While they generate over 70% of total agricultural output, smallholder farmers use only 20% of arable land[6].
- 4. Livestock and dairy sector. The livestock sector plays an important role in the economy of Uzbekistan, both at the national level by generating 13% of the GDP and 27% of the agricultural employment, and representing between 45 and 67% of livestock keepers' income[7] at household level. The total number of cattle is estimated at 13.6 million heads in 2022, including 4.9 million heads milking cows at national level (Uz stats). The five project target regions (Jizzakh, Sirdarya, Samarkand, Kashkadarya and Surkandarya) account for 42% of the total cattle raised (around 5.7 million heads), and 43% of the cows (2.2 million). The dairy sub-sector generates 45% of the livestock gross added value, with an annual milk production estimated at 11.24 million tons in 2021, 40% of which being produced in the five project target regions (Uz stats). Smallholder dekhan farmers supply more than 90% of the milk consumed in the country. The per capita milk consumption is estimated at 252 kg/year in 2020 (FAO stats) and it is projected to increase, driven by a high demand for dairy products from the population. However, despite its important

growth^[8], the dairy production covers a third of national needs only, and the industry operates below its productive capacity, because of the lack of quality raw milk in the market. Poor genetics, poor access to fodder, water, and poor herd management lead to poor milk productivity. The national average of milk production per cow per year is around 2,800 liters in 2021 (FAO stats), with a yield per cow and per day much lower for HH and dekhan farms (typically less than 7 kg/cow/day) than in specialized commercial dairy farms (typically above 20 kg/cow/day)[9].

5. Food security. Uzbekistan ranks 78th on the Global Food Security Index, with lower scores than the regional average of 59.7%. Since independence, the country has made significant progress in increasing the availability of food, and reducing child undernutrition, including both stunting and wasting. The country has a low incidence of undernourishment and is on course to meet its targets for maternal, infant and child nutrition. However, poor dietary diversity and coexisting undernutrition with micronutrient deficiencies, overweight and obesity remain recurrent issues.

- 6. Policy framework. The national policy framework related to poverty reduction, economic growth, and agriculture and livestock sectors include: (i) the *Development Strategy of New Uzbekistan for 2022 2026* which aims at reducing poverty by half by 2026, including measures to further support the social protection of vulnerable groups, in particular women and youth, and to double farmers' incomes and increase dairy production by 1.5-2 times[10]; (ii) the *Agriculture Development Strategy for 2020-2030*, which emphasizes on addressing challenges faced by smallholder dekhan farmers; (iii) the newly adopted *Livestock Sub Sector Development Strategy for 2021-2030*, which places feed supply, breeding, cattle housing and value chain integration as priorities for the development of the sector[11]; (iv) national policies for Gender, Youth, and social inclusion, and (v) Uzbekistan's *Nationally Determined Contribution* which aims to reduce emissions by 35% as a factor of GDP by 2030, through emission reductions, energy efficiency, along with enhanced climate resilience in agriculture, sustainable water and land use (Uz-NDC, 2021).
- 7. Institutional framework. Since 2021, the International Strategic Centre for Agri-Food Development (ISCAD) and the Committee for Veterinary and Livestock Development (CVLD), now both under the Ministry of Agriculture (MoA), are the main supervising entities for international financial institutions' (IFIs) investments in the agrifood sector. The CVLD is the implementing entity of all livestock projects funded by the major IFIs[12]. The Committee also focuses on delivering public livestock services such as animal health. breeding, and extension, which ensures proper alignment and complementarities of interventions. The Ministry of Investment, Industry and Trade (MIIT) provides leadership and coordination of donor-funded projects, while other line ministries are key to delivering a transformative agenda, in particular the Ministry of Economic Development and Poverty Reduction and the Ministry for Support of the Mahalla and the Family. The recently constituted Ministry of Natural Resources - and within this Ministry the State Committee on Ecology and Environmental Protection, the State Committee on Forestry and the Centre of Hydrometeorological Service (Uzhydromet) - acts as the primary government institution overseeing environmental protection concerns and addressing climate related mitigation and adaptation efforts. District governments [13] also play an important role in allocating support and services at the sub-national level. Other key actors for the project include the Women's Committee of Uzbekistan, which is the main driving force for gender equality in the country, the Youth Affairs Agency, and the Council of Farmers, Dekhan Farms and Owners of Household Lands of Uzbekistan, which manages government credit programmes in liaison with national commercial banks.

b. Special aspects relating to IFAD's corporate mainstreaming priorities

- 8. Gender equality. Uzbekistan ranks 106/168 in the Gender Empowerment Index measuring women's relative economic activity, education and empowerment (FAO, 2019). Rural women face multiple inequality-related challenges, including lower labour participation, a significant gender pay gap and limited employment opportunities outside agriculture production. Women's unemployment rate is at 13.6%, as compared to 6.9% for their male counterpart. Traditional stereotypes on the roles of women and men in the family and in society remain a major challenge. Women continue to be heavily associated with household responsibility, while men are seen as the main income earners. It is estimated that rural women spend 45.9% of their time on unpaid domestic labour, compared with 16.6% for men. Significant gender disparities also persist in property ownership, with female-owned property composing only 22.3% of the total value of property registered with the National Agency on Land and Property Cadastre[14].
- 9. Women in agriculture represent 48.2% of the labour force. However, while the actual labour input of women into farming activities has remained extremely high, they are increasingly incorporated into the workforce either as unpaid family labourers or as casual labourers during harvest. Rural households are traditionally headed by men, who control and supervise the household budget, and it is estimated that only 6.5% of private farms are women-led[15]. Women play a fundamental role in the dairy sector by taking care of the cows, feeding and milking them, and also by transforming and processing the milk into dairy products (kefir, yogurt, cream, cheese, etc.) for both own household consumption and marketing. Through these activities, women actively participate to enhancing household food security and nutrition and support household expenses. Despite women's contribution to livestock production, they have only limited access to, and control over, key productive resources as compared to men. In addition, they find more difficulties accessing extension and veterinarian services, which are highly male dominated.
- 10. More than half the population in Uzbekistan (57%) is aged 30 years or less, with a third of the population under 18 years. A recent youth survey from 2020^[16] shows that over 50% of young people do not continue their education, training, or enter the workforce after secondary school, with young women being disproportionately affected due to household and family responsibilities and limited mobility. In rural areas only 13% of youth are in farm leadership positions (IFAD 2022), due to lack of training opportunities, limited access to assets and poor interest in farming. Compared to urban youth, rural youth have also fewer options for education and employment, leading to high youth unemployment rates (12%[17]), and driving migration.
- 11. 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% of the GDP[18]. Under the impact of the COVID 19 pandemic, many **young migrants** have recently returned to the country. While the number of returnees is unavailable, some of them are unemployed or underemployed and mostly engage in casual labour in construction.
- 12. Uzbekistan is on course to meet three targets for maternal, infant and young child nutrition (MIYCN)[19]. Progress has also been reported towards achieving the target of reducing anemia among women of reproductive age, with 24.8% of women aged 15 to 49 years now affected. Stunted and wasted children are lower than the regional average, but still affect 10.8% and 1.8% of children under 5 respectively, compared to 21.8% and 8.9% in the Asia region. Overweight and severely underweight children

follow regional averages at 4.6% and 5.1%, respectively. Yet, no progress has been made towards achieving the low-birthweight target, with 5.3% of infants having a low weight at birth. Uzbekistan has also shown limited progress towards achieving the diet-related non-communicable disease (NCD) targets. With 21.8% of adult (aged 18 years and over) women and 16.1% of adult men living with obesity, Uzbekistan's obesity prevalence is higher than the regional average (10.3% for women and 7.5% for men). At the same time, diabetes is estimated to affect 13.2% of adult women and 12.8% of adult men.

- 13. The dairy sector has an equivocal impact on nutrition. Whereas on one hand it can contribute to decreasing malnutrition through increased consumption of meat[20], milk, and milk products, on the other hand it can contribute to worsen it (particularly overweight/ obesity, and NCDs). High consumption of processed red meats, for example, has been associated with diet related NCDs, and chronic diseases, particularly in populations with a high burden of overweight/ obesity or in the context of an unbalanced diet[21]. The project will contribute to improved nutrition by undertaking awareness raising activities about diet-appropriate nutrition, food safety and hygiene (under the L-FFS in Sub-component 1.3).
- 14. Climate change. The climate in Uzbekistan is sharply continental and arid, characterized by large seasonal and daily air temperature fluctuations along with hot, dry summers. Uzbekistan is considered to be increasingly vulnerable to climate change impacts, mainly due to increasing water scarcity, droughts and a potential increase in the frequency of extreme weather events. Average monthly temperatures in the 5 target regions have gone up approximately by 1°C over the past 30 years and 1.6°C since records began (UzHydromet, 2023). This rate of temperature change is consistent with projections for Central Asia made by the Intergovernmental Panel on Climate Change (IPCC) and more pronounced than global averages. Although overall precipitation has trended slightly upwards over the same period, changing climate conditions in the target regions will tend to exacerbate the frequency (and intensity) of drought along with the impact of extreme temperature events. Ongoing impacts of climate change are expected to contribute to a decrease in the productivity of open-access rangelands and an increase in heat stress on livestock, which has the potential to lead to lower productivity levels. Increasing temperatures will affect water availability and thus the availability of fodder and feed crops, especially in rain-fed areas. High temperatures can also increase spoiling and loss of dairy products without proper storage or refrigeration facilities.
- 15. **Proven adaptation strategies** to address the trends noted above, particularly in terms of managing animal health and productivity, land management, improved cropping strategies, and greater efficiencies in water management, are well known and have been mainstreamed into the design of DVCDP II, in order to mitigate any impacts on dairy production, enhance resilience, and ensure that this key agricultural sector is able to adapt to likely climatic changes over the coming years. Adaptation options for the livestock sector will include measures which boost productivity, allowing for reductions in livestock density to allow for improved rotation management, rehabilitation of grazing lands, and optimization of fodder production to mitigate the effects of drought related shocks and adapt to increasing temperatures.

	□ Gender transformational	□ Nutrition sensitive	oxtimes Youth sensitive	Climate finance
Situation analysis	 National gender policies, strategies and actors Gender roles and exclusion/discrimination 	 National nutrition policies, strategies and actors Key nutrition problems and underlying causes, by group 	 ☑ National youth policies, strategies and actors ☑ Main youth groups 	
Sit an	Key livelihood problems and opportunities, by gender	Nutritionally vulnerable beneficiaries, by group	Challenges and opportunities by youth group	
Theory of change	Gender policy objectives (empowerment, voice, workload) Gender transformative pathways Policy engagement on GEWE [;]	 Nutrition pathways Causal linkage between problems, outcomes and impacts 	 Pathways to youth socioeconomic empowerment Youth employment included in project objectives/activities 	
Logframe indicators	 Outreach disaggregated by sex Women are >40% of outreach beneficiaries IFAD empowerment index (IE2.1) 	 Outreach disaggregated by sex, youth, indigenous peoples (if appropriate) Output level Cis CI 1.1.8 Mandatory Outcome level Cis (at least one of below) CI 1.2.8 CI 1.2.9 	Outreach disaggregated by sex and youth	
Human and financial resources	 Staff with gender TORs Funds for gender activities Funds for IFAD empowerment index in M&E budget 	□ Staff or partner with nutrition TORs ⊠ Funds for nutrition activities	 ☑ Staff with youth TORs ☑ Funds for youth activities 	USD 14,082 million allocated to adaptation USD 0 allocated to mitigation

c. Rationale for IFAD involvement

- 16. The Government of Uzbekistan has identified livestock and dairy as a major drive for economic transformation in rural areas, contributing to a pro-poor economic growth, the integration of women and youth into the labour market, and improved nutrition. The majority of dairy cows in the country (94%) belongs to dekhan farmers, which produce 90% of the milk. They have the potential to meet the growing demand of milk, yet they have challenges in accessing inputs, affordable financing and markets, and they remain disproportionally affected by poverty, food insecurity, and climate change impacts. Linking this category of producers to markets (only 10% of their milk currently enters into the formal value chain), ensuring their access to services and efficient use of natural resources (land and water), is therefore of paramount importance to achieve an inclusive and sustainable development of the dairy value chain and reach food security.
- 17. The first phase of DVCDP managed to drive positive change in the dairy sector through improved access to finance and reinforced linkages between producers, processors and other stakeholders in the value chain. However, the limited budget allocated to building the business ecosystem and reinforcing capacities of producers (Component 1) led to mixed results in terms of improved productivity, and access to finance for dekhan farmers, women and youth[24]. Challenges remain and limit the viability and sustainability of the dairy value chain. These include, at the production level: (i) sub-optimal milk productivity levels of cows due to limited access to quality feed and fodder, water, and adequate production assets and services; (ii) low capacity of producers, (iii) poor market information and infrastructure; (iv) poor access to finance, among others. At the processing and market level: milk processors are still operating only 50% of their capacity, due to a shortage of quality milk on the market and collecting capacities. They source their milk mostly from large suppliers (e.g. private farms, bulk milk collectors, etc.) and are more reluctant to deal with smallholder producers directly due to high risks related to stable supply and quality. In addition, the value chain approach remains relatively new in Uzbekistan, and there is a lack of vision of the stakeholders of being part of the value chain, building a network of milk suppliers and entering into formal agreements to ensure long-term cooperation.
- 18. DVCDP II will address these challenges while focusing on poor HH and dekhan farmers. The project will scale up the results achieved in DVCDP (the importance of developing MCCs for milk collection, the need for building smallholder producers technical capacities and enhance their access to inputs and services, the involvement of the private sector) and build on the lessons learnt to further organize and boost the dairy sector in Uzbekistan and enhance smallholder producers participation.

B. Lessons learned

- 19. Since 2011, IFAD has approved three projects in Uzbekistan for an overall budget of USD 435 millior^[25]. In particular, DVCDP (2015–2023) aimed at improving dairy value chain development through access to affordable financing, technology and innovations as well as capacity building and trainings of small-scale producers in Kashkadarya and Jizzak regions. The recent completion review of DVCDP^[26], and the quantitative impact assessment conducted by RIA^[27] provided important lessons^[28] for the design of DVCDP II. The project also builds on lessons learned from the Country Strategy and Programme Evaluation carried out in 2021 in preparation of the new COSOP 2023–2027^[29], from shared experience with other donor-funded projects in the livestock sector in Uzbekistan (e.g., ADB, AFD and WB funded projects) and from the ongoing Agriculture Diversification and Modernization Project (ADMP). It also integrates best practices from livestock and dairy projects funded by IFAD in other countries.
- 20. Building on these lessons, DVCDP II will bring focus to enhance the following:
- 21. Targeting strategy. One of the main challenges faced by DVCDP and other donor-funded projects in the dairy value chain has been to reach out to the poorest dekhan and household farmers in the value chain. "Unpacking" the category of dekhan farmers in the targeting strategy has been proved to be of utmost importance to define an effective pro-poor targeting strategy[30]. DVCDP II will pro-actively target household farmers (including *tamarkas*), small dekhan farmers, and the most vulnerable groups in the value chain, identifying specific approaches and instruments tailored to the needs of each target segment.
- 22. Capacity building and enabling environment. The absence of an enabling environment was underestimated at DVCDP design. While DVCDP initial design allocated enough resources for technical assistance (TA), trainings and capacity building, the actual budget for these support activities was eventually drastically reduced in the feasibility study and after negotiations with the government. DVCDP project completion report highlights the importance of capacity building and TA as a first step to the inclusion of HH and dekhan farmers in the value chain, prior to the provision of credit, in order to increase the production and productivity of dairy cows available and improve herd management and business capacities. DVCDP II will allocate the required funding to build the business ecosystem, including the provision of hands-on trainings for dairy producers, improving access to land and water, improving the services related to animal health, breeding and artificial insemination (AI), feed and fodder, and increasing milk collection and processing.
- 23. Access to land and water. DVCDP II will mitigate the limitations of land and water availabilities especially for smallholder producers and dekhans by promoting rainwater harvesting techniques, use of drought tolerant fodder varieties, test and upscale new technologies (hydroponic), develop and promote management plans for communal grazing, etc., and through policy review and advocacy.
- 24. Establishing MCCs through government contribution/grant. DVCDP design made the unrealistic assumption that relying on loans only would be an appropriate way to promote the establishment of Milk Collection Centres (MCCs). This has not materialized and finally the four (4) MCCs established during DVCDP were implemented through grant resources.

- 25. Access to finance for women and youth. The closed DVCDP and the ongoing ADMP have faced challenges in achieving their targets related to access to finance for poor dekhan farmers, women and youth. DVCDP II, in collaboration with the Participating Financial Institutions (PFIs) will develop tailored financial products and instruments, combining matching grants and guarantees, more in line with the needs of women, youth, and unregistered HH farmers. Furthermore, the adoption of a youth action plan, will specifically address the issue of meeting the specific financial needs of young people.
- 26. Introduction of improved breeds through locally born generations and AI (as opposed to importing animals). The national livestock strategy points out the limitations of the approach consisting of importing improved dairy breeds, and the negative impact in terms of GHG emissions. It also prioritizes artificial insemination and other appropriate technologies to improve productivity of existing breeds adapted to the Uzbek context[31]. Private farmers who invested through DVCDP loans in improved breeds (imported) are now selling second, third and fourth generations to their neighbour farmers (including dekhan farmers). This spill-over effect will be leveraged in DVCDP II and linkages between private famers selling second or third-generation improved calves, and HH and dekhan farmer beneficiaries, will be facilitated. In parallel, DVCDP II will scale-up the Pilot activity implemented under DVCDP to facilitate increased access to subsidized AI and stimulate the formation of breeding groups and a breeding record system. AI and breeding records allow for strategies to improve the genetic potential on farm and documentation gives higher market value to well-bred animals and slaughter price value to animals to be excluded from breeding.
- 27. Last mile services. Service inputs, such as extension, AI and veterinary care are essential for dairy production and productivity increase. They need to reach the farms of the targeted HHs (SHFs) to have impact, which can currently not be assumed. This is a common challenge for Low and Middle Income Countries (LMICs). The World Organization for Animal Health (WOAH) has been strengthening Veterinary Services in many countries (primarily for disease intelligence) and has also encouraged and studied veterinary care privatization in several countries. From this, the WOAH has developed guidelines for PPPs in the veterinary domain^[32]. DVCDP II derives guidance from these lessons learnt in the guidelines for PPPs in the privatization of 300 (para)vets in Uzbekistan.
- 28. **Monitoring and evaluation and knowledge management.** The project management component of IFAD funded projects did not receive adequate resources for the adoption of an effective results-based management approach. DVCDP II will allocate appropriate funding to the project management component (establishment of two regional teams in Surkhandarya and Kashkadarya, and an overall management team in Tashkent) and will also build the capacities of the M&E and KM staff.
- 29. Financial management. The first project phase of DVCDP lacked a full-time finance manager, and the base salaries for FM positions were not linked to performance appraisals that allowed assessment of staff's performance and identify skills gaps to address them with appropriate training; and capacity building needed for FM staff. There were no effective internal controls with regard to monitoring and reporting of the funds channelled through PFIs, and the project used an older version of C1 accounting software, where financial reports were prepared manually on Excel, which is prone to errors. These shortcomings will be addressed in the DVCDP II Project.
- 30. Aligning IFAD design and the Government's Feasibility Study (FS). During the DVCDP design process a clear disconnect was noted between IFAD project design report (PDR) and (i) the Financing Agreement (FA) that was signed with the Government of Uzbekistan, and (ii) the Government's Feasibility Study (FS). This drastically changed DVCDP financing plan between the design period (May 2015) and the FA signing (March 2017) with negative impact on implementation. In this second phase, adequate measures are being taken to ensure DVCDP II design document is aligned with the FS. The drafted Terms of Reference for the FS are now fully aligned with DVCDP II objectives, components and activities.

2. Project Description

C. Project objectives, geographic area of intervention and target groups

The **project goal** is to "*Reduce poverty level among small scale dairy producers and mitigate the impacts of climate change in the subsector*". The **Project Development Objective** is "*to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain and promote food security*" by enhancing their market participation and increasing productivity. It will be achieved through two main outcomes: **Outcome 1**: Sustainable climate-smart dairy production through improved fodder and feed production, animal husbandry, water access and land use; **Outcome 2**: Increased competitiveness of the dairy value chain through enhanced business linkages, service provision, and financial innovations.

- 31. Geographical targeting. In line with the Country Strategic Opportunities Programme (COSOP) for 2023-2027, the geographical targeting of DVCDP II aims at scaling up the investment in the areas previously supported under DVCDP (Jizzakh and Kashkadarya regions), while developing new activities in three additional regions (Sirdarya, Samarkand and Surkhandarya). Further targeting will identify priority districts and intervention areas within the 5 target regions, based on the following criteria: (i) prevalence of rural poverty; (ii) existing dairy production in the area; (iii) untapped potential of smallholder dairy production; (iv) existence of off-takers, or potential for local market; (v) complementarity with interventions of other development partners; and (vi) vulnerability to climate change.
- 32. **Number of beneficiaries.** It is anticipated that the project will reach approximately 31,000 households living in the five selected regions, and include 40% women, and 30% youth beneficiaries.
- 33. Target groups. The project's priority target groups will comprise the following:
 - Vulnerable household farmers (including 'tamarkas'[33]) (approximatively 65% of the total beneficiaries), owning small

stock (up to 5 cows) and with poor access to land and credit. They are mostly unregistered farmers, with access to small size plots (between 0.3 to 1 hectare) - household gardens – where they farm for home consumption and local markets. Income level for this group is usually at or not significantly above the national poverty line. Milk productivity is generally low due to poor animal health, limited access to water and fodder and low quality of feeding. The milk and dairy products are sold mostly in local markets or to neighbours. Among this group, women constitute the vast majority of milk and dairy producers. The income from these sales is managed by them and is mostly used for household expenditures.

- Better off household farmers (unregistered) and dekhan farmers (registered)[34] (approximately 25% of the total beneficiaries), owning larger stock (up to 20 cows) and with access to land. Farmers in this group generally manage larger farms, where they produce high value-crops for the market. They often act as middlemen in their community and play an important role in the dairy value chain as service providers (feed and fodder, bulls for reproduction, etc.) for smallholder producers. Targeting of this varied better off group will be on farm size and wealth criteria and their (potential) benefitting role for the community, including for the targeted tamarkas farmers' interests.
- Near landless and unemployed women and youth, including people with disabilities and returning migrants, who live below the poverty line and are willing to engage in the dairy sector (approximately 10% of the total beneficiaries). Most of the people in this this target group are registered in the 'Mahalla notebooks'[35]. The lack of available data concerning the assets and livelihood characteristics of this group made it difficult to carry out an in-depth socio-economic assessment during the project design. However, data from qualitative analysis and key informant interviews reveal that the majority of them are mainly involved in raising small ruminants and poultry, and a minority already owns cattle. More rigorous data will be generated through the baseline study. Despite this knowledge gap, several opportunities have been identified to promote the inclusion of this vulnerable target group in the dairy value chain, including facilitating access to trainings and land, identifying employment opportunities in the dairy value chain (e.g. as drivers, milk collectors, small processors, fodder producers, etc.), and building linkages with pro-poor business models in the project areas. The employment generation pathways that will be promoted by the project will particularly benefit poor unemployed rural youth and returning migrants which will be identified in collaboration with the Mahalla. With regard to poor returning migrants, collaboration with ILO and the World Bank will also be promoted to fill information gap on this target group.
- 34. **Other direct beneficiaries include:** middle-scale and private commercial farms, private input suppliers/service providers for e.g. breeding/veterinary and fodder, milk collectors, MCCs and processors. These are key, catalytic actors in the dairy value chain and their participation will be strictly monitored to ensure that their business plan will be sustainable, inclusive and propoor. Clear pro-poor and social inclusion criteria will be formulated for selecting private business proposals.
- 35. **Indirect beneficiaries**: Livestock and dairy producers who will not be directly involved in project activities will also benefit from strengthened milk collection, breeding, veterinary and fodder services, while milk/dairy consumers will benefit from increased access to quality dairy products. Other indirect beneficiaries will include large and medium scale private sector actors such as feeders, processors who will engage in more profitable businesses with beneficiaries.
- 36. **Targeting strategy.** The process to identify, mobilise and select eligible participants, will be driven by a team of social mobilisers, and will be carried out in partnership with local communities and the Mahalla. Eligibility criteria for selecting project's participants have been formulated[36] and will be further validated by communities and the Mahalla. Inclusiveness strategy is detailed in the PIM to minimize the high risk of elite capture. Linkages with the government targeting system have also been established, through the partnership with the Mahalla. The Project will also work closely with district deputy *khokims* (local mayors) and the Women's Committee (WCU). Participatory Rural Appraisal (PRA) will be the entry point to pre-identify, mobilize and organize the project's target beneficiaries. The scope of the PRA exercise will be to assess the specific needs and socio-economic characteristics of different target groups, with emphasis on more vulnerable intersectional groups, and identify existing opportunities to include them all along the different stages and functions of the dairy value chain. The Livestock Farmer Field Schools (L-FFS) (Component 1) will be the main activity to organize beneficiary groups so that they can access project's support and compete for grant resources and additional technical training. All social mobilization activities, awareness raising and information campaigns will be informed by social inclusion considerations. Attention to the youth, women, persons with disabilities and the poorest farmers, will be integrated in all manuals, information materials and participatory activities with rural communities. The team of social mobilisers, along with PMU staff and implementing partners will be trained on social inclusion and targeting issues, and equipped with the right approaches and methodologies to engage with more vulnerable groups.

D. Components/outcomes and activities

37. The project outcomes will be achieved through the implementation of three inter-related components:

Component 1. Improving and increasing sustainable climate smart dairy production and access to required services

- 38. Expected outcomes. The expected outcomes of Component 1 are as follows: i) improved and increased sustainable climate smart dairy production by smallholder farmers, through social mobilization, access to water and feed, and adoption of improved dairy production practices, technologies and inputs; ii) access to services for smallholder farmers needs.
- 39. These outcomes will be reached through the following activities:
- 40. Activity 1.1 Mobilizing farmers and households and building capacities. The project will be highly inclusive, with dedicated activities aimed at fostering social mobilization and participation, building social infrastructure as a prerequisite to the project implementation. For instance, the majority of training activities will be delivered through the implementation of farmer-to-farmer and learning by doing methodologies, most notably Livestock Farmer Field Schools (L-FFS)^[37]. Trainings of Trainers (ToTs) will be delivered in target districts across the five regions to disseminate these methodologies.

- 41. A community-based peer learning structure will be created, through the formation of local trainers and champions. Social mobilization activities will enhance outreach to more vulnerable farmers and households, also through the participation of key local actors such as the Mahalla, the local deputy *khokims* and the Women's Committee (WCU). The identification of project's participants as well as the mapping and planning process at the beginning of the interventions will be carried out through *Participatory Rural Appraisal (PRA)* activities with local communities, in order to ensure that they have a voice in project-related decision-making at start and throughout project implementation. PRA tools will include: participatory value-chain mapping; community maps, wealth-ranking; daily clock etc. Participatory wealth-ranking will also be carried out to identify the different target groups and finetune their selection criteria. A cadre of 60 to 70 "social mobilisers" (one or two per selected district) will be hired by the project for that purpose, with the support of the PMU Targeting, Youth and Gender specialist and regional field facilitators.
- 42. Partnership with the Women's Committee will be leveraged to enhance outreach to rural women and promote their active participation in project's activities, through training and sensitization.. Specific activities to build the production capacity of women milk producers will include: training on animal health, feeding preparation, milk processing, business management and financial literacy. The latter will contribute to strengthen women's capacity to plan for their resources and livelihoods and maximize investments in dairy production. L-FFSs will integrate a specific module on gender, to promote dialogue and raise awareness on existing gender imbalances in workload distribution and decision-making and promote mindset and behavioural changes towards greater gender equality. Women's groups will also be formed as part of the implementation of L-FFSs thus contributing to foster women's collective action.
- 43. Activity 1.2 Improving access to water, fodder production and grazing land. Access to water and land for fodder production is critical for livestock and dairy production. The Project will provide technical trainings and capacity buildings to 28,000 dekhan and private farms on best practices for improved water management and irrigation. Around 472 households will benefit from water harvesting investments, for HH and livestock, as well as irrigating home gardens.
- 44. Medium-scale dekhan farmers (average of 50 ha land and 50 head of cattle) and large private farms will be able to access loans (Window 2 line of credit see *Component 2.2*) to purchase water harvesting tanks, efficient irrigation equipment, solar panels for water pumping to improve water use efficiency, etc. It will be imperative for the beneficiaries of these concessional loans to demonstrate business linkages with smallholder dairy producers. In addition, priority will be extended to those farmers selling feed/fodder to smallholder milk producers.
- 45. The Project will also rehabilitate 20 existing communal water points that are used by households and livestock. The selection of water points to be rehabilitated will be based on the number of households served, the number of existing livestock (cattle), the degree of degradation of the facility, etc.
- 46. To improve fodder production, up to 28,000 dekhan farmers will receive trainings and capacity building under the L-FFS to improve fodder and feed production and management, along with extension practices on climate smart fodder and feed production. These farmers will then have access to drought resistant seeds and fodder varieties. In this context, the Project will initiate collaboration with the agricultural research institutes/universities and extension services in Uzbekistan for the development, testing/piloting and then upscaling these drought resistant varieties.
- 47. The Project will also pilot (30 pilots) and then eventually upscale the development and use of hydroponic for fodder production (wheat, barley, etc.). In this case also, a collaboration will be established with universities/research centres as well as with dairy farmers who are currently using those techniques. In this regard, field visits and trainings will be organized.
- 48. The project will also support the formalization and registration of groups formed by six to seven youth who will access land (around 6 ha together) through the national land auction programme, and will grow fodder to be sold to smallholder milk producers. Around 25 youth fodder groups will be established and will benefit, through a grant mechanism, from improved seed varieties and access to water. In addition, these groups will also receive small-scale tools and equipment to provide agricultural services to the farmers, along with required trainings.
- 49. Household producers, small-scale dekhan farmers, youth and women groups will also receive (grants) small equipment for fodder production and conservation (hydroponic fodder, hay baler, fodder conservation and storage equipment, etc.). Combined with best practice in soil and land management, such as improved management of animal wastes, crop rotation and cover cropping, minimum tillage, and the use of nitrogen fixing species, these practices will enhance resilience among farmers to maintain and improve production while at the same time improving their ability to withstand climate shocks.
- 50. In addition to feed and fodder promotion, the Project will assist the Ministry of Agriculture in tackling issues related to grazing land degradation. In this sense, on a pilot scale, the Project, in collaboration with the local communities and the MoA, will support the regeneration of degraded rangeland.
- 51. Activity 1.3: Improving dairy production and farm management. For improving dairy production, productivity and generating additional farmer income, acquiring technical as well as business knowledge and best practices skills, is essential. Practical on-farm training (on smallholder farms) is needed for impact and adoption and application of the technologies and methods. The

project will provide training to the targeted farmers, following a Livestock Farmer Field School (L-FFS) model^[38], whereby group formation will enhance peer learning. Around 28.000 farmers will benefit from these trainings directly. For the L-FFS training, a specific LFFS curriculum that is tailored for Uzbek smallholder climate smart dairy production will be developed with national and international experts. The curriculum will among other encompass water, fodder and feed management, including fodder harvesting and conservation, reproductive management, animal welfare and health management, climate adaptation and resilience, hygienic milking, record and business keeping, and household nutrition. Five L-FFS master trainers will acquire the curriculum and then train 15 groups of 10 facilitator trainers to a total of 150 actively training farmers in groups of 20 to 25 on-farm, to a total of 28,000 farmers to be trained. Field trips to farms where specific techniques, such as hydroponic, special

breeding, dairy processing, etc. are utilized, can be organized as part of the L-FFS training or organized for separate groups under other activities (e.g. Act 1.2, 1.4 or 2.1). A close cooperation with other existing donor programmes (e.g., World Bank, AFD) will be systematically pursued throughout the project implementation to foster synergies and avoid overlaps in the project activities and proposed trainings curricula.

- 52. Apart from knowledge and skills transfer, group formation and practical implementation are a core part of the L-FSS model's success and therefore local trainers will be recruited on technical as well as trainer competencies. Since women farmer groups will be formed, it is expected that sufficient women trainers will be recruited to enable matching options for trainers and groups. After two years, the training will be finalized, but the group will be free to continue working together, inviting (AKIS) extension workers, collecting milk together, commonly hiring animal health care services or buying inputs, starting breeding, producing fodder, etc. The group could agree on its own leaders for establishing interest groups. This group formation will be guided by the facilitators.
- 53. For further scaling up to reach out to more smallholder farmers in Uzbekistan, if funds allow or the GoU contributes in-kind, the L-FFS can cascade into second and third generation training, whereby selected (lead) farmers can be trained to become new trainers (facilitator trainers) for new groups of farmers. At midterm review of the project, an assessment of the suitability of recruiting lead farmers will be undertaken. Alternatively, the facilitator trainers can start new groups.
- 54. **Catalytic grants** will be provided to project target beneficiaries to enable these farmers trained or in training to implement improvements (e.g. improved cowsheds, fodder and feeding, milk hygiene, AI, etc.) and for stimulating climate smart practices (e.g. manure management, renewable energy, agroforestry, water harvesting, etc.). The detailed list of eligible grants and equipment will be agreed with the government in the inception phase. A need assessment will be conducted by the trainers and the beneficiaries during the L-FFS trainings to identify the equipment gap. A contribution of 5% to 20% of the equipment cost will be requested from the beneficiaries, depending on their level of income and target group category. Priority in the grant allocation will be given to poor HH farmers, women, and youth applicants willing to develop a viable dairy business.

Activity 1.4: Improving access to extension, health services

- 55. Extension will complement the farmer field school training that project smallholder farmers receive. The public extension service, via the CVLD, is currently not able to reach the majority of smallholder farmers, including the project's target groups. The recently established National Centre for Knowledge and Innovation in Agriculture (AKIS) combines research, education and extension services. Its new extension service will start in 2024, which is planned to be free of charge for three years and could benefit to DVCDP II beneficiaries. After this period, DVCDP II will pilot a voucher system to provide continued access to extension, that could be implemented via AKIS, for a subset of the targeted smallholder farmers for an additional three years. In parallel a number of MCCs established under the project (see Component 2.1) will work with private extension workers (paid by e.g., processor or farmers group). The project will also invest in an extension package for dissemination via media outlets. Most households in Uzbekistan, including the poorer ones, have access to mass media and social media. This can be an effective communication modus for educational and dissemination purposes, including other farmers' experiences, to reach smallholders in and beyond the project to overcome the knowledge gap they have in comparison to large scale private farmers. Milk collectors, who are in direct contact with the producers, will also be used as a channel of information communication and to provide certain advice. These collectors will receive trainings related to milk handling and hygiene, milk quality, etc. (see Component 2.1).
- 56. Animal health. Animal health management is pivotal for productivity increase and also for reducing greenhouse gas (GHG) emission intensities, reducing zoonotic and transboundary disease risks, and securing food safety and animal welfare. The Government of Uzbekistan is investing in the public veterinary services via the World Bank project "Development of the livestock sector in Uzbekistan - Phase 2". This project will cover the necessary strengthening of the public animal health services, including laboratory capacity. DVCDP II will complementarily invest in last mile private veterinary service delivery to ensure that smallholder farmers in the targeted areas have access to therapeutic and preventive animal health services. A close cooperation with other existing donor programmes (e.g., World Bank, AFD) will be systematically pursued throughout the project implementation to foster synergies and avoid overlaps in the project activities and proposed trainings curricula. For areas with less endowed smallholders and/or where smallholder farmers are dispersed, para-veterinarians will work in collaboration with veterinarians, making the simple or routine services more affordable. This will require a policy review and geographical mapping study on economic feasibility. In follow up to this review and study, a four-year programme will be developed and executed to enable some 300 veterinarians and para-veterinarians to offer private animal health services to especially smallholder farmers to complement and also contribute to the public system. A tailored training, including technical as well as business knowledge and skills, will be developed and provided to the candidates of the programme. In addition, matching grants will be offered to the trainees that successfully complete the training to embark on the four-year phased trajectory, whereby they are contracted to offer a package of bundled services to smallholder farmers. Each following year, the amount for the service package will diminish and income from additional services should increase. This process will be closely monitored. Loans for professional equipment can be provided (see under Component 2.2).
- 57. Breeds that are improved regarding productivity traits can provide more milk than Uzbek local breeds. If improved dairy cows are kept under conditions that are not suitable for them, they will not produce to their potential and moreover due to higher feed and health requirements may raise production costs to an extent that the improved dairy cows are less production efficient and generate less profit than local breeds. Especially for the poorer households this can pose a livelihood risk. Additionally, in locally bred cattle resilience traits have been selected and preserved, making these breeds better equipped to adapt to local conditions. Resilience traits and capacity to adapt have become increasingly important with climate change. Breeding for dairy stock requires selection of both productivity and resilience traits.
- 58. Uzbekistan has released a national policy for the development of the livestock sector[39], which includes an objective to import foreign breeds to upgrade the national dairy herd, via the provision of credit to private and registered dekhan farmers. Artificial

insemination (AI) has been established but is not always familiar or accessible for most smallholders and is not widely adopted among these farmers yet. The project will promote artificial insemination (AI). Farmers participating in the L-FFS training will receive AI vouchers representing up to 20 The existing AI infrastructure will be strengthened, and AI will become part of the bundled services of the 300 private (para)vets in the project's animal health services programme and 100 additional inseminators will be trained. The project will also promote endogenous breeding, whereby local farmer breeding groups will be developed and supported to strategically improve productivity traits in their herds, while preserving resilience traits, through participatory local breeding programmes. These groups will produce Uzbek dairy breeding bulls. Animal identification and recordkeeping of hereditary lines is essential. Through the WB project, the GoU is investing in a national electronic animal identification system, which will greatly help the breeding groups and the exchange of information and bull semen between breeding groups. Successful breeding groups can receive training and to start up small semen collection centres, and receive matching grants for equipment and liquid nitrogen. This will be preceded by a feasibility study (see under 1.5).

- 59. Activity 1.5: Applied research, pilots and dissemination. Investments in short and applied research studies have the aim to assist in piloting innovations for scaling up in DVCDP II project, generate knowledge for project beneficiaries, inform policy and/or build institutional capacity with regards to further climate smart dairy development and smallholder farmer empowerment and dairy management practices. The following research, pilots and dissemination will be carried out under DVCDP II:
 - Bovine Brucellosis, a zoonotic disease of great importance in dairy production and food safety, causes abortions in cows, which can lead to great loss for dairy farmers. Not only the calf, also the subsequent lactation is lost. Information and publications on the prevalence of this disease is contradicting from very low to very high in cattle and high in humans. A prevalence study will be executed in the five project regions in order to inform on whether current ring vaccination and test and slaughter strategy is still appropriate and to guide on a long-term strategy for disease freedom in the dairy sector.
 - Technical and organizational support for local breeding groups. The project will facilitate the establishment of local breeding groups. Uzbek institutes, such as the Livestock, Poultry, and Fishery State Research Institute (LPFSRI)and the Agriculture University in Samarkand, have knowledge on genetics and breeding and economics and organisation. A geneticist will be consulted to map the needs for conserving resilience and upgrading productivity traits for the targeted smallholder farmers and the local groups will be supported in setting up a recording system and endogenous climate smart breeding programmes. The development of the breeding interest groups, and its knowledge management may need monitoring and guidance. The project will provide some organizational/business development training for successful groups. However, an economic feasibility study (MSc study) will be conducted before further investments.
 - The project will competitively grant MSc research proposals. Research and policy in Uzbekistan are not yet prone to support dairy development for the majority of farmers, namely smallholders, resource poor farmers, women farmers, etc., who are essential for dairy development in the country. DVCDP II will consider MSc research proposals from Uzbek research institutes and universities that are addressing research needs for these farmers or policies for these farmers. The disciplines can vary from rural sociology, rural development, agricultural economics, extension, animal feed and housing, farmer organization, dairy technology, land use, and other. Topics should be relevant to the objectives of DVCDP II. Connection to the project and international collaboration are and advantage. Approximately 4 studies will be selected.

Component 2. Increasing participation of small-scale farmers in the dairy VC

60. **Expected outcomes.** The expected outcomes of Component 2 are i) increased participation of smallholder farmers in the dairy value chain with increased incomes, and ii) enhanced competitiveness of the value chain. These outcomes will be reached through the following activities:

Sub-component 2.1. – Establishing Milk Collection Centres (MCCs)

- 61. Activity 2.1 Construction and equipment of new Milk Collection Centres. During DVCDP, four MCCs were established by the end of the project. The project will establish/construct additional 100 Depending on the management model (see paragraph below) of these MCCs, the project will either finance both the construction and the equipment of the MCC, or only finance its equipment. The Project will provide technical support and trainings on milk handling and testing as well as on business management to these MCCs.
- 62. Three MCCs management models will be adopted during the implementation of this second phase. (i) MCCs managed by a dairy processor, where the processor will be in charge of providing the land and finance the construction of the building and the Project will fund the equipment of the centre. If needed, the dairy processor will have access to the credit facility under Component 2.2 (Window n°4) to get a loan and finance this investment, including the purchasing of transport means. The capacities of these MCCs will be relatively large (around 4,000 litres cooling tank capacities); (ii) MCCs managed by a private company/individual trader, in this case, the Project will finance the construction and the equipment of the MCC. The trader/company will provide the land. The cooling capacities of the MCCs will vary depending on the location of the MCC (high milk production locality or not); (iii)MCCs managed by farmers associations/cooperatives, the project will pilot the establishment of five MCCs managed by farmers associations/cooperatives, the project will pilot the private producer partnerships (4Ps). The project will provide the stakeholders involved in these 4Ps with technical support. This pro-poor model will be tested by the third year of the Project once better collaboration and cooperation have been established between the milk producers.
- 63. All constructed MCCs will be equipped with milk testing kits and small-scale laboratories. Some new MCCs will also be equipped with solar panels to reduce the use of fossil energy sources. Beneficiaries of the MCCs will be required to contribute 50% to the cost of the solar panels. The staff of these new MCCs will receive training and capacity building in the areas of milk quality and hygiene, milk testing, records keeping, business management, and contract negotiation.
- 64. Activity 2.2 Organization and equipment of milk collectors/traders. DVCDP II will provide through catalytic grants, around 600 refrigerated tricycles for young milk collectors who will also receive milk containers and a portable milk testing kit each. The

selection of the beneficiaries will be based on various criteria including the age (youth), the income level of the household (priority to the very poor ones), the study level, etc. Contracts, including the details on quantities and prices, will be signed between these transporters and the MCCs for daily milk delivery. The transporters will also benefit from trainings on milk testing and milk handling and hygiene. They will also contribute to information dissemination on good practices and product quality to the producers. Larger milk collectors (e.g., MCCs, dairy processing units) will also have facilitated access to refrigerated milk transport trucks and pick-up cars through loans provided by the project under the credit financing Window n°4 (see below Activity 2.2.1).

- 65. Activity 2.3 Equipment of producer groups with milk refrigerators. At the production level, around 1,000 groups of producers (the ones who were formed through the L-FFS) will also benefit through the catalytic grants from small-scale milk cooling equipment functioning with solar panels, milk containers and a simple lacto-densimeter for milk testing. In this case also, agreements will be established between the milk producers benefitting from this equipment and the milk collectors or MCCs.
- 66. Activity 2.4 Providing women involved in artisanal dairy processing with small-scale processing and packaging equipment. Around 1,700 Women who are currently involved in artisanal milk processing and transformation to dairy products such as kefir, cheese, cream, etc. will also benefit from catalytic grants to purchase small-scale equipment for dairy processing and packaging to improve the quality and the preservation of their products, and facilitate its marketing. These women will also benefit from related training and capacities building sessions.

Sub-component 2.2. – Facilitating access to credit for stakeholders in the dairy VC

- 67. Activity 2.5 Extending lines of credit to banks and developing tailored financial products for the dairy sector. To achieve the expected outcomes in rural financing, the Project will support the establishment of five (5) targeted financing windows through subsidiary agreements/ sub-lending to selected Participating Financial Institutions (PFIs):
- 68. Window 1 Women, Youth, and unregistered HH farmers. This funding window will be dedicated to youth and women, and to unregistered HH farmers (including '*tamarka*') involved in the dairy value chain or willing to develop a viable business in the dairy sector. These beneficiaries have proven to be difficult to reach with credit lines, due to lack of collateral, limited track record, and lack of appropriate support and linkages with financial institutions. To mitigate the risk for the PFIs and increase their incentives to lend to this target group, the window will combine facilitated access to concessional loans with a dedicated guarantee mechanism providing additional guarantee coverage (up to 75% of the loan amount see Activity 2.6). In addition, before accessing the loans, applicants will have to demonstrate successful participation in DVCDP II trainings and capacity building support under Component 1, including training on financial literacy, loan application and business plan development, and technical trainings according to their needs and purpose of the loan. The loan size under this window will be up to 40,000 USD, or the equivalent in UZS, with an average loan size target at 8,000 USD, for the purchase of production or processing equipment, or working capital related to the dairy activity (production, collection or processing). The loans can also be combined with matching grants received under Component 1 to finance the contribution expected from the beneficiaries on larger equipment grants (see Activity 1.3). This window will be established as a pilot and an initial target of 125 beneficiaries. An assessment of the mechanism will be carried out at Mid-Term Review, in coordination with partner PFIs and beneficiaries, and the size and conditions of access to the loans will be adjusted accordingly.
- 69. The four other financing windows of DVCDP II will aim at scaling-up credit lines piloted under DVCDP, incorporating lessons learned related to the loan size and terms as follows:
 - Window 2 Dekhan farmers. This financing window will provide concessional loan proceeds borrowing to registered dekhan farmers, with up to 20 cows, for the purchase of small-size on-farm equipment (e.g., portable milking apparatus, grain mills, choppers, hay balers, small processing equipment, small cooling systems, etc.), machinery (e.g., tractors) and working capital (e.g., for the purchase of fodder). The loan size under this window will be up to USD 40,000, or the equivalent in UZS, with an average loan size target at USD 15,000. It is expected that approximatively 450 dekhans farmers could benefit from facilitated access to loans under Window 2;
 - Window 3 Private commercial farmers working with vulnerable household farmers and small-scale dekhan farmers. This window will provide loans to larger commercial farmers (e.g., up to 50 cows), under the condition that they demonstrate clear linkages with smallholder dairy producers (i.e., vulnerable household farmers, small-scale dekhan farmers, poor, near landless or unemployed women and youth, etc.). The private farms eligible for funding could either sell fodder or improved breeds to smallholder producers, purchase milk from them, or provide other related services (e.g., organization of trainings, demonstration farms, etc.). They could also employ vulnerable, unemployed/underemployed women and youth registered in the Mahalla notebooks (e.g., as drivers, etc.). Considering the issues related to access to land and fodder production, priority will be provided to the farmers who are selling feed/fodder to smallholder milk producers. This financing window will provide loans for the purchase of investment capital (e.g., on-farm equipment, such as harvesters, feed choppers and mixers, manure separation, biogas lines, solar panels and alternative energy sources, drip irrigation, cow sheds renovation, milking equipment, cooling tanks, specialized equipment of milk transportation, etc.) and working capital (e.g., for the purchase of additional fodder). The loans could also be used in some cases for the purchase of imported cattle, only for private farms engaged in breeding and reselling improved breeding calves to smallholder farmers. The loan size will be up to USD 100,000, or the equivalent in UZS, with an average loan size target at USD 70,000. It is estimated that 140 private farms could benefit from this financing window;
 - Window 4 Agri-processors and MCCs working with vulnerable household farmers and small-scale dekhan farmers. This window will provide loans to dairy processors who demonstrate linkages with smallholder dairy farmers and vulnerable households in the project target groups (e.g., as milk suppliers, collectors, sourcing or buying from MCCs that source milk form smallholder farmers, etc.). The window will provide loans for the financing of investment capital (e.g., modernization of processing equipment, new filling and packaging lines, cold chain, new products, etc.) and working capital (e.g., purchase of ferment, flavouring materials, etc.). Under this window, MCCs and dairy processing units will also have facilitated access to concessional loans for the purchase of refrigerated milk transport trucks and pick-up cars. The loan size will be up to USD

250,000, or the equivalent in UZS, with an average loan size target at USD 100,000. It is estimated that 20 agri-processors and 20-30 MCCs could benefit from this financing window;

- Window 5 Service providers and input suppliers. This window will provide loans for financing the purchase of veterinarian equipment and professional gear; medications; equipment for artificial insemination systems for feeds product, etc. The loan will be up to USD 10,000 for private veterinarians and up to USD 100,000 for commercial feed producers and provision of other production means, or the equivalent in UZS, with an average loan size target at USD 6,000 and USD 60,000 respectively. An estimated 80 private veterinarians and 20 feed producers could benefit from this financing window.
- 70. Specific eligibility criteria will be introduced for the provision of loans to private commercial farmers, processors and service providers (Windows 3, 4 and 5), to ensure pro-poor benefits of the investments financed. These criteria will be specified in the loan application forms submitted to PFIs, and closely monitored by the PMU during implementation.
- 71. Terms of the loans. The exact terms of the loans will be further discussed and agreed upon with the PFIs during the update and fine-tuning of the Project Implementation Manual (PIM), based on the results of a demand analysis study carried out during the project start-up phase. Credit lines will be provided to farmers and agricultural businesses both in local (UZS) and foreign currency (USD). PFIs will be able to establish sustainable interest rates on these loans as well as establish other conditions, yet PFIs' proposals will be evaluated to ensure the selection of best lending conditions to farmers and agricultural businesses. A minimum contribution of 20% will be expected from partner institutions[40] in the form of co-financing, i.e., the partner institutions will be requested to allocate on their own funds at least 20% of the total amount of the credit allocated by the project on each financing window, in addition to the funds received from the project, for the provision of sub-loans to client beneficiaries in the project target groups.
- 72. Selection of PFIs. PFIs will be selected through a tender process open to commercial banks and private banks, upon IFAD's non-objection. The due diligence process will be led by the PMU (Rural finance specialists) Eligibility criteria for the selection of PFIs will be similar to DVCDP and detailed in the Project Implementation Manual (PIM) and in the Financing Agreement. Maximum 50% will be allocated to a single PFI in order to avoid concentration risk. The amount allocated to PFIs will be based on their absorption capacity, and clear programming that realistically reflects the amount they will be able to utilize in the programme area. At this stage, four financial institutions have already confirmed an interest to participate in the project: Xalgbank, Mikrocredit Bank, Qishlog Qurilish Bank (QQB) and Hamkor Bank.
- 73. **Monitoring of the loans.** The loans disbursed under the four financing windows will be monitored monthly by the Project Management Unit (PMU), to ensure that all eligibility criteria are met, and the loans are used in alignment with the initial purpose agreed in the loan application with the client, and not diverted to other purposes.
- 74. Activity 2.6 Guarantee mechanism. A partial credit guarantee scheme for youth, women, and unregistered HH borrowers who have limited access to collaterals will also be considered in the framework of DVCDP II, hosted and administered by the Entrepreneurship Development Company ECD (e. recently evolved from the former State Fund for Support of Entrepreneurship Development -SFSED), a state-owned fund established in 2017 under the Ministry of Economy and Finance for the provision of guarantees and interest rate compensations to small businesses through commercial banks. The EDC already has experience working with IFI funded projects such as World Bank (WB) and Agence Française de Développement (AFD) as well as ongoing IFAD funded ADMP project. Preliminary discussions were held with former SFSED during the mission, to identify adequate parameters for the design of such guarantee mechanism. At this stage, it is envisaged that this guarantee window could cover up to 75% of the principal amount of the loans disbursed to dekhan farmers eligible to Window 1. A cap of 20% on accumulated losses per PFI would be imposed, with loan appraisal and due diligence remaining under the responsibility of the issuing PFI. PFI would thus bear 25% of each loan's risk and 80% of the portfolios' risk, thus limiting problems of moral hazard. In parallel to the provision of guarantees, awareness raising activities will be implemented, in liaison with Component 1, to raise dekhan farmers' awareness on credit opportunities and availability of guarantees mechanism to overcome collateral limitations.
- 75. Activity 2.7 Capacity building of PFIs. The project will also support capacity building of the PFIs for the design of loan products tailored to the needs of the project target groups and for improved targeting to women and youth. This activity will be implemented in synergy with other IFIs projects already providing technical assistance and training to PFIs, in particular the French Agency for Development (AFD), the Asian Development Bank (ADB), the World Bank, and other potential partners such as the German *Sparkassestiftung* which is implementing a pilot youth credit programme including dedicated capacity building to PFIs.

Component 3 – Policy support and Project management

Sub-component 3.1 – Policy support

DVCDP II policy support will be mainly focusing on the following activities.

- Establishment of a national dairy platform/forum that includes the main value chain actors involved (producers, collectors/traders, MCCs, processors) and government decision makers. The establishment of the platform will follow a bottom-up approach by first establishing milk producer associations at the local level using the L-FFS groups as starting point, then at the regional and national levels. The construction of new MCCs and the development/upgrading of the existing ones will create a kind of hub attracting milk collectors, transporters and traders, and will allow identifying and organizing these actors into local, regional and national associations. At the processing level, regional and national associations will be created. Through monthly or quarterly organized meetings by the Project, dialogue will be established between the different actors with the aim of identifying the main issues they face and providing concrete solutions and action plans to resolve them. The platform will also play an important role in involving and taking into consideration the dairy VC actor propositions and in related policy and strategies developed by the government.
- Influencing government policy on land reform with the aim to improve smallholders and youth access to agricultural land, through inviting and being invited to participate in working groups and seminars, including other donors and representatives of

the GoU. The project will also develop a study assessing the current status/results of the land reform and its potential future impacts, especially with regards access to land for smallholder farmers, youth and women.

Sub-component 3.2 – Project management

76. See Section Organizational Framework / &. Project management and coordination. E. Theory of Change

- 77. Small-scale farmers, including youth and women, in the livestock and dairy value chain face a number of challenges which hinder their capacity to generate higher income and sustainably develop their activity. These include a limited access to land, including grazing land, as well as water, a lack of access to essential inputs such as feed, or services such as artificial insemination, private veterinary services, fodder mechanization, climate smart technologies and practices, technical assistance and credit. Small scale farmers also have limited know-how in dairy managing, milk processing, low awareness of sustainable practices and technologies, and have poor business management and financial skills. The lack of formal business linkages between farmers and private service providers, input suppliers, aggregators and financial institutions, does not allow them to access markets and services, and limited access to finance for value chain stakeholders, including women and youth, associated with limited access to assets (including land), and employment opportunities prevent them from accessing working capital and investing on their farm.
- 78. In addition, the lack of dialog between the value chain actors does not allow them to voice the main issues they face in the value chain to inform the related policy and strategies developed by the government.
- 79. The **development problem** is that small-scale farmers in Uzbekistan, despite their significant contribution to the country's labour force and economy, operate well below their business potential and are disproportionally affected by poverty, food insecurity, and climate change impacts.
- 80. To address this problem, the project will focus on the livestock and dairy value chain, which has a great potential for productivity increase and competitiveness improvement, income generation for small-scale farmers, contribution of smallholder producers to national food security, and the adoption of (climate))adaptive practices and technologies in land and water management, livestock management as well as energy use, that will eventually also lead to GHG emissions reduction along with building households resilience to climate related shocks.
- 81. If small-scale farmers in the livestock and dairy value chain have improved access to land and water thanks to an enabling policy framework facilitating access to land and water for smallholders, in particular youth, and if they are provided with intensification technical package with a combination of support on genetics, animal health, herd management and feeding, climate smart technologies and practices then they will adopt more productive, sustainable and climate resilient practices resulting in an increase of the productivity and milk quality. In addition, improved animal health including from better and drought resistant feed/fodder crops, improved breeding practices including resistant breeds, preservation of soil fertility, use of improved pasture management systems, water-use efficiency as well as deployment of renewable energy systems, particularly utilization of solar energy in the value chain and in water pumping, will directly lead to GHG emissions and GHG emission intensities reductions. And if all stakeholders in the value chain, including the most vulnerable (registered in Mahalla notebooks), including vulnerable women (including women headed households) and unemployed youth including persons with disabilities and returning migrants, receive adequate trainings to improve their technical and business management skills and technologies, then they will develop a modern entrepreneurial mindset to run their business and will be able to access government support schemes ("every family is an entrepreneur") and credit opportunities.
- 82. In addition, if formal linkages between producers and aggregators, processors, private service providers and input suppliers are established, and if adequate financing instruments are available for all stakeholders in the value chain, including vulnerable household farmers (including vulnerable women and unemployed youth), then small-scale farmers will have increased market opportunities and better access to inputs and services, and sustainable investment will increase across the dairy value chain, then this will result in the generation of a higher added value and sales, additional job opportunities for unemployed women and youth and increased incomes, including incomes deriving from livestock and dairy production, leading to improved economic access to food for smallholder households, and increasing the contribution of smallholder producers to national food security. Additionally, if all stakeholders in the value chain, including the most vulnerable, receive dedicated nutrition education and training in nutrition-sensitive agriculture, and if nutrition is integrated in agriculture extension approaches like L-FFS then this will lead to improved nutrition outcomes, and enhanced food security among smallholder households facing no issues with physical availability of food.
- 83. And if dialogue is established between the different actors with the aim of identifying the main issues they face and providing concrete solutions and action plans to resolve them then VC actors' propositions will be reflected in related policy and strategies developed by the government. And if, policy dialogue on land reform is established with the aim of improving smallholders, including women and youth access to agricultural land combined with related research activities, then this will lead to approval/amendment of new/existing laws/regulations/strategies on land tenure.
- 84. In the presence of an enabling business and political environment, with policy support to facilitate access to land and water for smallholders, in particular youth, and interest of Partner Financial Institutions to increase access to rural finance products for small-scale farmers and availability of adequate financing instruments for the smallholders in the value chain, as well as interest of the private sector to invest in the dairy value chain along with adoption of adequate climate resilient inputs and practices as well as business mindset and management skills by the smallholders the combined effect of the project activities will then lead to a better integration of small-scale farmers in a competitive, inclusive and climate smart dairy value chain resulting in increased incomes, increased climate mitigation and resilience to shocks and improved food security among small-scale farmers in the dairy VC, in turn contributing to the sustainable and inclusive development of the agriculture sector and of the economy.

F. Alignment, ownership and partnerships

- 85. The project is aligned with **IFAD's overarching goal** to support rural people overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods. It serves for achieving the **UN Sustainable Development Goals (SDGs)** n°1 (*No Poverty*), 2 (*Zero Hunger*), 5 (*Gender Equality*), 8 (*Decent work and economic growth*), 13 (*Climate action*) and 15 (*Life on Land*).
- 86. Alignment with IFAD policies and priorities. DVCDP II will directly contribute to the COSOP 2023 -2027 SO1 Increased resilience and productivity of small-scale producers- through sustainable interventions on natural resources essential for dairy production, especially land and water, as well as SO2 Improved access for small-scale producers to viable food systems and agricultural markets- through greater competitiveness, innovation, enhanced business linkages in the dairy value chain, and sustainable access to financial services. Furthermore, the project will follow the guiding principles set out in the new IFAD Inclusive Rural Finance Policy[41] as well as the Operational Guidelines on IFAD's Engagement in Pro-Poor Value Chain Development. The project will also be aligned with IFAD Policy on Gender Equality and Women's empowerment, the Revised Operational Guidelines on Targeting, the Rural Youth Action Plan, and the IFAD Strategy and Action Plan on Environment and Climate Change.
- 87. Ownership. The project is aligned with national priorities (see section 1.A.a National context/Policy framework) including the Uzbekistan's Nationally Determined Contribution (Uz-NDC, 2021) to achieve the country's climate adaptation goals, and anchored in national policy schemes and systems. The country ownership will be ensured, among others, by: (i) the CVLD as the project main implementing agency; (ii) the leverage on government social support systems and registry to identify and mobilize target beneficiaries in the project areas (i.e. *Iron books, Women and Youth books*); (iii) the mobilization of beneficiaries (Activity 1.1), and of local public agencies as key project implementing partners (i.e. Women's Committee, Mahalla, AKIS, Universities and Research institutes); (iv) the identification of an exit strategy from the onset, aimed at the sustainability of investments and interventions, and clarifying the process of handing-over activities to local players after project completion (see G.e Exit strategy).
- 88. DVCDP II will be fully aligned and complementary with other projects funded by other Development Partners in the Livestock sector, in particular the ADB funded "Livestock Value Chain Development Project", the second phase of the WB funded "Livestock Sector Development Project", and the AFD funded "Inclusive Financing and Intelligent Climate Development Project in the Livestock Sector". This optimal alignment with other donor initiatives will also be facilitated by the fact that all these four projects will be implemented by the same executing agency (CVLD). IFAD's comparative advantage in the livestock projects landscape in Uzbekistan stems from its experience with DVCDP, its strong pro-poor approach, including a clear targeting on *tamarkas* and *dekhan*, and the implementation of a phased approach to gradually include vulnerable farmers into the value chain. The identification and design of trainings, capacity building and research activities under DVCDP II will take into account the existing complementarities with other projects. DVCDP II will also leverage other projects achievements, for example in the provision of capacity building to the EDC and to the PFIs (Component 2). Finally, DVCDP II will complement the existing loan offerings in the dairy value chain through the establishment a dedicated window specifically targeting women, youth, and unregistered dekhan farmers.
- 89. Synergies with other IFAD operations in Uzbekistan will also be sought during project implementation: (i) with ADMP, through shared experience and cross-learning, in particular for the establishment of relevant financing instruments to improve access to finance for dekhan farmers, women and youth with partner FIs involved in both projects; (ii) a new Non Sovereign Operation (NSO) with Hamkor Bank(USD 2 million) for the provision of microloans to HH farmers, including in the livestock sector in Jizzakh, Kashakadarya, and Surkhandarya regions, with a priority given to HH farmers already trained and supported under DVCDP and DVCDP II; (iii) a new project with Hydromet to improve access to agro-climatic services for smallholders, to be identified in 2023 (USD 10 million over 4 years, funded by the Adaptation Fund).

G. Costs, benefits and financing

a. Project costs

- 90. Total project costs are estimated at USD 47.432 million, which will be distributed over a 7 years duration. Component 1 (Improving and increasing sustainable climate smart dairy production and access to required services) represents 21.6% of the total project costs (USD 10.240 million); Component 2 (Increasing participation of small-scale farmers in the dairy VC) represents 68.9% of the total project costs (USD 32.684 million); and Component 3 (Policy support and project management) represents 9.5% of the total project costs (USD 4.508 million).
- 91. The recurrent cost of the project constitutes USD 3.25 million (6.8%) of the total project cost, whereas the investment cost constitutes 93.2% of the total project cost. The recurrent cost paid from the IFAD loans represents 6.7% of total IFAD financing and the cost will be fully financed from PBAS 12, which represents 8.4% of total PBAS 12 Loan.
- 92. The project categories will include Equipment and, goods, and vehicles, technical assistance, training, studies and workshop, consultancies, grants and subsidies, credit and guarantee funds, salaries and operating costs. A brief explanatory note will be included in schedule 2 to clarify nature of eligible expenditures under Project Components. Lines of credits, grants, guarantee funds and training and workshops are considered high risk expenditure due to their nature and will be monitored effectively during the implementation to ensure that funds are used for intended purposes.
- 93. The following Project components: Component 1 (C1) "Improving sustainable dairy production and access to services" and Component 2 (C2) "Increasing participation of small-scale farmers in the dairy VC" count in part towards IFAD climate-focused financing.[42]

IFAD adaptation finance: USD 14.082.000 IFAD mitigation finance: USD 0 Total: USD 14,082,000 Table 2. Project costs by component (and sub-components) and financier

ruble 2. Project costs by component (and sub-components) and induce	•						OO III KIIIU		enerit, arres		Denenicianes			
(Thousand of United States diollars)					U in kind contr.		ontr. (office		In-Cash		In-Kind			
	IFAD PBA S-12		IFAD BRAM	(ta:	xes and duties)		space)	(Contribution		Contribution	1	Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Component1. Improving sustainable dairy production and access to services														
 Subcomponent 1.1: Mobilizing farmers and households and building capacities 	768.9	100.0	-	-	0.0	-	-	-	-			-	768.9	1.6
Subcomponent 1.2: Improving access to water, fodder production and grazing land	1,641.9	58.3	530.0	18.8	294.4	10.4	-	-	175.7	6.	2 175.7	6.2	2,817.8	5.9
Subcomponent 1.3: Improving dairyproduction and farm management	3,020.4	93.8	-	-	110.0	3.4	-	-	44.9	1.4	4 44.9	1.4	3,220.3	6.8
Subcomponent 1.4: Improving access to extension, health and input services	1,988.9	74.7	-	-	207.2	7.8	-	-	373.8	14.	0 93.5	3.5	2,663.4	5.6
Subcomponent 1.5: Applied research, pilots and dissemination	769.8	100.0		-	-0.0	-	-	-	-				769.8	1.6
Subtotal Component1. Improving sustainable dairy production and access to services	8,190.0	80.0	530.0	5.2	611.6	6.0	-	-	594.5	5.	8 314.1	3.1	10,240.2	21.6
B. Component 2. Increasing participation of small-scale farmers in the dairy value chain														
 Subcomponent 2.1: Establishing Milk Collection Centers 	8,225.4	63.0	1,270.0	9.7	2,307.7	17.7	-	-	694.1	5.	3 553.3	4.2	13,050.8	27.5
Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain	9,844.6	50.1	6,000.0	30.6	0.0	-	-	-	3,788.9	19.	3 -	-	19,633,5	41.4
Subtotal Component 2. Increasing participation of small-scale farmers in the dairy value chain	18,070.0	55.3	7,270.0	22.2	2,307.7	7.1	-		4,483.0	13.	7 553.3	1.7	32,684.1	68.9
C. Component 3. Policy support and Project coordination and management														
1. Subcomponent 3.1 Policy support	468.8	100.0	-	-	0.0	-	-	-	-			-	468.8	1.0
Subcomponent 3.2 Monitoring and Evaluation and Knowledge Management	466.0	100.0	-	-	0.0	-	-	-	-			-	466.0	1.0
Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	1,999.5	79.1	-	-	451.8	17.9	76.3	3.0	-			-	2,527.6	5.3
4. Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	805.7	77.1	-	-	201.6	19.3	38.2	3.7	-			-	1,045.5	2.2
Subtotal Component 3. Policy support and Project coordination and management	3,740.0	83.0	-	-	653.5	14.5	114.5	2.5	-			-	4,508.0	9.5
Total PROJECT COSTS	30,000.0	63.2	7,800.0	16.4	3,572.8	7.5	114.5	0.2	5,077.5	10.3	7 887.4	1.8	47,432.2	100.0

GOU in kind

Beneficiaries

Beneficiaries

Table 3. Project costs by expenditure category and financier

(Thousand of United States diollars)	IFAD PBA S-12		IFAD BRAM		U in kind contr. (es and duties)	-	OU in kind ontr. (office space)		Beneficiaries In-Cash Contribution		eneficiaries In-Kind Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs														
A. Equipment and goods	8,044.9	62.5	1,270.0	9.9	2,318.6	18.0	-	-	694.1	5.4	553.3	4.3	12,880.9	27.2
B. Vehicles	91.4	75.0	-	-	30.5	25.0	-	-	-	-	-	-	121.8	0.3
C. Technical Assistance	3,116.0	100.0	-	-	-	-	-	-	-	-	-	-	3,116.0	6.6
D. Training	579.2	100.0	-	-	-	-	-	-	-	-	-	-	579.2	1.2
E. Consultancies	1,149.0	100.0	-	-	-	-	-	-	-	-	-	-	1,149.0	2.4
F. Studies and workshops	1,147.6	100.0	-	-	0.0	-	-	-	-	-	-	-	1,147.6	2.4
G. Grants and Subsidies	3,506.9	63.1	530.0	9.5	611.2	11.0	-	-	594.5	10.7	314.1	5.7	5,556.8	11.7
H. Credit, Guarantee Funds														
 Window 1 for women, youth, non-registered HHs 	700.0	90.0	-	-	-	-	-	-	77.8	10.0	-	-	777.8	1.6
2. Window 2 Dekhan Farmers	4,484.6	80.0	-	-	0.0	-	-	-	1,121.1	20.0	-	-	5,605.7	11.8
3. Window 3 Private farmers	-	-	6,000.0	80.0	0.0	-	-	-	1,500.0	20.0	-	-	7,500.0	15.8
 Window 4 Agri-processors 	3,300.0	80.0	-	-	-	-	-	-	825.0	20.0	-	-	4,125.0	8.7
Window 5 Service providers and input	1,060.0	80.0	-	-	-	-	-	-	265.0	20.0	-	-	1,325.0	2.8
6. Guarantee mechanism	300.0	100.0	-	-	-	-	-	-	-	-	-	-	300.0	0.6
Subtotal Credit, Guarantee Funds	9,844.6	50.1	6,000.0	30.6	0.0	-	-	-	3,788.9	19.3	-	-	19,633.5	41.4
Total Investment Costs	27,479.7	62.2	7,800.0	17.7	2,960.2	6.7	-	-	5,077.5	11.5	867.4	2.0	44,184.9	93.2
II. Recurrent Costs														
A. Salaries /a	1,711.2	80.0	-	-	427.8	20.0	-	-	-	-	-	-	2.139.0	4.5
B. Operation and Maintenance	209.9	83.3	-	-	42.0	16.7	-	-	-	-	-	-	251.9	0.5
C. Other Operating Costs	599.2	70.0	-	-	142.8	16.7	114.5	13.4	-	-	-	-	856.5	1.8
Total RecurrentCosts	2.520.3	77.6	-		612.6	18.9	114.5	3.5	-		-	-	3,247,4	6.8
Total PROJECT COST \$	30,000.0	63.2	7,800.0	16.4	3,572.8	7.5	114.5	0.2	5,077.5	10.7	867.4	1.8	47,432.2	100.0
Table 4 Project costs by component an	d vear													

able 4. Project costs by component and year

(Thousand of United States diollars)			Totals Inclu	uding Conting	gencies			
	2025	2026	2027	2028	2029	2030	2031	Total
A. Component1. Improving sustainable dairy production and access to services								
 Subcomponent 1.1: Mobilizing farmers and households and building capacities 	307.5	325.1	99.1	8.9	9.1	9.4	9.7	768.9
Subcomponent 1.2: Improving access to water, fodder production and grazing land	212.6	606.8	539.6	687.6	505.7	263.9	1.5	2,817.8
Subcomponent 1.3: Improving dairy production and farm management	353.8	550.2	447.7	560.5	571.3	482.4	254.5	3,220.3
Subcomponent 1.4: Improving access to extension, health and input services	201.7	144.1	724.4	742.2	525.6	285.5	39.7	2,663.4
5. Subcomponent 1.5: Applied research, pilots and dissemination	50.8	146.4	150.8	155.3	137.1	123.5	6.1	769.8
Subtotal Component1. Improving sustainable dairy production and access to services	1,126.4	1,772.7	1,961.5	2,154.5	1,748.9	1,164.8	311.4	10,240.2
B. Component 2. Increasing participation of small-scale farmers in the dairy value chain								
1. Subcomponent 2.1: Establishing Milk Collection Centers	463.9	4,212.7	4,334.8	2,863.0	612.0	397.5	166.7	13,050.6
Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain	1,682.8	5,030.0	4,830.0	4,330.0	3,130.0	630.7	-	19,633.5
Subtotal Component 2. Increasing participation of small-scale farmers in the dairy value chain	2,146.6	9,242.7	9,164.8	7,193.0	3,742.0	1,028.2	166.7	32,684.1
C. Component 3. Policy support and Project coordination and management								
1. Subcomponent 3.1 Policy support	50.8	115.0	86.1	88.7	91.4	36.8	-	468.8
Subcomponent 3.2 Monitoring and Evaluation and Knowledge Management	195.2	18.3	18.8	74.9	20.0	20.6	118.2	466.0
Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	347.0	353.7	357.7	368.5	366.1	368.1	386.5	2,527.6
 Subcomponent 3.3b: Project Implementation Teams (PIT): Regional 	129.7	149.5	150.7	152.0	153.2	154.5	155.9	1,045.5
Subtotal Component 3. Policy support and Project coordination and management	722.7	636.5	613.4	684.0	630.7	580.1	640.5	4,508.0
Total PROJECT COST S	3,995.7	11,651.9	11,739.7	10,031.5	6,121.6	2,773.1	1,118.7	47,432.2

b. Project financing/co-financing strategy and plan

- 94. The cost of the Project is estimated at USD 47.432 million over a seven-year period. Of this total financing, IFAD's contribution to the project is USD 37.8 million (79.7%), including USD 30.0M from IFAD's Performance-Based Allocation System (PBAS 12) and USD 7.8M from IFAD's Borrowed Resource Access Mechanism (BRAM). The Government in-kind contributions to the project is expected to be USD 3.687 million (7.7%) and the beneficiaries will contribute to the project with USD 5.077 million (10.7%) in cash and with USD 0.867 million in-kind.
- 95. Potential additional parallel financing was discussed with ADB, in the framework of an upcoming livestock project under identification, in Uzbekistan. This parallel financing may materialize in 2024 once ADB project preparations will be completed. There are also potential upcoming climate financing from GCF and AF that could be linked and contribute to DVCDP II.
- 96. Additional resources for the project will also be explored from resources under IFAD 13, under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval.
- 97. The Government of Uzbekistan will provide counterpart financing in-kind mostly in the form of exemptions on taxes an custom duties. Tax rules in the country no longer allow same exemptions for activities implemented under the lines of credit, and these taxes will not be funded by the IFAD financing (as stated in COSTAB).

c. Disbursement

- 98. Two IFAD Loans (PBAS and BRAM) for total of USD 37.8 Million will be available to GoU, and once the withdrawal conditions have been fulfilled, the Borrower will start requesting withdrawals using one of the standard disbursement methods specified in the Project Financial Management and Financial Control Handbook for Borrowers. All funds will flow through project-designated accounts using the revolving fund mechanism, including the transfers to the PFIs and EDC for the lines of credit and guarantee fund facility. Detailed flow of fund arrangements are included in section 6.8 (Flow of Funds) of the PIM.
- 99. The counterpart will open and maintain designated bank accounts (DAs) in USD at a commercial bank acceptable to IFAD to receive funds from IFAD Loans (PBAS and BRAM). The Interim Financial Reports (IFRs) will be used as a basis for the submission of withdrawal applications (WAs) and will be submitted to IFAD on a quarterly basis through ICP to justify the previous quarter's advances and request for an additional advance based on a cash forecast for the following quarter.
- 100. In addition to the project DAs, the following bank accounts will be opened: (i) A project account in local currency (UZS) for lines of credit (transit account); (ii) A project account in local currency (UZS) to make payments for project expenditures; (iii) a separate account that will be opened by EDC to receive funds from the Project DA for the Rural Guarantee Facility; (iv) PFIs will open incremental credit accounts (in USD and UZS) to receive funds from the project Accounts; (v) two revolving accounts maintained by each PFI, one in UZS and one in USD.
- 101. The Financing Agreement between IFAD and the GoU will include additional specific conditions precedent to withdrawals. In addition, specific conditions will apply for initial fund transfers from project accounts to PFIs for lines of credit and EDC for the Rural Guarantee Facility. A list of additional general and specific conditions is included in the Disbursement section (6.11) of the Project Implementation Manual, which is annexed to this PDR.

d. Summary of benefits and economic analysis

- 102. The economic and financial analysis of DVCDP II shows that the targeted activities are sound and the project is **economically viable**. The economic rate of return (ERR) for the entire project is 16.4%, and the economic net present value (ENPV) amounts to USD 41.6 million. The project's primary economic benefits arise from the increase in milk production by smallholders and the enhancement of milk quality, facilitated by advancements in production and feed storage technologies. Dehkan and private farmers, equipped with various technical trainings and access to knowledge through matching grants and improved credit resources, will contribute to these improvements. Aspects such as cowshed enhancements, milk hygiene, livestock breeding, genetics (AI), and manure management will also see upgrades. The project is sensitive to changes in some of the model's variables (variations on benefits and costs, various lags in the realization of benefits and adoption rates), confirming that sustainable dairy value chain investments are key to project success.
- 103.A substantial stream of project benefits will emerge from the establishment of a large-scale network of milk collection points, featuring various capacities and equipment configurations. This network will create "cold chains" to transport milk from numerous small producers to dairy processing facilities. The project will also support the collection of milk from small households, facilitating this semi-formalized segment of the country's dairy sector and raising incomes.
- 104. The project's positive economic impact will be further amplified by improved access to credit for processing companies and milk collectors, enhancing the economic outlook for both urban and rural areas. The support of artisanal milk processing will increase income levels for small-scale producers, particularly rural women.
- 105. Additionally, the project will bring supplementary benefits through the adoption of small-scale water harvesting and water-saving technologies and the utilization of solar panels and alternative energy sources in milk production and collection by smallholders.
- 106. The project's impact will be far-reaching, fostering increased participation of smallholders throughout the entire value chain of the rapidly developing dairy sector in the project regions. This inclusive approach will empower small farmers, entrepreneurs, and households to actively engage in dairy production, processing, and distribution. As a result, they will seize the opportunities arising from the escalating demand for dairy products, a demand that continues to grow and is yet to be fully met, not only among urban consumers but also among rural residents across the country. By facilitating their integration into the dairy industry, the project will drive economic growth, enhance livelihoods, and contribute to the overall development of the dairy sector in the country. The detailed financial and economic analysis is available in Annex 4.

e. Exit Strategy and Sustainability

- 107. The environmental and socio-economic sustainability of the project outcomes will be ensured by applying the following strategic and operational principles during project design, implementation, and exit: (i) smallholder producer (including women and youth) groups will be formed following suitable participatory criteria; (ii) the project will prioritize training of trainers (ToTs) and capacity building of local implementing partners, in particular for the continuation and scaling-up of L-FFS after project completion; (iii) the efficient use of natural resources (land use/management and water harvesting), the introduction of management plans for communal grazing, the use of organic fertilizers and manure, the treatment of wastewater at the MCCs and processing units will strengthen the environmental sustainability of the value chain; (iv) 4Ps and productive alliances will be facilitated and established under the project, ensuring that provision of services and market access to smallholder farmers are based on economically sustainable and mutually beneficial business models; in particular, identified management models for MCCs will prioritize strong ownership from implementers and MCC contracts will ensure that processors who own MCCs do not receive excessive market power and protects the interest of all parties; (v) financing mechanisms such as credit lines and guarantee mechanism will be designed, mutually beneficial for financing institutions and beneficiaries and creating long-term relationships and trust between them; in addition, provision for the use of revolving funds will be made since the onset, and available revolving funds will be used by PFIs to finance additional projects under the same conditions as for the DVCDP II after project completion; (vi) evidence will be generated throughout the project implementation which could be used at policy level for creating an enabling environment for development of smallholder production.
- 108. From the start of activities, the Project coordination teams will raise awareness among all actors on the application of this intervention approach aimed at the sustainability of investments and interventions. The process of handing-over interventions and activities will follow procedures clearly identified in the Financing Agreement with the Government and in the MoU signed with project implementing partners. An action plan for disengagement will be prepared after the Mid-term review and implemented by the PMU in the last year of project implementation. The action plan will include a schedule of actions to be carried out to validate the achievements of all entities that have benefited from Project support and identify the consolidation measures necessary to guarantee their empowerment.

3. Risks

H. Project risks and mitigation measures

109.DVCDP II overall inherent risk level is '**Moderate**'. A detailed integrated project risk management framework (IPRM) is provided in Annex 9. The main sub-factors showing substantial risks, and for which detailed mitigation measures are planned in the project, include the following:

Table 5. DVCDP 2 IPRM with 'Substantial' risk areas

Sector strategy and policies	<i>Risk:</i> Given the ambitious reform agenda implemented by the GoU, there is a risk that the national strategies and targets will not be implemented in a timely manner that is suitable to DVCDP II timeline, to effectively support targeting of small-scale producers. In addition, risks pertain to changes in policies in the agricultural and financial sectors during project implementation. <i>Mitigation:</i> IFAD will maintain its country dialogue to ensure that commitment is maintained on the part of the Government, including alignment of project with main policy priorities and IFAD mainstreaming themes. The Project will also provide policy support and contribute to the establishment of a national platform where policies and reforms in the dairy sector will be discuss with stakeholders at the national level (Component 3.1).
Project vulnerability to environmental conditions	<i>Risk:</i> Environmental challenges in Uzbekistan include freshwater resource depletion and deterioration of water quality, desertification, salinization and erosion, all of which being aggravated by climate change. Rangeland and cropland degradation could lead to substantial loss of livestock productivity. <i>Mitigation:</i> DVCDP II is expected to reduce pressure on natural resources by introducing environmentally sound NRM practices, e.g., improved stocking management, increased feed use efficiency, improved manure techniques, etc. These developments will also enhance the resilience of rural households to climate change and reduce their vulnerability to extreme weather events.
Project relevance	<i>Risk:</i> There is a risk that project implementation will not sufficiently address the principal constraints of dekhan farmers who represent 90% of the milk production in the country. In particular, there is a risk of misalignment between the financial products offered by PFIs and the project focus on vulnerable groups, who have limited collateral, lack of sound business plans and limited financial literacy and capacity. <i>Mitigations:</i> DVCDP II design pays close attention to the needs of vulnerable HH farmers and dekhan farmers. In particular, tailored pro-poor financial products will be developed, in close coordination with the project beneficiaries and the participating FIs, including specific guarantee mechanisms, catalytic matching grants, and affordable loan products.
Project Financial Management and Internal Control	The Financial Management (FM) inherent risk is substantial , and the residual risk is substantial. Project financial management and internal control practices will be strengthened in DVCDP II, integrating lessons learned from DVCDP. This will include the reinforcement of the financial function at PMU level, improved accounting software, and the definition of a comprehensive financial procedures manual as part of the PIM (see Annex 8).

I. Environment and Social category

- 110. The Environmental and Social risk of DVCDP II is considered as "Substantial", due primarily to the focus of the project on intensive livestock systems and the concomitant risks to climate, soil and water pollution, health hazards, and labour-related health and safety issues often associated with these investments.
- 111. From a social perspective, potential risks include youth unemployment, poor labour conditions, and gender-based violence at household level. Hence, the project will focus on the creation of jobs for young men and women in the dairy value chain, adhering to standards on occupational safety and health (OSH). Household mentoring will be implemented through specific trainings to ensure gender-based violence is reported, and reduced. The project will also contribute to improved nutrition by undertaking awareness raising activities about diet-appropriate nutrition, food safety and hygiene under Component 1.1.
- 112. From an environmental perspective, important issues to consider along the dairy value chain include environmental and biodiversity degradation, excessive water extraction or inappropriate water management, increased use of pesticides and fertilizers, pollution risks associated with the intensification of dairy production, and lack of appropriate waste management including inappropriate management and disposal of livestock vaccines and other veterinary interventions. Hence, the project aims to pilot technologies that promote water-use efficiency and security of access, improved fodder and feed crop production, and promote sustainable natural resources management practices under Component 1, as well as to finance activities under Component 2 (such as improved livestock breeds, processing equipment, and investments in milk collection centres). Furthermore, improved practices in fodder and livestock production, as well as better veterinary services, will significantly reduce the possibility of negative externalities from project investments, such as GHG emissions, land degradation, or possible impacts to biodiversity.
- 113. Finally, there is a risk that PFIs under Sub-component 2.2 will not implement adequate environmental and social standards when channelling the project funds through credit lines. The adequacy of Environmental and Social Management Systems (ESMSs) of partner PFIs will be assessed at due diligence phase, to ensure that these ESMSs are tailored to the risks and impacts of the project and the investments financed. It has to be noted that most of the pre-identified PFIs have already received TA support from other donor projects (WB, AFD, IFAD/ADMP) to improve their ESMS framework.

J. Climate Risk classification

- 114. The climate risk category is "**Moderate**". Uzbekistan is vulnerable to climate change impacts mainly due to increasing water scarcity (primarily due to wasteful and inefficient irrigation practices), the incidence of drought (with impacts exacerbated by the same water management practices), and a potential increase in the frequency of extreme climate events. However, project interventions will not increase the vulnerability of target populations to climate hazards, nor affect the resilience of the natural resources on which beneficiaries depend. Rather, interventions are designed to mitigate these risks and adapt to the likely future impacts of climate change, while at the same time improving livelihoods through more sustainable agricultural practices, thereby improving climate resilience in both production and the dairy value chain (see Annexes 5 and 16).
- 115. Intensification of dairy production may also contribute to the increase of GHG emissions from enteric methane (CH4) emissions, as well as nitrous oxide (N2O) and CH4 emissions from manure collection, storage, and management systems, and increases the risk of nitrate pollution and land degradation through pasture grazing and soil cultivation for fodder production. Direct reductions and mitigation of GHG emissions will be achieved through (i) improved emission intensity results (per litre of milk produced) achieved through animal health interventions and higher quality animal feed/fodder; (ii) deployment of solar energy installations at key points in the agricultural and dairy value chains, and (iii) sequestration from improved land and soil management practices, including on-farm forestry particularly along field boundaries and irrigation canals. Precise estimates of GHG emissions avoided or sequestered from these approaches will be developed during inception through application of the GLEAM-i assessment methodologies.

4. Implementation

K. Organizational Framework

a. Project management and coordination

- 116. The lead Project agency the "LPA") shall be Ministry of Agriculture (MoA) and most specifically the **Committee of Veterinary** and Livestock Development (CVLD), that falls under the supervision of the MoA. The LPA will ensure overall guidance and strategic directions of the project implementation process and will appoint the Project Director, upon IFAD's agreement and nonobjection.
- 117.A Project Management Unit (PMU) will be established within the CLVD for the day-to-day management and implementation of project activities as per approved work plan and budget. Possibly, qualified staff from DVCDP will be retained for continuity and assets purposes. The PMU will consist of: (i) a central unit in Tashkent, staffed with the Project Director, M&E, dairy production and veterinary specialist, value chain/agribusiness and marketing specialist, rural finance, environment/land management, gender, youth and targeting specialists, a chief accountant, a finance specialist, procurement, and knowledge management/communication specialists: and (ii) two decentralized units in Kashkadarva and Surkhandarva regions, that will be the so-called extended hands of the PMU in these two regions. Each of these decentralized units will be staffed with a Regional Field Facilitator (RFF) with core expertise in gender and social inclusion, a dairy production and veterinary specialist with expertise related to climate-smart practices and technologies, value chain and rural finance specialists. The PMU in Tashkent will oversee the overall project implementation, and monitor the project activities in Sirdarya, Jizzakh and Samarkand regions. The decentralized staff in Surkhandarya and Kashkadarya will implement and monitor the project activities in their respective region. This organizational set-up aims to ensure close monitoring of project activities and to facilitate awarenessraising and outreach of project beneficiaries in all project regions. Recruitments will be done on a competitive basis and a performance management framework will be developed for merit-based recruitment, performance appraisals, and professional development to ensure staff performances are at a satisfactory level. Women will be particularly encouraged to apply for PMU positions.
- 118. A Project Steering Committee (PSC) will be established to oversee the implementation and progress, provide strategic guidance and ensure alignment with national policies, consisting of representatives from key ministries, regional authorities and other relevant stakeholder organizations. The PSC will be chaired by the Ministry of Agriculture.
- 119. Agreements or other relevant contractual arrangements) will be concluded between the PMU and envisaged implementing partners, including i.e. the Women Committee of Uzbekistan, the Mahallah (for supporting targeting and beneficiary mapping), the University State Agrarian University, and the Veterinary University in Samarkand (for research).

b. Financial Management, Procurement and Governance

- 120. Financial Management. The Project will maintain its accounting records in accordance with IPSAS-cash basis of accounting and record all transactions in the 1C standalone accounting software as government software is not designed to enable project-wise accounting. A new version of 1C accounting software will be purchased for fully automated accounting and financial reporting. The accounting software will be customize to record transactions in the local and denominated currency by financier, category and sub/component.
- 121. Interim Financial Reports (IFRs), including the quarterly reports from the PFIs and EDC, will be submitted to IFAD at quarterly intervals within 45 days after the period-end. The PMU will also submit detailed, unaudited project-specific financial statements, which will be prepared in accordance with IPSAS cash basis accounting standards, and deliver such financial statements to IFAD within four (4) months of the end of each fiscal year. Financial reporting requirements from the PFIs should be formalized through a presidential decree to ensure that PFIs meet reporting requirements that are included in the Subsidiary Loan Agreements.
- 122. The PMU will prepare an annual work plan and budget (AWPB) based on the procurement plan and planned credit line activities. The AWPB will be in line with the components and expenditure categories specified in the design document and Schedule 2 of the Financing Agreement. The lead project agency will submit the draft Project AWPB to IFAD for comments no later than sixty (60) days before the beginning of the relevant year, and the annual budget will become effective after IFAD's no objection to the budget.
- 123. The PMU will consist of a central unit in Tashkent, and two decentralized units. The Financial Management Unit will be based in Tashkent, and will consist of a full time experienced chief accountant and a finance specialist who will have relevant accounting and finance educational backgrounds. Recruitments will be done on a competitive basis, and FM staff contracts will be subject to IFAD's no objection.
- 124.Disbursement arrangements are outlined under section G, "Cost, benefits, and financing" of this PDR. For details refer to para c "Disbursement" under section G.
- 125. The PMU will follow the internal control requirements set by the Republic of Uzbekistan and strictly comply with the internal control arrangements outlined in the FM section of the Project Implementation Manual (Annex 8 to this PDR), which also includes the FM arrangements for the lines of credit, guarantee scheme, and matching/grants. Internal audit practice in Uzbekistan does not follow international standards, and there is no internal audit unit in the CVLD. Therefore, the PMU will hire a private service provider to perform internal audit, and spot checks on the use of funds by intended beneficiaries, including the lines of credit and guarantee scheme.
- 126. External audits of externally aided projects in Uzbekistan are conducted by independent audit firms. The DVCDP II will also be audited by an independent audit firm in accordance with International Standards on Auditing (ISA) and IFAD guidelines. The audit reports will be submitted to IFAD within six (6) months of the end of each fiscal year. Audit terms of reference (TOR) will be subject to IFAD's no objection, and the scope of the audit will include lines of credits activities.
- 127. **Procurement.** Public procurement in Uzbekistan is governed by the "*Public Procurement Law*" (PPL) of April 22, 2021 No. ZRU-684, which defines the responsibilities, principles and processes applicable in the public procurement of works, goods and services and, as compared to the previous Public Procurement Law No. 472 (2018), provides a more satisfactory legal framework following good international practices. Nevertheless, it needs further improvement to ensure wider range of procurement methods in order to provide for proportionality and fitness for purpose to achieve better value for money. Until such time that the PPL is operationalized, further reviewed and found satisfactory by the IFAD, Procurement of goods, works and services for DVCDP II shall be carried out in accordance with the provisions of the IFAD Project Procurement Guidelines and provisions stipulated in the Financing Agreement/Procurement Arrangement Letter to the Borrower. If there is conflict between the Government's decrees, rules and regulations and the IFAD Procurement Guidelines, then IFAD Guidelines shall prevail.
- 128. An assessment of the Committee of Veterinary and Livestock Development (CVLD) using the IFAD tool for Assessment of Agency Capacity to Implement Procurement was conducted during the DVCDP II design stage. Based on its performance under the previous DVCDP programme financed by IFAD, the CVLD procurement capacity and practices are found to be consistent with current IFAD procurement regulations and procedures. The Procurement Unit has one dedicated procurement specialist with sufficient proficiency in IFAD procurement procedures. Application of procurement procedures is transparent and competitive. Overall, the CVLD's procurement performance is rated as "*moderately satisfactory*". Further details, including the first 18-month Procurement Plan, are provided in Appendix 8.
- 129. **Governance aspects, including anti-corruption measures**. Transparency International's 2022 Corruption Perceptions Index ranks the country in 126th place out of 180 countries in the Index. Compared to 2021, Uzbekistan improved 14 positions in the ranking, moving up to the Substantial Risk area. According to the TI Index, the country has recorded growth rates in this index for the last 5 years (from score of 23 points in 2018 to 31 points in 2022). Most recent PEFA assessment in 2018 indicated that the PFM is deemed reliable in budget credibility, debt management, and treasury functions, but weaknesses exist when it comes to transparency, public participation, off-budget funding, annual financial reports, internal audit, and external audit. The development partners (ADB, World Bank, IMF, and EU) are actively contributing to the implementation of the reforms through development projects.
- 130.IFAD's anticorruption policy establishes zero-tolerance towards prohibited practices, such as fraud and corruption, in IFADfunded or managed operations and activities. The policy is integrated into IFAD's legal framework and the legal framework requires project parties to promptly notify IFAD of allegations of fraud and/or corruption in relation to project activities.

L. Planning, M&E, Learning, KM and Communication

a. Planning, M&E, Learning, Knowledge Management and Communication

- 131. **Annual Work Plan and Budget (AWPB).** Planning will be guided by the project's strategy, Log-frame and broader results framework which will inform the development of a results-based annual work plan and budget (AWPB) in consultation with implementing partners, including beneficiaries, where relevant. The PMU will be responsible for the process and for the inclusion of and collaboration with key stakeholders in the planning process. AWPBs will be approved by the project steering committee and sent to IFAD for no objection 60 days prior to the end of each fiscal year. Following GoU's planning cycle, the fiscal year will go from 1st January to 31st December. To ensure timely submission of the draft AWPB budget preparation will begin in August and end in October with the submission to the project steering committee.
- 132. **Monitoring and Evaluation (M&E).** In alignment with the directives of GoU to reinforce the monitoring and evaluation of international development projects and building on the recommendations from the completion of DVCDP, DVCDP II will allocate appropriate funding for the establishment of a robust M&E system to track the implementation, achievement and impact of all project activities. Additionally, appropriate funding will be allocated to strengthen the M&E unit in terms of human resources. Hence, the PMU M&E unit will be comprised of one full-time dedicated M&E Specialist based in Tashkent, and the 2 Regional Field Facilitators (RFFs) in Surkhandarya and Kashkadarya regions. The RFFs will be central in (i) providing extensive support to target beneficiaries in the target regions, (ii) ensuring data collection and on-site verification of data collected, (iii) disseminating proper and targeted information, (iv) reporting to the central M&E on implementation progress, issues encountered, etc. The overall implementation and coordination of M&E activities will rest with the M&E specialist in the central unit, who will also be responsible for the field work in the target regions of Sirdarya, Samarkand and Jizzakh, considering their proximity to Tashkent.
- 133.A Monitoring Information System (MIS) for Project Monitoring and Evaluation will be set-up as part of project start-up activities to allow systematic and consistent data collection process. It is important that the MIS be ready when project activities begin and beneficiaries start receiving project support to collect, store and analyse the monitoring information as the data are collected. The M&E officer will coordinate the process and oversee recruitment of the service provider/consultant. The MIS provider/developer, in turn, will be responsible for developing and setting up the MIS. A participatory approach will be adopted while developing the system with the involvement of all relevant stakeholders facilitating the ownership of the tool. An exchange visit will be organized for the M&E specialist aimed to showcase the application of best practices, systems, and tools in M&E processes.
- 134. An online application system for credit/grant windows will be established allowing the identification/categorization of all types of target groups, eligible investments, and the collection of necessary data to feed the information needs of the Project as defined in the Project documents. The online application system will be interlinked with the Project M&E software to allow the automatic flow of the respective baseline data directly to DVCDP II M&E software upon credit/grant approval, thus ensuring data accuracy and consistency in reporting. On-site data verification will be further conducted by DVCDP II PMU RFFs and Credit Officers to ensure the reliability and validity of data collected. The Participating Financial Institutions (PFIs) will provide monthly reporting to the PMU with respect to the indicators/information requirements set out in the Project documents. A separate platform to enable monitoring of loans disbursed through the revolving fund of IFAD funded rural finance projects will be established at a later stage as the funds start revolving. The outcome/impact level indicators included in the project logical framework (both CIs and project

specific indicators^[43]) will be measured through Core Outcome Indicator (COI) surveys^[44] implemented three times during Project lifecycle at Baseline, Mid-term and Endline in line with the IFAD COI guidelines. The Outcome level indicator "2.1 *Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered*" included in the logical framework shall be measured during inception or the early stages of implementation in partnership with the UN Food and Agriculture Organization (FAO) through a detailed emissions assessment using the Global Livestock Environmental Assessment Model (GLEAM-interactive). These assessments will be undertaken at project inception, as well as part of the final evaluation process. The implementation of the COI Surveys will be outsourced to a qualified Service Provider for which ToRs will be developed by the PMU and approved by IFAD. A participatory geo-referenced listing and mapping exercise will be embedded in the Project baseline survey aimed at identifying and mapping the target groups/potential beneficiaries in the value chain enabling a more targeted approach for Project implementation. The exercise will also include context-specific needs assessments of the concrete barriers to smallholder-driven dairy sector development and address pressing information needs for implementation planning. COI surveys will be complemented by ad-hoc/thematic case studies, problem analysis, etc. to be conducted periodically in the implementation phase of the project to identify/document Project successes, bottlenecks, innovations, etc. to help guide evidence-based decision making on the timely implementation of corrective measures, replication of successful interventions and/or drawing of lessons learnt.

135. **Reporting.** The project M&E officer is in charge of collecting, compiling and processing quantitative and qualitative data for the preparation of progress and results reports in close collaboration with the RFFs and Project implementing partners in the field, project component specialists, finance and procurement officers. These reports are meant for project management and other stakeholders and are usually issued on a monthly basis and upon specific request. Along with the AWPB report, the PMU will prepare and submit Semi-Annual and Annual Progress reports according to a format acceptable to IFAD. The reports measure implementation progress and achievements against annual targets for activity, output and outcome (after midterm) indicators. They contain consolidated data tables on financial and physical progress as well as narrative with analysis on achievements against the defined annual and appraisal targets and elaborating on the reasons and bottlenecks for non-performance against the annual workplan. Monthly Progress Reports will be prepared by project implementing partners and RFFs in the field and submitted to the PMU to ensure continuous monitoring of project activities and identify challenges to adopt necessary corrective measures in due time. Additionally, the PMU will prepare Technical reports – such as (i) M&E reports elaborating on the analysis

of the wide range of data across components and interventions to be available in the M&E system, analysis of the results of ad hoc/thematic studies, quick outcome surveys, problem analysis, etc., (ii) Knowledge Management Report elaborating on the best practices and lessons learned, success stories, etc., communication related activities, analysis of stakeholder feedback and grievance, etc. Additionally, PMU will develop standard data collection forms/tools and reporting templates that capture both quantitative and qualitative data for field staff in the regions, for the PFIs, for the service providers (SPs) including SPs implementing training activities, etc.

136. Knowledge Management (KM) and communication. The overall purpose of knowledge management is to help build a credible knowledge base of practical and actionable know-how that leads to improved performance and results and scaling up of successes for inclusive and sustainable rural transformation. The PMU, in close collaboration with the Government, Mahallas, and other stakeholders, will develop and lead an integrated KM and Communication Strategy that supports achievement of DVCDP II goals and objectives as well as the COSOP strategic objectives. The strategy will outline systems, processes and responsibilities to ensure that the project will generate, capture, analyse, document, package and disseminate knowledge and lessons learned throughout the project internally as well as externally. The strategy will define the DVCDP II KM goals and strategic objectives, KM products and the main areas of KM-related work with clear linkages to improving Project performance, promoting innovations, scaling up success, sharing lessons learned, and influencing policy. It will promote broad consultation with DVCDP II target groups, with a specific focus on near landless and unemployed women and youth, to identify and address knowledge and capacity priorities, needs, gaps and solutions. It will ensure that results, lessons learned, and successful practices are documented and will promote the unique experience and contribution of small household farmers' to rural transformation in Uzbekistan. The strategy will also elaborate on the methodology of targeted communication and dissemination activities to be implemented by the Project to raise awareness about project opportunities and eligibility requirements in all target regions and districts at early stages of the Project, before the start of Project activities and at later stages. The Project will have a dedicated KM focal point in the PMU to ensure the implementation of proper communications and knowledge management activities. Concurrently, a downward and upward flow of information about project progress to beneficiaries, local governments (including Mahalas) and implementing partners in the field is of utmost relevance in fostering ownership and participation and the RFFs will play a central role here. Systems for these information exchanges will be developed and used on a regular basis, including multi-stakeholder consultation to determine the knowledge and information needs of target groups, particularly women and youth, across the thematic areas; implementation review and reflection meetings to promote sharing and discussion of issues, challenges, lessons and solutions, planning workshops, project leaning days, a newsletter to be shared with all stakeholders, etc. Relevant information from the project MIS will be used to document lessons learnt, best practices and success stories. Cross-learning between IFAD-financed projects in Uzbekistan will be promoted by the PMU through workshops/meetings to share knowledge and lessons learned on various topics such as M&E, FM, procurement, gender and youth, climate change and any other relevant area. In addition, collaboration will be pursued with other development partners (who are also involved in the livestock/dairy subsector and the issues related to access to land), in drafting policy briefs and technical documents. Potential partners would be the WB, AFD and the ADB.

137. Extension via media outlets and MSc study grants will generate and disseminate knowledge, while raising awareness on DVCDP II approaches and pilots, and SHF challenges for dairy development in general.

b. Innovation and scaling up

- 138. Targeting strategy. DVCDP II will be the first donor funded project in the dairy value chain in Uzbekistan implementing a genuinely pro-poor approach and targeting strategy. The project is geared towards addressing the needs of small household farmers (*tamarkas*) and *dekhan* farmers, also including the most vulnerable people, i.e., the near landless and unemployed women and youth, as a specific target group. Mainstreaming people in this latest group remains challenging in Uzbekistan, as the country is just starting to develop a new pathway to address the specific needs of these populations, and official data related to their socio-economic profile and needs are still lacking. The project will therefore adopt a pilot approach, whereby opportunities in the value chain will be identified to gradually include the most vulnerable beneficiaries into the dairy value chain.
- 139. L-FFS: the concept of L-FFS is new in Uzbekistan. The previous phase of DVCDP followed a more traditional approach (bringing a large number of producers together for one- or two-day workshop) and was not successful as expected. The new approach proposed is more practical and will allow producers to learn from field practice and cross learning from each other. After the project completion, the producers in each group are expected to continue collaborating and exchanging experiences. The PMU and the MoA will also acquire experience in developing such farmers schools that could be replicated to other projects tapping into the existing pool of trainers and facilitators.
- 140. Extension via media outlets for SHFs to generate and disseminate knowledge and raise awareness among smallholder farmers.
- 141. **Privatization of (para) veterinarians.** Private animal health services for dairy cattle in Uzbekistan is rare for the majority of farmers (SHFs) and cannot be covered by the public system. Introducing a programme for getting (para) veterinarians started to offer their services to SHFs in a guided way ensuring economic feasibility is new in the country.
- 142. **Establishing breeding groups and breeding records.** Genetics are important for dairy development. For Uzbekistan to establish a sustainable and reliable dairy sector, having a known gene pool is important for improving the gene pool both for productivity and resilience and also for upgrading herds via replacement and sales. Working with dairy breeding groups and recording system is new in Uzbekistan.
- 143. Introducing a tender for MSc study proposals for SHF-relevant topics. With regard to dairy development, research in Uzbekistan has little scope for SHFs and social rural development related topics. The tender is meant to stimulate this and especially target and inspire a younger generation (MSc students).
- 144. The youth fodder production and service provision groups are another innovation of DVCDP II. If proven successful, the government might be encouraged to upscale this pilot experience as it addresses two main issues: the lack of access to fodder and agricultural services for smallholder milk producers, and youth employment creation.
- 145. **Upscaling of MCCs**. DVCDP II is significantly scaling-up the number of new MCCs to be constructed (100 against 4) which will play an important role in increasing the volumes of milk collected and processed, and improving the quality of the milk collected. The pilot MCC cooperative management model represents also an innovation in the country, where a new cooperative law is under development.

M. Project Target Group Engagement and Feedback, and Grievance Redress

a. Project Target Group Engagement and Feedback.

- 146. The **social mobilization** of project beneficiaries will start following the preliminary mapping and identification of target districts and villages. It will be implemented in collaboration with local partners and consultants with a consolidated capacity to manage participatory processes. Community-based participatory approaches to rural development are relatively new in Uzbekistan, but well-trained social mobilisers are already available in the country. A cadre of approximately 60-70 social mobilisers (one or two per selected district) will be hired by the project. The Mahalla Citizen's Assembly (MCA) will collaborate with the project's social mobilisers to facilitate the outreach, identification and mobilization of the project's target groups.
- 147. The PMU will establish an operational **Stakeholder Engagement Plan (SEP)** at the project start-up phase. The SEP will be in line with proposed project activities to ensure the participation and engagement of the stakeholders, ensuring that each group gets involved as defined and receive the agreed information. Regular meetings will be scheduled with the representatives of the groups of actors involved in the project, for the revision of the plan, activity progress and necessary adjustments according to probable changes in the initial context during the execution of the project. DVCDP II SEP principles and approach are further described in Annex 15.

b. Grievance redress.

- 148. A grievance redress mechanism (GRM) will be established under DVCDP II by which queries or clarifications about the project will be responded to, problems with implementation will be resolved, and complaints and grievances will be addressed efficiently and effectively. The stakeholder mapping and PRA exercise at early implementation will provide inputs on how to set up an effective GRM system and the type of issues and complaints that might arise during implementation. Potential adverse physical, environmental, social, cultural or economic impacts, labour issues, and gender-based violence, have already been identified as part of the risk analysis and will be addressed through the GRM system.
- 149. Existing GRM mechanisms, at the local, district and national levels will be leveraged by the programme, such as the GRM and feedback mechanism implemented by the Mahalla and the Women Committee (WCU), the latter being a key stakeholder to identify and address cases of gender-based discrimination or even violence, which might arise as a result of project's activities. The WCU has developed a robust resolution and mediation culture and will be a key actor to solve intra-household conflicts. The grievance will be handled by PMU gender and social inclusion specialist and regional field facilitators, and escalated to the Project Director, to CVLD and potentially to IFAD depending on the level of priority. DVCDP II GRM principles and approach are further described in Annex 14.

N. Implementation plans

a. Supervision, Mid-term Review and Completion plans.

- 150. **Project supervision:** The project will be supervised directly by IFAD in partnership with the LPA and in accordance with IFAD guidelines. Annual implementation support and supervision missions will be organised every year during the project's lifetime. Implementation support and supervision missions will not be conducted as a general inspection or evaluation, but rather as an opportunity to assess achievements and lessons learnt, and to reflect upon ways to improve implementation and impact. The PMU will ensure that the agreed actions at supervision and Implementation support missions are implemented within the agreed timeframe. IFAD will also be responsible for (i) reviewing withdrawal applications for IFAD proceeds; (ii) reviewing and approving requests for no-objection; (iii) monitoring compliance with the Financing Agreement, recommending remedies for any substantial non-compliance; and (iv) carrying out all other functions needed to administer the financing and supervise the project.
- 151. **Mid-term review (MTR)**: CVLD and IFAD shall jointly carry out an in-depth joint mid-term review no later than the third year of the project based on the terms of reference prepared by the PMU and approved by IFAD. The PMU will conduct a project mid-term survey in line with IFAD COI guidelines to adequately inform MTR mission. Among other things, the MTR will consider the achievements of project objectives and constraints and recommend any reorientations that might be required. The PMU will ensure that the agreed actions at MTR are implemented within the agreed time frame.
- 152. Project completion: After project completion date and no later than the closing date, CVLD will prepare a project completion report complying with IFAD standards. In addition, the PMU will conduct a project impact evaluation in order to adequately inform the completion report.

Start-up Costs and Advance:

- 153. The Project is to be presented to the IFAD's Executive Board in December 2023. Provided all the conditions of effectiveness of the Financing Agreement are met on time, the project start-up is tentatively planned for June 2024. To facilitate a prompt start-up, a withdrawal of up to USD 300 000 may be made from the IFAD Loan to pay for expenditures related to the Project start-up before fulfilment of the conditions precedent to withdrawal. The start-up activities may include:
 - · Recruitment of key staff;
 - Finalizing the Project Implementation Manual including the financial procedures, accounting, and procurement manuals;
 - Preparation of the first AWPB and procurement plan;
 - Organization of a Start-up workshop;
 - Procurement/upgrading of the accounting software for the new project;
 - Finalization of the Agreement and/ SLA templates with the implementing partners, PFIs, and EDC;
 - Finalization of Investment Guidelines, baseline survey, and mapping of beneficiaries.
- 154. The Financing Agreement (FA) and the Project Financial Management and Financial Control Arrangements Letter (FMFCL) will clearly disclose the amount and type of expenditures eligible for reimbursement.

Footnotes

- [1] Second Livestock Sector Development Project, Project Appraisal Document, World Bank, March 30, 2023
- [2] New Uzbekistan Development Strategy for 2022–2026
- [3] World Bank, Listening to the Citizens of Uzbekistan, 2018
- [4] https://www.adb.org/countries/uzbekistan/poverty Percentage defined as the share of the population living below the National Poverty line. The Statistics Agency under the President of Uzbekistan has announced the updated minimum consumer spending

(MCP) of the population. This indicator, used to determine the poverty line in the country, has been increased by 14% - from 498 thousand to 568 thousand soums per person per month (from 16.6 thousand to 18.9 thousand soums per day). Source: https://www.gazeta.uz/ru/2023/07/18

[5] Small-scale family farm that produces and sells agricultural products based on the personal labour of family members on a land plot provided to the head of the family for life-long inherited possession

[6] COSOP 2023-2027

[7] Second Livestock Sector Development Project, Project Appraisal Document, World Bank, March 30, 2023

[8] Between 1992 and 2019 the sector has grown by 291%

[9] Uzbekistan Livestock sub-sector Development Strategy 2020-2030 and investment plan 2020-2025

[10] Goals 30 and 32, Development Strategy of the New Uzbekistan

[11] Chapter 2. Main priorities of the Livestock strategy 2021-2030

[12] Particularly ADB, AFD and WB.

[13] Khokimiyats.

[14] The Food and Agriculture Organization of the United Nations (FAO). 2019. Gender, agriculture and rural development in Uzbekistan. Country Gender Assessment Series. http://www.fao.org/3/ca4628en/ca4628en.pdf.

[15] Asian Development Bank, 2018, Uzbekistan Country Gender Assessment

[16] State Statistics Committee, 2021

[17] Youth of Uzbekistan: challenges and prospects, UNICEF. Conducted between 2018-2020, the study targeted youth between 14 and 30 years of age across Uzbekistan's 12 provinces, the capital city of Tashkent and the autonomous Republic of Karakalpakstan.

[18] State Statistics Committee, 2020

[19] Second Livestock Sector Development Project, Project Appraisal Document, World Bank, March 30, 2023

[20] https://globalnutritionreport.org/resources/nutrition-profiles/asia/central-asia/uzbekistan/

[21] However, the dairy value chain contribution to red meat production is much lower compared to the meat value chain (feedlot/fattening).

[22] World Bank and Global Alliance for Improved Nutrition (GAIN). February 2020. Animal-Source Foods for Human and Planetary Health. GAIN Briefing Paper Series No. 2.

[23] Gender Equality and Women's Empowerment

[24] DVCDP Project completion report, June 2023

[25] Horticultural Support Project (2013 - 2019), Dairy Value Chains Development Program (2017 - 2023) and Agriculture Diversification and Modernization Project (2019 - 2025)

[26] DVCDP Project completion report, June 2023

[27] DVCDP Project Impact Assessment, June 2023.

[28] The main lessons learnt from the completion report and the RIA impact assessment report are the points highlighted in bold in this section and related among others to the targeting strategy, the capacity building and enabling environment, the establishment of the MCCs, access to finance, M&E and Financial management.

[29] Country strategy and programme evaluation (CSPE) 2009-2020, Independent Office of Evaluation (IOE)

[30] IFAD Country Strategy and Programme Evaluation, IOE, 2022

[31] Uzbekistan Livestock sub-sector Development Strategy 2020-2030 and investment plan 2020-2025: "Much of the reported growth in the livestock sector since the transition is largely derived from increases in herd sizes, not so much from the increase in productivity. This is not a sustainable path to follow in a country where land and water resources for animal feed production is continuously shrinking and allocated for other non-livestock uses. The way forward, therefore, is to invest in appropriate technologies that improve the productivity of the existing breeds and introducing new highly productive breeds. It is necessary to pay attention to improving the productivity of local breeds of animals with high productivity through selection or artificial insemination".

[32] https://www.woah.org/app/uploads/2021/03/oie-ppp-handbook-20190419-enint-bd.pdf

[33] A *tamarka* is a labor activity associated with the cultivation (processing) of agricultural products both for free trade and for the needs of the family on personal household plots. A *tamarka* is not officially considered as an entrepreneurial activity, and state registration is not required. A person who independently carries out activities based on personal labor participation in the cultivation

(processing) of agricultural products in a subsidiary plot may however obtain the status of a self-employed person in the manner prescribed by the legislation on employment. Source: https://lex.uz/docs/5351507

[34] This group comprises smallholder dekhan farmers and exclude larger scale producers and/or private enterprises.

[35] GoU introduced a social registry system in 2021 - the "Iron Notebooks" to track families facing severe social and living conditions with assistance programmes. These Notebooks are managed by the local Mahalla and also include "Women Notebooks" and "Youth Notebooks ".

[36] For further details see PIM section Project target groups and targeting strategy

[37] See below, Activity 1.3

[38] A cascade on-farm training model of practical training in groups for a longer period, e.g., seasons or one or two years. FAO executes LFFSL-FFS and convenes platforms for graduate farmer communities worldwide.

[39] Programme for the development of livestock sector and its branches in the Republic of Uzbekistan for 2022-2026 (<u>https://lex.uz/docs/5858728</u>). In the first annex of the document, it is mentioned that the strategy will "ensure the development and implementation of a breeding plan for the next 5 years on importation, zoning and reproduction of high-yielding breeds of livestock adapted to the climatic conditions of the Republic, artificial insemination and embryo transplantation".

[40] It is a common good practice to request co-financing from partner financial institutions (PFIs) to boost their involvement. This practice was also implemented during DVCDP.

[41] in particular Guiding Principle n°1- People Centric Inclusive Rural Finance with the implementation of a differentiated approach aligned with the specific needs of each target group, and Guiding Principle n°2 - Impact-driven, catalytic market-building instruments with the introduction of innovative financing instruments such as value chain financing and blended finance mechanisms".

[42] As per the MDB Methodologies for Tracking Climate Adaptation and Mitigation Finance.

[43] The modules for project specific indicators shall be included in COI questionnaire modules.

[44] Other outcome level project specific indicators not included in the Log-frame but included in the PIM shall also be measured through COI surveys.



Uzbekistan

Dairy Value Chains Development Project II

Project Design Report

Annex 1: Logframe

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Near East, North Africa and Europe Division Programme Management Department

Dairy Value Chains Development Project II

Logical Framework

Results Hierarchy	Indica	ators				Assumptions		
	Name	Baseline	Mid- Term	End Target	Source	Frequency	Responsibility	
Outreach Number of persons receiving services promoted/ supported by the project and	1 Persons receiving services the project	ted by	M&E system	Annual/Semi- annual	PMU M&E unit, Component leads			
corresponding number of households reached and estimated corresponding total number of HH members (based of HH average size of 5.7 members	Males	0	7440	18600				
	Females	0	4960	12400				
	Young	0	3720	9300				
	Not Young							
	Non-Indigenous people							
	Total number of persons receiving services	0	12400	31000				
	1.a Corresponding number of	d	M&E system	Annual/Semi-	PMU M&E unit,			
	Women-headed households	0	124	310		annual	Component leads	
	Non-women-headed households	0	12276	30690				
	Households	0	12400	31000				
	1.b Estimated corresponding members	seholds	M&E system Annual/Se annual		PMU M&E unit			
	Household members	0	70680	176700				
Project Goal Reduce poverty level among small scale dairy producers and mitigate the impacts of climate change in the sub-sector	Households experiencing ecc asset indicators i.e. Househol livestock)		COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact			
	Households	0		7750			assessment contractors	
	Households	0		25				

Results Hierarchy	Indica	ators				Assumptions		
	Name	Baseline	Mid- Term	End Target	Source	Frequency	Responsibility	
Development Objective Improve the income and the livelihood of small-scale producers involved in a	3.2.1 Tons of Greenhouse ga avoided and/or sequestered	s emissions	(tCO2e)	FAO Ex-ACT and GLEAM-	Baseline, Mid-term,	FAO, IFAD's ECG Division, PMU	Enabling business and political
competitive and sustainable dairy value chain and promote food security	Hectares of land	0		25000	l assessment	Endline	M&E unit	environment: Policy support to facilitate
	tCO2e/20 years	0						access to land and water for
	tCO2e/ha	0						smallholders, in
	tCO2e/ha/year	0						particular youth
	Households reporting an increase recovery to shocks	ease in resil	ence an	d	COI survey	Baseline, Mid-term,	PMU M&E unit, Baseline, Mid-term	
	Households		3100	7750		Endline	and Impact assessment	
	% of households	0	10	25			contractors	
	Households reporting an incre from livestock or dairy produc		mes der	iving	COI survey	Baseline, Mid-term,	PMU M&E unit, Baseline, Mid-term	
	Households	0	9920	24800		Endline	and Impact assessment	
	Households	0	32	80			contractors	
		Percent reduction in the prevalence of moderate or severe food insecurity among beneficiary households (FIES)					PMU M&E unit, Baseline, Mid-term and Impact	
	Percent reduction	0	5	15			assessment contractors	
Outcome 1. Sustainable climate smart dairy production through improved fodder and feed	SF.2.1 Households satisfied services	with project-	supporte	ed	COI survey	Baseline, Mid-term,	PMU M&E unit, Baseline, Mid-term	Trainings and investments result
production, animal husbandry, water access and land use	Household members	0	53010	132525		Endline	and Impact assessment	in adoption of adequate climate
	Non-indigenous households						contractors	resilient practices
	Non-women-headed households							
	Women-headed households	0	93	232				
	Households (%)	0	30	75				
	Households (number)	0	9300	23250	1			

Results Hierarchy	Indica	ators				Means of Verif	cation	Assumptions
	Name	Baseline	Mid- Term	End Target	Source	Frequency	Responsibility	
	SF.2.2 Households reporting making of local authorities an providers				COI Survey	Baseline, Mid-term, Endline		
	Household members	0	53010	132525			assessment contractors	
	Non-indigenous households							
	Non-women-headed households							
	Women-headed households	0	93	232				
	Households (%)	0	30	75				
	Households (number)	0	9300	23250				
	1.2.2 Households reporting ad inputs, technologies or practic		ew/impro	oved	COI HH survey	Baseline, Mid-term,	PMU M&E unit, Baseline, Mid-term	
	Total number of household members	0	42408	106020		Endline	and Impact assessment contractors	
	Households	0	24	60				
	Households	0	7440	18600				
		3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices					PMU M&E unit, Baseline, Mid-term and Impact	
	Total number of household members	0	49476	70680			assessment contractors	
	Households	0	28	40				
	Households	0	8680	12400				
	1.2.3 Households reporting reduced water shortage vis-à- vis production needs					Baseline, Mid-term,	PMU M&E unit, Baseline, Mid-term	
	Households	0	40	80		Endline	and Impact assessment	
	Households	0	1600	32000			contractors	
	Total number of household members	0	9120	18240				

Results Hierarchy	Indica	ators				Means of Verif	cation	Assumptions
	Name	Baseline	Mid- Term	End Target	Source	Frequency	Responsibility	
	1.2.9 Households with improv Attitudes and Practices (KAP)		Knowle	dge	COI survey	Baseline, Mid-term,		
	Households (number)	0	11200	22400		Endline	and Impact assessment	
	Households (%)	0	40	80			contractors	
	Household members	0	63840	127680				
	Percentage increase in milk p	roduction (I	itre/cow/	day)	COI survey	Baseline, Mid-term,	PMU M&E unit,	
	Increase in milk production	0	12.5	25		Endline	Baseline, Mid-term and Impact assessment contractors	
Output 1.1 Training and capacity building of dairy value chain actors	1.1.4 Persons trained in produtechnologies							Adequate level of adoption of
	Total number of persons trained by the project	0	18798	31330			Providers/external trainers	management practices in milk production by the
	Total number of attendances to training sessions	0	18798	31330				farmers
	Men trained in crop	0	1349	2249				
	Women trained in crop	0	556	926				
	Young people trained in crop	0	465	775				
	Men trained in livestock	0	10136	16893				
	Women trained in livestock	0	6757	11262				
	Young people trained in livestock	0	5067	8446				
	Total persons trained in crop	0	1905	3175				
	Total persons trained in livestock	0	16893	28155				

Results Hierarchy	Indica	ators				Means of Verifi	cation	Assumptions
	Name	Baseline	Mid- Term	End Target	Source	Frequency	Responsibility	
Output	3.1.4 Land brought under clin	nate-resilien	nt practic	es	M&E system	Annual/Semi-	PMU M&E unit,	Access to land and
1.2 Access to technology, inputs and improved access and use of land and water	Hectares of land	0	12500	25000	/ GIS	annual	Component lead	water technologies for the smallholders
	1.1.3 Rural producers access technological packages	ing product	ion input	s and/or	M&E system	Annual/Semi- annual	PMU M&E unit, Component lead	is facilitated through an enabling policy environment
	Males	0	6688	13377				
	Females	0	2867	5733				
	Young	0	3822	7644				
	Total rural producers	0	9555	19110				
	Rural service providers acces	sing techno	ological p	ackages	M&E system	Annual/Semi-	PMU M&E unit,	
	Males	0	552	920		annual	Component lead	
	Females	0	48	80				
	Young	0	420	700				
	Total rural service providers	0	600	1000				
	Household members benefitted	0	3420	5700				
Output 1.3 Improved nutrition sensitive production and farm management	1.1.8 Households provided w improve their nutrition	ith targeted	support	to	M&E system, Service	Annual/Semi- annual	PMU M&E unit, Service providers	Small scale producers face no
	Total persons participating	0	14000	28000	provider records		in charge of the implementation of	issues with physical availability of food
	Males	0	8400	16800			nutrition related activities	
	Females	0	5600	11200				
	Households	0	14000	28000				
	Household members benefitted	0	79500	159600				
	Young	0	4200	8400				
Output	Number of applied research studies			M&E system	Annual/Semi-	PMU M&E unit,		
1.4 Applied research, pilots and dissemination	Applied research studies		1	2		annual	Component lead	
							l	

Results Hierarchy	Indicators Means of Verification					Means of Verifi	cation	Assumptions
	Name	Baseline	Mid- Term	End Target	Source	Frequency	Responsibility	
	Number of MSC research stu	dies			M&E system	Annual/Semi-	PMU M&E unit,	
	MSC research studies		2	4		annual	Component lead	
Outcome	2.2.1 Persons with new jobs/e	employment	opportu	nities	COI Survey,	Baseline,	PMU M&E unit,	Interest of Partner
2: Increased competitiveness of the dairy value chain through enhanced business linkages, service provision, and financial innovations	Males	0	752	1505	M&E system	Mid-term, Endline	Baseline, Mid-term and Impact	Financial Institutions (PFI) to increase
	Females	0	95	190			assessment contractors	access to rural finance products for
	Young	0	589	1179				small-scale farmers. Interest of private
	Total number of persons with new jobs/employment opportunities	0	847	1695				sector entities in participating in the project. Dairy
	1.2.5 Households reporting us	ervices	COI survey	Baseline,	PMU M&E unit,	producers groups' capacity is		
	Total number of household members	0	2287	3944		Mid-term, Endline	Baseline, Mid-term and Impact assessment contractors	strengthened to manage efficiently the business of milk production. Interest of private sector to invest in the dairy
	Households	0	46	80				
	Households	0	401	692				
	2.2.3 Rural producers' organi partnerships/agreements or c private entities		COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact	VC Smallholders adopt a business mindset and acquire management skills.		
	Number of POs	0	61	122			assessment contractors	management skills.
	Women in leadership position							
	2.2.6 Households reporting in markets, processing and stora			cess to	COI survey	Baseline, Mid-term,	PMU M&E unit, Baseline, Mid-term	
	Households reporting improved physical access to storage facilities	0	60	80		Endline	and Impact assessment contractors	
	Size of households	0	45121	59371				
	Households reporting improved physical access to storage facilities	0	7916	10416				

Results Hierarchy	Indica	ators				Means of Verif	cation	Assumptions
	Name	Baseline	Mid- Term	End Target	Source	Frequency	Responsibility	
	Total households reporting improved physical access	0	7916	10416				
Output 2.1. Improved milk collection, aggregation and processing through productive	2.1.2 Persons trained in incor business management	ne-generati	ng activit	ties or	M&E system, Service	Annual/Semi- annual	PMU M&E unit, Service	Interest of Partner Financial Institutions
Alliances, 4Ps and cluster approaches	Males	0	10178	16963	provider records		providers/external trainers	(PFI) to increase access to rural
	Females	0	7669	12782				finance products for small-scale farmers.
	Young	0	5646	9410				Interest of private
	Persons trained in IGAs or BM (total)	0	17847	29745				sector entities in participating in the project. Dairy
	2.1.3 Rural producers' organi	zations sup	oorted		M&E System	Annual/Semi-	PMU M&E unit,	producers groups' capacity is
	Total size of POs	0	14087	28175		annual	Component lead	strengthened to
	Rural POs supported	0	612	1225				manage efficiently the business of milk
	Males	0	8474	16949				production.
	Females	0	5613	11226				
	Young	0	4287	8575				
	Rural POs supported that are headed by women	0	6	12				
	2.1.6 Market, processing or s or rehabilitated	2.1.6 Market, processing or storage facilities constructed or rehabilitated					PMU M&E unit, Component lead	
	Total number of facilities	0	76	100				
	Storage facilities constructed/rehabilitated	0	76	100				
Output	1.1.5 Persons in rural areas a	accessing fir	ancial s	ervices	M&E system	Annual/Semi-	PMU M&E Unit,	Adequate financing
2.2 Increased access to credits by value chain actors	Total number of accesses to financial services	0	502	865		annual	PFIs	instruments available for the smallholders in the
	Men in rural areas accessing financial services - credit	0	380	655				VC

Results Hierarchy	Indica	ators				Means of Verifi	cation	Assumptions
	Name	Baseline	Mid- Term	End Target	Source	Frequency	Responsibility	
	Women in rural areas accessing financial services - credit	0	122	210				
	Young people in rural areas accessing financial services - credit	0	122	211				
	Total persons accessing financial services - credit	0	502	865				
Outcome 3. Sustainable institutional and organisational development in the dairy sector	Policy 3 Existing/new laws, re strategies proposed to policy ratification or amendment				M&E system, relevant legal in-country		PMU M&E unit, Baseline, Mid-term and Impact	Interest and motivation among dairy value chain
	Number	0	0	1	institutions		assessment contractors	actors
Output 3.1 Dialogue between dairy sector stakeholders strengthened	Policy 2 Functioning multi-sta supported	keholder pla	atforms		M&E system	Annual/Semi- annual	PMU M&E unit	
	Number	0	4	6				



Uzbekistan

Dairy Value Chains Development Project II

Project Design Report

Annex 2: Theory of change

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Annex 2: Theory of Change

Figure 1: Theory of Change DVCDP II - PDO is to "to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain"

CHALLENGES	NPUTS/ACTIMTÉS	OUTPU	uts 🕨		OUTCOMES	- IMPACTS
Limited access to land and to water, Inefficient water management practices Lowquality and limited availability of fodder Poor animal health and unsustainable genetic improvement strategy	 Working group discussions on land reform. Study on the current status/future impacts of the land reform Small scale water related infrastructure, inputs and practices for efficient water use. Support to land and soil management, climate smart 	 Influencing policy on la on the current status/fut land reform completed. Training/production pra packages, inputs for pro level services, use of w infrastructure Access to technology, access and use of land Access to extension an 	ture impacts of the actices, tech. oduction and farm ater related inputs and improved and water		1. Sustainable climate-smart dairy production - Improved access to land for landless for fodder production -Improved animal husbandry and yields - Improved fodder and feed production -Adoption of new production practices and technologies -Improved AHS access, (privatization of paravets)	
Limited SHF know-howin dairy management and access to services and social mobilisation Limited research orientation towards SHFs needs	fodder and feed production inputs and practices 4. Support to public and private services (extension, animal health, breeding, research) Support on genetics, animal health, herd management and	services: -Improved breed progra MSc level research inno Equipment and animal I Milk collection, aggrega quality fodder and animal feed	ovations housing ation processing and production-Access	•	-Reduction of disease and mortality rate/ increase in preventive measures -Adoption of climate resilient practices and technologies -Improvement breeding system and Al adoption increase -Improved extension and research for SHFs	Increased incomes of small-scale farmers in the dairy VC
Limited exposure to dimate smart technologies and practices	feeding, climate smart technologies and practices. 5. Support to climate	to technologies/ inputs: fodder Improved access/ use of Drought resistant fodde	ofland and water		-Reduction in GHG emission in the VC -Improved pasture management and regeneration of degraded rangeland.	Increased climate mitigation and resilience to shocks
Insufficient food access and improper food utilization	adaptation and sustainable pasture management, regeneration of degraded rangeland	Pasture management p -Production groups fo enhanced	lans		-Improved water-use efficiency -Improved nutrition outcomes 2. Increased competitiveness of the dairy	Improved food security
Lack of formal linkages between producers and aggregators,	6.Social mobilization and dairy management capacity building	Trainings to improve nu	utrition knowledge	i	value chain -PPP partnerships -Increase in milk sales	
processors, private service providers.	7. nutrition knowledge and nutrition-sensitive agriculture	Provision of MCC equipment and TA Training on business skills and marketing			-Increased access to rural finance services -Increased market access -Increased investments in livestock dairy VC	
Lack of business management and financial skills	8. Productive infrastructures and marketing capacity	Formal partnerships 4F POs, processors and s	Ps between farmers, takeholders		-Employment opportunities created for unemployed young people and vulnerable women in the VC	
Lack of access to finance, in	and marketing capacity	Rural finance literacy to Provision of credit facil			-Improved opportunities for women as entrepreneurs	
particular for small scale farmers, youth and women	10. Pro-poor financing services	Catalytic grants for vul including vulnerable w	nerable groups		-enhanced productivity and sustainability of the value-chain	
Lack of dialog between the value chain actors	12. Dialogue between value chain actors	unemployed youth Support to multi-stakeh	nolder platforms		3. Sustainable institutional and organisational development - Approval/amendment of new/existing laws/regulations/strategies support	
-Improved access to water and land for smallholders -Physical availability of food	Interest of Partner Financial Institut access to rural finance products for - adequate financing instruments a smallholders in the value chain	tions to increase r small-scale farmers	- Trainings and inves adequate climate resi - Interest of the private	ilient e se	ents resulting in adoption of t practices actor to invest in the dairy VC usiness mindset and acquire	Enabling business and political environment Policy support to facilit access to land and wate for smallholders, in particular youth



Uzbekistan

Dairy Value Chains Development Project II

Project Design Report

Annex 3: Project cost and financing: Detailed costs tables

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Annex 3: Project cost and financing

A. Introduction

1. This section describes the assumptions underlying the derivation of the Costs and the Financing Plan for the DVCDP. The Programme's costs are based on May 2023 prices. Some of the key parameters are:

- <u>Programme Period</u>. The proposed Programme would be financed over seven-years;
- <u>Inflation</u>. The EIU¹'s estimates for the consumer price inflation in 2024-2027 is 6.3% on average, and this rate was set as a base for the whole Programme period 2024-2030;
- Exchange Rate. The EIU's estimates for the USD/UZS in 2024-2027 is UZS 12,614 on average and this rate has been used in this analysis.

2. The Programme costs are presented in both UZS and USD. Conversions from current USD values into Uzbek Som use the following constant purchasing power exchange rates:

 Table 1: Constant Purchasing Power Exchange Rates (UZS/USD)

Up to Programme Start-up	PY1	PY2	PY3	PY4	PY5	PY6	PY7
11,500	12,819	13,229	13,654	14,091	14,542	15,008	15,489

3. **Taxes and Duties.** There is VAT of 12% levied on all imported and locally procured goods and services. For directly recruited local staff the Programme would cover the social insurance of 25% to be finance by the Government budget. The Government would also finance the cost of all taxes and duties on goods and services procured under the Programme.

4. **Expenditure Accounts.** The expenditure accounts, together with the breakdown of taxes, **physical** contingencies and the average rates for foreign exchange used in the analysis are shown in Table 2 below. Physical contingencies have only been applied on the items for which the required amounts could not be reasonably estimated and have not been applied to the funds earmarked for the credit lines, research studies and scholarships as they follow a demand-driven delivery scheme.

Des	cription	Taxes (share in total costs)	Physical Contingency	Foreign Exchange		
Inve	stment Costs					
Α.	Equipment and Goods	27.2%	5%	41%		
В.	Vehicles	0.3%	0%	55%		
C.	Technical Assistance	6.6%	0%	25%		
D.	Training	1.2%	0%	30%		
Ε.	Consultancies	2.4%	0%	30%		
F.	Studies and Workshops	2.4%	0%	30%		
G.	Grants and Subsidies	11.7%	0%	27%		
Н.	Credit, Guarantee Funds	41.4%	0%	40-80%		
Rec	urrent Costs					
Α.	Salaries	4.5%	0%	5%		
В.	Operation and Maintenance	0.5%	5%	0%		
C.	Other Operating Expenses	1.8%	5%	2%		

 Table 2: Expenditure Accounts

B. Programme costs

5. The total investment and incremental recurrent Programme costs, including physical and price contingencies, are estimated at about USD 47.4 million (UZS 621.2 billion). Physical and price

¹ Economist Intelligence Unit

contingencies make up about 4% of the total Programme costs due to the fact that investments associated with the rural finance, improvement of sustainable dairy production and access to services make up 22% of the total Programme costs and increase of participation of small-scale farmers in the dairy value chain form about 69% of the total Programme costs. The foreign exchange component is estimated at USD 21.8 million or about 46% of the total Programme costs. Taxes and duties make up approximately USD 3.14 million. Funds allocated to the Programme Management form 9.5% of the total Programme costs and the recurrent costs are about 6.7% of the IFAD loan (PBAS and BRAM). Programme costs by component are shown in Table 3 below.

Table 3: Programme Costs by Component

		(UZS Million)			(US\$ '000)			
	Local	Foreign	Total	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Component1. Improving sustainable dairy production and access to services		· · ·					•	
1. Subcomponent 1.1: Mobilizing farmers and households and building capacities	8,378.2	930.9	9,309.1	664.2	73.8	738.0	10	2
2. Subcomponent 1.2: Improving access to water, fodder production and grazing land	27,048.3	8,356.0	35,404.4	2,144.3	662.4	2,806.8	24	6
3. Subcomponent 1.3: Improving dairy production and farm management	26,489.4	11,352.6	37,842.0	2,100.0	900.0	3,000.0	30	7
4. Subcomponent 1.4: Improving access to extension, health and input services	22,997.7	9,856.1	32,853.8	1,823.2	781.4	2,604.6	30	6
5. Subcomponent 1.5: Applied research, pilots and dissemination	6,180.9	2,648.9	8,829.8	490.0	210.0	700.0	30	2
Subtotal Component1. Improving sustainable dairy production and access to services	91,094.5	33,144.6	124,239.1	7,221.7	2,627.6	9,849.3	27	22
B. Component 2. Increasing participation of small-scale farmers in the dairy value chain								
1. Subcomponent 2.1: Establishing Milk Collection Centers	86,006.3	59,853.1	145,859.4	6,818.3	4,745.0	11,563.3	41	26
2. Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain	81,739.9	165,917.0	247,656.9	6,480.1	13,153.4	19,633.5	67	43
Subtotal Component 2. Increasing participation of small-scale farmers in the dairy value chain	167,746.2	225,770.1	393,516.3	13,298.4	17,898.4	31,196.8	57	69
C. Component 3. Policy support and Project coordination and management								
1. Subcomponent 3.1 Policy support	3,808.3	1,632.1	5,440.4	301.9	129.4	431.3	30	1
Subcomponent 3.2 Monitoring and Evaluation and Knowledge Management	3,773.1	1,617.1	5,390.2	299.1	128.2	427.3	30	1
Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	27,743.3	2,407.3	30,150.6	2,199.4	190.8	2,390.3	8	5
Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	11,653.4	998.4	12,651.8	923.9	79.2	1,003.0	8	2
Subtotal Component 3. Policy support and Project coordination and management	46,978.2	6,654.9	53,633.1	3,724.3	527.6	4,251.9	12	9
Total BASELINE COSTS	305,818.9	265,569.6	571,388.4	24,244.4	21,053.6	45,298.0	46	100
Physical Contingencies	4,723.8	3,054.7	7,778.5	374.5	242.2	616.7	39	1
Price Contingencies	26,884.8	15,109.1	41,993.9	971.7	546.0	1,517.6	36	3
Total PROJECT COSTS	337,427.5	283,733.4	621,160.9	25,590.6	21,841.7	47,432.2	46	105

C. Programme financing

6. An IFAD's PBAS-12 loan of USD 30.0 million (63.2 % of the total Programme costs), would finance: 80% of the Improving Sustainable Dairy Production and Access to Services output (USD 8.19 million), 55.3% of the Increasing Participation of Small-Scale Farmers in the Dairy Value Chain output (USD 18.07 million), and 83% of the Policy Support and Project Coordination and Management (USD 3.74 million). An IFAD's BRAM loan of USD 7.8 million (16.4% of the total Programme costs), would finance: 5.2% of the Improving Sustainable Dairy Production and Access to Services output (USD 0.53 million) and 22.2 % of the Increasing Participation of Small-Scale Farmers in the Dairy Value Chain output (USD 7.27 million). The Government contribution is estimated at USD 3.7 million (7.5%) and includes contributions from its budget primarily to cover the PMU recurrent expenses, staff insurance and foregone taxes and duties and 0.11 million in in-kind (0.2%) for offices rent (see below). Approximately USD 5.93 million (12.5%) would be provided by the beneficiaries as contributions to the financing of sustainable dairy production and value chain development investments, including USD 5.08 million (10.7%) in cash and USD 0.87 million (1.8%) in-kind.

7. The Government contribution would be in the form of foregone taxes and duties on all Programme inputs that involve funding from the IFAD Loan or any other external source of funding associated with the IFAD loan. The estimate of taxes and duties was based on the rates in effect prevailing at the time of the Programme design. In conformity with the principle that no taxes or duties would be financed out of the proceeds of the IFAD Loan, any future changes in the rates and/or structures of taxes and duties would have to apply to the Programme.

8. Tables 4 and 5 below provide summaries by the Programme outcomes and outputs and expenditure accounts of the proposed financing arrangement.

Table 4: Financing Plan by Components (USD '000)

				GC	OU in kind contr.		GOU in kind contr. (office		Beneficiaries In-Cash	I	Beneficiaries In-Kind			
	IFAD PBAS-12		IFAD BRAM		(taxes and duties)		space)		Contribution		Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Component1. Improving sustainable dairy production and access to services														
1. Subcomponent 1.1: Mobilizing farmers and households and building capacities	768.9	100.0	-	-	0.0	-	-			-		-	768.9	1.6
2. Subcomponent 1.2: Improving access to water, fodder production and grazing land	1,641.9	58.3	530.0	18.8	294.4	10.4	-		- 175.7	6.2	2 175.7	6.2	2,817.8	5.9
3. Subcomponent 1.3: Improving dairy production and farm management	3,020.4	93.8	-	-	110.0	3.4	-		- 44.9	1.4	44.9	1.4	3,220.3	6.8
4. Subcomponent 1.4: Improving access to extension, health and input services	1,988.9	74.7	-	-	207.2	7.8	-		- 373.8	14.0	93.5	3.5	2,663.4	5.6
5. Subcomponent 1.5: Applied research, pilots and dissemination	769.8	100.0	-	-	-0.0	-	-			-		-	769.8	1.6
Subtotal Component1. Improving sustainable dairy production and access to services	8,190.0	80.0	530.0	5.2	611.6	6.0	-		- 594.5	5.8	314.1	3.1	10,240.2	21.6
B. Component 2. Increasing participation of small-scale farmers in the dairy value chain														
1. Subcomponent 2.1: Establishing Milk Collection Centers	8,225.4	63.0	1,270.0	9.7	2,307.7	17.7	-		- 694.1	5.3	553.3	4.2	13,050.6	27.5
2. Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain	9,844.6	50.1	6,000.0	30.6	0.0	-	-		- 3,788.9	19.3	3 -	-	19,633.5	41.4
Subtotal Component 2. Increasing participation of small-scale farmers in the dairy value chain	18,070.0	55.3	7,270.0	22.2	2,307.7	7.1	-		- 4,483.0	13.7	553.3	1.7	32,684.1	68.9
C. Component 3. Policy support and Project coordination and management														
1. Subcomponent 3.1 Policy support	468.8	100.0	-	-	0.0	-	-			-	-	-	468.8	1.0
2. Subcomponent 3.2 Monitoring and Evaluation and Knowledge Management	466.0	100.0	-	-	0.0	-	-			-	-	-	466.0	1.0
Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	1,999.5	79.1	-	-	451.8	17.9	76.3	3.0	D -	-	-	-	2,527.6	5.3
4. Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	805.7	77.1	-	-	201.6	19.3	38.2	3.7	7 -	-		-	1,045.5	2.2
Subtotal Component 3. Policy support and Project coordination and management	3,740.0	83.0	-	-	653.5	14.5	114.5	2.	5 -	-	-	-	4,508.0	9.5
Total PROJECT COSTS	30,000.0	63.2	7,800.0	16.4	3,572.8	7.5	114.5	0.2	2 5,077.5	10.7	867.4	1.8	47,432.2	100.0

Table 5: Financing Plan by Expenditure Accounts (USD '000)

	IFAD PBAS-12		FAD BRAM		GOU		GOU in kind		Beneficiaries In-Cash Contribution		eneficiaries In-Kind ontribution		Total			Local (Excl.	Duties &
	Amount	<u> </u>	Amount	%	Amount	%	Amount	%	Amount	<u> </u>	Amount	%	Amount	%	For. Exch.	(Excl. Taxes)	Taxes
	Anount	70	Anount	70	Anount	70	Amount	70	Amount	70	Anount	70	Anount	70	T OT. EXOII.	Tuxeey	Тахео
I. Investment Costs																	
A. Equipment and goods	8,044.9	62.5	1,270.0	9.9	2,318.6	18.0	-	-	694.1	5.4	553.3	4.3	12,880.9	27.2	5,336.0	5,226.3	2,318.6
B. Vehicles	91.4	75.0	-	-	30.5	25.0	-	-	-	-	-	-	121.8	0.3	67.0	24.4	30.5
C. Technical Assistance	3,116.0	100.0	-	-	-	-	-	-	-	-	-	-	3,116.0	6.6	777.3	2,338.8	-
D. Training	579.2	100.0	-	-	-	-	-	-	-	-	-	-	579.2	1.2	173.8	405.5	-
E. Consultancies	1,149.0	100.0	-	-	-	-	-	-	-	-	-	-	1,149.0	2.4	344.7	804.3	-
F. Studies and workshops	1,147.6	100.0	-	-	0.0	-	-	-	-	-	-	-	1,147.6	2.4	344.3	803.3	-
G. Grants and Subsidies	3,506.9	63.1	530.0	9.5	611.2	11.0	-	-	594.5	10.7	314.1	5.7	5,556.8	11.7	1,487.4	3,458.1	611.2
H. Credit, Guarantee Funds																	
1. Window 1 for women, youth, non-registered HHs	700.0	90.0	-	-	-	-	-		77.8	10.0	-	-	777.8	1.6	311.1	466.7	-
2. Window 2 Dekhan Farmers	4,484.6	80.0	-	-	0.0	-	-	-	1,121.1	20.0	-	-	5,605.7	11.8	2,242.3	3,363.4	-
3. Window 3 Private farmers	-	-	6,000.0	80.0	0.0	-	-	-	1,500.0	20.0	-	-	7,500.0	15.8	6,000.0	1,500.0	-
4. Window 4 Agri-processors	3,300.0	80.0	-	-	-	-	-		825.0	20.0	-	-	4,125.0	8.7	3,300.0	825.0	-
5. Window 5 Service providers and input	1,060.0	80.0	-	-	-	-	-		265.0	20.0	-	-	1,325.0	2.8	1,060.0	265.0	-
6. Guarantee mechanism	300.0	100.0	-	-	-	-	-	-	-	-	-	-	300.0	0.6	240.0	60.0	-
Subtotal Credit, Guarantee Funds	9,844.6	50.1	6,000.0	30.6	0.0	-	-	-	3,788.9	19.3	-	-	19,633.5	41.4	13,153.4	6,480.1	-
Total Investment Costs	27,479.7	62.2	7,800.0	17.7	2,960.2	6.7	-	-	5,077.5	11.5	867.4	2.0	44,184.9	93.2	21,683.9	19,540.7	2,960.2
II. Recurrent Costs																	
A. Salaries /a	1,711.2	80.0	-	-	427.8	20.0	-		-	-	-	-	2,139.0	4.5	-	2,139.0	-
B. Operation and Maintenance	209.9	83.3	-	-	42.0	16.7	-	-	-	-	-	-	251.9	0.5	126.0	84.0	42.0
C. Other Operating Costs	599.2	70.0	-	-	142.8	16.7	114.5	13.4		-	-	-	856.5	1.8	31.8	681.9	142.8
Total Recurrent Costs	2,520.3	77.6	-	-	612.6	18.9	114.5	3.5	-	-	-	-	3,247.4	6.8	157.8	2,904.8	184.8
Total PROJECT COSTS	30,000.0	63.2	7,800.0	16.4	3,572.8	7.5	114.5	0.2	5,077.5	10.7	867.4	1.8	47,432.2	100.0	21,841.7	22,445.5	3,145.0

9. **Implications for Government Budget.** Apart from repayment of any loan finance, implications for Government's budget are limited in terms of its contribution to the Programme costs and there are no requirements for post-Programme funding by the Government in that up-scaling and replication would be, subject to Government policy, feasible and attractive for the private sector.

Detailed programme costs are presented below. 10.

Component 1. Improving and increasing sustainable climate smart dairy production and access to required services

Republic of Uzbekistan																									
Dairy Value Chain Development Programme - II																									
Table 1. Component 1. Improving and increasing sustainable climate smart dairy production and access to required services /a																			Breakdo	own of T	otals Incl.	Cont. ('00	0		
Detailed Costs																					Local		,		
(US\$)			Qua	ntities					Base C	ost ('000)			1	Totals Incl	ludina Coi	ntingencies	s ('000)				(Excl. Di	ties &			Other Accounts
	Unit	2025 2026	6 2027 2	2029	2030 2031	Total Un	it Cost	2025 2026			2030	2031 Total	2025	2026 20	027 202	8 2029	2030	2031 T	Total For				tal Disb. Acct.		Fin. Rule
I. Investment Costs																									
A. Subcomponent 1.1: Mobilizing farmers and households and building capacities																									
Social mobilisers /b	person-year	30 3	~	· ·				108.0 108			· ·	- 216.0					-		222.5	22.3	200.3		22.5 TA_DA		IFAD_PBAS (100%)
Operational costs of social mobilisers	person-year	30 3	i0 -					27.0 27			· ·	04.0						-	55.6	5.6	50.1		55.6 TA_DA		IFAD_PBAS (100%)
	service provider	2	2 1					168.0 168				- 420.0							436.6	43.7	392.9		36.6 TA_DA		IFAD_PBAS (100%)
Consultant on capacity development	person-month	-	4 4	4 4	4 4	24	2.000			8.0 8.		8.0 48.0			0.0 (8.9 9.1	9.4	9.7	54.1	0.4	48.7	-	54.1 TA_DA		IFAD_PBAS (100%)
Subtotal Subcomponent 1.1: Mobilizing farmers and households and building capacities B. Subcomponent 1.2. Activities - Improving access to water, fodder production and grazing land							1	303.0 311	.0 92.0	8.0 8.	.0 8.0	8.0 738.0	307.5	325.1	99.1 8	8.9 9.1	9.4	9.7	768.9	76.9	692.0	- 7	68.9		
Matching grants for watertanks /d	grant	40 10	0 100	92 70	70 -	472	500	20.0 50	.0 50.0	46.0 35.	0 35.0	- 236.0	20.0	50.0	50.0 46	6.0 35.0	35.0		236.0	70.8	139.2	26.0 2	36.0 GRANTS SUBSIDIES	DA IFAD PBAS (90	0%); BEN_CASH (5%); BEN_IN_KIND (5%)
Rehabilitation of communal water points	grant	2	4 4	4 4	2 -	20	30,000	60.0 120	.0 120.0 1	20.0 120.	0 60 0	- 600.0	60.0	120.0 1	120.0 120	0.0 120.0	60.0		600.0	120.0	414.0				%); BEN CASH (10%); BEN IN KIND (10%)
Access to drought resistant fodder seeds	grant	5 1	5 25	20 20	10 5	100	294	15 4	4 74	59 5	9 29	15 29.4	1.5	4.4	74 5	59 59	29	1.5	29.4	8.8	17.3	3.2	29.4 GRANTS_SUBSIDIES_	DA E C	IFAD_PBAS (100%)
Testing, piloting and upscaling of drought resistant fodder plants	pilot		. 1	1 1	1 .	4	28.876		- 28.9	28.9 28	9 289	. 115.5			28.9 28	89 289	28.9		115.5	34.7	68.1		15.5 GRANTS SUBSIDIES		IFAD BRAM (100%)
Piloting hydrogonic fodder plant cultivation	pilot	. 1	0 10	15 10	5.	50	10.000	- 100		50.0 100.		. 500.0			100.0 150				500.0	150.0	295.0				%); BEN_CASH (15%); BEN_IN_KIND (15%)
Field visitis to the hydroponic pioneers	visit		7 7	9 3	2.		3,000	6.0 21		27.0 9		- 90.0	,) 61		22.6 29				97.9	29.4	68.6		97.9 TRAIN DA		IFAD_PBAS (100%)
Group formation and training of youth in fodder growing	training	1	2 2	2 1	÷	8	5.000	5.0 10		10.0 5.	0	- 40.0				1.1 5.7			43.1	12.9	30.2		43.1 TRAIN DA		IFAD_PBAS (100%)
Grant for land access, seeds and machinery and tools /e	package	3		2 I E E		25			.0 200.0 2			- 1.000.0	/ 0.1			0.0 200.0		- 1	-10.1	200.0	690.0				0%); BEN_CASH (5%); BEN_IN_KIND (5%)
Regeneration of degradaded rangelands	lumpsum	3	5 5	5 5	2 .	25	40.000	- 100			.0 80.0	- 195.8		100.0 2		5.8 -	80.0		195.8				95.8 GRANTS SUBSIDIES		IFAD PBAS (100%)
Subtotal Subcomponent 1.2. Activities - Improving access to water, fodder production and grazing land	lumpsum						_				· · ·	1.5 2.806.8					-					294.4 28		DA	IFAD_FBA3 (100%)
								212.5 005	.4 557.2 0	003.0 003.	.0 202.0	1.5 2,000.0	212.0	000.0 3	339.0 00/	1.0 303.7	203.9	1.5 2	2,017.0	000.0	1,007.0	234.4 2,0	17.0		
C. Subcomponent 1.3: Improving dairy production and farm management																									
1. Livestock Farmers Field Scool (LFFS) /f								250.0				- 250.0	050.0						253.8	76.1	177.6		53.8 TRAIN DA		IFAD PBAS(100%)
Development of dairy curriculum /g	lumpsum							200.0									-								
Master trainers training /h	lumpsum							- 200			· ·	- 200.0		209.1	-	• •	-		209.1	62.7	146.4		09.1 TRAIN_DA		IFAD_PBAS (100%)
Facilitators training/i	training group	- 1					9.000	- 135	-			- 135.0		141.1					141.1	42.3	98.8	- 1			IFAD_PBAS (100%)
Facilitation of farmer groups /j	training group	-	- 300	450 450	450 300	1,950	700	-				210.0 1,365.0				9.4 359.9		254.5 1			1,092.4	- 1,5			IFAD_PBAS (100%)
Monitoring training quality	lumpsum						_	-		10.0 10.		- 50.0				1.1 11.4		-	55.8	16.7	39.1		55.8 TRAIN_DA		IFAD_PBAS (100%)
Subtotal Livestock Farmers Field Scool (LFFS)								250.0 335	.0 230.0 3	25.0 325.	.0 325.0	210.0 2,000.0) 253.8	350.2 2	247.7 360	0.5 371.3	382.4	254.5 2	2,220.3	666.1	1,554.2	- 2,2	20.3		
2. Catalytic Grants																									
Grants for construction of cowsheds/shelters and small equipment for cows in HH farms /k	lumpsum								.0 200.0 2			- 1,000.0						- 1						DA IFAD_PBAS (90	0%); BEN_CASH (5%); BEN_IN_KIND (5%)
Subtotal Subcomponent 1.3: Improving dairy production and farm management							:	350.0 535	.0 430.0 5	25.0 525.	.0 425.0	210.0 3,000.0) 353.8	550.2 4	147.7 560	0.5 571.3	482.4	254.5 3	3,220.3	966.1	2,144.2	110.0 3,2	20.3		
D. Subcomponent 1.4: Improving access to extension, health and input services																									
1. Support to extension																									
Extension voucher pilot for 4 years	lumpsum							-				30.0 120.0				0.0 30.0		30.0	120.0	36.0	70.8	13.2 1			IFAD_PBAS (100%)
Media extension	lumpsum						_		.0 20.0			- 100.0		20.0			20.0		100.0	30.0	59.0	11.0 1	00.0 TRAIN_DA		IFAD_PBAS (100%)
Subtotal Support to extension								- 20	.0 20.0	50.0 50.	.0 50.0	30.0 220.0) -	20.0	20.0 50	0.0 50.0	50.0	30.0	220.0	66.0	129.8	24.2 2	20.0		
2. Privitization of veterinary services																									
Policy review and feasibility study privatisation mapping and pathway for implementation	lumpsum							50.0				- 50.0) 50.8	-			-	-	50.8	15.2	35.5	-	50.8 CONSULTANCIES_D	A	IFAD_PBAS (100%)
Training of private (para)vets	lumpsum	-	- 4	4 2		10	5.000		- 20.0	20.0 10.	.0 -	- 50.0) -	-	20.0 20	0.0 10.0		-	50.0	15.0	29.5	5.5	50.0 GRANTS_SUBSIDIES_	DA	IFAD_PBAS (100%)
Concessional matching grants	paravet		- 120	120 60		300	3.500	-	- 420.0 4	20.0 210.	.0 -	- 1,050.0) -	- 4	120.0 420	0.0 210.0	-	- 1	1,050.0	315.0	619.5	115.5 1,0	50.0 GRANTS_SUBSIDIES_	DA IFAD_PBAS (505	%); BEN_CASH (40%); BEN_IN_KIND (10%)
Monitoring of private (para)vets	lumpsum								- 1.2	1.2 1.	2 1.2	- 4.8	3 -	-	1.3 1	1.3 1.4	1.4	-	5.4	1.6	3.8	-	5.4 TA_DA		IFAD_PBAS (100%)
Subtotal Privitization of veterinary services								50.0	- 441.2 4	41.2 221.	2 1.2	- 1.154.8	3 50.8	- 4	141.3 441	1.3 221.4	1.4	- 1	1.156.2	346.8	688.3	121.0 1.1	56.2		
3. Breeding and Al																									
Establishment and support of particpatory local breeding groups and programmes pilot Kaskandarya	lumpsum							20.0 30	.0 30.0	30.0 30.	0 10.0	8.0 158.0	20.3	31.4	32.3 33	3.3 34.3	11.8	9.7	173.0	51.9	121.1	- 1	73.0 TA DA		IFAD PBAS (100%)
Nation wide inventory of AI and breeding centre facilities & Local farmer group formation (FO) and breeding knowledge	a consultant	2				2	15.000	30.0				- 30.0	30.5	· .			-	· -	30.5	9.1	21.3	-	30.5 TA DA		IFAD PBAS (100%)
Pilot Breed and breeding study activities / field visits	group	25 2	5 25			75	750	18.8 18	8 18.8			- 56.3	19.0	19.6	20.2				58.8	17.6	41.2	-	58.8STUDIES&WORKSHOPS	DA	IFAD_PBAS (100%)
Matching grant for AI for LEES farmers /	AI	-	- 7000 7	000 7.000	7 000 -	28.000	20		- 140.0 1	40.0 140.	0 140.0	- 560.0) -	- 1	140.0 140	0.0 140.0	140.0		560.0	168.0	330.4	61.6 5	60.0 GRANTS SUBSIDIES	DA	IFAD PBAS (100%)
Training for future inseminators	person	-	- 10			10	350		- 3.5			- 3.5	· -	-	38				3.8	1.1	2.6		3.8 TRAIN DA		IFAD PBAS (100%)
Roll out	insemination kit		- 100			100	20		- 20			- 2.0			2.3				2.3	0.7			2.3 EQUIP_DA		IFAD_PBAS (100%)
Subtotal Breeding and Al								68.8 48	.8 194.3 1	70.0 170	0 150.0	8.0 809.8				3.3 174.3	151.8	97	828.3	248.5			28.3		
4. Applied research and dissemination								40	.0 104.0 1	10.0 110.	.0 100.0	0.0 000.0	00.0	01.0	100.0 110	0.0 114.0	101.0	0.7	020.0	210.0	011.0	02.0 0	20.0		
Prevalence study on Brucellosis	lumpsum							50.0 50	0 30.0			- 130.0	50.8	52.3	32.3			-	135.3	40.6	94.7	. 1	35.3STUDIES&WORKSHOPS	DA	IFAD PBAS(100%)
Survey on feed safety	lumpsum								.0 30.0			- 80.0		20.9					83.7	25.1	58.6		83.7 CONSULTANCIES D.		IFAD_PBAS(100%)
Animal nutrition, feed safety and diet composition for dairy production, including concentrate requirements	lumpsum									30.0 30.	0 20.0	- 90.0				3.3 34.3	26.2	-		30.9			02.8 CONSULTANCIES D		IFAD PBAS (100%)
Participatrony local breeding group pilot on genetic and organizational needs	lumpsum									40.0 40		- 120.0		-		3.3 34.3 4.4 45.7			137.1	30.9 41.1	96.0		37.1STUDIES&WORKSHOPS		IFAD_PBAS (100%)
Subtotal Applied research and dissemination	lumpsum						-) 81.2	-					459.0	137.7	00.0		59.0	_DA	IFAD_FBA3(100%)
Subtotal Subcomponent 1.4: Improving access to extension, health and input services								198.8 138	.8 /15.5 7	31.2 511.	2 2/1.2	38.0 2,604.6	5 201.7	144.1 7	24.4 742	2.2 525.6	285.5	39.7 2	2,003.4	799.0	1,657.2	207.2 2,6	63.4		
E. Subcomponent 1.5: Applied research, pilots and dissemination												40		~ .					175.0	50.5	400.5				IFAD 2040 (4000)
1. Applied research	lumpsum								.0 30.0			- 160.0						-			122.5		75.0STUDIES&WORKSHOPS		IFAD_PBAS (100%)
2. Pilots	lumpsum								.0 100.0 1			- 490.0									377.4		39.1 CONSULTANCIES_D		IFAD_PBAS (100%)
3. Dessimination	lumpsum						_		.0 10.0			5.0 50.0				1.1 11.4			55.7		39.0		55.7STUDIES&WORKSHOPS	_DA	IFAD_PBAS (100%)
Subtotal Subcomponent 1.5: Applied research, pilots and dissemination												5.0 700.0									538.9		69.8		
Total							1,1	114.2 1,730	.2 1,914.7 2,0	87.8 1,668.	0 1,072.0	262.5 9,849.3	3 1,126.4 1	1,772.7 1,9	361.5 2,154	4.5 1,748.9	1,164.8	311.4 10),240.2	2,738.7	6,889.9	611.6 10,2	40.2		

\a Operational Costs linked to this component are be budgeted under the PMU.

\b Mapping/PRA/planning with communities for targeting participants

C One SP per each region
 Vd For matching grants, beneficiaries will select the equipment and the PMU will procure it

V 56 per each region
 V 25,000 beneficiaries will be trained in total (25 persons per each training group, 1000 training groups in total).

\g One SP per each region

gure as on person many section of the section of th

Component 2. Increasing participation of small-scale farmers in the dairy value chain

Republic of Uzbekista

Detailed Costs																										ocal				
(US\$)				antities							Base Cos									ngencies						xcl. Du				Other Accounts
	Unit	2025 202	6 2027	2028 20	29 203	0 2031	Total L	nit Cost	2025 20	26 202	27 2028	8 2029	2030	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total	For. Excl	n. Ta:	xes) T	axes	Total	Disb. Acct.	Fin. Rule
I. Investment Costs																														
A. Subcomponent 2.1: Establishing Milk Collection Centers																														
1. Activities - Establishing Milk Collection Centers																														
a. Construction & Equipment of new MCCs /a																														
Category 1 MCC	number	- 1	5 15	10	-	-	- 40	28.000			20.0 280		-	-	1,120.0			474.9		-	-		1,262.0					1,262.0	EQUIP_DA	IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (55
Category 2 MCC	number		5 15	10	-	-	- 40	40.000	- 60	0.0 60	0.0 400	.0 -	-	-	1,600.0		658.6			-	-	-	1,802.9	540	J.9	937.5	324.5	1,802.9	EQUIP_DA	IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (55
Category 3 MCC	number		8 8	4	-		- 20	53.000			24.0 212				1,060.0		465.4						1,191.7			619.7			EQUIP_DA	IFAD_BRAM (70%); BEN_CASH (15%); BEN_IN_KIND (15
Subtotal Construction & Equipment of new MCCs									- 1,4	14.0 1,44	14.0 892	2.0 -	-	-	3,780.0		1,585.1	1,632.7	1,038.8	-	-	-	4,256.6	1,277	/.0 2	,213.4	766.2	4,256.6		
b. Solar panels for MCCs /b																														
Category 1 MCC	kit	- 1	5 15	10	-		- 40	25.000			75.0 250		-	-	1,000.0		411.6			-	-		1,126.8					1,126.8	EQUIP_DA	IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (55
Category 2 MCC	kit	- 1	5 15	10	-	-	- 40	35.000	- 52	25.0 52	25.0 350	.0 -	-	-	1,400.0		576.3	593.6	407.6	-	-	-	1,577.5	473	3.2	820.3	283.9	1,577.5	EQUIP_DA	IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (55
Category 3 MCC	kit		8 8	4	-	-	- 20	45.000							900.0		395.2						1,011.8	303	3.6	526.2	182.1	1,011.8	EQUIP_DA	IFAD_BRAM (70%); BEN_CASH (15%); BEN_IN_KIND (15
Subtotal Solar panels for MCCs								-	- 1,20	60.0 1,26	60.0 780).0 -			3,300.0		1,383.1	1,424.6	908.4				3,716.1	1,114	4.8 1	,932.4	668.9	3,716.1		
c. Trainings and capacity building for the MCCs operators/managers /c	training		99	5	-		- 23	10.000	- 9								90.0						230.0	69	9.0	161.0	-	230.0	TRAIN_DA	IFAD_PBAS (100%)
Subtotal Activities - Establishing Milk Collection Centers									- 2,75	94.0 2,79	94.0 1,722	2.0 -	-	-	7,310.0		3,058.2	3,147.3	1,997.2	-	-	-	8,202.7	2,460	J.8 4	,306.8 1	1,435.1	8,202.7		
2. Activities - Organization and equipment of milk collectors/traders (youth)																														
a. Tricylcles for milk collectors/traders /d	number	50 20	0 200	100	50		600	1.450	72.5 2	90.0 29	90.0 145	5.0 72.5	; -		870.0	77.3	318.3	327.9	168.9	87.0	-	-	979.3	587	7.6	215.5	176.3	979.3	EQUIP_DA	IFAD_PBAS (95%); BEN_CASH (5%)
b. Milk containers /e	number	100 40	0 400	200	100	-	1,200	124,621	12.5	19.8 4	19.8 24	1.9 12.5	; -		149.5	13.3	54.7	56.4	29.0	14.9	-	-	168.3	101	1.0	37.0	30.3	168.3	EQUIP_DA	IFAD_PBAS (100%)
c. Milk testing kits /f	kit	50 20	0 200	100	50		600	350	17.5	0.0 7	70.0 35	5.0 17.5	; -		210.0	18.7	76.8	79.1	40.8	21.0	-	-	236.4	141	1.8	52.0	42.5	236.4	EQUIP_DA	IFAD_PBAS (100%)
d. Trainings and capacity building for milk collectors/traders /g	training	3 1	0 10	5	2	-	- 30	5.000	15.0	50.0 5	50.0 25	5.0 10.0) -		150.0	15.8	52.5	52.5	26.3	10.5	-	-	157.5	94	4.5	34.7	28.4	157.5	EQUIP_DA	IFAD_PBAS (100%)
Subtotal Activities - Organization and equipment of milk collectors/traders (youth)									117.5 4	59.8 45	59.8 229	9.9 112.5	i -	-	1,379.5	124.9	502.4	515.9	264.9	133.4	-	-	1,541.5	924	4.9	339.1	277.5	1,541.5		
3. Activities - Equipment of producer groups with milk refrigerators																														
a. Small scale milk cooling/h	number	100 30	0 300	200	50	50	1,000	500	50.0 1	50.0 15	50.0 100	0.0 25.0	25.0	-	500.0	53.3	164.7	169.6	116.5	30.0	30.9	-	564.9	338	3.9	124.3	101.7	564.9	EQUIP_DA	IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (5%
b. Milk containers /i	number	300 90					3,100	60	18.0	54.0 5	54.0 36	5.0 9.0	9.0	6.0	186.0	19.2	59.3	61.1	41.9	10.8	11.1	7.6	211.0	126	ô.6	46.4	38.0	211.0	EQUIP_DA	IFAD_PBAS (100%)
c. Milk testing kits /j	kit	200 60	0 600	400	100 1	00 10	2,100	50	10.0 3	30.0 3	30.0 20).0 5.0	5.0	5.0	105.0	10.7	32.9	33.9	23.3	6.0	6.2	6.4	119.3	71	1.6	26.3	21.5	119.3	EQUIP_DA	IFAD_PBAS (95,438806%); IFAD_BRAM (4,561194%)
Subtotal Activities - Equipment of producer groups with milk refrigerators									78.0 23	34.0 23	34.0 156	6.0 39.0) 39.0	11.0	791.0	83.1	256.9	264.6	181.7	46.8	48.2	14.0	895.2	537	7.1	196.9	161.1	895.2		
4. Activities - Providing women involved in artisanal dairy processing with small-scale processing																														
a. Small scale processing equipment /k	number	200 30	0 300	300	300 2	35 10) 1,735	1.000	200.0 30	0.0 30	0.0 300	0.0 300.0	235.0	100.0	1,735.0	213.2	329.3	339.2	349.4	359.9	290.3	127.3	2,008.5	1,205	<i>5</i> .1	441.9	361.5	2,008.5	EQUIP_DA	IFAD_PBAS (95%); BEN_CASH (5%)
b. Trainings and capacity building for women dairy processors /	training	10 1	5 15	15	15	12	5 87	3.000	30.0	15.0 4	15.0 45	5.0 45.0	36.0	15.0	261.0	32.0	49.4	50.9	52.4	54.0	44.5	19.1	302.2	181	1.3	66.5	54.4	302.2	EQUIP_DA	IFAD_PBAS (100%)
c. Milk testing kits /m	kit	200 30	0 300	300	300 2	35 10) 1,735	50	10.0	15.0 1	15.0 15	5.0 15.0	11.8	5.0	86.8	10.7	16.5	17.0	17.5	18.0	14.5	6.4	100.4	60	0.3	22.1	18.1	100.4	EQUIP_DA	IFAD_PBAS (100%)
Subtotal Activities - Providing women involved in artisanal dairy processing with small-scale pro								-	240.0 36	60.0 36	60.0 360).0 360.0	282.8	120.0	2,082.8	255.8	395.2	407.0	419.2	431.8	349.3	152.7	2,411.1	1,446	ò.7	530.4	434.0	2,411.1	_	
Subtotal Subcomponent 2.1: Establishing Milk Collection Centers								-	435.5 3.8	7.8 3.84	7.8 2.467	7.9 511.5	321.8	131.0	11.563.3	463.9	4.212.7	4.334.8	2.863.0	612.0	397.5	166.7	13.050.6	5,369	3.5 5	.373.3 2	.307.7	13.050.6		
B. Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain																														
1. Window 1 for women, youth, non-registered HHs /n	lumpsum								57.8 18	0.0 18	30.0 180	0.0 180.0) -		777.8	57.8	180.0	180.0	180.0	180.0			777.8	311	1.1	466.7		777.8	WINDOW1 DA	IFAD PBAS (90%); BEN CASH (10%)
2. Window 2 - Dekhan farmers /o	lumpsum								600.0 1,20	0.0 1,20	0.0 1,200	0.0 1,200.0	205.7	-	5,605.7	600.0	1,200.0	1,200.0	1,200.0	1,200.0	205.7	-	5,605.7	2,242	2.3 3.	363.4	-	5,605.7	WINDOW2_DA	IFAD_PBAS (80%); BEN_CASH (20%)
3. Window 3 - Private commercial farmers working with vulnerable household farmers and small-scale	lumpsum								500.0 2.0	0.0 2.00	0.0 2.000	0.0 800.0	200.0	-	7.500.0	500.0	2.000.0	2.000.0	2.000.0	800.0	200.0		7.500.0	6.000	0.0 1.	.500.0	-	7.500.0	WINDOW3 DA	IFAD BRAM (80%); BEN CASH (20%)
4. Window 4 - Agri-processors working with vulnerable household farmers and small-scale dekhan farm									225.0 1.20	0.0 1.20	0.0 700	0.0 700.0	100.0		4,125.0	225.0	1.200.0	1.200.0	700.0	700.0	100.0		4,125.0	3,300	J.O	825.0		4.125.0	WINDOW4 DA	IFAD PBAS (80%); BEN CASH (20%)
5. Window 5 - Service providers and input /r	lumpsum								200.0 2	50.0 25	50.0 250	0.0 250.0	125.0		1.325.0	200.0	250.0	250.0	250.0	250.0	125.0		1.325.0	1.060	J.O	265.0		1.325.0	WINDOW5 DA	IFAD_PBAS (80%); BEN_CASH (20%)
6. Guarantee mechanism /s	lumpsum								100.0 20	0.0													300.0			60.0			GUARANTEE D	
Subtotal Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain									1.682.8 5.03	00 483								4,830.0	4 330.0	3.130.0	630.7		19,633,5		34 6	490.1		19.633.5		()

Va Category1 = 1500 litre; Category2 = 2500 litre; Category3 = 4000 litre Vb Category1 = 1500 litre; Category2 = 2500 litre; Category3 = 4000 litre \c Category1 =1500 litre; Category2 = 2500 litre ; Category3 = 4000 litre \d Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 litre \e Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 litre V Category1 =1500 litre; Category2 = 2500 litre ; Category3 = 4000 litre g Category1 = 1500 litre; Category2 = 2500 litre; Category3 = 4000 litre V Category1 = 1500 litre; Category2 = 2500 litre; Category3 = 4000 litre V Category1 = 1500 litre; Category2 = 2500 litre; Category3 = 4000 litre \i Category1 =1500 litre; Category2 = 2500 litre ; Category3 = 4000 litre k Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 litre V Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 litre /m Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 litre \n USD 5000-6,000 on average, USD 10,000 - max. 80-100 beneficiaries. \o USD 10,000-15,000 on average, USD 30,000 - max. 300K-400K beneficiaries in total. \p USD 60,000 on average, up to USD 100,000.

\q USD 150,000 on average, USD 250,000 - max. Around 20 processors in total.

V Around 20 vetererians, USD 10,000 - max; around 15 food producers, USD 100,000 - max to De provided by the Project through PFIs to private leedforage inplicit suppliers and private service providers (vets). The PFIs will be required to contribute at least 20% of the credit. The private input supply and service provider's contribution

Component 3. Policy support and project management

Republic of Uzbekistan Dairy Value Chain Development Programme - II	•		U																					Break	down c	of Totals Incl. (Cont.			
Table 3. Component 3. Policy support and project management																										('000)				
Detailed Costs																								-		Local				
(US\$)			Q	uantities							Base C	Cost ('00	00)				То	tals Inc	luding	Contin	gencie	s ('000)			For.	(Excl. Duties	&			Other Accounts
	Unit	2025 20:	26 2027	2028 20	029 20	30 2031	Total L	nit Cost	2025	2026	2027 2	2028 2	2029	2030 2	2031	Total	2025	2026	2027	2028	2029	2030	2031	Total	Exch.	Taxes) Taxes	5 Tota	al	Disb. Acct.	Fin. Rule
I. Investment Costs																														
A. Project Start-up																														
1. Technical Assistance, Studies and Workshops																														
PIM preparation	Report	1					1	10.000	10.0	-	-		-			10.0	10.2	-	-					10.2		10.2	-	10.2	TA DA	IFAD PBAS(100%)
Start-up Workshop	w/shop	1					1	7.200		-	-		_		-	7.2		-	_			-		7.3	2.2	5.1			UDIES&WORKSHOPS_DA	
Subtotal Technical Assistance. Studies and Workshops									17.2		-					17.2				-				17.5	2.2	15.3		17.5		
2. Programme Communications and Software																									2.2	10.0				
Upgrading of accounting software	lumpsum								20.0	-	-				-	20.0	20.3		-					20.3	6.1	14.2		20.3	CONSULTANCIES DA	IFAD PBAS(100%)
Subtotal Project Start-up	lampount								37.2		-					37.2	37.8			-				37.8	83	29.5	-	37.8	001100211110120_011	
B. Subcomponent 3.1: Policy support									07.2							07.2	01.0							01.0	0.0	20.0		01.0		
1. Dairy platform																														
Organizing meetings, events, field visits, etc.	lumpsum								30.0	80.0	80.0	80.0	80.0	31.3		381.3	30.5	83.6	86.1	88.7	Q1 /	36.8		417.2	125.2	202.0	- 4	17 2 ST	UDIES&WORKSHOPS DA	IEAD PRAS(100%)
Participation in working groups on land reform	lumpsum								20.0	30.0	00.0	00.0	- 00.0	-			20.3		- 00.1						15.5	36.2			UDIES&WORKSHOPS DA	
Subtotal Dairy platform	lampsam									110.0	80.0	80.0	80.0		-	431.3		115.0		88.7			-		140.7	328.2		68.8		1 AD_1 BAB (100%)
C. Subcomponent 3.2: Monitoring and Evaluation and Knowledge Management									30.0	110.0	00.0	00.0	00.0	31.5		431.3	30.0	115.0	00.1	00.7	51.4	30.0		400.0	140.7	320.2	- 4	00.0		
Baseline Survey /a	lumpsum	1					1	100.000	100.0	-	-		-			100.0	101.5	-	-					101.5	30.5	71.1	- 1	01.5	TA DA	IFAD PBAS(100%)
Mid-term Review	lumpsum			1	_		1	50.000		_	_	50.0	_	_		50.0		_	_	55.5		_		55.5	16.6	38.8		55.5	TA DA	IFAD_PBAS (100%)
Final Impact Survey	lumpsum	-			-	- 1	1	80.000		-	-	50.0	-	-	90.0	80.0	-	-	-	30.5	-	-	07.0	97.0	29.1			97.0	TA DA	IFAD_PBAS(100%)
Financial demand study	lumpsum	1		-			1	30.000					-		00.0	30.0	30.5	-	-				51.0	30.5	9.1	21.3		30.5	TA DA	IFAD_PBAS(100%)
Exchange visits for M&E specialists	lumpsum							30.000	1.3	_	_		_	_	_	1.3		_	_			_		1.3	0.4	0.9		1.3	TA DA	IFAD_PBAS (100%)
MNE/KM staff training course	lumpsum	1					1	30.000		_	_		_	_	_	30.0		_	_			_		30.5	9.1	21.3		30.5	TA DA	IFAD_PBAS (100%)
M&E software	lumpsum							30.000	9.0	-	-	-	-	-	-	9.0		-	-	-	-	-	-	9.2	2.7	6.4		9.2	TA DA	IFAD_PBAS (100%)
Knowledge Management Product preparation/communication activities	lumpsum	1	1 1	1	1	1 1	7	6.000		60	60	60	6.0	6.0	6.0	42.0	6.1	6.3	6.5	6.7	60	7.1	7.3	46.7	14.0	32.7		9.2 46.7	TA_DA	IFAD_PBAS(100%)
DVCDP-II Website/Social Media /b	lumpsum						'	0.000	6.0	1.5	1.5	1.5	1.5	1.5	1.5	15.0		1.6	1.6	1.7	1.7	1.8	1.8	16.2	4.9	11.4		16.2	TA DA	IFAD_PBAS(100%)
DVCDP-II telecommunications /c	lumpsum								10.0	10.0	10.0		10.0		10.0	70.0		10.5					12.1	77.8	23.3	54.4		77.8	TA DA	IFAD_PBAS(100%)
Subtotal Subcomponent 3.2: Monitoring and Evaluation and Knowledge Manag									192.3	17.5			17.5		97.5		195.2	18.3	18.8	74.9	20.0	20.6		466.0	139.8	326.2		66.0	IN_DA	11 AD_1 BAD (10070)
D. Subcomponent 3.3a: Project Management Unit (PMU) - Tashkent									102.0	17.5	17.5	07.5	17.5	17.5	51.5	427.5	130.2	10.5	10.0	14.5	20.0	20.0	110.2	400.0	155.0	320.2		00.0		
1. Vehicles 4x4	no	2					2	40.000	80.0	-	-	_	-			80.0	81.2	-	-					81.2	44.7	16.2 20	3	81.2	VEH DA	IFAD PBAS(100%)
2. Office Equipment /d	lumpsum	2					2	40.000	30.0	_	_		_			30.0		_	_	-	_	_	_	32.0	19.2	7.0 5		32.0	EQUIP_DA	IFAD_PBAS (100%)
3. Technical Assistance. Studies and Workshops	lampourn								50.0							50.0	52.0							52.0	13.2	7.0 0	.0	02.0		11 AD_1 BAD (10070)
Annual Review and Planning Workshop	w/shop		1 1	1	1		4	2.000		2.0	2.0	2.0	2.0			8.0		2.1	2.2	22	2.3			8.7	2.6	6.1	-	8 7 ST	UDIES&WORKSHOPS DA	IEAD PRAS(100%)
Ad hoc Studies and Assistance /e	lumpsum	-	1 1	1	1	1 1	· · · ·	6.500		6.5	6.5	6.5	6.5	6.5	6.5	39.0	-	6.8	7.0	7.2	7.4	7.6	7.9	44.0	13.2	30.8	-		UDIES&WORKSHOPS DA	
Pest Management Study	lumpsum	-					-			0.5	0.5	- 0.5	- 0.5	-	-	10.0		0.0	7.0	1.2	7.4	7.0	1.5	10.2	3.0				CONSULTANCIES DA	IFAD_PBAS(100%)
FPIC and IPPF study	lumpsum	1		-			1						-			10.0		-	-			-		10.2	3.0	7.1				IFAD_PBAS(100%)
Subtotal Technical Assistance, Studies and Workshops	lampourn							10.000	20.0	8.5	8.5	8.5	8.5	6.5	6.5	67.0		8.9	9.2	9.4	9.7	7.6	7.9	73.0	21.9	51.1		73.0	CONCOLLANGIES_DA	11 AD_1 BAD (10070)
4. PMO/PIT Staff Training									20.0	0.5	0.0	0.0	0.0	0.5	0.0	07.0	20.5	0.5	5.2	5.4	5.1	7.0	1.5	75.0	21.5	51.1		75.0		
Office Equipment O&M	lumpsum								5.0			50				10.0	5.2			5.8				11.2	6.7	2.5 2	0	11.2	EQUIP_DA	IFAD_PBAS (100%)
Gender Awareness Trainers /f	pers-month	1		0.5			1.5	1.500				0.8				2.3	1.5			0.0				2.4	0.7			2.4	TA DA	IFAD_PBAS(100%)
PMO/PIT Staff Training Courses /g	lumpsum			0.5	-		1.5	1.500	5.0	5.0	5.0	5.0	5.0	5.0		30.0				5.5		5.9		32.8	9.8	23.0		32.8	TRAIN_DA	IFAD_PBAS(100%)
Subtotal PMO/PIT Staff Training	ampsum								11.5	5.0		10.8	5.0	5.0		00.0	11.9			12.2	5.7	5.9		46.3	16.5			46.3		1 AD_1 DAG (100%)
Subtotal Subcomponent 3.3a: Project Management Unit (PMU) - Tashkent									141.5					11.5	6.5		145.4	14.1		21.6	15.4	13.5	7.9	232.5	102.3	102.2 28		32.5		
E. Subcomponent 3.3b: Project Implementation Teams (PIT): Regional									141.0	13.0	13.0	19.5	13.0	11.0	0.0	213.3	140.4	14.1	14.0	21.0	10.4	10.0	1.5	202.0	102.3	102.2 20	., 2	02.0		
1. Vehicles 4x4	no	2					2	20.000	40.0					_		40.0	40.6				_			40.6	22.3	8.1 10	2	40.6	VEH_DA	IFAD_PBAS (100%)
2. Office Equipment /h	set	2							40.0	-	-						40.6		-				-		22.3 9.0	3.3 2		40.6 14.9	EQUIP DA	IFAD_PBAS(100%)
Subtotal Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	361	4		-	-		2.	7.000	54.0							54.0				-				55.5	31.3	11.4 12		55.5		1 AD_1 DAG (100%)
Total Investment Costs										141.0																797.4 40		60.6		
									410.0			.50.0		30.5		., 103.1	104.0		. 13.5		.20.0	71.0	.20.0	.,200.0	.22.0		1,2			

a Including listing and mapping exercise of potential beneficiaries and clusters

\b Development, maintenance and updating of a DVCDP website by a private service provider

\c Multimedia presentations to dairy value chain stakeholders and the broader community concerning DVCDP activities

\d For computers, printers, copy machines, furniture, minor office equipment, etc.

le Incluinde M&E related studies If Nationally recruited gender specialists to train both PMO/PIT and PFI staff

\g To meet staff development needs as identified during project implementation

\h For 2 office units including computers, printers, copy machines, furniture, minor office equipment, etc.

Republic of Uzbekistan Dairy Value Chain Development Programme - II Table 3. Component 3. Policy support and project management																					Break	down of T		Cont.			
Detailed Costs																					_	Lo					
(US\$)				uantities						ase Cos									cies ('000			For. (Ex					Other Accounts
	Unit	2025 20	2027	2028 2	029 2030	2031 Total	Unit Cost	2025 2	026 202	27 202	28 2029	2030	2031	Total	2025	2026 2	027 202	28 2029	2030	2031	Total E	Exch. Tax	es) Taxe	s To	otal	Disb. Acct.	Fin. Rule
II. Recurrent Costs A. Project start-up (recurrent costs) 1. Salaries																											
Director/Project Manager	pers-month	12		-		- 12	1.200	14.4	-	-	-			14.4	14.4	-	-	-		-	14.4		4.4	-	14.4	SAL_DA	IFAD_PBAS (100%)
Chief Accountant Finance Specialist	pers-month pers-month	6				- 6	1.100 1.100	6.6 6.6	-	-				6.6 6.6	6.6 6.6	-					6.6 6.6		6.6 6.6	2	6.6 6.6	SAL_DA SAL_DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
Procurement Officer	pers-month	6				- 6	1.100	6.6						6.6	6.6						6.6		6.6		6.6	SAL_DA	IFAD_PBAS (100%)
Translator	pers-month	6		-			1.000	6.0	-	-				6.0	6.0	-		-			6.0		6.0		6.0	SAL_DA	IFAD_PBAS (100%)
Driver	pers-month	6		-		- 6	300	1.8	-	-	-			1.8	1.8	-		-		-	1.8	-	1.8	-	1.8	SAL_DA	IFAD_PBAS (100%)
Subtotal Salaries B. Subcomponent 3.3a: Project Management Unit (PMU) - Tashkent 1. Salaries							_	42.0	-	-	-		-		42.0		-	-		-	42.0		2.0	-	42.0		
Director/Project Manager	pers-month	-	12 12		12 12		1.200				4.4 14.			86.4				4.4 14.			86.4		6.4	-	86.4	SAL_DA	IFAD_PBAS (100%)
Chief Accountant	pers-month	-	12 12 12 12		12 12 12 12		1.100				3.2 13. 3.2 13.			79.2 79.2				3.2 13. 3.2 13.			79.2 79.2		9.2	-	79.2	SAL_DA SAL DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
Finance Specialist Procurement Officer	pers-month	-	12 12 12		12 12 12 12		1.100 1.100				3.2 13. 3.2 13.			79.2				3.2 13. 3.2 13.		13.2 13.2	79.2		'9.2 '9.2	2	79.2 79.2	SAL_DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
Dairy Value Chain Specialist / Agribusiness	pers-month	-	12 12		12 12		1.100				3.2 13.			85.8				3.2 13. 3.2 13.			79.2 85.8		9.2 15.8		85.8	SAL DA	IFAD_PBAS (100%)
Rural Finance Specialist	pers-month	6	12 12		12 12		1.100				3.2 13.			85.8				3.2 13.		13.2	85.8		5.8		85.8	SAL DA	IFAD PBAS (100%)
M&E and KM Specialist	pers-month	6	12 12		12 12		1.100				3.2 13.			85.8				3.2 13.		13.2	85.8		5.8	-	85.8	SAL_DA	IFAD_PBAS (100%)
Dairy production and Veterinary specialist	pers-month	6	12 12		12 12		1.000				2.0 12.			78.0	6.0			2.0 12.			78.0		8.0	-	78.0	SAL_DA	IFAD_PBAS (100%)
Environment/land management specialist	pers-month	6	12 12		12 12		1.000				2.0 12.			78.0				2.0 12.			78.0		8.0	-	78.0	SAL_DA	IFAD_PBAS (100%)
Legal Specialist	pers-month	6	12 12		12 12		900				0.8 10.			70.2				0.8 10.		10.8	70.2		0.2	-	70.2	SAL_DA	IFAD_PBAS (100%)
Translator	pers-month	-	12 12		12 12		1.000				2.0 12.			72.0				2.0 12.			72.0		2.0	-	72.0	SAL_DA	IFAD_PBAS (100%)
Targeting, Youth and Gender specialist Driver	pers-month pers-month	6	12 12 12 12		12 12 12 12		900 300	5.4			0.8 10. 3.6 3.			70.2 21.6	5.4			0.8 10. 3.6 3.		10.8 3.6	70.2 21.6	- 7	'0.2 21.6	-	70.2 21.6	SAL_DA SAL_DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
Unallocated amount for the salary	lumpsum		12 12	12	12 12	12 12	300					0 3.0 1 21.1		126.8					1 21.1		126.8		26.8		126.8	SAL_DA	IFAD_PBAS (100%)
Subtotal Salaries	lampount						-				5.9 175.											- 1.09		- 1	.098.2	Ont_Dirt	
2. Social tax on staff salaries /i	per-annum							21.2				0 44.0				44.0			0 44.0		285.1	- 28			285.1	SAL_DA	GOVT
3. Operation and Maintenance																											
Vehicle O&M /j	per-annum	0.5	1 1	1	1 1	1 6.5	12.000	6.0		2.0 1							13.6 14		4 14.8		91.6			5.3	91.6	OM_DA	IFAD_PBAS (100%)
Office Equipment O&M	per-annum	0.5	1 1	1	1 1	1 6.5	6.000				6.0 6.			39.0				7.0 7.			45.8			7.6	45.8	OM_DA	IFAD_PBAS (100%)
Subtotal Operation and Maintenance 4. Other Operating Costs								9.0	18.0 1	8.0 1	8.0 18.	0 18.0	0 18.0	117.0	9.6	19.8	20.4 21	1.0 21.	6 22.2	22.9	137.4	68.7 4	15.8 22	2.9	137.4		
4. Other Operating Costs Office Rent	per-annum	0.5	1 1	1	1 1	1 65	12,000	6.0	12.0 1	20 1	20 12	0 120	120	78.0	64	13.2	136 14	4.0 14	4 148	15.3	91.6		63 1	53	91.6	OM DA	GOU_IN_KIND (100%)
International travel	per-annum	0.5	1 1	1	1 1	1 65	5.000	2.5		5.0	5.0 5	0 50	5.0	32.5	2.7			5.8 6.	0 62	6.4	38.2	31.8		5.4	38.2	OM_DA	IFAD_PBAS (100%)
Local travel	per-annum	0.5	1 1	1	1 1	1 6.5	8.000	4.0		8.0	8.0 8.	0 8.0	8.0	52.0	4.3			9.3 9.	6 9.9	10.2	61.1			0.2	61.1	OM_DA	IFAD_PBAS (100%)
Banking Services	per-annum	0.5	1 1	1	1 1	1 6.5	6.000	3.0	6.0	6.0	6.0 6.	0 6.0	6.0	39.0	3.2	6.6	6.8 7	7.0 7.	2 7.4	7.6	45.8	- 3	88.2 7	7.6	45.8	OM_DA	IFAD_PBAS (100%)
Internal Audit	per-annum	0.5	1 1	1	1 1	1 6.5	20.000			0.0 2	0.0 20.	20.0	20.0	130.0	10.7			3.3 24.	U 2-1.7	25.5	152.7		27.2 25		152.7	OM_DA	IFAD_PBAS (100%)
Audit	per-annum	0.5	1 1	1	1 1	1 6.5	15.000				5.0 15.			97.5				7.5 18.			114.5				114.5	OM_DA	IFAD_PBAS (100%)
Telecommunication Utilities /k	per-annum	0.5 0.5	1 1	1	1 1	1 6.5 1 6.5	6.000 3.000	3.0 1.5			6.0 6. 3.0 3.			39.0 19.5	3.2 1.6			7.07. 353.		7.6 3.8	45.8 22.9			7.6 3.8	45.8 22.9	OM_DA OM_DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
Stationery	per-annum per-annum	0.5	1 1	1	1 1		3.000				3.0 3.0 6.0 6.0			19.5 39.0				3.5 3. 7.0 7.			22.9 45.8			3.8 7.6	22.9 45.8	OM_DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
Other /	per-annum	0.5	1 1	1	1 1		10.000				0.0 10.			65.0					0 12.4		76.3			27	76.3	OM DA	IFAD_PBAS (100%)
Subtotal Other Operating Costs	per dimen	0.0				. 0.0	10.000				1.0 91.								2 112.4		694.6	31.8 54		5.8	694.6	0	
Subtotal Subcomponent 3.3a: Project Management Unit (PMU) - Tashkent							-	118.3	328.9 32	8.9 32	8.9 328.	9 328.9	328.9	2,091.8	121.8	339.6 3	43.2 346	6.9 350.	7 354.6	358.6 2	2,215.3	100.5 1,97	6.1 138	8.7 2	2,215.3		
C. Subcomponent 3.3b: Project Implementation Teams (PIT): Regional 1. Salaries																											
Field Coordinator /m	pers-month	12	24 24	24	24 24	24 156	960	11.5	23.0 2	3.0 2	3.0 23.	0 23.0	23.0	149.8	11.5	23.0	23.0 23	3.0 23.	0 23.0	23.0	149.8	- 14	9.8	-	149.8	SAL_DA	IFAD_PBAS (100%)
Dairy production and Veterinary specialist	pers-month	12	24 24	24	24 24	24 156	800				9.2 19.			124.8				9.2 19.		19.2	124.8		4.8	-	124.8	SAL_DA	IFAD_PBAS (100%)
Value Chain Specialists	pers-month		24 24		24 24	24 156	800				9.2 19.			124.8				9.2 19.			124.8		4.8	-	124.8	SAL_DA	IFAD_PBAS (100%)
Rural Finance Specialists	pers-month		24 24		24 24		800				9.2 19.							9.2 19.			124.8		24.8	-	124.8	SAL_DA	IFAD_PBAS (100%)
Driver	pers-month	12	24 24	24	24 24	24 156	300				7.2 7.			46.8	3.6			7.2 7.		7.2	46.8		6.8	-	46.8	SAL_DA	IFAD_PBAS (100%)
Subtotal Salaries 2. Social tax on staff salaries /n	per-annum										37.8 87. 22.0 22.						87.8 87 22.0 22	7.8 87.	8 87.8 0 22.0		571.0 142.7		1.0 12.7	-	571.0 142.7	SAL_DA	GOVT
3. Operation and Maintenance	per-annum							11.0	22.0 Z	2.0 2	2.0 22.	0 22.0	22.0	142.7	11.0	22.0	22.0 24	2.0 22.	0 22.0	22.0	142.7	- 14	2.7	-	142.7	SAL_DA	GOVI
Vehicles O&M /o	per-annum	1	2 2	2	2 2	2 13	6.000	6.0	12.0 1	2.0 1	2.0 12.	0 12.0) 12.0	78.0	6.4	13.2	13.6 14	4.0 14.	4 14.8	15.3	91.6	45.8	0.5 15	5.3	91.6	OM_DA	IFAD_PBAS (100%)
Office Equipment O&M	per-annum	1	2 2	2	2 2	2 13	1.500				3.0 3.			19.5				3.5 3.		3.8				3.8	22.9	OM_DA	IFAD_PBAS (100%)
Subtotal Operation and Maintenance											5.0 15.			97.5	8.0	16.5		7.5 18.	0 18.5	19.1	114.5	57.3 3	88.2 19	9.1	114.5	_	,
4. Other Operating Costs																											
Office Rent	per-annum	1	2 2	2	2 2	2 13	3.000	3.0			6.0 6.			39.0	3.2			7.0 7.		7.6	45.8			7.6	45.8	OM_DA	GOU_IN_KIND (100%)
Local travel Telecommunication	per-annum	1	2 2	-	2 2	2 10	4.000	4.0			8.0 8.			52.0	4.3			9.3 9.		10.2	61.1			0.2	61.1	OM_DA	IFAD_PBAS (100%)
Telecommunication Utilities /p	per-annum per-annum	1	2 2	-	2 2 2 2		1.200 1.200	1.2 1.2			2.4 2. 2.4 2.			15.6 15.6	1.3 1.3			2.8 2. 2.8 2.		3.1 3.1	18.3 18.3			3.1 3.1	18.3 18.3	OM_DA OM_DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
Stationery	per-annum	1	2 2	-	2 2		1.200	1.2			2.4 2.			15.6	1.3			2.8 2. 2.8 2.		3.1	18.3			3.1	18.3	OM_DA	IFAD_PBAS (100%)
Subtotal Other Operating Costs	por ormolli			-		2 13					21.2 21.2			137.8					4 26.2		161.8			7.0	161.8	557.	
Subtotal Subcomponent 3.3b: Project Implementation Teams (PIT): Regional							-	73.0	146.0 14	6.0 14	6.0 146.	0 146.0) 146.0	949.0	74.2	149.5 1	50.7 152	2.0 153.	2 154.5	155.9	990.0		6.7 46	6.1	990.0		
Total Recurrent Costs																						157.8 2,90			3,247.4		
Total								708.3 6	615.9 58	5.9 64	1.7 585.	9 535.2	2 578.9	4,251.9	722.7	636.5 6	13.4 684	4.0 630.	7 580.1	640.5 4	4,508.0	580.0 3,70	2.3 225	5.7 4	,508.0		

V 25% of the salary fund. V 25% of the salary fund. V The unit cost covers the annual O&M costs of the vehicles including petrol, insurance, spare parts, servicing, repairing and parking. V Includes copying services, media, web, representation, etc. V Includes copying services, media, web, representation, etc. V For Kashkandaria and Surkandharia regions; responsible for M&E, KM, dissemination and communication, gender. V n25% of the salary fund. Vo The unit cost covers annual O&M costs per vehicle including petrol, insurance, spare parts, servicing, repairing and parking. Vp Includes water, electricity, cleaning and office alarm system O&M.

Summary and Detailed Cost Tables

Republic of Uzbekistan Dairy Value Chain Development Programme - II Disbursement Accounts by Financiers (US\$ '000)

						G	OU in kind	1	Beneficiaries	Be	eneficiaries						
				GOL	J in kind contr.	cc	ontr. (office		In-Cash		In-Kind					Local	
	IFAD PBAS-12	1	FAD BRAM	(tax	es and duties)		space)		Contribution	C	ontribution		Total			(Excl.	Duties &
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	For. Exch.	Taxes)	Taxes
A. Equipment and Goods	8 044.9	62.5	1 270.0	9.9	2 318.6	18.0	-	-	694.1	5.4	553.3	4.3	12 880.9	27.2	5 336.0	5 226.3	2 318.6
B. Vehicles	91.4	75.0	-	-	30.5	25.0	-	-	-	-	-	-	121.8	0.3	67.0	24.4	30.5
C. Technical Assistance	1 456.2	100.0	-	-	0.0	-	-	-	-	-	-	-	1 456.2	3.1	279.3	1 176.8	-
D. Training	2 823.8	99.2	-	-	24.2	0.8	-	-	-	-	-	-	2 848.0	6.0	854.4	1 969.4	24.2
E. Studies and workshops	1 090.9	100.0	-	-	0.0	-	-	-	-	-	-	-	1 090.9	2.3	327.3	763.6	-
F. Consultancies	817.0	100.0	-	-	-0.0	-	-	-	-	-	-	-	817.0	1.7	245.1	571.9	-
G. Grants and Subsidies	3 311.1	62.0	530.0	9.9	587.0	11.0	-	-	594.5	11.1	314.1	5.9	5 336.8	11.3	1 421.4	3 328.3	587.0
H. Credit, Guarantee Funds																	
 Window 1 for women, youth, non-registered HHs 	700.0	90.0	-	-	-	-	-	-	77.8	10.0	-	-	777.8	1.6	311.1	466.7	-
2. Window 2 Dekhan Farmers	4 484.6	80.0	-	-	0.0	-	-	-	1 121.1	20.0	-	-	5 605.7	11.8	2 242.3	3 363.4	-
Window 3 Private farmers	-	-	6 000.0	80.0	0.0	-	-	-	1 500.0	20.0	-	-	7 500.0	15.8	6 000.0	1 500.0	-
Window 4 Agri-processors	3 300.0	80.0	-	-	-	-	-	-	825.0	20.0	-	-	4 125.0	8.7	3 300.0	825.0	-
5. Window 5 Service providers and input	1 060.0	80.0	-	-	-	-	-	-	265.0	20.0	-	-	1 325.0	2.8	1 060.0	265.0	-
6. Guarantee mechanism	300.0	100.0	-	-	-	-	-	-	-	-	-	-	300.0	0.6	240.0	60.0	-
Subtotal Credit, Guarantee Funds	9 844.6	50.1	6 000.0	30.6	0.0	-	-	-	3 788.9	19.3	-	-	19 633.5	41.4	13 153.4	6 480.1	-
I. Salaries	1 711.2	80.0	-	-	427.8	20.0	-	-	-	-	-	-	2 139.0	4.5	-	2 139.0	-
J. Operating costs	809.1	73.0	-	-	184.8	16.7	114.5	10.3	-	-	-	-	1 108.4	2.3	157.8	765.8	184.8
Total PROJECT COSTS	30 000.0	63.2	7 800.0	16.4	3 572.8	7.5	114.5	0.2	5 077.5	10.7	867.4	1.8	47 432.2	100.0	21 841.7	22 445.5	3 145.0

Republic of Uzbekistan Dairy Value Chain Development Programme - II **Components by Financiers** (US\$ '000)

	IFAD PBAS-12		IFAD BRAM		J in kind contr es and duties)	. co	OU in kind ntr. (office space)		eneficiaries In-Cash contribution		eneficiaries In-Kind ontribution		Total			Local (Excl.	Duties &
	Amount	%	Amount	%	Amount		Amount	%	Amount	%	Amount	%	Amount	%	For. Exch.	Taxes)	Taxes
A. Component1. Improving sustainable dairy production and access to services																	
1. Subcomponent 1.1: Mobilizing farmers and households and building capacities	768.9	100.0	-	-	0.0	-	-	-	-	-	-	-	768.9	1.6	76.9	692.0	-
2. Subcomponent 1.2: Improving access to water, fodder production and grazing land	1 641.9	58.3	530.0	18.8	294.4	10.4	-	-	175.7	6.2	175.7	6.2	2 817.8	5.9	665.8	1 857.6	294.4
Subcomponent 1.3: Improving dairy production and farm management	3 020.4	93.8	-	-	110.0	3.4	-	-	44.9	1.4	44.9	1.4	3 220.3	6.8	966.1	2 144.2	110.0
Subcomponent 1.4: Improving access to extension, health and input services	1 988.9	74.7	-	-	207.2	7.8	-	-	373.8	14.0	93.5	3.5	2 663.4	5.6	799.0	1 657.2	207.2
Subcomponent 1.5: Applied research, pilots and dissemination	769.8	100.0	-	-	-0.0	-	-	-	-	-	-	-	769.8	1.6	231.0	538.9	-
Subtotal Component1. Improving sustainable dairy production and access to services	8 190.0	80.0	530.0	5.2	611.6	6.0	-	-	594.5	5.8	314.1	3.1	10 240.2	21.6	2 738.7	6 889.9	611.6
B. Component 2. Increasing participation of small-scale farmers in the dairy value chain																	
1. Subcomponent 2.1: Establishing Milk Collection Centers	8 225.4	63.0	1 270.0	9.7	2 307.7	17.7	-	-	694.1	5.3	553.3	4.2	13 050.6	27.5	5 369.5	5 373.3	2 307.7
2. Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain	9 844.6	50.1	6 000.0	30.6	0.0	-	-	-	3 788.9	19.3	-	-	19 633.5	41.4	13 153.4	6 480.1	-
Subtotal Component 2. Increasing participation of small-scale farmers in the dairy value chain	18 070.0	55.3	7 270.0	22.2	2 307.7	7.1	-	-	4 483.0	13.7	553.3	1.7	32 684.1	68.9	18 522.9	11 853.4	2 307.7
C. Component 3. Policy support and Project coordination and management																	
1. Subcomponent 3.1 Policy support	468.8	100.0	-	-	0.0	-	-	-	-	-	-	-	468.8	1.0	140.7	328.2	-
2. Subcomponent 3.2 Monitoring and Evaluation and Knowledge Management	466.0	100.0	-	-	0.0	-	-	-	-	-	-	-	466.0	1.0	139.8	326.2	-
3. Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	1 999.5	79.1	-	-	451.8	17.9	76.3	3.0	-	-	-	-	2 527.6	5.3	211.1	2 149.8	166.8
4. Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	805.7	77.1	-	-	201.6	19.3	38.2	3.7	-	-	-	-	1 045.5	2.2	88.5	898.1	58.9
Subtotal Component 3. Policy support and Project coordination and management	3 740.0	83.0	-	-	653.5	14.5	114.5	2.5	-	-	-	-	4 508.0	9.5	580.0	3 702.3	225.7
Total PROJECT COSTS	30 000.0	63.2	7 800.0	16.4	3 572.8	7.5	114.5	0.2	5 077.5	10.7	867.4	1.8	47 432.2	100.0	21 841.7	22 445.5	3 145.0

Republic of Uzbekistan Dairy Value Chain Development Programme - II Expenditure Accounts by Financiers (US\$ '000)

					U in kind cont	. c	OU in kind ontr. (office		Beneficiaries In-Cash		eneficiaries In-Kind					Local	
	IFAD PBAS-12		FAD BRAM	1	kes and duties)	space)		Contribution		ontribution		Total			(Excl.	Duties &
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	For. Exch.	Taxes)	Taxes
I. Investment Costs																	
A. Equipment and goods	8 044.9	62.5	1 270.0	9.9	2 318.6	18.0	-	-	694.1	5.4	553.3	4.3	12 880.9	27.2	5 336.0	5 226.3	2 318.6
B. Vehicles	91.4	75.0	-	-	30.5	25.0	-	-	-	-	-	-	121.8	0.3	67.0	24.4	30.5
C. Technical Assistance	3 116.0	100.0	-	-	-	-	-	-	-	-	-	-	3 116.0	6.6	777.3	2 338.8	-
D. Training	579.2	100.0	-	-	-	-	-	-	-	-	-	-	579.2	1.2	173.8	405.5	-
E. Consultancies	1 149.0	100.0	-	-	-	-	-	-	-	-	-	-	1 149.0	2.4	344.7	804.3	-
F. Studies and workshops	1 147.6	100.0	-	-	0.0	-	-	-	-	-	-	-	1 147.6	2.4	344.3	803.3	-
G. Grants and Subsidies	3 506.9	63.1	530.0	9.5	611.2	11.0	-	-	594.5	10.7	314.1	5.7	5 556.8	11.7	1 487.4	3 458.1	611.2
H. Credit, Guarantee Funds																	
 Window 1 for women, youth, non-registered HHs 	700.0	90.0	-	-	-	-	-	-	77.8	10.0	-	-	777.8	1.6	311.1	466.7	-
2. Window 2 Dekhan Farmers	4 484.6	80.0	-	-	0.0	-	-	-	1 121.1	20.0	-	-	5 605.7	11.8	2 242.3	3 363.4	-
3. Window 3 Private farmers	-	-	6 000.0	80.0	0.0	-	-	-	1 500.0	20.0	-	-	7 500.0	15.8	6 000.0	1 500.0	-
 Window 4 Agri-processors 	3 300.0	80.0	-	-	-	-	-	-	825.0	20.0	-	-	4 125.0	8.7	3 300.0	825.0	-
Window 5 Service providers and input	1 060.0	80.0	-	-	-	-	-	-	265.0	20.0	-	-	1 325.0	2.8	1 060.0	265.0	-
6. Guarantee mechanism	300.0	100.0	-	-	-	-	-	-	-	-	-	-	300.0	0.6	240.0	60.0	-
Subtotal Credit, Guarantee Funds	9 844.6	50.1	6 000.0	30.6	0.0	-	-	-	3 788.9	19.3	-	-	19 633.5	41.4	13 153.4	6 480.1	
Total Investment Costs	27 479.7	62.2	7 800.0	17.7	2 960.2	6.7	-	-	5 077.5	11.5	867.4	2.0	44 184.9	93.2	21 683.9	19 540.7	2 960.2
II. Recurrent Costs																	
A. Salaries /a	1 711.2	80.0	-	-	427.8	20.0	-	-	-	-	-	-	2 139.0	4.5	-	2 139.0	-
B. Operation and Maintenance	209.9	83.3	-	-	42.0	16.7	-	-	-	-	-	-	251.9	0.5	126.0	84.0	42.0
C. Other Operating Costs	599.2	70.0	-	-	142.8	16.7	114.5	13.4	-	-	-	-	856.5	1.8	31.8	681.9	142.8
Total Recurrent Costs	2 520.3	77.6	-	-	612.6	18.9	114.5	3.5	-	-	-	-	3 247.4	6.8	157.8	2 904.8	184.8
Total PROJECT COSTS	30 000.0	63.2	7 800.0	16.4	3 572.8	7.5	114.5	0.2	5 077.5	10.7	867.4	1.8	47 432.2	100.0	21 841.7	22 445.5	3 145.0

Republic of Uzbekistan Dairy Value Chain Development Programme - II Components Project Cost Summary

	(UZS Million)			(US\$ '000)		% Foreign	% Total Base
	Local	Foreign	Total	Local	Foreign	Total	Exchange	Costs
A. Component1. Improving sustainable dairy production and access t								
1. Subcomponent 1.1: Mobilizing farmers and households and building c	8 378.2	930.9	9 309.1	664.2	73.8	738.0	10	2
2. Subcomponent 1.2: Improving access to water, fodder production and	27 048.3	8 356.0	35 404.4	2 144.3	662.4	2 806.8	24	6
3. Subcomponent 1.3: Improving dairy production and farm managemen	26 489.4	11 352.6	37 842.0	2 100.0	900.0	3 000.0	30	7
4. Subcomponent 1.4: Improving access to extension, health and input s	22 997.7	9 856.1	32 853.8	1 823.2	781.4	2 604.6	30	6
5. Subcomponent 1.5: Applied research, pilots and dissemination	6 180.9	2 648.9	8 829.8	490.0	210.0	700.0	30	2
Subtotal Component1. Improving sustainable dairy production and ac	91 094.5	33 144.6	124 239.1	7 221.7	2 627.6	9 849.3	27	22
B. Component 2. Increasing participation of small-scale farmers in the								
1. Subcomponent 2.1: Establishing Milk Collection Centers	86 006.3	59 853.1	145 859.4	6 818.3	4 745.0	11 563.3	41	26
2. Subcomponent 2.2: Facilitating access to credit for stakeholders in the	81 739.9	165 917.0	247 656.9	6 480.1	13 153.4	19 633.5	67	43
Subtotal Component 2. Increasing participation of small-scale farmers	167 746.2	225 770.1	393 516.3	13 298.4	17 898.4	31 196.8	57	69
C. Component 3. Policy support and Project coordination and manage								
1. Subcomponent 3.1 Policy support	3 808.3	1 632.1	5 440.4	301.9	129.4	431.3	30	1
2. Subcomponent 3.2 Monitoring and Evaluation and Knowledge Manag	3 773.1	1 617.1	5 390.2	299.1	128.2	427.3	30	1
3. Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	27 743.3	2 407.3	30 150.6	2 199.4	190.8	2 390.3	8	5
4. Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	11 653.4	998.4	12 651.8	923.9	79.2	1 003.0	8	2
Subtotal Component 3. Policy support and Project coordination and n	46 978.2	6 654.9	53 633.1	3 724.3	527.6	4 251.9	12	9
Total BASELINE COSTS	305 818.9	265 569.6	571 388.4	24 244.4	21 053.6	45 298.0	46	100
Physical Contingencies	4 723.8	3 054.7	7 778.5	374.5	242.2	616.7	39	1
Price Contingencies	26 884.8	15 109.1	41 993.9	971.7	546.0	1 517.6	36	3
Total PROJECT COSTS	337 427.5	283 733.4	621 160.9	25 590.6	21 841.7	47 432.2	46	105

Republic of Uzbekistan Dairy Value Chain Development Programme - II Expenditure Accounts Project Cost Summary

		(UZS Million)			(US\$ '000)		% Foreign	% Total Base
	Local	Foreign	Total	Local	Foreign	Total	Exchange	Costs
I. Investment Costs								
A. Equipment and goods	84 265.5	59 399.0	143 664.6	6 680.3	4 709.0	11 389.3	41	25
B. Vehicles	681.2	832.5	1 513.7	54.0	66.0	120.0	55	
C. Technical Assistance	27 073.6	8 877.0	35 950.5	2 146.3	703.7	2 850.1	25	e
D. Training	4 931.4	2 113.5	7 044.9	391.0	167.6	558.5	30	1
E. Consultancies	9 306.8	3 988.6	13 295.4	737.8	316.2	1 054.0	30	2
F. Studies and workshops	9 298.2	3 985.0	13 283.2	737.1	315.9	1 053.1	30	2
G. Grants and Subsidies	51 330.3	18 762.6	70 092.9	4 069.3	1 487.4	5 556.8	27	12
H. Credit, Guarantee Funds								
1. Window 1 for women, youth, non-registered HHs	5 886.5	3 924.4	9 810.9	466.7	311.1	777.8	40	2
2. Window 2 Dekhan Farmers	42 426.3	28 284.2	70 710.5	3 363.4	2 242.3	5 605.7	40	12
3. Window 3 Private farmers	18 921.0	75 684.0	94 605.0	1 500.0	6 000.0	7 500.0	80	17
 Window 4 Agri-processors 	10 406.6	41 626.2	52 032.8	825.0	3 300.0	4 125.0	80	9
Window 5 Service providers and input	3 342.7	13 370.8	16 713.6	265.0	1 060.0	1 325.0	80	;
6. Guarantee mechanism	756.8	3 027.4	3 784.2	60.0	240.0	300.0	80	
Subtotal Credit, Guarantee Funds	81 739.9	165 917.0	247 656.9	6 480.1	13 153.4	19 633.5	67	43
Total Investment Costs	268 626.9	263 875.1	532 502.0	21 295.9	20 919.2	42 215.2	50	93
II. Recurrent Costs								
A. Salaries /a	26 981.3	-	26 981.3	2 139.0	-	2 139.0	-	ŧ
B. Operation and Maintenance	1 352.9	1 352.9	2 705.7	107.3	107.3	214.5	50	
C. Other Operating Costs	8 857.8	341.6	9 199.4	702.2	27.1	729.3	4	:
Total Recurrent Costs	37 192.0	1 694.5	38 886.4	2 948.5	134.3	3 082.8	4	
Total BASELINE COSTS	305 818.9	265 569.6	571 388.4	24 244.4	21 053.6	45 298.0	46	100
Physical Contingencies	4 723.8	3 054.7	7 778.5	374.5	242.2	616.7	39	
Price Contingencies	26 884.8	15 109.1	41 993.9	971.7	546.0	1 517.6	36	:
Total PROJECT COSTS	337 427.5	283 733.4	621 160.9	25 590.6	21 841.7	47 432.2	46	105

Republic of Uzbekistan Dairy Value Chain Development Programme - II Expenditure Accounts by Components - Base Costs

	Component1. Improving su	stainable dair services	y production an	d access to	parti	nponent 2. Increa cipation of small- ters in the dairy v	scale	nponent 3. Polic	y support and I	Project coordina	ation			
	S	ubcomponen	t			chain		a	nd managemer	nt				
		1.2:	:	Subcomponent			Subcomponen	1	Subcomponent	t				
	Subcomponent		Subcomponent				2.2:		3.2					
	1.1:	access to	1.3:	Improving		Subcomponent			Monitoring					
	Mobilizina	water.	Improving		Subcomponent		access to			Subcomponent	Subcomponent			
		fodder	dairy		•	Establishing	credit for		Evaluation		•			
	farmers and			extension,	1.5: Applied			0		3.3a Project	3.3b: Project		Dia	
	households	production	production	health and	research,	Milk		Subcomponent			Implementation		Physical	
	and building capacities	and grazing land	and farm management	input services	pilots and dissemination	Collection Centers	in the value chain	3.1 Policy support	Knowledge Management	Unit (PMU) - Tashkent	Teams (PIT): Regional	Co <u>r</u> Total	ntingencie %	es Amount
	cupucifico	lund	munugement	30111003	dissemination	Genters	chain	Support	munugement	rusiikeitt	Regional	Total	/0	Amount
I. Investment Costs														
A. Equipment and goods	-	-	-	2.0	-	11 333.3			-	40.0	14.0	11 389.3	5.0	569.5
B. Vehicles	-	-	-	-	-	· -			-	00.0	40.0	120.0	-	-
C. Technical Assistance	738.0			192.8	-	·			42.0		-	2 850.1	-	-
D. Training	-	130.0	135.0	3.5		230.0			30.0		-	558.5	-	-
E. Consultancies	-	-	-	220.0	490.0				304.0		-	1 054.0	-	-
F. Studies and workshops	-			306.3	210.0			- 431.3	51.3	54.2	-	1 053.1	-	-
G. Grants and Subsidies	-	2 676.8	1 000.0	1 880.0	-	· -			-	-	-	5 556.8	-	-
H. Credit, Guarantee Funds														
 Window 1 for women, youth, non-registered HHs 	-	-	-	-	-		777.8		-	-	-	777.8	-	-
2. Window 2 Dekhan Farmers	-	-	-	-	-		5 605.7		-	-	-	5 605.7	-	-
3. Window 3 Private farmers	-	-	-	-	-	· -	7 500.0		-	-	-	7 500.0	-	-
4. Window 4 Agri-processors	-	-	-	-	-	· -	4 125.0		-	-	-	4 125.0	-	-
Window 5 Service providers and input	-	-	-	-	-		1 325.0		-	-	-	1 325.0	-	-
Guarantee mechanism	-	-	-	-	-		300.0		-	-	-	300.0	-	-
Subtotal Credit, Guarantee Funds	-	-	_	-	-		19 633.5		-		-	19 633.5	-	-
Total Investment Costs	738.0	2 806.8	3 000.0	2 604.6	700.0	11 563.3	19 633.5	5 431.3	427.3	256.5	54.0	42 215.2	1.3	569.5
II. Recurrent Costs														
A. Salaries /a	-	-	-	-	-				-	1 425.3	713.7	2 139.0	-	-
B. Operation and Maintenance	-	-	-	-	-				-	117.0	97.5	214.5	5.0	10.7
C. Other Operating Costs	-	-	-	-	-				-	591.5	137.8	729.3	5.0	36.5
Total Recurrent Costs	-	-	-	-	-				-	2 133.8	949.0	3 082.8	1.5	47.2
Total BASELINE COSTS	738.0	2 806.8	3 000.0	2 604.6	700.0	11 563.3	19 633.5	i 431.3	427.3	2 390.3	1 003.0	45 298.0	1.4	616.7
Physical Contingencies	-	-	-	0.1	-	566.7			-	37.4	12.5	616.7	-	-
Price Contingencies														
Inflation														
Local	59.7	16.9	344.1	90.6	107.9	1 041.2		- 57.7	60.8	187.2	51.0	2 017.3	-	-
Foreign	3.1	3.3		17.6	21.0				11.6		6.5	546.0	-	-
Subtotal Inflation	62.8	20.2		108.3	128.9				72.4	201.9	57.5	2 563.2	-	-
Devaluation	-31.9	-9.2		-49.5	-59.1				-33.8		-27.4	-1 045.6	-	-
Subtotal Price Contingencies	30.9	11.0		58.7	69.8			- 37.5	38.6		30.1	1 517.6	3.3	49.5
Total PROJECT COSTS	768.9	2 817.8	3 220.3	2 663.4	769.8		19 633.5		466.0	2 527.6	1 045.5	47 432.2	1.4	666.2
Taxes		294.4	110.0	207.2		2 307.7			-	166.8	58.9	3 145.0	3.8	119.2
Foreign Exchange	76.9	665.8	966.1	799.0	231.0	5 369.5	13 153.4	4 140.7	139.8	211.1	88.5	21 841.7	1.2	261.6

Republic of Uzbekistan Dairy Value Chain Development Programme - II Expenditure Accounts by Components - Totals Including Contingencies

	Component1. Improving su	istainable dair services Subcomponer		id access to	partie	nponent 2. Increa cipation of small lers in the dairy v chain	-scale		y support and	Project coordin	ation	
	Subcomponent 1.1: Mobilizing farmers and households and building capacities	1.2:		Subcomponent 1.4: Improving access to extension, health and input services	Subcomponent 1.5: Applied research, pilots and dissemination	Subcomponent	access to credit for		Subcomponen 3.2 Monitoring and Evaluation	t Subcomponent 3.3a Project Management Unit (PMU) -	1 Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	Total
I. Investment Costs												
A. Equipment and goods	-			2.3	-	12 820.6	-	-	-	43.1	14.9	12 880.9
B. Vehicles	-			-	-	-	-	-	-	81.2	40.6	121.8
C. Technical Assistance	768.9		- 2 079.2	208.8	-	-	-	-	46.7	12.5	-	3 116.0
D. Training	-	141.0) 141.1	3.8	-	230.0	-	-	30.5	32.8	-	579.2
E. Consultancies	-			237.3	539.1	-	-	-	332.1	40.6	-	1 149.0
F. Studies and workshops	-			331.3	230.7	-	-	468.8	56.8	60.0	-	1 147.6
G. Grants and Subsidies	-	2 676.8	3 1 000.0	1 880.0	-	-	-	-	-	-	-	5 556.8
H. Credit, Guarantee Funds												
1. Window 1 for women, youth, non-registered HHs	-			-	-	-	777.8	-	-	-	-	777.8
2. Window 2 Dekhan Farmers	-			-	-	-	5 605.7	-	-	-	-	5 605.7
3. Window 3 Private farmers	-			-	-	-	7 500.0	-	-	-	-	7 500.0
Window 4 Agri-processors	-			-	-	-	4 125.0	-	-	-	-	4 125.0
5. Window 5 Service providers and input	-			-	-	-	1 325.0	-	-	-	-	1 325.0
6. Guarantee mechanism	-			-	-	-	300.0	-	-	-	-	300.0
Subtotal Credit, Guarantee Funds	-			-	-	-	19 633.5	-	-	-	-	19 633.5
Total Investment Costs	768.9	2 817.8	3 220.3	2 663.4	769.8	13 050.6	19 633.5	468.8	466.0	270.3	55.5	44 184.9
II. Recurrent Costs												
A. Salaries /a	-			-	-	-	-	-	-	1 425.3	713.7	2 139.0
B. Operation and Maintenance	-			-	-	-	-	-	-	137.4	114.5	251.9
C. Other Operating Costs	-			-	-	-	-	-	-	694.6	161.8	856.5
Total Recurrent Costs	-			-	-	-	-	-	-	2 257.3	990.0	3 247.4
Total PROJECT COSTS	768.9	2 817.8	3 220.3	2 663.4	769.8	13 050.6	19 633.5	468.8	466.0	2 527.6	1 045.5	47 432.2
Taxes	-	294.4	l 110.0	207.2	-	2 307.7	-	-	-		58.9	3 145.0
Foreign Exchange	76.9	665.8	966.1	799.0	231.0	5 369.5	13 153.4	140.7	139.8	211.1	88.5	21 841.7

Republic of Uzbekistan Dairy Value Chain Development Programme - II Project Components by Year -- Totals Including Contingencies (US\$ '000)

			Totals Incl	uding Contin	gencies			
	2025	2026	2027	2028	2029	2030	2031	Total
A. Component1. Improving sustainable dairy production and access to services								
1. Subcomponent 1.1: Mobilizing farmers and households and building capacities	307.5	325.1	99.1	8.9	9.1	9.4	9.7	768.9
2. Subcomponent 1.2: Improving access to water, fodder production and grazing land	212.6	606.8	539.6	687.6	505.7	263.9	1.5	2 817.8
3. Subcomponent 1.3: Improving dairy production and farm management	353.8	550.2	447.7	560.5	571.3	482.4	254.5	3 220.3
Subcomponent 1.4: Improving access to extension, health and input services	201.7	144.1	724.4	742.2	525.6	285.5	39.7	2 663.4
5. Subcomponent 1.5: Applied research, pilots and dissemination	50.8	146.4	150.8	155.3	137.1	123.5	6.1	769.8
Subtotal Component1. Improving sustainable dairy production and access to services	1 126.4	1 772.7	1 961.5	2 154.5	1 748.9	1 164.8	311.4	10 240.2
B. Component 2. Increasing participation of small-scale farmers in the dairy value chain								
1. Subcomponent 2.1: Establishing Milk Collection Centers	463.9	4 212.7	4 334.8	2 863.0	612.0	397.5	166.7	13 050.6
2. Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain	1 682.8	5 030.0	4 830.0	4 330.0	3 130.0	630.7	-	19 633.5
Subtotal Component 2. Increasing participation of small-scale farmers in the dairy value chain	2 146.6	9 242.7	9 164.8	7 193.0	3 742.0	1 028.2	166.7	32 684.1
C. Component 3. Policy support and Project coordination and management								
1. Subcomponent 3.1 Policy support	50.8	115.0	86.1	88.7	91.4	36.8	-	468.8
2. Subcomponent 3.2 Monitoring and Evaluation and Knowledge Management	195.2	18.3	18.8	74.9	20.0	20.6	118.2	466.0
3. Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	347.0	353.7	357.7	368.5	366.1	368.1	366.5	2 527.6
4. Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	129.7	149.5	150.7	152.0	153.2	154.5	155.9	1 045.5
Subtotal Component 3. Policy support and Project coordination and management	722.7	636.5	613.4	684.0	630.7	580.1	640.5	4 508.0
Total PROJECT COSTS	3 995.7	11 651.9	11 739.7	10 031.5	6 121.6	2 773.1	1 118.7	47 432.2

Republic of Uzbekistan Dairy Value Chain Development Programme - II Expenditure Accounts by Years -- Totals Including Contingencies (US\$ '000)

			Totals Incl	uding Contin	gencies			
	2025	2026	2027	2028	2029	2030	2031	Total
I. Investment Costs								
A. Equipment and goods	516.1	4 122.7	4 247.1	2 818.8	612.0	397.5	166.7	12 880.9
B. Vehicles	121.8	-	-	-	-	-	-	121.8
C. Technical Assistance	629.8	571.9	386.8	411.4	422.9	412.1	281.2	3 116.
D. Training	46.7	268.8	132.5	96.6	21.7	12.9	-	579.3
E. Consultancies	309.6	137.5	152.4	156.9	138.8	143.0	110.9	1 149.0
F. Studies and workshops	149.5	237.6	190.9	242.3	192.5	121.0	13.9	1 147.
G. Grants and Subsidies	301.5	794.4	1 306.2	1 476.6	1 099.8	546.8	31.5	5 556.
H. Credit, Guarantee Funds								
 Window 1 for women, youth, non-registered HHs 	57.8	180.0	180.0	180.0	180.0	-	-	777.
2. Window 2 Dekhan Farmers	600.0	1 200.0	1 200.0	1 200.0	1 200.0	205.7	-	5 605.
Window 3 Private farmers	500.0	2 000.0	2 000.0	2 000.0	800.0	200.0	-	7 500.
Window 4 Agri-processors	225.0	1 200.0	1 200.0	700.0	700.0	100.0	-	4 125.
Window 5 Service providers and input	200.0	250.0	250.0	250.0	250.0	125.0	-	1 325.
6. Guarantee mechanism	100.0	200.0	-	-	-	-	-	300.
Subtotal Credit, Guarantee Funds	1 682.8	5 030.0	4 830.0	4 330.0	3 130.0	630.7	-	19 633.
Total Investment Costs	3 757.7	11 162.8	11 245.8	9 532.7	5 617.7	2 264.0	604.2	44 184.
II. Recurrent Costs								
A. Salaries /a	160.7	329.7	329.7	329.7	329.7	329.7	329.7	2 139.
B. Operation and Maintenance	17.6	36.2	37.3	38.4	39.6	40.8	42.0	251.
C. Other Operating Costs	59.8	123.2	126.9	130.7	134.6	138.6	142.8	856.
Total Recurrent Costs	238.0	489.1	493.9	498.8	503.9	509.1	514.5	3 247.
Total PROJECT COSTS	3 995.7	11 651.9	11 739.7	10 031.5	6 121.6	2 773.1	1 118.7	47 432.

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Component 1. Improving and increasing sustainable climate smart dairy production and access to required services /a d Costs																							Breakdown o	f Totals Incl.	Cont. ('000)		
	Unit	2025	0000	Q	Quantities 2028	2029	2030		T-1-1		2025 2026		Cost ('000)			T-4-1	0005 00		luding Conting				Free Freeb		Outies &	Total Disb. Acct.	Other Accounts Fin. Rule
. .	Unit	2025	2026	2027	2028	2029	2030	2031	i otal U	Jnit Cost	2025 2026	2027	2028 20	29 2030	2031	lotal	2025 20	26 2027	2028	2029	2030 203	1 I otal	For. Exch.	laxes)	laxes	I otal Disb. Acct.	Fin. Kule
stment Costs ubcomponent 1.1: Mobilizing farmers and households and building capacities																											
icial mobilisers /b	person-year	30	30						60	3 600	108.0 108.0		_			216.0	109.6	112.9				- 222.5	22.3	200.3		222.5 TA DA	IEAD PBAS (100%)
perational costs of social mobilisers	person-year	30	30	-	-	-	-	-	60	3.000	27.0 27.0		-	-		54.0		28.2		-	-	- 55.6				55.6 TA DA	IFAD_PBAS(100%)
vice provider on capacity development /c	service provider	2	20	1				-	5	84.000	168.0 168.0		-					175.6 90	16		-	- 436.6			-	436.6 TA DA	IFAD_PBAS(100%)
mice provide in capacity development to	person-month	-	4	4	4	4	4	4	24	2 000	- 80		8.0	80 8	80 80	48.0	170.5		16 89	9.1		97 541				54.1 TA DA	IFAD_PBAS (100%)
statant on capacity development tal Subcomponent 1.1: Mobilizing farmers and households and building capacities	person-monan		4	4	-	-	4	-4	24	2.000	303.0 311.0		8.0	0.0	80 80	738.0	307.5	325.1 99			0.4	9.7 768.9	0.4			768.9	11 AD_1 BAB (100 %)
component 1.2. Activities - Improving access to water, fodder production and grazing land																											
ching grants for watertanks /d	grant	40	100	100	92	70	70		472	500	20.0 50.0	50.0	46.0	35.0 35	50 -	236.0	20.0	50.0 50	0 46.0	35.0	35.0	- 236.0	70.8	139.2	26.0	236.0 GRANTS SUBSIDIES DA	IFAD PBAS (90%); BEN CASH (5%); BEN IN KIN
abilitation of communal water points	grant	2	4	4	4	4	2	-	20	30 000	60.0 120.0				0.0 -	600.0		120.0 120			60.0	- 600.0			66.0	600.0 GRANTS SUBSIDIES DA	
ass to drought resistant folder seeds	grant	5	15	25	20	20	10	5	100	294	1.5 4.4		5.9		2.9 1.5	29.4	1.5		.4 5.9			1.5 29.4			3.2	29.4 GRANTS SUBSIDIES DA	
ting, piloting and upscaling of drought resistant fodder plants	pilot	-	-	1	1	1	1	-	4	28.876		28.9	28.9	28.9 28	2.0 1.0	115.5	-	- 28			28.9	- 115.5			12.7	115.5 GRANTS SUBSIDIES DA	
ing hydroponic fodder plant cultivation	pilot	-	10	10	15	10	5	-	50	10 000	- 100.0			100.0 50	i0 0 -	500.0	-	100.0 100				- 500.0			55.0	500.0 GRANTS SUBSIDIES DA	
d visitis to the hydroponic pioneers	visit	2	7	7	9	3	2	-	30	3.000	6.0 21.0		27.0	9.0 6	6.0 -	90.0		22.0 22			7.1	- 97.9				97.9 TRAIN DA	IFAD PBAS (100%)
oup formation and training of youth in fodder growing	training	1	2	2	2	1	-		8	5.000	5.0 10.0	10.0	10.0	5.0		40.0	5.1	10.5 10	.8 11.1	5.7		- 43.1			-	43.1 TRAIN DA	IFAD PBAS (100%)
ant for land access, seeds and machinery and tools /e	package	3	5	5	5	5	2	-	25	40.000	120.0 200.0	200.0	200.0	200.0 80	- 0.0	1 000.0	120.0	200.0 200	0.0 200.0	200.0	80.0	- 1 000.0	200.0	690.0	110.0	1 000.0 GRANTS SUBSIDIES DA	IFAD PBAS (90%); BEN CASH (5%); BEN IN KIN
eneration of degradaded rangelands	lumpsum										- 100.0	-	95.8	-	·	195.8		100.0	- 95.8		-	- 195.8	39.2	135.1	21.5	195.8 GRANTS SUBSIDIES DA	
tal Subcomponent 1.2. Activities - Improving access to water, fodder production and grazing land											212.5 605.4	537.2	683.6	503.8 262	2.8 1.5	2 806.8	212.6	606.8 539	.6 687.6	505.7	263.9	1.5 2 817.8	665.8	1 857.6		2 817.8	= (/
bcomponent 1.3: Improving dairy production and farm management Livestock Farmers Field Scool (LFFS) /f																											
Development of dairy curriculum /g	lumpsum										250.0		-	-		250.0	253.8			-	-	- 253.8	76.1	177.6		253.8 TRAIN DA	IFAD PBAS (100%)
Jaster trainers training /h	lumpsum										- 200.0	-	-	-				209.1		-		- 209.1			-	209.1 TRAIN DA	IFAD PBAS (100%)
acilitators training A	training group	-	15	-	-	-	-	-	15	9.000	- 135.0		-	-				141.1		-		- 141.1			-	141.1 TRAIN DA	IFAD PBAS (100%)
acilitation of farmer groups /j	training group	-	-	300	450	450	450	300	1 950	700		210.0	315.0	315.0 315	5.0 210.0	1 365.0	-	- 226	6.1 349.4	359.9	370.6 25	4.5 1 560.5	468.2	1 092.4	-	1 560.5 TRAIN DA	IFAD PBAS (100%)
onitoring training quality	lumpsum											20.0	10.0		0.0 -	50.0	-	- 21	.5 11.1	11.4	11.8	- 55.8	16.7	39.1	-	55.8 TRAIN_DA	IFAD_PBAS (100%)
total Livestock Farmers Field Scool (LFFS)											250.0 335.0	230.0	325.0	325.0 325	25.0 210.0	2 000.0	253.8	350.2 247	7.7 360.5	371.3	382.4 25	4.5 2 220.3	666.1	1 554.2	-	2 220.3	_ , ,
atalytic Grants																											
rants for construction of cowsheds/shelters and small equipment for cows in HH farms /k	lumpsum										100.0 200.0	200.0	200.0	200.0 100	- 0.0	1 000.0	100.0	200.0 200	0.0 200.0	200.0	100.0	- 1 000.0	300.0	590.0	110.0	1 000.0 GRANTS SUBSIDIES DA	IFAD PBAS (90%); BEN CASH (5%); BEN IN KIN
tal Subcomponent 1.3: Improving dairy production and farm management											350.0 535.0	430.0	525.0	525.0 425	25.0 210.0	3 000.0	353.8	550.2 447	7.7 560.5	571.3	482.4 25	4.5 3 220.3	966.1	2 144.2	110.0	3 220.3	_ , ,, _ ,
bcomponent 1.4: Improving access to extension, health and input services																											
Support to extension																											
Extension voucher pilot for 4 years	lumpsum												30.0	30.0 30	0.0 30.0		-		- 30.0			0.0 120.0			13.2	120.0 TRAIN_DA	IFAD_PBAS (100%)
ledia extension	lumpsum										- 20.0	20.0	20.0	20.0 20	- 0.0	100.0	-	20.0 20	0.0 20.0	20.0	20.0	- 100.0	30.0	59.0	11.0	100.0 TRAIN_DA	IFAD_PBAS (100%)
ptotal Support to extension											- 20.0	20.0	50.0	50.0 50	60.0 30.0	220.0	-	20.0 20	0.0 50.0	50.0	50.0 3	0.0 220.0	66.0	129.8	24.2	220.0	
Privitization of veterinary services																											
Policy review and feasibility study privatisation mapping and pathway for implementation	lumpsum										50.0		-			50.0	50.8			-	-	- 50.8			-	50.8 CONSULTANCIES_DA	IFAD_PBAS (100%)
Fraining of private (para)vets	lumpsum	-		4	4	2	-	-	10	5.000							-	- 20			-	- 50.0			5.5	50.0 GRANTS_SUBSIDIES_DA	
Concessional matching grants	paravet	-	-	120	120	60	-	-	300	3.500						1 050.0	-	- 420			-				115.5		IFAD_PBAS (50%); BEN_CASH (40%); BEN_IN_KIN
Nonitoring of private (para)vets	lumpsum											1.2		1.4	1.2 -	4.8	-		.3 1.3	1.4	1.4	- 5.4			-	5.4 TA_DA	IFAD_PBAS (100%)
total Privitization of veterinary services											50.0	441.2	441.2	221.2 1	1.2 -	1 154.8	50.8	- 441	.3 441.3	221.4	1.4	- 1 156.2	346.8	688.3	121.0	1 156.2	
reeding and AI																											
stablishment and support of particpatory local breeding groups and programmes pilot Kaskandarya	lumpsum										20.0 30.0	30.0	30.0	30.0 10	0.0 8.0			31.4 32		34.3		9.7 173.0			-	173.0 TA_DA	IFAD_PBAS (100%)
Nation wide inventory of AI and breeding centre facilities & Local farmer group formation (FO) and breeding knowledge and re	consultant	2		-	-	-	-	-	2	15.000	30.0		-	-		30.0	30.5			-		- 30.5		21.3	-	30.5 TA_DA	IFAD_PBAS (100%)
ilot Breed and breeding study activities / field visits	group	25	25	25				-	75	750	18.8 18.8					56.3	19.0	19.6 20				- 58.8				58.8 STUDIES&WORKSHOPS_D/	
Atching grant for AI for LFFS farmers /I	AI	-	-	7 000	7 000	7 000	7 000	-	28 000	20		140.0	140.0	140.0 140	- 0.0	560.0	-	- 140			140.0	- 560.0			61.6	560.0 GRANTS_SUBSIDIES_DA	
raining for future inseminators	person	-	-	10	-	-	-	-	10	350		3.5	-	-		3.5	-		- 8.8	-	-	- 3.8				3.8 TRAIN_DA	IFAD_PBAS (100%)
toli out total Breeding and Al	insemination kit	-	-	100	-	-	-	-	100	20	68.8 48.8	2.0	470.0	-		2.0	69.8	- 2		171.0	151.8	- 2.3			0.4	2.3 EQUIP_DA	IFAD_PBAS (100%)
polied research and dissemination											68.8 48.8	194.3	170.0	170.0 150	60.0 8.0	809.8	69.8	51.0 198	3.5 173.3	174.3	151.8	9.7 828.3	248.5	517.8	62.0	828.3	
																										135.3 STUDIES&WORKSHOPS D	IFAD PBAS (100%)
evalence study on Brucellosis	lumpsum										50.0 50.0 30.0 20.0		-	-		130.0		52.3 32			-	- 135.3			-		
rvey on feed safety imal nutrition, feed safety and diet composition for dairy production, including concentrate requirements	lumpsum lumpsum										30.0 20.0	30.0				00.0		20.9 32				- 83.7 - 102.8		58.6 72.0	-	83.7 CONSULTANCIES_DA 102.8 CONSULTANCIES DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
												-			10.0 -	90.0	-	-	- 33.3		35.3	- 102.8		72.0			
articpatrory local breeding group pilot on genetic and organzational needs total Applied research and dissemination	lumpsum										80.0 70.0	60.0						73.2 64				- 137.1		96.0 321.3		137.1 STUDIES&WORKSHOPS_D/	IFAD_PBAS (100%)
tal Subcomponent 1.4: Improving access to extension, health and input services																								1 657.2		9.669.4	
tal Subcomponent 1.4: Improving access to extension, health and input services bcomponent 1.5: Applied research, pilots and dissemination											198.8 138.8	/ 15.5	731.2	2/1	1.2 38.0	2 004.0	201.7	144.1 724	.4 742.2	525.6	285.5 3	9.1 Z 063.4	799.0	1 057.2	207.2	2 003.4	
	h											00.0	22.2			400.0	00.0			04.0	00.5	175.0	50.5	100 5	-		IFAD PBAS (100%)
pplied research flots	lumpsum										20.0 30.0 30.0 100.0				- 0.0 - 0.0	160.0 490.0		31.4 32 104.5 107				- 175.0 - 539.1		122.5 377.4		175.0 STUDIES&WORKSHOPS_D/ 539.1 CONSULTANCIES DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
lots essimination	lumpsum											100.0 10.0			0.0 - 5.0 5.0				7.7 110.9 0.8 11.1					377.4 39.0		539.1 CONSULTANCIES_DA 55.7 STUDIES&WORKSHOPS D/	
essimination tal Subcomponent 1.5: Applied research, pilots and dissemination	lumpsum										- 10.0															55.7 STUDIES&WORKSHOPS_D/	IFAD_PBAS(100%)
											50.0 14U.U	140.0	140.0	120.0 103	10.0 5.0	100.0	30.8	140.4 150	10 100.3	137.1	123.5	0.1 /09.8	231.0	038.9	-	/09.0	

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a Operational Costs linked to this component are be budgeted under the PMU. Is Magping/PKA/planning with communities for targeting participants budget or matching grants, beneficiaries will select the equipment and the PMU will procure it le 5 per each region 19 25.000 beneficiaries will be trained in total (25 persons per each training group, 1000 training groups in total). 19 Groe SP per each region 19 5 South Sectors, trained in groups of 10, 15 trainings in total. Average facilitators monthly salary 100 USD x 10 facilitators x 15 groups. Five mastertrainers doing 3 training groups daily rate 400 USDx20 days x 3 groups x 5 mastertrainers = 120 000 19 KF or matching grants, beneficiaries will select the equipment and the PMU will procure it. 19 KF or matching grants, beneficiaries will select the equipment and the PMU will procure it. 19 KF or matching grants, beneficiaries will select the equipment and the PMU will procure it. 10 KF or matching grants, beneficiaries will select the equipment and the PMU will procure it. 10 Y 2 vouchers of MAX 10 usd (or more vouchers for less) total 20 USD per farmer/HH

Republic of Uzbekistar																														
Dairy Value Chain Development Programme - Table 2. Component 2. Increasing participation of small-scale farmers in the dairy value chains and the state of the st																								Brea	kdown of	Totals Incl. C	Cont. ('000)			
Detailed Costs (US\$)				00	uantities								Base Cost ('0	000)					Totals Incl	uding Contin	nencies ('000)					Local (Excl.	Duties &			Other Accounts
(000)	Unit	2025	2026			2029	2030 2	2031	Total L	Jnit Cost	2025 202	2027	2028	2029	2030 203	31 Tot	al 2025	5 2026	2027	2028	2029	2030	2031	Total For.	Exch.			Total	Disb. Acct.	Fin. Rule
I. Investment Costs A. Subcomponent 2.1: Establishing Milk Collection Centers 1. Activities - Establishing Milk Collection Centers a. Construction & Equipment of new MCCs /a																														
Category 1 MCC Category 2 MCC Category 3 MCC	number number number	-	15 15 8	15 15 8	10 10 4	÷	-	-	40	28.000 40.000 53.000	- 6	420.0 420 500.0 600 424.0 424	0.0 400.0	0 -		- 1 - 1 - 1		- 65	1.0 474 8.6 678 5.4 479	4 465.8	-			1 262.0 1 802.9 1 191.7	378.6 540.9 357.5	656.2 937.5 619.7	227.2 324.5 214.5		EQUIP_DA EQUIP_DA EQUIP_DA	IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (5%) IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (5%) IFAD_BRAM (70%); BEN_CASH (15%); BEN_IN_KIND (15%)
Subtotal Construction & Equipment of new MCCs b. Solar panels for MCCs /b Category 1 MCC	kit		15	15	10			-	40	25.000		144.0 1 444 375.0 375		-		-	780.0	- 158	1.6 424			-	-	4 256.6	1 277.0 338.0	2 213.4 585.9	766.2	4 256.6	EQUIP DA	IFAD PBAS (90%); BEN CASH (5%); BEN IN KIND (5%)
Category 2 MCC Category 3 MCC Subtotal Solar panels for MCCs	kit kit	-	15 8	15 8	10 4	-	-	:	40	35.000 45.000		525.0 525 360.0 360 260.0 1 260	5.0 350.0 0.0 180.0	0 - 0 -	-	- 1		- 57 - 39	76.3 593 15.2 407 13.1 1424	6 407.6 0 209.6	-		-	1 577.5 1 011.8	473.2 303.6 1 114.8	820.3 526.2 1 932.4	283.9 182.1	1 577.5 1 011.8	EQUIP_DA EQUIP_DA	IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (5%) IFAD_BRAM (70%); BEN_CASH (15%); BEN_IN_KIND (15%)
c. Trainings and capacity building for the MCCs operators/managers , Subtotal Activities - Establishing Milk Collection Centers 2. Activities - Organization and equipment of milk collectors/traders (youth	training	-	9	9	5	-	-	-	23	10.000			0.0 50.0		-		230.0 310.0	- 9	10.0 90 18.2 3 147	0 50.0	-		-	230.0	69.0 2 460.8	161.0 4 306.8	-		TRAIN_DA	IFAD_PBAS (100%)
2. Activities - organization and equipment or mile connectors traders (youth a. Tricycless for mile contectors) traders / b. Mill: containers /e c. Mill: testing kits /l	number number kit	50 100 50	200 400 200	200 400 200	100 200 100	50 100 50	-	-	600 1 200 600	1.450 124,621 350	12.5	290.0 290 49.8 49 70.0 70	9.8 24.9	9 12.5	-	-	149.5	13.3 5	8.3 327 i4.7 56 '6.8 79	4 29.0	14.9	-	-	979.3 168.3 236.4	587.6 101.0 141.8	215.5 37.0 52.0	176.3 30.3 42.5	979.3 168.3 236.4		IFAD_PBAS (95%); BEN_CASH (5%) IFAD_PBAS (100%) IFAD_PBAS (100%)
d. Trainings and capacity building for milk collectors/traders / Subtotal Activities - Organization and equipment of milk collectors/traders (youth 3. Activities - Equipment of producer groups with milk refrigerator:	training	3	10	10	5	2	-	-	30	5.000	15.0).0 25.0	0 10.0			150.0 1	15.8 5	12.5 52 12.4 515	5 26.3	10.5			157.5 1 541.5	94.5 924.9	34.7 339.1	28.4		EQUIP_DA	IFAD_PBAS (100%)
a. Small scale milk cooling // b. Milk containers / c. Milk testing kits //	number number kit	100 300 200	300 900 600	300 900 600	200 600 400	50 150 100	50 150 100	- 100 100	1 000 3 100 2 100	500 60 50	18.0 10.0		1.0 36.0 0.0 20.0	0 9.0 0 5.0	9.0 5.0	6.0 5.0	186.0 1 105.0 1	19.2 5 10.7 3	4.7 169 9.3 61 2.9 33	1 41.9 9 23.3	10.8 6.0	6.2	7.6 6.4	564.9 211.0 119.3	338.9 126.6 71.6	124.3 46.4 26.3	21.5	211.0	EQUIP_DA EQUIP_DA EQUIP_DA	IFAD_PBAS (90%); BEN_CASH (5%); BEN_IN_KIND (5%) IFAD_PBAS (100%) IFAD_PBAS (95,438806%); IFAD_BRAM (4,561194%
Subtotal Activities - Equipment of producer groups with milk refrigeratorn 4. Activities - Providing women involved in artisanal dairy processing with small-scale processing and packaging equipmer a. Small scale processing equipment /	number	200	300	300	300	300	235	100	1 735	1.000	200.0	234.0 234 300.0 300	0.0 300.0	0 300.0	235.0 1	100.0 1	735.0 21	13.2 32	6.9 264 19.3 339	2 349.4	359.9	290.3	14.0 127.3		537.1 1 205.1	196.9 441.9	161.1 361.5	895.2 2 008.5		IFAD_PBAS (95%); BEN_CASH (5%)
 Trainings and capacity building for women dairy processors Mit testing kits Mit testing kits Subtotal Activities - Providing women involved in artisanal dairy processing with small-scale processing and packaging equip Subtotal Activities - Providing Mix Collection Center 	training kit	10 200	15 300	15 300	15 300	15 300	12 235	5 100	87 1 735	3.000	10.0		5.0 15.0 0.0 360.0	0 15.0		5.0 20.0 2	86.8 082.8 25	10.7 1 55.8 39	9.4 50 6.5 17 95.2 407 2.7 4 334	0 17.5 0 419.2	18.0 431.8	14.5 349.3			181.3 60.3 1 446.7 5 369.5	66.5 22.1 530.4 5 373.3	54.4 18.1 434.0 2 307.7	100.4	EQUIP_DA EQUIP_DA	IFAD_PBAS (100%) IFAD_PBAS (100%)
B. Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chali 1. Window 1 for women, youth, non-registered HHs / 2. Window 2 - Dekhan farmers /c 3. Window 3 - Private commercial farmers working with vulnerable household farmers and small-scale dekhan farmers 4. Window 4 - Agri-processors working with vulnerable household farmers and small-scale dekhan farmers 5. Window 5 - Service providers and input /	lumpsum lumpsum lumpsum lumpsum lumpsum										600.0 12 500.0 20 225.0 12	180.0 180 200.0 1 200 000.0 2 000 200.0 1 200 200.0 1 200 250.0 250 250	0.0 1 200.0 0.0 2 000.0 0.0 700.0	0 1 200.0 0 800.0 0 700.0	200.0 100.0	- 5 - 7 - 4	605.7 60 500.0 50 125.0 22	00.0 1 20 00.0 2 00 25.0 1 20		0 1 200.0 0 2 000.0 0 700.0	1 200.0 800.0 700.0	200.0 100.0	-	7 500.0 4 125.0	311.1 2 242.3 6 000.0 3 300.0 1 060.0	466.7 3 363.4 1 500.0 825.0 265.0	- - - -	5 605.7 7 500.0 4 125.0	WINDOW1_DA WINDOW2_DA WINDOW3_DA WINDOW4_DA WINDOW5_DA	IFAD_PBAS (90%); BEN_CASH (10%) IFAD_PBAS (90%); BEN_CASH (20%) IFAD_PBAS (90%); BEN_CASH (20%) IFAD_PBAS (90%); BEN_CASH (20%) IFAD_PBAS (90%); BEN_CASH (20%)
6. Guarantee mechanism /: Subtotal Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain Total	lumpsum									_	100.0 2 1 682.8 5 0 2 118.2 8 8	200.0 030.0 4 830 377.8 8 677	- 4 330.0 7.8 6 797.9	0 <u>3 130.0</u> 9 <u>3 641.5</u>	630.7 952.5 1	- 10	600.0 10	00.0 20	00.0 80.0 <u>4 830</u> 82.7 9 164	- 4 330.0 8 7 193.0	3 130.0 3 742.0	630.7 1 028.2		300.0 19 633.5 32 684.1	240.0 3 153.4 8 522.9	60.0 6 480.1 11 853.4	2 307.7	300.0 19 633.5 32 684.1	GUARANTEE_DA	IFAD_PBAS(100%)
\a Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \b Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \c Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \d Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \b Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \d Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \d Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \b Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \b Category1 =1500 litre; Category2 = 2500 litre; Category3 = 4000 lit \b Category1 = 1500 litre; Category2 = 2500 litre; Category3 = 4000 lit																														
<pre>W Category1 = 1500 lite; Category2 = 2500 lite; Category3 = 4000 lit W Category1 = 1500 lite; Category2 = 2500 lite; Category3 = 4000 lit W Category1 = 1500 lite; Category2 = 2500 lite; Category3 = 4000 lit W Category1 = 1500 lite; Category2 = 2500 lite; Category3 = 4000 lit W Category1 = 1500 lite; Category2 = 2500 lite; Category3 = 4000 lit W Category1 = 1500 lite; Category2 = 2500 lite; Category3 = 4000 lit W Category1 = 1500 lite; Category2 = 2500 lite; Category3 = 4000 lit W Category1 = 1500 lite; Category2 = 4300 lite; Category3 = 4000 lit U Stategory1 = 1500 lite; Category2 = 2500 lite; Category3 = 4000 lit W L3D 5000-6,000 on average, USD 10,000 - max. 300+4000 beneficiarie b USD 10,000-15,000 on average, USD 10,000 - max. 300+4000 beneficiaries in tot</pre>																														
to USD 10,000-15,000 on average, USD 30,000 - max. 300K-400K beneficianes in to: (p USD 60,000 on average, USD 250,000 - max. Around 20 processors in tot: V Around 20 vetenarians, USD 10,000 - max, around 15 food producers, USD 100,000 - m: Is To be provided by the Project through PFIs to private feedforage inpit suppliers and private service providers (vets). The PFIs will be requi	ired to contribute a	at least 20% of t	the credit. The	private input s	upply and serv	ice provider's	conti																							

rhain Development Programme - I ponent 3. Policy support and project managemen ts																									Bre	(f Totals Incl (000)	ci. Cont.
15	11	2025	2026 2		antities 2028 2	2029	2030 2	2031 1	Tatal		2025	000	Base Co		2030	2024	Total		Totals II		Continger				Total E	For. (Duties & Taxes To
nt Costs	0111	2025	2020 2	2027 2	1028 2	2025 2	2030 2	1031		mit Cost	2023 2	1020 2	.027 202	.0 2023	2030	2031	Total A	2025	020 2	027 2	020 2	2025 7	2030 2	2031		EACH. I	ixes)	Taxes To
Start-up																												
nical Assistance, Studies and Workshop: preparation	Report	1					-		1	10.000	10.0						10.0	10.2	-						10.2	-	10.2	
up Workshop	w/shop	1	-	-	-	-	-	-	1	7.200	7.2	-	-	-		-	7.2	7.3	-	-	-	-	-	-	7.3	2.2	5.1	
al Technical Assistance, Studies and Workshops ramme Communications and Software											17.2	-	-	-		-	17.2	17.5	-	-	-	-	-	-	17.5	2.2	15.3	-
ading of accounting software	lumpsum									_	20.0	-	-	-		-	20.0	20.3	-	-	-	-		-	20.3	6.1	14.2	
Project Start-up nponent 3.1: Policy support											37.2	-	-	-		-	37.2	37.8	-	-	-	-	-	-	37.8	8.3	29.5	-
platform																												
nizing meetings, events, field visits, etc	lumpsum										30.0	80.0 30.0	80.0	80.0 80	0.0 31.3	-	381.3 50.0	30.5	83.6	86.1	88.7	91.4	36.8	-	417.2 51.7	125.2 15.5	292.0 36.2	
ipation in working groups on land reform Il Dairy platform	lumpsum									-	20.0 50.0	110.0	80.0	- 80.0 80	0.0 31.3	-	431.3	20.3 50.8	31.4 115.0	86.1	88.7	91.4	36.8		468.8	15.5	36.2	
nponent 3.2: Monitoring and Evaluation and Knowledge Management																												
e Survey /a n Review	lumpsum lumpsum	1			-		-		1	100.000 50.000	100.0			-	2 2		100.0 50.0	101.5			- 55.5				101.5 55.5	30.5 16.6	71.1 38.8	-
act Survey	lumpsum	-	-	-	-	-	-	1	1	80.000		-	-	-		80.0	80.0		-	-	-	-	-	97.0	97.0	29.1	67.9	-
mand study isits for M&E specialists	lumpsum lumpsum	1	-	-		-	-	-	1	30.000	30.0 1.3				: :		30.0 1.3	30.5 1.3							30.5 1.3	9.1 0.4	21.3 0.9	
iff training course	lumpsum	1	-	-	-	-	-	-	1	30.000	30.0	-	-	-		-	30.0	30.5	-	-	-	-	-	-	30.5	9.1	21.3	-
anagement Product preparation/communication activitie	lumpsum lumpsum	1	1	1	1	1	1	1	7	6.000	9.0 6.0	- 6.0	- 6.0	- 6.0 6	5.0 6.0	- 6.0	9.0 42.0	9.2 6.1	- 6.3	- 6.5	- 67	6.9	- 7.1	- 7.3	9.2 46.7	2.7 14.0	6.4 32.7	-
bsite/Social Media /b	lumpsum	1	1		1	'	1	1	1	6.000	6.0	1.5			1.5 1.5		42.0	6.1	1.6	1.6	1.7	1.7	1.8	1.8	46.7	4.9	32.7 11.4	
elecommunications /c	lumpsum									_	10.0	10.0			0.0 10.0	10.0	70.0	10.2	10.5	10.8	11.1	11.4	11.8	12.1	77.8	23.3	54.4	-
omponent 3.2: Monitoring and Evaluation and Knowledge Managemen ent 3.3a: Project Management Unit (PMU) - Tashkent											192.3	17.5	17.5 (67.5 17	7.5 17.5	97.5	427.3	195.2	18.3	18.8	74.9	20.0	20.6	118.2	466.0	139.8	326.2	-
lx4	no	2	-				-		2	40.000	80.0		-	-			80.0	81.2	-	-			-	-	81.2	44.7	16.2	20.3
uipment /d al Assistance, Studies and Workshop:	lumpsum										30.0	-	-	-		-	30.0	32.0	-		-	-	-	-	32.0	19.2	7.0	5.8
eview and Planning Workshop	w/shop		1	1	1	1	-	-	4	2.000	-	2.0	2.0	2.0 2	2.0 -	-	8.0	-	2.1	2.2	2.2	2.3	-	-	8.7	2.6	6.1	
udies and Assistance /e	lumpsum	2	1	1	1	1	1	1	6	6.500	-	6.5	6.5	6.5 6	6.5 6.5	6.5	39.0	-	6.8	7.0	7.2	7.4	7.6	7.9	44.0	13.2	30.8	-
igement Study IPPF study	lumpsum lumpsum	1					-	-	1	10.000 10.000	10.0 10.0		-	-			10.0 10.0	10.2 10.2							10.2 10.2	3.0 3.0	7.1 7.1	
hnical Assistance, Studies and Workshop	,										20.0	8.5	8.5	8.5 8	3.5 6.5	6.5	67.0	20.3	8.9	9.2	9.4	9.7	7.6	7.9	73.0	21.9	51.1	
Staff Training uipment O&M	lumpsum										5.0		-	5.0	-	-	10.0	5.3	-		5.8				11.2	6.7	2.5	2.0
wareness Trainers /	pers-month	1	-	-	0.5	-	-	-	1.5	1.500	1.5		-	0.8		-	2.3	1.5	-		0.8		-	-	2.4	-	2.4	2.0
Staff Training Courses /ç IO/PIT Staff Training	lumpsum									-	5.0 11.5	5.0 5.0			5.0 5.0 5.0 5.0	-	30.0 42.3	5.1 11.9	5.2 5.2	5.4 5.4	5.5 12.2	5.7 5.7	5.9 5.9	-	32.8 46.3	9.8 16.5	23.0 27.8	- 2.0
D/PTT Staff Training mponent 3.3a: Project Management Unit (PMU) - Tashkent										-	11.5 141.5	5.0			5.0 5.0 3.5 11.5	6.5	42.3 219.3	11.9	5.2	5.4 14.5	21.6	5.7	5.9	7.9	46.3 232.5	16.5	27.8	2.0 28.1
ent 3.3b: Project Implementation Teams (PIT): Regional																												
x4 ipment /h	no set	2	-	-	-	-	-	-	2	20.000 7.000	40.0 14.0	-	-	-		-	40.0 14.0	40.6 14.9	-	-	-	-	-	-	40.6 14.9	22.3 9.0	8.1 3.3	10.2 2.7
omponent 3.3b: Project Implementation Teams (PIT): Regional	561	2		•	-		-	•	2	_	54.0			-			54.0	55.5							55.5	31.3	11.4	12.8
Costs											475.0	141.0	111.0 10	6.8 11	1.0 60.3	104.0	1 169.1	484.6	147.4	119.5	185.2	126.8	71.0	126.0	1 260.6	422.3	797.4	40.9 1
sts rt-up (recurrent costs)																												
roject Manager	pers-month	12	-	-	-	-	-	-	12	1.200	14.4 6.6	-	-	-		-	14.4	14.4 6.6	-	-	-	-	-	-	14.4	-	14.4	-
ountani specialisi	pers-month pers-month	ю 6	-	-	-		-	-	6 6	1.100 1.100	6.6 6.6		-	-	1 1		6.6 6.6	6.6 6.6	-		-		-	1	6.6 6.6	2	6.6 6.6	-
ent Officer	pers-month	6	-	-	-	-	-	-	6	1.100	6.6	-	-	-		-	6.6	6.6	-	-	-		-	-	6.6	-	6.6	-
or	pers-month pers-month	6 6			-		-	-	6 6	1.000 300	6.0 1.8		2	2	1 1	-	6.0 1.8	6.0 1.8	-		-				6.0 1.8	2	6.0 1.8	
laries	poro-monur	0	-	-	-	-	-	-	0	500	42.0	-	-	-		-	42.0	42.0	-	-	-		-	-	42.0	-	42.0	-
nent 3.3a: Project Management Unit (PMU) - Tashkent																												
Project Manager	pers-month	-	12	12	12	12	12	12	72	1.200	-	14.4	14.4	4.4 14	1.4 14.4	14.4	86.4		14.4	14.4	14.4	14.4	14.4	14.4	86.4	-	86.4	
countant	pers-month	-	12	12	12	12	12	12	72	1.100	-	13.2	13.2	3.2 13	3.2 13.2	13.2	79.2	-	13.2	13.2	13.2	13.2	13.2	13.2	79.2	-	79.2	
Specialist ent Officer	pers-month pers-month		12 12	12 12	12 12	12 12	12 12	12 12	72 72	1.100 1.100	-	13.2 13.2	13.2 13.2		3.2 13.2 3.2 13.2	13.2 13.2	79.2 79.2		13.2 13.2	13.2 13.2	13.2 13.2	13.2 13.2	13.2 13.2	13.2 13.2	79.2 79.2		79.2 79.2	
e Chain Specialist / Agribusines:	pers-month	6	12	12	12	12	12	12	78	1.100	6.6	13.2	13.2	3.2 13	3.2 13.2	13.2	85.8	6.6	13.2	13.2	13.2	13.2	13.2	13.2	85.8	-	85.8	
ance Specialis	pers-month	6	12	12	12	12	12	12	78	1.100	6.6	13.2			3.2 13.2	13.2	85.8	6.6	13.2	13.2	13.2	13.2	13.2	13.2	85.8	-	85.8	-
M Specialist Iction and Veterinary specialis	pers-month pers-month	6	12 12	12 12	12 12	12 12	12 12	12 12	78 78	1.100 1.000	6.6 6.0	13.2 12.0			3.2 13.2 2.0 12.0	13.2 12.0	85.8 78.0	6.6 6.0	13.2 12.0	13.2 12.0	13.2 12.0	13.2 12.0	13.2 12.0	13.2 12.0	85.8 78.0		85.8 78.0	
nt/land management specialis	pers-month	6	12	12	12	12	12	12	78	1.000	6.0	12.0	12.0	2.0 12	2.0 12.0	12.0	78.0	6.0	12.0	12.0	12.0	12.0	12.0	12.0	78.0	-	78.0	
cialist	pers-month	6	12 12	12 12	12 12	12 12	12 12	12 12	78 72	900 1.000	5.4	10.8 12.0	10.8 12.0	0.8 10	0.8 10.8 2.0 12.0	10.8 12.0	70.2 72.0	5.4	10.8 12.0	10.8 12.0	10.8 12.0	10.8 12.0	10.8 12.0	10.8 12.0	70.2 72.0	-	70.2 72.0	-
Youth and Gender specialis	pers-month pers-month	- 6	12	12	12	12	12	12	72	900	5.4	12.0			2.0 12.0		72.0	- 5.4	12.0	12.0	12.0	12.0	12.0	12.0	72.0	-	72.0	
	pers-month	-	12	12	12	12	12	12	72	300	-	3.6	3.6	3.6 3	3.6 3.6	3.6	21.6	-	3.6	3.6	3.6	3.6	3.6	3.6	21.6	-	21.6	-
ed amount for the salary Iaries	lumpsum									-	42.6	21.1 175.9		21.1 2 ⁴ 5.9 175	1.1 21.1 5.9 175.9	21.1 175.9	126.8	42.6	21.1 175.9	21.1 175.9	21.1 175.9	21.1 175.9	21.1	21.1	126.8		126.8	
on staff salaries /	per-annum												44.0		1.0 44.0				44.0					44.0	285.1	-	285.1	-
and Maintenance	DOT	0.5	4		4	4	4		65	12.000	6.0	12.0	12.0	20 **	20 400	10.0	70.0	6.4	12.0	12.6	14.0	14.4	14.8	15.2	91.6	45.0	20 5	15.0
ipment O&M	per-annum per-annum	0.5	1	1	1	1	1	1	6.5 6.5	6.000	3.0	12.0 6.0	6.0	6.0 6	2.0 12.0 6.0 6.0		78.0 39.0	3.2	13.2 6.6	13.6 6.8	7.0	7.2	7.4	15.3 7.6	45.8	45.8 22.9	30.5 15.3	15.3 7.6
ration and Maintenance											9.0	18.0			3.0 18.0	18.0	117.0	9.6	19.8	20.4	21.0	21.6	22.2	22.9	137.4	68.7	45.8	22.9
erating Costs	per-annum	0.5	1	1	1	1	1	1	6.5	12.000	6.0	12.0	12.0	2.0 12	2.0 12.0	12.0	78.0	6.4	13.2	13.6	14.0	14.4	14.8	15.3	91.6		76.3	15.3
I trave	per-annum	0.5	1	1	1	1	1	1	6.5	5.000	2.5	5.0	5.0	5.0 5	5.0 5.0	5.0	32.5	2.7	5.5	5.7	5.8	6.0	6.2	6.4	38.2	31.8	-	6.4
l arvices	per-annum per-annum	0.5 0.5	1	1	1	1	1	1	6.5 6.5	8.000 6.000	4.0 3.0	8.0 6.0			3.0 8.0 5.0 6.0	8.0 6.0	52.0 39.0	4.3 3.2	8.8 6.6	9.0 6.8	9.3 7.0	9.6 7.2	9.9 7.4	10.2 7.6	61.1 45.8	-	50.9 38.2	10.2 7.6
vices ii	per-annum	0.5	1	1	1	1	1	1	6.5	20.000	10.0	20.0	20.0	20.0 20	0.0 20.0	20.0	130.0	10.7	22.0	22.6	23.3	24.0	24.7	25.5	152.7	-	127.2	25.4
	per-annum	0.5	1	1	1	1	1	1	6.5	15.000 6.000	7.5	15.0 6.0	15.0	5.0 15	5.0 15.0	15.0	97.5 39.0	8.0	16.5	17.0 6.8	17.5 7.0	18.0 7.2	18.5	19.1	114.5	-	95.4 38.2	19.1 7.6
nication	per-annum per-annum	0.5 0.5	1	1	1	1	1	1	6.5 6.5	3.000	3.0 1.5	3.0			3.0 3.0	3.0	19.5	3.2 1.6	6.6 3.3	6.8 3.4	7.0 3.5	7.2	7.4 3.7	7.6 3.8	45.8 22.9	-	38.2 19.1	3.8
	, per-annum	0.5	1	1	1	1	1	1	6.5	6.000	3.0	6.0	6.0	6.0 6	6.0 6.0	6.0	39.0	3.2	6.6	6.8	7.0	7.2	7.4	7.6	45.8	-	38.2	7.6
ner Operating Costs	per-annum	0.5	1	1	1	1	1	1	6.5	10.000	5.0 45.5	10.0 91.0			0.0 10.0 1.0 91.0	10.0 91.0	65.0 591.5	5.3 48.5	11.0 99.9	11.3 102.9	11.6 106.0	12.0 109.2	12.4 112.4	12.7 115.8	76.3 694.6	31.8	63.6 547.0	12.7 115.8
omponent 3.3a: Project Management Unit (PMU) - Tashkent											118.3		328.9 3				2 091.8			343.2							1 976.1	138.7
ent 3.3b: Project Implementation Teams (PIT): Regional																												
rdinator /m	pers-month	12	24	24	24	24	24	24	156	960	11.5	23.0	23.0	3.0 23	3.0 23.0	23.0	149.8	11.5	23.0	23.0	23.0	23.0	23.0	23.0	149.8	-	149.8	-
duction and Veterinary specialis	pers-month	12	24	24	24	24	24	24	156	800	9.6	19.2	19.2	9.2 19	9.2 19.2	19.2	124.8	9.6	19.2	19.2	19.2	19.2	19.2	19.2	124.8	-	124.8	-
in Specialists nce Specialists	pers-month pers-month	12 12	24 24	24 24	24 24	24 24	24 24	24 24	156 156	800 800	9.6 9.6	19.2 19.2			9.2 19.2 9.2 19.2		124.8 124.8	9.6 9.6	19.2 19.2	19.2 19.2	19.2 19.2	19.2 19.2	19.2 19.2	19.2 19.2	124.8 124.8	-	124.8 124.8	
	pers-month	12	24	24	24	24	24	24	156	300	3.6	7.2	7.2	7.2 7	7.2 7.2	7.2	46.8	3.6	7.2	7.2	7.2	7.2	7.2	7.2	46.8	-	46.8	
nies											43.9	87.8			7.8 87.8	87.8	571.0	43.9	87.8	87.8	87.8	87.8	87.8	87.8	571.0	-	571.0	-
staff salaries /r nd Maintenance	per-annum										11.0	22.0	22.0	22.0 22	2.0 22.0	22.0	142.7	11.0	22.0	22.0	22.0	22.0	22.0	22.0	142.7	-	142.7	-
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eration and Maintenance											1.5	15.0	15.0	5.0 15	5.0 15.0	15.0	97.5	8.0	16.5	17.0	17.5	18.0	18.5	19.1	114.5	57.3	38.2	19.1
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t A			2	2	2	2	2	2	13	1.200	1.2	2.4	2.4	2.4 2	2.4 2.4		15.6	1.3	2.6	2.7	2.8	2.9	3.0	3.1	18.3	-	15.3	3.1
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3

ia Including listing and mapping exercise of potential beneficiaries and cluster b Development, maintenance and updating of a DVCDP website by a private service provide b Multimedia presentations to dairy value chain stakeholders and the broader community concerning DVCDP activitie d For computers, printers, copy machines, furniture, minor office equipment, etc le Including M&E related studie: t Nationally recruited gender specialists to train both PMO/PIT and PFI sta' lg To meet staff development needs as identified during project implementatior h For 2 office units including computers, printers, copy machines, furniture, minor office equipment, ett ly 25% of the salary fund ly The unit cost covers the annual O&M costs of the vehicles including patrol, insurance, spare parts, servicing, repairing and parkin k Includes water, electricity, cleaning and office alarm system O&M V Includes copying services, media, web, representation, etc un 50% of the salary fund. V Includes copying services, media, web, representation, etc un For Kashkandaria and Surkandharia regions; responsible for M&E, KM, dissemination and communication, gende un 25% of the salary fund. Vo The unit cost covers annual O&M costs per vehicle including petrol, insurance, spare parts, servicing, repairing and parkin k Includes water, electricity, cleaning and office alarm system O&M

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Uzbekistan

Dairy Value Chains Development Project II

Project Design Report

Annex 4: Economic and Financial Analysis

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 Report No.
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Near East, North Africa and Europe Division Programme Management Department

ANNEX 4: ECONOMIC AND FINANCIAL ANALYSIS

I. INTRODUCTION

1. The economic and financial analysis of the Dairy Value Chain Development Project II (DVCDP II) demonstrates the project's strong alignment with its overarching goal of reducing poverty levels among small-scale dairy producers while mitigating the impacts of climate change in the subsector. By improving the income and livelihood of small-scale producers engaged in a competitive and sustainable dairy value chain, DVCDP II aims to promote food security and enhance market participation, ultimately fostering economic growth and prosperity in the target regions.

2. The analysis reveals two key outcomes for achieving this goal: Outcome 1 focuses on sustainable climate-smart dairy production, emphasizing advancements in fodder and feed production, animal husbandry, water access, and land use, while Outcome 2 targets the increased competitiveness of the dairy value chain through enhanced business linkages, service provision, and financial innovations.

II. PROGRAMME BENEFITS

3. DVCDP II is projected to reach approximately 31,000 households in the target regions, with a strong focus on inclusivity. Among the beneficiaries, 40% will be women and 30% will be youth, ensuring that vulnerable and marginalized groups have equal access to project opportunities. The primary target groups comprise vulnerable household farmers, better-off household farmers, and dekhan farmers, each with varying degrees of access to land, credit, and livestock. Additionally, the project will cater to near landless and unemployed women and youth, including people with disabilities and returning migrants, facilitating their engagement in the dairy sector through access to trainings, land, and employment opportunities.

4. A key driver of the project's economic benefits lies in the increase of milk production and improvement of milk quality, achieved through various interventions such as improved fodder and feed production, advancements in animal husbandry practices, enhanced water access, and optimized land use. Technical trainings, matching grants, and improved access to credit will empower dehkan and private farmers to adopt modern technologies, leading to upgrades in cowsheds, milk hygiene, livestock breeding, genetics (AI), and manure management.

5. The establishment of a comprehensive network of milk collection points with "cold chains" will enhance market linkages and supply chain efficiency, benefiting numerous small milk producers while raising incomes in the semi-formalized segment of the dairy sector. Additionally, improved access to credit for processing companies and milk collectors will further strengthen the dairy value chain's competitiveness and economic prospects, creating a favourable environment for growth in both urban and rural areas.

6. By promoting the adoption of small-scale water harvesting, water-saving technologies, and renewable energy sources, DVCDP II will also contribute to sustainable resource management, fostering environmental resilience and reducing production costs for smallholders.

7. Overall, the project's inclusive approach, coupled with its alignment with the escalating demand for dairy products, presents a remarkable opportunity for driving economic growth, enhancing livelihoods, and propelling the development of Uzbekistan's dairy sector across urban and rural communities.

III. FINANCIAL ANALYSIS

8. There are numerous examples of forward and backward linkages between agricultural producers and other entities within dairy value chains. Traditional farm and enterprise models are a useful but not sufficient tool for measuring the programme's objective of mobilising investments to accelerate economic development. The models presented below are aiming to demonstrate how the programme and beneficiaries would apply the VC approach to assess opportunities for and constraints to economic development. They are for demonstration purposes only and to be used as

building blocks for value chain models. The analysis presents typical dairy sub-sector farm, milk collection and processing enterprise models that then compose a representative milk production/collection/processing value chain. Moreover, the value chain model estimates average incremental net benefits per US\$ 1 of investments that would be used for the calculation of an overall incremental benefit stream of the programme.

9. A number of indicative economic activities, which may be supported by DVCDP II were identified during the design process. Eight illustrative models were prepared to demonstrate the financial viability of potential investments: two dekhan farm models, one private farm models, four milk collection/cooling models and on milk processing models. All models show the prospective benefits and rate of return derived from the access to required financing (loans and grants), training, demonstrations and advisory services. These models were used as building blocks for the dairy value chain model (VCM).

10. The basis of this analysis is an illustration of the interrelationships between the primary producers and the rural enterprises in the value chain potentially to be supported by DVCDP-II. Specifically, the dairy VCM describes expansion of dairy herds due to improved access to finance, improved breeds, feeding and husbandry leading to a greater productivity of livestock to meet the demand for milk from dairy processors via various collection centres.

III.A. KEY ASSUMPTIONS

11. The parameters for the models are based on information gathered during the design missions: interviews with farmers and entrepreneurs, information from the donor agencies operating in Uzbekistan and the first DVCDP project and mission estimates. In particular, information on labour and input requirements for various operations, capital costs, prevailing wages, yields, farm gate and market prices of commodities, input and farm-to-market transport costs were collected. Conservative assumptions were made both for inputs and outputs and take account of possible risks.

12. **Prices.** Prices for commodities/inputs reflect annual average and those actually paid/received by the farmer/entrepreneur and imply potential risks. A list of prices used in the analysis is found in Table 1, Working Paper on EFA (Programme file).

13. **Interest.** In line with the terms of the first DVCDP project, loans to end borrowers would be at about 6% for long-term loans, while the analysis applies a 15% interest rate for agricultural short-term loans (1.25% per month) that is currently prevailing in Uzbekistan.

14. **Lending Terms.** The length of the seasonal or short-term loans is up to one year. Long-term loans are expected to be repaid in equal instalments over an up to a five-year period, depending on the investment. The long-term loans were assumed to have a one-year grace period. Interest on the entire amount outstanding would be paid during the grace period.

15. **Farm/Enterprise Characteristics.** The models show only incremental revenues and costs generated by the new investment. In each case, the result of the investment translates into additional demand for produce from primary producers and new permanent jobs.

a. **Internal Rate of Return.** The internal rate of return (IRR) of 12% is used in this analysis to assess the viability and robustness of investments.¹ The selection criterion for the IRR is to accept all projects for which the IRR is above the opportunity cost of capital, i.e. 12%. Using the IRR as the measure, the models' sensitivity to the changes in parameters can be assessed by varying the cost of investments, production costs and revenues.

16. More details on production and financial parameters for the models are found in Tables 2-9, Working Paper on EFA (Programme files).

¹ The IRR is a measure of the project's worth that in this case compares the return on the investment with the best alternative use of the funds. According to the Economist Intelligence Unit, the key policy rate in Uzbekistan remains at 15%, however as global inflationary pressures ease, it is expected that the CBU will gradually begin monetary loosening from 2024.

III.B. FARM/RURAL ENTERPRISE MODELS

17. A detailed description of the farm/rural enterprise models is provided within the section on value chain model and Tables 2-9 of Working Paper on EFA (Programme files), while the summary is presented in Table 1 below.

	Estimated Investment Costs (US\$)			An	nual Net Benefits Development (L		Incremental annual net benefits			
Farm Models	Loan	Beneficiary Contribution	Total	Without Project	With Project -Full Development	Incremental	per 1US\$ of investment (US\$)	IRR (%)	NPV (US\$)	
Window 1 Women, Youth, and HHs	7,843	1,120	8,963	437	4,949	4,512	0.50	18%	3,392	
Window 2 for Dehkan Farmers	15,572	3,893	19,465	1,199	7,834	6,635	0.34	14%	1,827	
Window 3 for Private Farmers	68,613	17,153	85,767	5,010	40,645	35,635	0.42	17%	22,507	
Window 4 Milk Processing	192,000	48,000	240,000	-4,945	49,349	54,295	0.23	20%	65,576	
MCC Category 1	22,598	2,511	25,109	0	5,784	5,784	0.23	19%	5,863	
MCC Category 2	27,118	3,013	30,131	0	7,247	7,247	0.24	20%	8,768	
MCC Category 3	28,122	12,052	40,175	0	7,913	7,913	0.20	13%	1,309	
MCC Category 3 (solar panel)	56,245	24,105	80,349	0	17,430	17,430	0.22	17%	12,767	

Table 1: Farm/Rural Enterprise Models - Estimated Costs and Annual Net Benefit

18. **Summary.** The financial analysis of the project reveals several key findings that highlight its financial viability and potential for generating positive returns on investment. A significant increase in both gross and net profit is observed for each model when compared to the scenario without the project, underscoring the substantial value that the investment will bring. The benefit/cost ratio is also shown to be sufficient, providing further evidence of the project's economic merit.

19. The Net Present Value (NPV) of the project ranges from US\$4,512 to US\$54,295, and the Internal Rate of Return (IRR) varies from 13% to 20%. Notably, these figures exhibit a more conservative outlook compared to the first DVCDP project and estimates for similar operations in neighbouring countries. Despite this prudence, the projected returns are still promising and support the economic feasibility of the project.

20. The sensitivity analysis conducted on the models reveals that milk price and productivity assumptions have a more significant impact on the models' performance compared to changes in investment and operating costs. This insight emphasizes the importance of carefully monitoring milk prices and productivity levels to optimize the project's financial outcomes. Moreover, the sensitivity analysis demonstrates that all models, except for the milk collection and cooling models, remain attractive even in scenarios where costs increase and benefits decrease. This resilience indicates the project's ability to withstand potential fluctuations in market conditions and financial variables.

21. While the investments analysed in the financial analysis show promise, it is crucial to conduct a comprehensive supply risk analysis for a more thorough evaluation. The potential risks associated with these investments should be carefully assessed to mitigate any adverse impacts on project outcomes. Notably, an increase in the input price of milk is likely to lead to a corresponding increase in the output price. This observation suggests that the project can adapt to market changes and maintain a favourable position in response to shifts in input costs.

22. In conclusion, the financial analysis reaffirms the soundness of the project, indicating that it aligns with financial best practices and has the potential to deliver positive economic returns. With its conservative and prudent approach, the project is well-positioned to achieve its financial objectives and contribute to the overall success of the DVCDP II.

III.C. VALUE CHAIN MODEL

23. This section provides an illustrative example of the practical application of the Value Chain (VC) approach, along with the outcomes of a dairy value chain analysis. The purpose is to demonstrate how the VC approach will be implemented within the context of DVCDP II. It is important to note that this example does not solely determine support for specific enterprises, sub-sectors, or activities; rather, it should be evaluated in conjunction with other DVCDP II eligibility criteria. Furthermore, the model only considers the additional income and labour opportunities generated by participating farmers and processors, excluding those derived from the "extended value chain."

24. However, for effective planning objectives, program management should adopt a more comprehensive perspective, encompassing potential value chains, social needs, land management, environmental considerations, and more. A delicate balance between the requirements of various value chains and the aspirations of potential beneficiaries should be achieved. A thorough analysis of constraints and opportunities is anticipated to inform decisions and responses for potential value chains.

25. The model specifically shows the interrelationships between milk producers, milk collectors, and a milk processor within the dairy value chain. Enhanced access to finance is expected to empower primary producers to procure high-quality breeds and improved inputs, resulting in increased milk production to meet the demand of the processor through collection centers. This, in turn, will bolster the overall performance of the dairy value chain.

26. <u>Milk processing:</u> The total investment in the facility will amount to approximately UZS 2.7 billion or USD 240,000. This investment will enable the company to process 1,200 tons of milk annually (out of 500 tons in WOP) into 192 tons of cottage cheese (light cottage cheese), 10 tons of yellow cheese, 12 tons of sour cream, and 60 tons of kefir (local yogurt). In comparison, without the project (WOP situation), the processor currently produces only 50 tons of cottage cheese, 40 tons of sour cream, and 50 tons of kefir. The funding for this investment will come from an own contribution of UZS 687 million (USD 60,000) and a long-term loan of about UZS 2 billion (USD 180,000) in Year 1, along with the provision of technical advice. Additionally, short-term loans (UZS 250 million) for six months will be required to support operations between stock production and sales. The investment is projected to yield an annual net benefit of UZS 621 million (approximately USD 54,000) from the sale of dairy products of the required quality at full development.

27. <u>Collection of milk</u>: Processors in the program area express interest in a stable supply of raw milk as they are not currently operating at full capacity. However, dehkan farms produce relatively small amounts of milk, often of variable quality, and face limited opportunities to profitably market their dairy products. A possible solution is the establishment of milk collection and cooling centers (MCCs)

to supply raw materials to processors in large volumes. Two types of MCCs are envisaged within this dairy value chain: one with a capacity of 1500 liters (Category 1) per day, serving small dehkan farms and households, and the second with a capacity of 2500 liters (Category 2) created with the support of a processing company.

28. To establish an MCC Category 1, 42 HHs and small farmers will collaborate and receive an investment package to set up a collection/cooling center worth approximately UZS 287 million (USD 25,000). The investment will be funded through an own contribution of UZS 28 million soums (US\$3,300) and a long-term loan of about UZS 257 million (US\$21,700) in the 1st year. The model indicates that, with an indicative price margin of 9%, a Category 1 MCC supplying 1.5 tons of milk per day for 300 days would generate an annual additional profit of UZS 66 million (approximately US\$5,700).

29. Investments in the creation of MCC Category 2 will amount to UZS 345 million (US\$30,000), including a contribution from the processor of 69 million soums (20%, US\$6,000) and a loan from the project of UZS 276 million (US\$24,000). The model suggests that, with an indicative price margin of 6%, a Category 2 MCC supplying 2.5 tons of milk per day for 350 days would lead to an annual additional profit of UZS 83 million (approximately US\$7,200).

30. <u>Milk production</u>: The success of the aforementioned investments will rely on the assurance of sustainable production of quality milk by farmers. The plan involves 42 female and youth-headed households expanding their herds from 3 to 7 cows (improved local breed and improved feeding), 10 dehkan farms increasing the number of cows from 5 to 12 (pure breed, improved feeding, and equipment), and two private farmers raising their herd from 10 to 40 cows (pure breed, improved feeding, and reduipment). Collectively, they will produce 1,200 tons of milk per year, equivalent to approximately UZS 6 billion.

31. The value chain model displays an NPV of US\$1.1 million and an IRR of 23%. Additionally, the investment will create about 15 additional full-time jobs at the enterprise and provide 3,500 persondays of wage labour at the farm level (equivalent to 12 people). Table 2 outlines the expected outcomes for this model.

32. **Summary of Value Chain Analysis**. This analysis demonstrates the type of procedure that would be used by the programme implementation unit in assessing the potential of proposed investments, both from a poverty alleviation point of view as well as economic potential. The main indicators of the value chain analysis are summarised in Table 2 below.

Indicator	Dairy
Total Number of Direct Beneficiaries	80
of whom: - Farmers - On-farm hired labour - Labourers	44 18
Total Incremental Investments (000'US\$)	18
	1,038
of which: - Beneficiary contribution/loan Incremental Annual Benefits at Full Development (000'US\$) - Total	208
	402
- Farmers VCM NPV (000'US\$)	261
VCM IRR Weighted Annual Incremental Net Benefits per US\$ Investment (US\$) at Full Development	1,019 23%
	0.39

Table 2: Summary of Dairy Value Chain Model

IV. ECONOMIC ANALYSIS

33. DVCDP II does not lend itself to the traditional economic analysis of development projects, i.e. to aggregate benefits from specific households taking up pre-defined packages of interventions as compared to project costs. In the presented case, the representative value chain model could be used to estimate potential returns to US\$ 1 of economic investments. The potential range of opportunities for economic advancement in the country is greatly varied throughout the area, and it is anticipated that farmers and rural entrepreneurs would encourage diversity in order to accelerate economic advancement. The programme would support farmers and entrepreneurs to identify those opportunities, thus generating investments beyond those included in programme costs.

34. Prices for majority of local goods were converted into their approximate economic values using a Standard Conversion Factor (SCF) of 0.9 as estimated by the World Bank, and could be justified by the strong government self-sufficiency policy, and as a result a very closed Uzbek economy that is not affected by the world markets. Milk could be considered as a non-tradable commodity as its import constitutes only a fraction in the total production, around 0.6% in value terms. However, an attempt was made to calculate the economic price of milk, which also confirmed no difference with the financial price. Imported inputs and finished dairy products were converted into economic values by deducting the VAT of 20%. The derivation and a summary of economic prices are presented in Table 1 to EFA WP.

35. **Opportunity Cost of Labour.** A daily wage rate of UZS 50,000 has been assumed for family labour in Economic Analysis as a prevailing labourer rate during the off-season.

36. **Benefit Stream.** The analysis attempts to identify quantifiable benefits that relate directly to the activities undertaken following implementation of the components, or that can be attributed to the programme's implementation.

37. In calculating the overall benefits from the model, the following was taken into account:

- Considering the above example as a reasonable assumption of the VC likely to be implemented, an estimated average incremental annual net benefit per 1 US\$ of investments is used.
- In particular, an average indicator for the incremental annual net benefits per US\$ 1 of investments equals to US\$ 0.39.
- The incremental net benefits were calculated by multiplying this indicator with the amount of estimated investments, but considering the gradual increase of such benefits over the period of nine years.
- An 80% success rate was applied to the models, i.e. it is assumed that only 80% of the investments would achieve the estimated returns.
- The benefits of the VC are calculated for the period of twenty years.
- No financing flows have been undertaken in the calculations as they are either already reflected in the programme costs (the DVCDP II financing and beneficiary's contribution for the investment costs) or represent transfer payments (taxes).

38. **Cost Stream.** The incremental costs in economic prices have been calculated by the removal of price contingencies and taxes/duties. There are no recurrent and replacement costs after DVCDP completion. O&M costs have been counted in the calculation of the net incremental benefits of the value chain model. The total economic cost of the programme amounts to about US\$ 48.7 million.

Results of the Analysis

39. **Overall Estimated Return of the Proposed Programme.** The period of analysis is 20 years to account for the phasing and gestation period of the proposed interventions. Given the above benefit and cost streams, the base case Economic Rate of Return (ERR) is estimated at 15%. The base case Economic Net Present Value of the programme's net benefit stream, discounted at 9%, is US\$ 19.4 million. The summary of economic analysis is presented in Table 4.

40. **Sensitivity Analysis.** Sensitivity analysis assessed the effect of variations in benefits and costs and for various lags in the realisation of benefits. The results are presented below. A fall in total programme benefits by 20% and an increase in total programme costs by the same proportion would reduce the base IRR to about 12%.

Sensitivity Analysis (20-year period)		Co	Costs Increase		Increase of Benefits		Decrease of Benefits			Delay of Benefits	
(zo-year period)	+10%	+20%	+50%	+10%	+20%	-10%	-20%	- 30%	1 year	2 years	
ERR	15.0%	14%	12%	9%	16%	18%	13%	12%	10%	13%	11%
ENPV (000'USD)	19,445	15,757	12,068	1,003	25,078	30,711	13,812	8,179	2,546	12,948	6,987

 Table 3: Sensitivity Analysis

Table 4. Project Economic Analysis(constant 2023 values)

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11,279 1
11,279 1
11,279 1
11,279 1
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0
0
0
0

net benefits from VCs



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Near East, North Africa and Europe Division Programme Management Department

The SECAP Review note should build on the preliminary note mentioned above, draw on the results of the screening exercise and be informed by the issues raised during the design mission, the stakeholders interviews, publicly available tools and dataset, and environmental, social or climate-related studies that inform on the characteristics of the project location. The SECAP review note includes the revised ESMP and should be attached to the Project Design Report, integrated in Draft Project Implementation Manual (PIM) and COSTAB and shall be submitted to Design Review Meeting (DRM) or IRC (for NSOs).

1. Introduction

- 1. The DVCDP II aims to enhance Uzbekistan's dairy value chain by providing affordable financing, technology, training, and capacity building to smallholder farmers, including women and youth, for improved livelihoods and rural economic development. The project also aims to improve business linkages, land and water access, and climate resilience at the production level.
- 2. The objective of this SECAP Review Note for DVCDP II is to ensure that the project considers the social, environmental, and climate change impacts and incorporates the perspectives of vulnerable groups, including local communities, small-scale farmers, youth, and women. It makes specific recommendations to mitigate potential risks and enhance the inclusion of social and environmental concerns.
- 3. The SECAP Review Note is primarily based on a comprehensive desk review of the studies developed under COSOP (2022-2027)^[1], prepared through some consultation with stakeholders, focusing on four key thematic areas: agriculture and rural development, mainstreaming themes, monitoring and evaluation, and strategic partnerships. The note includes some light touch updates on recent data such as demographic and policy-related actions. It is of utmost importance to involve the intended beneficiaries in the project design process, to effectively address their concerns and needs further.

4. [1] EB 2022/137/R.22

2. Situational analysis and potential project impacts

- 5. Uzbekistan has a population of nearly 37 million, with half living in rural areas and 60% of which are under 30. The average rural household has 5.4 people.^[1] The country has medium human development based on the 2021 HDI ranking. Uzbekistan has undergone an economic transformation since 2017 but with significant disparities between urban and rural areas and regions.
- 6. [1] State Statistical Committee of Uzbekistan, 2023

2.1 Socio-economic assessment

a. Overall poverty situation

- 7. In 2020, 11.5% of the population lived below the national poverty line.^[2] The pandemic has worsened, leading to a rise in poverty for the first time in two decades. It's estimated that approximately an additional 1.3% of the population has fallen into poverty, particularly among marginalized groups that the project aims to target, such as rural women and youth^[3]. Further undermining the recovery from COVID-19 impacts, the economy is expected to be highly affected by the war in Ukraine and the sanctions on Russia, the largest recipient of Uzbek labour migrants, and the two countries' strong economic and financial ties^[4]. The region has also seen substantial food price inflation.
- 8. The rural poor, including small-scale farmers (Dekhans), women, and youth face pervasive poverty and unemployment, food insecurity, and malnutrition due to, among others, a lack of agricultural productivity, market participation, and access to knowledge, technology and services.
- 9. [2] ADB Poverty Data
- 10. [3] COSOP 2023-2027 for the Republic of Uzbekistan, sources from the Ministry of Employment and Labour Relation and the related SECAP Background studies.
- 11. [4] A brief note on the possible impact of the Russia-Ukraine-West sanctions and countersanctions on the Uzbek economy, UNRCO Uzbekistan, Tashkent, Updated on 11 March 2022

b. Gender

12. Gender inequality is prevalent in the agricultural sector of Uzbekistan, with women facing numerous disparities such as limited employment opportunities, low wages, and disproportionate amounts of unpaid domestic work. Despite comprising around 25% of the formal and informal agricultural workforce, women primarily occupy low-skilled manual labour positions and face challenges such as poor seed selection, land degradation, and limited access to quality machinery, which negatively impacts, among others, crop yields. Women tend to be more involved in livestock keeping and small farm production tasks such as poultry and dairy, with kitchen gardens providing a source of income and fresh food. The gender-based violence (GVB) remains a significant challenge. Despite a lack of official data due to societal taboos and data restrictions, it is estimated that a significant portion of women in Uzbekistan has experienced physical, psychological, or sexual violence.

c. Youth

- 13. Over 60% of Uzbekistan's population is under 30, with more than half living in rural areas. However, limited access to education and job training in rural areas presents a challenge for integrating them into the workforce, leading to high youth unemployment rates of 12% and few in leadership positions in agriculture. Informal employment is common, with 59.3% of workers being in this sector in 2018. A recent youth survey from 2020^[11] show that over 50% of young people do not continue their education, training, or enter the workforce after secondary school, with young women being disproportionately affected due to household and family responsibilities and limited mobility. Compared to urban youth, rural youth have fewer options for education and employment, leading them to consider entrepreneurship.
- 14. [1] Youth of Uzbekistan: challenges and prospects, UNICEF. Conducted between 2018-2020, the study targeted youth between 14 and 30 years of age across Uzbekistan's 12 provinces, the capital city of Tashkent and the autonomous Republic of Karakalpakstan.

d. Indigenous peoples

15. N/A

e. Marginalised groups

- 16. Uzbekistan is home to a diverse population that includes various ethnic and linguistic groups, including groups such as the Bukharan Jews, Kazakhs, Karakalpaks, Kyrgyz, Turkmens, and Tajiks. According to official data (2022), the Uzbek population makes up 84.4% of the total population of 35.6 million, while ethnic Tajiks make up 4.9%, Kazakhs 2.4%, Russians 2.1%, and other minorities make up around 4%. The ethnic groups face poverty, marginalization, restrictions on religious freedom, limited access to education in their native languages, and declining cultural practices. Ethnic minorities have limited opportunities to participate in decision-making processes.
- 17. Uzbekistan's farming entities, dekhans and private farms have different land rights: dekhans can't sell, buy, or expand land, while private farms have rights limited by lease contracts monitored by the state. The Law on Dehkan Farms introduced in 2021 grants dekhans greater liberties and expands their permissible farming area to 10 ha. However, dekhans lack access to modern farming practices and capacity-building opportunities, hindering their commercial viability.
- Around 13.5% of Uzbekistan's population has a disability, facing multiple barriers to inclusion, including limited access to education, employment, and healthcare, and often bearing extra costs. In rural areas, these challenges are even more pronounced.

f. Nutrition

19. Uzbekistan ranks 78th on the Global Food Security Index, with lower scores than the regional average. While progress has been made in reducing anaemia and meeting maternal and child nutrition targets, poor dietary diversity and coexisting undernutrition with micronutrient deficiencies, overweight and obesity remain issues. Stunted and wasted children are lower than the regional average, but still affect 10.8% and 1.8% of children under 5, respectively. Overweight and severely underweight children follow regional averages at 4.6% and 5.1%, respectively.

2.2 Environment and climate context, trends and implications

20. The potential target areas of the project are Surkhandarya, Kashkadarya, Syrdarya and Samarkand regions. At this stage of the project design, the potential environmental risks are:

a. Environmental assessment

- 21. Limited water resources. The majority of the country features arid climates that only allow for agricultural production through irrigation. However, with agriculture accounting for 84% of the country's water usage, the current irrigation facilities are outdated and poorly managed, leading to low water productivity and efficiency and an increased likelihood of water shortages. The history of inefficient water management in the region has prompted ICARDA to anticipate further depletion of water resources, which could adversely affect agricultural productivity and livelihoods, particularly in arid regions, while exacerbating tensions between transboundary and local water users^[11]. This is because less than 10% of water resources originate from Uzbekistan, despite the country's rivers of Central Asia such as Amu Darya, Syr Darya and Zaravshan^[2].
- 22. Water pollution. Water pollution and wasteful consumption have led to a challenging water supply situation and poor drinking water quality in Uzbekistan. The centralized provision of clean drinking water stands at 68%, and in some areas such as Kashkadarya and Surkhandarya, it is as low as 54%. Additionally, 38% of the water supply networks are in an emergency condition, and 20% of the pumps are out of order. Only 57% of the country's 139 cities have a functioning sewerage system, and 23% of these systems require repair^[3].
- 23. Land resources. Cotton and wheat production quotas in Uzbekistan have restricted fodder production, which has a direct impact on livestock productivity. Private farms have dominated the cultivation of cotton and wheat, occupying over 70% of the agricultural land, while the area allocated to fodder production is only 7.6%, leading to an inadequate fodder supply^[4]. In response to this issue, the government has reassigned 170,000 hectares of cotton/wheat land for other crops, including fodder production. Since 2006, private livestock farms with a minimum of 30 animal unit cattle have received 0.3-0.45 hectares of arable land per head of livestock to produce fodder.
- 24. Land degradation. Land degradation is a significant obstacle to sustainable development in Uzbekistan and the wider Central Asian region, primarily driven by overgrazing. According to Uzbekistan's recent PRAIS3 report, 28.6% of the country's land is degraded, with local degradation expected to be even higher. The most prevalent types of land degradation in Uzbekistan are soil erosion, secondary soil salinization due to inappropriate irrigation, and desertification. Soil salinity substantially restricts agricultural productivity by reducing crop biomass production and quality, while wind erosion endangers respiratory health. Over 50% of the country's irrigated lands and the majority of soils are exposed to varying degrees of salinity, with the Kashkadarya and Syrdarya regions being more affected by salinization than the Surkhandarya and Samarkand regions^[5].
- 25. [1] Science for resilient Livelihood in dry areas, ICARDA.
- 26. [2] GFDRR (2019). Weather, Climate and Water in Central Asia. A guide to Hydrometeorological Services in the Region.
- 27. [3] On the Issue of the Uzbekistan Surface Water Quality Assessment, Bakhtiyor T. Kurbanov, <u>https://doi.org/10.35567/1999-4508-2019-5-6</u>
- 28. [4] State Committee of the Republic of Uzbekistan on Statistics, https://stat.uz/en/
- 29. [5] Salt Affected Soils in Uzbekistan. Source: FAO, GloSIS Global. Data Hub for GloSIS Country-Driven Global Datasets

b. Climate trends and impacts

- 30. Temperature increase. Uzbekistan's air temperatures have significantly increased over the past century. Minimum temperatures have risen by an average of 0.21°C per decade since 1901, and average temperatures have increased by 0.27°C per decade over the past 50 years. The average annual temperature range has also decreased, with average minimum temperatures rising by 2.0°C and average maximum temperatures decreasing by 1.6°C. Temperature increases varied by region, with the north and major cities experiencing the greatest warming of 0.30°C to 0.43°C per decade.
- 31. **Precipitation fluctuations.** While the average annual precipitation in Uzbekistan has remained relatively constant, the frequency and severity of drought events have increased since 2000. The analysis^[2] of the 18 months SPEI demonstrates that long-term drought events impact groundwater resources and intensify short drought events, eroding the system's resistance to climate shocks and creating unpredictable weather conditions for farmers. It demonstrates how the system's resistance to climatic shocks is deteriorating, while weather conditions are less predictable for farmers.
- 32. **Drought risks**. Climate change threatens agriculture in Uzbekistan with water scarcity, heat waves, and increased frequency of high-temperature days. Prolonged droughts also increase the risk of forest fires and shorten growing seasons. Climate change may also shift spring frost boundaries, further negatively impacting the agricultural sector.
- 33. Landslides. In Uzbekistan's southern and eastern regions with rugged environments, altered precipitation patterns are predicted to impact slope and bedrock stability, leading to localized landslides.
- 34. **Soil salinization.** Soil salinization may worsen due to climate change as higher temperatures may lead to increased evapotranspiration and a greater need for irrigation water, further exacerbating the issues.
- 35. Flash flooding and mudflows. Occurring typically between March and July, these are primarily caused by rainfall and snowmelt. The melting of Central Asian glaciers, accelerated by higher temperatures predicted by the model ensemble, may heighten the likelihood of glacial lake outburst^[3].
- [1] Mean temperature trend in Uzbekistan for the period 1951-2020. Source: Climate Change Knowledge Portal, World Bank (2022).
- 37. [2] Monthly SPEI Drought Index analysis for the period of 1981-2020. Prepared by IFAD. Source: Terraclimate.
- 38. [3] Assessment of the role of glaciers in stream flow from the Pamir and Tien Shan Mountains. Europe and Central Asia, GWADR, World Bank 2015.

c. Climate change mitigation

- 39. Uzbekistan prioritizes climate change adaptation policies to increase resilience and reduce vulnerability. Key areas for the project include water management, agriculture, Aral Sea disaster, ecosystem restoration, strategic infrastructure, and production facilities. Uzbekistan's Updated National Communication to the UNFCCC and its Nationally Determined Contribution (NDC) outline priority adaptation and mitigation measures^[1]. The mitigation measures focus on energy, industrial processes, agriculture, waste, forestry, and land use sectors (FOLU).
- 40. Adaptation measures for the agricultural sector in Uzbekistan include (i) Crop diversification through expanding perennial tree plantations and perennial grasses (ii) Ensuring consistent coverage of arable land through crop reseeding (iii) Attracting investments in production and processing, as well as creating value chains for agricultural and food products (iv) Breeding highly productive livestock breeds and plant species (varieties) that are resistant to salinity, drought, and other hazardous weather events and risks (v) Preserving the gene pool of local livestock breeds and plant varieties, as well as the gene pool of wild ancestors of cultivated plants (vi) Preventing water pollution with agricultural waste (vii) Introducing organic farming practices (viii) Properly storing and processing organic animal waste (ix) Restoring degraded pastures.
- 41. Mitigation measures applicable for agriculture and FOLU sectors include: (i) Introducing energy-saving technologies in the industry, construction, agriculture, and other sectors of the economy; (ii) Improving the productivity of agricultural land; (iii) Enhancing the water management system; (iv) Expanding forest areas; (v) Introducing effective incentives to mobilize resources; (vi) Implementing additional measures and actions outlined in the Strategy for Transition to a Green Economy until 2030^[2].
- 42. [1] Uzbekistan, updated NDCs, 2021. NDC Registry, <u>https://unfccc.int/sites/default/files/NDC/2022-06/Uzbekistan_Updated%20NDC_2021_EN.pdf</u>
- 43. [2] (PP-4477 dated 04.10.2019), which is currently under revision and is to be extended until 2050

2.3 Target group profiles

- 44. Based on the analysis of vulnerable groups and following the recommendations for each specific group outlined below, the following groups are recommended to be the focus of the project:
 - Low-income families, including landless households, who rely on part-time or seasonal work in local farms or businesses;
 - Small-scale farmers, both registered (dekhans) and unregistered, lack access to safety nets, markets, technology, knowledge and information, making them vulnerable;
 - Unemployed rural youth seeking productive economic activities. This group is particularly vulnerable to social exclusion, marginalization, and poverty, as well as discrimination in the labour market and decision-making processes;
 - Rural women, including female farmers and entrepreneurs, women-headed households, and business leaders. They face a
 range of vulnerabilities due to discrimination, unequal access to resources, and limited economic opportunities. Women's
 rights to land, property, and inheritance are limited, and their ability to access credit, markets, and technology is restricted.
 These issues need to be addressed, along with promoting women's leadership in decision-making processes and their
 engagement in activities;
 - Returning migrants with limited access to employment opportunities;
 - The abovementioned groups with multiple vulnerabilities, including ethnic groups, females and HHs with persons with disabilities, making effort to access resources and skills development opportunities, to ensure they have equal opportunities to participate in project activities.

3. Institutional analysis

- 45. The country's institutional framework for agricultural development, environmental protection and natural resource management is perceived as being fairly robust and stable as per COSOP 2023-2027. The key actors in the project-relevant areas include: (i) Ministry of Agriculture and International Strategic Centre for Agri-Food Development handling agriculture and food security policy, while the State Committee on Ecology and Environmental Protection for the sustainable nature resource management; (ii)State Committee for Veterinary and Livestock Development oversees livestock sector development, and the State Committee on Forestry controls forestry activities; (iii)The Ministry of Economic Development and Poverty Reduction analyses macroeconomic indicators and promoting private entrepreneurship; (iv)National Association of NGOs of Uzbekistan with over 300 NGOs, and the Senate Commission on Gender Equality, overseeing women's affairs; (v)Uzhydromet, serving as the UNFCCC National Focal Point and implements Gender Action Plan in climate justice area; (vi) Uzbekistan's scientific research complex that includes academic, university, and industrial institutions dedicated to environmental protection and UNCCD obligations, with the Academy of Sciences serving as the cornerstone; (vii) The Youth Affairs Agency, Interdepartmental youth councils, Youth Commission, and Youth Parliament along with Youth Council and the Forum of Youth Organizations of CIS Member States.
- 46. The main national policies, strategies and regulatory frameworks relevant to the project include the Development Strategy of New Uzbekistan for 2022-2026, which aims to reduce poverty, including measures to further support the social protection of vulnerable groups, including women and youth, through the implementation of Iron books and youth notebooks[1], the opening of specialized training centres[2] in each region. The sustainable rural development sector remains a priority, with a goal of annual growth of at least 5% and a doubling of farmers' incomes. The strategy also prioritizes private sector investment in the agri-food sector, sustainable water use, and ecological sustainability.
- 47. The Agriculture Development Strategy for 2020-2030 has a clear aim to enhance the agricultural sector's productivity and competitiveness, with emphasis on addressing challenges faced by smallholder dehkan farms and ensuring their inclusion in public support programs. Progress so far has been reported^[3] in reforming factor markets, repurposing agricultural public expenditures, and launching effective public services for farmers.
- 48. The government of Uzbekistan introduced a social registry system in 2021 the "Iron Notebooks" to track families facing severe social and living conditions with assistance programmes that include: (i) employment offers within the district; (ii) installation of greenhouses; animal feed and "Farm Service" organizations and "field shops." "Women Notebooks" and Youth Notebooks^[4] address the needs of vulnerable women based on the criteria established in the "Iron Notebooks". Youth Notebooks aim to provide support and resources to young men and women who have completed their education and are entering the workforce. The program includes measures to provide employment, training in modern professions and IT technologies, and support for entrepreneurship. Youth Business Schools areusedto train young citizens in entrepreneurship skills. In 2021, 175,000 young people have been allocated 45,000 hectares of land.
- 49. Uzbekistan ratified the Paris Agreement in 2018 with a commitment to reduce CO2 emissions by 10% and increase climate resilience by 2030. It's National Strategy on Transition to a Green Economy outlines targets for emission reduction and energy efficiency, while its Nationally Determined Contributions prioritize climate resilience in agriculture, sustainable water and land use, ecosystem restoration, and biodiversity. Uzbekistan has also established a national Land degradation Neutrality goal under the UNCCD and is developing national priorities for the post-2020 Biodiversity Framework in line with the CBD.
- 50. Additional policies and detailed information regarding the relevant regulatory framework can be found in the COSOP, which also offers insights into partnership opportunities.
- 51. [1] According to a survey conducted by the State Statistics Committee and the World Bank in January 2022, the cost of necessary daily consumption of food (2,200 kcal) and non-food goods and services for an individual in Uzbekistan was estimated to be 498 thousand sums per month, representing a 13.2% increase from the previous year.
- 52. [2] Non-governmental educational centres established throughout the country, teaching professions and crafts in demand in the labour market. Free training and practical courses on the formation of business skills and entrepreneurship training among young people are organized. Young people who have completed these courses will be given certificates and preferential loans.
- 53. [3] Review of Agriculture Strategy Implementation (draft), World Bank, March 2022.
- 54. [4] introduced by a Presidential Decree in 2021

4. Environmental and social category

- 55. Dairy production is specific in that it is located close to population centres and agroecological zones, particularly in irrigated areas near urban centres. The project aims to pilot technologies that promote access to water, fodder production, and natural resources management under Component 1.2, as well as finance sub-projects (such as purchasing cattle, processing equipment, milk collection centres, and machinery) under Component 2 through loans for DFs, PFs, Processors, and Input Suppliers/Service Providers. However, these activities may have various negative environmental and social impacts, including increased pollution, health hazards, and labour safety issues due to civil works, and ground and surface water pollution due to the use of agrochemicals in fodder production. Additionally, there may be threats to human health and wildlife due to the inappropriate management and disposal of livestock vaccines.
- 56. Despite these concerns, the project is not expected to cause any irreversible or unprecedented social or environmental adverse impacts. All of the activities are typical for small-scale construction and rehabilitation works, small-scale livestock processing operations, or other temporary and site-specific activities. These activities can be mitigated to some extent by using the best construction and/or agro-processing practices and relevant mitigation measures. Furthermore, improved fodder and livestock production, as well as better veterinary services, can help reduce the cost of negative externalities, such as desertification of arid areas, GHG emissions, and the incidence of zoonotic diseases.
- 57. As a result, the DVCDP II is classified as a **Substantial Risk** project according to IFAD's SECAP guidelines and the responses to the "Guiding questions for the environment and social screening tool." An Environmental and Social Management Plan is required during the project design phase to ensure that any potential negative impacts are properly identified and mitigated.
- 58. Under Component 2, which will be implemented in collaboration with Partner Financial Institutions (PFIs), IFAD will mandate the following from the PFIs: (i) establish and maintain an Environmental and Social Management System (ESMS) that is tailored to the risks and impacts of each PFI project or subproject; (ii) ensure that the Environmental and Social Standards (ESS) are met throughout the entire project cycle; and (iii) cover the associated costs. The adequacy of the ESMSs will be assessed by IFAD following the SECAP guidelines.

5. Climate risk category

59. Uzbekistan is vulnerable to climate change impacts mainly due to increasing water scarcity, droughts and a potential increase in the frequency of extreme events. The project's interventions would not be expected to increase the vulnerability of target populations and resources to climate hazards. The project will enhance business linkages between small-scale producers, rural entrepreneurs, processors and agrifood value chain actors in the livestock sub-sector while improving climate resilience at the production level. Hence, the proposed project's **Climate Risk Classification** is **Moderate** according to IFAD's SECAP climate risk classifications.

6. Recommendations for project design and implementation

- 1. General targeting considerations for narrowing the gaps between men and women and between generations in rural areas and decreasing the risk of elite capture in value chain operations include the following: (i)Targeting the genuinely poor through community-participatory methods that consider assets, social status, and the low-income criterion. Use affiliation with "notebook", rather than simply nominating Dekhans; (ii)Removing barriers to entry i.e. reducing collateral requirements; (iii) Use direct contracts or formal associations with cooperatives and inclusive clusters; (iv)Strengthen small-scale farmers' inclusion through partnerships and capacity building i.e. 4P arrangements and establish beneficial market linkages.
- 2. The targeting strategy will involve a combination of geographic, self-targeting and community-based targeting approaches.

60. Geographic targeting

1. DVCDP II targets four regions for value chain development for smallholders, replicating the success of DVCDP I, and creating geographical continuity and a more coherent value chain approach. Vulnerable groups in the areas face limited access to resources, opportunities, credit, training, and markets, which must be addressed to promote inclusion and empowerment. The project uses a community-based and self-targeting approach to empower poor rural families, women, youth, and persons with disabilities, based on pro-poor value chains and interventions based on poverty, food security, access to land, and community capacity for adaptive learning and strategic linkages. Field-based analysis of these criteria will inform the selection of specific rural landscapes during the design.

61. Brief considerations for each target group

- 62. To address challenges- faced by women, there is a need to remove barriers that prevent them from accessing skills and knowledge, financial resources, and markets. Similarly, access to various skills training, including technical, digital, innovation, and entrepreneurial skills under project activities will be essential for a smooth transition from school to work. There is a need to increase advocacy for involving young people in decision-making at the rural institutional and household levels, where they are often excluded due to societal perceptions that adults possess superior knowledge.
- 63. Ethnic minorities have limited opportunities to participate in decision-making processes and lack access to opportunities. The target groups from ethnic groups should be considered for each project activity, including for matching grants.
- 64. Dekhans lack access to modern farming practices and capacity-building opportunities, hence the project activities will factor in such opportunities.
- 65. Returning migrants should be given opportunities to access employment and skills training, including additional support to apply for matching grants.
- 66. All of the above vulnerable groups with multiple vulnerabilities i.e. young females part of the ethnic group or HH with people with disabilities should be given preferences, where possible, allocating extra support for better inclusion, including access to community meetings, training and access to matching grants along with linguistic and logistical considerations.

67. Recommended mitigation measures

68. The following mitigation measures are recommended for the project design: (i) optimization of feed rations, (ii) improvement of manure management practices; (iii) utilization of renewable energy in the value chain including at postproduction levels; (iv) avoiding milk, product, and by-product losses; (v) best-practice methods for facility cleaning systems, using approved chemicals and/or detergents with minimal environmental impact and compatibility with subsequent wastewater treatment processes.

69. Recommended adaptation measures

70. The following adaptation measures are recommended to take into account during the project design: (i) to use drought (frost) resistant fodder crops and breeds of dairy cattle; (ii) to preserve soil fertility by applying minimum/zero tillage technique; (iii) to use improved pasture management systems, including pasture rotation and rehabilitation to combat and reverse the land degradation; (iv) to gain access to alternative sources of energy by processing manure (bio-gas technology) and thus reducing the damage to the environment; and (v) to produce organic fertilisers (e.g. vermin-compost technology).

7. Further studies needed

- 71. Further studies are needed to inform the project design phase, considering the fast-changing context and situations in the targeted regions. These studies must consider the specific needs and challenges faced by ethnic minority groups and persons with disabilities in the area. Such studies would also include updates on the policy and institutions' part. The following studies are essential to identify and address inclusion barriers for vulnerable groups:
 - Gender. Gender-sensitive value chain analysis should be conducted during the project design phase to identify the specific challenges faced by women at each stage of the value chain. After this, a Gender Action plan should be developed to analyse further and consider the limitations and entry points, among others, for gender stereotypes, limited access to resources, lack of education and skills development, traditional gender roles and cultural norms, unfavourable legal and regulatory environment, and multiple vulnerabilities (rural woman with disabilities) and exclusion barriers as a hidden barrier for women in agriculture.
 - Youth. To determine better entry points for relevance, better inclusion and outreach for rural youth in the target regions, further analysis should be expanded in various areas under the social inclusion analysis and youth action plan, especially in the context where the project is youth sensitive. These include: which groups of youth would be targeted for which specific activities and the relevance of the proposed activities along with their interest; The role of cultural and traditional gender norms in limiting mobility and opportunities for young people youth interest areas in the agricultural value chain; The impact of household responsibilities and limited mobility on young women, including considering households with persons with disability; The relationship between youth unemployment and migration; The effectiveness of existing programs and initiatives aimed at addressing these challenges.
 - **Target Group Engagement** and Feedback Mechanisms (TGEF). Consultation processes should also analyse and determine the context-specific beneficiary feedback and engagement modalities as well as develop the stakeholder engagement plan. SECAP GRM will have to be established or the existing one analysed under such study.
- 72. Progress on the related "Iron Notebook" measures and Youth and Woman Notebook activities should be further analysed and updated. Gender-related advancements of the State Trust Fund activities and the relevant policy updates would fall under such analyses.
- 73. To address the possible environmental impacts, the project will develop an Environmental and Social Management Plan that will comprise adequate mitigation measures; climate-smart agriculture practices and adaptation to climate change activities; and the necessary compliance with IFAD environmental, social and climate change safeguard procedures whilst seeking sustainable management of natural resources in the targeted regions. Additionally, the required studies at the design stage would be Stakeholder Engagement Plan and Abbreviated Environmental, Social and Climate Management Framework (ESCMF) with Environmental, Social and Climate Management Plan (in case the target groups include IPs).

8. Monitoring and evaluation

74. The project's M&E will well capture disaggregated data on gender, youth, socio-ethnicity and household poverty. The programme will reflect on issues of gender, youth, marginalized and disadvantaged communities, and ethnic minorities. Project Management Unit will lead the monitoring and evaluation process of the project together with implementing partners and stakeholders. The Program will adopt a strong focus on the beneficiary-led collection and monitoring of programme performance. In addition, the M&E database to be developed by the project will capture the data received from the target regions and involved PFIs.

Mainstreaming priorities	Indicators (Preliminary list of indictaors, to be updated during project design)
Gender	 Disaggregation of households (HHs) can be improved by considering the following factors: Marital status: The use of female headship alone as an indicator of the gender of the farmer, plot manager, or HH member may not accurately reflect the complex familial structure and differentiated dynamics of marital status. Male migrants' presence within the HH Women leaders (at mahalla level) Women's labour burden In addition, the relevant indicators would include: Access to capacity and training opportunities for women;
	 Number of women in leadership positions and decision-making roles Improved access to and ownership of productive resources such as land, credit, and technology by women in the selected region No women in value chains and agricultural markets through the project activities A number of women participated in beneficiary engagement and feedback mechanisms
Youth	Disaggregation by age and sex (mandatory) Ideally, include also Civic engagement: indicators such as the % of youth who participated in community activities, and the % of youth who have taken on leadership roles in their communities. N. of youth improved Access to land or ownership of productive resources; No Youth leadership role
Ethnic groups	Use disaggregation of HH, gender and youth also by ethnic groups
Environmental	Tons of CO2-eq mitigated over 20 years (using Ex-ACT and GLEAM-I analyses; Increased pasture productivity/carrying capacity (%).
Stakeholder and beneficiary engagement	(Number) Percentage of households satisfied with project-supported services; (Number) Percentage of households reporting they can influence the decision-making of local authorities and project- supported service providers

9. References

- 1. Assessment of the role of glaciers in stream flow from the Pamir and Tien Shan Mountains. Source: Europe and Central Asia, GWADR, World Bank 2015.
- Country Strategic Opportunities Programme 2023–2027 approved by the EB 137th Session Rome, 13–15 December 2022
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- 13. Uzbekistan, updated NDCs, 2022. NDC Registry, <u>https://unfccc.int/sites/default/files/NDC/2022-</u>
- 14. Weather, Climate and Water in Central Asia. A guide to Hydrometeorological Services in the Region. Source: GFDRR, 2019.

ESCMP Matrix

75. To be completed at the Design stage.

Environmental and Social Safeguards Classification: Substantial

Environmental and Social Safeguards						
Biodiversity conservation	Yes/No	Likelihood	Consequence	Risk Rating		
1.1 Could the project potentially involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural habitat and critical natural habitat) and/or ecosystems and ecosystem services?	No			Low		
1.2 Could the project involve or potentially lead to activities involving habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources (e.g. National Park, Nature Conservancy, Indigenous Community Conserved Area, ICCA, etc.)?	No			Low		
1.3 Could the project potentially involve or lead to an increase in the chance of human-wildlife encounters/conflict?	No			Low		
1.4 Could the project potentially involve or lead to risks to endangered species (e.g. reduction, encroachment on habitat)?	No			Low		
1.5 Could the project potentially involve or lead to impacts/risks to migratory wildlife?	No			Low		
1.6 Could the project potentially involve or lead to introduction or utilization of any invasive alien species of flora and fauna, whether accidental or intentional?	No			Low		
1.7 Could the project involve or lead to the handling or utilization of genetically modified organisms?	No			Low		
1.8 Could the project involve or lead to procurement through primary suppliers of natural resource materials?	Yes	Possible	Moderate Poject requires procurement of natural resources through primary suppliers, and resource extraction is tightly regulated	Moderate		
Resource Efficiency and Pollution Prevention	Yes/No	Likelihood	Consequence	Risk Rating		
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No			Low		
2.2 Could the project involve or lead to primary not environmentally sustainable production of living natural resources? (Note: this includes the cultivation or rearing of plants or animals, including annual and perennial crop farming, animal husbandry (including livestock), aquaculture, plantation forestry, etc)	Yes	Unlikely	Minor Project is partly dependent on production of living natural resources, but not enough to require serious environmental or social controls.	Low		
2.3 Could the project involve or lead to engagement in areas of forestry, including the harvesting of natural forests, plantation development, and/or reforestation?	No			Low		

Environmental and S	ocial Safe	eguards		
2.4 Could the project involve or lead to significant consumption of raw materials, energy, and/or water?	Yes	Possible	Minor The project will require consumption of raw materias, energy, and/or water, but this will be a small component of the project, and impacts can be appropriately managed.	Moderate
2.5 Could the project involve or lead to significant extraction, diversion or containment of surface or ground water (e.g. construction of dams, reservoirs, river basin developments, groundwater extraction)?	Yes	Likely	Moderate The project needs a considerable amount of groundwater or surface water. Ths will require a minor extension of existing sources. It includes construction of large-scale irrigation schemes rehabilitation/development – below 300 ha per scheme	Substantial
2.6 Could the project involve inputs of fertilizers and other modifying agents?	Yes	Possible	Moderate The project requires use of fertilizers, but options are available to replace polluting fertilizers with alternatives.	Moderate
2.7 Could the project involve or lead to procurement, supply and/or result in the use of pesticides on crops, livestock, aquaculture or forestry?	Yes	Possible	Moderate The project requires use of pesticides, but options are available to replace potentially polluting pesticides with alternatives.	Moderate
2.8 Could the project be located in an area which is being, or has been, polluted by an external source (e.g. a mine, smelter, industry)?	No			Low
2.9 Could the project involve livestock – extensive and intensive systems and animal products (dairy, skins, meat, etc.)?	Yes	Almost certain	Moderate Intensive/extensive livestock/aquaculture systems are in place, but these are only one component of the project.	Substantial
Cultural Heritage	Yes/No	Likelihood	Consequence	Risk Rating

Environmental and S	ocial Safe	eguards		
3.1 Could the project be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	Yes	Highly unlikely	Minor The project is thought to be close to an area that is considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage. The site has been comprehensively surveyed, and all tanglible and intangible cultural heritage is well known.	Low
3.2 Could the project directly or indirectly affect indigenous peoples' rights, lands, natural resources, territories, livelihoods, knowledge, social fabric, traditions, governance systems, and culture or heritage (tangible and intangible)?	Yes	Highly unlikely	Minor Minor impact to indigenous population. No damage to/or loss of access to indigenous land, assets, resources, and/or cultural heritage.	Low
3.3 Could the project involve or lead to significant excavations, demolitions, movement of earth, flooding or other environmental changes?	No			Low
3.4 Could the project involve or lead to adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No			Low
3.5 Could the project involve or lead to alterations to landscapes and natural features with cultural significance?	No			Low
3.6 Could the project involve or lead to utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No			Low
indigenous peoples	Yes/No	Likelihood	Consequence	Risk Rating
4.1 Could the project be sited in areas where indigenous peoples are present (including the project area of influence)?	No			Low
4.2 Could the project result in activities located on lands and territories claimed by indigenous peoples?	No			Low
4.3 Could the project result in impacts on the rights of indigenous peoples or to the lands, territories and resources claimed by them?	No			Low
4.4 Could the project result in the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No			Low
4.5 Could the project lead to impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No			Low
Labour and Working Conditions	Yes/No	Likelihood	Consequence	Risk Rating

Environmental and S	ocial Safe	eguards		
5.1 Could the project operate in sectors or value chains that are characterized by working conditions that do not meet national labour laws or international commitments? (Note: this may include discriminatory practices, high gender inequality and the lack of equal opportunities, denial of freedom of association and collective bargaining, labour migrants)	Yes	Unlikely	Minor The project operates in sectors or value chains that have, in the past, not met national labour laws, or international commitments, but is now adequately nationally regulated, and is part of international value chains that are subject to regular environmental and social auditing.	Low
5.2 Could the project use or operate in a value chain where there have been reports of forced labour? (Note: Risks of forced labour may be increased for projects located in remote places or where the status of migrant workers is uncertain)	No			Low
5.3 Could the project involve children (a) below the nationally- defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	Yes	Highly unlikely	Minor The project does not operate in sectors or value chains where the employment of children has ever been reported.	Low
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.)	Yes	Possible	Minor The project operates in a sector, area, or value chain where workers are occasionally exposed to significant OSH risks, and where regulation is known to be effective.	Moderate
Community Health, Safety and Security	Yes/No	Likelihood	Consequence	Risk Rating
6.1 Could the project be at risk from water-borne or other vector- borne diseases (e.g. temporary breeding habitats), and/or communicable and non-communicable diseases?	No			Low
6.2 Could the project lead to unintended negative impacts on nutrition?	No			Low
6.3 Is there a possibility of harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	No			Low
6.4 Could the project involve or lead to the construction or rehabilitation of dams?	No			Low
6.5 Could the project involve or lead to transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No			Low
6.6 Could the project lead to adverse impacts on ecosystems and ecosystem services relevant to communities' health (e.g. food, surface water purification, natural buffers from flooding)?	No			Low
6.7 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	No			Low

ocial Safe	eguards		
Yes	Possible	Moderate Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or death is reduced by good design and implementation of safety protocols. New construction, rehabilitation or upgrade of rural roads, with Annual Average Daily Traffic (AADT) below 400	Moderate
Yes	Possible	Moderate The project is partly dependent on an influx of project workers, but the majority of workers are local. Risks of impacts have been planned for, and protocols are in place	Moderate
No			Low
Yes/No	Likelihood	Consequence	Risk Rating
No			Low
Yes/No	Likelihood	Consequence	Risk Rating
No			Low
	Yes Yes No No No No No No No No No No No No No	YesPossibleYesPossibleNoLikelihoodNo </td <td>YesPossibleModerate Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or death is reduced by good design and implementation of safety protocols. New construction, rehabilitation or upgrade of rural roads, with Annual Average Daily Traffic (AADT) below 400YesPossibleModerate The project is partly dependent on an influx of project workers, but the majority of workers are local. Risks of impacts have been planned for, and protocols are in placeNoLikelihoodConsequenceNoIINoLikelihoodConsequenceNoLikelihoodConsequenceNoLikelihoodConsequenceNoIINoI</td>	YesPossibleModerate Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or death is reduced by good design and implementation of safety protocols. New construction, rehabilitation or upgrade of rural roads, with Annual Average Daily Traffic (AADT) below 400YesPossibleModerate The project is partly dependent on an influx of project workers, but the majority of workers are local. Risks of impacts have been planned for, and protocols are in placeNoLikelihoodConsequenceNoIINoLikelihoodConsequenceNoLikelihoodConsequenceNoLikelihoodConsequenceNoIINoI

Climate Risk Classification: Moderate

Step 1: Hazard identification	
What are the expected hazards in the project intervention area?	No, Yes, TBD
River flood	Yes
Costal Flood	No
Urban Flood	No
Landslide	Yes
Cyclone	No
Water Scarcity (agricultural droughts and/or dry spells)	Yes
Extreme Heat	Yes
Wildfires	TBD
Future climate scenarios foreseen (period 2040-2059) - Change in frequency and intensity	No, Yes, TBD
Change in temperature (increase or decrease)	Yes
Change in rainfall (increase or decrease)	Yes
Climate variability (larger or smaller)	Yes
Intensity and frequency of extreme events (larger or smaller)	Yes
Is the project expected to have an impact on climate change (i.e. contribute to greenhouse gas emissions)?	No, Yes, TBD
Is the project expected to be a significant emitter of greenhouse gases?	No
Step 2: Exposure Assessment	
Is the project located in exposed areas to weather-related natural hazards?	No, Yes, TBD
Low-lying areas (valleys, coastal zones, and small islands)	Yes
Very warm areas (subtropical)	No
Tropical areas (rainforests)	No
Arid and semi-arid areas (deserts)	Yes
Mountains zones and permafrost areas (tundra)	No
River banks	No
Does the project target agricultural systems, ecosystems or livelihoods exposed to weather-related hazards?	No, Yes, TBD
Is crop production frequently affected by rainfall variability, prolonged droughts, changes in temperature or pests and diseases?	Yes
Is livestock productivity frequently affected by rainfall variability, prolonged droughts, changes in temperature or diseases?	Yes
Are fisheries frequently affected by ocean acidification, water salinity and changes in sea surface temperature due to ocean-atmospheric oscillations or climate change?	No
Is forest productivity frequently affected by wildfires, diseases, rainfall variability, prolonged droughts, or changes in temperature?	Yes
Is the biodiversity in the project area likely to be affected by changes in climate variables?	Yes
Is any stage of the agricultural value chain (production, storage, processing and marketing) exposed to climate related hazards?	Yes
Is any rural infrastructure likely to be affected by flooding, landslides, changes in temperatures, and extreme winds.	Yes
Step 3: Sensitivity Assessment	
What are key sensitivities for the populations in the project's areas of intervention?	No, Yes, TBD
Is conflict exacerbating the population's sensitivity to weather related hazards?	No
· · · · · · · · · · · · · · · · · · ·	

Are diseases (e.g. COVID-19, malaria, cholera) increasing the population's vulnerability and affecting their capacity to address potential weather-related hazards?	No
Is the income of the target population predominately coming from agriculture?	Yes
Are social inequalities (e.g. based on gender, youth, indigenous persons and other marginalized groups) being exacerbated by climate change?	No
Is the Human Development Index (HDI) equal to or below 0.6?	No
Is the Multidimensional Poverty Index (MPI) equal to or above 0.1?	Yes
Step 4: Adaptive capacity and climate resilience	
What are key adaptive capacities in the areas of project intervention?	No, Yes, TBD
Is the country well ranked in the Disaster risk reduction progress score?	No
Are climate and weather information services (real-time weather data, seasonal forecasts etc.) effectively being delivered (through radio, TV, SMS, extension services etc.) to farmers, rural dwellers, and end users?	No
Does the project country have an early action plan (preparedness and emergency response) to mitigate the impacts of weather-related hazards once the shock occurs?	Yes
Does the government or other institutions support the target population/communities with the necessary social and economic resources to prepare for or respond to climate-related events?	Yes
Is the target community carrying out (using their own means) agricultural adaptation?	Yes
Does the target population have the economic means or support to adjust or adapt their activities in response to weather related shocks?	Yes
Do policies/mechanisms exist that make financial credit, loans, and agricultural insurance available?	Yes
Are rural infrastructures effectively delivering services to farmers and rural dwellers?	Yes



Uzbekistan

Dairy Value Chains Development Project II

Project Design Report

Annex 6: First Annual Work Plan and Budget (AWPB)

 Mission Dates:
 01/05/2023 - 02/06/2023

 Document Date:
 22/08/2024

 Project No.
 2000004301

 Report No.
 6595-UZ

Near East, North Africa and Europe Division Programme Management Department

Annex 6 ANNUAL WORK PLAN & BUDGET DAIRY VALUE CHAINS DEVELOPMENT PROJECT - II for 18 months: 2025 - 2026 (6 months)																			
Description of activity by Category	Description of activity by Component/subcomponent	Unit	Quantity		diture 2025 -2026, th		25 & 2026 Planned Expenditures	Cumulative outpu Quantity	of the project as of 31.12. Beneficiaries (HH/p	pl/farmers/dehkans) Quantity Be		Cumulative Quantity	e output of the p	oject as of 31.12.2024 Beneficiaries (HH/ppl/farmers/dehk	uans)	Financing Source (thousand USD) Government Government in kin		d of the implementation (Quarters) 2025 2026	Responsibility
	ble dairy production and access to services			Plan	Actual	%	(thousand USD)			tual % Plan (HH/ppl/f	farmers/dehkans) Plan Plan	Actual	%	Plan Actual		Contribution Contribution	Contribution	3 4 1 2	,
Sub-Component 1.1. Mobilizing fa	rmers and households and building capacities																		
I. Technical Assistance I. Technical Assistance	Mapping/PRA/planning with communities for targeting participants 1.1.2 Social mobilisers	person-year person-year	60	278.16	-	0%	278.16			60	0 0	0	0%	0 0	#DIV/0! 278.16				PMU Targeting, Youth and Gender specialist and regional field facilitators
I. Technical Assistance	Operational costs 1.2.3 Service provider on capacity development	service provider	4	346.16		0%	346.16			4	40.000 0	0	0%		346.16				
	One SP per each region 1.2.4 Consultant on capacity development	person-month	4	8.36		0%	8.36			4	12 000 0	0	0%	12 000	8.36 #DIV/0! 632.68				
Sub-Component 1.2. Activities - In	nproving access to water, fodder production and grazing land			632.68	-		632.68				12 000.00			12 000 -	#DIV/0! 632.68				
V. Grants for technology	1.2.1 Matching grants for watertanks. For matching grants, beneficiaries will select the equipment and the PMU will procure it	grant	140	56.00	-	0%	56.00			140	128 0	0	0%	128 0	0% 50.40		5.60		
V. Grants for technology V. Grants for technology V. Grants for technology	1.2.2 Rehabilitation of communal water points 1.2.3 Access to drought resitant fodder seeds	grant grant	6 20	5.23		#DIV/0! 0% #DIV/0!	- 5.23			6 20	840 0 5 600 0	0	0% 0%	840 0 5 600 0	0% - 0% 5.23				
V. Grants for technology V. Grants for technology III. Training	1.2.4 Testing, piloting and upscaping of drought resitant fodder plants 1.2.5 Piloting hydroponic fodder plant cultivation 1.2.6 Field visitis to the hydroponic pioneers	pilot pilot visit	0 10 9	62.30 28.04 15.53		0.0	- 62.30 28.04 15.53			0 10 9	- 0 6 0 300 0	0	0% 0% 0%	0 0 6 0 300 0	#DIV/0! - 0% 43.61 0% 28.04 0% 15.53		18.69		Project manager, Livestock specialist, Procurement specialist
III. Training V. Grants for technology	1.2.6 Field visitis to the hydroponic pioneers 1.2.7 Group formation and training of youth in fodder growing 1.2.8 Grant for land access, seeds and machinery and tools	training package	3	15.53 256.03		0%	15.53 256.03			3	375 0 320 0	0	0%	375 0	0% 15.53		25.60		
V. Grants for technology	5 per each region 1.2.9 Regeneration of degradaded rangelands	lumpsum		89.00		0%	89.00			0	2 800 0	0	0%		0% 89.00				
Sub-Component 1.3. Improving c	5 per each region Total of Sub-Component 1.2 irv production and farm management		_	512.14			512.14				10 369	-			#DIV/0! 462.25	· · · ·	49.89		
III. Training	1.3.1 (a) Development of dairy curriculum One SP per each region	lumpsum		253.75	-	0%	253.75			0	0	0	0%		253.75				
III. Training	1.3.1 (b) Master trainers training 5 mastertrainer in 1 training	lumpsum		209.09	-	0%	209.09			0	0	0	0%		209.09				
	1.3.1 (c)Facilitators training										28 000			28 000 0	0%				
III. Training	150 facilitators, trained in groups of 10, 15 trainings in total. Average facilitators monthly salary 100 USD x 10 facilitators x 15 groups. Five mastertrainers doing 3 training groups daily rate 400 USD x20 days x 3 groups x 5 mastertrainers = 120 000	training group	15	141.14	-	0%	141.14			15	0	0	0%		141.14				Project manager, Livestock specialist, Procurement specialist
	1.3.1 (d) Facilitation of farmer groups																		
III. Training	Min. 140 facilitators who will train 150 and calcualte for 150, so some groups can be smaller, etc They facilitate 8 groups each for a 2 year training trajectory, in Y3-Y6= 4 year	training group	0	-	-	#DIV/0!	-			0	- 0	0	0%	- 0	#DIV/0! -				
III. Training	1.3.1 (e) Monitoring training quality 1.3.2 Grants for construction of cowsheds/shelters and small equipment for cows in HH	lumpsum	-	-	-	#DIV/0!	-			0	28 000	0	0%	28 000 0					Project manager
V. Grants for technology	Tarms Total of Sub-Component 1.3	lumpsum		240.03 844.01	-	0%	240.03 844.01			0	0 56 000	0	0%	56 000 0	216.03		24.00 24.00		Project manager, Livestock specialist, Procurement specialist
Sub-Component 1.4. Improving a III. Training	ccess to extension, health and input services 1.4.1 (a) Extension voucher pilot for 4 years	lumpsum		-	-	#DIV/0!				0	- 0	0	0%	- 0	-				Project manager, Livestock specialist, Procurement specialist
III. Training	1.4.1 (b) Media extension	lumpsum		17.80	-	0%	17.80			0	200 0		0%	200 0	0% 17.80				Project manager, Livestock specialist, Procurement specialist
II. Consultancies	1.4.2 (a) Policy review and feasibility study privatisation mapping and pathway for implementation	lumpsum		50.75	-	0%	50.75			0	300 0	0	0%	300 0	0% 50.75				Project manager, Livestock specialist, Procurement specialist
V. Grants for technology V. Grants for technology	1.4.2 (b) Training of private (para)vets 1.4.2 (c) Concessional matching grants	lumpsum	0	-	-	#DIV/0!				0	- 0	0	0%	- 0	-				Project manager, Livestock specialist, Procurement specialist Project manager, Livestock specialist, Procurement specialist
I. Technical assistance	1.4.2 (c) Concessional matching grants 1.4.2 (d) Monitoring of private (para)vets	lumpsum	0	-		#DIV/0!				0	- 0	0	0%	- 0					Project manager, Livestock specialist, Procurement specialist Project manager, Livestock specialist, Procurement specialist
I. Technical assistance	1.4.3 (a) Establishment and support of participatory local breeding groups and programmes pliot Kaskandarya	lumpsum		51.66		0%	51.66			0	400 0	0	0%	400 0	0% 51.66				Project manager, Livestock specialist, Procurement specialist
I. Technical assistance	1.4.3 (b) Nation wide inventory of AI and breeding centre facilities & Local farmer group	consultant	2	30.45		0%	30.45			2	400 0	0	0%	400 0	0% 30.45				Project manager, Livestock specialist, Procurement specialist
IV. Studies and workshop	formation (FO) and breeding knowledge and recording set up; development of AI training 1.4.3 (c) Pilot Breed and breeding study activities / field visits	group	50	38.63		0%	38.63			50	533 0	0	0%	533 0	0% 38.63				Project manager, Livestock specialist, Procurement specialist
V. Grants for technology	1.4.3 (d) Matching grant for AI for LFFS farmers 2 vouchers of MAX 10 usd (or more vouchers for less) total 20 USD per farmer/HH	AI	0							0	- 0		0%	- 0					Project manager, Livestock specialist, Procurement specialist
III. Training	1.4.3 (e) Training for future inseminators	person	0		-					0	- 0	0	0%	- 0					Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	1.4.3 (f) Roll out	insemination kit	0	-						0	- 0	0	0%	- 0					Project manager, Livestock specialist, Procurement specialist
IV. Studies and workshop II. Consultancies	1.4.4 (a) Prevalence study on Brucellosis 1.4.4 (b) Survey on feed safety	lumpsum		103.02		0%	103.02			0	400 0	0	0%	- 0	0% 103.02 51.36				Project manager, Livestock specialist, Procurement specialist Project manager, Livestock specialist, Procurement specialist
II. Consultancies	1.4.4 (c) Animal nutrition, feed safety and diet composition for dairy production, including concentrate requirements	lumpsum		-						0	- 0	0	0%	- 0					Project manager, Livestock specialist, Procurement specialist
IV. Studies and workshop	1.4.4 (d) Participatrory local breeding group pilot on genetic and organizational needs	lumpsum								0	- 0	0	0%	- 0					Project manager, Livestock specialist, Procurement specialist
Sub-Component 1.5. Applied reserved IV. Studies and workshop	arch, pilota and dissemination 1.5.1 Applied research	lumpsum		51.66		0%	51.66			0	? 0	0	0%	2233 0	51.66				Project manager
II. Consultancies IV. Studies and workshop	1.5.2 Pilots 1.5.3 Dessimination Total of Sub-Component 1.5	lumpsum		135.00 10.45 197.11	-	0%	135.00 10.45 197.11			0	? 0 ? 0	0	0%	0 0	135.00 10.45 0 197.113	0 0	0 0		Project manager Project manager
Component 2. Increasing particip Sub-Component 2.1. Establishing	Total of Component 1 ation of small-scale farmers in the dairy value chain Mik Collection Centers			2 529.62			2 529.62				80 602			80 602 -	2 455.72		73.90		
I. Equipment, Goods and Vehicles	2.1.1.a.1 Construction & Equipment of new MCCs Category 1 MCC	number	15	818.34		0%	818.34			818.34	75 0	0	0%	75 0	0 736.50		81.83		Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	2.1.1.a.2 Construction & Equipment of new MCCs Category 2 MCC	number	15	610.54		0.8	010.34			010.34	75 0	•	0.6	75 0	0 730.30		01.03		Project manager, Elvestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	Category 3 MCC	number	8	267.16	-	0%	267.16			267.16	80 0	0	0%	80 0	0% 187.01		80.15		Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	2.1.1.b.1 Solar panels for MCCs Category 1 MCC	kit	15	722.06		0%	722.06			15	375 0	0	0%	375 0	0% 649.86		72.21		Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	Category 2 wicic	kit	-														<u> </u>		
I. Equipment, Goods and Vehicles	Galdgery o moo	kit	8	226.83	-	0%	226.83			8	400 0		0%		0%		68.05		Project manager, Livestock specialist, Procurement specialist
III. Training	2.1.1.c.1 Trainings and capacity building for the MCCs operators/managers 2.1.2.a Organization and equipment of milk collectors/traders (youth)	training	9	90.00	-	0%	90.00		_	9	78 0		0%	78 0	90.00				Project manager, Livestock specialist, Procurement specialist
	Tricytcles for milk collectors/traders 2.1.2.b Organization and equipment of milk collectors/traders (youth)	number	250	305.75	-	0%	305.75			250	833 0		0%		290.47		15.29		Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	Mik containers 2.1.2.c Organization and equipment of mik collectors/traders (youth)	number	500	55.76	-	0%	55.76			500	833 0		0%	833 0	55.76				Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	Alt Les organization and equipment of mile concentrations (yourly Milk testing kits 2.1.2.d Organization and equipment of milk collectors/traders (youth)	kit	250	78.30	-	0%	78.30			250	833 0	0	0%	833 0	78.30		<u> </u>		Project manager, Livestock specialist, Procurement specialist
III. Training	Trainings and capacity building for milk collectors/traders	training	13	55.97	-	0%	55.97			13	867 0	0	0%	867 0	55.97				Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles		number	400	159.29	-	0%	159.29			400	3 200 0	0	0%	3 200 0	143.36		15.93		Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles		number	1200	64.34	-	0%	64.34			1200	3 097 0	0	0%	3 097 0	64.34				Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	2.1.3.c Equipment of producer groups with milk refrigerators Milk testing kits	kit	800	33.86	-	0%	33.86			800	3 048 0	0	0%	3 048 0	33.86				Project manager, Livestock specialist, Procurement specialist
Fouinment Goods and Voki-1	2.1.4.a Providing women involved in artisanal dairy processing with small-scale processing and packaging equipment	number	500	419.26		00	419.26			500	490 0	0	0%	490 0	0% 398.30		20.96		Project manager, Livestock specialist, Procurement specialist
 equipment, goous and venicles 	and packaging equipment Small scale processing equipment 2.1.4 b Providing women involved in artisanal dairy processing with small-scale processing	number	300	419.26	-		+19.20			300	400 0				390.3U				
III. Training	and packaging equipment Trainings and capacity building for women dairy processors	training	25	66.72	-	0%	66.72			25	2 874 0	0	0%	2 874 0	66.72				Project manager, Livestock specialist, Procurement specialist
I. Equipment, Goods and Vehicles	2.1.4.c Providing women involved in artisanal dairy processing with small-scale processing and packaging equipment	kit	500	22.24	-	0%	22.24			500	490 0	0	0%	490 0	0% 22.24				Project manager, Livestock specialist, Procurement specialist
	Mik testing kits /m Total of Sub-Component 2.1		500	3 385.89	0		3 385.89				17 572.71			17 572.71 0	0 3 031.47	0 0	0 354.42		,
Sub-Component 2.2. Facilitating (VI. Credit VI. Credit	ccess to credit for stakeholders in the value chain Window 1 for women, youth, non-registered HHs Window 2 - Dekhan farmers	lumpsum lumpsum		214.00 1 440.00		0%	214.00 1 440.00			0	17.86 64.29	0 0	0% 0%	17.86 0 64.29 0		42.80	21.40 288.00		Dairy production and veterinary specialist Dairy production and veterinary specialist
VI. Credit	Window 3 - Private commercial farmers working with vulnerable household farmers and small-scale dekhan farmers	lumpsum		2 000.00	-	0%	2 000.00			0	20.00	0 0	0%	20.00 0		00.00	400.00		Dairy production and veterinary specialist
VI. Credit	Window 4 – Agri-processors working with vulnerable household farmers and small-scale dekhan farmers	lumpsum		1 140.00	-	0%	1 140.00			0	7.14	0 0	0%	7.14 0	0% 684.00	28.00	228.00		Dairy production and veterinary specialist
VI. Credit VI. Credit	Window 5 - Service providers and input Guarantee mechanism	lumpsum lumpsum		360.00 300.00	-	0%	360.00 300.00			0	14.29 14.29	0 0	0% 0%	14.29 0 14.29 0	0% 216.00 0% 300.00	72.00	72.00		Dairy production and veterinary specialist Dairy production and veterinary specialist
	Total of Sub-Component 2.2 Total of Component 2			5 454.00 8 839.89			5 454.00 8 839.89				137.86 17710.57			137.86 0	0 3 413.80	030.80	1 009.40		
							-					-						· · · · · ·	

	Description of activity by		1	Cumulative Expenditure 2	2025 -2026, thousand USD	2025 & 2026 Planned	a	Cumulative output	ve output of the project as of 31.12.20	24	The expected r	results of the project for 2025 &		Cumulative output	of the project as of 31.12.2024		Finar	cing Source (thousan	USD)		Period e	of the implementation (O		
Description of activity by Category	Component/subcomponent	Unit	Quantity	Plan	Actual %	Expenditures	u	Quantity	Beneficiaries (HH/ppl	(farmers/debkans)	Quantity	Beneficiaries	Quanti	tv	Beneficiaries (HH/ppl/farm	ers/debkans)	PFIs	Government	Government in kind	Beneficiary	20	25	2026	Responsibility
1				Plan	Actual %	(thousand USD)	Plan		Plan Actu			(HH/ppl/farmers/dehkans) Plan Plan		d %	Plan Actual		PFIS	Contribution	Contribution	Contribution		3 4		2
ponent 3. Policy support an	nd Project coordination and management	11	I				Fidit	Actual /s	Fiant Acto	iai /s	Fidit	Fian Fian	Actua	1 1	Fiair Actual	78			· · · · · · · · · · · · · · · · · · ·		1 4			2
	Project Start-up																							
	Technical Assistance, Studies and Workshops						15																	
chnical Assistance	PIM preparation	Report	1	10.15	- 0%	10.1	15				1	0	0	0%		10.1	5							Project manager Project manager, programment encodalist
Studies and workshop	Start-up Workshop Programme Communications and Software	w/shop		1.31	- 0/8	Ta	51						0	0.16		1.3							+	Project manager, procurement specialist
Consultancies	Upgrading of accounting software	lumpsum		20.30	- 0%						0	0	0	0%		20.3								Project manager, procurement specialist
	Total of Project Start-up			37.76		- 37.3	76 -				2.00		-			37.7	1						+	
-Component 3.1. Policy supp	port																							
Studies and workshop	Dairy platform	lumpsum		114.09	- 0%	114.0	~				0	0	0	0%		114.0								Project manager, procurement specialist
Studies and workshop	Organizing meetings, events, field visits, etc.	lumpsum		114.09	- 0%	114.0	.U9				0	0	0	0%		114.0	,							Project manager, procurement specialist
	Dairy platform																							
Studies and workshop	Participation in working groups on land reform	lumpsum		51.66	- 0%	51.6	66				0	0	0	0%		51.6	5							Project manager, procurement specialist
	Total of Sub-Component 3.1			165.75	-	- 165.3	75					0			0 0	0 165	75							
bcomponent 3.2: Monitoring a	and Evaluation and Knowledge Management			165.75		- 100.1	.75					ů			ů ů	6 185	15							
	Baseline Survey																							
Consultancies	Including listing and mapping exercise of potential beneficiaries and clusters	lumpsum	1	101.50	- 0%	101.5	.50				1	0	0	0%		101.5)							Project manager
Studies and workshop	Mid-term Review	lumpsum	0				-				0	0	0	0%			-						+	Project manager
Consultancies	Final Impact Survey	lumpsum	0				-				0	0	ő											Project manager
Studies and workshop	Financial demand study	lumpsum	1	30.45	- 0%	30.4	45				1	0	0	0%		30.4	i						/	Project manager
Studies and workshop	Exchange visits for M&E specialists	lumpsum		1.32 30.45	- 0%	1.3	32				0	Ó	0	0%		1.3								Project manager
Training	MNE/KM staff training course	lumpsum	1	30.45 9.15	- 0%	30.4					1	0	0	0%				+					+	Project manager
Consultancies	M&E software	lumpsum									U	0	0	0%		9.1		+						Project manager, Procurement specialist
echnical assistance	Knowledge Management Product preparation/communication activities	lumpsum	2	12.36	- 0%	12.3	36				2	0	0	0%		12.3	6							Project manager
	DUODD II Website (Ossile) Media II																							
Consultancies	DVCDP-II Website/Social Media /f Downloament, maintenance and undefine of a DVCDP website by a private consider provider.	per-annum		7.66	- 0%	7.6	66				0	0	0	0%		7.6	3	1						Project manager, Procurement specialist
	Development, maintenance and updating of a DVCDP website by a private service provider							1 1						1				1						
	DVCDP- II telecommunications /g																							
Consultancies	Multimedia presentations to dairy value chain stakeholders and the broader community	per-annum		20.60	- 0%	20.6	60				0	0	0	0%		20.6								Project manager
	concerning DVCDP activities																							
	Total of Sub-Component 3.2			213.50		- 213.0	50					0			0 0	0 213	50							
bcomponent 3.3a: Project Mar	nagement Unit (PMU) - Tashkent																							
quipment, Goods and Vehicles	1. Vehicles 4x4	no	2	60.90	- 0%	60.9	90 -	- 6	i0.90 -	- 60.90	2	0	0	0%		60.9)							Procurement specialist
Equipment, Goods and Vehicles		lumpsum		26.22	- 0%	26.2	22				0	0	0	0%		26.2								Procurement specialist
Studies and workshop	Technical Assistance, Studies and Workshops	w/shop	1	2.09	- 0%	2.0	09				1	0	0	0%		2.0								Project manager
	Annual Review and Planning Workshop											-	-											
	3. Technical Assistance, Studies and Workshops			6.80							1					68								
. Studies and workshop	Ad hoc Studies and Assistance	lumpsum	1	6.80	- 0%	6.8	80				1	0	0	0%		6.8	2							Project manager
	3. Technical Assistance, Studies and Workshops																							
Studies and workshop	Pest Management Study	lumpsum	1	10.15	- 0%	10.1	15				1	0	0	0%		10.1	5						/ /	Project manager
	3. Technical Assistance, Studies and Workshops																							
. Studies and workshop	FPIC and IPPF study	lumpsum	1	10.15	- 0%	10.1	.15				1	0	0	0%		10.1	5						4 7	Project manager
																							4	
Equipment, Goods and Vehicles	4. PMO/PIT Staff Training	lumpsum		4.37	- 0%	4.3	37				0	0	0	0%		4.3								Procurement specialist
	Office Equipment O&M										-	-	-											
	4. PMO/PIT Staff Training																							
Technical assistance	Gender Awareness Trainers	pers-month	1	1.52	- 0%	1.3	52				1	0	0	0%		1.5								Targeting, Youth and Gender specialist
	Nationally recruited gender specialists to train both PMO/PIT and PFI staff																							5 5.
	4. PMO/PIT Staff Training																							
Training	PMO/PIT Staff Training PMO/PIT Staff Training Courses	lumpsum		10.30	- 0%	10.3	30				0	0	0	0%		10.3								Project manager
	To meet staff development needs as identified during project implementation	ampount		10.00	- 0.0	10.5					Ŭ		Ū	0,0		10.0								r toject manager
	Total of Sub-Component 3.3a	 		132.50		132.5	50	. 6	0.90	. 60.90		0			0 0	0 132.	0	+						
component 3.3b: Project Imp	plementation Teams (PIT): Regional					132.4				00.30		· · · · · · · · · · · · · · · · · · ·				- 1 132.							and the second s	· · · · · · · · · · · · · · · · · · ·
quipment, Goods and Vehicles	Vehicles 4x4	number	2	30.45	- 0%	30.4	45				2	0	0	0%		30.4	i i							Procurement specialist
	Office Equipment	1																		-				
quipment, Goods and Vehicles		set	2	12.23	- 0%	12.3	23				2	0	0	0%		12.2	1	1				.		Procurement specialist
	equipment, etc.																1	1				.		
	Total of Sub-Component 3.3b			42.68		- 42.6	68 -					-			0 0	0 42	68						+	
	Recurrent costs										•	·												
erational costs	The salary of the staff - Project start-up (recurrent costs)	pers-month	42	42.00	- 0%	42.0	00				42	0	0	0%		42.0)							
arational costs	The salary of the staff - Subcomponent 3.3a: Project Management Unit (PMU) - Tashkent	pers-month	198	218.50	- 0%						198	0	0	0%		218.5		1						
anavorial 00505	rine survey or one statil * outportent o.or. intoject management onit (PMO) * Tashkent	perormonal	100	210.00	- 0%	210.3	~~				100			0%		218.5	·	1						Project manager, M&E specialist, Procuren
	Social tax on staff salaries			05.44							0	-	-							1				
erational costs	25% of the salary fund	per-annum		65.14	- 0%	65.1	14				U	0	0	0%			1	65.14						
erational costs	Operation and maintenance	per-annum	3	24.46	- 0%	24.4	46				3	0	0	0%		24.4	i							Chief accountant
erational costs	Other operating costs - office rent	per-annum	1.5	16.31 107.34	- 0%	16.3 107.3	31				1.5 13.5	0	0	0%					16.31					Chief accountant
erational costs	Other operating costs	per-annum	13.5	107.34	- 0%	107.3	34				13.5	0	0	0%		107.3		1						Chief accountant
arational costs	The salary of the staff - Subcomponent 3.3b: Project Implementation Teams (PIT): Regional	pers-month	180	131.74	- 0%		74				180	0	0	0%		131.7	.]	1						Project manager, M&E specialist, Procuren
		para-monal	100	101.14	- 076	131.3						0	0	5.6		131.7	·							joor manager, mate specialist, Procuren
erational costs	"Social tax on staff salaries	per-annum		33.00	- 0%	33.0	00	1 1			0	0	0	0%				33.00						Project manager, M&E specialist, Procuren
	25% of the salary fund		e	20.38	- 0%						6					20.3		-						
erational costs	Operation and maintenance Other operation costs - office rent	per-annum	3	20.38	- 0%						3	0	0	0%	1 1	20.3	·	1	8.15					Chief accountant Chief accountant
erational costs erational costs	Other operating costs - office rent Other operating costs	per-annum per-annum	12		- 0%	8.1					12	0	0			20.6	j	1						Chief accountant
	Total of Recurrent costs			20.65 687.67	-	- 687.0								274	-	565.0	3	98.14	24.46					
			-	1 242.10		1 066.3	36 -	- 6	- 0.90	- 60.90						943.7		98,14	24.46	-				
	TOTAL OF THE PROJECT			12 611.60		- 12 435.			- 0.90	- 60.90		98 312.40			98 312.40	9 844.7	1 030.80	98.14					-	



Uzbekistan

Dairy Value Chains Development Project II

Project Design Report

Annex 7: Procurement Plan for first 18 months

 Mission Dates:
 01/05/2023 - 02/06/2023

 Document Date:
 22/08/2024

 Project No.
 2000004301

 Report No.
 6595-UZ

Near East, North Africa and Europe Division Programme Management Department

Procurement Plan SUMMARY												
Country:	Jzbekistan											
Project Name:	Dairy Value Chain	Dairy Value Chain Development Project Phase 2 (DVCDP II)										
Project ID:	2000004301	2000004301										
Version	1.0											
Version Date	17-Jul-23											
Prepared by:												
Approved by:												
Procurement Category	Plan Actual											
Currency	USD	LCU	USD	LCU								
Goods	3 239.01	-	-	-								
Works	348.64	-	-	-								
Consulting Services	2 491.71	-	-	-								
Non-Consulting Services	-	-	-	-								

Grants	-	-	-	-
TOTAL	6 079.36	-	-	-

		Prior Revie	ew Threshold	S	
Category	Goods and goods- related Non- Consulting Services	Works and works- related Non- Consulting Services	Consulting Services and related Non- Consulting Services and/or MoU/Agreements	Individual Consultants	Decisions concerning Abnormally Low Bids shall be subject to the No Objection of IFAD:
Threshold	>= US\$ 70,000	>= US\$ 150,000	>= US\$ 60,000	>= US\$ 50,000	Only for procurement activities subject to prior review OR For all procurement activities

All Direct Contracting and Single-Source Procurements are **Prior Review** (in alignment with IFAD Procurement Handbook), or based on the thresholds stipulated in the LTB

The exchange rate at time of submission will be used for reviews.

		Procure	ment Method	Thresholds		
	CQS	LCS/FBS	QBS/QCBS	Shortlisting	SSS - Firms	SSS - Individuals
Consulting Services and related Non- Consulting Services	<= US\$ 70,000	< US\$ 150,000	>= US\$ 150,000	>= US\$ 60,000	Only in exceptional cases where sufficient justification is provided	Only in exceptional cases where sufficient justification is provided
	Direct Contracting	Shopping	NCB	ICB	Other Procureme Arranger	

Consulting Services	cases where sufficient justification is provided	<= US\$ 100,000	< US\$ 100,000 > US\$ 200,000	>= US\$ 200,000	Force Account	Up to a maximum aggregate amount of: US\$ 0.00 (subject to prior review)
Consulting	cases where	<= US\$ 250,000	< US\$ 250,000 > US\$ 1,000,000	>= US\$ 1,000,000	Community Participation	Allowed OR Not Allowed

	Plan			Plan		Plan		
	Actual	al		Actual		Actual		
The 3 rows above a	re not part of the Plan and <u>must not be modified</u> . Copy these rows to create new pro	ocurement items o	r retrieve Plan Dates formulas if needed.					

Procurement Plan - Goods

Uzbekistan

Dairy Value Chain Development Project Phase 2 (DVCDP II)

IFAD-PP-Template-VersionJan2020

oject ID: 2000004301 pared by: proved by:	L						Total Amount	USD LCU 3 239.01 0.00	0.00 Plan 0.00 Actual																	C B IC C B	CB: National ompetitive idding CB: International ompetitive idding IB: Limited					
							Non- Consulting:	0.00	0.00 Plan 0.00 Actual																							
ion 1.0	17-Jul-23			Basic Dat									ualification				Bidding Pro			Bid Evalua				D	te	Contr	act Award & Signature				Date	
8/Compone Nº nt Ref	Description	Non ConsultingFundingLot №/DescriptionProject Area or Procuring Entity	Plan vs. Actual	Pre-or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD) Amour	nt (LCU) Plan vs. Actu	al Submission PreQual Do	of No Objection Dat	PreQual Invitation Date	n PreQual Closin Date	g Submission of PreQual Report	No Objection Date	Submission of BD	No-objection Date Bio	Invitation Date Bid Closing-Oper	ning Submission Tech Eval Rpt	No-objection Date Co	Submission ombined Eval Rpt*	No-objection Date	an vs. Actual	Issue of Con NOITA&Standstill Aw	ard Submission of Dr. Contract	No-Objection Date	Date Contract C Signature	ontract No. Vendor Nan	me/ID Amount (USD)	Amount (LCU)	Contract Completion	Remarks
		y production and access to services - Improving access to water, fodder production and grazing land																														
V 1.2.1	Matching grants for watertanks;	IFAD	Plan Actual	Post-Qual	Post Review	NS	1	50.40	- Actual	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Plan Actual	N/A		N/A			50.4	0 -		
V 1.2.3	Access to drought resistant fodder seeds	IFAD	Plan	Post-Qual	Post Review	NS	1	5.23	Plan - Actual	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Plan	N/A		N/A			5.2	3 -		
V 1.2.8	Grant for land access, seeds and machinery and tools /e	IFAD	Plan	Post-Qual	Prior Review	ІСВ	1	230.43	Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Plan						230.43	3 -		
	Component 1: Improving dairy	y production and access to services	Actual					-	- Actual														Actual									
N 142/5		g access to extension, health and imput services	Plan						Plan														Plan						-	-		
V 1.4.2 (C	c) Concessional Matching grants	IFAD	Actual					-	- Actual														Actual									
V 1.4.3 (f	f) Roll out	IFAD	Plan Actual					-	Plan - Actual														Plan Actual							-		
	Component 2. Increasing parti Sub-component 2.1. Establishi	icipation of small-scale farmers in the dairy value chain ing Milk Collection Centers																														
l 2.1.1.a.	1 Construction and Equipment of new MCCs - Category 1 MCC	IFAD	Plan Actual	Post-Qual	Prior Review	ІСВ	1	368.25	- Actual	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Plan Actual						368.25	5 -		
l 2.1.1.a.	.2 Construction and Equipment of new MCCs - Category 2 MCC	IFAD	Plan	Post-Qual	Prior Review	ІСВ	1	368.25	- Actual Plan - Actual	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Plan						368.25	5 -		
		IFAD	Plan	Post-Qual	Prior Review	NCB	1	187.01	Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Plan						187.01	1 -		
	Solar Panels for MCCs - Category 1	IFAD	Actual Plan	Post-Qual	Prior Review	ІСВ	1	324.93	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Actual Plan						324.93	3 -		
J 2.1.1.b.	Solar Panels for MCCs - Category 2	IFAD	Actual Plan	Post-Qual	Prior Review	ІСВ	1	- 324.93	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Actual Plan						324.93	3 -		
	Solar Panels for MCCs - Category 3		Actual Plan	Post-Qual	Prior Review	NCB	1	- 158.78	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Actual Plan						158.7	8 -		
	Organization and equipment of milk collectors/traders (youth)		Actual Plan	Post-Qual	Prior Review	ІСВ	1	- 290.47	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Actual Plan						290.4	7 -		
	Tricylcles for milk collectors/traders /d Organization and equipment of	IFAD	Actual Plan	Post-Qual	Post Review	NS	1	- 55.76	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Actual Plan	N/A		N/A			55.7	6 -		
	 milk collectors/traders (youth) Milk containers /e Organization and equipment of 	IFAD	Actual Plan	Post-Qual	Prior Review	NS	1	- 78.30	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Actual Plan	N/A					78.:	0 -		
l 2.1.2.0	c milk collectors/traders (youth) Milk testing kits /f Equipment of producer groups with	IFAD	Actual Plan	Post-Qual	Prior Review	NCB	1	- 143.36	- Actual Plan		N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Actual Plan						143.36	6 -		
l 2.1.3.a	a milk refrigerators - Small scale milk cooling /h	IFAD	Actual			NC	-	-	- Actual		N/A	N/A	N/A	N/A	N/A		N/A			N/A			Actual	N/A						4		
I 2.1.3.t	Equipment of producer groups with milk refrigerators - Milk containers /i	IFAD	Plan Actual	Post-Qual	Post Review	NS		-	- Actual	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A				Actual			N/A				4 -		
l 2.1.3.c	c Equipment of producer groups with milk refrigerators - Milk testing kits /j	IFAD	Plan Actual	Post-Qual	Post Review	NS	1	-	- Actual	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Plan Actual	N/A		N/A			33.86	6 -		
	Providing women involved in artisanal dairy processing with		Plan	Post-Qual	Prior Review	ІСВ	1	398.30	Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date			N/A	N/A			Plan						398.30	0 -		
l 2.1.4 (a	a) small-scale processing with packaging equipment - Small scale processing equipment /k	IFAD	Actual					-	- Actual														Actual									
2.1.4 (c	c) Providing women involved in artisanal dairy processing with small-scale processing and	IFAD	Plan	Post-Qual	Post Review	NS	1	22.24	Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Plan	N/A		N/A			22.24	4 -		
	packaging equipment Milk testing kits /m Component 3: Policy support a	and project coordination and management	Actual					-	- Actual														Actual									
I 1	Subcomponent 3.3a: Project N Vehicles 4x4	Management Unit (PMU) - Tashkent	Plan	Post-Qual	Post Review	NS	1	60.90	Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Plan	N/A		N/A			60.90	0 -		
I 2	Office Equipment /b	IFAD	Actual Plan	Post-Qual	Post Review	NS	1	- 26.22	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Actual Plan	N/A		N/A			26.2	2 -		
	PMO/PIT Staff Training	IFAD	Actual Plan	Post-Qual	Post Review	NS	1	- 4.37	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Actual Plan	N/A		N/A			4.3	7 -		
	Office Equipment O&M Subcomponent 3.3b: Project I	mplementation Teams (PIT): Regional	Actual					-	- Actual														Actual									
1	Vehicles 4x4	IFAD	Plan	Post-Qual	Post Review	NS	1	30.45	Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Plan	N/A		N/A			30.45	5 -		
	Office Equipment		Actual Plan	Post-Qual	Post Review	NS	1	- 12.23	- Actual Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A		N/A	N/A		N/A	Actual Plan	N/A		N/A			12	3 -		
I	For 2 office units including computers, printers, copy machines, furniture, minor office	IFAD	Actual					-	- Actual														Actual									
	equipment, etc. /h																															

Procurement Methods NS: National Shopping IS: International Shopping NCB: National Competitive

			Plan				Plan								Plan
			Actual		-	-	Actual								Actual
The 3 rows above a	The 3 rows above are not part of the Plan and <u>must not be modified</u> . Copy these rows to create new procurement items or retrieve Plan Dates formulas if needed.														

Procurement Plan - WORKS

Uzbekistan

Dairy Value Chain Development Project Phase 2 (DVCDP II)

Project ID: 2000	004301									USD	LCU		_														
Prepared by:									Total	348.64	0.0	0 Plan	_														
Approved by:									Amount	0.00	0.00	0 Actual	-														
									Non- Consulting:	0.00	0.00	0 Plan	_														
										0.00	0.00	0 Actual															_
Version 1	.0	17-Jul-23					Basic Data									ualification				Biddi	ng Process			Bid E	Evaluation		
AWPB/Compon ent Ref	N≌	Description	Non Consulting		Project Area or Procuring Entity	Plan vs. Actual	Pre-or Post Qualification	Prior or Post Review	Procurement Method Envelope	s Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of PreQua Docs	No Objection Date	PreQual Invitation Date	PreQual Closing Date	Submission of PreQual Report	No Objection Date	Submission of BD	No-objection Date	Bid Invitation Date	Bid Closing-Opening	Submission Tech Eval Rpt	No-objection Date	Submission Combined Eval Rpt*	No-objection Date	Plan vs. Actual
		Component 1. Improving sustainable Subcomponent 1.2. Activities - Impro	dairy production and access to s oving access to water, fodder pro	services duction and grazing land	1																						
v	1.2.2	Rehabilitation of communal water	IFAI	D		Plan						Plan															Plan
		points				Actual				-	-	Actual															Actual
v	1.2.4	Testing, piloting and upscaping of drought resitant fodder plants	IFAI	D		Plan						Plan															Plan
						Actual				-	-	Actual															Actual
v	1.2.5	Piloting hydroponic fodder plant cultivation	IFAI	D		Plan	Post-Qual	Post Review	NS 1	43.61		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A			N/A	N/A		N/A	Plan
						Actual	Dect Out	Doct Doutour	NS 1	- 89.00	-	Actual	NI / A	N1/A	NI / A	NI / A	NI / A	N1/A	Entor Data	NI / A			N/A	NI / A		NI / A	Actual
v	1.2.9	Regeneration of degradaded rangelands /f 5 per each region	IFAI	D		Plan Actual	Post-Qual	Post Review	נאו 1 	89.00		Plan Actual	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date	N/A			N/A	N/A		N/A	Plan Actual
		Subcomponent 1.3: Improving dairy p	production and farm managemen	nt:		Actual				-	-	Actual															Actual
		Grants for construction of				Plan	Post-Qual	Prior Review	NS 1	216.03		Plan	N/A	N/A	N/A	N/A	N/A	N/A	Enter Date				N/A	N/A			Plan
V	1.3.2	cowsheds/shelters and small equipment for cows in HH farms	IFAI	D		Actual				-	-	Actual															Actual
						Plan						Plan															Plan
						Actual				-	-	Actual															Actual
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						Plan						Plan															Plan
						Actual				-	-	Actual															Actual

rement items or retrieve F	Plan Dates formulas if needed.	



IFAD-PP-Template-VersionJan2020

						-	-		
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Procurement Methods NS: National

Shopping IS: International

Shopping NCB: National

Competitive Bidding

ICB: International Competitive Bidding

LIB: Limited (International) Bidding DC: Direct

Procurement Plan - WORKS

Uzbekistan

Dairy Value Chain Development Project Phase 2 (D)

Project ID: 2000004301

Prepared by:

Approved by:

Version	1.0	17-Jul-23					Contract Awar	d & Signature					
AWPB/Compon ent Ref	N≌	Description	Issue of NOITA&Standstill	Date Contract Award	Submission of Draft Contract	No-objection Date	Date Contract Signature	Contract No.	Vendor Name/ID	Amount (USD)	Amount (LCU)	Date Contract Completion	Remarks
		Component 1. Improving sustainable da Subcomponent 1.2. Activities - Improvir											
V	1.2.2	Rehabilitation of communal water points								-	-		
V	1.2.4	Testing, piloting and upscaping of drought resitant fodder plants								-	-		
		Piloting hydroponic fodder plant	N/A			N/A				43.61			
V	1.2.5	cultivation											
v	1.2.9	Regeneration of degradaded rangelands /f	N/A			N/A				89.00	-		
		5 per each region											
		Subcomponent 1.3: Improving dairy pro Grants for construction of	N/A							216.03			
V	1.3.2	cowsheds/shelters and small equipment for cows in HH farms											
										-	-		-
										-	-		
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Printed on: 31/07/2024

			Plan				Plan			Plan			
			Actual				Actual			Actual			
The 3 rows above	are not part of the Plan and <u>n</u>	nust not be modified. Copy these rows to	create new	procuremer	nt items or retrieve Plan Da	ates formulas if needed.							
Procurement Pla	an - Consulting										QCBS: Quality and Cost-Based Selection QBS: Quality-Based Selection		

Uzbekistan

Project	ID: 20000043	evelopment Project Phase 2 (DVCDP II) 01						USD LCU		1													FBS Fixed ICS: Individ method)	-Cost Selection Budget Selectio dual Consultants Source Selectio	n Selection (shor	tlist is required for this			
Prepared Approved						Tota Amo <i>Non-</i>	ount	2 491.71 0.00 0.00 0.00 0.00 0.00	Plan Actual Plan														Selection (ngle Sourcing es	stablished in the project			
						Const	ulting: ts:	0.00 0.00 0.00 0.00	Plan																				
Version		17-Jul-23			Basic Data			0.00 0.00	Actual			ortlist Procedure				sal Process	Proposal		Evaluat			Issue of Deter	Contract Negotiation			tract Award & Signature Date		Date	
AWPB/Com Ref	oonent Nº	Description* Grant Non Consulting Component 1. Improving sustainable dairy production and Subcomponent 1.1: Mobilizing farmers and households and	FundingProject Area or Procuring Entityaccess to servicesbuilding capacities	Plan vs. Actual	(Yes No)	Prior or Post Review Proc	urement Method	Amount (USD) Amount (LCU)	Plan vs. Actual	REOI	Dobjection REOI Laun Date Date				RFP/RCQ Date	RFP/RCQ Launch Date	submission deadline	TER	Date	CER Date	on Plan vs. Actual	INCLUDEDAGISTANOSI		Draft Contrac		Contract Contract No. Vendor Name/ID Signature	Amount Amount (USD) (LCU)	Contract Completion	Remarks
I	1.1.1-1.	2 Social mobilisers /b 1.1.1 Mapping/PRA/planning with communities for targeting participants 1.1.2 Operational Costs	IFAD	Plan Actual	Yes	Prior Review	ICS	278.16	Plan Actual			4 31-Mar-24			5-Apr-24 2-May-24					8-Jun-24 15-Jun-24	Actual		lun-24 5-Jul-24		17-Jul-24 17-Jul-24	21-Jul-24	278.16 -		
1		one SP per each region	IFAD	Plan Actual Plan	Yes	Prior Review Post Review	ICS	346.16 8.36	Plan Actual Plan	1-Mar-24 Enter Date	8-Mar-24 10-Mar-24	4 31-Mar-24	14-Apr-24	21-Apr-24 25	5-Apr-24 2-May-24	4-May-24	25-May-24	N/A N/A	N/A N/A	8-Jun-24 15-Jun-24	Actual	N/A 21	lun-24 5-Jul-24	10-Jul-24	N/A	21-Jul-24	346.16 - 8.36 -		
	1.2.4	Consultant on capacity development Subcomponent 1.2. Activities - Improving access to water, f grazing land	IFAD odder production and						Actual												Actual								
		Field visitis to the hydroponic pioneers Group formation and training of youth in	IFAD	Plan Actual Plan	Yes	Post Review Post Review	CQS CQS	28.04 15.53	Plan Actual Plan	1-Mar-24 Enter Date	N/A 3-Mar-24	24-Mar-24	7-Apr-24	N/A 11	1-Apr-24 N/A N/A	13-Apr-24	4-May-24	N/A N/A	N/A N/A	18-May-24 N/A	Actual	N/A 24-N N/A	1ay-24 7-Jun-24	12-Jun-24	N/A N/A	16-Jun-24	28.04 -		
	1.2.7	fodder growing Subcomponent 1.3: Improving dairy production and farm m	anagement	Actual					Actual												Actual								
) Development of dairy curriculum one SP per region	IFAD	Plan Actual Plan	Yes	Prior Review Prior Review	QBS QBS	253.75 209.09	Plan Actual Plan		3-Mar-24 10-Mar-24				5-Apr-24 2-May-24 5-Apr-24 2-May-24			2-Jul-24 2-Jul-24		N/A N/A N/A N/A	Actual	12-Jul-24 27- 12-Jul-24 27-			23-Aug-24 23-Aug-24		253.75 -		
		Master trainers training 5 mastertraining in 1 training Facilitators training - 150 facilitators, trained in groups of 10, 15 trainings in total. Average	IFAD	Actual Plan	Yes	Prior Review	FBS		Actual Plan			4 31-Mar-24				4-May-24		2-Jul-24		23-Jul-24 30-Jul-24	Actual	2-Aug-24 17-/			13-Sep-24		141.14 -		
111	1.3.1 (facilitators monthly salary 100 USD x 10 facilitators x 15 groups. Five mastertrainers doing 3 training groups daiy rate 400 USD x20 days x 3 groups x 5 mastertrainers = 120 000	IFAD	Actual					Actual												Plan								
	1.3.1 (Facilitation of farmer groups - Min. 140 facilitators who will train 150 and calcualte for 150, so some groups can be smaller, etc They facilitate 8 groups each for a 2 year	IFAD	Plan				-	Plan	1-Mar-24											Plan								
	1.3.1 (Monitoring training quality 	IFAD	Actual Plan					Actual Plan	1-Mar-24											Actual Plan								
		Subcomponent 1.4: Improving access to extension, health a	and input services;	Actual Plan					Actual												Actual								
) Extension voucher pilot for 4 years) Media extension	IFAD	Actual	Yes	Post Review	CQS	17.80	Plan Actual Plan	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Plan Actual Plan	N/A			N/A		17.80 -		
		 Policy review and feasibility study privatisation mapping and pathway for 	IFAD	Actual Plan	Yes	Post Review	CQS	50.75	Actual Plan	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A		N/A			N/A		50.75 -		
V	1.4.2 (implementation) Training of private (para)vets	IFAD	Actual Plan Actual					Actual Plan Actual												Actual Plan Actual								
I	1.4.2 () Monitoring of private (para)vets	IFAD	Plan Actual					Plan Actual												Plan Actual						-		
I	1.4.3 (Establishment and support of participatory local breeding groups and programmes pilot Kaskandarya Nation wide inventory of AI and breeding	IFAD	Plan Actual Plan	Yes	Post Review Post Review	CQS CQS	51.66 30.45	Plan Actual Plan	Enter Date Enter Date	N/A N/A			N/A N/A	N/A N/A			N/A N/A	N/A N/A	N/A N/A	Actual	N/A N/A			N/A N/A		30.45 -		
1	1.4.3 (recording set up; development of AI training	IFAD	Actual Plan	Yes	Post Review	CQS		Actual Plan	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Plan Actual	N/A			N/A		38.63 -		
IV	1.4.3 (Pilot Breed and breeding study activities / field visits Matching grant for AI for LFFS farmers 	IFAD	Actual					Actual												Plan Actual								
V	1.4.3 () 2 vouchers of MAX 10 usd (or more vouchers for less) total 20 USD per farmer/HH	IFAD	Actual Plan					Actual Plan												Actual								
) Training for future inseminators) Prevalence study on Brucellosis	IFAD IFAD	Actual Plan	Yes	Prior Review	FBS		Actual Plan	Enter Date											Plan Actual Plan						103.02 -		
11) Survey on feed safety	IFAD	Actual Plan Actual	Yes	Post Review	CQS	 51.36	Actual Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Actual Plan Actual	N/A			N/A		51.36 -		
11		Animal nutrition, feed safety and diet composition for dairy production, including concentrate requirements	IFAD	Plan Actual					Plan Actual												Plan								
IV	1.4.4 () Particpatrory local breeding group pilot on genetic and organizational needs	IFAD	Plan Actual					Plan Actual												Plan Actual								
IV	1.5.1	Subcomponent 1.5: Applied research, pilots and dissemination of the second disseminati	IFAD	Plan Actual	Yes	Post Review	CQS	51.66	Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Plan Actual	N/A			N/A		51.66 -		
11	1.5.2	Pilots	IFAD	Plan Actual	Yes	Prior Review	FBS		Plan Actual	Enter Date											Plan Actual						- 135.00		
IV	1.5.3	Dessimination Component 2. Increasing participation of small-scale farm chain	IFAD ers in the dairy value	Plan Actual	Yes	Post Review	CQS		Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Plan Actual	N/A			N/A		10.45 -		
	2.1.1.0	Subcomponent 2.1: Establishing Milk Collection Centers: Trainings and capacity building for the MCCs operators/managers /c	IFAD	Plan Actual	Yes	Prior Review	FBS	90.00	Plan Actual	1-Mar-24	3-Mar-24 10-Mar-24	4 31-Mar-24	14-Apr-24	21-Apr-24 25	5-Apr-24 2-May-24	4-May-24	18-Jun-24	2-Jul-24	9-Jul-24	23-Jul-24 30-Jul-24	Plan Actual	2-Aug-24 17-/	Aug-24 1-Sep-24	6-Sep-24	13-Sep-24	17-Sep-24	90.00 -		
I	2.1.2 () d. Trainings and capacity building for milk collectors/traders /g	IFAD	Plan Actual	Yes	Post Review	CQS		Plan Actual	1-Mar-24	N/A 3-Mar-24	24-Mar-24	7-Apr-24	N/A 11	1-Apr-24 N/A	13-Apr-24	4-May-24	N/A	N/A	18-May-24 N/A	Plan Actual	N/A 24-N	1ay-24 7-Jun-24	12-Jun-24	N/A	16-Jun-24	55.97 -		
1	2.1.4(capacity building for women dairy processors	IFAD	Plan Actual	Yes	Prior Review	CQS		Plan Actual	1-Mar-24	3-Mar-24 10-Mar-24	4 31-Mar-24	14-Apr-24	21-Apr-24 25	5-Apr-24 2-May-24	4-May-24	25-May-24	N/A	N/A	8-Jun-24 15-Jun-24	4 Plan Actual	N/A 21	lun-24 5-Jul-24	10-Jul-24	17-Jul-24	21-Jul-24			_
		Component 3. Policy support and Project coordination and Project Start-up	management	Plan	Yes	Post Review	CQS	10.15	Plan	1-Mar-24	N/A 3-Mar-24	24-Mar-24	7-Apr-24	N/A 11	1-Apr-24 N/A	13-Apr-24	4-May-24	N/A	N/A	18-May-24 N/A	Plan	N/A 24-N	1ay-24 7-Jun-24	12-Jun-24	N/A	16-Jun-24	10.15 -		
IV		PIM preparation Start-up Workshop	IFAD	Actual Plan	Yes	Post Review	CQS	7.31	Actual Plan	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	- Tidit	N/A			N/A		7.31 -		
11		Upgrading of accounting software	IFAD	Actual Plan Actual	Yes	Post Review	CQS	 20.30 	Actual Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Actual Plan Actual	N/A			N/A		20.30 -		
		Subcomponent 3.1: Policy support; Dairy platform - Organizing meetings,	IFAD	Plan	Yes	Prior Review	FBS	114.09	Plan	1-Mar-24	3-Mar-24 10-Mar-24	4 31-Mar-24	14-Apr-24	21-Apr-24 25	5-Apr-24 2-May-24	4-May-24	18-Jun-24	2-Jul-24	9-Jul-24	23-Jul-24 30-Jul-24	l Plan	2-Aug-24 17-/	Aug-24 1-Sep-24	6-Sep-24	13-Sep-24	17-Sep-24	114.09 -		
IV		Dairy platform - Participation in working groups on land reform	IFAD IFAD	Actual Plan	Yes	Post Review	CQS	51.66	Actual Plan Actual	1-Mar-24	N/A 3-Mar-24	24-Mar-24	7-Apr-24	N/A 11	1-Apr-24 N/A	13-Apr-24	4-May-24	N/A	N/A	18-May-24 N/A	Actual Plan	N/A 24-N	1ay-24 7-Jun-24	12-Jun-24	N/A	16-Jun-24	51.66 -		
		Subcomponent 3.2. monitoring and evaluation and Knowle	edge management	Actual					Actual												Actual								
11		Baseline Survey /b	IFAD	Plan Actual Plan	Yes	Prior Review	FBS		Plan Actual Plan	Enter Date											Plan Actual Plan								
		Mid-term Review Final Impact Survey	IFAD IFAD	Actual Plan					Actual Plan												Plan Actual Plan								
IV		Financial demand study	IFAD	Actual Plan Actual	Yes	Post Review	CQS	 30.45 	Actual Plan Actual	1-Mar-24	N/A 3-Mar-24	24-Mar-24	7-Apr-24	N/A 11	1-Apr-24 N/A	13-Apr-24	4-May-24	N/A	N/A	18-May-24 N/A	Actual Plan Actual	N/A 24-N	1ay-24 7-Jun-24	12-Jun-24	N/A	16-Jun-24	30.45 -		
IV		Exchange visits for M&E specialists	IFAD	Plan Actual	Yes	Post Review	CQS	1.32	Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Plan Actual	N/A			N/A		1.32 -		
		MNE/KM staff training course	IFAD	Plan Actual Plan	Yes	Post Review Post Review	CQS CQS	30.45 9.15	Actual	Enter Date Enter Date	N/A N/A			N/A N/A	N/A N/A			N/A N/A	N/A N/A	N/A N/A	Actual	N/A N/A			N/A N/A		30.45 - 9.15 -		
11		M&E software Knowledge Management Product preparation/communication activities	IFAD	Actual Plan	Yes	Post Review	CQS		Actual Plan		N/A			N/A	N/A			N/A	N/A	N/A	Actual	N/A			N/A		12.36 -		
11		preparation/communication activities DVCDP-II Website/Social Media /f Development, maintenance and updating of a DVCDP website by a private service provider	IFAD	Actual Plan Actual	Yes	Post Review	CQS	 7.66 	Actual Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Actual Plan Actual	N/A			N/A		7.66 -		
11	5	provider provider DVCDP- II telecommunications /g multimedia presentations to dairy value chain stakeholders and the broader community concerning DVCDP activities	IFAD	Plan Actual	Yes	Post Review	CQS	20.60	Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A		N/A			N/A		20.60 -		
		Subcomponent 3.2a: Project Management Unit (PMU) - Task Technical Assistance, Studies and Workshops	hkent;	Plan	Yes	Post Review	CQS	2.09	Plan	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Plan	N/A			N/A		2.09 -		
IV	3	- Annual Review and Planning Workshop Technical Assistance, Studies and Workshops - Ad hoc Studies and Assistance /c	IFAD IFAD	Actual Plan Actual	Yes	Post Review	CQS	6.80	Actual Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	- Tiditi	N/A			N/A		6.80 -		
IV	3	Technical Assistance, Studies and Workshops - Pest Management Study	IFAD	Actual Plan Actual	Yes	Post Review	CQS		Actual Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Actual Plan Actual	N/A			N/A		10.15 -		
IV	3	Technical Assistance, Studies and Workshops - FPIC and IPPF study Technical Assistance, Studies and Workshops	IFAD	Plan Actual Plan	Yes	Post Review	CQS		Plan Actual Plan	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Actual				N/A		10.15		
I	4	 Gender Awareness Trainers /d Nationally recruited gender specialists to train both PMO/PIT and PFI staff Technical Assistance, Studies and Workshops 	IFAD	Plan Actual	Yes	Post Review		1.52	Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Plan Actual	N/A			N/A		1.52 -		
111	4	- PMO/PIT Staff Training Courses /e To meet staff development needs as identified during project implementation	IFAD	Plan Actual	Yes	Post Review	CQS	10.30 	Plan Actual	Enter Date	N/A			N/A	N/A			N/A	N/A	N/A	Plan Actual	N/A			N/A		10.30 -		

CQS: Selection by Consultants' Qualifications (shortlist is required for this method) LCS: Least-Cost Selection FBS Fixed Budget Selection ICS: Individual Consultants Selection (shortlist is required for this method)

Printed on: 31/07/2024



Uzbekistan

Dairy Value Chains Development Project II

Project Design Report

Annex 8: Project Implementation Manual (PIM)

 Mission Dates:
 01/05/2023 - 02/06/2023

 Document Date:
 22/08/2024

 Project No.
 2000004301

 Report No.
 6595-UZ

Near East, North Africa and Europe Division Programme Management Department

Annex 8: Project Implementation Manual (PIM)

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Abbreviations and acronyms

ADB	Asian Development Bank
ADMP	Agricultural Diversification and Modernization Project
AFD	Agence Française du Développement
AI	Artificial Insemination
AKIS	Agricultural Knowledge and Innovation System
AWPB	Annual Work Plan and Budget
BRAM	IFAD's Borrowed Resources Access Mechanism
CAHW	Community Animal Health Worker
CARIS	Samarkand Center for Agricultural Reform and Innovation Studies
CMT	Contract Monitoring Tool
COI	Core Outcome Indicator
COSOP	Country Strategic Opportunities Programmes
CQS	Consultants Qualification Selection Method
CR	Contract Register
CSPE	Country Strategy and Programme Evaluation
CVLD DA	Committee of Veterinary and Livestock Development Designated Account
DC	Direct Contracting
DFs	Development Financiers
DSA	Daily Subsistence Allowance
DVCDP	Dairy Value Chains Development Project
EDC	Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development- SFSED)
ESMS	Environmental and Social Management System
EU	European Union
FA	Financing Agreement
FAO	Food and Agriculture Organization
FBS	Fixed Budget Based Selection
FIFO	First in First out
FM	Financial Management
FMD	IFAD's Financial Management Division
FMFCL	Financial Management and Financial Control Arrangements Letter
FPIC	Free, Prior and Informed Consent (FPIC)
FS	Feasibility Study
FSS	Food and Safety Standards
GALS	Gender Action Learning System
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GIS	Geographical Information System
GLEAM	Global Livestock Environment Assessment Model
GoU	Government of Uzbekistan
GRM	Grievance Redress Mechanism

нн	Household
HQ	Headquarters
ICB	International Open Bidding
ICP	IFAD Client Portal
ICS	Individual Consultant Selection
IFAD	International Fund for Agricultural Development
IFIs	International Financial Institutions
IFR	Interim Financial Report
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IOE	Independent Office of Evaluation of IFAD
IPCC	Intergovernmental Panel on Climate Change
IPPF	Indigenous Peoples Planning Framework
ISA	International Standards on Accounting
ISCAD	International Strategic Centre for Agri-Food Development
КМ	Knowledge Management
L-FFS	Livestock Farmer Field Schools
MCA	Mahalla Citizen's Assembly
MCC	Milk Collection Centre
M&E	Monitoring and Evaluation
MIIT	Ministry of Investment, Industry and Trade
MIS	Monitoring Information System
MIYCN	Maternal, Infant and Young Child Nutrition
MoA	Ministry of Agriculture
MoEF	Ministry of Economy and Finance
MoU	Memorandum of Understanding
MSc	Master of Science
MTR	Mid-Term Review
NCB	National Open Bidding
NCD	Non-Communicable Disease
NGO	Non-Governmental Organization
NSO	Non-Sovereign Operation
OHS	Occupational Safety and Health
PBS	IFAD's Performance-Based Allocation System
PCR	Project Completion Review
PDO	Project Development Objective
PDT	Procurement Document Template
PFIs	Participating Financial Institutions
PIM	Project Implementation Manual
PMU	Project Management Unit
PP IDD	Procurement Plan
PPL	Public Procurement Law
PRA	Participatory Rural Appraisal

PSC	Project Steering Committee
QBS	Qualifications Based Selection
QCBS	Quality Cost Based Selection
RFF	Regional Field Facilitator
RFP	Request For Proposal
RGF	DVCDP II Rural Guarantee Fund
RIA	Results and Impact Assessment
SAU	State Agrarian University
SDGs	Sustainable Development Goals
SECAP	Social Environmental and Climate Assessment Procedures
SEP	Stakeholder Engagement Plan
SHF	Smallholder Farmer
SLA	Subsidiary Loan Agreement
SO	Strategic Objective
SOM	Uzbek national currency (also UZS)
SPD	Standard Procurement Documents
SSS	Single Source Selection
ТА	Technical Assistance
ТоС	Theory of Change
ToR	Terms of Reference
ТоТ	Training of Trainers
UN	United Nations
USD	United-States Dollar
UZS	Uzbek Soum
VC	Value Chain
WA	Withdrawal Application
WB	World Bank
WCU	Women's Committee of Uzbekistan

Currency equivalents

Currency Unit	= UZS
US\$1.0	= UZS 11,486 (30 June 2023)

Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Definitions

- **Agreed action:** A recommendation formulated by a supervision mission and agreed on with the PMU and the government. A list of agreed actions, with deadlines and responsibilities, is included in every supervision report.
- **AWPB.** The Annual Work Plan and Budget is the outcome of the annual project planning process. Through annual work planning, the project management team defines: what activities will be carried out over the next 12 months; by whom; the resources to be applied; and the time needed to complete them. The AWPB is therefore a planning and management tool that specifies what is expected to be done during the year, how, and at what cost. The key objective of a results-based AWPB is to ensure that all expenditures and resources allocated will support effective and efficient achievement of the project expected development results.
- **Core Indicators:** The core indicators are IFAD's standard indicators, which are integrated into project logframes and can be aggregated across projects and countries for corporate reporting. The CI framework includes outreach, output and outcome indicators. A subset of IFAD CIs is included in the IFAD corporate Results Management Framework.
- **COI:** The core outcome indicators are core indicators at the outcome level. They are measured through the COI surveys at baseline, mid-line (before the midterm review) and end-line (at project completion).
- **Completion:** The date by which all project activities are expected to have been carried out and implementation should cease. From project completion until project closure, which occurs 6 months after completion, the only activities are those related to the completion process and preparation for financial closure.
- **Completion process:** The process undertaken to report on the activities implemented, describe the results achieved, promote accountability, elicit lessons learned and develop an appropriate hand-over strategy. Implementation of the completion process and preparation of the project completion report (PCR) are responsibilities of the Borrower.
- **Dairy farming** is a sub-sector of agriculture dealing with breeding and livestock management for milk production.
- **Dairy sub-sector** is a set of agricultural enterprises engaged in milk production and its processing (production of wide range of dairy products).
- **Dekhkans farming** is a small-scale family farming, who produce and sale agricultural products on the basis of personal labour of family members at small holdings provided to family head for lifetime inheritable possession (Article I of the Law of Republic of Uzbekistan on Dekhkans farms № 604-1 dd. April 30, 1998).
- **Farmer** is an independent economic entity with the rights of legal entity, based on joint activities of farming members, dealing with commercial agriculture production with the use of lands granted to him in long-term lease (Article 3 of the Law of Republic of Uzbekistan on the Farming (new edition) № 602-1 dd. April 30, 1998).
- **Feed manufacturer** is farming, agro-industrial enterprise engaged in growing of fodder and its sale to dekhkans farms and farm enterprises.

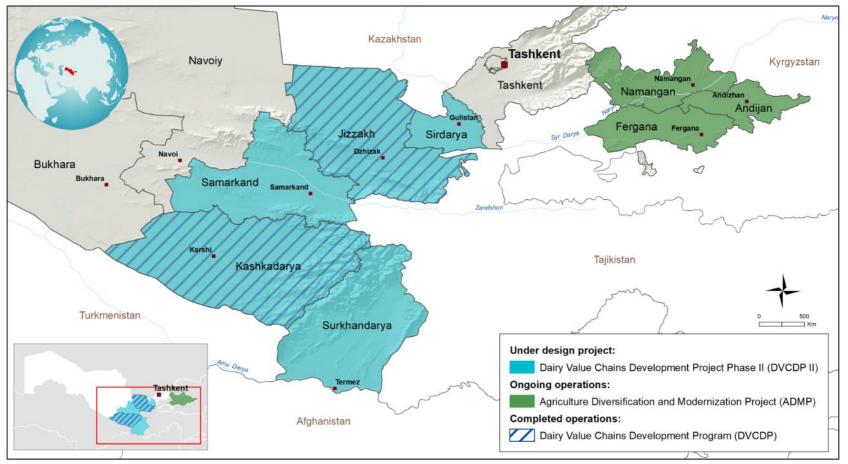
- **GIS:** A geographic information system is a computerized mapping and analysis system that stores and presents spatial data. It connects data to a map, integrating location data (where things are) with descriptive information (what things are like there)
- **Hakimiat** refers to a local government/state administration. *Hakimiats* operate at region and district levels. Inclusive means providing equitable opportunities to all participants, including the poor and the vulnerable.
- **Indicators:** Indicators are quantitative or qualitative factors or variables that provide a simple and reliable means of measuring achievement or reflecting the changes related to a project. 10 Indicators provide the basis for monitoring progress in output delivery and outcome achievement.
- **Impact:** The changes that have occurred as perceived at the time of a project's evaluation in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of IFAD interventions. This definition also includes an assessment of the anticipated effects of IFAD-supported interventions, as appropriate.
- **KM officer:** The knowledge management officer is responsible for the processes, tools and behaviours that connect and motivate people to generate, use and share good practices, learning and expertise to improve IFAD's efficiency, credibility and development effectiveness. The M&E officer and KM Officer work closely together and complement one another.
- Lead Project Agency is the State Committee of Veterinary and Livestock Development
- **Logframe:** A logical framework (logframe) is a project design and management tool that summarizes in a table what the project is expected to achieve (goal and development objective) and how it intends to achieve it (outputs and outcomes). It is closely linked to and derives from the project's ToC. The logframe facilitates systematic assessment of the project intervention model, using the logic of "cause" and "effect". It defines the indicators that will be used to monitor progress and overall achievement, how these indicators will be monitored and where the data can be found. Moreover, it reflects the assumptions behind the logic of how activities will eventually contribute to meeting the goal, plus the associated risks to the project should the assumptions turn out to be incorrect.
- **Mahalla** means a traditional forum of self-governance at the neighbourhood community level. Traditionally, it was governed by a council of elders. Mahalla in its current usage is understood as a social unit/community with mechanisms of self-governance.
- Mainstreaming themes: Four cross-cutting issues prioritized by IFAD are nutrition, gender, youth and climate. Projects are classified as nutrition-sensitive, gendersensitive/transformative, youth-sensitive and climate-focused, based on a number of criteria related to the project's activities and objectives, sources of financing, target group and logframe indicators.
- Monitoring: A continuing function/ process of systematic collecting/ analysing of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention (project, programme, policy) with indications of the extent of progress and achievement of objectives/ expected results, and progress towards the use and application of allocated funds.
- **M&E function:** What is expected of M&E, which is to provide complete, accurate and upto-date information on progress and results to project management, government and IFAD, for both accountability purposes and to facilitate evidence-based decision-making.

- **M&E officer:** The PMU staff member responsible for monitoring and evaluation. He/she is senior PMU staff and reports to the project director/project director.
- **M&E plan:** A manual containing the operational details for all elements of the M&E system. It describes how M&E will work throughout the project period. Prepared by the M&E officer, it can be a separate document or part of the final PIM.
- **M&E system:** All the tools, processes, and resources used for the M&E function.
- **MIS:** The management information system is part of a project's M&E system. In the context of M&E in a project, it refers to a computerized system (spreadsheet or database) to store planning, monitoring and evaluation data.
- **MTR:** Generally scheduled halfway through implementation, the midterm review follows the same principles and processes as a regular supervision mission but also conducts an in-depth evaluation of implementation issues and project adjustment options.
- **Multipliers**: Logframe indicators in ORMS are disaggregated through multipliers (e.g. men/women/youth/number of households, etc.)
- **Outcomes:** Outcomes are the short- and medium-term effects of a project's outputs. 8 They measure the changes that occur in the individuals, groups, households, organizations, systems or communities participating in the project.
- **Outputs:** Outputs can be described as the products, goods and services delivered by a project. They are the results that the project is expected to deliver within its resources and the timeframe stipulated.
- **Participating financial institutions (PFI)** are financial and credit institutions by which the loans shall be provided to project beneficiaries.
- **Private veterinarian** is an entrepreneur licensed for activity on provision of veterinary services to businesses and individuals.
- **Project areas** are Kashkadarya, Jizzakh, Syrdarya, Samarkand and Surkandharya regions of Uzbekistan.
- **Project beneficiaries** are individuals (farmers) and legal entities engaged in the production, gathering, transportation, processing, sales of milk and milk products, as well as fodder growing and provision of veterinary services.
- **Project Funder** is International Fund for Agricultural Development (IFAD) is an UN specialized agency. IFAD works with governments through low-interest loans and grants for the development and financing of programs and projects that enable rural population to improve their own standard of living.
- **Project management:** Means the party designated as such in the financing agreement by the Borrower/ Recipient and responsible for implementing and managing the project. It refers equally to the lead project/ programme agency and project coordination units and project implementation units.
- **Public-Private-Producer Partnerships (4Ps):** 4Ps involve cooperation between a government, business agents and small-scale producers, who agree to work together to reach a common goal or carry out a specific task while jointly assuming risks and responsibilities, and sharing benefits, resources and competencies. From the perspective of IFAD and governments, 4Ps create opportunities to scale up development results. Taking a 4P approach within an IFAD-funded project can help to leverage private

investment, strengthen policy dialogue, secure technology and know-how, and utilize other actors' social and political capital to scale up positive results in a sustainable manner. Combining public goods, financial instruments and contractual arrangements with small farmers and agribusinesses through 4Ps can attract additional resources and support from banks, equity investors, input suppliers, equipment-leasing firms and other value chain suppliers. In addition, 4Ps can harness greater domestic public investment, creating a virtuous circle that facilitates the market and financial integration of smallholders and rural small and medium-sized enterprises (IFAD How to Do note "How to do public-private-producer partnerships (4Ps) in agricultural value chains" March 2016).

- Results chain: The causal sequence for a development intervention that stipulates the
 necessary sequence to achieve desired results beginning with inputs, moving through
 activities and outputs, and culminating in individual outcomes and those that influence
 outcomes for the community, goal/ impacts and feedback. At Implementation level,
 Inputs correspond to financial, human, and material resources; and Activities, to tasks
 and actions undertaken to transform inputs to outputs. At Results level, Outputs
 correspond to products and services produced; Outcomes, to intermediate effects on
 clients; and Impact, to long-term improvement in society.
- **Stakeholders:** Are generally speaking those who may be interested in, potentially affected by, or influence the implementation of a public-private-producer partnership (4Ps). In the context of development co-operation, stakeholders may include: (a) internal staff (environment and non-environment) in donor agency and other departments in the donor country; (b) the partner country government; (c) direct beneficiaries in target value chains (e.g. smallholder farmers/ producers, processors, aggregators); (d) other value chain actors (e.g. financial institutions FIs, traders/ off-takers, service providers, farmers organisations); (e) other donor agencies; (f) Non-Governmental Organisations (NGOs); and (g) civil society.
- **Stakeholder feedback:** The opinions and suggestions provided by the project's stakeholders, especially the target group. The M&E system is expected to regularly collect such feedback, which should be used to increase the project's responsiveness to the needs and preferences of the target group.
- **Sustainability:** The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
- **Theory of Change (ToC):** ToCs illustrate the causal pathways that project inputs and activities are expected to activate and the related outputs for achieving the intended results and impacts. A ToC describes the sequence of events expected to lead to a project's results and goals. It also determines the underlying assumptions for achieving the expected changes and considers unexpected results and factors that may influence the project.
- Youth sensitive project: A "youth-sensitive" project is one that generates long-term youth employment and/or entrepreneurship opportunities by addressing context-specific challenges and potential of rural youth.

Map of the Project Area



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The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD Map compiled by IFAD | 10-08-2023

1 INTRODUCTION

1.1 Background

The Government of Uzbekistan has identified livestock and dairy as a major drive for economic transformation in rural areas, contributing to a pro-poor economic growth, the integration of women and youth into the labour market, and improved nutrition. The majority of dairy cows in the country (94%) belongs to dekhan farmers, which produce 90% of the milk. They have the potential to meet the growing demand of milk, yet they have challenges in accessing inputs, affordable financing and markets, and they remain disproportionally affected by poverty, food insecurity, and climate change impacts. Linking this category of producers to markets (only 10% of their milk currently enters into the formal value chain), ensuring their access to services and efficient use of natural resources (land and water), is therefore of paramount importance to achieve an inclusive and sustainable development of the value chain and reach food security.

The first phase of DVCDP managed to drive positive change in the dairy sector through improved access to finance and reinforced linkages between producers, processors and other stakeholders in the value chain. However, the limited budget allocated to building the business ecosystem and reinforcing capacities of producers (Component 1) led to mixed results in terms of improved productivity, and access to finance for dekhan farmers, women and youth¹.

Challenges remain and limit the viability and sustainability of the value chain. These include, at the **production level**: (i) sub-optimal milk productivity levels of cows due to limited access to quality feed and fodder, water, and adequate production assets and services; (ii) low capacity of producers, (iii) poor market information and infrastructure; (iv) poor access to finance, among others. At the **processing and market level**: milk processors are still operating only 50% of their capacity, due to a shortage of quality milk on the market and collecting capacities. They source their milk mostly from large suppliers (e.g. private farms, bulk milk collectors, etc.) and are more reluctant to deal with smallholder producers directly due to high risks related to stable supply and quality. In addition, the value chain approach remains relatively new in Uzbekistan, and there is a lack of vision of the stakeholders of being part of the value chain, building a network of milk suppliers and entering into formal agreements to ensure long-term cooperation.

DVCDP II will address these challenges while **focusing on poor HH and dekhan farmers**. The project will scale up the result achieved in DVCDP and build on the lessons learned to further organize and boost the dairy sector in Uzbekistan and enhance smallholder producer participation. The recent evaluation of DVCDP², and the quantitative impact assessment conducted by RIA³ provided important lessons for the design of DVCDP II, that are summarized in the description of each project component below. The project also builds on lessons learned from the Country Strategy and Programme Evaluation carried out in 2021 in preparation of the new COSOP 2023–2027⁴, and from shared experience with other donor-funded projects

¹ DVCDP Project completion report, June 2023

² Ibid.

³ DVCDP Project Impact Assessment, June 2023.

⁴ Country strategy and programme evaluation (CSPE) 2009-2020, Independent Office of Evaluation (IOE)

in the livestock sector in Uzbekistan (e.g., ADB, AFD and WB funded projects). It also integrates best practices from livestock and dairy projects funded by IFAD in other countries.

1.2 Project overview

1.2.1 Project description

The **project goal** is to "*Reduce poverty level among small scale dairy producers and mitigate the impacts of climate change in the subsector*".

The **Project Development Objective (PDO)** is "to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain and promote food security" by enhancing their market participation and increasing productivity.

This PDO will be achieved through two main outcomes:

- **Outcome 1**: Sustainable climate-smart dairy production through improved fodder and feed production, animal husbandry, water access and land use;
- **Outcome 2**: Increased competitiveness of the dairy value chain through enhanced business linkages, service provision, and financial innovations.

The project is structured in three inter-related components that will jointly contribute to achieve the above outcomes:

(1) Component 1 - "Improving and increasing sustainable climate smart dairy production and access to required services".

This component is focusing on production, with the objectives to increase milk volumes and quality, secure water and fodder and increase adoptions of dairy and climate smart methodologies and technologies at small producer level, and enhance smallholder household social and economic empowerment and (newly) developed farmer interest group organisations in support of increased dairy production and productivity, value chain strengthening, climate change mitigation and adaptation. The component also aims at increasing and improving access to suitable dairy production services, knowledge and inputs for smallholders and strengthening institutional capacity for smallholder dairy development, including animal extension and animal health services, applied research and strategic pilot investments.

These objectives will be reached through the following activities:

- <u>Activity 1.1</u> Mobilization and capacity building of farmers and households
- <u>Activity 1.2</u> Improving access to water, fodder production and grazing land
- <u>Activity 1.3</u> Improving dairy production and farm management
- <u>Activity 1.4</u> Improving access to extension, health services
- <u>Activity 1.5</u> Applied research, pilots and dissemination

(2) Component 2 – "Increasing participation of small-scale farmers in the dairy value chain".

The expected outcomes of Component 2 are to increase the participation of smallholder farmers in the dairy value chain with increased incomes, and enhance the competitiveness of the value chain.

These outcomes will be reached through the two following activities:

<u>Sub-component 2.1</u> – Establishing Milk Collection Centres (MCCs)

- <u>Activity 2.1</u> Construction and equipment of new Milk Collection Centres
- <u>Activity 2.2</u> Organization and equipment of milk collectors/traders
- <u>Activity 2.3</u> Equipment of producer groups with milk refrigerators
- <u>Activity 2.4</u> Providing women involved in artisanal dairy processing with small-scale processing and packaging equipment

Sub-component 2.2 - Facilitating access to credit for stakeholders in the dairy VC

- <u>Activity 2.5</u> Extending lines of credit to banks and developing tailored financial products for the dairy sector
- <u>Activity 2.6</u> Guarantee mechanism
- <u>Activity 2.7</u> Capacity building of PFIs

(3) Component 3 – "Policy support and Project management".

The third component of the project covers policy support and technical arrangements related to the project management and coordination:

- <u>Sub-component 3.1</u> Policy support
- <u>Sub-component 3.2</u> Project management

A detailed description of each sub-component and activities, including expected beneficiaries and targets, implementing modalities and partners, and detailed phasing of activities, is available in Section 3. The project Theory of Change (ToC) is also available in Annex 3.

DVCDP II will include five regions, namely **Sirdarya**, **Jizzakh**, **Samarkand**, **Kashkadarya and Surkhandarya**, and the duration of the project will be **7 years**. It is anticipated that the project will reach approximately **31,000 households** living in the five selected regions, and include 40% women, and 30% youth beneficiaries.

The total cost of the project is estimated at USD 47.432 million (see Section 9). It will be financed with an IFAD Loan of USD 37.8 million (79.7%), including USD 30.0 million from IFAD12 Performance-based Allocation System (PBAS) and USD 7.8 million from IFAD's Borrowed Resource Access Mechanism (BRAM). The Government in-kind contributions to the project is expected to be USD 3.687 million (7.7%) and the beneficiaries will contribute to the project with USD 5.077 million (10.7%) in cash and with USD 0.867 million in kind.

1.2.2 Alignment with National strategies and IFAD strategies

The project is aligned with national priorities and policy framework related to poverty reduction, economic growth, and agriculture and livestock sectors, including:

- The Development Strategy of New Uzbekistan for 2022 2026 which aims at reducing poverty by half by 2026, including measures to further support the social protection of vulnerable groups, in particular women and youth, and to double farmers' incomes and increase dairy production by 1.5-2 times⁵;
- the Agriculture Development Strategy for 2020-2030, which emphasizes on addressing challenges faced by smallholder dekhan farmers;

⁵ Goals 30 and 32, Development Strategy of the New Uzbekistan

- the Livestock Sub Sector Development Strategy for 2021-2030, which places feed supply, breeding, cattle housing and value chain integration as priorities for the development of the sector⁶;
- national policies for **Gender, Youth, and social inclusion**, and
- Uzbekistan's Nationally Determined Contribution (NDC) which aims to reduce emissions by 35% as a factor of GDP by 2030, through emission reductions, energy efficiency, along with enhanced climate resilience in agriculture, sustainable water and land use (Uz-NDC, 2021).

The project serves for achieving the **UN Sustainable Development Goals (SDGs)** n°1 (*No Poverty*), 2 (*Zero Hunger*), 5 (*Gender Equality*), 8 (*Decent work and economic growth*), 13 (*Climate action*) and 15 (*Life on Land*).

The project is also aligned with **IFAD's overarching goal** to support rural people overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods. It is aligned with **IFAD policies and priorities.** It will directly contribute to the **COSOP 2023 -2027** *Strategic Objective n*° *1 (SO1)* - *Increased resilience and productivity of small-scale producers* - through sustainable interventions on natural resources essential for dairy production, especially land and water, as well as *Strategic Objective n*° *2 (SO2)* - *Improved access for small-scale producers to viable food systems and agricultural markets* - through greater competitiveness, innovation, enhanced business linkages in the dairy value chain, and sustainable access to financial services.

Furthermore, the project follows the **guiding principles** set out in the new *IFAD Inclusive Rural Finance Policy*⁷ as well as the *Operational Guidelines on IFAD's Engagement in Pro-Poor Value Chain Development*. The project is also aligned with *IFAD Policy on Gender Equality and Women's empowerment*, the *Revised Operational Guidelines on Targeting*, the *Rural Youth Action Plan*, and the *IFAD Strategy and Action Plan on Environment and Climate Change*.

1.3 Purpose of the Project Implementation Manual

This Project Implementation Manual (PIM) has been developed to determine main principles and implementation arrangements of the Dairy Value Chain Development Project Phase 2 (DVCDP II), including roles, functions, mutual relations and responsibilities of different agencies involved in the Project implementation. The PIM will be finalized in the start-up phase of the project and is to be used by the PMU for the implementation of the DVCDP II. All Annexes to the PIM form an integral part of the Project Implementation procedures and should be considered and applied during Project implementation.

The PIM shall be approved by the Government of the Republic of Uzbekistan (CVLD) and agreed with IFAD. In the course of Project implementation, amendments and additions may be made in the PIM based on the needs in efficient Project implementation. All amendments and additional made in PIM shall be agreed with the Government (CVLD) and with IFAD. Proposals on amendments to the PIM may be proposed by the PMU. They shall be submitted to the Government of the Republic of Uzbekistan (CVLD) and IFAD and, after approval by the Government and receipt of IFAD's no objection, such amendments will become effective.

⁶ Chapter 2. Main priorities of the Livestock strategy 2021-2030

⁷ in particular Guiding Principle n°1- People Centric Inclusive Rural Finance with the implementation of a differentiated approach aligned with the specific needs of each target group, and Guiding Principle n°2 - Impact-driven, catalytic market-building instruments with the introduction of innovative financing instruments such as value chain financing and blended finance mechanisms".

2 PROJECT TARGET GROUPS AND TARGETING STRATEGY

2.1 Lessons learned on targeting

According to the Country Strategy and Programme Evaluation carried out in 2021 in preparation of the new COSOP 2023–2027⁸, IFAD was the first international financial institution to champion direct support to the most vulnerable group, the dekhan farmers. The evaluation found that the pro-poor focus of value-chain development interventions was relevant and innovative, considering that donors' support for agriculture and agribusiness development in the country is typically targeted at larger producers and private farms. With regard to geographic targeting, this has been fairly successful, being based on poverty levels and potential for the sector. Moreover, IFAD-supported projects in Uzbekistan have increasingly strived to reach and empower women and later the youth. Both groups face enormous challenges in accessing resources, services and decision-making and are overrepresented among the rural unemployed population. Yet, despite these critical innovations, several challenges remain to be addressed. If unaddressed, these persisting targeting challenges can jeopardise the effectiveness of IFAD's pro-poor targeting approach in the country.

The most notable problems in the area of pro-poor targeting relate to the initially poor alignment with IFAD's corporate priorities, the overall weak strategic orientation of the COSOP, the absence of poverty-data and of an effective monitoring system, and the disconnect between IFAD design documents and the feasibility studies prepared by the Government. As a result, although the social innovations introduced by IFAD are assessed as positive and relevant, target group disaggregation shows that dekhan farmers and women are underrepresented as beneficiaries of key project-supported activities, and in particular, rural finance. The large size of the loans and the collateral requirements make it difficult for assetpoor farmers to access the programmes' credit lines. There is a strong incentive for the PFIs to issue fewer, larger loans, which inevitably favour more elite capture and decrease the potential impact on rural poverty. While in HSP and DVCDP, dekhan farmers received the majority of the bank loans, the value of the loans has been very small.

Moreover, far from being a homogenous group, dekhan farmers are a highly socially differentiated category, which can include semi-subsistence farmers as well as larger commercial producers. Therefore, **unpacking the category of dekhan farmers is of utmost importance to define an effective pro-poor targeting strategy.** As stated in the CPE, targeting dekhans is extremely relevant, being them the drivers of horticulture and livestock production and the key to reduce rural poverty. Yet, the targeting strategy was not tailored to the needs of different socio-economic groups. The evaluation also remarks the difficulties in assessing the programmes' targeting performance as poverty data on this group are not available.

Along the same lines, too little focus has been placed on supporting gender equality and youth outcomes until recently. The requirements at design constrained women's participation. IFAD's country strategy and programme is assessed in the CPE as *moderately unsatisfactory* for gender equality and women's empowerment. The prevailing cultural attitudes and social norms make the involvement of women in training sessions and project activities very difficult. Gender targeting was poor in the Horticultural Support Project (HSP) and slowly improved in the design of ADMP and DVCDP, although targeting women through loans remains weak. The

⁸ Country strategy and programme evaluation (CSPE) 2009-2020, Independent Office of Evaluation (IOE)

collateral and registration requirements, as well as the low levels of financial literacy and business management limited the access of women and poor households to finance. While there have been some positive results for increasing women's assets and incomes through new jobs, training and production gains, there is little influence on improving the opportunities for women's voices to be heard and improved involvement in decision-making or lessening their workload as yet. Similarly, there was no youth focus in HSP, but youth are gradually receiving increasing more attention in the later projects in recognition of their importance in rural employment.

A key recommendation from the study is that effective targeting strategies, including through pro-poor value chains, should be at the core of the new strategy in order to reach the poorest. Targeting strategies should be more effective in reaching genuinely poor dekhans, narrowing the gaps between men and women and between generations in rural areas. This is also reflected in the new COSOP (2023-2027), which highlights that pro-poor targeting will be achieved through a more detailed target group categorization and by combining different tools (e.g. geographic targeting, community-based targeting, direct targeting etc.).

DVCDP II targeting strategy incorporates the recommendations from the CSPE, the COSOP 2023-2027, as well as the provisions of IFAD's Poverty Targeting Policy (2023) by addressing some of the prevailing challenges in pro-poor targeting.

The Project pro-poor approach and targeting strategy is based on the following approach:

- The main focus is on vulnerable, asset poor farmers, owning few stocks, as well as on the poorest and unemployed rural people. These groups will be identified through a combination of tools and approaches, namely: participatory wealth-ranking, which will be carried out by social mobilisers at early implementation; the collaboration with the Mahalla, which will help map and identify vulnerable and poor producers in the community, through the implementation of government targeting tools.
- The pro-poor focus of the value-chain approach seeks to identify value-chain functions, opportunities, business models and activities that match the needs and comparative advantages of different echelons of the target groups, thus striving to make value-chain development as much inclusive as possible. Even if the project has a clear commodity-focus, it also takes a genuine people-centred approach to identifying the specific target group and designing interventions that promote their participation and meet their needs. This is in line with IFAD's poverty targeting Policy (2023)
- An **explicit focus on women and youth**, which is reflected in the adoption of clear activities and targets for them summarized in a Gender and Youth Action Plan (GYAP), as well as a partnership with the Women's Committee.
- The introduction of **matching grant schemes as a key instrument** to reach and benefit asset poor farmers who lack collateral. This will help farmers build their assets and acquire technologies, which will allow them to participate in the dairy value-chains, and/or gradually access the credit scheme (Component 2).

2.2 Geographical targeting and project intervention areas

In line with the Country Strategic Opportunities Programme (COSOP) for 2023-2027 and lessons learned from DVCDP, the geographical targeting of DVCDP II aims at scaling up the

investment in the areas previously supported while piloting new activities in three additional regions. The main selection criteria for DVCDP II are the following:

- (i) potential for impact through dairy development;
- (ii) prevalence of rural poverty;
- (iii) existing dairy production in the area;
- (iv) untapped potential of smallholder dairy production;
- (v) existence of off-takers, or potential for local market;
- (vi) complementarity with interventions of other development partners; and
- (vii) vulnerability to climate change.

The project will include five regions, namely **Sirdarya**, **Jizzakh**, **Samarkand**, **Kashkadarya and Surkhandarya**. Within these regions, the targeting will concentrate on existing dairy activities and existing and potential market linkages for developing dairy value chains, including of short VCs with business models for local markets. Further geographical targeting will consider environmental suitability for dairy and possibilities to address any climate change related issues via climate mitigation and adaptation project activities.

Region	N. of districts	N. of Mahallas
Jizzakh	13	294
Kashkadarya	15	770
Samarkand	16	1095
Surkhandarya	14	719
Syrdarya	11	222

 Table 1: Number of districts and Mahallas in target regions

Source: World Bank 2020

Selection of target districts and villages. A stakeholder **mapping exercise** will be carried out in the programme area to identify target districts and villages along with the different VC actors. This study will categorize the vulnerable communities based on criteria such as:

- (i) number of vulnerable milk producers with potential for market linkages but limited access to services and assets for improving milk productivity and quality.
- (ii) incidence of poverty including higher proportion of women headed households and unemployed women and youth;
- (iii) existing opportunities for value-chain linkages and construction of MCCs, including the presence of private farms and milk collectors who are willing to develop supply chain partnerships with the target HHs. They must comply with the following requirements:
- (iv) express formal commitment to establish business linkages with target HH particularly in the vulnerable communities;
- (v) willingness to develop milk collection points in locations nearby to the areas of concentration of target HH;
- (vi) commitment to follow friendly payment terms suitable for target HH;

- (vii) readiness to employ vulnerable women and youth in new jobs created to manage the milk collection systems;
- (viii) willingness to engage/pilot pro-poor business models that involve the poorest, landless people.

2.3 Target groups

It is anticipated that the project will reach approximately 31,000 households living in the five selected regions, and include 40% women, and 30% youth beneficiaries.

The project's priority target group will comprise the following categories: (1) **vulnerable household farmers (tamarkas)**, owning small stock (up to 5 cows) and with poor access to land and credit; (2) **better-off household farmers** (unregistered) and **dekhan farmers** (registered), owning larger stock (up to 20 cows) and with access to land; (3) the project will also target **poor, near landless and unemployed women and youth** willing to engage in the dairy sector, including people with disabilities and returning migrants, who live below the poverty line might be registered in Mahalla notebooks.

(i) Target Group n°1 – Vulnerable household farmers ('tamarkas'), owning 2 or 3 cows - up to a maximum of 5 -, are the main target group for the programme and will represent approximatively 65% of the total beneficiaries. They are mostly unregistered farmers, with access to small size plots (between 0.3 to 1 hectare) - household gardens – where they farm for home consumption and local markets. Income level for this group is usually at or not significantly above the national poverty line (*category 2 of the Mahallah socio-economic classification*). Milk productivity is generally low due to poor animal health, limited access to water and fodder and low quality of feeding. The milk is sold mostly in local markets or to neighbours.

Among this group, women constitute the vast majority of milk producers. The income from milk is managed by them and is mostly used for household expenditures. This group will receive a comprehensive support package, including:

- training on animal health, quality of feeding, milk production, processing and marketing through the implementation of L-FFSs;
- access to a catalytic grant scheme to purchase milk cooling plants and other equipment;
- linkages with MCCs and other service providers;
- construction or rehabilitation of water points;
- facilitated access to credit through a dedicated financing window (see Sub-Component 2.2).
- (ii) Target Group n°2 Better off household farmers (unregistered) and dekhan farmers (registered) account for approximately 25% of the total beneficiaries. Farmers in this group generally own larger stock (up to 20 cows) and manage larger farms, where they produce high value-crops for the market. They often act as middlemen in their community and play an important role in the dairy value chain as service providers (feed and fodder, bulls for reproduction, etc.) for smallholder producers. Targeting of this varied better off group will be on farm size and wealth criteria and their (potential) benefitting role for the community, including for the targeted tamarkas farmers' interests. They will benefit from trainings under Component 1 and receive tailored support to access the credit scheme implemented under Component 2.

- (iii) Target Group n°3 Near landless and unemployed women and youth, interested in dairy, including people with disabilities and returning migrants, who live below the poverty account for approximately 10 % of the total target group. Most of the people in these target group are registered in the 'Mahalla notebooks'. Women household heads will also be prioritised. Lack of available data concerning the assets and livelihood characteristics of this group, made it difficult to carry out an in-depth socio-economic assessment. Data from qualitative analysis and key informant interviews reveal that the majority of them mostly raise small ruminants and poultry and only a minority of them own cattle. More rigorous data will be generated through the baseline study and Participatory Rural Appraisal (PRA) (see targeting strategy below). Despite this knowledge gap, several opportunities have been identified to promote their inclusion in the dairy value-chains, which are summarised below:
 - Support will be provided to low-income people and unemployed youth to acquire land for fodder production. This activity will be promoted within the framework of the policy initiative that facilitate access to the land auction system by people who are registered in the notebook.
 - Employment generation through the development of MCCs (e.g. milk collection etc.)
 - The project will map and identify existing business models in dairy that proactively target vulnerable and low-income people, especially through share-cropping or contract farming arrangements.
 - Women from most vulnerable households also including women with disabilities will be targeted through training and capacity development in business management and financial literacy, so as to enable them access government support schemes and credit facilities ("every family is an entrepreneur").
 - Careful monitoring of targeting this group, will ensure that the challenges in responding to the needs of the poorest through dairy value-chain development, will be considered and adequately addressed.

A more detailed description of each of these target groups is provided in Annex 1.

Other direct beneficiaries will include: middle-scale and private commercial farms, private input suppliers/service providers for e.g. breeding/veterinary and fodder, milk collectors, MCCs and processors. These are key, catalytic actors in the value-chain and their participation will be strictly monitored to ensure that their business plan will be sustainable, inclusive and pro-poor. Clear pro-poor and social inclusion criteria will be formulated for selecting private business proposals.

Indirect beneficiaries: Livestock and dairy producers who will not be directly involved in project activities will also benefit from strengthened milk collection, breeding, veterinary and fodder services, while milk and dairy consumers will benefit from increased access to quality dairy products. Other indirect beneficiaries will include large and medium scale private sector actors such as feeders, processors who will engage in more profitable businesses with beneficiaries, and eventually consumers will enjoy a better access to quality dairy products.

2.4 Targeting strategy

2.4.1 Targeting process

The process to identify, mobilise and select eligible participants, will be driven by a team of social mobilisers, and will be carried out in partnership with local communities and the Mahalla under Component 1 (*Activity 1.1 – Mobilization and capacity building of farmers and households*). The Project will work closely with district deputy *khokims* and the Women's Committee (WCU). The selection process will be guided and supervised by the PMU social inclusion and gender officer.

All social mobilization activities, awareness raising, and information campaigns will be informed by social inclusion considerations. Attention to the youth, women, persons with disabilities and the poorest farmers, will be integrated in all manuals, information materials and participatory activities with rural communities. The team of social mobilisers, along with PMU staff and implementing partners will be trained on social inclusion and targeting issues and equipped with the right approaches and methodologies to engage with more vulnerable groups.

More details on the targeting process is provided in Section 3.

2.4.2 Eligibility criteria for direct targeting

The project's targeting strategy is mostly based on the definition of **eligibility criteria** to select project's participants under each component and specific activities. These criteria will be pre-determined by the project and endorsed with Mahalla and community participation. The L-FFS (Component 1) will be the main activity and entry point to organise beneficiary groups so that they can access project's support and compete for grant resources and additional technical training.

The identified eligibility criteria are the following:

Eligibility criteria to participate in L-FFS:

- Meeting the descriptive criteria of one of the project target groups
- Ensuring equitable participation of group 1 and 2 (target: minimum 50% beneficiaries from target group 1)

Eligibility criteria to benefit from specific employment generation activities (Activities 1.2. and 2.2.)

• At least 70% of the beneficiaries of employment generational activities must include vulnerable people and unemployed youth (target group 3), as identified based on the wealth-ranking and Mahalla data (notebook).

Eligibility criteria to access the catalytic grant scheme:

- Meeting the descriptive criteria of one of the project target groups
- <u>Target Group n°1:</u> 10% contribution to the total amount of the grant, to be provided in cash, in cash, or a combination of both. Within this group, priority will be given to the poorest persons and women owning at least one cow or willing to invest in dairy production. Women will constitute 40% of the grant beneficiaries, and the project will strive to support the participation of the youth.

- <u>Target Group n°2:</u> 20 % contribution to the total amount of the grant, to be provided in cash, in kind, or a combination of both.
- <u>Target Group n°3</u>: 5% contribution to the total amount of the grant, to be provided in cash, in kind, or a combination of both. Priority will be given to women and youth registered in the Mahallah notebook.

Specific criteria to access credit lines implemented under Component 2:

- Beneficiaries applying to the Credit Windows n°2 ("commercial farms") and n°3 ("dairy processors") must demonstrate how the investment will benefit vulnerable household farmers and generate jobs for unemployed women and youth. Priority will be given to plans that comply with the following criteria:
 - Construction of MCC linked to women and vulnerable milk suppliers (defined as Tamarka and identified through the project's targeting criteria and tools)
 - Employment generation through different value-chain functions (milk collection, management of milk refrigerators etc.)
 - Engaging in pro-poor business models (e.g. share cropping or contract farming arrangements) with the poorest households, upon conditions that the scheme is deemed to be viable, equitable and sustainable.
 - Providing different type of services to the target group (e.g. provision of fodder, improved breeds, technical assistance etc.)
- Beneficiaries applying to Credit Window n°1 ("Women, Youth and unregistered HH farmers") must fulfil the following criteria:
 - Applicants shall not already be beneficiaries of the "Family Entrepreneurship" Government programme;
 - Women and Youth applicants shall be involved in the dairy value chain as a main or side activity (at the production, collection and/or transformation levels);
 - Applicants shall have benefited from project trainings and support under Component 1, including training on financial literacy, loan application and business plan development, herd management, etc. according to their needs and the purpose of the loan;
 - Unregistered farmers applicants shall have received a training/awareness raising on registration process and benefits.

Pre-determined eligibility criteria for each component and activity will be further refined and validated during the participatory process and in collaboration with the mahalla and other relevant stakeholders, including from the dairy sector. As member of the Mahalla the Women's Committee of Uzbekistan (WCU) and the youth officer will be actively involved in the process.

2.5 Gender and Youth strategy

The project will mainstream gender equality and youth participation in **all project components and activities** implemented through the implementation of a **gender and youth strategy and a gender action plan (GYAP)**.

The coordination of GYAP implementation is under the responsibility of the PMU Targeting, Youth and Gender Specialist and the two PMU Regional Field Facilitators (RFFs).

The detailed GYAP is available in Annex 2, and related activities are described in Section 3 below.

2.6 Ethnic groups and minorities

The project will also implement a strategy to engage with specific ethnic groups, and value their traditional production practices. A study will be carried out at the project start to identify a Free Prior Information Consent (FPIC) process, in alignment with IFAD procedures, and identify an Indigenous Peoples (Ethnic groups) Planning Framework (IPPF), as relevant for the project.

3 DETAILED PROJECT DESCRIPTION AND IMPLEMENTATION MODALITIES

This Section provides a detailed description of project activities, including expected results, lessons learned from previous projects, detailed implementation modalities and partners, and main risks and mitigations. An implementation plan and phasing are also provided for each component/sub-component, and measures to ensure sustainability of activities after project completion are identified.

3.1 Component 1 – Improving and increasing sustainable climate smart dairy production and access to required services

3.1.1 Activity **1.1** – Mobilizing farmers and households and building capacities.

Expected results

- A rural appraisal is carried out which provides detailed information on the specific needs and socio-economic characteristics of the target groups, as well as existing opportunities for them to participate in the dairy value-chain as both milk producers and processors and wage workers. Pre-identification of project's participants based on poverty-related criteria is carried out in partnership with the Mahalla.
- An information campaign is carried out to mobilise participants and inform them about project's opportunities, especially reaching out to the more vulnerable groups, including the poorest people and women.
- 28,000 small scale dairy producers, including poor and vulnerable households, unemployed youth and vulnerable women, are successfully mobilised and organised into groups, to access training activities and grant resources.
- The capacity of the target group to participate in project's activities, compete for grants resources and access the credit scheme is built by delivering training on business development and management, financial literacy, and leadership skills training.
- 28,000 dairy farmers member of L-FFS are trained on gender. The gender training help farmers visualise existing gender inequalities and vision a pathway of change.

Lessons learned

Targeting and social mobilisation. Key lessons on targeting and social mobilisation are based on the analysis of IFAD and other donor-supported projects. Investments and agriculture and value-chains in Uzbekistan, have traditionally been tailored to better-off producers. Yet, in recent years, the emergence of a strong anti-poverty agenda and the development of a national targeting system for social protection, has increased awareness among government and other partners of the importance to target investments to more vulnerable groups, women and youth. Collaboration with the Mahalla, which is responsible for gathering poverty data and administrating social transfers, is key to ensure that DVCDP successful reaches and benefits the poorer producers, vulnerable women and unemployed youth. This collaboration will be fostered during start-up and a MoU will be signed with the Mahalla.

A further consideration is related to the scaling-up of community-based participatory approaches to social mobilisation, which is currently taking place in the country. Differently from previous projects in the country, DVCDP activities will be planned in consultation with local institutions and communities, to ensure that more vulnerable groups are identified, and their needs assessed and integrated in the local planning process. The project will hire a cadre of well-trained facilitators to support an intensive social mobilisation process during the first years of implementation.

Gender. Targeting of women and youth under previous IFAD-supported projects has been challenging. This was due to the lack of specific measures to proactively target women and youth as well as the structural and normative barriers that constrains women's participation in project's activities outside the household. DVCDP has adopted specific measures to overcome those barriers. First of all, lessons from the implementation of dairy development projects in the country, through the construction of MCCs reveals that women tend to be the main beneficiaries of these types of interventions as they play a primary role in in small-scale milk production and marketing. The programme also includes specific activities, grants and credit windows, which are specifically tailored to women. Formation of women's groups will be an important activity during social mobilisation as rural women in the country prefer to cluster in separate spaces.

Description of 1.1 sub-activities

The **social mobilisation process** will start following the preliminary mapping and identification of target districts and villages. A cadre of approximately 60-70 social mobilisers (one or two per selected district) will be hired by the project. Selected people are expected to have expertise in social mobilisation and participatory methodologies and will have the responsibility to carry out a comprehensive social mobilisation and PRA process in target communities. PMU field workers will also support the PRA exercise, which will span over the first year of implementation.

Participatory Rural Appraisal (PRA) activities are the entry point to pre-identify, mobilise and organize the project's target beneficiaries. The scope of the PRA exercise will be to assess the specific needs and socio-economic characteristics of different target groups, with emphasis on more vulnerable intersectional groups and identify existing opportunities to include them all along the different stages and functions of the dairy value-chain. PRA tools will include: participatory value-chain mapping; community maps, wealth-ranking; daily clock etc.

The following figure illustrates the targeting and social mobilisation approach of DVCDP II.

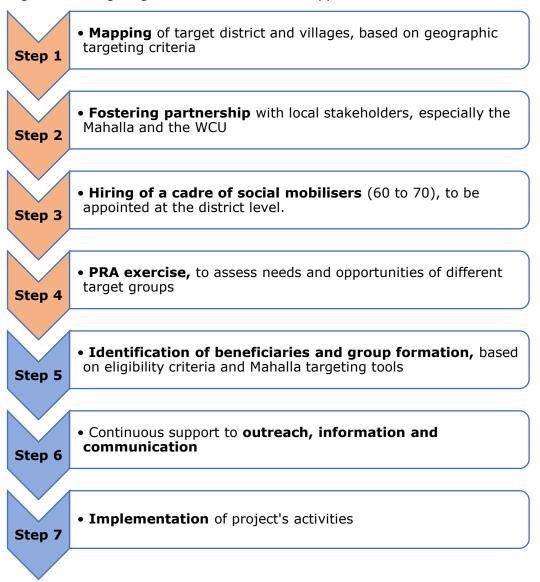


Figure 1: Targeting and social mobilization approach of DVCDP II.

Gender Action Learning System (GALS). While small GALS pilots have already been implemented under the first phase of the project, DVCDP II could pilot the integration of specific GALS tools into the Livestock Farmer Field Schools (L-FFS – see Activity 1.3). The GALS will contribute to strengthen the capacity of vulnerable rural household women and men to jointly plan for their livelihoods and maximize their investments in dairy production. Specific activities to build the production capacity of women milk producers will include: training on animal health, feeding preparation, milk processing, business management and financial literacy. Women's groups will also be formed as part of the implementation of L-FFSs.

Implementation modalities and partners.

Social mobilisation. The social mobilisation component will be implemented in collaboration with local partners and consultants with a consolidated capacity to manage participatory processes. Community-based participatory approaches to rural development are relatively new in Uzbekistan, but a cadre of well-trained social mobilisers is already available in the country. Potential capacity gaps will be addressed by the project, which will develop a rigorous

approach and methodology to streamline social mobilisation activities across the 5 regions. The project will also establish partnerships with two key actors, namely the Mahalla and the WCU and a MoU will be developed and signed possibly, at start-up.

At the Village level the **Mahalla Citizen's Assembly (MCA)** will be a key actor and will collaborate with the project's social mobilisers in the following activities:

- Outreach work on the Project's objectives and criteria and requirements to access project's support
- Mobilization and identification of the project's target group
- Assistance in formation of farmers' women's and youth's groups and facilitation of various training activities;
- Advice on suitable approaches to involve vulnerable segments of population in consultation with all relevant actors.

Main risks and mitigation

The main risk with regard to Activity 1.1. is that group formation and the mobilisation of more vulnerable farmers and women in project's activities might take time and require efforts and commitment. Group and community-based activities are difficult to implement in Uzbekistan, thought things are rapidly evolving and now an increased number of projects is dzsigned and implemented based on a participatory and community-based approach.

Activity 1.2 – Improving access to water, fodder production and grazing land

Expected results

- Smallholder dairy producers have better access to and use of water for their own consumption as well as for their livestock and for irrigation, which will result in improved fodder and milk production.
- Medium-scale dekhan farmers and large private farms acquired and adopted water efficient and climate smart technologies for fodder and crops production, that smallholder producers (esp. the HH farmers) can buy as animal fodder for increasing milk production.
- Smallholder producers have the required knowledge and skills in feed and fodder production and management, and have access to drought resilient seeds leading to an increase in fodder production and availability, thus improving livestock nutrition and milk production.
- Adoption and upscaling of cost-effective hydroponic fodder production technology by smallholder producers and medium-scale dekhan farmers as an alternative solution to land scarcity.
- Youth groups/coops are established and involved in fodder production and technical service provision for smallholder producers leading to higher availability of fodder and better agronomic practices.
- Regeneration of degraded rangeland for pasture and better use and of these restored lands by the communities.

Direct beneficiaries will be as follows:

- 3,000 dekhan farmers trained in improved water management and irrigation techniques/activities (30% women);
- 472 households accessed water harvesting tanks (20% are women headed households);
- 20 existing communal water points rehabilitated allowing access to water to around 5,000 households (10% are women headed households);
- 2,000 dekhan trained on fodder and feed production and management (20% women, 30% youth);
- 100 group of farmers (1,000 farmers in total) have access to drought resilient seeds of fodder (20% women, 20% youth);
- 30 pilots (300 farmers in total benefitting) of hydroponic fodder production tested and eventually later on up-scaled (10% women, 30% youth);
- 25 groups of youth (200 persons) finding income from fodder production and service provision (100% youth);
- Two (2) pilots on rangeland rehabilitation implemented allowing access to 500 households in pastoral areas.

Lessons learned

Access to land: The majority of arable land is dedicated to the production of crops (mainly cotton and wheat) while the land allocated to feed and fodder production for livestock is restricted and the rangelands are highly degraded. The GoU is promoting gradual diversification and shifting from these cash crops to other crops and livestock productions. The government is also promoting access to land for the youth. There is therefore the need to: (i) increase the land allocated for fodder production by middle-scale dekhan farmers and private farms who have larger size land to respond to the high fodder demand; (ii) the use and upscale of hydroponics; (iii) the rehabilitation of degraded rangelands.

Access to Water: This represents another main issue for the sustainability of livestock and dairy production (constant availability of water for animals is a must and for fodder growing). As highlighted in the project impact assessment report of DVCDP where no previous measures were undertaken. In DVCDP-II specific activities improving access to and efficient use of water resources for smallholder producers, middle-scale dekhans and private farms will be implemented. The use of drought resistant fodder varieties will also be a contribution to a rational water use strategy.

Manure management: The project completion report of DVCDP highlighted the issue related to poor manure management practices which are still prevailing, with little attention paid by the project to it. DVCDP II beneficiaries will receive trainings and capacity building in soil and land management, and improved management of animal wastes and manure.

Description of 1.2 sub-activities

Access to water and land for fodder production is critical for livestock and dairy production. The Project will provide **technical trainings and capacity buildings** to **3,000** dekhan farmers and private farms on best practices for improved water management and irrigation. These trainings will be part of the L-FFS module for the smallholder farmers. These modules will also be given separately to the medium-scale dekhans and private farms, who could also allocate part of their plots as demonstration and training parcels for smallholders.

Around **472 households** will benefit from **water harvesting investments**, for HH and livestock, as well as irrigating home gardens. These investments essentially include the purchase of water tanks (around 3,000 litres capacity) and the installation of the required rooftop rain gutters and pipes. The harvested water will be mainly used⁹ for watering livestock and for irrigating the small backyards plots where households grow vegetables, fodder and/or fruit trees. The choice of the beneficiaries as well as the water tank capacities will depend on the agro-climatic areas where they are located. At mid-term review, and if this pilot investment has proven to be cost effective, the number of beneficiaries could be increased.

Medium-scale dekhan farmers (average of 50 ha land and 50 head of cattle) and **large private farms** will be able **to access loans** (Window 2 line of credit – see *Component 2.2*) to purchase water harvesting tanks, efficient irrigation equipment (such as drip irrigation), solar panels for water pumping to improve water use efficiency, etc. The beneficiaries from these concessional loans should demonstrate business linkages with smallholder dairy producers (written agreements/contracts or a signed document by a group of farmers attesting that they buy from or sell products to the loan beneficiary). These linkages could be either through selling feed/fodder to smallholder milk producers¹⁰, or buying milk and/or other dairy products from them, or providing other related services (natural breeding, access to water, access to grazing land, etc.).

The Project will also **rehabilitate 20 existing communal water points** that are used by households and livestock. The selection of water points to be rehabilitated will be based on the number of households served, the number of existing livestock (cattle), the degree of degradation of the facility, etc. A preliminary study should be carried out to map the existing communal water points in the targeted project areas. To ensure the sustainability of these investments, the rehabilitation of the water points will be accompanied by the formation of water users associations (if they do not exist yet) and the training of its members in water management.

To **improve fodder production**, the Project will undertake different activities. In addition to encouraging the existing and establishing new "contracts" or verbal agreements between private farms, medium-scale dekhan farmers (who produce fodder) and the small dairy producers (who buy the fodder), other alternatives will be followed. As part of the L-FFS (Activity 1.3), up to 28,000 smallholder farmers will receive trainings and capacity building to improve fodder and feed production and management, along with extension practices on climate smart fodder and feed production. A selected number of farmers will have access to drought resistant seeds and fodder varieties. The choice of the beneficiaries will be based on the climatic and pedological characteristics of the area. In this context, the Project will initiate collaboration with the agricultural research institutes/universities and extension services in Uzbekistan for the development, testing/piloting and then upscaling these drought resistant varieties. Funding has been allocated for such pilot, as well as for the distribution of free drought tolerant seeds to the selected smallholder producers.

The Project will also pilot (30 pilots) and then eventually upscale the development and use of **hydroponic for fodder production** (wheat, barley, etc.). The Project will promote the use of locally adapted and low input hydroponic fodder production that should be proven to be cost-effective and economically viable, as well as farmer friendly technology. Hydroponics

⁹ Considering that these households have already access to potable water. If it is not the case, then the first use will be to provide drinking water to the Household and then for livestock drinking.

¹⁰ Considering the issue related to the high demand for feed and fodder, medium scale dekhan farmers and private farms who are selling feed/fodder to smallholder milk producers will have priority to access the Project loans.

implies low water usage, marginal use of land. Furthermore, it can be based on utilization of locally available materials and inputs, and leads to constant fodder supply of high nutritional value throughout the year, meanwhile addressing the issues of land scarcity and of reduced fodder and water availability due to climate change. Example farms are present in Uzbekistan, One of the smallholder farmers visited in Jizzak region has experimented the use of hydroponics (using local and rudimentary materials) and belonging to his testimony, the results were satisfactory. Currently in Uzbekistan there are various farmers (mainly mediumscale and private farms) who are using hydroponics for fodder production. There is a big farm in the nearby of Tashkent which is taking it to scale. The project will organize trainings and field visits to such example farms and will also collaborate with the universities/research centres who are developing and testing these technologies (MSc student could be involved).

The project will support the **formalization and registration of 25 groups** formed by six to seven **youth who will access land** (around 6 ha together) through the national land auction programme, and will grow fodder that will be sold to smallholder milk producers. Around 25 groups will be established (average of five groups per region) and will benefit, through a grant mechanism, from improved seed varieties and access to water. In addition, these groups will also receive small-scale tools and equipment (moto blocks, knapsack atomizer, etc.), to provide agricultural services to the farmers, along with required trainings.

Household producers, smalls-scale dekhan farmers, youth and women groups will also receive (grants) **small equipment for fodder production and conservation** (hydroponic fodder, hay baler, fodder conservation and storage equipment, etc.). Combined with best practices in soil and land management, including improved management of animal wastes, crop rotation and cover cropping, minimum tillage, and the use of nitrogen fixing species, these practices will enhance resilience among farmers to maintain and improve production while at the same time improving their ability to withstand climate shocks.

In addition to feed and fodder promotion, the Project will assist the Ministry of Agriculture in tackling issues related to **grazing land degradation**. In this sense, on a pilot scale, the Project, in collaboration with the local communities and the MoA, will support the regeneration of degraded rangeland. The State Committee on Forestry that is in charge of the rangelands and forestry lands will be the recipient of the funding for this activity. Two pilots will be implemented in two different regions (most probably the southern regions of the country) initially allowing the restauration/reseeding of the degraded land and then its sustainable use by the community. The pilot will also include community sensitisation to the issues of overgrazing and a development of a community rangeland management plan.

Implementation mechanisms and partners

Trainings on water management and irrigation will be provided through the L-FFS to targeted smallholder producers. The implementation of these trainings/L-FFS will be done through direct contracting between the Project Management Unit (PMU) and the field facilitators previously trained by their peer trainers (for more details see the description on the implementation of the L-FFS).

The **purchase** of **water harvesting equipment** as well as the **rehabilitation** of the **water points** will be the responsibility of the PMU, which should develop specific ToRs for each contract. The choice of the water tanks capacities should be based on the climatic/precipitation characteristics of each area, while the choice of the water points should be based on the preliminary study results. The **formation** and **training** of the **WUA members** will be directly implemented by the PMU. For **fodder production training** as per the water management one, it will be done through the L-FFS below the responsibility of the PMU, that will also secure producers' access to drought resistant fodder varieties via the collaboration (Memorandum of Understanding) with the State Agrarian University or with AKIS. The same applies to the piloting of **Hydroponic fodder** where the PMU will organize the field visits to other farmers who are using the technology for fodder production, and will supervise the trainings that could be either provided by a research centre/university or by a private company which is currently involved in producing fodder using hydroponics.

The **fodder youth groups** formation will be the responsibility of the PMU which in collaboration with the Mahalla will identify potential beneficiaries from the Youth Notebooks and will agree on the modalities to the support that will be provided to these youth for the participation to the online national land auctions programme. A small proportion of the grant allocated to each youth group will be used to eventually pay the final bid in case of attribution. The PMU will also have the responsibility of the legal registration of these groups (as private company or cooperative, etc.) and will issue the required ToRs for the purchase of the required equipment and tools for these groups that will not only grow fodder but also provide technical services to the producers in the region (mainly agronomic services like tree trimming, ploughing, etc.). Depending on the geographical location of these groups and the type of crops grown in their region there will be an agreement with the beneficiaries on the type of equipment/tools to be purchased. The PMU will identify the appropriate service provision to train these youth on fodder production and agronomic practices.

The **rehabilitation of the degraded grazing land** will be implemented by the State Committee on Forestry (grant recipient) through an MoU signed with the PMU. Considering the fact that it takes a couple of years (at least 4 to 5 years) to regenerate a degraded rangeland, the procedure for obtaining the signature of the MoU should be started from the beginning of the project and the activity should directly follow the signature.

Main risks and mitigation

The allocation of agricultural land through the auction mechanism includes some risks for the Project fodder production activity. In fact, there are two possible risks: i. the Project youth beneficiaries are not able to win the auction and get the land; ii. when they get the land (it is an individual bidding), the land allocated to each beneficiary might probably be not close to the other beneficiaries in the same group. To mitigate these risks, the Project will work closely with the Mahalla and local/regional institutions who have their say in the land allocation process. Also seed funding will be allocated to pay for the auction bids of the beneficiaries are not able to do it, although it seems that the payments are done after the land allocation and by the end of the first year of its use. It is preferable to have the youth group lands close to each other, but it is not definitely a must and the Project activities could still be implemented although at a slightly higher cost.

The rehabilitation of the degraded rangeland requires time and also there is a risk of overgrazing again by the communities. To mitigate these risks, the activity will start from the beginning of the project start through the MoU signature with the State Committee on Forestry and the allocation of funds. An agreement could be reached to allocate an already rehabilitated rangeland from the start of the project, while the funds will allow the rehabilitation of another parcel. To reduce the risk of overgrazing and depletion of the resource, the community sensitisation, inclusion and ownership will play an important role as well as the development of the community management plans.

There is also the risk of overexploitation and deterioration of the rehabilitated water points. In this case also the communities ownership and the development and training of water users associations will reduce this risk.

3.1.2 Activity **1.3** – Improving dairy production and farm management.

Expected results

The purpose of this capacity building activity (L-FFS) is to increase the number of farmers engaged in market oriented dairy production and to improve production and productivity as well as climate resilience and adaptation by improving capacities of dairy farmers on all aspects of dairy farm management. By acquiring technical as well as business knowledge and best practices skills, farmers can start to adopt and apply technologies and methods that are necessary for improving production and productivity. By learning together and forming common interest groups, the training impact and technology uptake will increase. Catalytic grants for resource poor farmers will make it possible to acquire necessary materials and working capital to implement new technologies and methods, e.g. improve on feed, water, housing breeding, animal health, etc.

This activity will aim at achieving the following results:

- Building capacities of 28,000 farmers on animal production and health, dairy and farm management and strengthening community organization through implementation of Livestock Farmer field Schools (L-FFS);
- Providing for dairy production investments (improvement of cowsheds, feed, etc.) for 10/20 % of households;
- Formation of common interest groups (e.g. for milk collection, breeding, value adding, fodder cultivation).

The direct beneficiaries for this activity will be:

• 28,000 poor smallholder farmers (40% female, 30% youth);

The indirect beneficiaries for this activity will be:

- 150 people, including app. 40% women and 30% youth, trained and employed as facilitators, that potentially could continue training other farmers after the project with other financiers.
- Through the LFFS community and cascade training, second and third generation LFFS training would serve at least 600 and 1,200 new groups per year respectively, reaching app. 30,000 and 60,000 additional households per year benefitting after the project has closed.
- Everyone working in the DVC, such as transporters, those working at milk collection and processing plants, farm input and service providers, etc. will benefit from trained farmers that are able to buy inputs, increase production, and market this extra milk.
- Dairy consumers, GoU (increase of tax revenues)

Lessons learned

The **Farmer Field Schools (FFS)** model is a group-based learning process supported by agroecological, on-farm experimental education and community-based concepts and methods, that have been used by governments, international organisations and ngo's since the late 1980-ties, initially in Asia for agriculture and later worldwide and also for livestock production

development¹¹. The model concerns a cascade training of trainers, whereby trained facilitators can have a tremendous outreach to farmer groups and often continue building capacity, also online and in 'south-to-south' exchanges. The FFS trainees have access to a world community of peers.

More than 12 million farmers have been successfully trained via this model¹². IFAD recently did a stock taking exercise in East and Southern Africa on the more recently developed livestock model (L-FFS)¹³. L-FFS scores well on: outreach to underserved groups; outcomes regarding production increase; social benefits including collective action for value chain development; and institutionalization (esp. of interest groups). The L-FFS approach combined with household social mobilisation methodologies can be very impactful. A recent L-FFS impact assessment (IFAD project in Rwanda) shows that animal productivity has increased significantly (+33%) for L-FFS members, and cultivation of improved fodder increased with 86% of L-FFS beneficiaries. Some L-FFS groups have started to manage Milk Collection Points (MCPs) and some are also involved in processing.

The method needs time for solid preparation and implementation and close monitoring. Creating a participatory and discovery-based approach to learning is essential and multidisciplinarity (technical, economical, social-cultural, educational, institutional) plays an important role in design as well as monitoring¹⁴. In the Uzbek context, with high connection to mass and social media and institutional adoption of effective models, spill-over effect of the L-FFS training to other farmer groups beyond the target groups can be expected.

Description of 1.3 sub-activities

L-FFS model. For improving dairy production, productivity and generating additional farmer income, acquiring technical as well as business knowledge and best practices skills, is essential. Practical on farm training (on smallholder farms) is needed for training impact and adoption and application of the technologies and methods. The project will provide training to the targeted farmers, following a Livestock Farmer Field School (L-FFS) model¹⁵, whereby group formation will enhance peer learning. Around 28,000 farmers will benefit from these trainings directly. For the L-FFS training, a specific LFFS curriculum that is tailored for Uzbek smallholder climate smart dairy production will be developed with national and international experts. The curriculum will among other encompass water, fodder and feed management, including fodder harvesting and conservation, reproductive management, animal welfare and health management, climate adaptation and resilience, hygienic milking, record and business keeping, and HH nutrition. Five L-FFS master trainers will acquire the curriculum and then train 15 groups of 10 facilitator trainers to total of 150 actively training farmers in groups of 20 to 25 on farm to a total of 28,000 farmers being trained. Field trips to farms where specific techniques, such as hydroponic, special breeding, dairy processing, etc. are utilized, can be organized as part of the L-FFS training.

¹¹ https://www.fao.org/agriculture/ippm/programme/ffs-approach/en/

¹² https://www.fao.org/farmer-field-schools/home/en/

¹³ FAO in collaboration with ILRI developed the first livestock farmer field school manual: https://cgspace.cgiar.org/handle/10568/68589

¹⁴ https://www.ifad.org/en/web/knowledge/-/stock-taking-exercise-on-livestock-farmer-field-schools-east-and-southernafrica

¹⁵ A cascade on-farm training model of practical training in groups for a longer period, e.g., seasons or one or two years. FAO executes L-FFS and convenes platforms for graduate farmer communities worldwide.

A close cooperation with other existing donor programmes (e.g., World Bank, AFD) will be systematically pursued throughout the project implementation to foster synergies and avoid overlaps in the project activities and proposed trainings curricula.

Apart from knowledge and skills transfer, group formation and practical implementation are a core part of the L-FSS model's success and therefore local trainers will be recruited on technical as well as trainer competencies. Since women farmer groups will be formed, sufficient women trainers will be recruited to enable matching options for trainers and groups. After two years, the training will be finalized, but the group will be free to continue working together, inviting (AKIS) extension workers, collecting milk together, commonly hiring animal health care services or buying inputs, starting breeding, producing fodder, etc. The group could agree on its own leaders for establishing interest groups. This group formation will be guided by the facilitators.

For further scaling up to reach out to more smallholder farmers in Uzbekistan, if funds allow or the GoU contributes in kind, the L-FFS can cascade into second and third generation training, whereby selected (lead) farmers can be trained to become new trainers (facilitator trainers) for new groups of farmers, then augmenting the beneficiaries to 60,000 farmers. At midterm review of the project, an assessment of the suitability for Uzbekistan of recruiting lead farmers will be undertaken. Alternatively, the facilitator trainers can start new groups.

Catalytic grants will be provided to project target beneficiaries to enable these farmers trained or in training to implement improvements (e.g., improving cowsheds, fodder and feeding, milk hygiene, AI, etc.) and for stimulating climate smart practices (e.g., manure management, renewable energy, agroforestry, water harvesting, etc.). The detailed list of eligible grants and equipment will be agreed with the government in the inception phase. A need assessment will be conducted by the trainers and the beneficiaries during the L-FFS trainings to identify the equipment gap. A contribution of 5% to 20% of the equipment cost will be requested from the beneficiaries, depending on their level of income and target group category. Priority in the grant allocation will be given to poor HH farmers, women, and youth applicants willing to develop a viable dairy business and not having access to other loans. 28,000 HHs can apply, but unless additional funds are found only an estimated 20% will be granted.

Implementation modalities and partners.

The Project will first *develop a specific LFFS curriculum* tailored for Uzbek smallholder climate smart dairy production and farm management. Practical nearby on-farm training is needed for training impact. The development of this specific curriculum and training needs to be with international as well as national expertise and experience. The PMU will work with FAO as the international and leading partner and facilitate in the selection of national institutes/consultants and collaboration between the international and national experts. This collaboration can be formalized (Memorandum of Understanding) with, e.g. the State Agrarian University or with AKIS or another relevant institute. The curriculum will encompass water management (incl. irrigation and harvesting), fodder and feed management, including fodder harvesting and conservation, breeding, reproductive management, health management including One-Health aspects and management of anti-microbials, climate adaptation and resilience, animal welfare, housing, hygienic milking, record and business keeping, among other. The curriculum will also have a module on HH nutrition to address dietary knowledge.

FAO and the PMU will *recruit five master trainers* that will be trained/acquainted with the material that has been developed (technical as well as group-based learning methods). ToRs

for facilitator trainers will be developed by FAO/the master trainers and the PMU. Both master and facilitator trainers are professionals, reporting to the PMU. The five master trainers will *train groups of 10 facilitators (ToT)*. In the second project year, each master trainer trains three groups of facilitators, so 150 facilitators can start training farmer groups of 20-25 farmers in Year 3. At least one master trainer monitors the training quality of the facilitators.

Facilitation of farmer groups. All training will take place on-farm, preferably on the farms of the participants. The farmer groups are trained for two sequential years. Farmers in Uzbekistan have generally received primary and secondary education and a livestock cycle can be completed within two years. At midterm review the duration of the training can be reassessed. The first training year will be more intense than the second year. The facilitators will train a maximum of 2 new groups per year and thus have a maximum of four groups (year one and year two groups) every year. This is a high number for FFSs, but the facilitators will be professional workers instead of lead farmers. This too will be re-assessed at mid-term review.

Main risks and mitigation

The most important risk associated with L-FFS, is the (in)ability or (un)suitability of technology adoption. For instance, for HH farmers with very small plots, the promotion of fodder crops during L-FFS can stir competition between fodder and food crops. The main mitigation measures will consist of curriculum development taking this in consideration and risk warning and awareness during L-FFS training and suggesting alternatives, i.e. utilization of crop residues as feed, obtaining fodder off-farm, etc. Technology adoption is a farm management decision rather than a technical solution only. This will be addressed during L-FFS.

L-FFS will likely be stimulating for the upgrading of cows, which may increase weight and feed intake of the animals. This will translate into an increase in GHG emissions. The project will promote utilization of small sized animals with high feed efficiency, such as crossbreeds or Jerseys/Ayrshires instead of Friesians/Simmentals. Apart form GHG emissions, these breeds are also more suitable for the SHF production system (less risky, lower costs and investments needed).

Group formation in Uzbekistan can be a challenge, since people prefer to work on the basis of direct social trust (Hashar¹⁶). Also, women can prefer to only be grouped with other women, esp. when the husband is absent (migrant workers). This will require special attention in curriculum development, facilitator recruitment, group selection and facilitation and additionally during interest group formation.

3.1.3 Activity **1.4** – Improving access to extension and health services.

Expected results

With better access to the essential services, farmers can increase production and productivity. The indirect beneficiaries will be many; from farmers, milk collectors, milk processors, to milk product transporters, traders, retailers and consumers. The animals will also indirectly benefit from access to extension, health and breeding services.

Continued extension services (after being trained) for the farmers will be implemented via a voucher system, via provision by processors or FOs, via milk collectors, and via media. This activity will aim at achieving the following results:

¹⁶ Usually business is undertaken or kept in the family or with neighbours, people that one trust on a personal basis.

- 28,000 HH (1,200 L-FFS groups) will benefit from a government (AKIS) or private extension workers via vouchers for three years
- Numerous extension workers benefit from also reaching out to at least 28,000 farmers that at the moment cannot afford extension and the extension workers may further benefit from scaling up of DVCDP II models such as L-FFS, MCCs, etc.
- All dairy farmers of Uzbekistan with access to mass and/or social media, can benefit from education and farmer experience videos.

Last mile veterinary services are pivotal for maintaining farm animals healthy. This is important for human health, climate change mitigation, animal welfare and even biodiversity (due to less ill use of chemicals). These benefits are public interests. Good health is also the prerequisite for high milk yields, milk quality and farmer income, which is a private interest. Last mile veterinary services have a large private interest component and to make it widely accessible and (economically) sustainable, privatization of (part of) the services outreach is necessary. This activity will aim at achieving the following results:

- Affordable and accessible high-quality animal health and dairy management services for farmers in the project areas in general and for the 28 000 targeted HHs in particular;
- Good diagnostics and information for both therapeutic decision-making (and AM stewardship) and national disease intelligence.

The **direct beneficiaries** for this activity will be:

- At least 300 (young) veterinarians and para-veterinarians will benefit from (business) training, matching grants and access to credit loans
- 2 trainers and 1 monitoring staff will derive income and possibly future work from this activity

The **indirect beneficiaries** for this activity will be:

- The project's 28,000 targeted farming HH having access to veterinary care.
- Other farmers in the vicinity.
- The GoU, State Committee of Veterinary and Livestock Development by relieve of workload and funds for veterinary care.
- Dairy consumers from more and safer milk
- GoU (increase of tax revenues), Veterinary Committee by receiving more disease intelligence data and by national animal health benefits for trade and One Health related risks
- Dairy cows and other animals

Breeding services (AI, Breeding group and breeding record system facilitation), allow for farmer (and national) strategies to improve the genetic potential on farm. Documentation of this genetic potential gives higher market value to well-bred animals and slaughter price value to animals to be excluded from breeding. Knowing and improving the genetic potential for dairy production, for health and resilience are key for successful dairy management and dairy sector development. This activity will aim at achieving the following results:

- Affordable and accessible high-quality AI services for farmers in the project areas in general and for the 28,000 targeted HHs in particular;
- Establishing a pilot for app. 75 breeding groups and a breeding record system in Kaskandarya.

The **direct beneficiaries** for this activity will be:

- At least 100 (young) artificial inseminators will benefit from (business) training, matching grants and access to credit loans
- At least 300 (young) privatized veterinarians and para-veterinarians will benefit from training as part of their bundled services package.
- 2 trainers (including 1 monitoring implementation quality) will derive income and possibly future work from this activity
- 75 farmer groups benefit from advice and guidance regarding breeding knowledge and recording
- At least two national experts/researchers benefit from working with the 75 breeding groups to set up a Uzbek breeding system

The **indirect beneficiaries** for this activity will be:

- The project's 28,000 targeted farming HH having access to affordable high-quality AI services
- Idem for other farmers in the vicinity
- The GoU, Veterinary Committee by relieve of AI workload vis à vis budgets
- The Uzbek dairy sector from a steady genetic improvement of the (national) herd

Lessons learned

Extension services: Knowledge and information transfer in subsistence farming is direct famer to farmer and household and community based (from generation to generation and between neighbours, etc.). For adoption of new technologies and linked commercialisation, formal and continuous extension (and training) is necessary. The L-FFS training model helps farmer to still learn together, but also take up new technologies. Extension for SHFs should better mimic this model (then for large scale commercial farmers). The extension voucher system is an impulse for both the extension workers and SHFs to embark on a learning route for SHF continuous learning for adoption of new technologies and methods.

Public and private veterinary services: sustaining effective extension and veterinary services is a challenge in most LMICs, but meanwhile pivotal for climate smart dairy development and for One Health. Uzbekistan has an understaffed and under-resourced public service and a very small private service. Concepts for animal health services that have worked in other countries such as CAHW and agrovets (CAVE model), are not present and part of the legal policy in Uzbekistan. Vets and paravets are registered by CVLD, and a well-developed public system has advantages for the public responsibilities for TADs, food safety and One Health. With the development of a private dairy sector, the private duties grow and this cannot be covered by the public services alone. Enabling the establishment of private paravets is necessary. The World Organisation for Animal Health (WOAH) has developed guidelines for PPPs in the veterinary domain¹⁷. Guided by lessons learned from other countries, including an IFAD project in Tanzania and based on the economic feasibility map (under Activity 1.4), the project will first pilot before scaling up the privatisation process.

Private (para)vets will still have to join in vaccination campaigns, surveillance data sharing, food safety inspections, and also extension and dairy management advise to avoid and prevent diseases. The privatisation of (para)vets lessons from other LMICs such as Mali, Indonesia, Ethiopia and Paraquay, show that private entities can partner with the public veterinary

¹⁷ https://www.woah.org/app/uploads/2021/03/oie-ppp-handbook-20190419-enint-bd.pdf

services. This is common practice in many HICs with developed private services and requires policy and budget.

Genetics and breeding services: Genetic potential for dairy production is very important in two cases: (i) if the potential is so low that even if managed well the production remains too low for profit; (ii) if circumstances are harsh and not enable expression of genetic potential for production. Uzbek local cows may fall under the first category and imported cows under the latter. For dairy development in Uzbekistan, robustness and production potential are both important to breed into the (national) dairy herd. Depending on the production systems the traits for these breeding goals are balanced. AI with a shared breeding record system (e.g. pedigrees per production system or per region) is a shorter and safer way of achieving this and has many benefits for farmers. Diversification of the genetic pool must be kept/stimulated (reduce current inbreeding). AI can also speed up the increase in number of dairy animals (incl. crossbreds). Currently the internal Uzbek market supply of dairy animals is low, esp. for SHFs. Uzbek policy links import of dairy animals to land access, which disturbs the dairy cattle market as well as upgrading animals locally.

Description of 1.4 sub-activities

Extension services. Extension will complement the farmer field school training that the targeted farmers receive. The public extension service, via the Committee of Veterinary and Livestock Development (CVLD), is currently not able to reach the majority of smallholder farmers, including the Project's target groups. The recently established AKIS (National Centre for Knowledge and Innovation in Agriculture, established by GoU with funding from EU) combines research, education and extension services. Its new extension service will start in 2024, which will be free of charge for three years and can potentially be of service to DVCDP II beneficiaries. After having been trained (LFFS), DVCDP II will pilot a voucher system to provide continued access to extension. This can be via AKIS for a subset of the targeted smallholder farmers for an additional three years. In parallel a number of MCCs established under the project (see Activity 2.1) will work with private extension workers (paid by e.g., processor or farmers group). The project will also invest in an extension package for dissemination via media outlets. Most households in Uzbekistan, including the poorer ones, have access to mass media and social media. This can be an effective communication modus for educational and dissemination purposes, including other farmers' experiences, to reach smallholders in and beyond the project to overcome the knowledge gap they have in comparison to large scale private farmers. Milk collectors, who are in direct contact with the producers, will also be used as a channel of information communication and to provide certain advice. These collectors will receive trainings related to milk handling and hygiene, milk quality, etc. (see Activity 2.1).

Last mile animal health services. Animal health management is pivotal for productivity increase and also for reducing greenhouse gas (GHG) emission intensities, reducing zoonotic and transboundary disease risks, and securing food safety and animal welfare. The Government of Uzbekistan is investing in the public veterinary services, including via the World Bank project "*Development of the livestock sector in Uzbekistan - Phase 2*". This project will cover the necessary strengthening of the public animal health services, including laboratory capacity. DVCDP II will complementarily invest in last mile private veterinary service delivery to ensure that smallholder farmers in the targeted areas have access to therapeutic and preventive animal health services. A close cooperation with other existing donor programmes (e.g., World Bank, AFD) will be systematically pursued throughout the project implementation to foster synergies and avoid overlaps in the project activities and proposed trainings curricula.

For areas with less endowed smallholders and/or where smallholder farmers are dispersed, para-veterinarians will work in collaboration with veterinarians, making the simple or routine services more affordable. This will require a policy review and geographical mapping study on economic feasibility. In follow up to this review and study, a four-year programme will be developed and executed to enable some 300 veterinarians and para-veterinarians to offer private animal health services to especially smallholder farmers to complement and also contribute to the public system. A tailored training, including technical as well as business knowledge and skills, will be developed and provided to the candidates of the programme. In addition, matching grants will be offered to the trainees that successfully complete the training to embark on the four-year phased trajectory, whereby they are contracted to offer a package of bundled services to smallholder farmers. Each following year, the amount for the service package will diminish and income from additional services should increase. This process will be closely monitored. Loans for professional gear can be provided (see under Activity 2.2).

Breeding services. Breeds that are improved regarding productivity traits can provide more milk than Uzbek local breeds. If improved dairy cows are kept under conditions that are not suitable for them, they will not produce to their potential and moreover due to higher feed and health requirements may raise production costs to an extent that the improved dairy cows are less production efficient and generate less profit than local breeds. Especially for the poorer households this can pose a livelihood risk. Additionally, in locally bred cattle resilience traits have been selected and preserved, making these breeds better equipped to adapt to local conditions. Resilience traits and capacity to adapt have become increasingly important with climate change. Breeding for dairy stock requires selection of both productivity and resilience traits.

Uzbekistan has released a national policy for the development of the livestock sector¹⁸, which includes an objective to import foreign breeds to upgrade the national dairy herd, via the provision of credit to private and registered dekhan farmers. Artificial insemination (AI) has been established but is not always familiar or accessible for most smallholders and is not widely adopted among these farmers yet. The project will promote artificial insemination (AI). Farmers participating in the L-FFS training will receive AI vouchers representing up to 20 USD. The existing AI infrastructure will be strengthened, and AI will become part of the bundled services of the 300 private (para)vets in the project's animal health services programme and 100 additional inseminators will be trained. The project will also promote endogenous breeding, whereby local farmer breeding groups will be developed and supported to strategically improve productivity traits in their herds, while preserving resilience traits, through participatory local breeding programmes. These groups will produce Uzbek dairy breeding bulls. Animal identification and recordkeeping of hereditary lines is essential. Through the WB project, the GoU is investing in a national electronic animal identification system, which will greatly help the breeding groups and the exchange of information and bull semen between breeding groups. Successful breeding groups can receive training and to start up small semen collection centres, and receive matching grants for equipment and liquid nitrogen. This will be preceded by a feasibility study (see under Activity 1.5).

Implementation modalities and partners.

¹⁸ Programme for the development of livestock sector and its branches in the Republic of Uzbekistan for 2022-2026 (<u>https://lex.uz/docs/5858728</u>). In the first annex of the document, it is mentioned that the strategy will "ensure the development and implementation of a breeding plan for the next 5 years on importation, zoning and reproduction of high-yielding breeds of livestock adapted to the climatic conditions of the Republic, artificial insemination and embryo transplantation".

Extension services. The PMU will establish an extension voucher system with the relevant extension implementors, *e.g. AKIS, the Farmer Council, Damarqua Hiszati, or other private parties*, especially tailored for SHFs. The content and quality of the materials and extension workers will thus be set to a standard and implementors and PMU negotiate modalities, timelines, value of a voucher, etc.

The project will invest in an extension package for dissemination via media outlets. The PMU will contract a *professional media partner* and establish in consultation with (one of the) L-FFS master trainers a media and SHF dairy training and extension communication plan with this partner with a focus on L-FFS training content and L-FFS farmer group experiences and accomplishments. The goal is first to inform and inspire Uzbek SHFs and dairy stakeholders (create awareness for on-farm practical training and extension), including institutional staff and policy makers and further serves as a media training and extension tool for as well the project target groups (can review and learn from other L-FFS groups) and for other SHFs with an interest in dairy.

Last Mile Animal Health Services. This project activity is complementary to the public services of the GoU – Committee of Veterinary and Livestock Development (CVLD), and to the WB project that will be implemented by CVLD. The PMU will work together with the State Committee of Veterinary and Livestock Development (MoU) on the policy review to check for any obstacles for the implementation of the (para)veterinary (and AI) privatization pilot and policy preparation if necessary. An international consultant can assist, if necessary (TA). The GoU is responsible for the staffing in the CVLD and project areas of public livestock production extension workers and veterinarians. The CARIS Center of the State Agrarian University (SAU) will perform the veterinary (and AI) service geographical coverage and economic feasibility study (MoU) for privatization. Under supervision of the PMU, the curriculum for the training and the bundled services package will be developed by the CVLD and the SAU. An international consultant can assist, if necessary (TA). The training will be predominantly practical and given by CVLD / SAU, e.g. the developers of the curriculum, as well as practical experts, e.g. veterinary practitioners, private service providers, accountants, etc.).

The privatization programme will start in selected project areas. The PMU will lead this programme and guide and monitor the (para)vets and allocate the limited credit for professional gear. The Project has additional budget for recruiting assistance to the PMU for this task (and also including AI privatisation). This can be a local consultant or NGO.

The candidates (certified para-vets/vets) that are selected to be trained and subsidized to become private para-veterinarians will receive training in esp. business keeping and SHF commercial dairy management and practical skills in groups of 30 (for the practical sessions divided in groups of 10 to 15) in a 2 (to 3) week training. Ten groups are trained spread over three project years, resulting in 300 private para-veterinarians. The private (para)vets will initially be subsidized by offering bundled services (production related as well as public related services) identified and proposed by SAU/CVLD. The subsidy will decline each year for four years (80%-60%-40%-20%). This phased privatisation programme will be closely monitored and guided by a local recruit (individual or NGO). At mid-term review the privatization process, coverage and quality of the animal health care services will be assessed and options explored to further scale up the private component of the veterinary services domain.

Breeding services. The AI, breeding centres and breeding recording system in Uzbekistan will be mapped and assessed technically, and in terms of economic feasibility and service coverage in the project areas and for project target groups. The PMU will and /or the SAU (MoU). An (inter)national consultant can assist, if necessary (TA).

An AI voucher system will be developed by the PMU. All L-FFS trainees will be provided with vouchers (conditional grant) and can spend these with AI service providers than have a contract with the PMU. The voucher system requires recording and monitoring (fraud, service quality, success rates, type of semen) of both ends of the "contract" (service provider as well as service recipient). The PMU can call in assistance for the development and monitoring of the voucher system for instance via a MSc study grant (see under Activity 1.5). Such a study could also include benefits and opportunities of AI adoption by SHFs.

A practical AI training is developed under supervision of the PMU. CVLD in collaboration with the Veterinary University in Samarkand and AI centre(s) will develop and organize the trainings for 100 new inseminators. Part of the training will be theoretical (Vet. University) and for the most part practical skills and know-how will be addressed in the training. The training can also be given to existing inseminators as a refresher course (see exit strategy).

Kaskandaryan farmers, who are receiving or have received L-FSS training and take an interest in breeding, can form breeding groups. The groups initially take guidance from a L-FFS facilitator and researchers (see under Activity 1.5) and are monitored and supported by the PMU. An international consultant can assist, if necessary (TA), also in formalizing and legalising the group into a farmer organization, if assessed successful. The breeding groups will work with a recording system, develop breeding goals and standards, exchange information, have field visits, organize shows, etc. The groups can request the PMU for matching grants for their activities. Some groups can decide to become/have/start a breeding or AI centre. The feasibility will be assessed and in case feasible, credit can be provided to the formalized group or private individual/enterprise.

Main risks and mitigation

Extension and veterinary care need to connect to the farmer, in this case the SHF. If they do not, their impact on the majority of farmers and thus the diary sector development will be nihil. Uzbekistan's extension and veterinary system is designed as a public service. Public funding of such a system can usually not keep up with private business development in agriculture and farmer access to these services will not increase or even decline.

The project's pilots will contribute in a change in this condition and contribute to greater access for SHFs and in doing so mitigate this risk to SHF dairy development.

Privatization of services can be a precarious multi-actor process and needs close planning and monitoring by the PMU. Since economic and public interest play a role, such a process can become political. Starting with a policy review and mapping the economic feasibility and introducing limited groups of private service providers to complement their public peers and not superseding the economic capacity to avoid competition with a race to the bottom, mitigates this risk. Also, an unsuccessful (para)vet privatization can for instance cause scepticism, illegal operating service providers (potentially increasing public health risk) or loss of service quality. Hence, good planning and close monitoring and guidance is a must.

Voucher systems (i.e. for AI) can be susceptible to fraud. Contracts can prevent this and records of issue and consumption of the service must be matched to check potential fraud or misuse.

A breeding programme (with hereditary records systems) must be owned by the users (SHFs) to be successful for the SHF production system. Trusting others (non-Hashar) for doing business with is not common in Uzbekistan. The breeding group pilot in Kaskandarya is a true pilot in that sense too. Animal identification (by WB project), transparent record keeping

(certifying this) and the assistance of research in collaboration with the LFFS facilitators (trust entities) are mitigating the risk that people will not wish/dare working together in a collective effort.

3.1.4 Activity 1.5 – Applied research, pilots and dissemination.

Expected results

Research in Uzbekistan is generally of modern standard and well developed for livestock topics, although less focussed on application and on SHFs (these being the most important contributors to the dairy sector development).

This activity will aim at achieving the following results:

- Stimulation of research in service of smallholder farmers, including for the farmers in the project areas such as the 28,000 targeted HHs;
- Engaging especially young scientists (MSc. studies) from various disciplines in SHF topics related to the project objectives and activities;
- Knowledge contributions to the pilot for app. 75 breeding groups and a breeding record system in Kaskandarya and analysis and reporting for future scaling up of this pilot;
- Inform on a dairy related zoonotic disease control and eradication strategy and meanwhile contribute to veterinary epidemiology and economics capacity building.

The **direct beneficiaries** for this activity will be:

- At least four young scientists (MSc level) and their national and international supervisors will accomplish relevant research results and benefit from career development and possibly future opportunities;
- 75 farmer groups benefit from advice and guidance regarding breeding knowledge and recording;
- At least two national experts/researchers benefit from working with the 75 breeding groups to set up an Uzbek breeding system;
- At least two national experts/researchers will accomplish relevant research results and benefit from career development and possibly future opportunities.

The **indirect beneficiaries** for this activity will be:

- The project's 28,000 targeted farming HH and other Uzbek dairy SHFs;
- Other researchers and students that can follow up on the research and build research capacity for SHF dairy farming;
- Breeding and AI centres in Uzbekistan;
- The GoU, Veterinary Committee by generating/ receiving an informed risk and strategy report on an economic relevant zoonotic disease;
- The Uzbek dairy sector.

Lessons learned

Research for economic, social or rural development is different from research for academia. The end users of the research outcomes are not other researchers, but decision makers such as policy makers, farmers or other entrepreneurs. Usually, applied research, interdisciplinarity and a holistic (e.g. phenomenological instead of reductionistic) approach are necessary. In, for instance, the French and English scientific domains such research is executed and amply

published. For the Uzbek context such research seems rare. Nevertheless, such research potentially has tremendous impact on the development of the dairy sector as a whole and the large SHF section of the sector in particular. DVCDP II pilots MSc studies to stimulate this type of research, especially among future scientists and meanwhile have the SHFs and the dairy sector benefit from this.

Description of 1.5 sub-activities

Investments in short and applied research studies have the aim to assist in piloting innovations for scaling up in DVCDP II project, generate knowledge for project beneficiaries, inform policy and/or build institutional capacity with regards to further climate smart dairy development and smallholder farmer empowerment and dairy management practices. The following research, pilots and dissemination will be carried out under DVCDP II:

- Bovine Brucellosis, a zoonotic disease of great importance in dairy production and food safety, causes abortions in cows, which can lead to great loss for dairy farmers. Not only the calf, also the subsequent lactation is lost. Information and publications on the prevalence of this disease is contradicting from very low to very high in cattle and high in humans. A prevalence study will be executed in the five project regions in order to inform on whether current ring vaccination and test and slaughter strategy is still appropriate and to guide on a long-term strategy for disease freedom in the dairy sector.
- Technical and organizational support for local breeding groups. The project will facilitate the establishment of local breeding groups. Uzbek institutes, such as the Livestock Research Institute and the State Agriculture University in Samarkand (CARIS), have knowledge on genetics and breeding and innovation, economics and organisation. A geneticist will be consulted to map the needs for conserving resilience and upgrading productivity traits for the targeted smallholder farmers and the local groups will be supported in setting up a recording system and endogenous climate smart breeding programmes. The development of the breeding interest groups, and its knowledge management may need monitoring and guidance. The project will provide some organizational/business development training for successful groups. However, an economic feasibility study (MSc study) will be conducted before further investments.
- The project will competitively grant MSc research proposals. Research and policy in Uzbekistan are not yet very supportive of dairy development for the majority of farmers, namely smallholders, resource poor farmers, women farmers, etc. These farmers are essential for dairy development in the country. DVCDP II will consider MSc research proposals from Uzbek research institutes and universities, that are addressing research needs for these farmers or policies for these farmers. The disciplines can vary from rural sociology, rural development, agricultural economics, extension, animal feed and housing, farmer organization, dairy technology, land use, and other. Topics should be relevant to the objectives of DVCDP II. Connection to the project and international collaboration are and advantage. Approximately 4 studies will be selected.

Implementation modalities and partners.

• *Bovine Brucellosis*. A prevalence study will be executed in the five project regions in order to inform on whether current ring vaccination and test and slaughter strategy is still appropriate and to guide on a long-term strategy for disease freedom in the dairy sector. This study will be performed by CVLD with veterinary epidemiology and disease economic expertise (being establish by the WB project).

- Technical and organizational support for local breeding groups. The project will facilitate the establishment of local breeding groups. A breeding and genetics specialist of the Livestock Research Institute will be consulted to map the needs for conserving resilience and upgrading productivity traits for the targeted smallholder farmers, thus vis à vis their economic and climatic context. The local breeding groups will also be supported in setting up a recording system and endogenous climate smart breeding programmes. In collaboration with the LFFS facilitators of the breeding groups, the farmers will be informed about the research results in a way that breeding choices become clear and accessible for them and they can work on a collective breeding programme and recording system. The farmers are the end users of this research, but other communications may be considered as spin off (e.g. in form policy makers). The development of the breeding interest groups, and its knowledge management may need monitoring and guidance. The project will also provide some organizational/business development training for successful groups. However, an economic feasibility study (MSc study) will be conducted before further investments. The SAU (CARIS), has knowledge on innovation, economics and organisation and can assist with such a study. The PMU and LFSS facilitators support the groups in their development. The researchers are consulted and take part. The PMU supports in becoming legal entities and obtain funding, for those groups that meet criteria for that.
- The project will competitively grant MSc research proposals. DVCDP II will consider MSc research proposals from Uzbek research institutes and universities, that are addressing research needs for these farmers or policies for these farmers. The disciplines can vary from rural sociology, rural development, agricultural economics, extension, animal feed and housing, farmer organization, dairy technology, land use, and other. Topics should be relevant to the objectives of DVCDP II. Connection to the project and international collaboration are an advantage. The PMU (Livestock Specialist or other) will formulate study and student selection criteria and consult with relevant Uzbek research facilities about research supervision and support (including international collaboration). Explicit criterion will be working with and for the smallholder farmers in the project and providing these with the research proposals for approval and planning (incl. a publication and dissemination plan) and the PMU consults with an independent international research expert on the topic, to review the MSc proposal and provide advice.

Main risks and mitigation

The MSc. studies and Brucellosis study have no particular negative risks, rather positive risks (=opportunities). All research bares inherent risk of unintentional or intentional (e.g., fraud or bias) false outcomes, which can be especially impactful when meant for decision making. The project mitigates this risk by adhering to common practice in (international) science of anonymous and colleague peer reviews, writing competitive research proposals that need to be approved and research reports for funding. The previous also applies to the breeding pilot study, but this study is in addition directly integrated in one of the DVCDP II activities. The study results thus have effect on the achievement of this breeding project activity.

3.1.5	Phasing and	implementation	plan for	Component 1
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Activity/task	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7
Activity 1.1 Mobilizing farmers and HH and build	ling cap	acities					

Activity/task	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7
Farmer mobilization and capacity buildings							
Signing a MoU with the mahalla and hiring of social mobilisers							
Pre-identification of target districts and							
communities							
PRA activities and social mobilisation							
Group formation							
Training groups on financial literacy and business							
management							
Activity 1.2. – Improving access to water, fodder p	roductio	on and	grazing	land		•	
Technical trainings and capacity buildings on impro	ved wa	ter mar	ageme	nt and i	irrigatio	on	
Developing the ToRs and recruiting the trainers							
Training of trainers (TOT)							
Training of the field facilitators							
Training of dekhan farmers and private farms							
Water harvesting trainings and access to equipmer	t					•	
Needs assessment and identifying potential beneficiaries (both grant beneficiaries and loans beneficiaries)							
Developing the ToRs for the purchase of the water harvesting equipment							
Installation of the water tanks and the related equipment							
Rehabilitation of communal water points							
Study mapping existing water points and number of HHs and livestock benefitting							
WU Groups formation and training on resource management							
Works for the rehabilitation of the water points							
Improved fodder production							
Training of dekhan farmers on feed and fodder production and management							
MoU with research institution/university on multiplication/upscaling of drought resilient seeds							
Groups formation and access to drought resilient seeds and fodder							

Activity/task	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7
Hydroponics							
MoU with university/research centre on upscaling hydroponics							
Field visits to farmers and private farms using hydroponics for fodder production							
Groups selection and installation of hydroponic equipment							
Youth groups for fodder production and service pro	vision						
Identification and formation of youth groups							
Training of the youth groups							
Purchase and distribution of equipment							
Rehabilitation of grazing land							
MoU with the State Committee on Forestry							
Sites selection and communities sensitisation and development of management plans							
Rangeland rehabilitation activities							
Activity 1.3 – Improving dairy production and farm	manag	ement					
L-FFS training model							
Development of the curriculum and modules							
Developing the ToRs, recruiting the master trainers							
ToT for facilitators							
Operations facilitation of LFFS groups							
Monitoring of facilitators, training quality							
Catalytic grants	1						
Criteria and inventories candidates							
Grant allocations							
Activity 1.4 - Improving access to extension and h	ealth se	ervices		•	•		
Continued extension							
Development of voucher system							
Implementation and monitoring of 'voucher extension'							
Media extension							
Development media extension plan							
Implementation extension via media							
Animal health service privatization pilot						•	
Policy review							
Coverage mapping and feasibility study							
Curriculum and bundle development							
Training							
Loan allocations							
Implementation, guidance, monitoring, catalytic grant (subsidy kit and salary)							
AI and breeding groups	•						
Inventory AI & breeding system							

Activity/task	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7
Development of the AI voucher system							
Development practical training for inseminators							
Training of inseminators & insemination kit							
Monitoring inseminators (under vet privatization)							
Pilot formation of breeding groups							
Allocation of subsidy grants to breeding groups							
Activity 1.5 – Applied research, pilots and dissemin	nation						
Brucellosis prevalence and strategy study							
Prevalence study and report for policy							
Breeding system study							
Breeding for SHF dairy genetics study (Uzb LRI)							
Formation breeding interest groups, guidance							
Setting up breeding programmes and recording systems (Uzb LRI)							
Assisting groups in field visits, shows etc and prepare formalisation of groups							
Knowledge contributions and study of farmer interest group formation (CARIS)							
Legalizing and professionalizing breeding associations							
MSc study grants							
Proposal identification and allocation							
Implementation							
Reporting							

3.1.6 Sustainability and exit strategy

Activity 1.1

A cadre of social mobilisers will be created by the project. Capacity already exists in the country to undertake participatory activities and community-based targeting. Collaboration with the mahalla and the WCU will be key for the success and sustainability of targeting social mobilisation and group formation activities. Training and awareness raising of project's staff and partners will also be key to ensure that the project reaches and mobilise the intended target group. The information and communication campaign will be tailored to the needs of mor vulnerable groups.

Activity 1.2

Harvesting water equipment: the selection of the beneficiaries will be made on the basis of the need assessment targeting the highly needed households who has restricted/limited access to water thus somehow ensuring the importance and necessity for such investment for them. In addition, the required beneficiaries contribution (10% in kind, cash or both) will also guarantee the good use of the water tanks.

Youth fodder groups: the establishment of the youth groups form the start of the project will allow enough time for their support and coaching. The technical and managerial trainings received will allow these groups to acquire the necessary skills to run the business. In addition, the demand for fodder is very high which guarantee a reliable and constant market for these

groups. The additional technical services that these groups will provide to the farmers will allow them to secure additional funding almost on a daily through the year. Finally, the experiences and lessons learned from other IFAD funded projects (mainly the youth groups in Morocco) will be of help during the implementation period of the project.

Rehabilitation of water points: the sustainability of these investments after Project completion will be assured through the establishment of water users groups (WUGs) at the village/community level and the trainings they will receive on resource management. Beneficiaries financial contribution (20% in cash and in kind) will also allow more ownership of the investment.

Rehabilitation of degraded rangeland: the State Committee on Forestry has among its prerogative the rehabilitation of degraded rangelands and its preservation. In addition, the collaboration with the local communities (participatory approach) in the development of communal rangeland management plans will ensure ownership of these communities and its respect of the agreed pastoral activities during the specific periods of the year.

Hydroponics: producing fodder using hydroponics technology is a suitable alternative to tackle the issues related to access to land and water. In fact hydroponics require less water compared to conventional fodder production, less/minimal land requirement, lower inputs use (essentially pesticides and herbicides), no harvest/post-harvest losses, and generates higher yields. The currently use of this technique by some small and medium-scale livestock producers is also an indication of its economic sustainability.

Activity 1.3

L-FFS model: During and after the L-FFS training, farmers will learn how to access knowledge and services and become entrepreneurial and they will be involved in collective activities that groups will implement in parallel to the learning by doing process. Such can be credit & saving, breeding, fodder and fodder seeds production, or additional income generating activities such as managing MCPs, milk processing and sometimes even non-dairy or non-livestock related income generating activities. The L-FFS model is transformative in nature, so sustains with the communities that have been trained. This includes adoption of technologies.

The project's training will reach 28 000 HHs, but the outreach to more smallholder farmer HHs in Uzbekistan after the project can be made multifold. If the GoU choses to further invest in dairy sector development, the L-FFS can cascade into second and third generation training, whereby selected (lead) farmers can be trained to become new trainers (facilitator trainers) for new groups of farmers, then augmenting the beneficiaries to an additional 60,000 farmers and more. At midterm review of the project, an assessment of the suitability for Uzbekistan of recruiting lead farmers can be undertaken. Alternatively, professional facilitator trainers can repetitively start new groups.

The L-FFS model is supported by a conducive environment of services, market and credit access and followed up and combined with extension access. This also needs replication after the project, so L-FFS is made part of a "total package".

Activity 1.4

Extension: The voucher system is meant to boost the extension landscape to include extension for SHFs. The GoU, private partners (such as processors) and other stakeholders in the development sector will benefit from SHFs being knowledgeable and participating and will have to invest in extension for SHFs. DVCDP II will have modelled how training and extension can be undertaken and what the impact will be (returns on investment).

The extension by media activities will leave a well of materials, that can be re-used and can reach far beyond the project area and duration.

Last Mile Animal Health Services: In areas where economically feasible, private (para)vets will have a business model that can sustain them and they are bound by government policy and legislation to adhere to public duties related to their profession. They can perform these when compensated by the GoU. In this manner, they form a pool for executing the governments public tasks, such as emergency response and vaccination campaigns, if this cannot be done by the public livestock extensionists alone. In remote areas where private (para)vets cannot sustain, the government offers/subsidizes the service to maintain services coverage.

Breeding services: Breeding services are foremost a private good and eventually need economic sustainability. The project provides start-up subsidies and credit for increasing AI adoption among SHFs and piloting for putting an endogenous dairy breeding system in place for strategic improvement vis à vis productivity and resilience traits of the (national) dairy herd (per production system). The duration of the project will be too short to upscale these new and necessary initiatives. DVCDP II has linked this project activity to research activity 1.5 for knowledge input and analysis contribution and for the outcome to be an advocate for policy design and CFI's to further develop and upscale the breeding service activities.

Activity 1.5

The research outcomes will be published and where possible feed back into the project. The breeding study lays a foundation for a breeding system (Kaskandarya pilot) and meanwhile builds pro SHF research capacity. If the Kaskandarya pilot is adopted and scaled up, more contributions from the researchers will be asked for and additional studies can be initiated upon public/private requests. The MSc studies also will first of all build pro SHF research capacity and in topic related to the project interventions.

The study outcomes will be published and can then also be helpful for policy information and even to other countries that also wish to embark on transitioning dairy development with small scale farmers. Activity 1.5 potentially introduces more research directly benefitting the farmers (Action research). International partners can perhaps be found for collaborating in this new research field.

The Brucellosis study will inform on zoonotic risk for the farmers (and food safety), but is primarily meant to inform the field of veterinary epidemiology and economics in Uzbekistan and thus policy (and public budget) on a strategy that balances the medical and economic risks of this disease and provides a roadmap to its control and eradication. Uzbek veterinary epidemiology and economics capacity and consequent policy information will be built by the WB project.

3.1.7 Contribution of Component to IFAD's mainstreaming themes

Gender: Almost all famer activities under this sub-component will target 40% of women. Women are usually very keen to join social mobilization activities and group trainings and this target should be attained for L-FFS. Gender equality and women's empowerment trainings will be embedded in L-FFS curriculum. For cultural reasons it will be unrealistic to aim for 40% targeting for service providers, since not many women will be qualified as (para)vets or wish to become inseminators. For the breeding groups (no qualifications required), women will be encouraged to take part. For the MSc studies, women will be encouraged. **Youth:** The proportion of youth will be 30% for L-FFs groups (not may young people own cows), but for the fodder groups and off-farm jobs, MSc studies the percentage will be higher. For interest group formation, youth will be encouraged to take part.

Nutrition: L-FFS addresses nutritional issues and DVCDP II will raise awareness (for targeted households and in the media extension activity) and promote behavioural change on nutrition.

Climate change: Climate change will be integrated in the L-FFS curriculum. The main contribution in terms of climate change adaptation will be: the promotion of water harvesting; fodder cultivation, in particular climate resilient fodder varieties, fodder harvesting and conservation to cope with seasonality and increasing dry spells; promotion of strategic breeding; increasing animal health services access. In terms of climate change mitigation, the main contribution of Component 1 will be through improvements in the productivity of animals. This will result in lower emission intensities and derive from: promotion of higher quality fodder, which will contribute to reduce methane emissions due to enteric fermentation; promotion of animal health and animal husbandry; promotion of strategic breeding, fertility management, etc.; and use of renewable energy sources.

3.2 Component 2 – Increasing participation of small-scale farmers in the dairy value chain

3.2.1 Sub-component **2.1** – Establishing Milk Collection Centres (MCCs)

Expected results

- Increase in the volumes of milk collected, refrigerated and processed through the formal dairy value chain.
- Medium and large-scale milk processing units have better access to quality milk and working at higher transformation capacities.
- The number and the capacities of milk collection centers increased, and quality milk is chilled and preserved in hygienic conditions for its transformation by the processing units.
- Smallholder producers have better opportunities to be part of a more organised dairy value chain and to sell their milk to the milk collection centers.
- Smallholder milk producers organised in groups and collectively bulking, chilling and marketing their milk to the MCCs.
- Milk collectors (mainly youth) and traders are organised, trained and equipped to test and collect quality milk in hygienic and good conditions.
- Women involved in dairy products processing and marketing are trained and have access to new equipment leading to improved quality products and access to marketing channels.

Direct beneficiaries will be around **14,670 persons** in total distributed as follows:

- 12,000 milk producers with access to MCCs as a marketing channel (30% of women, 30% youth);
- 1,000 groups of smallholder milk producers (total 10,000 producers) equipped with milk refrigerators;

- 100 milk collection centres constructed and equipped with a total number of 320 persons directly employed (managers and staff);
- 230 MCC operators/managers trained;
- 600 milk collectors equipped with adequate transport and milk collection means and trained on milk testing and handling;
- 15 large-scale milk collectors acquired refrigerated milk transport trucks and pic-up cars
- 1,735 women involved in small-scale dairy processing trained and equipped with smallscale processing equipment

Lessons learned

Milk demand: from the impact assessment report of DVCDP, milk demand seems to remain very strong; but in remote areas people are still also relying on home-made processing to avoid milk losses – thus the importance of MCCs to provide them with immediate access to reliable storage and market. The report also highlighted that Processors seem also to enjoy a strong market demand that they are still far from fulfilling (they operate between 20 and 60% capacity) – thus again the importance of MCCs to help them gather more milk, and in a more economic way. The construction of 100 MCCs during the lifespan of DVCDP II (by mid-term all MCCs should be fully operational) will definitely boost the dairy value chain in the country and increase the volumes of processed milk.

The project completion report of DVCDP also mentioned that **Milk Collection Centres** (**MCCs**) play a crucial role in strengthening the dairy value chain, by aggregating milk production and facilitating the supply to dairy processors in an environment which lacks organised producer groups and cooperatives and milk collection capacities. Issues in management these MCCs should be carefully analysed. DVCDP II envisages to test three (3) management models (see activities section below with details about these models) in addition, trainings and capacities building for the MCCs managers and technical staff are programmed.

The impact assessment report of DVCDP highlighted that Investments in MCCs present strong ownership from implementers. Co-investments made by these MCC implementers (building) reduce the risk of under-utilization. DVCDP II has also envisaged co-investments by the beneficiaries of the MCCs (could be processors, producers organisations/cooperatives, milk traders/private investors) that could be either cash, in kind or both.

DVCDP project completion report also highlighted that the establishment of cooperatives/associations of small milk producers is a difficult and not always successful process. DVCDP II will select successful producers groups from the L-FFS, train them and pilot (5 pilots) around the end of Project third year the establishment of MCCs managed by these producers associations/cooperatives.

Description of activities

Activity 2.1 – Construction and equipment of new Milk Collection Centres. The MCCs will play an important role in this second phase of DVCDP II. During the first phase of the project, four (4) MCCs were established by the end of the project and they are at their initial stage of functioning with limited possibilities to assess their impacts. The Project will provide technical support and trainings on milk handling and testing as well as on business management to these recently established MCCs. In addition, the project will establish/construct additional 100 MCCs. Depending on the management model (see paragraph below) of these MCCs, the project will either finance both the construction and the

equipment of the MCC, or only finance its equipment. The Project will also provide technical support and trainings on milk handling and testing as well as on business management to these MCCs too.

Three MCCs management models will be adopted during the implementation of this second phase. (i) MCCs managed by a dairy processor, where in this case (as per DVCDP first phase) the processor will be in charge of providing the land and finance the construction of the building and the Project will fund the equipment of the centre. If needed, the dairy processor will have access to the credit facility under Component 2.2 (Window n°4) to get a loan and finance this investment, including the purchasing of transport means. The capacities of these MCCs will be relatively large around 4,000 litres (cooling tanks capacities); (ii) MCCs managed by a private company/individual trader, in this case, the Project will finance the construction and the equipment of the MCC. The trader/company will provide the land. The cooling capacities of the MCCs will vary depending on the location of the MCC (high milk production locality or not); (iii) MCCs managed by farmers associations/cooperatives, the project will pilot the establishment of five (5) MCCs managed by farmers associations/cooperatives, supporting their sustainability by setting up public private producer partnerships (4Ps). In particular, the project will provide the stakeholders involved in these 4Ps with technical support in the identification, design, implementation and monitoring and evaluation of those partnerships. Activities to be financed are (i) training for Dekhans to form POs and/or Farmer Associations/cooperatives; (ii) support the creation of solid business plans (iii) legal services to draft 4P agreements and negotiate and enforce contracts between the parties. This pro-poor model will be tested by the third year of the Project once better collaboration and cooperation have been established between the milk producers, and is expected to evolve into mutually beneficial, inclusive and viable business relationship between the dairy processors/buyers and the small milk producers.

All constructed MCCs will be equipped with milk testing kits and small-scale laboratories that will allow testing of milk quality (fat content, protein content, bacterial cells count, milk density, alcohol test, etc.). The new MCCs will also be equipped with solar panels to reduce the use of fossil energy sources. Beneficiaries of the MCCs will be required to contribute 50% to the cost of the solar panels. The staff of these new MCCs will receive training and capacity building in the areas of milk quality and hygiene, milk testing, records keeping, business management, and contract negotiation.

In terms of MCCs cooling capacities, three (3) types of MCCs will be constructed and the choice of the MCC capacity will mainly be based on the current milk production and collection capacities of the area where the MCC will be established as well as the potential future development of milk production. These MCCs are:

- MCCs with total cooling capacities of 1,500 litres. In total 40 MCCs will be constructed.
- MCCs with total cooling capacities of 2,500 litres. In total 40 MCCs will be constructed.
- MCCs with total cooling capacities of 4,000 litres. In total 20 MCCs will be constructed.

Activity 2.2 – Organization and equipment of milk collectors/traders. The optimal functioning of the MCCs requires not only equipped centres and well-trained staff and but also a conducive surrounding environment with regular supply of quality milk. For this reason, DVCDP II will provide through catalytic grants, around 600 refrigerated tricycles for young milk collectors who will also receive milk containers and a portable milk testing kit each. The selection of the beneficiaries will be based on various criteria including the age (youth), the income level of the household (priority to the very poor ones), the study level, etc. Contracts,

including the details on quantities and prices, will be signed between these transporters and the MCCs for daily milk delivery. The transporters will also benefit from trainings on milk testing and milk handling and hygiene. They will also contribute to the dissemination of good practices information and product quality to the producers. Larger milk collectors (e.g., MCCs, dairy processing units) will also have facilitated access to refrigerated milk transport trucks and pick-up cars through loans provided by the project under the credit financing Window n°4 (see below Activity 2.5).

Activity 2.3 – Equipment of producer groups with milk refrigerators. At the production level, around 1,000 groups of producers (the ones who were formed through the L-FFS) will also benefit through the catalytic grants from small-scale milk cooling equipment functioning with solar panels, milk containers and a simple lacto-densimeter for milk testing. In this case also, agreements will be established between the milk producers benefitting from these equipment and the milk collectors or MCCs. The most organised and better functioning of these groups will be the candidates to be upgraded to milk cooperatives involved in milk collection (MCCs) as per activity 2.1.

Activity 2.4 – Providing women involved in artisanal dairy processing with smallscale processing and packaging equipment. Around 1,700 women who are currently involved in artisanal milk processing and transformation to dairy products such as kefir, cheese, cream, etc. will also benefit from catalytic grants to purchase small-scale equipment for dairy processing and packaging to improve the quality and the preservation of their products, and facilitate its marketing. These women will also benefit from related training and capacities building sessions.

Implementation mechanisms and partners

The PMU will be in charge of developing the ToRs for the call for interest for the **construction of the MCCs**. The existing ToRs used during DVCDP phase 1 could be updated by the agribusiness specialist but should consider the specificities of the 3 MCCs capacities types. The specifications should also consider the requirements (three-phase electric power) for installing solar panels as alternative source of energy. A competitive tender will be launched to acquire and install the **solar panels**. The selected company should consider the cooling capacities of the MCCs (3 types) when proposing the technical specifications.

In all cases, the same process of competitive tender will be followed for the acquisition of the **milk coolers/refrigerators**, **milk containers** and **testing kits**. For the **small-scale dairy processing equipment** directed to the women, a need assessment should be initially done by the PMU to better understand what type of equipment is required/demanded by the women beneficiaries. Once this is identified, a competitive tender will be released.

All **beneficiary identification and selection** will be done by the PMU. In specific cases, milk refrigerators/cooling for producers and women dairy processors, the L-FFS and the women in HHs identified and trained will be the main sample source. The **trainings** will be conducted by a service provider (could be a private company or a research/development institution or a university) through a competitive tender.

Phasing and implementation plan for Component 2.1

Activity/task	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7
Activity 2.1. – Construction and equipment of new Milk Collection Centres							
Identification and selection of the sites, beneficiaries and service providers (construction and equipment)							

Activity/task	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7
Construction of the MCCs							
Equipment of the MCCs							
Installation of solar panels				-			
Trainings and capacity building for the MCCs operators/managers							
Facilitation of contractual arrangements between producers and MCCs, collectors and MCCs and MCCs and processors							
Activity 2.2 – Organization and equipment of milk of	ollector	s/trad	ers	•	•	•	
Identification and selection of beneficiaries (youth)							
Purchase and distribution of tricycles							
Purchase and distribution of milk containers and testing kits							
Trainings and capacity building for milk collectors/traders							
Activity 2.3 – Equipment of producer groups with m	nilk refr	igerato	rs				
Identification and selection of beneficiaries (producers groups)							
Purchase and distribution of milk coolers/refrigerators							
Purchase and distribution of milk containers and testing kits							
Activity 2.4 – Providing women involved in artisana packaging equipment	l dairy	process	sing wit	h small	-scale	processi	ing and
Identification and selection of beneficiaries (women), and need assessment							
Purchase and distribution of small-scale processing equipment							
Purchase and distribution of milk testing kits							
Trainings and capacity building for women dairy processors							

Main risks and mitigation

There is a risk that the construction of the MCCs could be delayed and left until the end of the Project as it happened in DVCDP. However, the reasons might not be the same because in DVCDP II the funding will be through a grant with co-investments from the beneficiaries side. To mitigate this risk, it is important to proceed from the first year in the identification of the potential beneficiaries and launch of the tender. Also considering the high number of MCCs to be constructed, the project will release various tenders and contract different companies in each region. In this regard, a close follow-up from IFAD supervision missions is needed at the early stage of the project.

There is also a risk that the youth benefitting from the means of milk transport (tricycles) and the milk containers and testing kits, will not use the equipment for milk collection. To mitigate this risk, an agreement will be signed between each beneficiary and the Project under the supervision/presence of the local government (Mahalla level) stating that if the equipment is not used for its primary purpose of milk collection then, it will be returned to the Project. The signing of milk transport/purchase agreements with the MCCs will allow such follow-up. In addition, considering that milk collection is only done in the mornings and evenings, the rest of the time, the beneficiary will be allowed/able to use the tricycle for other business purposes. The project will accordingly develop business plans for these beneficiaries.

Sustainability and exit strategy

MCCs: the construction of the milk collection centres is one of largest infrastructural investments done by the Project. Contrary to what happened during the first phase, in DVCDP II the construction of the MCCs will start from the second year with the expectation to finalise the construction and equipment of all MCCs (100 in total) by the fifth year of the project which will allow enough time for the coaching of the MCCs managers and also assessing the impacts of these investments. The trainings and capacities building provided will also play an important role in assuring good management of the facilities. The fact that all MCCs investments will require co-investments from the beneficiaries will also guarantee the ownership of the latter. The demand for milk and dairy products is very high in Uzbekistan and the majority of dairy industries are working far below their processing capacities which represents a real opportunity for the MCCs.

Considering the low amount of milk collected and channelled through the formal dairy value chain, and considering also the new investments of MCCs that DVCDP II is proposing, the **milk collectors and traders** will play an important role in collecting milk from smallholder producers and transporting it to the MCCs. In this case also the demand will be very high. The collection and transport means provided through grant but with co-participation/investment from the beneficiaries will also ensure the ownership of these equipment. The trainings proposed will improve the skills of the collectors and the contracts that will be signed between these collectors/traders with the MCCs and eventually also the contracts signed or verbal agreements with the producers will guarantee a stable and sustainable business for them.

Part of the **Women** benefitting from the grants on **small-scale dairy processing** are already involved in the business and have the required experience. The other women selected and lacking experience and skills will receive trainings and will also benefit from contacts and visits to the experienced ones. These women will be linked to milk producers (inputs) and will also be linked to potential buyers in the neighbouring villages and/or the cities.

3.2.2 Sub-component 2.2 – Facilitating access to credit for stakeholders in the dairy value chain

Expected results

- Project beneficiaries and other stakeholders in the dairy value chain receive facilitated access to credit to develop their dairy business;
- Long-term relationships are established between loan beneficiaries and participating financial institutions;
- DVCDP II PFIs develop their capacity to analyze loan applications received from dairy value chain stakeholders, including vulnerable HH dairy farmers, women and youth;
- DVCDP II participating financial institutions have successfully extended credit lines to project beneficiaries, in alignment with terms and conditions of each project financing Window;
- DVCDP II PFIs continue lending to clients in DVCDP II target groups after the project completion.

Direct beneficiaries will be around **865 borrowers**, including:

- 210 females and 211 young beneficiaries
- 125 unregistered HH farmers, youth and women receiving loans for the purchase of equipment and working capital
- 450 registered dairy dekhan farmers financed for the purchase of equipment, machinery, cattle and working capital
- 140 dairy private farms working with smallholder producers, women and youth accessing finance for investment, equipment and working capital
- 20 dairy processors and 30 MCCs working with smallholder producers, women and youth accessing finance for investment, equipment and working capital
- 80 private veterinarians and 20 feed suppliers accessing finance to develop their business, for the purchase equipment, machinery and working capital.

Lessons learned

Access to finance is critical for smallholder producers to grow their business, invest on their farm, and increase their productivity and income. Facilitating access to finance to other stakeholders in the dairy value chain, including commercial farms, dairy processors and input suppliers, while supporting pro-poor business models, will also create opportunities for vulnerable people to integrate the value chain, access markets, and have spill-over effects on smallholder farmers. Facilitating access to finance for all stakeholders in the value chain is therefore critical to ensure the development of a more inclusive, sustainable and competitive value chain.

The first phase of DVCDP generated a large number of lessons learned with regards the implementation and provision of credit lines to dairy value chain stakeholders. A total budget of USD 21.7 million was allocated to credit lines from the IFAD Loan under DVCDP. The line of credit was split into four different windows, namely: Dekhan Farmers (W1), Private Farmers (W2), Private Service and Input Suppliers (W3) and Dairy Processors (W4). As of March 2023, a total of 548 loans had been issued, with the following results¹⁹:

- Window 1 Dekhan farmers. A USD 5 million budget was allocated to this Window for the financing of registered small-scale and household-based farms. By the end of the project, 346 dekhan farms had received a loan, with an average loan amount of USD 11,000;
- Window 2 Private farms. A USD 9 million budget was allocated to this Window for the financing of registered commercial farms. About 147 private farms received an average loan of USD 61,000 during the 2017-2023 period.
- Window 3 Private Input suppliers and service providers. A USD 2.3 million was allocated to this window to finance service providers in the value chain, including veterinarians, feed suppliers, etc. 44 input suppliers enterprises received an average USD 51,000 loan.
- Window 4 Dairy processors. A USD 5.4 million budget was allocated to processors in the dairy value chain for to finance investment capital and working capital. Some 32 dairy processors received an average loan amount of USD 143,000 loan.

According to the Project Completion Report, these credit lines had a clear **positive impact on the project beneficiaries.** The Impact Assessment survey conducted in June 2023 at

¹⁹ DVCDP Project Completion Report, IFAD, July 2023

project completion also confirms remarkably positive and significant impacts of credit lines on the project beneficiaries²⁰:

- *Economic mobility indicators*: loan recipients earned about 42% and 75% higher gross and livestock income per capita;
- Productivity: for DVCDP credit beneficiaries, the increase in income and assets were accompanied with a remarkable rise in the productivity of cattle, with an amount of milk productivity per animal and annual value of milk production increased by 53.7% and 82.2% as a result of participation in DVCDP's loan program. DVCDP loans also had positive spillover effects on crop production per hectare as it increased by 71.6% for beneficiaries relative to the comparison group.
- Access to market: for credit beneficiaries, the project increased the likelihood of selling milk in the market by 25 percentage points (pp) vis-à-vis the comparison group. Among market participants, the annual value of milk sales was 40.5% more for the DVCDP credit group while also increasing their share of milk sales in total production by 13.4%.

Notwithstanding these positive impacts, the project completion report also highlighted some limitations in DVCDP credit lines. The Project's performance by financing window was uneven, with Window 1 allocated to dekhan farmers (which represented the core project target group) lagging behind other windows (only 76.9% of allocated funds under this Window had been disbursed by project completion). The project was also **less effective in reaching out to the most vulnerable farmers, women and youth**, with only 120 loans to women borrowers and 131 loans to young people representing only 21.9% and 23.9%, respectively, of the total number of loans (vs. 30% required for women and 30% required for youth) and 63.9% of the target number of youth²¹.

Overall, ongoing projects in Uzbekistan face challenges in achieving their targets related to access to finance for poor dekhan farmers, women and youth. Women, youth, and HH farms are special categories of potential clients for credits. They usually lack assets and collateral, have limited capacities and their business profitability is limited. This group should receive preferential treatment, in the form of **additional guarantees and access to matching grants** to build their assets and facilitate access to credit.

Specific recommendations and lessons learned from DVCDP Project supervision and completion reports with regards the implementation of credit lines for dairy VC stakeholders and the improved outreach to HH farmers and dekhan farmers, women, and youth, include the following:

- The reports highlight the necessity to improve the **financial products** offered by the projects to better deal with dekhan/HH farmers' challenges, by considering provision of guarantees and/or matching grants, also weaking the "barriers to entry" and collateral requirements to enable the poorest and vulnerable people to participate in projects. Close monitoring and support of women and youth beneficiaries should also be ensured all along the loan application and disbursement cycle is needed.
- The project's objectives, targets and expectations should be **better communicated to PFIs** at project start-up, to avoid misunderstanding during the implementation of the Project and poor performance on meeting the outreach targets. These targets

²⁰ DVCDP Project Impact Assessment, June 2023.

²¹ DVCDP Project Completion Report, IFAD, July 2023.

should be also clearly stated in the Subsidiary Loan Agreements (SLAs) signed with the PFIs.

- **Concentration risk among PFIs** should be avoided, by increasing the number of PFIs and considering a maximum allocation per PFI. In DVCDP, Xalq Bank accounted for 77.4% of the total allocated amount, which made the Project increasingly vulnerable to and dependent on this bank. Private banks willing (and eligible) to participate will be actively engaged in DVCDP II.
- **PFIs performance** has to be monitored and analyzed more frequently (monthly instead of quarterly), which allows to detect problems (e.g. asset quality deterioration) at an earlier stage and respond without delay.
- **Currency flexibility** (i.e. both USD- and UZS-denominated loans) in lines of credits should be allowed to offer more choices for end-borrowers but also to mitigate possible changes in the government's policy.
- The appropriateness of the financial product should be **assessed during the implementation phase** and adjustments made if needed (e.g. at mid-term).

Description of 2.2 activities

Building on the above lessons learned, DVCDP II will scale-up DVCDP activities, while developing a specific approach in order to increase outreach to women, youth, HH and dekhan farmers.

The project will apply the following principles:

- Specific approach and financing window for vulnerable groups. DVCDP II, in collaboration with the Participating Financial Institutions (PFIs) will develop tailored financial products and instruments, combining matching grants and guarantees, more in line with the needs of women, youth, and unregistered HH farmers. A specific window dedicated to women, youth and unregistered HH farmers has been established as a pilot under DVCDP II (Window 1), with preferential access to guarantee and project capacity building support for beneficiaries.
- Links between Component 1 and Component 2. Linkages between Component 1 and Component 2 will be systematically sought throughout project implementation. TA support and catalytic grants provided under Component 1 aim at decreasing production risks, building the vulnerable farmers assets, and increasing productivity and profitability of their dairy businesses. Support will also be provided under Component 1 to build the financial literacy of the beneficiaries, support the development of sound business plans, and guide them through the loan application process, also linking them with participating financing institutions. For PFIs, this close monitoring and support of beneficiaries will contribute to lower the transaction costs to access dairy producer clients, and mitigate the credit risk on this portfolio.
- Introduction of new types of value chain financing approaches. Specific criteria and facilities will be applied to large scale commercial farms, processors and key service providers who actively work with small farmers, women and youth to receive credit (Windows 3, 4 and 5). The project will thus encourage spill-over effects and linkages between more 'bankable' businesses in the value chain and vulnerable producers and beneficiaries that have more limited opportunities to access finance.
- *Market-based approach*: as a general principle, the Project will not interfere with participating financial institutions' (PFI) pricing policies to avoid market distortions and ensure the financial strength and sustainability of PFIs.

 Complementarities / synergies with other donor programmes. Synergies and complementarities will be sought with other donor and government programmes. The project will complement existing credit lines and facilities and seek synergies for the provision of technical assistance and capacity building to participating financial institutions.

The following activities will be implemented under Component 2.2:

Activity 2.5 – Extending lines of credit to banks and developing tailored financial products for the dairy sector. The Project will support the establishment of five (5) targeted financing windows through subsidiary agreements/ sub-lending to selected Participating Financial Institutions (PFIs):

(1) Window 1 – Women, Youth, and unregistered HH farmers. This funding window will be dedicated to youth and women, and to unregistered HH farmers (including 'tamarka') involved in the dairy value chain or willing to develop a viable business in the dairy sector. These beneficiaries have proven to be difficult to reach with credit lines, due to lack of collateral, limited track record, and lack of appropriate support and linkages with financial institutions. To mitigate the risk for the PFIs and increase their incentives to lend to this target group, the window will combine facilitated access to concessional loans with a dedicated guarantee mechanism providing additional guarantee coverage (up to 75% of the loan amount - see Activity 2.5). In addition, before accessing the loans, applicants will have to demonstrate successful participation in DVCDP II trainings and capacity building support under Component 1, including training on financial literacy, loan application and business plan development, and technical trainings according to their needs and purpose of the loan. The loan size under this window will be up to 40,000 USD, or the equivalent in UZS, with an average loan size target at 8,000 USD, for the purchase of production or processing equipment, or working capital related to the dairy activity (production, collection or processing). The loans can also be combined with matching grants received under Component 1 to finance the contribution expected from the beneficiaries on larger equipment grants (see Activity 1.3). This window will be established <u>as a pilot</u> and an initial target of 125 beneficiaries. An assessment of the mechanism will be carried out at Mid-Term Review, in coordination with partner PFIs and beneficiaries, and the size and conditions of access to the loans will be adjusted accordingly.

The four other financing windows of DVCDP II will aim at scaling-up credit lines piloted under DVCDP, incorporating lessons learned related to the loan size and terms as follows:

- (2) **Window 2 Dekhan farmers.** This financing window will provide concessional loan proceeds borrowing to registered dekhan farmers, with up to 20 cows, for the purchase of small-size on-farm equipment (e.g., portable milking apparatus, grain mills, choppers, hay balers, small processing equipment, small cooling systems, etc.), machinery (e.g., tractors) and working capital (e.g., for the purchase of fodder). The loan size under this window will be up to USD 40,000, or the equivalent in UZS, with an average loan size target at USD 15,000. It is expected that approximatively 450 dekhans farmers could benefit from facilitated access to loans under Window 2;
- (3) Window 3 Private commercial farmers working with vulnerable household farmers and small-scale dekhan farmers. This window will provide loans to larger commercial farmers (e.g., up to 50 cows), under the condition that they demonstrate clear linkages with smallholder dairy producers (i.e., vulnerable household farmers,

small-scale dekhan farmers, poor, near landless or unemployed women and youth, etc.). The private farms eligible for funding could either sell fodder or improved breeds to smallholder producers, purchase milk from them, or provide other related services (e.g., organization of trainings, demonstration farms, etc.). They could also employ vulnerable, unemployed/underemployed women and youth registered in the Mahalla notebooks (e.g., as drivers, etc.). Considering the issues related to access to land and fodder production, priority will be provided to the farmers who are selling feed/fodder to smallholder milk producers. This financing window will provide loans for the purchase of investment capital (e.g., on-farm equipment, such as harvesters, feed choppers and mixers, manure separation, biogas lines, solar panels and alternative energy sources, drip irrigation, cow sheds renovation, milking equipment, cooling tanks, specialized equipment of milk transportation, etc.) and working capital (e.g, for the purchase of additional fodder). The loans could also be used in some cases for the purchase of imported cattle, only for private farms engaged in breeding and reselling improved breeding calves to smallholder farmers. The loan size will be up to USD 100,000, or the equivalent in UZS, with an average loan size target at USD 70,000. It is estimated that 140 private farms could benefit from this financing window;

- (4) Window 4 Agri-processors and MCCs working with vulnerable household farmers and small-scale dekhan farmers. This window will provide loans to dairy processors who demonstrate linkages with smallholder dairy farmers and vulnerable households in the project target groups (e.g., as milk suppliers, collectors, sourcing or buying from MCCs that source milk form smallholder farmers, etc.). The window will provide loans for the financing of investment capital (e.g., modernization of processing equipment, new filling and packaging lines, cold chain, new products, etc.) and working capital (e.g., purchase of ferment, flavouring materials, etc.). Under this window, MCCs and dairy processing units will also have facilitated access to concessional loans for the purchase of refrigerated milk transport trucks and pick-up cars. The loan size will be up to USD 250,000, or the equivalent in UZS, with an average loan size target at USD 100,000. It is estimated that 20 agri-processors and 20-30 MCCs could benefit from this financing window;
- (5) Window 5 Service providers and input suppliers. This window will provide loans for financing the purchase of veterinarian equipment and professional gear; medications; equipment for artificial insemination; and unit systems for feeds product, etc. The loan will be up to USD 10,000 for private veterinarians and up to USD 100,000 for commercial feed producers and provision of other production means, or the equivalent in UZS, with an average loan size target at USD 6,000 and USD 60,000 respectively. An estimated 80 private veterinarians and 20 feed producers could benefit from this financing window.

The table below summarizes the main terms and condition of access to DVCDP II financing windows.

	Eligibility criteria / condition of access for beneficiaries	Terms of the loans	Type of eligible equipment	Available budget	Number of beneficiaries
Window 1 – Women, youth & unregistered HH	 Proven successful participation in project trainings and support activities under Component 1, including training on financial literacy, loan application and business plan development, herd management, etc. according to the needs and purpose of the loan; Applicants should be involved in the dairy VC as a main or side activity (at the production, collection and/or transformation levels) Unregistered farmers applicants shall have received a training/ awareness raising on registration process and benefits. Beneficiaries should not already benefit from government credit programme (in particular the "Family Entrepreneurship" programme) Beneficiaries expected to contribute 10% of the loan amount in cash deposited on a bank account at participating FI 	 USD or UZS Up to USD 40,000, with average target at USD 8,000 Interest rate according to PFI procedures Loan maturities up to 5 years Grace period aligned with project cash flow projections Loans eligible to DVCDP II project guarantee scheme (75% loan coverage) Flexible collateral requirements, including the possibility to mobilize savings (including 10% cash contribution to the loan), use the purchased equipment as collateral for the loan, or mobilize third party guarantors 	 Production or processing equipment Working capital related to the dairy activity (production, collection or processing) The loans may be combined with matching grants received under Component 1 to finance the contribution expected from the beneficiaries on larger equipment grants (see Activity 1.3). 	USD 1 million ²²	125 including 50% women and 50% youth
Window 2 – Dekhan <i>farmers</i>	 Registered dekhan farmers in the dairy sector in project areas Priority to farmers benefiting from TA and capacity building support under Component 1, but not mandatory Beneficiaries expected to contribute 20% of the loan amount in cash deposited on a bank account at participating FI 	 USD or UZS Up to USD 40,000, with average target at USD 15,000 Interest rate according to PFI procedures Loan maturities up to 5 years Grace period aligned with project cash flow projections 	 Small-size on-farm equipment (e.g., portable milking apparatus, grain mills, choppers, hay balers, small processing equipment, small cooling systems, etc.), 	USD 6,7 million ²³	450 including 20% women and 20% youth

Table 2: Summary of terms and conditions to access DVCDP II financing windows under Component 2.2.

 22 USD 700 k IFAD + USD 200k as 20% contribution from PFIs + USD 100k as 10 % contribution from the beneficiaries. 23 USD 4 million IFAD + 1,34 million as 20% contribution PFIs + 1,34 million as 20 % from the beneficiaries.

	Eligibility criteria / condition of access for beneficiaries	Terms of the loans	Type of eligible equipment	Available budget	Number of beneficiaries
		• Flexible collateral requirements, including the possibility to mobilize savings (including 20% cash contribution to the loan), use the purchased equipment as collateral for the loan, or mobilize third party guarantors	machinery (e.g., tractors) • Working capital (e.g., for the purchase of fodder).		
Window 3 – Commercial farms	 The applicants shall demonstrate that the foreseen investment will benefit vulnerable HH farmers and/or jobs generation for unemployed youth and women Examples: (i) Engaging in pro-poor business models (e.g. share cropping or contract farming arrangements) with the poorest households, upon conditions that the scheme is deemed to be viable, equitable and sustainable; (ii) Providing different type of services to the target group (e.g. provision of fodder, improved breeds, technical assistance etc.) Beneficiaries expected to contribute 20% of the loan amount in cash deposited on a bank account at participating FI 	 USD or UZS Up to USD 100,000, with average target at USD 70,000 Interest rate according to PFI procedures Loan maturities up to 5 years Grace period aligned with project cash flow projections 	 Investment capital (e.g., on-farm equipment, such as harvesters, feed choppers and mixers, manure separation, biogas lines, solar panels and alternative energy sources, drip irrigation, cow sheds renovation, milking equipment, cooling tanks, specialized equipment of milk transportation, etc.) Working capital (e.g, for the purchase of additional fodder) Loans could also be used in some cases for the purchase of imported cattle, only for private farms engaged in breeding and reselling improved breeding calves to smallholder farmers. 	million ²⁴	140 including 20% women and 20% youth

²⁴ USD 6 million IFAD + 2 million as 20% contribution PFIs + 2 million as 20 % from the beneficiaries.

	Eligibility criteria / condition of access for beneficiaries	Terms of the loans	Type of eligible equipment	Available budget	Number of beneficiaries
Window 4 – Processors	 The applicants shall demonstrate that the foreseen investment will benefit vulnerable HH farmers and/or jobs generation for unemployed youth and women <i>Examples:</i> (i) Construction of MCC linked to women and vulnerable milk suppliers (defined as Tamarka and identified through the project's targeting criteria and tools); (ii) Employment generation through different value-chain functions (milk collection, management of milk refrigerators etc.) Priority given to processors and MCCs benefiting from project support under activities 2.1 Beneficiaries expected to contribute 20% of the loan amount in cash deposited on a bank account at participating FI 	 USD or UZS Up to USD 250,000, with average target at USD 100,000 Interest rate according to PFI procedures Loan maturities up to 5 years Grace period aligned with project cash flow projections 	 Investment capital (e.g., modernization of processing equipment, new filling and packaging lines, cold chain, new products, etc.) Working capital (e.g., purchase of ferment, flavouring materials, etc.). Refrigerated milk transport trucks and pick-up cars 	USD 5 million ²⁵	20 agri- processors and 30 MCCs including 20% women and 20% youth
Window 5 – Service suppliers	 Private veterinarians and fodder suppliers in the project areas Priorities will be given to applicants benefiting from TA and capacity building support under Component 1, but not mandatory Beneficiaries expected to contribute 20% of the loan amount in cash deposited on a bank account at participating FI 	 USD or UZS Up to USD 10,000 for private veterinarians and up to 100,000 for feed suppliers Average target amount at USD 6,000 for private veterinarians and up to 60,000 for feed suppliers Interest rate according to PFI procedures Loan maturities up to 5 years Grace period aligned with project cash flow projections 	 Purchase of veterinarian equipment and professional gear, medications, equipment for artificial insemination, etc. Unit systems for feeds production, etc. 	USD 1,7 million ²⁶	80 private veterinarians and 20 feed suppliers including 20% women and 20% youth

 ²⁵ USD 3 million IFAD + 1 million as 20% contribution PFIs + 1 million as 20% from the beneficiaries.
 ²⁶ USD 1 million IFAD + 340k as 20% contribution PFIs + 340k as 20% contribution from the beneficiaries.

Activity 2.6 – Extending guarantees to partner financial institutions to ease the collateral requirements for HH farmers, women and youth. A partial credit guarantee scheme for youth, women, and unregistered HH borrowers who have limited access to collaterals, will be established the framework of DVCDP II.

The "DVCDP II Rural Guarantee Fund" (RGF) will be hosted and administered by the Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED), with an initial budget allocation of USD 300,000, to guarantee loans provided to DVCDP II beneficiaries under Window 1 - *Women, Youth, and unregistered HH farmers*.

The main characteristics of the RGF will be the following:

- The fund will offer guarantees to selected PFIs for up to 75% of the principal amount of loans issued under financing Window 1 – Women, youth & unregistered HH, for a maximum loan amount of USD 15,000 (or equivalent);
- A cap of 20% on accumulated losses per PFI will be imposed, to maintain the guaranteed portfolio in check. PFIs will thus bear 25% of each loan's risk and 80% of the portfolios' risk, thus limiting problems of moral hazard;
- A minimum leverage ratio of 2.5 is expected on the guarantee fund, with a minimum of USD 750,000 guarantees issued from EDC with DVCDP II RGF funds over the 7 years of project implementation (from an initial USD 300,000 budget allocation), and the equivalent of USD 1 million guaranteed loans extended by PFIs to Window 1 beneficiaries (corresponding to a 75% coverage of the guaranteed loans);
- In parallel to the provision of guarantees, awareness raising activities will be implemented, in liaison with Component 1, to raise dekhan farmers' awareness on credit opportunities and availability of guarantees mechanism to overcome collateral limitations.

More details on the DVCDP II RGF are provided below (*Implementation modalities and partners*).

Activity 2.7 – Building capacities of partners financial institutions. The project will support capacity building of the PFIs for the design of loan products tailored to the needs of the project target groups and for improved targeting to women and youth. Synergies will then be sought with other IFAD and donor-funded projects already providing technical assistance and training to PFIs, in particular the IFAD ADMP project, the French Agency for Development (AFD), the Asian Development Bank (ADB), the World Bank, and other potential partners such as the German *Sparkassestiftung* which is implementing a pilot youth credit programme including dedicated capacity building to PFIs²⁷.

Implementation modalities and partners

Selection of Participating Financial Institutions (PFIs). The loans will be channelled through Partner Financial Institutions selected through a tender open to the whole sector, including commercial banks and private banks. The due diligence process will be led by the PMU (Rural Finance specialists, in PMU Tashkent and in Kashkadarya and Surkandarya regions), and the list of selected financial institutions and DD documents will be submitted to

²⁷ The project implemented by the German Sparkassenstiftung in Uzbekistan provides financial education to youth and capacity building to PFIs, with around 5,000 TA beneficiaries and 30 full time trainers trained as of December 2022. A USD 500,000 credit line for financing youth has been extended to AGro Bank, MKB and Xalq Bank, for the financing of youth clients benefiting from the project trainings and capacity building.

IFAD for non-objection. At the design stage, four financial institutions confirmed an early interest to participate in the project: Xalqbank, Mikrocredit Bank, Qishloq Qurilish Bank (QQB) and Hamkor Bank. A brief description of the profile of these institutions as of July 2023 is provided in Annex 13 of the Project Design Report (Annex 13 – *Overview of the rural finance supply in Uzbekistan and profile of pre-identified Participating Financial Institutions*).

Eligibility criteria for the selection of the PFIs. Eligibility criteria for the selection of PFIs will be similar to DVCDP. The amount of a credit line to each partner PFI will be based on the PFIs' absorption capacity and clear programming that realistically reflect the amount they will be able to utilize in the programme area. A maximum allocation per PFI (e.g., 50%) could be considered in order to avoid concentration risk on a single partner institution. In addition, before approving the credit line amount, there will be calculations in place that after the provision of all tranches of the full loan amount, the capital adequacy indicator of each PFI will not exceed the CBU-established standard.

Indicative eligibility criteria for the selection of participating FIs are summarized in the tables below. <u>These criteria will be refined and finalized by the PMU (Rural finance specialists) at start-up phase.</u>

Requirement	Means of verification and monitoring	Frequency
A. General Standards		
Be in compliance with all banking laws and prudential regulations of the Central Bank of Uzbekistan (CBU)	Initial Due Diligence, the CBU	Annually
Be interested and committed to servicing the range of clients, who are the intended beneficiaries of the Project	Initial Due Diligence, on-going updates	Notification of material change required
Be committed to co-funding the demand analysis at the project start (the co-funding amount may be around USD 5 000 per participating financial institution)		
Have or be willing to open branches or mini- banks (outlets) in the Project area or ensure other ways of servicing the potential borrowers in the Project area	Initial Due Diligence (one-time mapping), on-going updates	Notification of material change required
Undergo an annual audit that is conducted in accordance with the International Standards on Auditing (ISA) by an audit company acceptable to IFAD and have an unqualified audit opinion	Bank to select auditor, PMU to confirm ISA capable auditor appointed	Annually
Have the necessary staff, knowledge, physical and other resources to implement the credit lines under the Project	Initial Due Diligence, on-going updates	Notification of material change required

Table 3: Indicative eligibility criteria for PFIs under DVCDP II

B. Financial Standards		
At all times, meet the prudential ratios and requirements set by the CBU (see table below)	Table on compliance with prudential ratios ("Расчёт экономических нормативов") as reported to the CBU	Monthly
Have a positive net income for the current and two immediately preceding financial years, as reflected in the audited financial statements audited in accordance with ISA	Audited annual financial statements	Annually
Have acceptable asset quality (non-performing loan [NPL] ratio should not exceed [10%]) and quality management policies, procedures and skills	Table on loans past due ("Анализ просроченных кредитов и финансового лизинга к получению") as reported to the CBU	Monthly
Have the aggregate share of sub-loans outstanding under DVCDP not exceeding [50%] of capital according to IAS	Project data, Audited financial statements	Annually
C. Corporate Governance and Managerial Standards		
Have a Board of Directors, responsible for setting the overall bank policy and perform appropriate oversight of the bank's operations	Initial Due Diligence, on-going updates	Notification of material change
Have a qualified and capable management team		required
Have a sound business plan and appropriate budgeting and budget control procedures	Initial Due Diligence, Business Plan	Annually
Have sound lending policies and procedures, including in respect of the entire credit cycle, problem loan management, write-offs of assets, credit approval authority, etc.	Initial Due Diligence, Audited financial statements	Annually
Have satisfactory internal control and audit procedures, including accounting principles and procedures, and financial documents, internal controls and reporting, and operational controls, confirmed by external auditors	Initial Due Diligence, Audited financial statements	Annually
Not be exposed to undue interest rate risk, as confirmed by annual audited financial statements	Initial Due Diligence, Audited financial statements	Annually
Have an internal reporting and management information system capable of providing sufficient information necessary for managing the bank's operations, performance and risks	Initial Due Diligence, Audited financial statements	Annually

Table 4: Minimum Prudential requirements for commercial banks in Uzbekistan(to be confirmed and possibly updated at project design)

	Ratio	Requirement
1	Capital adequacy	
1.1	Total capital adequacy ratio (CAR)	\geq 13% of risk-weighted assets
1.2	Tier 1 capital adequacy ratio	\geq 10% of risk-weighted assets
1.3	Common equity tier 1 capital adequacy ratio	\geq 8% of risk-weighted assets
1.4	Leverage	≥ 6%
2	Liquidity	
2.1	Current liquidity ratio	≥ 30%
2.2	Liquidity coverage ratio (LCR)	≥ 100%
2.3	Net stable funding ratio (NSFR)	≥ 100%
3	Credit risk concentration	
3.1	Single obligor (or group of interconnected obligors) exposure, secured loans	\leq 25% of tier 1 capital
3.2	Single obligor (or group of interconnected obligors) exposure, unsecured loans	\leq 5% of tier 1 capital
3.3	Total large exposures	\leq 500% of tier 1 capital
4	Investment securities	
4.1	Investment in securities of a single private issuer	\leq 15% of tier 1 capital
4.2	Total value of investments in held-for-trade securities	\leq 25% of tier 1 capital
4.3	Total value of investments in equities or other securities from all issuers	\leq 50% of tier 1 capital
5	Exposure to insiders	
5.1	Exposure to a single insider (or group of interconnected insiders), secured loans	\leq 25% of tier 1 capital
5.2	Total exposure to insiders	≤ 50% of tier 1 capital
6	Leasing risk concentration	
6.1	Total exposure to leasing services	≤ 25% of tier 1 capital
7	Bank guarantees	
-		

PFIs will also be requested to apply an Environmental and Social Risk Management Plan (ESRMP). In general, the ESRM in Uzbekistan is governed by a series of legal acts, which include the Law on Protection of Nature (1992), Law on Environmental Assessment (2000) and several decrees by the Cabinet of Ministers (2006 and 2018). PFIs will be requested to apply an ESRM policy in their day-to-day activities, including loan approval and monitoring and a grievance redress mechanism (GRM).

The table below provides an initial <u>indicative</u> template for due diligence to be conducted on PFIs.

Table 5: Initial indicative template for due diligence to be conducted on PFIs

Name of the institution	
Status	
Core background information about PFI, its history, shareholders and strategy	
Geographic coverage	
Size and outreach	
Total Assets (USD) (as of 31.12.2023, or most recent data available)	
Typology of clients	
Describe more specifically typology of clients served in the agricultural sector and in the dairy value chain in particular (i.e. large companies, SMEs, smallholders, FBOs, etc)	
# loans disbursed in a year	
Including in the agricultural sector	
Including in the livestock/dairy value chain	
Total deposits	
# Active clients	
Including women	
Including youth	
Including smallholder farmers in the dairy value chain (HH, dekhan farmers)	
Including private and commercial farmers in the dairy value chain	
# of branches	
Including in project regions / districts	
Strategy	
Existing and/or upcoming strategy in agriculture and/or green	
Participation in closed or ongoing IFAD baseline programs?	
Participation in any existing donor or smallholder finance initiative?	
Does the institution have an Environmental and Social Risk Management Plan (ESRMP)? If yes, quality of the existing plan?	
Does the FI has a digital strategy ?	
Participation in any responsible finance initiative (smart campaign, etc)	
Portfolio	
Total Outstanding loan portfolio	
Including agricultural sector	
Including livestock/dairy value chain	

Portfolio break-down in terms of maturities	
< 1 year	
1-2 years	
> 2 years	
PAR/NPL	
Including agricultural sector	
Including livestock/dairy value chain	
Provide the Aged balance for NPL	
Products	
Delivery channels (i.e. group loans/individual loans)	
Relevant existing products in the livestock / dairy value chain	
Product 1	
Product 2	
Funding structure	
Typical funding costs (interest rate) on liability side	
On local market (Central Bank refinancing)	
Other donor-funded projects	
Operational costs	
Cost of risk	
Does the FI already mobilize EDC to guarantee its loan portfolio?	
Financials - Basic CAMELS analysis	
Capital adequacy	
Asset quality	
Management	
Earnings	
Liquidity	
Sensitivity	
Needs	
Summary of main constraints identified by the FI to better serve dekhan farmers, women and youth? (e.g., lack of access to guarantee mechanisms, lack of know-how, lack of outreach to smallholder clients, etc)	
Summary of TA received /currently receiving	
Summary of TA needs to participate in the project	
Summary	
Summary of main identified strengths of the FI, with regards a potential participation in DVCDP II (strategy, operations, financials, etc)	
Summary of main identified weaknesses of the FI, with regards a potential participation in DVCDP II (strategy, operations, financials, etc)	
Recommendation/scoring of the desirability for cooperation with DVCP II	

				Terms and				Expi	ired								including on	deferred terms	S					
		Total loan		conditio ns of		Debts in		Exp.	ieu		1-30) days	31-6	0 days	61-90) kun	91-18	30 kun	181-3	65 kun	366-7	'30 kun	More th	han 2 years
N≌	Indicators	amount	%	revised loans and leases	%	litigat ion	%	principal debt	interest paymen ts	%	princip al debt	interest payment s	princi pal debt	interest payment s	principal debt	interest payment s	principal debt	interest payment s	principal debt	interest payments	princip al debt	interest payment s	princi pal debt	interest payments
	(A)	(B)	(c)	(D)	(E)	(F)	(G)	(H)	(1)	(J)	(K)	(L)	(M)	(N)	(0)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)	(W)	(X)
	By customer type																							
1	Central Bank																							
2	Other banks																							
3	Hakimiyat																							
4	Individuals																							
5	State- owned enterprises																							
6	Enterprises with joint and foreign capital																							
7	Private enterprises																							
8	Farms																							
9	Non-bank financial institutions																							
1 0	Non- governmen tal non- profit organizatio ns																							
1 1	Budget organizatio ns																							
1 2	Others																							
1 3	Total loan and lease amount																							

Analysis of overdue loans and financial leases receivable of XXX Bank, as of XX.XX.XXXX

				Terms				Ev	pired								including on	deferred term	S					
	Indicators	Total Ioan	%	and conditions	%	Debts in	%		pireu	%	1-30	days	31-6	0 days	61-90 kun 91-180 kun				181-365 kun		366-730 kun		More the	an 2 years
N≌		amount		of revised loans and leases		litigation		principal debt	interest payments		principal debt	interest payments	principal debt	interest payments	principal debt	interest payments	principal debt	interest payments	principal debt	interest payments	principal debt	interest payments	principal debt	interest payments
	(A)	(B)	(c)	(D)	(E)	(F)	(G)	(H)	(1)	(J)	(К)	(L)	(M)	(N)	(0)	(P)	(Q)	(R)	(S)	(Т)	(U)	(V)	(W)	(X)
	By sectors of the economy																							
14	Industry																							
15	Agriculture																							
16	Transport and communication																							
17	Construction industry																							
18	Trade and catering																							
19	Development of logistics																							
20	Housing and communal services																							
21	Other areas																							
22	Individuals																							
23	Total loan and lease amount																							

Demand analysis. A demand analysis will be carried out at the project start to identify beneficiaries' specific financial needs and inform the definition of the loan terms for the project. This study will be conducted jointly with the PFIs.

Terms of the loans. The exact terms of the loans will be further discussed and agreed upon with the banks, based on the demand analysis conducted during the project start-up phase. Credit lines will be provided to farmers and agricultural businesses both in local (UZS) and foreign currency (USD). The project will encourage PFIs to provide loans mainly in local currency in order to avoid currency exchange related risks (except for agricultural businesses engaged in export activities with revenues in hard currency, based on borrower preference). PFIs will be able to establish sustainable interest rates on these loans as well as establish other conditions, yet PFIs' proposals will be evaluated to ensure the selection of PFIs offering the best lending conditions to farmers and agricultural businesses.

Subsidiary-Loan agreements (SLAs) will be signed with each selected PFI, detailing all implementation arrangements and loan conditions, similar to the SLAs signed under DVCDP. More details on the contractual arrangements with PFIs and flows of funds are provided in Section 6 – *Financial Management*.

Contribution from the PFIs and project beneficiaries. A minimum contribution of 20% will be expected from partner institutions in the form of co-financing, i.e., the partner institutions will be requested to allocate on their own funds at least 20% of the total amount of the credit allocated by the project, in addition to the funds received from the project, for the provision of sub-loans to client beneficiaries in the target groups. Beneficiaries will be required to make a mandatory contribution of 10% (Window 1) to 20% (Windows 2 to 5) of the total loan amount, in cash deposited on a bank account opened at a partner FI (see also section 6 – *Financial Management*).

Monitoring of the loans. The loans disbursed under the five financing windows will be closely monitored by the Project Management Unit (PMU) in the five project regions, to ensure that all eligibility criteria to access the loans have been met, and the loans are used in alignment with the initial purpose agreed in the loan application with the client, and not diverted to other purposes. Continuous monitoring of PFIs will be carried out by PMU staff (i.e., Rural Finance Specialists in PMU Tashkent and in the two decentralized PMUs in Kashakhadarya and Surkhandarya). This monitoring will include at least one monthly visit to all PFI branches involved in the project, to discuss and review the loans disbursed during the month and identify potential challenges faced by the PFIs, in particular with regards the quality of the portfolio and the outreach to women, youth, HH farms and dekhan farmers. Detailed financial reports will also be consolidated by the PFIs and submitted to the PMU on a quarterly basis, and funds disbursed under DVCDP II credit lines will be audited yearly by external auditors as part of the project yearly audit (see more details below in section 6– *Financial management*).

DVCDP II Rural Guarantee Fund (RGF) implementation modalities. The guarantee mechanism will be hosted and administered by the Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED), a state-owned fund established in 2017 under the Ministry of Economy and Finance for the provision of guarantees and interest rate compensations to small businesses through commercial banks. The EDC already has experience working with IFI funded projects such as World Bank (WB) and Agence Française de Developpement (AFD) as well as ongoing IFAD funded ADMP project.

The detailed modalities of the fund implementation will be in line with approved Guidelines of the EDC and also include additional requirements, which will be specified in a Tripartite

Agreement to be signed between the Ministry of Economy and Finance, the Ministry of Agriculture and the EDC (see section 6 – *Financial management*). Specific implementation modalities for the guarantee fund will include the following:

- Loan appraisal and due diligence will be the responsibility of the issuing PFI, who bears 25% of each loan's risk and 80% of the portfolios' risk, thus avoiding problems of moral hazard;
- A management fee of 2% maximum on the total portfolio, will be paid initially and upon renewal, to cover State Fund's management costs;
- EDC's expenses relative to RGF will be kept at minimum as it will be responsible only for issuing letters of guarantees, monitoring portfolio performance of PFIs (data to be provided regularly by PFIs) and validate claims (due diligence);
- The claim validation will be kept simple to save cost and time the State Fund will only have to check if the PFI followed the agreed procedures pertinent to loan appraisal and due diligence;
- PFIs will be required to pursue litigation to recover losses on defaulting loans covered by guarantees with the proceeds to be allocated following the pari-passu principle;
- PFIs and all other institutions involved will have to refrain from disclosing to beneficiaries that loans are guaranteed by DVCDP II RGF to avoid moral hard issues;
- Additional details on financial management arrangements are provided below in Section 6 *Financial management*.

Potential adjustments of loan and guarantee terms at Mid-Term Review. The detailed terms of the loans and guarantee mechanism will be assessed during the Mid-Term review and could be adjusted, in alignment with recommendations of the mission. Budgets allocated could be scaled-up or reallocated depending on the results achieved at mid-term and in order to reach the project targets and increase project outreach.

Capacity building of PFIs and EDC. The project will leverage ongoing rural finance projects funded by IFAD and other donors in Uzbekistan for the provision of TA support to PFIs and EDC. A detailed TA need assessment will be conducted by the PMU at the project start-up with selected PFIs and EDC, and synergies will be sought with other donor-funded projects already providing capacity building and trainings to the identified PFIs. Additional parallel and co-financing might also be explored during the project start-up phase and implementation to cover additional training needs identified with PFIs and EDC.

Communication on project objectives and targets. The project objectives, targets, and expected outputs will be clearly communicated to financial institutions and EDC at the project start-up, before launching the tender to select participating FIs, and again after the PFIs have been selected. This communication will be under the responsibility of the PMU (Rural finance specialists, in coordination with the KM and Communication specialist and M&E specialist). A close dialogue and monitoring will be maintained by PMU staff with partner institutions throughout the project implementation, in order to ensure suitable utilization of the funds in alignment with the project objectives and arrangements.

Linkages with Component 1. Continuous support of project beneficiaries to access DVCDP II credit lines and guarantees will be provided throughout project implementation under Component 1 and Sub-component 2.1. An initial demand analysis and assessment of credit needs of the project beneficiaries will be carried out as part of the initial mapping and targeting study (see Activity 1.1), and continuously supported by social mobilisers under the L-FFS

(Activity 1.3) and by PMU staff under Component 2.1. Under the L-FFS, beneficiaries of Component 1 will receive support in financial literacy, business plan development, loan applications process, and will be linked with participating financial institutions. Awareness will be raised on collateral issues and existing options for smallholder farmers, including the possibilities to mobilize savings, use purchased equipment as collateral, or mobilize third party guarantors. Awareness raising trainings on the benefits of business registration to facilitate access to credit will also be held under Component 1.

Main risks and mitigation

The main risks identified at the project design stage in the implementation of Sub-component 2.2 include: (i) potential limited interest of PFIs to participate in the project and selection tender, due to higher perceived risks and operating costs; (ii) limited outreach of the credit lines to the most vulnerable groups targeted under Window 1 and 2, (iii) lack of bankable businesses submitted from project beneficiaries to PFIs; (iv) high level of non-performing loans and default jeopardizing the sustainability of the credit lines and guarantee fund after project completion.

The project will apply the following approach to mitigate these risks: (i) the project objectives and targets will be communicated extensively to PFIs at the project launch, with clear information provided on the project approach, risks and mitigation measures, including the close linkages between Component 2 and Component 1 activities, and the possibility to access additional guarantees for riskier loans. In addition, the tender will be open to the whole sector, not limited to public commercial banks but also considering private banks demonstrating an interest in the project (e.g., Hamkorbank); (ii) a continuous and open dialogue with participating FIs during project implementation will be facilitated by the local presence of PMU team in the field (Rural finance specialists), which will facilitate exchange and integration of feedbacks received from partner financial institutions; (iii) the risk of lack of bankable businesses and sound loan applications submitted to PFIs, and of high levels of non-performing loans, will be mitigated by the accompaniment measures in place under Component 1, and close support and monitoring of project loan beneficiaries throughout project implementation.

There is also a risk that policy and regulatory changes in the financial sector will occur during project implementation. A close dialogue will be established at national and regional level with the Central Bank and the Ministry of Economy and Finance to anticipate any regulatory change that might have an impact on the project arrangements with PFIs and EDC, and on project implementation.

Finally, fiducial risk in the management of credit lines and guarantee funds will be mitigated by the requirement to open separate bank accounts, clear procedures and processes, and a sound monitoring of project disbursements and use of funds, as described in Section 6 – *Financial management* and Section 8 – *Monitoring and Evaluation*.

Phasing and implementation plan for Sub-component 2.2

Activity/task	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7
Activity 2.5 – Extending lines of credit to banks and d	levelopi	ng tailo	ored fin	ancial p	product	s	
Selection of PFIs and formalization of SLAs							
Disbursement of funds							
Monitoring of funds disbursed							
Potential adjustments in detailed loan terms at Mid-Term Review							
Continuous support to project beneficiaries to identify the needs and access DVCDP II credit facilities							
Activity 2.6 – Extending guarantees to ease collateral	l require	ements	for HH	farmer	s, wom	en and	youth
Formal agreement with EDC							
Disbursement of funds to EDC							
Monitoring of the guarantees extended under DVCDP II							
Potential adjustments in guarantee mechanism (Mid-Term Review)							
Activity 2.7 – Building capacities of Participating Fina	ncial In	stitutio	ons				
Extensive communication and information on project objectives and targets to selected PFIs							
Detailed TA need assessment of PFIs and EDC							
Continuous support to PFIs from PMU staff and coordination with other donors for the provision of TA supports to PFIs							

Sustainability and exit strategy

Financing mechanisms such as credit lines and guarantee mechanism have been designed in a way that is mutually beneficial for financing institutions and beneficiaries and creating longterm relationships and trust between them. A close dialogue will be established with PFIs throughout project implementation to encourage an appropriation of the project approach and mechanisms.

Revolving funds. The proceeds of the revolving funds (i.e., after full repayment of first loans disbursed to project beneficiaries) can be used multiple times to provide new sub-loans for investment and working capital for procurement of goods, services, and works. Available revolving funds might be used by PFIs and EDC to finance additional projects under the same conditions as for DVCDP II credit lines. Provision for the use of revolving funds will be made since the onset and described in the Subsidiary loan Agreements (SLAs) signed with PFIs and in the Tripartite Agreement signed with EDC. The status of utilization of the revolving accounts will be monitored by the PMU on a monthly basis based on the information provided by the PFIs.

Exit procedures. Provisions and administrative arrangements to ensure sustainability of credit facilities and the guarantee fund at project completion are further detailed in Section 6 – *Financial management*.

3.3 Component 3 – Policy support and project management

3.3.1 Component 3.1 – Policy support

Expected results

- Better collaboration and dialogue between the dairy value chain actors who are able to influence policies and propose solutions to the main issues they face.
- Research and government institutions have more practical experience on issues, activities and policies related to climate smart dairy production.
- Policy makers are more sensitised about the issues of access to land for smallholder farmers and the youth, and the potential solutions to tackle these issues.

Direct beneficiaries will be around **12,000** in total distributed as follows:

- 12,000 dairy value chain actors represented in the dairy platform (20% of women, 25% youth);
- Five (5) research and government institutions with enhanced experience on sustainable dairy value chain development.

Lessons learned

Stakeholders collaboration and dialogue: from the impact assessment report of DVCDP, there was limited organisation of Forum for Public Private Collaboration (6 out of 16) with no evidence about the identification of policies that have been brought at higher institutional level. In DVCDP II, the establishment of a national dairy platform will improve value chain actors collaboration and their dialogue and interaction with the governmental institutions.

The new land allocation system based on auctions which started in August 2021 is not in favour of small-scale dekhan farmers. Various international development and/or financial institutions including IFAD have highlighted this issue to the GoU. DVCDP II will continue influencing the land reform through the participation to working advisory groups.

Description of activities

DVCDP II policy support will be mainly focusing on the following activities.

Establishment of a national dairy platform/forum that includes the main value chain actors involved (producers, collectors/traders, MCCs, processors). The establishment of the platform will follow a bottom-up approach by first establishing milk producer associations at the local level using the L-FFS groups as starting point, followed by regional and national levels associations. The construction of new MCCs and the development/upgrading of the existing ones will create a kind of hub around them attracting milk collectors, transporters and traders, and will allow identifying and organizing these actors into local, regional and national associations. At the processing level, regional and national associations will be created. The official creation of the national dairy platform, or what could also be referred to as national dairy multi-stakeholders platform, will follow once the regional level specific value chain actors associations are established. Borrowing from IFAD experience in dairy projects in other countries, the status, vision, objectives and composition of the platform will be established with the recognition of the governmental institutions.

Through monthly or quarterly organized meetings by the Project, dialogue will be established between the different actors with the aim of identifying the main issues they face and providing concrete solutions and action plans to resolve them. The multi-stakeholders platform will also play an important role in involving and taking into consideration the dairy VC actor propositions and in related policy and strategies developed by the government.

Influencing government policy on land reform with the aim to improve smallholders and youth access to agricultural land will entail several activities: (i) through participation in working groups; (ii) organizing seminars and/or workshops concerning sustainable dairy

sector development, specifically including land reform and multistakeholder platforms. The project will also develop a study assessing the current status/results of the land reform and its potential future impacts if youth and smallholder farmers get higher access and present the results in seminars/workshops. An internal workshop for policy makers (with authority) from the relevant ministries can be organized (if so desired) to identify policy priorities for the development of a sustainable inclusive dairy sector in Uzbekistan, including production factors such as land access and MSPs. The workshop can be facilitated by an independent (international) consultant or NGO.

Implementation mechanisms and partners

The Project management unit (PMU) will be in charge of starting the establishment of the different groups and their related associations. The PMU will organise and coordinate the initial meetings of the **regional platforms and of the national platform**. The dairy value chain/agribusiness specialist will be in charge of this task and if s/he does not have previous experience in organising multi-stakeholders platforms, the Project could contract a national or an international consultant who could start the process and then hand it over to the PMU dairy VC specialist. The collaboration with the regional and local institutions will be sought in terms of logistics, use of venues, and contacts with the different stakeholders. The Committee of Veterinary and Livestock Development (CVLD) will provide the policy support to the initiative.

On **research and policies**, the Project will directly collaborate with the national research institutions and universities on the topics related to climate smart innovations and technologies, as well as with the State Committee of Forestry and with the other international development and financial organisations. For land policy reform, collaboration with other IFI's, UN organizations and (inter)national NGO's will be sought to participate alongside the relevant ministries and representatives of DVC stakeholders. If necessary, international expertise can be hired in addition.

Main risks and mitigations

There is a risk that value chain/agribusiness specialist of the PMU will not have the required experience and skills to initiate and coordinate the initial meetings to set-up the national dairy platform. To mitigate this risk, a national or an international consultant (preferably a consultant who speaks Uzbek/Russian) could be hired for the initial phase (initial meetings) of the activity and will be accompanied by the agribusiness/value chain specialist of the PMU who will afterwards continue the job.

It might be challenging to influence the government and introduce changes into the government policies. To overcome this challenge IFAD will work closely with other donors (WB, ADB, AFD, etc.) who are also concerned about the new land reform.

Activity/task	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7
Establishment of a national dairy platform/forum							
Creation of value actors organisations							
Creation of regional dairy platforms							
Creation of national dairy platform							
Training and capacity building of the created platforms							
Participations to meetings and policy dialogue							
Influencing government policy on land reform							
Participation to working groups							
Study on impacts of land reform							

Phasing of activities under Sub-component 3.1

Exit strategy/ Sustainability

The sustainability of the national and regional multi-stakeholders platforms will be mainly based on the ownership and engagement of the different value chain actors involved. The bottom-up approach on establishing the platforms will ensure the buy-in of the stakeholders involved. The phased approach on the organisation of the meetings starting initially by a full involvement of the PMU and then by the third year a gradual disengagement of the Project and a higher leadership and initiatives taking by the elected committees. The choice and the pertinence of the initial issues to tackle by the platform will be fundamental for its success, in addition to its financial sustainability that could be based on an effective mobilization of resources from the private sector, either through direct contributions from members, or through a system of levies applied to milk transactions, as it already exists in other countries.

Policy support there are no major issues related to sustainability and exit for this activity.

3.3.2 Component 3.2 – Project management and coordination

See below section 4.2 - Project management and coordination.

4 PROJECT IMPLEMENTATION ARRANGEMENTS

4.1 **Project oversight and strategic guidance**

The project is implemented by the **Committee of Veterinary and Livestock Development** (CVLD). A Project Management Unit (PMU) will be established within the CLVD for the day-today management and implementation of project activities as per approved work plan and budget.

A Project Steering Committee (PSC) will be established to oversee the implementation and progress, provide strategic guidance and ensure alignment with national policies. THe PSC will gather representatives from key ministries (e.g., Ministry of Agriculture and CVLD, Ministry of Investment, Industry and Trade, Ministry of Economic Development and Poverty Reduction, Ministry for Support of the Mahalla and the Family, Ministry of Economy and Finance, Ministry of Natural Resources), representatives of the local government of the Project area regions (Jizzakh, Syrdarya, Samarkand, Kashakadarya, Surkhandarya), and other relevant stakeholder organizations (e.g., Women's Committee of Uzbekistan, representatives of the Council of Farmers, Dekhan Farms and Owners of Household Lands of Uzbekistan, Participating Financial institutions, representative of the State Fund for Entrepreneurship Development, and other donors involved in the livestock sector). The PSC will be chaired by the Ministry of Agriculture.

The figure below provides an overview of DVCDP II institutional organization. A detailed mapping of the main project stakeholders is also available in <u>ANNEX 18 – Stakeholder</u> <u>engagement Plan</u>.

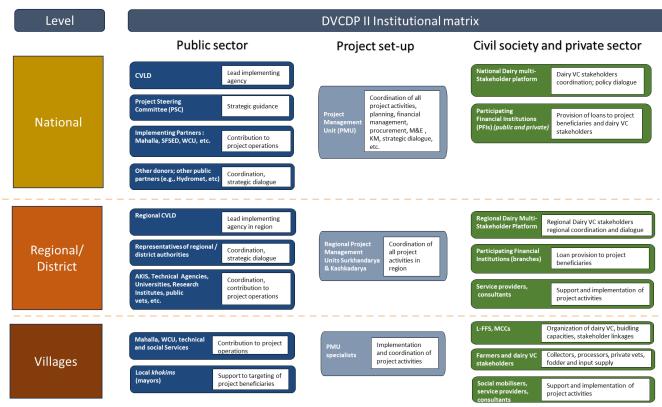


Figure 2: Overview of DVCDP II institutional organization

4.2 **Project management and coordination**

4.2.1 Role and responsibilities of the CVLD

The role of the CVLD is to ensure a timely and proper implementation of DVCDP II, and an effective use of financial resources provided by IFAD and the Government for the Project implementation.

The main tasks under the responsibility of the CVLD include:

- Coordinating and creating of a suitable environment for the work of the Project implementation specialists;
- Ensuring timely Project financing;
- Organizing meetings of supervision missions with the Government, ministries and agencies, other donors and civil society actors, respectively;
- Submitting to the Government and IFAD any issue requiring intervention of superior level;
- Submitting the Project Progress Report to the Government and IFAD for consideration;
- Procuring goods, works and services in compliance with the IFAD's guidelines and legislation of the Republic of Uzbekistan. The CVLD has the right (subject to the terms of its internal Chart and contractual arrangements stipulated in the Financing agreement signed between IFAD and the Government of Uzbekistan):

- In compliance with established procedures, to own, use and dispose of property/assets assigned to it with the right of operational asset management.
- To sign agreements (contracts), acquire property and non-property rights and participate in court proceedings either as plaintiff or defendant.
- Independently organize current and longer-term operations.
- To open bank accounts and foreign exchange accounts in the banks of the Republic of Uzbekistan.
- To perform other activities those do not contradict Project objectives or the legislation of the Republic of Uzbekistan. The CVLD is obliged to:
- Ensure effective and intended use of resources provided by financial institutions and contribution of the Government of the Republic of Uzbekistan.
- In compliance with the legislation of the Republic of Uzbekistan and established procedures, to make sure that its staff enjoys citizen rights guaranteed by the state and be liable for any damage caused to their health and ability to work.
- Perform operational accounting for its financial and economic operations and maintain statistical and accounting records.
- Submit to the Government of the Republic of Uzbekistan and IFAD quarterly and annual reports on disbursement and Project implementation progress.

4.2.2 Organization of the PMU

A Project Management Unit (PMU) is established within the CLVD for the day-to-day management and implementation of project activities as per approved work plan and budget.

Structure of the PMU

The PMU consists of: (i) a central unit in Tashkent; and (ii) two decentralized units in Kashkadarya and Surkhandarya regions, that will be the so-called extended hands of the PMU in these two regions. The PMU in Tashkent will oversee the overall project implementation, and monitor the project activities in Syrdarya, Jizzakh and Samarkand regions. The decentralized staff in Surkhandarya and Kashkadayra will implement and monitor the project activities in their respective region. This organizational set-up aims to ensure close monitoring of project activities and to facilitate awareness-raising and outreach of project beneficiaries in all project regions.

Composition of the PMU

The PMU will be composed of the following staff:

(i) Central PMU in Tashkent

- Director/Project Manager
- Dairy production and veterinary Specialist
- Dairy Value Chain Specialist / Agribusiness and marketing
- Rural Finance Specialist
- Targeting, Youth and Gender Specialist
- Environment/land management specialist
- Monitoring and Evaluation Specialist
- Procurement Officer
- Chief Accountant
- Finance Specialist

- Legal Specialist
- Translator
- Driver

(ii) Decentralized PMU in Surkhandarya

- Regional Field Coordinator
- Dairy production and veterinary Specialist
- Value Chain Specialist
- Rural Finance Specialist
- Driver

(iii) Decentralized PMU in Kashkadarya

- Regional Field Coordinator
- Regional Field Coordinator
- Dairy production and veterinary Specialist
- Value Chain Specialist
- Rural Finance Specialist
- Driver

The Terms of Reference for PMU staff (Functional duties of PMU under the DVCDP II Project) are provided in <u>ANNEX 6</u>.

Coordination Meetings

In order to provide regular supervision over implementation of the Project, as well as opportunity for the Project Management Unit (PMU) to raise operational issues, CVLD will hold meetings with all key staff at least every 3 months and perform following functions:

- Ensure effective interdepartmental interaction;
- Review Project implementation plans and budget;
- Exercise monitoring and evaluation of Project progress;
- Prepare a detailed list of Project implementation issues to be discussed with IFAD missions, as well as ensure that actions previously agreed with IFAD are being implemented;
- Consider proposals for reallocation of funds, amendment of Project documents, Project Extension etc., and then submit them to IFAD;
- Conduct other actions necessary for providing effective and timely Project realization.

Implementation principles

DVCDP II planning and implementation will be undertaken in accordance with IFAD guidelines, the Project Design Report (PDR), the Financing Agreement, the Project Implementation Manual (PIM) and the Aide Memoires of IFAD Supervision Mission.

Overall implementation will be based on the attainment of the Project developing objectives. While the Project appraisal document contains projections on implementation and disbursement rates, they remain projections. Actual Project implementation will be based on the annual cycles taking into consideration actual works and tasks to be undertaken in the coming year and also in the light of unit costs existing at that time. To this end, on an annual basis, PMU will prepare a procurement plan, annual work plan and budget. This will be submitted to IFAD for no objection.

Implementation principles are further presented in the PIM in <u>Section 6 – *Financial*</u> <u>Management</u>.

4.3 Partnerships and complementarities with other donor projects

DVCDP II will be fully aligned and complementary with **other projects funded by other Development Partners in the Livestock sector**, in particular the ADB funded "*Livestock Value Chain Development Project*", the second phase of the WB funded "*Livestock Sector Development Project*", and the AFD funded "*Inclusive Financing and Intelligent Climate Development Project in the Livestock Sector*". This optimal alignment with other donor initiatives will also be facilitated by the fact that all these four projects will be implemented by the same executing agency (CVLD). IFAD's comparative advantage in the livestock projects landscape in Uzbekistan stems from its experience with DVCDP, its strong pro-poor approach, including a clear targeting on *tamarkas* and *dekhan*, and the implementation of a phased approach to gradually include vulnerable farmers into the value chain.

Synergies with **other IFAD operations in Uzbekistan** will also be sought during project implementation: (i) with *ADMP*, through shared experience and cross-learning, in particular for the establishment of relevant financing instruments to improve access to finance for dekhan farmers, women and youth with partner FIs involved in both projects; (ii) with new projects, including a potential *Non Sovereign Operation (NSO) with Hamkor Bank* (USD 2 million) for the provision of microloans to HH farmers, including in the livestock sector in Jizzakh, Kashakadarya, and Surkhandarya regions, with a priority given to HH farmers already trained and supported under DVCDP and DVCDP II; (iii) a potential new project with Hydromet to improve access to agro-climatic services for smallholders, to be identified in 2023 (USD 10 million over 4 years, funded by the Adaptation Fund).

Finally, **Memorandum of Understanding (MoUs)** will be signed with envisaged **implementing partners**, including the Women Committee of Uzbekistan, the Mahallah (for supporting targeting and beneficiary mapping), the University State Agrarian University, and the Veterinary University in Samarkand (for research).

5 ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES

5.1.1 DVCDP II Environmental, Social and Climate Risks classification

Environmental and social risks

The Environmental and Social risk of DVCDP II is considered as "**Substantial**", due primarily to the focus of the project on intensive livestock systems and the concomitant risks to climate, soil and water pollution, health hazards, and labour-related health and safety issues often associated with these investments.

From a social perspective, potential risks include youth unemployment, poor labour conditions, and gender-based violence at household level. Hence, the project will focus on the creation of jobs for young men and women in the dairy value chain, adhering to standards on occupational safety and health (OSH). Household mentoring will be implemented to ensure gender-based violence is reported, reduced and eliminated. The project will also contribute to improved nutrition by undertaking awareness raising activities about diet-appropriate nutrition, food safety and hygiene under Component 1.1.

From an environmental perspective, important issues to consider along the dairy value chain include environmental and biodiversity degradation, excessive water extraction or inappropriate water management, increased use of pesticides and fertilizers, pollution risks associated with the intensification of dairy production, and lack of appropriate waste management - including inappropriate management and disposal of livestock vaccines and other veterinary interventions. Hence, the project aims to pilot technologies that promote water-use efficiency and security of access, improved fodder and feed crop production, and promote sustainable natural resources management practices under Component 1, as well as to finance activities under Component 2 (such as improved livestock breeds, processing equipment, and investments in milk collection centres). Furthermore, improved practices in fodder and livestock production, as well as better veterinary services, will significantly reduce the possibility of negative externalities from project investments, such as GHG emissions, land degradation, or possible impacts to biodiversity.

Finally, there is a risk that PFIs under Sub-component 2.2 will not implement adequate environmental and social standards when channelling the project funds through credit lines. The adequacy of Environmental and Social Management Systems (ESMSs) of partner PFIs will be assessed at due diligence phase, to ensure that these ESMSs are tailored to the risks and impacts of the project and the investments financed. It has to be noted that most of the preidentified PFIs have already received TA support from other donor projects (WB, AFD, IFAD/ADMP) to improve their ESMS framework.

Climate Risk

The climate risk category is "**Moderate**". Uzbekistan is vulnerable to climate change impacts mainly due to increasing water scarcity (primarily due to wasteful and inefficient irrigation practices), the incidence of drought (with impacts exacerbated by the same water management practices), and a potential increase in the frequency of extreme climate events. However, project interventions will not increase the vulnerability of target populations to climate hazards, nor affect the resilience of the natural resources on which beneficiaries depend. Rather, interventions are designed to mitigate these risks and adapt to the likely future impacts of climate change, while at the same time improving livelihoods through more sustainable agricultural practices, thereby improving climate resilience in both production and the dairy value chain (see Annexes 5 and 15).

Intensification of dairy production may also contribute to the increase of GHG emissions from gastric methane (CH4) emissions, as well as nitrous oxide (N2O) and CH4 emissions from manure collection, storage, and management systems, and increases the risk of nitrate pollution and land degradation through pasture grazing and soil cultivation for fodder production. Direct reductions and mitigation of GHG emissions will be achieved through (i) improved emission intensity results (per litre of milk produced) achieved through animal health interventions and higher quality animal feed/fodder; (ii) deployment of solar energy installations at key points in the agricultural and dairy value chains, and (iii) sequestration from improved land and soil management practices, including on-farm forestry particularly along field boundaries and irrigation canals. Precise estimates of GHG emissions avoided or sequestered from these approaches will be developed during inception through application of the GLEAM-i assessment methodologies.

5.1.2 Environmental and Social Management procedures

DVCDP II Environmental and Social Management Procedures form an integrated part of DVCDP II design and Project Implementation Manual (PIM). They include the following documents:

- Social Environmental and Climate Assessment Procedures (SECAP) Review Note, which aims to ensure that the project considers potential social, environmental, and climate change risks from the investment along with opportunities to mitigate these risks, and incorporates the perspectives of vulnerable groups and beneficiaries into design particularly local communities, small-scale farmers, youth, and women. The document makes recommendations regarding the management of potential risks identified, as well as to enhance the inclusion of social and environmental concerns by mainstreaming mitigation measures into project design. This Review Note summarizes the development context, examines how the project might affect this context with regards to IFAD's mainstreaming themes (gender, youth, nutrition, indigenous peoples, climate and environment) and makes specific recommendations on how the project can mitigate risks and better include social and environmental concerns.
- Environmental, Social, and Climate Management Framework (ESCMF), which sets out the guidelines and procedures for assessing and managing the potential environmental, social and climate risks and impacts of DVCDP II interventions. The Framework specifies the environmental, social and climate policies and interventions applicable and how these requirements will be met through assessment and implementation, mitigation, monitoring procedures and notification of the environmental, social and climate risks and impacts associated with the activities to be supported.
- **Grievance redress mechanism (GRM)** by which queries or clarifications about the project will be responded to, problems with implementation will be resolved, and complaints and grievances will be addressed efficiently and effectively.
- **Stakeholder Engagement Plan (SEP)**, which aims to ensure the participation and engagement of the stakeholders, ensuring that each group gets involved as defined and receive the agreed information.

These procedures are provided in Annexes 15 to 18 of the Project Implementation Manual.

6 FINANCIAL MANAGEMENT

6.1 Introduction

The Project will be implemented by the Committee of Veterinary and Livestock Development (CVLD) under the supervision of the Minister of Agriculture in accordance with the terms and conditions of the financing agreement signed between the Government of Uzbekistan and IFAD. The CVLD will have the responsibility to implement sound financial management practices. This section outlines the financial management processes and procedures to be implemented by the CVLD during the duration of the Project.

Reference material. This document should be read together with the:

- ✓ Project financing agreement entered into between the Borrower and IFAD
- ✓ Project Financial Management and Financial Control Arrangements Letter (FMFCL)

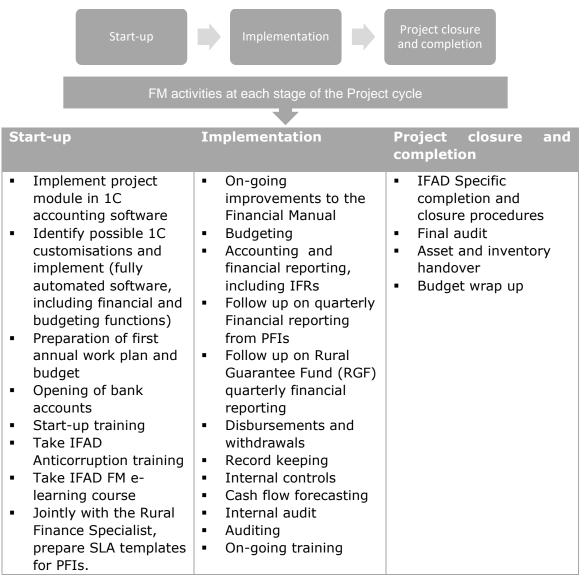
- ✓ IFAD General Conditions for Agricultural Development Financing
- ✓ The Project Financial Management and Financial Control Handbook
- ✓ IFAD Handbook on Financial Reporting and Auditing of IFAD-funded projects

Click <u>here</u> for links to documents.

Updates and changes to financial management arrangements. DVCDP II is an IFADfunded Project; therefore, in line with IFAD's efforts to capacitate and support projects, this section was developed during the project design process. It is envisaged that on-going improvements and updates to financial management arrangements be updated in this section of the PIM under the supervision of the Chief Accountant and subject to IFAD's no objection.

6.2 Project cycle and financial management activities

The Chief Accountant and the Finance Specialist of CVLD will have final responsibility for the execution of the financial management activities at each stage of the Project cycle, as outlined below:



-	Preparation of the RGF agreement template, which will be signed between the MoEF, MoA, and EDC.	 Implement performance evaluation²⁸ 	
		IFAD on going support	

6.3 Pre-implementation activities

During the start-up of the project, it is recommended that Project staff undertake the following activities. These activities are recommended to ensure that Project staff are well informed and knowledgeable with regards to the financial management aspects of the Project once implementation commences:

Activity	Overview
Financial management staff appointment	• Fill vacancies in CVLD to ensure that the Finance Management Department capacitated to manage the Project.
<i>Accounting software</i>	 CVLD to install a new version of the C1 accounting software, or alternatively, upgrade the existing accounting software to allow fully automated accounting, including financial reporting and budgeting functions. Incorporate correct chart of accounts (including the categories, components, sub-components and financier) in line with the schedule 1 and 2 of the Financing agreement with IFAD. Upload the Cost Table/AWPB to the accounting software for the purposes of budgeting / monitoring.
<i>Open bank accounts</i>	 The Chief Accountant, with the assistance from the MoEF, will be responsible for the opening of the Project bank accounts. Refer <u>6.8.1</u> for overview of required bank accounts.
<i>Preparation of first annual work plan and budget</i>	 The DVCDP II Chief Accountant and the Project director will be jointly responsible for the compilation of the first Annual Work plan and Budget (AWPB), subject to IFAD no-objection. The Project director, M & E specialist, procurement specialist, chief accountant and credit line specialist will be responsible for the preparation of realistic AWPBs.
Staff training and capacity building	 Newly appointed DVCDP II financial Management staff will be required to complete the IFAD FM e-learning (available in Russian)

²⁸ Develop (in consultation with the Project Manager) a performance evaluation process for FM staff within 1 year of project commencement and document process in the PIM. This process should identify skills gaps and assist with identifying appropriate training interventions.

	 and submit completion certificates to IFAD within 2 months of date of appointment. Refer to <u>6.20.</u> for link to training. All staff are required to study the project related documents at project start-up. IFAD Finance Officer will deliver briefing on IFAD Financial Management (FM) guidelines and requirements at start-up.
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6.4 IFAD Anticorruption policy

The management of Project funds shall be sufficiently rigorous to safeguard against Fraud and Corruption. Fraud and corruption include, but are not limited to (as defined in the IFAD anticorruption policy):

- Corrupt practice offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- Fraudulent practice any act or omission, including a misrepresentation, that knowingly
 or recklessly misleads, or attempts to mislead, a party to obtain a financial or other
 benefit or to avoid an obligation.
- Collusive practice an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.
- Coercive practice impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

IFAD applies a zero-tolerance policy towards fraudulent, corrupt, collusive or coercive actions in Projects financed through its loans and grants. 'Zero tolerance' means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied to parties or entities involved where the allegations are substantiated. IFAD takes all possible actions to protect individuals who submit allegations of fraudulent or corrupt practices in its activities from reprisal.

The primary responsibility for enforcing the Anticorruption Policy lies with the DVCDP II, and the first defence for controls shall be exercised by Project staff and counterparts Pursuant to this, the DVCDP II shall have the responsibility to incorporate pertinent provisions of the Anticorruption Policy in its contracts with Project staff, cooperating / implementing partners, and suppliers/consultants.

It is the Project Director and the Project Chief Accountant's responsibility to make sure that all Project staff are aware of IFAD's and the National's anticorruption policies and whistle blowing procedures.

DVCDP II can contact the IFAD Officer of Audit and Oversight to report events.

How to contact the IFAD Office of Audit and Oversight:

All communications are treated with the utmost CONFIDENTIALITY.

(Mark all mail "Personal and confidential")

	website: www.ifad.org/anticorruption
	email: anticorruption@ifad.org
	phone: +39 0654592888
	fax: +39 0654597888
By ma	il:
	IFAD, Office of Audit and Oversight (AUO),
	Investigation Section (IS), Via Paolo di Dono, 44
	00142 Roma, ITALY
By pho	one or in person:

Speak to the Investigation Section Staff or AUO Director

Refer to 6.20 for useful links.

6.5 FM organisational structure, roles and responsibilities

6.5.1 Overview of FM organizational structure

The project will be implemented by the Committee of Veterinary and Livestock Development (CVLD) under the supervision of the Minister of Agriculture. The PMU will consist of:

- A central unit in Tashkent, will be staffed with the Project Director, M&E, dairy
 production and veterinary, value chain/agribusiness, environment/land management,
 rural finance, environment, gender specialists, a chief accountant, a finance specialist,
 procurement, and knowledge management/communication specialists; and
- there will be two decentralized units in the Kashkadarya and Surkhandarya regions.
 Each of these decentralized units will be staffed with a Regional Field Facilitator (RFF), a dairy production and veterinary specialist with expertise related to climate-smart practices and technologies, and value chain and rural finance specialists.

The PMU in Tashkent will oversee the overall project implementation and monitor the project activities in the regions. The DVCDP II finance department will be located in Tashkent and headed by a Chief Accountant who reports to the Project Director. Within the Finance Department, a finance specialist will be supporting the chief accountant.

The decentralized staff will implement and monitor the project activities in their respective region. Recruitments will be done on a competitive basis, and a performance management framework will be developed for merit-based recruitment, performance appraisals, and professional development to ensure staff performances are at a satisfactory level.

6.5.2 FM staff - key roles and responsibilities

Detailed job descriptions for the Chief Accountant and Finance Specialist are outlined in \underline{Annex} <u>6</u>.

6.6 Planning and budgeting

Planning will be guided by the project's strategy, Log-frame and broader results framework which will inform the development of a results-based annual work plan and budget (AWPB) in consultation with implementing partners, including beneficiaries, where relevant. The PMU will be responsible for the process and for the inclusion of and collaboration with key stakeholders in the planning process. AWPBs will be approved by the project steering committee and sent to IFAD for no objection 60 days prior to the end of each fiscal year. IFAD will have 30 days for reviewing and provision of "No Objection" and the PMU will have 30 days to revise and finalize the AWPB. Following GOU's planning cycle, the fiscal year will go from 1st January to 31st December. To ensure timely submission of the draft AWPB budget preparation will begin in August and end in October with the submission to the project steering committee.

The AWPB will be informed by an assessment of current implementation progress and will describe the strategic direction of the project for the coming year along with results expected (targets) under each component and how those results will be achieved. This will be complemented by a resource plan, budget and risk analysis for each result. Previous year performance and challenges will be analysed to define review and adjust planning and generate lessons. The AWPB will include plans for training and technical assistance, M&E and KM, including the procurement plan for the year in question. In summary, the AWPB would present the project background, past experience and results (the basis for future plans), the following project year's plan both financial (the financial summary including a Procurement Plan) and physical with details of planned activities. The activities will be linked to corresponding Log-frame indicators to facilitate indicator-based planning and reporting.

The AWPB will be prepared with input from Project Director, Chief Accountant, Finance Specialist, M&E Specialist, Procurement Specialist and Credit Line Specialist. The budget will be prepared in Excel using the required format as outlined in <u>Annex 10 – Tool 1</u>. A bottom-up approach is required, whereby budgets will be compiled from the technical teams and regional offices level upwards. The Chief Accountant shall start with the AWPB process with sufficient time to seek IFAD no objection as required in terms of the financing agreement.

Once the AWPB has been developed and approved, it must be inserted in the budget module of the accounting system for the purposes of monitoring actual implementation in line with the budget at least once a month. In the absence of the budget function in the accounting software, budget monitoring will be performed manually on excel, and the Chief Accountant will ensure that budget monitoring is done in the same format as annual budget (e.g. by component, sub-component, category, financier, and outputs as outlined in the AWPB).

The Chief Accountant will need to ensure that expenditure per category and component is in line with the Financing Agreement signed between the GoU and IFAD. If the budget monitoring process indicates an expected over-expenditure in one or more of the cost components (as per the Schedule 2 of the FA), the Project will have to obtain a no objection from IFAD, allowing a reallocation amongst the components.

6.7 Internal controls

6.7.1 Overview of internal controls

The PMU will follow internal control requirements, which are established by the Republic of Uzbekistan and IFAD, which are outlined in detail in this Project Implementation Manual (PIM).

The PMU will ensure that reliable and adequate internal controls are applied over project operations, procedures, assets, and financial transactions, to provide assurance that project funds are being used as intended with regard to economy and efficiency and that these internal control arrangements are maintained throughout the implementation period.

Component two of the project includes extended lines of credit activities that will be implemented through Participating Financial Institutions (PFIs). The PMU will perform due diligence on PFIs that will participate in the implementation of component 2 prior to signing an SLA. If the PFI passes due diligence, an SLA will be signed between the MoEF, CVLD, and PFI. The CVLD will monitor if satisfactory internal control arrangements are maintained at PFIs throughout the project lifecycle. Detailed terms and conditions of the credit lines will be articulated in the Credit Line Guidelines.

In addition, there will be a guarantee fund, which will be channelled through the Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED). The EDC already has experience working with IFI funded projects such as World Bank (WB) and Asian Development Bank (ADB) as well as ongoing IFAD funded ADMP project. The project will also ensure that satisfactory internal control arrangements are in place with regard to the guarantee fund.

It is recommended that the Finance Staff consider the guidance outlined in <u>Guidelines for</u> <u>internal controls for Public Sector Entities (INTOSAI GOV 9100</u>) when developing/improving the system of internal control.

Internal control is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved:

- ✓ executing orderly, ethical, economical, efficient and effective operations;
- ✓ fulfilling accountability obligations;
- ✓ complying with applicable laws and regulations;
- ✓ safeguarding resources against loss, misuse and damage.

Internal control is a dynamic integral process that is continuously adapting to the changes an organisation is facing. Management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives.

At project start-up it is recommended that the Chief Accountant use the general framework for considering the internal control environment with the intention of improving the existing control environment. In terms of the general framework:

- 1) Perform a risk assessment
- 2) Develop control activities which address identified risks (or improve existing control activities)
- 3) Implement control activities (by documenting controls, updating the information systems, communicating to relevant parties)
- 4) Develop a system for monitoring the effectiveness of controls implemented

Control activities should be developed with consideration of the following categories:

Control activities	Description
Authorisation and approval procedures	Authorisation controls require certification that a transaction or event is acceptable for further processing. The delegated authority of staff should ensure efficient implementation while mitigating related risks. Authorisation levels of Project staff should be in line with their underlying roles. For example, only the Project director may be authorised to approve payments.
Segregation of duties	An important element in any control system is the separation of those duties which would, if combined, enable one individual to record and process a complete transaction. For example, a finance specialist might prepare a document, but it would then be reviewed and cleared by the Chief Accountant, and then approved by the Project director or the PMU Director. It is the Chief Accountant's responsibility to ensure that certain duties are segregated, including authorising, processing, recording and reviewing.
Access to resources and records	All data, records and assets should be kept in a physically secure environment. Financial data and other records should also be protected by back up procedures and copy records should be stored securely off site.
Verifications	Transactions and significant events are verified before and after processing, e.g. when goods are delivered, the number of goods supplied is verified with the number of goods ordered. Afterwards, the number of goods invoiced is verified with the number of goods received.
Reconciliations	Reconciliations between independent, corresponding sources of data are a key control for identifying errors and discrepancies in balances. The reconciliations should be done on a monthly basis. Any reconciling or balancing amounts should be promptly cleared. Unusually long outstanding reconciling items should be investigated. Physical checks should also be performed on assets and petty cash.
<i>Reviews of operating performance</i>	Operating performance is reviewed against a set of standards on a regular basis, assessing effectiveness and efficiency. If performance reviews determine that actual accomplishments do not meet established objectives or standards, the processes and activities established to achieve the objectives should be reviewed to determine if improvements are needed.
<i>Reviews of operations, processes and activities;</i>	Operations, processes and activities should be periodically reviewed to ensure that they are in compliance with current regulations, policies, procedures, or other requirements.
Supervision	Competent supervision helps to ensure that internal control objectives are achieved. This includes assigning, reviewing, and approving an employee's work.

Control activities	Description
Information and technology related controls	Information and technology controls can be both general and related to applications. The major categories of general controls are (1) entity-wide security program planning and management, (2) access controls, (3) controls on the development, maintenance and change of the application software, (4) system software controls, (5) segregation of duties, in both accounting system an online banking system and (6) service continuity. Application controls are the structure, policies, and procedures that apply to separate, individual application systems, and are directly related to individual computerized applications. These controls are generally designed to prevent, detect, and correct errors and irregularities as information flows through information systems.

Entities should reach an adequate balance between detective and preventive control activities. Corrective actions are a necessary complement to control activities in order to achieve the objectives.

The Financial Manual incorporates practical guidance on recommended control activities in the sections that follow which can be considered by the Chief Accountant of the PMU when developing/improving internal controls.

<u>New/improved controls should be documented in detail in the Financial Manual</u> <u>Controls. Should be considered:</u>

6.7.2 Authorization and approval

- ✓ Each payment to be uploaded to 1C based on an approved payment request
- ✓ Payments released in online banking platform by 2 authorized signatories (by using authorized log-in credentials)

6.7.3 Segregation of duties

- ✓ Payment requests prepared by Finance Specialist.
- ✓ Payments reviewed/ cleared by Chief Accountant, and approved by Project director or the PMU Director
- ✓ Payments recorded in 1C by Finance Specialist
- ✓ Payments released by authorized signatories

6.7.4 Access to resources and assets

- ✓ Financial Management Office to be locked after working hours and key retained by the Chief accountant or Finance Specialist;
- \checkmark Other project offices locked after working hours when not in use

6.7.5 Verifications

✓ Annual fixed asset verifications

✓ Fixed assets are tagged with unique number or barcode

6.7.6 Reconciliations, reviews, supervision

The following reconciliations, checks, monitoring and review activities should be prepared on a monthly basis:

Туре	Description	Preparer	Reviewer (signed by)
<i>Designated account bank reconciliation (MONTHLY)</i>	Reconciliation of the bank balance of the designated accounts to the cash book balance. (IFAD format outlined in <u>Annex 10 – Tool 6)</u>	Finance Specialist	Chief Accountant
Transit accounts / interest accounts / tender accounts reconciliations (local currency) (MONTHLY)	Reconciliation of the bank balance of the transit accounts to the cash book balance.	Finance Specialist	Chief Accountant
<i>Fuel & Travel Cards reconciliation (MONTHLY)</i>	Reconciliation of fuel & travel cards to relevant cash book. Refer <u>Annex</u> <u>10 – Tool 4</u> for reconciliation form.	Finance Specialist	Chief Accountant
<i>Advance justifications (MONTHLY)</i>	Clear all outstanding advances within 5 days of the end of each month (receive and record approved expenditure) and follow up on long-overdue items for which invoices and supporting documentation have not been received.	Finance Specialist	Chief Accountant
Review of quarterly reports from PFIs (as per 21.10) (QUARTERLY)	 Obtain quarterly reports from PFIs and confirm: ✓ Bank opening balance at the beginning of the quarter. ✓ Funds received from the PMU during the relevant quarter, and available funds at the relevant quarter; ✓ Actual sub-loans paid to the beneficiaries during the reporting period; 	PFIs	Chief Accountant and Finance Specialist

Туре	Description	Preparer	Reviewer (signed by)
	 ✓ Bank account closing balance at the end of the relevant quarter. ✓ Expenses have been incurred in line with the approved AWPB 		
Review of quarterly reports from EDC (as per 21.10) (QUARTERLY)	 Obtain quarterly reports from the EDC and confirm: ✓ Bank opening balance at the beginning of the quarter. ✓ Funds received from the PMU during the relevant quarter, and available funds at the relevant quarter; ✓ Actual guarantees provided during the reporting period; ✓ Bank account closing balance at the end of the relevant quarter; ✓ Expenses have been incurred in line with the approved AWPB. 	The EDC	Chief Accountant and Finance Specialist
<i>Quarterly and Monthly internal report</i>	Prepare internal reports for the purposes of monitoring project progress and identifying issues. Refer section <u>6.13.7</u> .	Finance team	Project director

In all instances, issues identified during the review/reconciliation process should be followed up and resolved in a timely manner.

6.7.7 Information and technology related controls

- ✓ Password is required to log into 1C
- ✓ 1C to require password change on a regular basis
- \checkmark User rights are defined and documented and linked to log-in credentials
- ✓ Daily back-up of 1C data on server
- ✓ Sensitive information (e.g. payroll files) are password protected
- ✓ Regular software updates are undertaken to ensure that 1C version is supported by technical team at 1C
- ✓ Offsite backup of data on a weekly basis
- ✓ Financial Management staff are not allowed to share 1C passwords or use login credentials of another
- ✓ Desktop access requires login with a password
- ✓ Operating system software updates are performed regularly
- ✓ Use authorized signatory to have log-in credentials for on-line banking

6.7.8 Internal control Arrangements for the Lines of Credit

It is recommended that the PMU uses the information contained in this section to consider the soundness of the internal control arrangements and provide guidance on improving controls if weaknesses are identified.

Control activities	Description
<i>Development of Investment Guidelines</i>	The Investment Guidelines (or equivalent) for the lines of credit including the operating modalities, the eligibility criteria for the PFIs and beneficiaries by credit window have been approved by IFAD.
Due Diligence	PFIs must have adequate financial management structure, and technical staff to carry out operations and implement the activities. Therefore, to become a PFI, commercial banks will be required to undergo a due diligence procedure in accordance with a set of operational, financial and management criteria, and maintain satisfactory arrangements throughout the project lifecycle. The detailed criteria for the due diligence will be provided in the investment guidelines.
<i>Development of the Subsidiary Loan Agreement Template</i>	The Subsidiary Loan agreement (SLA) template will be prepared by the PMU with support from IFAD's Rural Finance Specialist and Finance Officer. The SLA template should include financial reporting, internal controls, and staffing requirements and clearly outline who bears the credit and forex risks. The PFIs will carry out the risk analysis and bear the credit risk. For youth and women, the target group will be covered by the guarantee fund and the loss of credit will be partially covered by the guarantee fund. Bad debts or credit losses are not eligible for IFAD financing. (The SLA template will be subject to IFAD's no objection).
<i>Signing of the Subsidiary Loan Agreement</i>	A tripartite SLA will be signed between the MOEF, CVLD and the eligible PFI that passed the due diligence.
<i>Opening Incremental Bank Accounts</i>	The PFI will open an incremental account to receive IFAD loan funds and a revolving account for credit reflows

Following specific conditions will apply to lines of credit:

The CVLD will enter into triple Subsidiary Loan Agreement (SLA) with the MoEF and each PFI. Financial management roles and responsibilities are outlined below:

The PMU will:

- ✓ With support from the IFAD Rural Finance Specialist, perform a due diligence on PFIs prior to signing the SLAs, and monitor if satisfactory internal control arrangements are maintained throughout the project lifecycle.
- ✓ Submit IFAD, certified copies of the evaluation report of internal control systems, operational mechanisms, and procedures.

- ✓ Ensure satisfactory internal control and audit procedures at PFIs, including accounting principles and procedures, financial documents and reports, internal controls, and operational controls that are confirmed by institutional audits, and submit these institutional audit reports to IFAD on an annual basis, no later than 30 June each year;
- ✓ Ensure that PFIs comply with the financial reporting obligations indicated in the SLAs; <u>Financial reporting requirements from the PFIs should be formalized through a presidential</u> <u>decree to ensure that PFIs meet reporting requirements indicated in the Subsidiary Loan</u> <u>Agreements.</u>
- Ensure that PFIs submit quarterly financial reports to the PMU on actual utilization of funds within 30 days after the period ends. As part of the quarterly IFRs, these reports will be included in the IFRs and submitted to IFAD on a quarterly basis;
- ✓ Ensure that the terms of reference for the external audit include an end-use review, including field visits for an appropriate sample of end beneficiaries based on the control risk assessment to determine if funds provided were used for intended purposes (refer to <u>Annex 9</u> for the TOR example).
- ✓ Ensure that Lines of credit activities are included in the project internal audit scope.

The PFIs will:

- ✓ PFI will fulfill its obligations under the Subsidiary Loan Agreement (SLA) in accordance with the Financing Agreement and credit guidelines;
- ✓ PFI will ensure the sub-loan-financed acquisition of goods, works, and services by beneficiaries, in accordance with the Financing Agreement and credit guidelines;
- ✓ Implement sound financial management practices and procedures to the satisfaction of the CVLD and IFAD;
- ✓ Ensure timely provision of supporting documents by beneficiaries required for sub-project implementation;
- ✓ Ensure keeping financial records in accordance with consistently applied accounting standards acceptable for IFAD and thus adequately reflecting operations, resources, and expenditures related to the sub-project;
- ✓ Allow the Republic of Uzbekistan and IFAD to carry out inspections and audit on subprojects, their activities, and all related documents and reports, when required;
- Submit quarterly reports to the CVLD PMU within 30 days after the period end on the actual utilization of funds, accompanied by a bank account activity statement and reconciliation;
- ✓ Ensure annual institutional audits with the engagement of an independent auditor, in accordance with consistently applied auditing standards acceptable for IFAD, and the immediate provision of audit reports to the PMU, no later than June 30. The full auditor's report should include a separate section reviewing PFI's activities in accordance with the Guidelines.

6.7.9 Internal control Arrangements for the Guarantee Fund:

A partial credit guarantee scheme for women, youth and unregistered HH dairy farmers will be considered in the framework of DVCDP II, which will be hosted and administered by the Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED). The State Fund has the capacity to implement the activity and is already providing guarantees for an ongoing IFAD project (ADMP), ADB, and WB projects in Uzbekistan. Arrangements for the guarantee fund will be as follows:

- ✓ The investment guidelines and operating modalities, including the eligibility criteria for RGF, will receive IFAD's no-objection.
- ✓ The RGF agreement will be signed between the MoEF, MoA, and EDC, after receiving IFAD's no-objection. The template should have a clear legal structure, which is acceptable to IFAD.
- ✓ A separate account for RGF will be duly opened by EDC to receive funds from the Designated Account.
- ✓ The template for the RGF sub-agreement for providing guarantees to financial institutions, smallholder and rural businesses will be subject to IFAD's no-objection.
- ✓ The EDC will enter into agreements with the sub-borrowers to provide guarantees for investment in accordance with the terms of the agreement and provide verified information to each ministry about the guarantees provided within the framework of the project, as well as information about the remaining funds in the account.
- ✓ The MoA will ensure the provision of the guarantees in accordance with the requirements of the agreement by keeping financial and accounting records, and preparing quarterly reports on the provision of the guarantees, and submitting them to the MoEF and IFAD within 30 days after the period ends.
- ✓ Every year, the MoEF will compare information on the use of Guarantee funds, draw up and sign reconciliation documents with the State fund and the MoA.
- The EDC's financial statements will be prepared in accordance with IFRS, and their financial statements will be audited in accordance with International Standards on Auditing (ISA) by an independent external audit firm (Institutional Audit, not project level). The audit reports will be publicly available on following web page: https://statefund.uz/en/presscenter/finances/
- ✓ The PMU should ensure that Rural Guarantee Fund activities are included in the project external/internal audit scope.

6.8 Flow of funds

6.8.1 General flow of funds arrangements:

IFAD funds will be disbursed in USD to a designated account opened with commercial banks to IFAD's satisfaction. All expenditures will be directly paid from the project designated and operating accounts for the goods, works and services procured by the PMU. There will also be lines of credit and guarantee fund activities where the PMU will transfer funds from the project accounts to the bank accounts maintained by PFIs and the Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED), and funds will flow to beneficiaries from these specific accounts. Following bank accounts will be opened and maintained for the implementation of the project:

- ✓ A designated account will be opened to receive funds from the IFAD loan. (Pool account to receive BRAM and PBAS funds)
- ✓ A project account will be opened by the PMU in local currency (UZS) entirely for credit lines (a transit account).
- ✓ A project account will be opened by the PMU in local currency (UZS) to make payments for eligible project expenditures. (Foreign suppliers will be paid directly from the designated account)
- ✓ During the FA Negotiation, it was agreed among parties that Government co-financing will be fully in-kind, mostly in the form of exemptions for taxes/duties. For this, a dedicated

account may be opened, in UZS, only in the case the need to receive Government contributions in-cash would arise.

- ✓ PFIs will open incremental Credit Accounts to receive funds from the Project Designated Account and operating account.
- ✓ Two revolving accounts will be maintained by each PFI, one in UZS and one is USD.
- ✓ A separate account will be opened by the Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development SFSED) to receive funds from the project Designated Account for the Rural Guarantee Fund.

Daily transfers to the transit accounts will be based on project cash flow needs as determined by the 1C accounting software and cash will not be kept in local currency for extended periods of time to reduce exchange rate exposure.

6.8.2 Lines of Credit activities and flow of funds

- ✓ The funds for the credit lines will flow through PMU's Designated account and operating accounts to PFIs, which will be selected based on due diligence in line with credit line guidelines approved by MoEF, and IFAD.
- ✓ Beneficiaries will apply for the sub-loan to the PFIs. The applications will be reviewed by the PFI's Credit Line Committee and the eligible sub-projects from beneficiaries will be filtered in accordance with the terms and conditions, eligibility criteria, and procedures set out in Guidelines based on sub-loan agreements.
- ✓ PFIs will prepare Statements of Expenditure (SOE) in the agreed format, listing already financed sub-loans, as well as sub-loans approved by their Credit Committee but not yet financed.
- ✓ SOE will be submitted together with the one-page Sub-loan Information Sheet for each sub-loan. The Sub-loan Information Sheet will contain key terms and conditions of the proposed sub-loan.
- ✓ The CVLD Rural Finance Specialist will review the list of sub-loans and the one-page summaries for every sub-loan to check the eligibility of the sub-loan against the criteria under the project.
- ✓ Once the sub-projects are approved by the PMU, funds will be transferred from the project accounts to the PFI's HQ account.
- ✓ Funds will then be transferred by the PFI to the extended sub-loan account for the beneficiary at the PFI's branch where the sub-loan application has been made.
- ✓ When the beneficiary purchases the goods/equipment and submits all supporting documents to PFI, payment directly transferred by PFI from the bank account opened for the extended sub-loan to the supplier's bank account.
- ✓ The final withdrawal arrangements will be described in the Credit Line Guidelines. During the eligibility check for PFIs, the PMU will also ensure that an assessment is conducted to confirm that internal control arrangements are in place in selected PFIs.

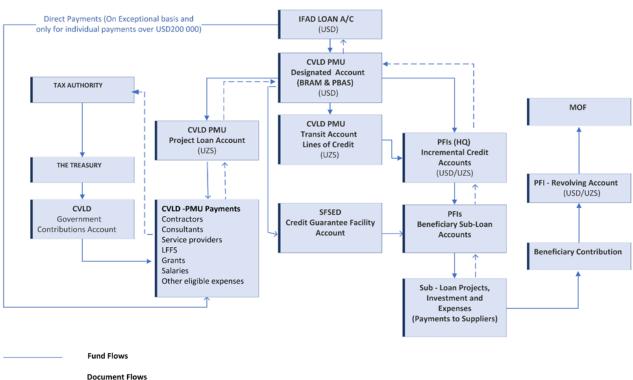
6.8.3 DVCDP II Rural Guarantee Fund

- ✓ The investment guidelines (or equivalent) and operating modalities including the eligibility criteria for RGF have received IFAD's no-objection.
- ✓ The template for the RGF sub-agreement for providing guarantees to financial institutions, smallholder and rural businesses will be subject to IFAD's no-objection.
- ✓ The RGF agreement will be signed between the MoEF, MoA, and EDC, after receiving IFAD's no-objection.

- ✓ A separate account for the RGF will be duly opened by SFSED and funds from the project Designated Account will be transferred to this account for the rural guarantee fund activities.
- ✓ The EDC will enter into agreements with the sub-borrowers to provide guarantees for investment in accordance with the terms of the agreement and provide verified information to each ministry about the guarantees provided within the framework of the project, as well as information about the remaining funds in the account.
- ✓ The MoA will ensure the provision of the guarantees in accordance with the requirements of the agreement by keeping financial and accounting records, and preparing quarterly reports on the provision of the guarantees, and submitting them to the MoEF and IFAD within 30 days after the period ends.

6.8.4 Grants/Matching Grants

- ✓ Equipment needs will be identified by the beneficiaries, with the support/guidance from trainers and service-providers hired by the Project for the implementation of each component/activity, or directly by the PMU (regional field facilitators and financial inclusion experts).
- ✓ Potential beneficiaries will submit their demand to the PMU, with the support of field trainers and facilitators.
- ✓ The Project director will formally approve the grant.
- ✓ The PMU will procure the equipment identified by the beneficiaries as per the IFAD procurement rules. Payments will be processed by the PMU directly to the suppliers (no money directly reaching the beneficiaries).



FLOW OF FUNDS CHART

6.8.5 Authorized bank signatories

All bank accounts will have 3 authorised signatories. All bank transfers will be required to be released by 2 authorised signatories.

6.9 Accounting

6.9.1 Accounting system

Most of the Project activities result in the receipt, commitment or expenditure of funds. The accounting system records, processes and organizes this data in order to produce useful financial information in the form of AWPB, Financial Reports, and Withdrawal Applications, Financial Statements etc. needed by the financier and project management. The accounting system should reflect the Project's needs and be designed to provide the financial information required by all interested parties. It should also fulfil all the legal and regulatory requirements of DVCDP II. In addition, the accounting system should incorporate the reporting requirement of the chosen accounting standard for DVCDP II which is IPSAS, Financial Reporting under the Cash Basis of Accounting.

6.9.2 Centralized accounting at DVCDP II

The accounting function will be maintained by DVCDP II at central unit in Tashkent and the transactions will be recorded in the 1C accounting software daily within the correct component and expenses category.

6.9.3 Accounting software

1C accounting software will be used for DVCDP II. The software will be able to record transactions by component, sub-component, category and financier in multiple currency. To allow the project to track actual amount of each loan (PBAS and BRAM) the PMU will keep separate ledger accounts for each financing instrument and submit separate Withdrawal Applications. In addition, it will have the budgeting and financial reporting functions.

6.9.4 Chart of accounts

The accounting software should include the appropriate Chart of Accounts. The Chart of Accounts should be developed to cater for:

- All components and sub-components are incorporated in the AWPB (outlined in the financing in agreement)
- All components and categories as outlined in the financing agreements
- Sources of finance (e.g. Government, IFAD BRAM, IFAD PBAS, Beneficiaries, PFI)
- Sub categorisation to cater for activities at the various regions

The Chart of Accounts should mirror the cost tables (as presented in the Project design report) to enable comparison of actual Project costs during implementation with those estimated during the Project preparation.

6.9.5 Recording and processing of transactions

Whenever a transaction takes place under the Project, it should be recorded and processed using the accounting software. Transactions are recorded on the cash basis of accounting which requires the recognition of cash flows when they occur (inflows and outflows).

Each transaction should be recorded in the accounting software based on the following:

- Use double entry accounting (debit and credit, with cash always being one of the entries)
- Capture the transaction using the correct account code (as determined by the chart of accounts) for all transaction, to be confirmed the Chief Accountant
- Capture transactions which has the required supporting documentation
- Capture information accurately and completely.

6.9.6 Accounting for in-kind contributions:

In accordance with the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects, DVCDP - II is required to account for and disclose in-kind contributions (IKC). In order to meet this requirement, the Project is required to measure in-kind contributions as outlined below and record them in the accounting system, or if the accounting software does not allow, in-kind contributions should be maintained manually in excel files and updated quarterly to ensure all in-kind contributions are accounted for and included in the financial statements.

The eligibility and monitoring of in-kind contributions from DVCDP II beneficiaries will follow the principles set out in IFAD's Technical note on in-kind contributions

In the case of DVCDP II, in-kind contributions will mostly consist of (i) labour force from project beneficiaries; (ii) provision or access to equipment and material; (iii) access to facilities (e.g., land for the establishment of MCCs or water tank or communal water tanks); (iv) other services (e.g., transportation); (v) appliance (e.g., electricity, water).

When recording in-kind contributions, it is important that in-kind contributions are classified according to the same principles as regular Project expenditures; that is, every contribution must be linked to an activity/component, a category and a financing source (government and/or beneficiaries) to ensure that consolidated financial reports can be produced without extra effort.

As a rule, goods and services provided as in-kind contributions will be recognised at their "fair market value". Fair market value is defined as: the price the Project would be expected to pay for such goods and services in a local, open and unrestricted market. The PMU will ensure that the reported fair-market value for IKC is reasonable and correctly and fully disclosed in its financial statements.

The project will measure in-kind contributions in accordance with IFAD Technical Note on Inkind Contributions outlined in the following link:

https://webapps.ifad.org/members/eb/125/docs/EB-2018-125-R-7-Rev-1-Add-6.pdf

Under IPSAS Cash Basis of accounting, the in-kind contribution will be disclosed in the notes to the financial statements. The Project will also disclose in the notes to the financial statements:

• The nature and type of major classes of IKC received;

- The accounting policies adopted for the recognition of IKC or revenue from nonexchange transactions;
- The basis for measurement of the fair market value for major IKC classes or revenue from non-exchange transactions;
- Detailed information about the nature of the tax, for major classes of taxation revenue which the Programme cannot measure reliably during the period,

The domestic IKC will be recognized when it is: (i) included in the AWPB; (ii) supported by adequate documentation fully auditable; (iii) does not significantly exceed the total eligible expenditure planned for the project excluding the value of such contributions.

It is expected that the following in-kind contributions will be received by DVCDP II:

From beneficiaries: Relating to the Lines of Credits and Matching/Catalytic Grants:

For lines of credits, contracts signed between the PFIs and the beneficiaries will clearly indicate the type of in-kind contributions from the beneficiaries and in-kind contributions will be monitored by commercial banks in accordance with the signed contracts. PFIs will provide information to the PMU about the actual in-kind contributions on a quarterly basis for accounting and financial reporting purposes.

For matching grants and catalytic grants, expected contribution from the beneficiaries will be provided in-cash, in-kind, or a combination of both. Cash contributions will be deposited in a bank account opened with a partner FI. Expected contributions from the beneficiaries will be as follows:

- 5% of the total equipment cost for most vulnerable beneficiaries (target group n°3, including women, unemployed youth)
- 10% of the total equipment cost for tamarkas HH farmers (target group n°1)
- 20% of the total equipment costs for better off HH farmers and dekhan farmers (target group n°2)

The Government of Uzbekistan will provide co-financing in-kind, mainly in the form of exemptions for taxes and duties. Tax rules in the country no longer allow tax exemptions for activities implemented under credit lines and these taxes will not be funded by the IFAD Financing (as in the COSTAB).

6.9.7 Accounting for exchange rate matters

When claiming expenditures in local currency in Withdrawal Applications and preparing a financial report, it is important to use the prevailing rate (historical exchange rate) at the time of transfer of funds from the Designated Account (denominated in USD) to the local currency account. Subsequent expenditures should be recorded on the First in First Out basis.

For example:

Conversion of local currency expenditures funded from the designated account.

- IFAD transfers funds to the Designated Account (in USD) as per the approved WA
- A portion of the funds in the Designated Account (usually the estimated local currency expenditures of the Project for the next 3 months) is transferred to the transit account in the local currency and is topped up as the need arises
- Local currency expenditures are then funded from the transit account.

 When justifying the local currency expenditures to IFAD, these expenditures are converted into the denomination of the designated account, using the prevailing rate (historical exchange rate) at the time of transfer of funds from the Designated Account to the Project Operating Account.

6.9.8 Accounting for advances

The Project may make advances (travel related, advances to implementing agencies etc.) either in the form of cash or by bank transfer.

In terms of accounting for advances:

- Advances are recorded in the accounting system at the date that the advance is made, subject to the required approval process.
- The transaction is not recorded as an expenditure (in terms of categories, components) on this date.
- All advances should be cleared in a timely manner by the submission of original invoices.
- All outstanding advances should be cleared by no later than 10 days after the end of the fiscal year-end.
- In terms of the cash basis of accounting advances at the end of the period should be expensed and disclosed in the financial report.

6.10 Cash flow forecasting

Project cash flow needs (amount to be transferred from the designated accounts to transit accounts) are managed on a daily basis. The daily transactions loaded into 1C will determine the amount of cash to be transferred in order to ensure that project funds are not retained in local currency for extended periods of time. In all instances, cash may not be retained in local currency for more than 15 days.

The withdrawal application process as outlined in 6.11.2 will ensure that sufficient funds are available in the designated accounts.

6.11 Disbursements

At any time between the Date of Entry into Force of the Financing Agreement and the Financing Closing Date, the Borrower can request withdrawals from the Financing of amounts for eligible expenditures. The CVLD can request withdrawals of Financing only after all withdrawal conditions included in the financial agreement have been fully complied with and compliance has been accepted by IFAD.

The following are designated as additional general conditions precedent to withdrawal;

<u>The following additional conditions related to financial management are to be met</u> <u>before the first withdrawal can be realized:</u>

Action	Responsible Party
Development of a comprehensive Project Implementation Manual (PIM), which	CVLD/IFAD
is including Financial Management Section.	
Experienced Financial Management staff to be hired from the open market on a	CVLD
competitive basis, and each staff member to complete the IFAD e-learning	
course within 2 months of the start of the project.	

<u>In addition to the general conditions for first withdrawal, the following specific</u> <u>conditions will apply to first disbursements in terms of funds transfers from the</u> <u>project accounts to the PFIs for lines of credit and the EDC for the Rural Guarantee</u> <u>Facility.</u>

1. No funds will be transferred from the project accounts to the Participating Financial Institutions (PFIs) before the following conditions have been fulfilled:

Action	Responsible Party	
The executing agency to conduct a due diligence procedure on potential PFIs prior to signing the SLAs to ensure that PFIs have the satisfactory internal control and financial management structure to implement the activities.	MoEF, CVLD, IFAD	
Finalize the lines of credit guidelines and draft SLAs, which include withdrawal procedures and the financial reporting obligations of the PFIs (subject to IFAD's No objection).	MoEF, IFAD and CVLD	
Financial reporting requirements from the PFIs to be formalized through a presidential decree to ensure that PFIs meet reporting requirements, and included in the Subsidiary Loan Agreements (SLAs).		
PFIs have opened incremental account to receive IFAD loan funds and a revolving account for credit flows	a MoEF/CVLD/MoEF	

<u>2.</u> No funds will be transferred from the project accounts to EDC for the Rural Guarantee Facility before the following conditions have been fulfilled:

Action	Responsible Party
Due diligence assessment of EDC including an assessment of its FM capacity has been conducted and has been deemed satisfactory to IFAD.	MoEF/CVLD/EDC/IFAD
The investment guidelines (or equivalent) and operating modalities including the eligibility criteria for RGF have received IFAD's no-objection.	MoEF/CVLD/EDC/IFAD
The RGF agreement, specifying the legal structure of the funds, ownership and all the necessary modalities, between CVLD and the entity managing RGF has been duly formalized and received IFAD's no objection.	MoEF/CVLD/EDC/IFAD
A separate account for RGF has been dully opened	CVLD/EDC

Start-up Costs and Advance:

To facilitate a prompt start-up, a withdrawal up to USD 300 000 may be made from the IFAD Loan to pay for expenditures related to the Project start-up before fulfilment of the conditions precedent to withdrawal. The start-up activities will include:

- (i) Recruitment of key staff,
- (ii) finalizing the Project Implementation Manual including the Financial procedures, accounting and procurement manual,
- (iii) Preparation of the first AWPB & procurement plan,
- (iv) Organization of a Start-up workshop,
- (v) procurement/upgrading of the accounting software for the new project

- (vi) Finalization of the Agreement/ SLA templates with the implementing partners, PFIs and RGF.
- (vii) Finalization of Investment Guidelines, baseline survey and mapping of beneficiaries and templates.

Start-up costs must be accounted for and included in the first set of aggregate financial statements.

6.11.1 Eligibility of expenditures

In accordance with the IFAD disbursement procedures, between the date of entry into force of the Financing Agreement and the Financing Closing Date, DVCDP II may request withdrawals from the IFAD Grant for eligible expenditures.

Eligible expenditures are defined in the IFAD General Conditions Section 4.08 as follows:

The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements:

- The expenditure shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines.
- The expenditure shall be incurred during the Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date.
- The expenditure shall be incurred by a Project Party.
- If the Agreement allocates the amount of the Financing to components and/or categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing, the expenditure must relate to a component and/or category whose allocation has not been depleted and shall be eligible only up to the percentage applicable to such component and/or category.
- The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement.
- The Fund may from time to time exclude certain types of expenditure from eligibility.
- Any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, shall not be eligible for financing by the Financing.
- Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive, corrupt or fraudulent practice by any representative of the Borrower or any Project Party, shall not be eligible for financing by the Financing.
- All expenditures must be supported by sufficient supporting documentation as stated in the FMFCL. (Please see section below on supporting documentation).

The IFAD disbursement procedures as outlined below are governed by the Project Financial Management and Financial Control Arrangements Letter (FMFCL) and Project Financial Management and Financial Control Handbook for Borrowers. The handbook is also available on the IFAD website and DVCDP II should ensure that they refer to the most recent version as published at https://www.ifad.org/en/-/document/loan-disbursement-handbook-for-projects-approved-under-gcs-effective.

6.11.2 Disbursement procedures

After the withdrawal conditions have been fulfilled, the Borrower can seek withdrawals using one or more of the following disbursement methods:

The borrower will open and maintain a designated bank account (DA) in USD at a commercial bank acceptable to IFAD to receive funds from IFAD Loan (pooled account to receive both PBAS and BRAM funds). The Interim Financial Reports Package will be used as a basis for the submission of withdrawal applications (WAs) to IFAD. WAs accompanied by interim financial reports (IFRs) and relevant forms and supporting documents outlined in the FMFCL, will be submitted to via the IFAD Client Portal on a quarterly basis within 45 days after the period ends to justify the previous quarter's advances and request for an additional advance based on a cash forecast for the following 2 quarters. It is expected that all expenditures will be through the DA using the revolving fund mechanism.

Туре	Description
Advances &	The advance withdrawal modality for DVCDP II is revolving:
Replenishments	 For revolving fund advances, the frequency of replenishments is based on cash forecasts for the following 2 quarters, as per the approved AWPB for IFAD financing; WAs will be submitted quarterly within 45 days of the quarter-end. Interim financial reports (IFR) are required for disbursement purposes and must be submitted to IFAD electronically through the ICP with the WAs.
Direct payment	The Borrower may request IFAD to make payments directly to a third party (e.g. supplier) for eligible expenditures. <u>This procedure is available in</u> <u>exceptional cases only</u> , generally for high-value payments for large contracts for which funds in the DA may not be adequate (individual payments above USD 200 000). Direct payments should not be used to avoid or override national legislation or banking procedures. The Borrower remains responsible for validating and authorising all such payments. Direct payments are subject to financial management processes at the Project, including audit.
	The Withdrawal Application MUST indicate the date on which payment becomes due to the supplier.
Reimbursement	Reimbursement is applicable when eligible Project expenditures are pre- financed by the Recipient before access to IFAD Loan finance is possible. Such reimbursements are expected to be claimed no later than 90 calendar days from the date of payment by the Recipient.

6.11.3 Evidence of Authority to sign Withdrawal Applications

IFAD requires DVCDP II's representative, as designated in the financing agreement, to furnish satisfactory evidence of the authority and authenticated specimen signatures of the individuals who will sign WAs on behalf of DVCDP II. This evidence must reach IFAD before the first WA

is presented by DVCDP II. A sample template is provided in the FMFCL as annex 2. Each WA should be signed by such duly authorized individuals, and the Fund must be notified of any change in the signatories authorized to withdraw funds from the loan account.

IFAD must also be notified of the designated signatories for operating any designated and/or Project or other accounts, including changes thereto, whether or not these authorized signatories are included in the financing agreement. Such changes, as effected during the life of the Project, must be communicated promptly to the IFAD. DVCDP II should provide the names and specimen signatures of the newly appointed signatories and include the date when such change is to take effect. The original of such changed documentary evidence is to be provided to IFAD.

6.11.4 The Designated Account

The flow of funds for DVCDP II starts with the opening of the Project Designated Accounts (DAs) in Uzbekistan, in accordance with IFAD's requirements identified in the Financing Agreement and the FMFCL (dollar denominated). The Chief Accountant is responsible for following up on opening of the designated account and managing the Designated Account including preparing a monthly reconciliation and statement in line with the IFAD templates as outlined in <u>ANNEX 10 – Tool 6</u>.

6.11.5 Withdrawal of Financing Proceeds using withdrawal applications

Requirement	Guidance
Timeliness	The Borrower will provide, each quarter, satisfactory accounting evidence ("justify" the advance) that previous withdrawals have been properly spent for eligible expenditures. For this purpose WAs will be submitted quarterly, even if no further advance or replenishments is being requested. Advance requests will be submitted through ICP on a quarterly basis based on cash forecasts for the following two quarters and full amount will be claimed in one WA.
<i>Completeness and accuracy of supporting documentation</i>	Each Withdrawal Application should be submitted to IFAD in accordance with the requirements outlined in the Project Financial Management and Financial Control Arrangements Letter (FMFCL). All supporting documents indicated in the FMFCL must be uploaded to ICP with Withdrawal Applications.
IFRs	Interim Financial Report(s) (IFR) are required both for reporting and disbursement purposes. IFRs for reporting purposes must be submitted in accordance with the frequency and submission deadlines detailed in FMFCL. When submitted as a component of Withdrawal Applications, IFRs must be submitted in a form and quality acceptable to IFAD. (Templates are outlined in <u>ANNEX 10 – Tool 6</u>).

The Chief Accountant is required to ensure that WAs are prepared and submitted to IFAD with consideration of the following requirements:

Requirement	Guidance
Duly authorised	Ensure that WAs and accompanied IFRs are duly authorised in terms of DVCDP II's authorisation procedures and signed by the duly authorised representatives.
Document retention	Submit copies of supporting documentation with the WA. Retain original documentation for inspection by IFAD upon request.

6.11.6 Initial advance

Ensure the disbursement conditions as per the financing agreement and the Project Financial Management and Financial Control Arrangements Letter (FMFCL) have been met which includes provision of the following:

- Evidence that a designated account has been opened and the names/titles of the persons authorised to operate this account.
- A letter from the DVCDP II, designating the name(s) of official(s) authorised to sign withdrawal applications including their specimen signature(s).

6.11.7 Replenishing the advance

- Form 100 (integral part of ICP)
- Interim Financial Report package, including; (i) a cash forecast for the following two quarters, as per the approved Annual Work Plan and Budget (AWPB) for IFAD financing; (ii) Sources and Uses of Funds Statement; (iii) DA Activity Statement. (iv) Actual vs. budget for quarter; (v) Actual vs. budget for financial year; (vi) Actual vs. budget cumulative; (vii) Rural Finance Disbursement Report and (viii) PFI's Bank Account Activity Statement and Reconciliation.(ix) Rural Guarantee Fund Report
- IFRs must be signed by authorized signatories and all supporting documents indicated in the FMFCL must be uploaded to ICP with Withdrawal Applications.

6.11.8 Foreign exchange conversion in preparing withdrawal applications

When claiming expenditures in local currency in Withdrawal Applications or preparing a financial report, it is important to use the prevailing rate (historical exchange rate) at the time of transfer of funds from the Designated Account (denominated in USD) to the local currency account. This type of conversion is also called the First in First out (FIFO) basis.

The historical exchange rate/FIFO basis of converting is to be used in the following two cases in particular:

- When preparing a designated account reconciliation as part of a WA or a financial report, the closing balance of the local currency account(s), and any expenditures already incurred in local currency but not yet claimed must be converted to the denomination currency of the designated account using the historical exchange rate/FIFO basis of converting.
- When preparing withdrawal applications the expenditures incurred in local currency (or any other currency than the denomination currency of the designated account) and claimed in the WA, must be converted to the denomination currency of the designated account using the historical exchange rate/FIFO basis of converting.

Example:

The Project has a Designated Accounts denominated in USD and an Operating Account denominated in Uzbek Som:

- USD 100 000 is transferred to the Project Operating Account in SOM on 1 Oct 2018 at a prevailing rate of 50 SOM to 1 USD (equalling 5 000 000 SOM).
- During the reporting period of 1 Oct to 31 Dec 2018 the Project incurs expenditures in local currency up to 4000 000 SOM.
- Replenishment request for total expenditures incurred during the reporting period is submitted to IFAD in Jan 2019, but the exchange rate is now 55 SOM to 1 USD.
- The withdrawal application should be prepared using the historical rate of 50 SOM (therefore claim 4000 000/ 50 = 80 000 USD)

6.11.9 Suspension and the designated account

During a full suspension, IFAD will not replenish the designated account. However, Borrowers may continue, except as otherwise indicated, to use any balance in the designated account to meet eligible expenditures and applications documenting these expenditures should continue to be regularly submitted.

6.11.10 ICP



The IFAD client portal (ICP) enables DVCDP II to:

- access real-time financing information on country portfolios as well as operational and financial information related to Projects
- submit Withdrawal Applications directly and obtain electronic approvals required both from concerned ministries and IFAD
- manage banking instructions electronically
- on-line submission of all project financial reports and related documentation to IFAD, including quarterly interim financial reports as supporting documentation for Withdrawal Applications (WA), as well as annual audited and unaudited financial statements.
- create and download relevant reports

The Project may submit electronic copies of its withdrawal applications and maintain hardcopies for audit purposes.

6.11.11 Refund of withdrawals

If the IFAD determines that any amount withdrawn from the Loan Account was not used for the purposes indicated or will not be needed thereafter to finance Eligible Expenditures, the Borrower shall promptly refund such amount to the IFAD upon instruction by the Fund.

6.12 Processing of payments

Procedures for payments is outlined as follows:

- 1. General payments (6.12.2)
- 2. International travel (6.12.3)
- 3. Local travel (6.12.3)
- 4. Civil works, equipment (6.12.4)
- 5. Consulting services (6.12.5)
- 6. Grants to small scale farmers and Households, and Matching Grants (6.12.6)
- 7. Advance to Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development SFSED) (6.12.7)
- 8. Fund Transfers to the PFIs for Lines of Credits (6.12.8)
- 9. Fuel Payments (6.12.9)

6.12.1 Supporting documentation

The processing of all payments are subject to DVCDP II retaining the following original supporting documentation after processing:

Expenditure type	Supporting documentation
All	 Signed contract or confirmed purchase order - showing the specified amount that is due to be paid; The bank guarantee for: advance payment, as specified in the contract documents; performance, as specified in the contract documents; Copies of communications sent by the IFAD country Project manager to the DVCDP II providing the 'no objection' to the contract award; and Evidence of payment made by DVCDP II.
Goods	 Items listed above under "all" Supplier's invoice, duly certified for payment by the Project director-specifying the goods, their quantities, and prices; Bills of lading or similar documents; and As appropriate, the certificate of delivery (to include condition of goods on delivery).
Civil works	 Items listed above under "all" The claim of the contractor, including a financial progress report, stating the work performed and the amount due;

Expenditure type	Supporting documentation
	 A certificate – signed by the Project consultants or owner's representative, if any, or by the borrower's chief engineering officer or resident supervising engineer assigned to the Project, to the effect that the work performed is satisfactory and the payment claimed is due in accordance with the terms of the contract; and A copy of the contract payment monitoring form signed in original by the certifying officer.
Services (including consultants)	 Items listed above under "all" The supplier's or consultant's claim duly certified for payment by the Project director and showing sufficient detail. As appropriate, a certificate of delivery of satisfactory services.
For payment related to Lines of Credits	 Subsidiary Loan Agreement signed between the MoEF, CVLD and PFI Sub-loan Agreement (signed between the PFI and beneficiary) Withdrawal request from the Participating Financing Institution (PFI) Statement of Expenditure (Expenditure Statement) Contract/amendments signed by the beneficiary and its supplier Invoices The Letter of Approval on the extended sub-loan and withdrawal request from the PMU
<i>Guarantee Fund</i>	 A Triple agreement signed between the MoEF, MoA and Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED). A formal letter from the EDC requesting the transfer of funds. A formal authorization letter from the MoA, which is instructing the CVLD to transfer funds to the EDC. A formal letter from the PMU director of the CVLD approving the payment. Quarterly reports on actual utilization to request for additional advance.
For payment of Trips, fuel, stationary and other expenses	 Items listed above under "all" Supplier invoices; Evidence of payment; Back to office report; Training certificate, Travel authorization; and/or Expense reports by the traveller (including invoices) Boarding passes Way Bills

<u>Pro forma invoices are not acceptable replacements for invoices. In all instances, supporting</u> <u>documentation need to include final invoices.</u>

6.12.2 General guidelines for processing of payments

For invoice related payments, the following general process is applicable:

Activity	Procedures
Request and approve activity in line with AWPB	Generally, ensure that expenses are in line with the AWPB/Procurement Plan and that IFAD no objection has been obtained if required.
Service delivered, or goods received	Obtain evidence that the goods were delivered / services received to the satisfaction of the Project. Evidence to be retained for the purposes of providing supporting evidence for processing of invoice. (Delivery notes, completion reports etc.)
<i>Prepare payment request</i>	 Once invoices are received, the finance specialist prepares a payment request which includes supporting documentation and indicates accounting codes, category of payment, component of payment, and source of finance. The Chief Accountant reviews the payment request for accuracy and validity. The finance specialist adds the correct account codes for the purposes of recording the transaction in the accounting software. The finance specialist forwards the payment request with supporting documentation to the relevant Technical Officer /Component Head for review and sign off.
<i>Review of payment request</i>	 The Chief Accountant shall review and sign the payment request, checking/confirming: The expenditure is included in the approved AWPB IFAD no objection was obtained (if applicable). All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date. Payment was cleared by the relevant component technical officer/head. All supporting documentation is attached (refer 6.12.1)
<i>Approve payment request</i>	 The PMU director or Project director shall review and sign payment request, checking/confirming: The expenditure is included in the approved AWPB All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date Payment was cleared by the relevant component technical officer/head. All supporting documentation is attached (refer 6.12.1) The payment request was reviewed and approved.
Process payment	 The approved payment request with related documents shall be sent to the finance Unit for processing and uploading on the online banking platform.

Activity	Procedures
	 The finance unit shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided. Once loaded on the banking platform, the payment to be released by 2 authorised signatories (using unique digital signatures) (NB: Cheques are not used for general payments)
Record payment	 Account record the transaction in the accounting software, using the correct codes as captured on the payment request. File supporting documentation, include proof of payment (bank statement/bank confirmation of payment)

6.12.3 Travel related payments

The following type of travel may take place by Project staff or Project beneficiaries:

- International travel 6.12.3
- Local travel 6.12.3

All types of travel payments follow the general process:



The proses for each type of travel is outlined below:

International travel

Internationa	l travel
Type of travel	 Training which is conducted for Project staff or beneficiaries at an international location. Business trips

Internationa	l travel
Overview of entitlement	 Individuals are entitled to DSA (Per Diem), paid based on the number of days of travel for training purposes. The per diem should be used to pay for the cost of accommodation, meals and travel Taxi trips to/from airport and visa is paid for separately based on actual cost estimates. The per diem amount is determined in line Government decree. The per diem is reduced in the event that meals or accommodations is provided to the individual. 100% of the DSA is advanced before commencement of the travel. The number of travel days are calculated from date of departure from home until last day of the training. Air travel is booked by the project and paid for by the Project directly.
Request for travel	 The relevant department will prepare a request for travel which includes: List of individuals to attend external training Dates of training Invitation to training / training registration confirmation Overview of training (agenda, location noted) - brochure / email correspondence or other suitable evidence Related AWPB classification (category, component) Calculation of total per Diem due (100%) Estimated cost of air travel Estimated cost of visas
Approval of travel request	 The travel request is reviewed by the chief accountant / finance specialist for: Accuracy and compliance with the Government decree in terms of the per diem rate applied. Alignment with the approved AWPB The travel request is submitted to the PMU director or Project director for approval. IFAD and MoEF no-objection should be obtained for travel request after approval by the PMU director or project director.
<i>Advance provide</i>	 Upon approval of the travel request, the Project finance team will advance 100% of the total per Diem to the debit card for business trips. The Finance Unit will record the advance in the accounting system, indicating the amount, date of advance, to who advanced and related budget line item. (advance is not recorded as an expense at this stage)
Justification of travel expenses	 Within 10 business days after the travel, the individuals are required to prepare a travel expense report which includes: Advance report (refer 21.08) Boarding passes for air travel Attendance register completed at the training event Back to the office report

Internationa	l travel
	 Confirmation of IFAD/Ministry no objection (email correspondence) The travel expense claim is submitted to the finance unit who confirms the accuracy and validity of the travel expense claim and reconciles the debit card for business trips. The Financial staff reviews the travel expense claim for accuracy and validity and captures the correct account codes on the request (in line with AWPB line items). (sign as evidence of review)
Approval of travel payment	 The travel expense is approved by the PMU director or project director by way of signing the travel expense report.
Recording of expense	 The total travel expense is recorded as training expenditure/business trip, by clearing the travel advance, in terms of the correct category and component, in line with the account codes which are captured in the travel expense report.

<u>In all instances, unjustified travel advances will need to be reimbursed to the Project</u> by the traveller within three months after the travel date or the amount will be <u>deducted from the payroll.</u>

<u>Local travel</u>

Local travel					
Туре	Training / field visits				
<i>Overview of entitlement</i>	 The number of travel days used for the calculation of per diem is calculated from date of departure from home until last day of the training. If Project vehicles are used, the driver is responsible for ensuring the vehicle is refueled in terms of the process outlined in 6.12.9 If private vehicles are used, staff are reimbursed in line with the allowable rate per kilometer as specified in the staff bylaws, based on actual distance travelled. 				
Request for travel	 The relevant department will prepare a request for travel which includes: Training: List of individuals to attend training Dates of training Overview of training (agenda, location noted) – brochure / email correspondence or other suitable evidence Related AWPB classification (category, component) Confirmation from the Officer Manager that a Project vehicle(s) is available for the travel dates should this be the mode of transportation 				

Local travel					
	Calculation of per diem in line with Government decree.				
	Field visits:				
	 Request for field trip from technical department 				
<i>Approval of travel request</i>	 The travel request is reviewed by finance team for: Accuracy and compliance with the staff by laws in terms of the pocket money allowance / estimation for fuel costs Alignment with the approved AWPB The travel request is submitted to the PMU director or project director for approval. Once approved, the team leader or individual should submit a request for vehicle use. 				
Advance provide	 No fuel advances are provided in cash (driver will use corporate fuel card to refuel) Applicable per diem is advanced through debit card used for business trips. 				
Justification of travel expenses / return of unused fuel advance	 Within 10 business days after the travel, the team leader / individual is required to prepare a travel expense report which includes: Attendance register completed at the training event If a private vehicle was used, indication of total distance travelled in kilometers with payment due to vehicle owner, based on the approved rate in the bylaws. If a Project vehicle was used, invoiced for fuel which was paid from fuel advance. Back to the office report (in case of field visits) The travel expense claim is submitted to the finance unit with the fuel advance which was not used. The chief accountant confirms the accuracy and validity of the travel expense claim and reconciles the debit card for business trips. The Project financial management staff reviews the travel expense claim for accuracy and validity and captures the correct account codes on the request (in line with AWPB line items). (sign as evidence of review) 				
Approval of travel payment	 The travel expense is approved by the PMU director or project director by way of signing the travel expense report. 				
<i>Recording</i> of expense	 The total travel expense is recorded as expenditure in terms of the correct category and component, in line with the account codes which are captured on the travel expense report. (advance cleared at this stage) Only fuel expenses may be charged to the training budget code. If other vehicle maintenance was incurred, this expense is recorded as maintenance. 				

Activity Procedures Civil works, equipment and tools are defined and outlined in both the Request and AWPB and the Procurement Plan. approve • Civil works, equipment and tools is contracted via a procurement activity in process as outlined in the Project Operations Manual. line with IFAD no objection is required on the bidding document, **AWPB** recommendation of award and contract outline before the final bid award is made. The procurement officer will request payment of invoices, subject to Prepare providing the following supporting documentation: payment Copy of contract with award letter. request Contract amendment letter (if applicable) Bid analysis and evaluation report -Evidence of IFAD no objection related to the contract award Purchase order / Invoice -Progress report prepared by consulting engineer The finance specialist prepares a payment request which includes the supporting documentation. The chief accountant reviews the payment request for accuracy and validity. The Chief Accountant adds the correct account codes for the purposes of recording the transaction in the accounting software. The chief accountant forwards the payment request with supporting documentation to the relevant Technical Officer /Component Head for review and sign off. The chief accountant reviews and signs the payment request before Review and submission to the PMU Director or project director. The Director/project approval of director shall review and sign the payment request, checking/confirming: payment request The expenditure is included in the approved AWPB IFAD no objection was obtained related to procurement as applicable All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date. • Payment was cleared by the relevant component technical officer/head. All supporting documentation is attached (refer 6.12.1). Where stipulated in the contract, the required bank quarantees are valid and is retained in the project's safe. The approved payment request with related documents shall be sent to Process the finance unit for processing and uploading on the online banking payment platform. The accountant shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided.

6.12.4 Civil works, equipment and tools

Activity	Procedures					
	 Once loaded on the banking platform, the payment to be released by 2 authorised signatories (using unique digital signatures) 					
	(NB: Cheques are not used for these payments)					
Record payment	 Finance Management Team records the transaction in the accounting software, using the correct codes as captured on the payment request. File supporting documentation, include proof of payment (bank statement/bank confirmation of payment) 					

6.12.5 Grants/ Matching Grants:

The Project will also promote following matching grants:

Equipment needs will be identified with the beneficiaries, with the support/guidance from trainers and service-providers hired by the Project. Once the grant is formally approved by the project director, the PMU will procure the equipment identified by the beneficiaries. Payments will be processed directly by the PMU to the suppliers (no money directly reaching the beneficiaries)

- Matching grants for improved access to water (water tanks, rehabilitation of communal water points) and improved access to land, seeds, machinery and tools linked to L-FFS trainings (under Activity 1.2)
- Matching grants for the construction of cowsheds/shelters and small equipment for cows in HH farms (under Activity 1.3)
- Matching grants to private paravets (under Activity 1.4)
- Matching grants for the organization and equipment of milk collectors/traders (under Activity 2.2)
- Matching grants for the equipment of producer groups with milk refrigerators (under Activity 2.3)
- Matching grants for the equipment of women involved in artisanal dairy processing with small-scale processing and packaging equipment (under Activity 2.4)
- Household producers, small-scale dekhan farmers, youth, and women's groups will also receive grants for small equipment for fodder production and conservation.

6.12.6 Payments for consultant services

Activity	Procedures
<i>Request and</i>	 The process for requesting and approving consultants will be outlined
approve	in the procurement section of the PIM and is dependent on whether the
activity in	service is recruited internationally, nationally, locally or on a single
line with	source basis. In some instances the procurement of consulting services is subject to
AWPB	IFAD's no objection.

Activity	Procedures				
Prepare payment request	 The procurement officer will request payment of consulting services subject to providing the following supporting documentation: Copy of consulting contract and invoice requesting payment (invoice to specify bank details in line with contract) Copy of output (report / study etc.) Copy of timesheets (if time-based payment is required) Written recommendation for payment from the relevant technical department which confirms that the consultant(s) have delivered the key outputs as specified in the consulting contract. Confirmation of IFAD no objection. The finance specialist views the accounts, create a payment document, compile reports and prepares a payment request which includes the supporting documentation. Adds the correct account codes for the purposes of recording the transaction in the accounting software. 				
Review and approval of payment request	 The Chief Accountant reviews and signs the payment request before submission to the PMU Director or project director. The Director/project director shall review and sign the payment request, checking/confirming: The expenditure is included in the approved AWPB IFAD no objection was obtained related to procurement as applicable All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date. Payment was cleared by the relevant component technical officer/head. All supporting documentation is attached (refer 6.12.1). 				
<i>Process</i> payment	 The approved payment request with related documents shall be sent to the finance team for processing and uploading on the online banking platform. The finance team shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided. Once loaded on the banking platform, the payment to be released by 2 authorised signatories (using unique digital signatures) (NB: Cheques are not used for these payments) 				
Record payment	 Finance Management team records the transaction in the accounting software, using the correct codes as captured on the payment request. File supporting documentation, include proof of payment (bank statement/bank confirmation of payment) 				

6.12.7 Advance to Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED)

Activity					
Receive payment request	 The EDC submits a formal letter to request funds from the Ministry of Agriculture The Ministry of Agriculture authorize the fund transfer request from the EDC. The MoA sends a formal letter to the CVLD instructing to transfer funds to the EDC in accordance with the triple agreement signed between the MoEF, MoA and Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED). 				
Prepare payment request	 The finance team to receive and review the request for funds from the EDC and MoA and confirm that requested funds are for approved activities. The finance team may reject a request for funds if the EDC has large advances which have not been justified for previous funds requests. The finance team prepares a payment request, which indicates the details of the EDC and amount to be transferred. 				
Review and approval of payment request	 The chief accountant submits the payment request to the PMU Director or project director with all supporting documents for review and approval. The PMU Director/ project director shall review and sign the payment order, checking/confirming that the funds allocation is included in Financing Agreement, Triple Agreement and project budget. 				
Process payment	 Thereafter, the chief accountant at central office loads the payment on the online banking platform. Payment released by 2 authorised signatories. 				
Record payment	 The Finance team to record the advance in the accounting software. Do not record the advance as an expense. Once advance is justified, account for expenses using the correct expense codes (component, category) at the historical exchange rate. 				

6.12.8 Fund Transfers to the PFIs for Lines of Credits

Activity	
Receive payment request	 The PFI submits a formal request to the CVLD PMU for the transfer of funds accompanied with the SOEs, sub-loan information forms and the contract signed between the supplier and the beneficiaries, for each sub-loan. The Sub-loan Information Sheet will contain key terms and conditions of the proposed sub-loan.

Activity	
<i>Prepare payment request</i>	 The CVLD Rural Finance Specialist will review the list of sub-loans and the sub-loan information form for each sub-loan to check the eligibility of the sub-loan against the criteria under the project and sends the payment requests to the finance team for the eligible sub-loans. The finance team review the request for funds and confirm that requested funds are for approved activities and all supporting documents are provided. The finance specialist prepares the payment request, which indicates the details of the PFI and amount to be transferred.
Review and approval of payment request	 The chief accountant reviews and submits the payment request to the PMU Director or project director with all supporting documents for review and approval. The PMU Director or project director shall review and sign the payment order, checking/confirming that the funds allocation is included in Financing Agreement, Triple SLA and project budget.
Process payment	 Thereafter, the chief accountant at central office loads the payment on the online banking platform. Payment released by 2 authorised signatories. Upon approval of the sub-loan, funds are transferred to PFI's HQ account. (Funds will then be transferred by the PFI's HQ to the extended sub-loan account opened for the beneficiary at the PFI's branch where the sub-loan application has been made and payments to suppliers directly made by the PFI to the supplier from this account).
Record payment	 The Finance team to record the payment in the accounting software.

6.12.9 Payments for fuel

Vehicles will be refueled with a corporate card at the local preferred fuel stations. Drivers will submit all supporting documents to the Admin and Finance Unit with the following supporting documents to request replenishments on a monthly basis: The Finance Specialist will be responsible for the monthly reconciliation of the corporate fuel card transactions.

- Register of Waybill indicating the vehicle registration number, agency name, information on usage of vehicles, mileage, and corporate card balance details.
- Monthly report with a list of fuel purchase details, including the number plate of the vehicle, date of the purchase, quantity, price, and total cost. The report will also show the opening balance of the corporate card at the beginning of the month and the closing balance at the end of the period.
- All fuel invoices will be attached to the monthly report.
- The ACT will be signed by the driver, admin, finance unit, and authorized signatory.

- The admin unit will compare the monthly report with the register of waybills and the fuel purchase receipts to confirm the accuracy of the report.
- Once the Admin Unit and Finance Unit are satisfied with the monthly report and the supporting documents, a payment request will be prepared by the Finance Unit.
- The payment order will be signed by the PMU director or project director and the finance specialist, or Chief Accountant.

6.13 Financial Reporting

The section on financial reporting deals with:

- Financial reports for submission to IFAD
- PFIs and EDC reporting to the PMU

6.13.1 Financial reports for submission to IFAD

The PMU is responsible for submitting financial reports to IFAD. *The financial reporting requirements applicable to IFAD-financed Projects are outlined in the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects,* which may be updated from time to time. The Chief Accountant should ensure adherence to the latest version of the Handbook.

The PMU is required to prepare financial reports and submit to IFAD as outlined in the table below:

Туре	Period / Frequency of submission				
Annual Financial Statements	 <u>Unaudited:</u> Prepare annual reports and submit to IFAD within 4 months of the end of the financial year-end. <u>Audited:</u> Submit audited financial statements within 6 months of the end of the financial reporting period. The reports should be prepared in line with requirements are outlined in 6.13.4. The annual financial statement should be authorised by the Project Director for authorisation before submission to the auditor/IFAD. 				
Interim financial reports	Prepare quarterly reports and submit to IFAD within 45 days of the end of the quarter. The reports should be prepared in line with requirements outlined in the FMFCL and section 6.13.4				

6.13.2 Financial reporting requirements

The PMU is required to prepare financial reports in line with IPSAS, "Financial Reporting under the Cash Basis of Accounting" (IPSAS Cash). Should DVCDP II propose to use a different accounting standard, this should be agreed with IFAD. In all instances, IFAD required Projects to use internationally accepted accounting standards.

6.13.3 General principles for the preparation of financial reports

DVCDP II shall prepare financial reports with consideration of the following specific principles:

Principal	Guidance
Completeness	 The financial reports shall be complete and include the activities of the PMU, PFIs and EDC. The sources and uses of all categories/components shall be included (including sources received in-kind). The sources and uses from all financiers shall be included, including: IFAD Loan Co-financiers Government Contributions Beneficiary Contributions
Accuracy	 Ensure that the various disclosures as outlined in 6.13.4 are reconcilable as appropriate
Accountability	The financial reports should promote the concept of accountability.

6.13.4 Minimum prescribed content for interim and annual financial reports;

The PMU is required to prepare quarterly interim financial reports and annual financial reports and submit them electronically to IFAD through the Financial Execution Module in IFAD's Client Portal (ICP). (Illustrative financial reports are outlined in <u>ANNEX 10- Tool 6 - Tool 3</u>).

The content of the interim financial reports will be outlined in the FMFCL, and the PMU is required to submit quarterly IFRs in accordance with the content included in the letter.

Detailed guidance on the preparation of the disclosures in the annual financial reports as prescribed by IPSAS Cash can be found in the Standard (<u>https://www.ifac.org/publications-resources/revised-cash-basis-ipsas</u>). The PMU is required to adopt all reporting requirements as outlined in Part 1 of IPSAS Cash. The Project is encouraged to adopt Part 2 of IPSAS Cash on a voluntary basis.

Content	Source requirement	of	Guidance on preparation of content
<i>Statement of Cash Receipts and Payments</i>	Prescribed IPSAS Cash	by	 Layout: + Opening Balance + Receipts during the period - Payments = Surplus/Deficit +/- Exchange rate difference = Closing Cash Balance The opening and closing cash balance should include the balance of the designated accounts (USD) and all Project accounts (Uzbek Som) The opening and closing cash balance in the Designated Account is derived by applying the spot rate on the date of translation

The content of the annual project financial statements to be submitted to IFAD is presented in the below table:

Content	Source of requirement	Guidance on preparation of content
		 Disclose cash receipts using an appropriate classification system (Contributions from Government, Contributions from Beneficiaries, Cash generated from Project activities) Disclose cash payments in line with the components and categories outlined in Schedule 2 of the IFAD financing agreement Disclose the exchange rate gain or loss (resulting from the translation of funds in the designated account from USD to Uzbek Som).
Budget to Actual Comparison	Prescribed by IPSAS Cash	 Ensure that the Budget period corresponds to the Financial Reporting Period Derive the budget disclosure from the approved AWPB. Disclose both the original and final approved AWPB. Calculate the variance between budgeted and actual results for both receipts (sources) and uses (payments) Provide narrative on the reason for the variances observed.
Accounting policies and explanatory notes	Prescribed by IPSAS Cash	 Develop accounting policies with reference to the guidance provided in IPSAS Cash basis Disclose the authorisation date Disclose the basis of presentation Disclose the presentation currency
<i>Sources and Uses of Funds Statement</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	 Include both cash and in-kind contributions in the Sources of Funds Provide disclosure on uses of funds by financier/by category and financier/component
<i>Designated account reconciliation</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	 Prepare reconciliation, which provide justification for the IFAD advance – disclose for each designated account. Explain variances.

Content	Source of requirement	Guidance on preparation of content
<i>Designated account Statement</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	 Prepare for each designated account. Ensure that opening and closing cash balances presented in this Statement is reconciled with the cash balances used in the Statement of Cash Receipts and Payments. Disclose the exchange rate gain/loss separately and ensure that this is reconciled with the Statement of Cash Receipts and Payments.
Summary of Withdrawal Applications	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	 Provide a summary for PMU and display combined total. Ensure that summary information is reconcilable with the IFAD historical transaction statement (to be requested from the IFAD Finance Officer, or can be downloaded from ICP) with regards to the value date of the transaction amount of withdrawal in loan denomination currency. Cross reference amounts included here per WA to amounts included in the Designated Account Statement / Designated Account Reconciliation.
Fixed asset register	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	 Include a fixed asset register which lists all Project assets. Indicate the office which procured the asset and related component. Ensure that all fields are included – refer illustration included in (<u>ANNEX 10 – Tool 36</u>)
Rural Finance Disbursement Report and PFI's Bank Account Activity Statement and Reconciliation	Additional Requirement for Lines of Credit	 Please refer to (<u>ANNEX 10 – Tool 63</u>)
Guarantee Fund Report	Additional Requirement	 Indicating the information about; advance provided to the EDC, Actual guarantees provided by EDC and available balance. Please refer to (ANNEX 10 – Tool 3)

In addition to the above disclosures, the Project is required to maintain and Action Tracker log which is a log of agreed actions. This document should be maintained on an on-going basis

provide together with the financial report (interim or annual). The Action Tracker format is outlined in <u>ANNEX 10 – Tool 3</u>. It is required that the Action Tracker include actions which have been agreed on with IFAD during missions or the Auditor during the audit (derived from the management letter). The purpose of the Action Tracker is to keep track of progress regarding agreed on actions.

<u>The content of the Quarterly Interim Financial Reports (IFRs) is presented in the below table:</u> For illustrative templates, please refer to (ANNEX 10 – Tool 6)

Content	Source of requirement
Cash Forecast for Next 2 Quarters	FMFCL
Summary of Sources and Uses of Funds – DA Account	FMFCL
Designated Account Activity Statement	FMFCL
Variance Analysis of Uses of Funds by Quarter	FMFCL
Variance Analysis of Uses of Funds by Financial Year	FMFCL
Variance Analysis of Uses of Funds Cumulative	FMFCL
Rural Finance Disbursement Report and PFI's Bank Account Activity Statement and Reconciliation	FMFCL
Guarantee Fund Report	FMFCL

6.13.5 Other considerations

The following specific issues should be considered in the preparation of the financial reports:

- Accrual related information should be disclosure in the notes of the financial statements. This includes outstanding advances, which, in terms of the cash basis of accounting, should be expensed when provided. This entails that the advance will be recorded in the relevant categories /components at year-end. (NB: Best practice is that zero advances are outstanding at the end of the fiscal year).
- In-kind contributions should be reported in the financial statements in line with the process
 as outlined in section <u>6.9.7</u>. Also refer to <u>ANNEX 10</u> to see the illustrative accounting policy
 and explanatory notes.

6.13.6 PFIs reporting requirements to the PMU

All PFIs and the EDC are required to submit quarterly reports to the PMU. The PMU will review the reports and verify bank balances/expenses. The PFIs are required to submit reports using the report format as outlined in <u>ANNEX 10 – Tool 6</u> (Report VII & VIII), and an illustrative

reporting template for the Rural Guarantee fund also outlined in <u>ANNEX 10 – Tool 6</u> (Report IX).

PMU will request such reports each quarter in order to prepare the interim financial reports and annual financial statements (as per 6.13.1).

PFIs and the EDC will responsible for the accuracy and completeness of reports submitted to the PMU and will be required to respond to queries on report content in a timely manner.

6.13.7 Internal reporting

The following internal reports will be prepared by PMU for the purposes of internal monitoring of project finances and progress:

Туре	Period / Frequency of submission
<i>Quarterly project reports</i>	The PMU Chief Accountant to prepare a quarterly project report which includes (but not limited to):
	Budget to actual expenditure comparison with variance explanation.
	This report to assist the PMU Project director to monitor overall performance for the purposes of taking corrective action if needed.
Monthly management accounts	It is required that the PMU prepares monthly management accounts for the purposes of monitoring allocated components/sub-components. The content may include (but not limited to):
	 A financial progress report (sources and uses) Monthly bank reconciliations Cash flow forecast
	 Summary of contract commitments Overview of budget to actual expenditure analysis with variance explanations
	 Monthly vehicle maintenance and fuel consumption report Monthly reconciliation of corporate card for business trips Travel and DSA report.
	The monthly management accounts should be prepared within 10 days of the end of the month and submitted to the respective Project directors for review and discussion during management meetings. The purpose of the monthly management accounts is to provide a monitoring tool for management with the purposes of identifying issues and taking corrective action.

6.14 Audit matters

6.14.1 Internal Audit

To provide independent assurance that the PMU's risk management, governance and internal control processes are operating effectively, the PMU will hire a private service

provider who would perform internal audits, performance audit and spot checks on the use of funds by intended beneficiaries, including the lines of credit and RGF activities.

6.14.2 External Audit

The DVCDP II will be audited by an independent external audit firm acceptable to IFAD in accordance with International Standards on Auditing (ISA), and the Conceptual Framework for Financial Reporting and Auditing of IFAD-financed Projects and Related Handbook. The audit report and the management letter will be submitted to IFAD within six (6) months of the end of each fiscal year. Audit terms of reference (ToR) will be subject to IFAD's no objection, and the scope of the audit will include credit lines, PFI's activities, rural guarantee fund activities and end use reviews, including field visits for an appropriate sample of end beneficiaries based on the control risk assessment to determine if funds provided were used for intended purposes.

Content of the Audit Reports. Minimum prescribed content of annual project financial statements will include: (i) Statement of cash receipts and payments; (ii) Comparison of budget and actual amounts; (iii) Notes (a summary of significant accounting policies and other explanatory notes); (iv) Sources and uses of funds statement; (v) Designated Account statement and reconciliation; (vi) Withdrawal application statement; (vii) Fixed asset schedule; (viii) Rural Finance Disbursement Report and PFI bank account Activity Statement and Reconciliation reconciliations; and (ix) Rural Guarantee Fund reports. The project audit reports will be publicly disclosed by IFAD on their website.

Auditors should normally be appointed in advance of the start of the period to be audited, to allow the auditor sufficient time to plan and carry out a comprehensive examination of the borrower's financial records and accounts.

Auditor terms of reference. A proposed TOR for DVCDP II is included in <u>ANNEX 9</u>. The Chief Accountant should use and refine this ToR as required.

IFAD Audit reviews. IFAD will conduct reviews of DVCDP II s' audit reports. The main purpose of the reviews is to determine whether the private auditor conducted a quality audit resulting in an audit opinion acceptable to IFAD, and to assess the quality of the financial reporting of DVCDP II.

IFAD will communicate the results of the audit report review process within sixty days following receipt of the audit package. If required, DVCDP II will be requested to take corrective actions within a specified time frame. These actions should be included and monitored in the Action Tracker (illustrated in <u>ANNEX 10 – Tool 6</u>).

Public disclosure of audit reports. IFAD will publicly disclose Project audit reports, as appropriate, in line with the Fund's disclosure policy. Management Letters issued by auditors are not subject to public disclosure by IFAD. In line with the standards of the International Aid Transparency Initiative, DVCDP II is encouraged to publish financial information on its own website, for increased accountability. DVCDP II must ensure that the audit TORs explicitly mention the right of the DVCDP II and of IFAD to publish the audit report, with no limitation-of-use clause.

The PMU will also follow up on submission of institutional audit reports from each PFI and submit them to IFAD on an annual basis. The EDC annual institutional audit reports are available in their web site.

6.15 Records Management

6.15.1 Maintenance of separate accounts and records

In terms of IFAD's General Conditions for Agricultural Finance:

"The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date..."

In order to comply with the above requirement, the PMU is required to maintain accounts and project records. Such accounts and records may include:

Туре	Example
Electronic information	 Data and information maintained within the 1C accounting software Other documents and files maintained electronically, either on desktops, laptops or removable storage devices
Correspondence	EmailsHard copy correspondence (letters)
Documents received from external sources	
Internally generated information	Employee filesWithdrawal applicationsForms

All documents and information are the property of DVCDP II and may not be removed.

6.15.2 Filing and storage of the financial records

DVCDP II, EDC and PFIs (For credit lines) are responsible for filing records. To fulfil this responsibility:

- Project parties should maintain files in a chronological order, assigning appropriate codes/sequential numbers;
- Project parties should perform filing activities on a regular basis to prevent the accumulation of papers and to ensure that the financial records are always maintained in an up-to-date manner.
- Project parties should allocate an appropriate storage area for the financial records in paper format and maintain them in locked cabinets, safe from water and fire, to which access is controlled and limited.
- Project parties should also classify the financial records as "Confidential", or "General".

6.15.3 Off-site archiving of financial records

The respective Chief Accountant and Finance Specialist should ensure that the financial records are archived at an off-site location on a regularly basis. Once a year, the Chief Accountant and

Finance Specialist should make sure that the completed or inactive files are archived in a manner that will allow for easy retrieval of the files in case they are required at some future date.

6.15.4 Electronic back-up procedures

Back-up of electronic information is an important function to be undertaken under instruction from the Financial Manager. It is required that:

- Daily: Electronic information at each Project office is backed up on the local server
- Weekly: Electronic information is saved on an external storage device and kept in a locked cabinet

Project staff access to backup files are subject to authorisation by the Project director/Manager or Chief Accountant. The access of external persons is prohibited except for the auditors and IFAD staff.

6.15.5 Retention period

Project parties are required to retain accounts and records for at least ten (10) years after Financial Close. The Chief Accountant should ensure that all documents and records (electronic and paper) are handed over to GoU at financial closure to ensure that records can be maintained for the 10-year period.

6.16 Fixed Asset Management

Fixed asset management is an important process that seeks to track fixed assets for the purposes of financial accounting and to ensure preventive maintenance, and theft deterrence. Adequate Fixed asset maintenance also increases the sustainability of the Project. There are three elements in fixed asset management that require the attention of the Financial Managers:

- Purchase of equipment
- Setting up and maintaining an asset register including verification
- Setting up a plan for disposal and/or handover of the asset once the Project is completed

6.16.1 Purchase of Equipment

The finance Department should follow the following process for each fixed asset purchased:

- Assign a unique, sequential asset number (excluding minor items such as stationary).
- Tag each item with its unique asset number.
- Record the item of equipment in fixed asset register.

6.16.2 Fixed asset register

The Finance Department must maintain a fixed asset register in the asset management module of the accounting software. The asset register should record the following information for each individual piece of equipment (refer ANNEX 10 – Tool 6 for illustration):

- Asset description
- Asset number

- Individual responsible for asset
- Implementing agency responsible for purchase
- Source of funding of asset (IFAD, government etc.),
- Location of the asset
- Date of purchase
- Cost of purchase and invoice number
- Remarks regarding the condition of the asset

The Finance Department shall ensure that the consolidated fixed asset register is maintained and updated regularly.

Assets purchased for beneficiary use should be included in the fixed asset register if the assets remain under the ownership of the Project (therefore beneficiaries to return to Project at Project closure).

6.16.3 Asset Verification Review

Under the management of the Chief Accountant, the PMU must conduct an annual asset verification process whereby the following checks are performed:

- Verify that all fixed assets are still held in the location recorded on the register;
- Confirm the completeness and accuracy of the information recorded on the fixed asset register;
- Check that equipment and vehicles are still in a reasonable state of repair and that remarks regarding the condition of the assets are correct as recorded in the fixed asset register;

The verification review must be performed by different staff from those who use the equipment, to ensure adequate segregation of duty. Discrepancies between the verification exercise and the fixed asset register should be investigated. Where assets are missing or seriously damaged, they should be removed from the asset register. The removal should be formally documented and approved by Chief Accountant and Project director/Coordinator. Moreover, the Chief Accountant will undertake random verification of fixed assets during field visit.

6.16.4 Vehicle Maintenance and Fuel

Drivers are required to maintain waybills/itinerary lists and vehicle history records (<u>ANNEX 10</u> <u>– Tool 5</u>).

No cash shall be advanced to drivers for the purposes of refueling.

- Each vehicle to have dedicated fuel card which indicate the vehicle registration number.
- Each fuel card to have a set daily / monthly limit based on average consumption.
- Provision of fuel and lubricants shall be strictly limited per each vehicle per month in accordance with the order signed by the Management.
- The waybill shall indicate the reading of odometer at the beginning and end of the period, i.e. the mileage of the car, as well as daily fuel consumption log, and purpose of travel.
- In addition, the driver will submit a report on fuel purchase that will include; name of the driver, vehicle name and plate number, card balance at the beginning of the period and at the end of the period, type of the product, liter, price and sum amount.

- The Driver will submit all receipts for the fuel purchases that listed in the report submitted by the driver, and an act will be signed by the authorized signatories to confirm appropriate usage of fuel consumption, to be able to top up the fuel card.
- It is Chief Accountant and Finance Specialist's responsibility to reconcile the fuel card transactions on a monthly basis and ensure effective maintenance of the fuel card.

Vehicle insurance

The Financial Manager should ensure that all Project vehicles are comprehensively covered and that all drivers are noted on the insurance policy. Under no circumstanced may uninsured drivers drive the vehicles. The insurance policies should be renewed annually or as stipulated in the policy. The safety of cars is the responsibility of the drivers assigned to the vehicles. Consequently, they must ensure that the vehicles are parked in a secure area when not in use or outside working hours.

<u>Maintenance</u>

The drivers are required to monitor the maintenance of their assigned vehicles. The drivers must notify the PMU responsible staff of maintenance needs so that the cars can be serviced on a timely basis. The driver is required to request the car maintenance, subject to approval by the Project director.

The assigned cars must always be taken to the selected garage for repairs and maintenance.

6.17 IFAD financial management support

6.17.1 Overview of IFAD support

IFAD's Financial Management Division (FMD) will remain involved with DVCDP II from Project inception (starting at Project design) to Financial Closure to ensure that DVCDP II fiduciary requirements are met.

FMD's Finance Officer will establish on-going contact with the Project, by liaising with the Chief Accountant of the PMU and will be available to provide remote support on financial management matters. In addition, FMD will visit DVCDP II during missions to the Project (represented by either the Finance Officer or an appointed consultant). Mission types include supervision missions, mid-term reviews and implementation support missions. During missions, FMD will assess and monitor the adequacy of the PMU's financial management arrangements such as accounting, budgeting, internal controls, flow of funds, financial reporting and the auditing practices.

If financial management arrangements of DVCDP II are deemed acceptable, IFAD will rely on them to provide assurance that the financing proceeds are being used for the intended purposes. In the case that IFAD identifies weaknesses in the financial arrangements, it will require DVCDP II to take the appropriate measures to mitigate those risks.

The key findings and recommendations of missions will be captured in the Aid Memoire which is a document shared with the CVLD/MoA and includes an overview of issues identified and proposed actions to be undertaken by the project/IFAD to address issues identified.

6.17.2 Roles and responsibilities related to IFAD support

The PMU of the DVCDP II will be required to participate in IFAD missions as follow:

Stage	Project roles and responsibilities
Before IFAD missions	 Prepare Appendix 1 <u>ANNEX 10 - Tool 6</u> and submit to the FO/Consultant in electronic format (Excel Workbook, including formulae) <u>before</u> commencement of the mission - the FO/Consultant will specify the date range to be covered within Appendix 1. The project to complete the Financial Management Assessment Questionnaire (FMAQ) and submit to the FO/Consultant in electronic format (FO to provide most recent template). Prepare all other information as requested by FO/Consultant before commencement of the mission (refer <u>ANNEX 10 - Tool 2</u>).
During IFAD missions	 Provide the FO/Consultant with all information which was requested before the mission. Arrange meeting with the auditors (internal and external) and any other selected party requested by the mission. Ensure that all FM staff are available to assist the FO/Consultant in performing their duties which may include: Review of financial reports, reconciliations Physical verification of fixed assets and inventory Meeting with the auditor Reviewing and completing the FMAQ Discuss identified FM weaknesses and risks and assist the FO/Consultant with developing appropriate actions for inclusion in the aide memoire.
After IFAD missions	 Respond to any wrap-queries from the FO/Consultant Commence with implementing all actions which are included in the Aide Memoire Update the Action Tracker (see illustration in <u>ANNEX 10 - Tool</u> <u>6</u>) with all actions raised during the missions.
On-going	 Monitor and update the Action Tracker to ensure all actions are implemented in a timely manner. Liaise with the Chief Accountant if required. Respond to ad-hoc queries received from the Chief Accountant or other IFAD staff as it is related to FM matters.

6.18 Project completion and closure

The Project completion date is defined in the financing agreement and the Project closure date is 6 months thereafter. The following is relevant to period before Project completion up to Project closure:

Prior to the Project completion date

<u>STEP 2</u> Between Project

completion and closure

Subsequent to Project closure date

Project completion date

<u>STEP 3</u> Project closure date

STEP 1	STEP 2	STEP 3	
Up to the Project completion date	Between Project completion and closure	Project closure date	
 Submit an advance recovery plan to IFAD, indicating how the advance will be recovered up to Project closure (in line with financing agreement) (request template for plan from IFAD) Agree on the audit scope of work and submit to IFAD for no objection Incur eligible expenditure up to the Project completion date, including the lines of credit and guarantee fund expenditures. 	 Commencement of the final audit Auditor performs the final audit in line with scope of work approved by IFAD Incur winding up expenditure only (cost of audit, staff salaries, operating costs, Project completion report) Submit final withdrawal application and recover advance via this process Develop an asset handover and disposal plan (include up to date fixed asset register, indicate condition of all assets and to which entity the assets will be transferred. 	 Submit final audit report on or before the Project closure date Submit Project completion report on of before the Financial Closure Date (as required in the financing agreement) Confirm the final withdrawal application with IFAD Return outstanding advance if applicable (if due and not recovered via recovery process) Closure of the loan with IFAD 	

A notice is sent to the Borrower at least six months prior to the Project Completion Date (PCD) to advise that all applications must be submitted before the closing date, and to remind the Borrower that expenditures incurred and commitments made after the PCD will not be honoured, except for authorised expenditures during the "Winding Up Period" (from PCD to Financing Closing Date). This means that goods are delivered, civil works are completed and services are rendered on or before such date.

After the financing closing date, IFAD informs the Borrower of the formal closure of the loan account, provides a history of disbursement transactions and cancels the unused loan balance. A re-amortisation plan should be sent where relevant.

Asset handover plan

The plan should develop report outlining the following for the purposes of handing over Project assets to the identified beneficiaries:

- The value of all the assets bought under the Project
- Summary of the current condition of the assets,
- To which entity, will the assets be transferred to and on which date and for what purpose.
- List the assets that will be disposed and the reason for being disposed.

6.19 IFAD Financing agreements – amendments and budget reallocations

If amendments are required to the financing agreement:

- a formal written request should be submitted to IFAD
- outlining the required amendment and motivation thereof.

Amendments to the agreement may be required for (but not limited to):

- Changes to the project completion date and loan closing date,
- Changes to the project budget/budget reallocation (noting that the budget may not be increased above the original total amount)

Budget reallocations

- In some cases, the expenses category amounts as outlined in the financing agreement requires a revision if the project notes that actual expenditure is deviating from the original budget.
- In such instances a reallocation is required, depending on the size of the reallocation per category (expressed as %)
- Reallocation of equal to or less than 10% (of each component in Schedule 2 of the FA) between the various components if such a reallocation <u>does not change the basic</u> <u>purpose of the project.</u>
- For reallocation greater than 10% of any expense component (as in Schedule2 of the FA), the Borrower is required to formally request a reallocation from IFAD (supported by a detailed motivation).

6.20 Useful links

Document	Link
IFAD financial management e- learning	https://www.ifad.org/e-learning/financial-management- assessment/
<i>Revised IFAD policy on preventing fraud and corruption in its activities and operations (December 2018)</i>	https://www.ifad.org/en/-/document/policy-on- preventing-fraud-and-corruption-in-its-activities-and- operations

<i>Guidelines for internal controls for Public Sector Entities (INTOSAI GOV 9100)</i>	https://www.ifad.org/elearning_cfs/INTOSAI.pdf
<i>IFAD General Conditions for Agricultural Development Financing</i>	https://www.ifad.org/documents/38711624/39421024/ general e.pdf/47c5f14b-2903-4285-b0b0- 62c67cd650b8
IFAD Handbook for Financial Reporting and Auditing of IFAD -financed projects (English)	https://www.ifad.org/documents/38711624/39421009/I FAD+Handbook+for+Financial+Reporting+and+Auditing +of+IFAD-Financed+Projects e.pdf/133b165d-15c7- 4f79-8217-aef95b79dd67?t=1651150952856
<i>IFAD Project Financial Management and Financial Control Handbook for Borrowers</i>	https://www.ifad.org/documents/38711624/41074356/project- fmfc-handbook-borrowers.pdf/6fa00faf-a007-3785-736e- 4fa821dd16ed?t=1681995840344
IPSAS Cash Standard	https://www.ifac.org/ flysystem/azure- private/publications/files/Cash-Basis-IPSAS-2017.pdf
ICP page	https://icp.ifad.org/
ICP support email	icpsupport@ifad.org
DVCDP II design report	Refer to the final version of the PDR that is shared with the PMU.

6.21 Annexes: tools and checklists related to Financial Management procedures

The tools and checklists related to Financial Management Procedures are available in <u>ANNEX 10</u> of the PIM.

These include:

- Tool 1 AWPB Structure and preparation checklist
- Tool 2 Information checklist preparing for IFAD missions
- <u>Tool 3 Illustrative financial statements</u>
- <u>Tool 4 Travel advance report</u>
- Tool 5 Vehicle and fuel documents
- <u>Tool 6 Interim Financial Report (IFRS) Templates</u>

7 PROCUREMENT AND CONTRACT MANAGEMENT

7.1 Procurement Assessment

7.1.1 Country Procurement Assessment.

Public procurement in Uzbekistan is governed by the "Public Procurement Law" of April 22, 2021 No. ZRU-684, which defines the responsibilities, principles and processes applicable in

the public procurement of works, goods and services and, as compared to the previous Public Procurement Law No. 472 (2018), provides a more satisfactory legal framework following good international practices. Nevertheless, it needs further improvement to ensure wider range of procurement methods in order to provide for proportionality and fitness for purpose to achieve better value for money. Until such time that the PPL is operationalized, further reviewed and found satisfactory by the IFAD, Procurement of goods, works and services for DVCDP II shall be carried out in accordance with the provisions of the IFAD Project Procurement Guidelines²⁹ and provisions stipulated in the Financing Agreement/Procurement Arrangement Letter to the Borrower. If there is conflict between the Government's decrees, rules and regulations and the IFAD Procurement Guidelines, then IFAD Guidelines shall prevail.

7.1.2 Client Capability and Programme Management Unit (PMU) Assessment.

An assessment of the Committee of Veterinary and Livestock Development (CVLD), which is a Project Management Unit (PMU) for DVCDP II was conducted using the IFAD tool for Assessment of Agency Capacity to Implement Procurement. Based on its performance under the previous DVCDP programme financed by IFAD, the CVLD procurement capacity and practices are found to be consistent with current IFAD procurement regulations and procedures. The Procurement Unit has one dedicated procurement specialist with sufficient proficiency in IFAD procurement procedures. Application of procurement procedures is transparent and competitive. Overall, the CVLD's procurement performance is rated as `moderately satisfactory'.

7.2 Arrangements for Procurement under the Project

7.2.1 Overriding principles

Procurement of goods, works and services shall be carried out in accordance with IFAD Project Procurement Guidelines and IFAD Procurement Handbook, by observing the following:

- Procurement will be carried out in accordance with provisions of the Grant Agreement and any duly agreed amendments thereto;
- Procurement will be conducted within the Project implementation period;
- The cost of the procurement is not to exceed the availability of duly allocated funds as per the Grant Agreement;
- Procurement is to be consistent with the duly approved annual work plan and budget (AWP/B) including a procurement plan (for the first time, the procurement plan will cover the first 18 months of the Project implementation period);
- Procurement is to result in the best value of money and fit for purpose.
- All goods, works and services procured will be exempt from duties and taxes.

7.2.2 Procurement Plan (PP)

The PP shall be prepared and submitted on OPEN, IFAD's procurement system, and shall be fully aligned with the AWP&B, and shall be submitted for No Objection sufficiently in advance before the planned start of any procurement activity in the plan. No procurement activity shall

²⁹ Any reference to IFAD Project Procurement Guidelines includes also the IFAD Procurement Handbook. Compliance with both the Guidelines and the Handbook is mandatory. For both the Guidelines and the Handbook, the latest versions shall always apply.

start unless it is present in a PP that received a No Objection. The PP shall be updated with actual dates/figures and shall be upgraded for any changes in the procurement methods, addition of activities, elimination of others, increases in the budget, etc. Any upgrade to the PP shall also be submitted for No Objection. Procurement activities and their respective methods and timelines shall be strictly adhered to.

The first PP shall be for an 18-months period and subsequent PP's shall be submitted on an annual basis shortly before the start of the fiscal year. At the end of each fiscal period, all outstanding procurement activities (i.e. not contracted yet) shall be transferred to the upcoming PP with its planned and achieved actual dates included as well.

IFAD's No Objection needs to be sought prior to publishing any General Procurement Notice (GPN). The GPN template is available at <u>www.ifad.org/project-procurement</u>. The publication of an initial GPN (covering first 18 months of implementation) is mandatory. A GPN will need to be published at least once a year to reflect the Non Objected yearly PP. The GPN should mandatorily include all open procurement methods in the upcoming period covered by the initial PP (i.e. REOI, Request for Prequalification, openly advertised consulting services, ICB and NCB) and preferably also other non-open procurement activities (e.g. prior-list based consulting services, shopping, Limited International Bidding, Direct Contracting and Single Source Selection).

7.2.3 Contract Register (CR) and Contract Monitoring Tool (CMT)

The CMT is a mandatory platform for the recording and monitoring of all contracts that needs to be updated quarterly at a minimum. It includes:

- *Procurement contracts* (goods, works, services, and non-consulting services): all contracts and purchase orders signed based on the PP covering all procurement methods and contract types;
- Grants (all first-level in kind and monetary grants): the procurement method for Grants will include competitive methods such as QCBS, QBS, FBS, CQS, ICS or noncompetitive methods such as SSS or Selection based on project design/PIM; competitive methods are always recommended unless duly justified and exceptional.

The Contract Register will be extracted as a Report directly from the CMT. It will be a cumulative document that is augmented progressively, and automatically as new contracts are signed and inserted in the system.

CVLD will adopt the Contract Monitoring Tool deployed by IFAD and will dedicate sufficient resources to use and operate it and generate reports from this system as instructed by IFAD. The CMT Help section offers guidance and support on how to use this tool.

7.2.4 Review of Procurement Decisions by IFAD based on Procurement Methods

The table below presents the recommended procurement methods and thresholds that will initially be applicable for the IFAD financed DVCDP II. These thresholds will be finalized and formally communicated to the Government through the Procurement Arrangement Letter (PAL), upon entry into force of the grant agreement. Although, during the Project implementation, they may be unilaterally reviewed (raised or lowered) by IFAD.

Procurement Methods, Thresholds and Time-limits					
(Currency US\$)					
Procurement Methods → Project Types and Time limits ↓	DC (Direct Contracting)	Shopping (limited Request for Quotations)	NCB (National Open Bidding)	ICB (Internation al Open Bidding)	PRIOR Review
Goods/NCS	Only in exceptional cases where sufficient justification is provided	≤ 100,000	> 100,000 to < 200,000	≥ 200,000	 All contracts ≥ 70,000 All Direct Contracts
Works/NCS	Only in exceptional cases where sufficient justification is provided	≤ 250,000	> 250,000 to < 1,000,000	≥ 1,000,000	 All contracts ≥ 150,000 All Direct Contracts
Minimum Time Limit to submit quotes/bids from launch	n/a	14 days	30 days	45 days	
Minimum Time limit for bidders to ask questions (measured from deadline)	Same day	7 days	15 days	25 days	
Minimum Time limit for PMU to answer questions (measured from deadline)	Same day	5 days	10 days	20 days	
	SSS	cqs	FBS, LCS	QCBS and QBS	PRIOR Review
Consulting Services / NCS - Firms	Only in exceptional cases where sufficient justification is provided	≤70,000	< 150,000	≥ 150,000	 All contracts above ≥ 60,000 All Direct Contracts
Shortlisting	Shortlisting using REOI is mandatory for all CQS and ICS; Shortlisting (REOI or Prior List) is mandatory for all consulting services contracts estimated to cost ≥US\$60,000				
Minimum Time Limit to submit proposals from launch	n/a	21 days (REOI) 21 days (RFP)	21 days (REOI) 45 days (RFP)	21 days (REOI) 45 days (RFP)	
Minimum Time limit for bidders to ask questions (measured from deadline)	Same day	10 days (REOI) 10 days (RFP)	10 days (REOI) 25 days (RFP)	10 days (REOI) 25 days (RFP)	

Table 6:	Procurement Methods, Thresholds and Time-limits ³⁰
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³⁰ The time limits in this table are minimum periods; the actual dates generated by the Procurement Plan for bid/proposal submission will be the ones adopted for each procurement activity.

implementation. Trainings, Workshops and Study-Tours	Services Procurement if they rent a venue. USD 50,000 • All internationa			with aggregate values above USD 50,000	
The aforementioned thresholds are subject to modification by the Fund during the course of Project					
Minimum Time limit for PMU to answer questions (measured from deadline)	Same day	8 days (REOI) 8 days (RFP)			
Minimum Time limit for bidders to ask questions (measured from deadline)	Same day	10 days (REOI) 10 days (RFP)			
Minimum Time Limit to submit proposals from launch	n/a	21 days (REOI) 21 days (RFP)			
Individual	Only in exceptional cases where sufficient justification is provided	Individual Consultants Selection applies to contracts with individuals regardless of the value		 All contracts above ≤50,000 All Direct Contracts 	
Minimum Time limit for PMU to answer questions (measured from deadline)	Same day	8 days (REOI) 8 days (RFP)	8 days (REOI) 20 days (RFP)	8 days (REOI) 20 days (RFP)	

The aforementioned thresholds may be modified by IFAD during the course of Project implementation.

7.2.5 Post review

All contracts not covered under prior review will be subject to post review during IFAD implementation support missions. The Project Procurement Specialist will keep precise records and separate files for each procurement activity.

7.2.6 Special Procurement Arrangements

Based on the Financing Agreement, PAL and the Project Design Report, the Project shall not apply any special procurement arrangements.

7.2.7 Standard Procurement Documents (SPD) to be used

The Project shall use IFAD's Standard Procurement Documents (SPDs) customized to national standards when approaching the national market. Also, the IFAD's SPDs shall be used for procurement of goods, works, and non-consulting services under open International Competitive Procurement. All bidding documents for the procurement of works, goods and services shall be prepared by the PMU procurement staff with the support of technical experts, as needed, who will provide specifications, terms of reference, and bill of quantities and so forth as required and they shall include IFAD SECAP (Social, Environmental and Climate Assessment Procedures) clauses and conditions for better managing risks and impacts of IFAD-supported investments on biodiversity (extraction of natural resources by primary suppliers) and natural resources through the release of pollutants into the environment or consumption of raw materials, energy and water (groundwater and/or surface water), or impacts on the indigenous population caused by heavy excavations and earth movements through earthworks; or the community health and safety through negative impacts of waterborne and other vector-borne diseases, or through negative impacts of activities on ecosystems. Gender-based violence is potential due to the influx of workers into project activity sites.

Procurement Document Template – PTD

These are documents that are to be used in the procurement process, but not to request offers from bidders. The following Standard Procurement Documents will be adopted by the Project for all procurement activities:

Procurement Method/Process	Standard Procurement Documents
Procurement Plan	IFAD TEMPLATE
GPN	IFAD TEMPLATE
SPN	IFAD TEMPLATE
Request for Pre-qualification	IFAD TEMPLATE
REOI	IFAD TEMPLATE
Prequalification Report	IFAD TEMPLATE
Shortlisting Report	IFAD TEMPLATE
Evaluation Report	IFAD TEMPLATE
Negotiation Report	IFAD TEMPLATE
NOITA	IFAD TEMPLATE
NoA	IFAD TEMPLATE

Table 7: Standard Procurement Documents

IFAD's Standard Procurement Documents and the mandatory Self-Certification Forms (at bidding stage and at contract stage) and mandatory references to the Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, the IFAD policy to preventing and responding to sexual harassment, sexual exploitation and abuse and the IFAD Anti-Money Laundering and Countering the Financing of Terrorism Policy, as may be amended from time to time are available at www.ifad.org/project-procurement.

7.2.8 Phases of Procurement Activities and the Responsibilities of the PMU

Request for Procurement: The Project Manager shall submit a request for procurement to the Procurement Specialist in written form to provide further processing of such request. Request will be based on the Terms of Reference and/or detailed technical specifications for the goods/services developed by the PMU or relevant organization/consultant, as well as consistent with the Procurement Plan and Project Budget approved by the IFAD. The Procurement Specialist will review the Terms of Reference and/or detailed technical specifications for the goods/services subject to procurement.

Budget Compliance Control: The Procurement Specialist will submit the procurement request to the PMU Chief Accountant for verification of the source of financing. The Chief Accountant will verify through his/her signature the compliance of the procurement request with the approved budget, or provide comments on non-compliance.

Practicing of Procurement Procedures: The Procurement Specialist then completes the stages of procurement (Requests for proposals, announcement of bids, collection of proposals/bids, etc.) in accordance with procurement guidelines of DVCDP II. Then the Procurement Specialist will perform all the reporting functions of procurement procedures.

Procurement Planning: During assessment of the Project the Recipient will prepare a "Procurement Plan" for the Project implementation, which will be basis for procurement procedures specifying (a) the particular contracts for the goods and consulting services required; (b) the proposed methods for selection of consultant services and procurement of such contracts that are permitted under the Financing Agreement; and (c) the related IFAD review procedures. The "Procurement Plan" will be updated annually or as needed to reflect actual needs during implementation of the Project and improvement of institutional conditions.

Approval of the Project Procurement Plans and Budgets:

- The Procurement Specialist and Chief Accountant, based on the actual Project implementation results and in coordination with the Project Director, prepares draft Procurement Plan and Project Budget;
- The Project Manager reviews the draft Procurement Plan and Project Budget and submits it to the SCVDP for approval;
- After approval PMU submits the documents to IFAD for no objection;
- Once IFAD provides no-objection for draft Procurement Plan and Project Budget, PMU manager sign them off and these documents become effective.

Procurement of Goods and Works: Goods to be procured under the Project include equipment, teaching materials for training. Other goods to be procured include related technical services consisting of IT equipment, software, office equipment and furniture. A single-stage bidding procedure will be used for the information systems including design, implementation, supply of software.

Services (selection) of Consultants: Consulting services will include technical assistance, design of civil works, etc. according to the Procurement Plan. Consulting services under the Project will be procured in accordance with the standard Request for Proposals (RFP) and contract forms. IFAD shall review the selection process for the hiring of consultants proposed by the PMU, including the cost estimate, the contract package, applicable procedures, the short list, selection criteria and so forth, for its conformity with the procedures and proposed implementation program and disbursement schedule. The PMU shall promptly inform IFAD on any delay, or other changes in the scheduling of the procurement process, which could

significantly affect the timely and successful implementation of the Project contracts and agree with IFAD of corrective measures. Consulting services from firms and individual consultants will be required for Financial Management System, Audit Services, etc. The contract will be awarded following negotiations.

Training Activities: Training will include project-related study tours, training courses, workshops and other training activities not included under goods or service providers' contracts, including costs for training materials, space and equipment rental, travel and per diem costs of trainees and trainers. Training is an integral part of the Project's capacity building objective. The Project will finance training programs, including training workshops.

Short-term consultants will be hired under the Project to design the training courses and study tours. Estimated budget, list of participants and draft agenda for training program will be subject to IFAD's prior review. Expenditure items for training activities, including study tours, would be reported under SOEs.

Project Management and Operating Cost: Operating costs include equipment for operation and maintenance, communications (e.g. email, internet access, telephone and fax), utilities, and office furniture, as well as survey costs essential to monitor Project progress. Operating costs will be incurred according to an annual budget satisfactory to IFAD and using procedures as described below. IFAD will finance Project management and operating cost within the assigned budget for the PMU to oversee and manage the Project including: (a) PMU staff salaries and (b) communications, maintenance and operation cost for equipment procured or used under the Project.

Evaluation: Each bid/proposal will be evaluated using the evaluation award criteria other than the price, emphasizing value for money and sustainability. In particular, the evaluation of proposals shall prescribe a merit point system for proposals that comply with SECAP requirements, as provided for in the tender documents. The selection and appointment of members of the tender board will consider technical expertise requirements to ensure the required mix of skills is available for specialized evaluations.

Contract Awards: IFAD shall review the procurement arrangements proposed by the PMU, including contract packaging, applicable procedures and the scheduling of the procurement process, for its conformity with the IFAD's Procedures and proposed implementation program and disbursement schedule. The PMU shall promptly inform IFAD on any delay, or other changes in the scheduling of the procurement process, which could significantly affect the timely and successful implementation of the Project contracts and agree with IFAD on corrective measures.

The standard contract documents shall clearly define the scope of work to be performed, the goods to be supplied, the rights and obligations of the PMU and Supplier or Contractor, as well as functions and authority of the engineer, architect or construction manager (if one is employed by the PMU) in the supervision and performance of the contract. In addition to the general conditions of contract, any special conditions particular to the specific goods to be procured and the location of the Project shall be included.

The borrower shall award the contract, within the period of the validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined to be substantially responsive to the bidding documents and to offer the lowest evaluated cost.

The notification of award will constitute the formation of the Contract. At the same time as the Purchaser notifies the successful Bidder that its bid has been accepted, the Purchaser will send the Successful Bidder the Contract Form provided in the bidding documents, incorporating all agreements between the parties.

Contract Administration: The project will apply improved systems and to facilitate effective monitoring of contractual obligations and invoking necessary actions such as penalty clauses in cases of failure on the part of the contractor/supplier to uphold contractual obligations. In this regard, comprehensive contract registers will be maintained and shared with IFAD periodically. Contract monitoring forms will be used to strengthen the monitoring of milestone-based contracts requiring more than one payment. Updated versions of these documents will be made available to IFAD on a quarterly basis and form an integral part of project progress reporting (as described below). As part of start-up activities contract administration training will be provided to the entire DVCDP II project management team.

The Project shall adhere to the relevant labour laws, ensure compliance to national and international laws on Labour; compliance to International Labour Law for prohibition of child labour by referring to the directives of the ILO on the minimum working age and available National Labour Law; Establishment of work place specific Grievance Mechanism; Compliance to occupational safety and health (OSH) requirements including Safety and health training on the proper use and maintenance of personal protective equipment; comply to IFAD Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, including the assessment of risks of project-related gender-based violence, risks of sexual harassment, sexual exploitation, human trafficking and abuse to project-affected people and communities.

7.3 Other Procurement Matters

Risk Mitigation. The following arrangements will be put in place to ensure the highest possible level of transparency in Project implementation:

- The PMU will work closely with the staff of the MFERIT to foresee and reduce any potential delays in the procurement process that may be caused by the MFERIT.
- For procurement under the credit-lines, the PMU will more proactively disseminate procurement knowledge both to participating banks to improve the understanding of their credit experts so that they can better explain the benefits of competitive procurement to potential sub-borrowers, and to launch regular short-term procurement seminars for this purpose. Participating banks will assign competent credit officers to work with sub-borrowers.
- The PMU will apply a "one-strike" policy to all contractors and consultants any case of complicity in corruption, collusion, nepotism and/or fraud will lead to dismissal, disqualification from all further Project activities and possible prosecution.

Complaints. All complaints from bidders, observers, or other parties shall be promptly forwarded to the IFAD and the relevant ministry for consideration and follow-up action.

Procurement Supervision. In addition to the procurement prior review to be carried out by IFAD staff on a regular basis, it has been assessed that supervision missions to visit the field shall be made at least every year to carry out ex-post review of procurement under the Project. These missions shall include field visits and adequate physical inspection.

Applicable Procedures. In case of discrepancies between the national procurement system of the Borrower and IFAD's procurement procedure, irrespective of procurement method and budget, procurement procedures of the IFAD as set forth in their guidelines will apply.

Guidance Offered in the IFAD Procurement Handbook. The IFAD Procurement Handbook includes "best practice advice on all elements of the procurement process for any IFAD-financed operation. In the implementation of this Project, CVLD will strictly adhere to the Handbook for implementing all procurement activities of the Project.

Based on the above, CVLD will refer to the Handbook following the below guidance on relevant sections for various procurement aspects:

Procurement Aspect	Reference in the Handbook
Procurement Planning and GPN	Module C
Procurement and Selection Methods	Goods, Works and NCS: Module F1
	Consulting Services and NCS: Module F2
Direct Contracting and Single	Goods, Works and NCS: Module F1 (Section 6)
Sourcing	Consulting Services and NCS: Module F2 (Section 6)
Individual Consultants	Module F2 (Section 7)
Technical Specifications and Terms	Need identification: Module D
of Reference	Requirements & Specifications for Goods:
	Module E1
	Requirements & Specifications for Works:
	Module E2
	Terms of Reference: Module E3
Prequalification and Shortlisting	Module G
Preparation of Procurement	Goods: Module H1
Documents	Works: Module H2
	Consulting Services: Module H3
	Contract Types: Module J
Bidding Process	Module I
Evaluation	General: Module K1
	General Goods, Works and NCS: Module K2
	Goods: Module K3
	Works: Module K4
	General Consulting Services: Module K5
	QCBS: Module K6
	LCS: Module K7
	NCS: Module K8
	Abnormally Low Bids (all methods): Module K9
	Post-qualification (all methods): K10

Table 8: Key provisions of IFAD procurement Handbook

	Rejection of All Bids: Module O1	
Formation of Evaluation committees	Module K1	
Notifications for Intent to Award and	NOITA: Module L1	
for Award	NoA: Module L2	
Standstill and Debriefs	Module M1	
Protests and Appeals	Module M2	
Negotiations and discussions	Negotiations (Consulting Services): Module N1	
	Discussions (Goods, Works and Services): Module N2	
Contract Award	Module O2 and O3	
Contract Management	Module P	
Force Account	Module F1 (Section 7)	
Community Participation	Module Q	
Procurement from UN Agencies	Module F1 (Section 9)	
Records Management	Module B	

Record Keeping. The *Project Management Unit* will retain procurement records and files for ten years in an easily accessible and easily retrievable manner that facilitates review and audit even when conducted remotely (i.e. in soft copies as well). To facilitate review, supervision and audit, all procurement and contract management records shall be archived under the responsibility of the procurement staff. The originals of various valuable documents (such as bid security, performance guarantee, advance guarantee) should be kept in the safe by the PMU accountant, while a copy should be retained by the procurement staff.

By notice to the Borrower/Recipient, the Fund may require that all bidding documents and contracts for procurement of goods, works and services financed by the Financing include provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to:

- i) Allow full inspection by the Fund of all bid documentation and related records;
- ii) Maintain all documents and records related to the bid or contract for 10 years after completion of the bid or contract; and
- iii) Cooperate with agents or representatives of the Fund carrying out an audit or investigation.

Prior Review Documentation. With regard to all contracts subject to IFAD's prior review as per Procurement Arrangement Letter, IFAD will be provided with draft documents for tender, evaluation reports and recommendations for contract award, draft contracts (for consulting services) and likely revisions as well as other documents, when appropriate.

Submission of the annual Procurement Plan (PP). To ensure effective monitoring, the project will submit the annual Procurement Plan (PP) to IFAD for no objection, and any subsequent PP revisions should receive a No Objection from IFAD. A hands-on approach, including the introduction to OPEN and CMT will allow the systematic tracking of procurement activities throughout the project cycle.

Register of Contracts. All contracts must be listed in the Register of Contracts on a regular basis.

IFAD supervision. In addition to the above, the Project will provide full assistance to IFAD implementation support, supervision, MTR, and project closing missions. The Project will avail all necessary staff and provide all required documents, records and files. The same applies for any IFAD audit or investigation.

Publication of Notices. All (national) procurement advertisements are published in the electronic public procurement system through a special information portal, as well as on its official website and in the media. Tender opportunities are a not restricted for foreign firms. The following advertisements for International Competitive Bidding are additionally published on devbusiness.un.org website.

- i) invitation for bids for procurement of goods and works using ICB procedures;
- ii) request for expression of interest for consulting services with estimated costs more than USD 100,000;
- iii) contract award details of all procurement of goods and works using ICB procedure, and
- iv) contract award details of all consultancy services with estimated costs more than USD 100,000.

Procurement Principles and Ethics. CVLD will strictly adhere to the provisions of Section II of the IFAD Project Procurement Guidelines (2019) and any subsequent revisions as might be stipulated in the FA, covering the key Procurement Principles:

- Ethics;
- Accountability;
- Competition;
- Fairness;
- Transparency;
- Efficiency, Effectiveness and Economy; and
- Best Value for Money.

Furthermore, CVLD will strictly adhere to the provisions of the Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations available at <u>www.ifad.org/anticorruption policy</u> and IFAD's Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse available at <u>www.ifad.org/en/document-detail/asset/40738506</u>. Besides, CVLD shall ensure commitment to combating money laundering and terrorism financing consistent with IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy available at <u>https://www.ifad.org/en/document-detail/asset/41942012</u>.

7.4 Integration of SECAP Risks into Procurement

This document provides indication to the SPO on the SECAP risks to be incorporated into procurement plans. While the general integration of SECAP requirements into procurement documents is described into ANNEX 4, Volume 1 of the SECAP, the project specific risks are as identified by the SECAP online tool. The ES specialist has identified, through the SECAP environmental and social screening checklist, the issues in the table below that need to be mitigated through procurement. In case the SPO has ambiguity as to the guidance provided by the ES specialist in the rightmost column of the below Results Table, then the SPO will

need to collaborate with the ES specialist and relevant members of the PDT in order to reach an agreement as to how these ES issues can be dealt with best through procurement mitigation measures that the Borrower must be required to put in place with respect to procurement parameters like:

- 1. Technical Specifications
- 2. Bidder Qualification
- 3. Bid Evaluation Criteria
- 4. Contract Clauses

For Example, if use of harmful types of pesticide is an issue in the project area, then it can be dealt with through the specifications of the pesticide and both the ES specialist and the SPO will agree that the project will use a "WHO-FAO approved pesticide and that WHO-FAO codes for safe labelling, packaging, handling, storage, application and disposals of pesticide are respected". If the project involves work in a sensitive cultural heritage area or an area where biodiversity is to be protected, then the successful past experience of the contractor in working in such zones is critical and the ES specialist will select "Bidder qualification" and "Bid Evaluation Criteria". If labour conditions or indigenous peoples' rights are often compromised in the project's area, then the ES specialist may select "Contract Clauses" and give whatever further guidance is possible for SPO. If deforestation or extensive use of natural resources in the project area is an issue identified by the ES specialist, then the ES specialist will chose "specifications" and "Bid Evaluation Criteria" and agree with the SPO to specify legally-harvested timber (or timber certified with the relevant label) and agree as to the evaluation criteria to be used to promote resource efficiency (e.g. evaluation criteria to favour energy efficient pumps, efficient transformer sub-stations, fuel saving equipment etc.).

The ES specialist, relevant members of the PDT and the SPO will need to consult together and pool their collective expertise in the various disciplines in order to arrive at the right mitigation measures to be reflected in the PRM. In this manner downstream work by the SPO in prescribing the project requirements for the Procurement Plan (PP) and PDR are facilitated and can be readily reflected in the PIM and the choice of bidding documents and contract provisions.

Resource Efficiency and Pollution Prevention	Risk Rating	Consequence	Guidance for Procurement
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	Moderate	Minor Pollutants may possibly be released, either routinely or by accident, but treatment systems are proven and verified. Receiving environment has absorptive capacity.	agro-chemicals; Suppliers of fertilizer and pesticides will be required to operate in accordance with SECAP standard 2
2.6 Could the project involve inputs of fertilizers and other modifying agent	Moderate	Minor The project only requires minimal amounts of fertilizer.	Agricultural production activities of the communities could result in increased use of agrochemicals List/ refer to all approved chemicals in tender documents Contract documents to promote safe fertilizer use by ensuring that the correct investments and capacity-building activities for the selection, distribution, storage, application and disposal of fertilizers are included

2.7 Could the project involve or lead to procurement, supply and/or result in the use of pesticides on crops, livestock, aquaculture or forestry?	Moderate	Minor The project only requires minimal amounts of pesticide.	Agricultural production activities of the communities could result in increased use of agrochemicals Refer to the list of approved pesticides in the tender documents Technical specifications: "WHO-FAO approved pesticide and that WHO-FAO codes for safe labelling, packaging, handling, storage, application and disposals of pesticide are respected" Implementation of Pest Management Plan
Cultural Heritage	Risk Rating	Consequence	Guidance for Procurement
3.1 Could the project be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	Moderate	(prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as	Agricultural production may include expansion into new areas The project will operate within SECAP standards requirements for Cultural Heritage and be on the lookout for chance finds.
3.2 Could the project directly or indirectly affect indigenous peoples' rights, lands, natural resources, territories, livelihoods,	Moderate	Minor	

indigenous peoples	Risk Rating	Consequence	Guidance for Procurement
4.1 Could the project be sited in areas where indigenous peoples are present (including the project area of influence)?	Low	Minor The project is not sited in an area where indigenous people are present, but associated facilities may impact on indigenous people.	Monitor possible findings during project execution, to include specifications that mitigate effect
4.2 Could the project result in activities located on lands and territories claimed by indigenous peoples?	Moderate	Moderate The project is sited in an area that was previously used by indigenous people, and groups are mobilizing with the intention of making a claim.	Monitor possible findings during project execution, to include specifications that mitigate effect
4.3 Could the project result in impacts on the rights of indigenous peoples or to the lands, territories and resources claimed by them?	Moderate	Moderate Moderate impact on indigenous population. Damage to/or temporary loss of access to indigenous land, assets, resources, and/or cultural heritage.	Monitor possible findings during project execution, to include specifications that mitigate effect
Labour and Working Conditions	Risk Rating	Consequence	Guidance for Procurement
5.1 Could the project operate in sectors or value chains that are characterized by working conditions that do not meet national labour laws or international commitments? (Note: this may include discriminatory practices, high gender inequality and the lack of equal opportunities, denial of freedom of association and collective bargaining, labour migrants)	Moderate	Moderate The project operates in sectors or value chains that have, in the past, not met national labour laws, or international commitments, but is now adequately nationally regulated. However, international value chains are not regularly audited for environmental or social performance.	The project will include works that need to adhere to the relevant labour laws Contract Clauses: to ensure compliance to national and international laws on Labour Application of the Labour Management and Assessment Procedure

5.2 Could the project use or operate in a value chain where there have been reports of forced labour? (Note: Risks of forced labour may be increased for projects located in remote places or where the status of migrant workers is uncertain)	Moderate	Minor The project does not operate in sectors or value chains where forced labour has ever been reported	compliance to International Labour Law and available
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	Moderate	reported.	child labour by referring to

5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence	Moderate	exposed to significant OSH risks, and where regulation is known to	associated with exposure to hazards encountered in the workplace or while working will be included
and harassment.)			
Community Health, Safety and Security	Risk Rating	Consequence	Guidance for Procurement
6.1 Could the project be at risk from water-borne or other vector-borne diseases (e.g. temporary breeding habitats), and/or communicable and non-communicable diseases?	Moderate	Moderate The project is situated in an area where there is past evidence of negative impacts from water-borne or other vector-borne diseases, or communicable/non- communicable diseases, but where regulation or containment of these impacts has been shown to be effective.	requirements including Safety and health training on the proper use and maintenance of personal

6.7 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	Low	community dynamics. Resulting serious recorded cases of gender-based violence and/or sexual exploitation. Gender- based violence	responding to sexual harassment, sexual
6.10 Could the project involve or lead to the engagement of security personnel to protect facilities and property or to support project activities?	Moderate	Minor A small number of security personnel are required, but they are well trained, and protocols are in place.	in the hidding
			ulen
Financial intermediaries and direct investments	Risk Rating	Consequence	Guidance for Procurement
	Rating Moderate	Minor The institution has an ESMS in place. Reports	Guidance for Procurement Integration of environmental and social safeguard criteria in the selection of service providers, including microfinance

8 MONITORING & EVALUATION, KNOWLEDGE MANAGEMENT AND COMMUNICATION

8.1 Monitoring and Evaluation

8.1.1 M&E roles and responsibilities

In alignment with the directives of GoU to reinforce the monitoring and evaluation of international development projects and building on the recommendations from the completion of DVCDP, DVCDP II will allocate appropriate funding for the establishment of a robust monitoring and evaluation system to track the implementation, achievement and impact of all project activities. Additionally, appropriate funding will be allocated to strengthen the M&E unit in terms of human resources. Hence, the PMU M&E unit will be comprised of one full-time dedicated M&E Specialist based in Tashkent, and the 2 Regional Field Facilitators (RFFs) in Surxondaryo and Qashqadaryo regions. The RFFs will be central in (i) providing extensive support to target beneficiaries in the target regions, (ii) ensuring data collection and on-site verification of data collected, (iii) disseminating proper and targeted information, (iv) reporting to the central M&E on implementation progress, issues encountered, etc. The overall implementation and coordination of M&E activities will rest with the M&E specialist in the central unit, who will also be responsible for the field work in the target regions of Sirdaryo, Samarkand and Jizzakh, considering their proximity to Tashkent.

Generally, all Project stakeholders will have M&E roles and responsibilities:

PMU: Project central staff and the M&E team in particular will play a key role in M&E activities. The M&E team is responsible for developing the M&E strategy and tools (M&E plan, MIS, data collection and reporting forms, etc.) and supervising all M&E-related activities at the project level, including the activities implemented by the service providers. The project manager will base decisions on evidence provided by the M&E system, link with government and donors and convey all the required information to it. Project field staff will generally be in charge of collecting and submitting monitoring data, prepare local progress reports for project central staff and other activities including but not limited to those described in the section above. The Project staff including component managers, finance and procurement officers, will be responsible for providing data on Project financial and physical progress in line with information needs specified in the data collection forms developed and circulated by the M&E team and within the timeframe and frequency defined in the M&E plan.

Beneficiaries/producer organizations/rural enterprises: Beneficiaries and/or producer organizations, rural enterprises, MCCs will play a key role in M&E activities, such as keeping records of activities supported by the project and monitoring their business plan against predefined progress indicators.

Service providers. External firms contracted to implement Project activities, such as service providers implementing training activities, etc. will be in charge of collecting, recording data necessary to feed the information needs of the Project (including data on stakeholder feedback). Data collection forms will be developed, and information needs specified by the M&E team as part of the contract with Service providers. External firms will also be contracted to perform some M&E tasks (such as surveys and MIS development).

Government: The government will provide strategic guidance and ensure resource availability. It will use evidence and M&E data (annual workplan and budget [AWPB], progress reports, etc.) for decision-making.

IFAD: IFAD will support Project implementation and among other things will supervise M&E activities and provide technical support as needed.

8.1.2 Logical Framework

Relevant indicators have been identified in the DVCDP II logical framework and targets estimated. The indicators relate to the different levels (output, outcome and impact), and include IFAD Core Indicators (CIs), relevant COSOP indicators, as well as project specific indicators³¹. The logical framework derives from the theory of change and demonstrates the logical links between the results at different levels and thereby enables the meaningful analysis of whether the project is on-track towards its planned results. DVCDP II logical framework will be constantly analysed by the Project team in a participatory manner throughout Project lifecycle to analyse project achievements against the defined targets. The project theory of change, logical framework indicators will be reviewed at project mid-term along with the project key assumptions to reflect the evolving reality of the project and possible changes introduced to the project at mid-term. The glossary and definitions of DVCDP II Core Indicators is provided in Annex 4 of the PIM.

The outcome/impact level indicators included in the project logical framework (both CIs and project specific indicators³²) will be measured through Core Outcome Indicator (COI) surveys³³ implemented three times during Project lifecycle at Baseline, Mid-term and Endline in line with the IFAD COI Guidelines. The Outcome level indicator "3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered" included in the logical framework shall be measured during inception or the early stages of implementation in partnership with the UN Food and Agriculture Organization (FAO) through a detailed emissions assessment using the Ex-ACT and Global Livestock Environmental Assessment Model (GLEAM-interactive) tools. These assessments will be undertaken at project inception, as well as part of the final evaluation process. The implementation of the COI Surveys will be outsourced to a qualified Service Provider for which a ToR will be developed by the PMU and approved by IFAD. A participatory geo-referenced listing and mapping exercise will be embedded in the Project baseline survey aimed at identifying and mapping the target groups/potential beneficiaries in the value chain enabling a more targeted approach for Project implementation. The exercise will also include context-specific needs assessments of the concrete barriers to smallholderdriven dairy sector development and address pressing information needs for implementation planning. COI surveys will be complemented by ad-hoc/thematic case studies, problem analysis, etc. to be conducted periodically in the implementation phase of the project to identify/document Project successes, bottlenecks, innovations, etc. to help quide evidencebased decision making on the timely implementation of corrective measures, replication of successful interventions and/or drawing of lessons learned.

8.1.3 Start-up and baseline

The Project start-up is a critical phase to ensure effective project implementation. This is the phase where many key documents and aspects of the Project are developed.

³¹ Project specific indicators are which are designed to measure specific results that may not be adequately captured by the Cis. Project specific indicators can be output, outcome or impact indicators. ³² The modules for project specific indicators shall be included in COI questionnaire modules.

³³ Other outcome level project specific indicators not included in the Log-frame but included in the PIM shall also be measured through COI surveys.

The following deliverables are expected in the start-up and baseline phase:

	Validation of the ToC and logframe	M&E plan	MIS set-up	COI baseline survey	Baseline report	
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M&E officer is responsible for key aspects of project implementation, and it is very important for the project M&E officer to be recruited by the project manager as soon as possible and play an important role in project start-up.

The purpose of the **baseline survey** is to identify household characteristics before project interventions and generate benchmark information for Log-frame indicators.

IFAD's COI measurement guidelines shall be used to prepare the DVCDP II baseline survey, which will be conducted in the first year of project implementation. The implementation of the Baseline Survey will be outsourced to a qualified Service Provider for which a ToR will be developed by the PMU M&E officer and approved by IFAD. A participatory geo-referenced listing and mapping exercise will be embedded in the Project baseline survey aimed at identifying and mapping the target groups/potential beneficiaries in the value chain enabling a more targeted approach for Project implementation. The exercise will also include context-specific needs assessments of the concrete barriers to smallholder-driven dairy sector development and address pressing information needs for implementation planning. The M&E officer will oversee the process (selection; backstopping and supervision; quality control of process), but IFAD's clearance should be sought for key aspects (survey ToRs, then survey methodology, final survey report).

When conducting the baseline survey, it is of key importance that data is collected before any benefits have reached the (potential) beneficiaries, thus providing a detailed description of the initial situation. The baseline report summarizes the conclusions from the survey analysis and includes the following key elements:

- A detailed description of the methodology and questionnaire used
- A list of the villages/communities surveyed (including number of potential beneficiaries surveyed per village/community)
- The survey results and their analysis and interpretation
- The updated logframe (baseline values and targets), based on the survey results
- Survey limitations
- The survey database

The M&E officer oversees the preparation of the report and assures its quality.

8.1.4 M&E plan

The M&E plan operationalizes the M&E system and spells out all the necessary operational details, thus ensuring smooth and proper functioning of the M&E system, including the M&E approach, processes, activities, tools, responsibilities and deliverables. In an annex, it also provides all the necessary data collection forms, report templates, progress report outline, survey Tors and questionnaire, etc.

Additionally, the M&E plan shall include an annex that contains the M&E matrix describing each indicator, its definition, baseline, endline and AWP&B targets, what data should be collected and by whom, data source, data collection tool and data collection frequency. The link between each (output) indicator and AWPB items should also be clearly spelled out. It should also describe the reporting and learning aspects with respect to each indicator, particularly where the results will be reported and how they will be disseminated to different stakeholders. It should also have a schedule of activities and specify the financial and other resources needed for the implementation of the planned activities.

The M&E plan guides project staff and implementation partners on how and when to conduct M&E activities, which is why the plan should already have been developed at start-up.

8.1.5 Management Information System for Project Monitoring and Evaluation

The Management Information System (MIS) provides the PMU, the Government, IFAD and other co-financiers with timely, accurate information on implementation progress and results. The MIS will be used to keep M&E data safely in one place and easily accessible and to transform large quantities of data into usable information. The MIS should help the project manager and other PMU members make informed decisions and prepare good quality reports, meeting the respective information requirements of the government, IFAD and co-financiers.

An MIS for Project Monitoring and Evaluation will be set-up as part of project start-up activities to allow systematic and consistent data collection process. It is important that the MIS be ready when project activities begin and beneficiaries start receiving project support to collect, store and analyse the monitoring information as the data are collected. The M&E officer will coordinate the process and oversee recruitment of the service provider/consultant. The MIS provider/developer, in turn, will be responsible for developing and setting up the MIS.

A participatory approach will be adopted while developing the system with the involvement of all relevant stakeholders facilitating the ownership of the tool. An exchange visit will be organized for the M&E specialist aimed to showcase the application of best practices, systems, and tools in M&E processes. The system will encompass separate platforms for each component/intervention that includes all Project relevant indicators across components to allow data collection at outreach, output level and key data to later allow outcome assessment. Additionally, the system will allow disaggregating the outreach as per Project target groups (Tamarkand - vulnerable household farmers, dekhans - better of household farmers, unemployed youth - including PWDs and returning migrants, and vulnerable women - including women headed households), as per Log-Frame mandatory multipliers, as well as type of intervention. The system will be regularly fed from data collected in the field and the various studies carried out as part of the projects' implementation. The monitoring and evaluation system will be coupled with a geo-localized information system (GIS) that will allow mapping and spatio-temporal analyses. Double counting will be automatically removed at outreach level and the system will allow tracking beneficiaries having received multiple services from the Project. Trainings will be organized to strengthen the capacities of the various stakeholders involved in the monitoring and evaluation system.

The M&E system will collect, store and analyse data, both qualitative and quantitative, to inform decision-makers and management and other relevant stakeholders about the project progress against expected results, identify implementation bottlenecks to take timely corrective actions when needed and/or draw lessons learned, and to document project successes to replicate successful interventions. The M&E system should: (i) produce, organize

and disseminate the information needed for the strategic management of the Project, (ii) document the results and lessons learned for internal use and for public dissemination on the achievements and (iii) respond to the information needs of IFAD and the Government on the activities, immediate outcomes and impact of the Project.

An online application system for credit/grant windows will be established allowing the identification/categorization of all types of target groups, eligible investments, and the collection of necessary data to feed the information needs of the Project as defined in the Project documents. The online application system will be interlinked with the Project M&E software to allow the automatic flow of the respective baseline data directly to DVCDP II M&E software upon credit/grant approval, thus ensuring data accuracy and consistency in reporting. On-site data verification will be further conducted by DVCDP II PMU RFFs and Credit Officers to ensure the reliability and validity of data collected. The Participating Financial Institutions (PFIs) will provide monthly reporting to the PMU with respect to the indicators/information requirements set out in the Project documents. A separate platform to enable monitoring of loans disbursed through the revolving fund of IFAD funded rural finance projects will be established at a later stage as the funds start revolving.

The following will be the key elements of the M&E system for DVCDP II: (i) Project Theory of Change and Logical Framework; (ii) an M&E Plan that will be developed during the start-up workshop to define the scope, organization and contents of the M&E system, roles and responsibilities, participatory approaches, how data will be collected, analyzed, reported, used and otherwise managed, data quality assurance mechanisms, timeline for M&E-related activities, staffing and capacity building plan, budget, linkages with KM; (iv) Management information system; (v) baseline, mid and end-line surveys; (vi) mid-term and completion review; (vii) annual quick outcome surveys; (viii) thematic studies, problem analysis (ix) continuous progress monitoring of activities and outputs; (x) risk assessment; etc.; (xi) Proiect Documents and IFAD quidelines, and (xii) field visits and joint supervision/implementation reviews.

The project will establish stakeholder feedback mechanisms both online (through social media pages, call centres and websites) and offline - by e.g. placing letterboxes in the target communities where the beneficiaries with limited/no access to the internet can submit their feedback/complaints through letters to be further collected and analysed by the PMU.

8.1.6 MTR Survey

The MTR survey will measure the midterm values of DVCDP II outcome (and impact, if included) indicators, making it possible to compare midterm with baseline data.

IFAD COI measurement guidelines shall be used to prepare the DCDP II midterm survey. Conducting the survey requires good planning to ensure that results are available in a timely manner, as procurement processes and fieldwork could prove to be lengthy. The midterm survey should be conducted, and the results made available prior to the midterm review missions to enable teams to use survey results in their mission reports. The midterm survey should be conducted on the same sample of beneficiaries as the baseline survey, if feasible.

The implementation of the Project MTR Survey will be outsourced to a qualified Service Provider for which a ToR will be developed by the PMU M&E officer and approved by IFAD. The M&E officer will oversee the process (selection; backstopping and supervision; quality control of the process), but IFAD's clearance should be sought for key aspects (survey ToRs, then methodology and the final survey report). The midterm survey report summarizes the conclusions from the survey analysis and should be made available prior to the MTR mission. The M&E officer will oversee the preparation of the report and assures its quality. The report includes the following key elements:

- A description of the methodology and questionnaire used
- A list of the villages/communities surveyed (including number of beneficiaries surveyed per village/community)
- The survey results and their analysis and interpretation, including the analysis of the ToC and its description based on the results of the survey, as well as analysis of the results based on the targeting strategy.
- The updated logframe (midterm values and targets), based on the survey results
- Survey limitations
- The survey database
- Preparation of the AWPB

The AWPB stipulates the expected outputs (physical targets) for the coming year, for each project component. The AWPB then describes the activities to be implemented to deliver those outputs and the financial resources (financial targets) required to do so. It should be aligned and consistent with the logframe and the procurement plan.

8.1.7 Completion survey

The completion survey (Project impact assessment) will measure the Project's final results, which will then be inputted in DVCDP II Log-frame. Completion survey results will enable the measurement of changes attributable to the Project's intervention at the outcome and impact level and the degree to which DVCDP II met its objectives.

IFAD's COI measurement guidelines shall be used to prepare the completion survey. Conducting the survey requires good planning to ensure that the results are available in a timely manner, as procurement processes and fieldwork could prove to be lengthy. The completion survey should be conducted and the results made available prior to the completion mission to enable the teams to use the survey results in the PCR. The completion survey should be conducted on the same sample of beneficiaries as the baseline and midterm surveys, if feasible.

The implementation of the Project Completion Survey will be outsourced to a qualified Service Provider for which a ToR will be developed by the PMU M&E officer and approved by IFAD. The M&E officer will oversee the process (selection; backstopping and supervision; quality control of the process), but IFAD clearance should be sought for key aspects (survey ToRs, then methodology and the final survey report).

The Completion survey report summarizes the conclusions from the survey analysis and should be made available prior to the completion mission. The M&E officer oversees the preparation of the report and assures its quality. The report includes the following key elements:

- A description of the methodology and questionnaire used
- A list of the villages/communities surveyed (including number of beneficiaries surveyed per village/community)

- The survey results and their analysis and interpretation, including the analysis of the ToC and its description based on the results of the survey, as well as analysis of the results based on the targeting strategy.
- The updated logframe (end values and targets), based on the survey results
- Survey limitations
- The survey database

8.2 Reporting

The project M&E officer is in charge of collecting, compiling and processing quantitative and qualitative data for the preparation of progress and results reports in close collaboration with the RFFs and Project implementing partners in the field, project component specialists, finance and procurement officers. These reports are meant for project management and other stakeholders and are usually issued on a monthly basis and upon specific request.

Along with the **AWPB report**, the PMU will prepare and submit **Semi-Annual and Annual** Progress reports according to a format acceptable to IFAD. The reports measure implementation progress and achievements against annual targets for activity, output and outcome (after midterm) indicators. They contain consolidated data tables on financial and physical progress as well as narrative with analysis on achievements against the defined annual and appraisal targets and elaborating on the reasons and bottlenecks for nonperformance against the annual workplan. **Monthly Progress Reports** will be prepared by project implementing partners and RFFs in the field and submitted to the PMU to ensure continuous monitoring of project activities and identify challenges to adopt necessary corrective measures in due time. Additionally, the PMU will prepare **Technical reports** – such as (i) **M&E reports** elaborating on the analysis of the wide range of data across components and interventions to be available in the M&E system, analysis of the results of ad hoc/thematic studies, quick outcome surveys, problem analysis, etc., (ii) **Knowledge Management Report** elaborating on the best practices and lessons learned, success stories, etc., communication related activities, analysis of stakeholder feedback and grievance, etc.

Additionally, PMU will develop standard **data collection forms/tools** and **reporting templates** that capture both quantitative and qualitative data for field staff in the regions, for the PFIs, for the service providers (SPs) including SPs implementing training activities, etc.

8.3 Supervision

Project supervision: The project will be supervised directly by IFAD in partnership with CVLD and in accordance with IFAD guidelines. Annual implementation support and supervision missions will be organised every year during the project's lifetime. Implementation support and supervision missions will not be conducted as a general inspection or evaluation, but rather as an opportunity to assess achievements and lessons learned, and to reflect upon ways to improve implementation and impact. The PMU will ensure that the agreed actions at supervision and Implementation support missions are implemented within the agreed timeframe. IFAD also be responsible for (i) reviewing withdrawal applications for IFAD proceeds; (ii) reviewing and approving requests for no-objection; (iii) monitoring compliance with the Financing Agreement, recommending remedies for any substantial non-compliance; and (iv) carrying out all other functions needed to administer the financing and supervise the project.

Mid-term review (MTR): CVLD and IFAD shall jointly carry out an in-depth joint mid-term review no later than the third year of the project (year 2026) based on the terms of reference prepared by the PMU and approved by IFAD. The PMU will conduct a project mid-term survey in line with IFAD COI guidelines to adequately inform MTR mission. Among other things, the MTR will consider the achievements of project objectives and constraints and recommend any reorientations that might be required. The PMU will ensure that the agreed actions at MTR are implemented within the agreed time frame.

Project completion: After project completion date and no later than the closing date, CVLD will carry out a project completion report complying with IFAD standards. In addition, the PMU will conduct a project impact evaluation in order to adequately inform the completion report.

8.4 Knowledge Management, Communication and Learning

The overall purpose of knowledge management is to help build a credible knowledge base of practical and actionable know-how that leads to improved performance and results and scaling up of successes for inclusive and sustainable rural transformation. The PMU, in close collaboration with the Government, Mahallas, and other stakeholders, will develop and lead an integrated **KM and Communication Strategy** that supports achievement of DVCDP II goals and objectives as well as the COSOP strategic objectives. The strategy will outline systems, processes and responsibilities to ensure that the project will generate, capture, analyse, document, package and disseminate knowledge and lessons learned throughout the project internally as well as externally. The strategy will define the DVCDP II KM goals and strategic objectives, KM products and the main areas of KM-related work with clear linkages to improving Project performance, promoting innovations, scaling up success, sharing lessons learned, and influencing policy. It will promote broad consultation with DVCDP II target groups³⁴, with a specific focus on near landless and unemployed women and youth, to identify and address knowledge and capacity priorities, needs, gaps and solutions. It will ensure that results, lessons learned, and successful practices are documented and will promote the unique experience and contribution of small household farmers' to rural transformation in Uzbekistan. The strategy will also elaborate on the methodology of targeted communication and dissemination activities to be implemented by the Project to raise awareness about project opportunities and eligibility requirements in all target regions and districts at early stages of the Project, before the start of Project activities and at later stages.

The results of the innovative approaches of DVCDP II in terms of pro-poor approach in dairy value chain development, the establishment of L-FFS, youth fodder production groups, local breeding groups, upscaling of the MCCs, etc., will be captured, analysed and documented aimed at applying lessons during implementation and adapting approaches accordingly, as well as documenting successes and failures for upscaling and/or drawing lessons learned to inform future interventions.

The dairy platform meetings will be a learning process including discussions on the various topics related to the development cluster approach and the dairy value chain development. It will provide a venue for discussing Project achievements and innovations, identifying successes and good practices, as well as problems in the value chain informing the related policy and strategies and promoting possible solutions. Since all stakeholders will participate in those meetings it will be a learning loop through the implementation of the Project. The

³⁴ Small household farmers (*tamarkas*) and *dekhan* farmers, also including the most vulnerable people, i.e., the near landless and unemployed women and youth.

feedback loop will be created to allow for the flow of knowledge from cluster level to the regional level and the central level in Tashkent as well as providing feedback across the same chain. Participation to working groups on land reform with the aim to improve smallholders and youth access to agricultural land will be another learning process along with the development of such knowledge products as a study assessing the current status/results of the land reform and its potential future impacts if youth and smallholder farmers, including women, get higher access. KM will support the advocacy work for such activities that will eventually lead to influencing government policy on land reform. DVCDP II research related activities and innovation pilots will also be a learning process with the aim of scaling up innovations in the DVCDP II project, generate knowledge for project beneficiaries, inform policy and/or build institutional capacity with regards to further climate smart dairy development and smallholder farmer empowerment and improved dairy management practices. The proper and targeted dissemination and flow of knowledge will be ensured through dedicated activities defined in the KM and Communication Strategy.

Mahallas and other decentralized authorities, Women's Committee and Agricultural Knowledge and Innovation System (AKIS) centres will play a key role in knowledge dissemination, transfer and uptake by the target groups and in knowledge use by decision-makers and relevant stakeholders. Knowledge exchange will be further explored at regional and central level with Hokymiats, research institutes/universities, extension services, etc.

The Project will have a dedicated KM focal point in the PMU to ensure the implementation of proper communications and knowledge management activities. The overall implementation and coordination of KM activities will rest with the KM specialist in the central unit, who will also be responsible for the field work in the target regions of Sirdaryo, Samarkand and Jizzakh, considering their proximity to Tashkent. The two RFFs in Surxondaryo and Qashqadaryo regions will be responsible for the KM related activities in the field by engaging directly with the Project beneficiaries/potential beneficiaries through information dissemination/awareness raising activities about project opportunities and eligibility requirements, identifying knowledge and capacity priorities and needs, providing support throughout the application process and promoting learning, successful practices and innovations, etc.

Concurrently, a downward and upward flow of up-to-date information about project opportunities, progress etc. to beneficiaries, local governments (including Mahalas) and implementing partners in the field is of utmost relevance in fostering ownership and participation. Both online and offline systems for these information exchanges (social media, websites (including Project website to be established), Local TV, Radio, WhatsApp, Telegram, Newspapers, Posters, leaflets, information meetings, etc.) will be developed and used on a regular basis, including (i) multi-stakeholder consultation to determine the knowledge and information needs of target groups, particularly women and youth, across the thematic areas, (ii) implementation review and reflection meetings to promote sharing and discussion of issues, challenges, lessons and solutions, (iii) planning workshops, (iv) project learning days, (v) a newsletter to be shared with all stakeholders, etc.

Relevant information from the project MIS will be used to document lessons learned, best practices and success stories. The KM strategy will include a KM action plan that will define the KM objectives, outputs, knowledge and communication products, target audience, responsible persons, the allocated budget, timeline, etc. The KM action plan will be updated annually and the achievements against the plan will be elaborated/analysed and provided as an annex to the semi-annual and annual progress report.

Cross-learning between IFAD-financed projects in Uzbekistan will be promoted by the PMU through workshops/meetings to share knowledge and lessons learned on various topics such as M&E, FM, procurement, gender and youth, climate change and any other relevant area. KM will be a process of continuous learning and improvement involving country project teams, as well as key stakeholders, who try out new ways of doing things, reflect, document and share their knowledge and experiences, and then change and adapt their projects/initiatives to become more effective and successful.

9 PROJECT COSTS AND FINANCING

9.1 Main assumptions

Total project costs. Total project costs are estimated at USD 47.432 million, which will be distributed over a seven-year duration. The recurrent cost of the project constitutes 6.8% of the total project cost, whereas the investment cost constitutes 93.2% of the total project cost. The recurrent cost paid from the IFAD loan represents 6.7% of total IFAD financing.

Financing. The cost of the Project is estimated at USD 47.432 million. Of this total financing, IFAD's contribution to the project is USD 37.8 million (79.7%), including USD 30.0 million from IFAD's Performance-Based Allocation System (PBAS) and USD 7.8 million from IFAD's Borrowed Resource Access Mechanism (BRAM). The Government in-kind contributions to the project is expected to be USD 3.687 million (7.7%) and the beneficiaries will contribute to the project with USD 5.077 million (10.7%) in cash and with USD 0.867 million in kind.

Additional resources for the project will also be explored from resources under IFAD 13, under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval. Potential additional parallel and co-financing will also be discussed with other partner International Financial Institutions (IFIs) engaged in the development of the livestock and dairy sector in Uzbekistan.

Tax and duty exemptions. Goods, services, and works purchased directly by the PMU will be exempted from taxes and duties by the Government, and will be treated as in-kind contributions. Tax rules in the country no longer allow tax exemptions or benefits for activities implemented under the lines of credit and these related taxes will not be funded by the IFAD Financing (as indicated in COSTAB).

9.2 Project costs and financing plan

The total project costs are estimated at USD 47.432 million over 7 years implementation period. Component 1 (*Improving sustainable dairy production and access to services*) represents 21.6% of the total project costs (USD 10.240 million); Component 2 (*Increasing participation of small-scale farmers in the dairy*) represents 68.9% of the total project costs (USD 32.684 million); and Component 3 (*Policy support and project management*) represents 9.5% of the total project costs (USD 4.508 million). A summary breakdown of the programme costs by components and by year is shown below.

Table 9: Project costs by component (and sub-components) and financier

(Thousands of United States dollars)

						GC	U in kind	в	eneficiaries	в	eneficiaries			
				GOL	J in kind cont	r. coi	ntr. (office		In-Cash		In-Kind			
	IFAD PBAS-12	IF	AD BRAM	(tax	es and duties	s) :	space)	c	ontribution	С	ontribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Component1. Improving sustainable dairy production and access to services														
1. Subcomponent 1.1: Mobilizing farmers and households and building capacities	768.9	100.0	-		0.0		-	-	-			-	768.9	1.6
2. Subcomponent 1.2: Improving access to water, fodder production and grazing land	1,641.9	58.3	530.0	18.8	294.4	10.4	-	-	175.7	6.2	175.7	6.2	2,817.8	5.9
Subcomponent 1.3: Improving dairy production and farm management	3,020.4	93.8	-		110.0	3.4	-	-	44.9	1.4	44.9	1.4	3,220.3	6.8
Subcomponent 1.4: Improving access to extension, health and input services	1,988.9	74.7	-		207.2	7.8	-	-	373.8	14.0	93.5	3.5	2,663.4	5.6
Subcomponent 1.5: Applied research, pilots and dissemination	769.8	100.0			-0.0			-	-				769.8	1.6
Subtotal Component1. Improving sustainable dairy production and access to services	8,190.0	80.0	530.0	5.2	611.6	6.0	-	-	594.5	5.8	314.1	3.1	10,240.2	21.6
B. Component 2. Increasing participation of small-scale farmers in the dairy value chain														
1. Subcomponent 2.1: Establishing Milk Collection Centers	8,225.4	63.0	1,270.0	9.7	2,307.7	17.7	-	-	694.1	5.3	553.3	4.2	13,050.6	27.5
Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain	9,844.6	50.1	6,000.0	30.6	0.0			-	3,788.9	19.3	-		19,633.5	41.4
Subtotal Component 2. Increasing participation of small-scale farmers in the dairy value chain	18,070.0	55.3	7,270.0	22.2	2,307.7	7.1	-	-	4,483.0	13.7	553.3	1.7	32,684.1	68.9
C. Component 3. Policy support and Project coordination and management														
1. Subcomponent 3.1 Policy support	468.8	100.0	-	-	0.0	-		-	-		-	-	468.8	1.0
Subcomponent 3.2 Monitoring and Evaluation and Knowledge Management	466.0	100.0	-	-	0.0	-	-	-	-		-	-	466.0	1.0
Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	1,999.5	79.1	-	-	451.8	17.9	76.3	3.0	-		-	-	2,527.6	5.3
 Subcomponent 3.3b: Project Implementation Teams (PIT): Regional 	805.7	77.1		-	201.6	19.3	38.2	3.7	-				1,045.5	2.2
Subtotal Component 3. Policy support and Project coordination and management	3,740.0	83.0	-		653.5	14.5	114.5	2.5	-		-		4,508.0	9.5
Total PROJECT COSTS	30,000.0	63.2	7,800.0	16.4	3,572.8	7.5	114.5	0.2	5,077.5	10.7	867.4	1.8	47,432.2	100.0

Table 10: Project costs by component and year

(Thousands of United States dollars)

			Totals Incl	uding Contin	gencies			
	2025	2026	2027	2028	2029	2030	2031	Total
A. Component1. Improving sustainable dairy production and access to services								
1. Subcomponent 1.1: Mobilizing farmers and households and building capacities	307.5	325.1	99.1	8.9	9.1	9.4	9.7	768.9
2. Subcomponent 1.2: Improving access to water, fodder production and grazing land	212.6	606.8	539.6	687.6	505.7	263.9	1.5	2,817.8
Subcomponent 1.3: Improving dairy production and farm management	353.8	550.2	447.7	560.5	571.3	482.4	254.5	3,220.3
Subcomponent 1.4: Improving access to extension, health and input services	201.7	144.1	724.4	742.2	525.6	285.5	39.7	2,663.4
5. Subcomponent 1.5: Applied research, pilots and dissemination	50.8	146.4	150.8	155.3	137.1	123.5	6.1	769.8
Subtotal Component1. Improving sustainable dairy production and access to services	1,126.4	1,772.7	1,961.5	2,154.5	1,748.9	1,164.8	311.4	10,240.2
B. Component 2. Increasing participation of small-scale farmers in the dairy value chain								
1. Subcomponent 2.1: Establishing Milk Collection Centers	463.9	4,212.7	4,334.8	2,863.0	612.0	397.5	166.7	13,050.6
2. Subcomponent 2.2: Facilitating access to credit for stakeholders in the value chain	1,682.8	5,030.0	4,830.0	4,330.0	3,130.0	630.7	-	19,633.5
Subtotal Component 2. Increasing participation of small-scale farmers in the dairy value chain	2,146.6	9,242.7	9,164.8	7,193.0	3,742.0	1,028.2	166.7	32,684.1
C. Component 3. Policy support and Project coordination and management								
1. Subcomponent 3.1 Policy support	50.8	115.0	86.1	88.7	91.4	36.8	-	468.8
2. Subcomponent 3.2 Monitoring and Evaluation and Knowledge Management	195.2	18.3	18.8	74.9	20.0	20.6	118.2	466.0
3. Subcomponent 3.3a Project Management Unit (PMU) - Tashkent	347.0	353.7	357.7	368.5	366.1	368.1	366.5	2,527.6
 Subcomponent 3.3b: Project Implementation Teams (PIT): Regional 	129.7	149.5	150.7	152.0	153.2	154.5	155.9	1,045.5
Subtotal Component 3. Policy support and Project coordination and management	722.7	636.5	613.4	684.0	630.7	580.1	640.5	4,508.0
Total PROJECT COSTS	3,995.7	11,651.9	11,739.7	10,031.5	6,121.6	2,773.1	1,118.7	47,432.2

Expenditure and disbursement accounts. The programme will be rolled out through the Programme Management Unit - which will manage and coordinate the flow of funds and the expenditures incurred on account of the programme activities. A summary of the total costs by expenditure accounts per year is shown below.

Table 11: Project costs by expenditure category and financier

(Thousands of United States dollars)

				~~~	U in kind contr		OU in kind ontr. (office		Beneficiaries In-Cash	В	eneficiaries In-Kind					Local	
	IFAD PBAS-12		FAD BRAM		es and duties		space)		Contribution		ontribution		Total			(Excl.	Duties &
	Amount	%	Amount	%	Amount		Amount	%	Amount	%	Amount	%	Amount	%	For, Exch.	Taxes)	Taxes
	Amount	76	Amount	70	Amount	70	Amount	78	Anount	70	Amount	70	Amount	76	TOIL EXCIL.	14,63)	Taxes
I. Investment Costs																	
A. Equipment and goods	8,044.9	62.5	1,270.0	9.9	2,318.6	18.0	-		- 694.1	5.4	553.3	4.3	12,880.9	27.2	5,336.0	5,226.3	2,318.6
B. Vehicles	91.4	75.0	-		30.5	25.0	-				-		121.8	0.3	67.0	24.4	30.5
C. Technical Assistance	3,116.0	100.0	-	-	-	-	-				-	-	3,116.0	6.6	777.3	2,338.8	-
D. Training	579.2	100.0	-	-	-	-	-				-	-	579.2	1.2	173.8	405.5	-
E. Consultancies	1,149.0	100.0	-	-	-	-	-				-	-	1,149.0	2.4	344.7	804.3	-
F. Studies and workshops	1,147.6	100.0	-	-	0.0	-	-				-	-	1,147.6	2.4	344.3	803.3	-
G. Grants and Subsidies	3,506.9	63.1	530.0	9.5	611.2	11.0	-		- 594.5	10.7	314.1	5.7	5,556.8	11.7	1,487.4	3,458.1	611.2
H. Credit, Guarantee Funds																	
<ol> <li>Window 1 for women, youth, non-registered HHs</li> </ol>	700.0	90.0	-	-	-	-	-		- 77.8	10.0		-	777.8	1.6	311.1	466.7	-
<ol><li>Window 2 Dekhan Farmers</li></ol>	4,484.6	80.0	-	-	0.0	-	-		- 1,121.1	20.0	-	-	5,605.7	11.8	2,242.3	3,363.4	-
<ol><li>Window 3 Private farmers</li></ol>	-		6,000.0	80.0	0.0	-	-		- 1,500.0	20.0		-	7,500.0	15.8	6,000.0	1,500.0	-
<ol><li>Window 4 Agri-processors</li></ol>	3,300.0	80.0	-	-	-	-	-		- 825.0	20.0	-	-	4,125.0	8.7	3,300.0	825.0	-
<ol><li>Window 5 Service providers and input</li></ol>	1,060.0	80.0	-	-	-	-	-		- 265.0	20.0	-	-	1,325.0	2.8	1,060.0	265.0	-
<ol><li>Guarantee mechanism</li></ol>	300.0	100.0	-		-		-				-		300.0	0.6	240.0	60.0	-
Subtotal Credit, Guarantee Funds	9,844.6	50.1	6,000.0	30.6	0.0				- 3,788.9	19.3	-		19,633.5	41.4	13,153.4	6,480.1	-
Total Investment Costs	27,479.7	62.2	7,800.0	17.7	2,960.2	6.7	-		- 5,077.5	11.5	867.4	2.0	44,184.9	93.2	21,683.9	19,540.7	2,960.2
II. Recurrent Costs																	
A. Salaries /a	1,711.2	80.0	-		427.8	20.0	-				-		2,139.0	4.5	-	2,139.0	-
B. Operation and Maintenance	209.9	83.3	-	-	42.0	16.7					-	-	251.9	0.5	126.0	84.0	42.0
C. Other Operating Costs	599.2	70.0	-		142.8	16.7	114.5	13.4	÷ -		-		856.5	1.8	31.8	681.9	142.8
Total Recurrent Costs	2,520.3	77.6	-		612.6	18.9	114.5	3.5	i -	-	-	-	3,247.4	6.8	157.8	2,904.8	184.8
Total PROJECT COSTS	30,000.0	63.2	7,800.0	16.4	3,572.8	7.5	114.5	0.2	5,077.5	10.7	867.4	1.8	47,432.2	100.0	21,841.7	22,445.5	3,145.0

Detailed costs and financing plan are available in <u>ANNEX 12</u>.

## **10 ANNEXES to the Project Implementation Manual**

- ANNEX 1 Detailed description of project target groups
- ANNEX 2 DVCDP II Gender and Youth Action Plan
- ANNEX 3 Project Theory of Change
- ANNEX 4 Project Logical Framework
- ANNEX 5 Glossary and definitions of DVCDP II core indicators
- ANNEX 6 Draft Terms of References for PMU Staff
- ANNEX 7 Draft Terms of References for the baseline survey
- ANNEX 8 Draft Terms of Reference for External Auditor
- ANNEX 9 Tools and checklist templates related to Financial Management
- ANNEX 10 Project Procurement Supervision Plan
- ANNEX 11 Project Cost and Financing: Detailed Cost Tables
- ANNEX 12 First Annual Work Plan and Budget (AWPB)
- ANNEX 13 Economic and Financial analysis
- ANNEX 14 SECAP review note
- ANNEX 15 Environmental and Social Management Framework (ESMF)
- ANNEX 16 Grievance Redress Mechanism (GRM)
- ANNEX 17 Stakeholder's Engagement Plan (SEP)
- ANNEX 18 Exit Strategy

Target group by poverty level	Socio-economic characteristics	Dairy production and livelihood strategies	Priority needs	Project response
Vulnerable and near poor household farmers 65% of the project beneficiaries Category 2 of Mahalla targeting system	<ul> <li>Unregistered farmers, with access to small size plots (between 0.3 to 1 hectare) – HH gardens</li> <li>Income level is usually not significantly above the national poverty line.</li> <li>They are food and nutrition secure.</li> <li>They employ mostly family labour in their farm.</li> <li>They own between 2 to 5 cows, mostly local breeds, along with few small ruminants and poultry.</li> <li>Poor access to vet services.</li> </ul>	<ul> <li>Low milk productivity due to poor animal health, limited access to water and fodder and low quality of feeding.</li> <li>Average milk production is between 10 to 30 Litres/day</li> <li>They sell milk mostly to neighbours and local markets at a low price (approximately 4000 Sum/litre) and only some of them have access to milk collection points.</li> <li>Income from dairy is mostly used by women for household expenditures.</li> <li>Dairy production is based on a combination of open grazing with stallfeeding. Yet. In desert and steppe areas animals graze all year round on local community pastures</li> <li>They purchase fodder from the market at a high price and only few of them produce their own fodder.</li> <li>Women from this group take care of the animals and play a primary role in manual milking, small-scale processing and marketing. They transform small quantity of milk (up to 6 litres) into yoghourt and creams and sell it to local markets at a low price (4000X1kg – 4 litre)</li> <li>Family members engage as farm workers and rural employers. Women engage in</li> </ul>	<ul> <li>Training quality of feeding, animal health, milk processing; climate- smart practices</li> <li>Access to grant to purchase cattle, and small-scale equipment</li> <li>Linkages with milk collection points and processing company</li> <li>Access to land and water</li> <li>Improved access to vet services and artificial insemination</li> </ul>	<ul> <li>Social mobilisation and group formation.</li> <li>Participation and training in L-FFSs.</li> <li>Financial literacy and business management training</li> <li>Training women in milk processing.</li> <li>Grant to purchase small cooling plants and other equipment.</li> <li>Construction or rehabilitation of water points.</li> <li>Linkages to MCCs</li> <li>Improved access to VET services.</li> </ul>

# ANNEX 1 – Detailed description of project target groups

Target group by poverty level	Socio-economic characteristics	Dairy production and livelihood strategies	Priority needs	Project response
Better off household farmers and dekhan farmers 25% of the project beneficiaries <i>Category 3 of</i> <i>Mahalla</i> <i>targeting</i> <i>system</i>	<ul> <li>Many of them are registered dekhan farmers or private farms.</li> <li>They farm up to 15 hectares of land, acquired through government leasing scheme and auction.</li> <li>They own between 10 to 20 cattle, including both local and exotic breeds</li> <li>Food and nutrition secure</li> </ul>	<ul> <li>small scale off-farm enterprises (e.g. bakery, tailoring, handicraft etc.) and seasonal wage work in agriculture (e.g. cotton peanuts etc.)</li> <li>Milking dairy cows is usually done both manually and using machines.</li> <li>Women are often involved in milking and taking care of the animals. Yet, they might be overloaded and poorly involved in training initiatives.</li> <li>Dekhans are poorly organized as cooperatives in production, processing and marketing of milk products;</li> <li>Poor knowledge of and access to climatesmart technologies and sustainable intensification packages.</li> <li>Many dekhans are involved in the milk collection system of larger dairy processors such as 'Pure Milky' in Samarkand, and others. Some can also have their small processing operations.</li> <li>Some of them collect milk in their communities and act as middle-men.</li> <li>They produce cash crops for sale (cotton, fruit etc.) on leased land.</li> <li>Many of them produce their own fodder. Yet, access to high quality fodder can be challenging.</li> <li>Poor availability of financial services</li> </ul>	<ul> <li>Organization in cooperatives and producers' groups</li> <li>Support to women's empowerment and more equitable sharing of workload and resources within the HH.</li> <li>Access to improved fodder and climate- smart practices.</li> <li>Improved value- chain linkages.</li> <li>Improved access to finance.</li> </ul>	<ul> <li>Access to training through L-FFS particularly targeted at women.</li> <li>Training and dissemination of climate-smart technology packages</li> <li>Credit window specifically targeted at this group.</li> <li>Value-chain platforms to strengthen inclusivity and sustainability of the dairy value-chain</li> </ul>

Target group by poverty level	Socio-economic characteristics	Dairy production and livelihood strategies	Priority needs	Project response
Poorest unemployed women and youth. They might be registered on the notebook	<ul> <li>They farm small gardens usually up to 0.3 hectare mostly for subsistence.</li> <li>They engage in seasonal work in agriculture.</li> <li>Their income is below the national poverty line</li> <li>They have few livestock, especially poultry and small ruminants.</li> </ul>	<ul> <li>The milk is used mostly for home consumption and partly processed by women and sold to the market.</li> <li>They receive subsidies from government social protection programme.</li> <li>Cattle production is based on open grazing</li> <li>Their primary source of income is from seasonal wage work.</li> </ul>	<ul> <li>Training in livestock production, milk processing, animal health, market access</li> <li>Financial literacy and business management</li> <li>Livelihood and skills development</li> </ul>	<ul> <li>Social mobilisation and information</li> <li>Financial literacy and business management training</li> <li>Training women in milk processing.</li> <li>Promoting access to land, training and equipment for fodder production by</li> </ul>
10-15% of the project beneficiaries depending on the region <i>Category 1 of</i> <i>Mahalla</i> <i>targeting</i> <i>system</i>	<ul> <li><u>Some of them might own 1</u> or 2 cows.</li> <li>High dependency ratio</li> <li>Inadequate housing conditions</li> <li>Those who live in more remote villages experience limited access to electricity.</li> <li>High number of women headed households, and women with disabilities</li> </ul>		<ul> <li>training</li> <li>Access to land to build their asset base.</li> </ul>	<ul> <li>supporting their participation in land auctions.</li> <li>Promoting employment generation among youth in milk collection and other value-chain operations.</li> <li>Promoting pro-poor business models by linking lead farmers with the poorest producers through innovative arrangements</li> </ul>

# Table : Land tenure categories

Types of land tenure relevant to DVCDP II	Definition	Land use obligations	Land dimensions	Production specializati on	Competen ce requireme nts	Labour used
Farm (Commercial)	Commercial farms are legal entities that operate on leased land	The land plots provided to the farm are required by the lease agreement to be used strictly for their described purpose. They cannot be privatized, nor can they be objects of purchase and sale, mortgage, donation or, exchange. May be granted to businesses and individuals in the sublease (non-transferable) for a period of up to one year for the interim planting of crops; The right to lease a land plot can be used by a farm as collateral for obtaining loans. The length of the lease depends on the achievement of the public procurement target, up to a maximum of 50 years, but not less than 30.	The size of the farms can vary depending on the specialization of production. Farmers can only cultivate and grow agricultural products specified in the land lease agreement. Not less than 30 ha for cotton. and grain crops; for Horticulture, no more than 5 ha are permitted under one lease.	Principally Cotton, wheat	Minimum 18 years of age, experience or agricultural training in agriculture can improve bid for contracting of land.	Family members, permanent workers and seasonal workers.

Types of land tenure relevant to DVCDP II	Definition	Land use obligations	Land dimensions	Production specializati on	Competen ce requireme nts	Labour used
Dekhan farm ³⁵	Small-scale family farm that produces and sells agricultural products based on the personal labour of family members on a land plot provided to the head of the family for life-long inherited possession	The land plots provided to the dekhan farm in the form of a viable inherited possession (individual or legal entity) cannot be privatized and be objects of purchase and sale, mortgage, donation or exchange. They can be transferred for temporary use to legal entities and individuals for the purpose of growing agricultural products. ³⁶ To obtain loans, the right to life-long inheritable ownership of a land plot can be pledged. they do not possess the right to have permanent buildings or living quarters.	In the amount of no more than 0.35 ha on irrigated and no more than 0.5 ha on non- irrigated (rainfed) lands, and in the steppe and desert zone - no more than 1 ha of rain-fed pastures.	Cereal, vegetable, fruit, livestock	Family member	Family members. The dekhan farm cannot hire people on a permanent basis though they can hire seasonal workers

³⁵ Dekhan farms are considered the backbone of Uzbekistan agriculture, with estimates suggesting that Dekhan farms account for over 80% of beef/lamb/chicken production, 90% of milk, 80% of wool, and 60% of eggs produced annually in the country. Dekhans have also grown to occupy a significant portion of the vegetable, fruit and alternative crop sectors, and in rain-fed areas they continue to produce wheat and grain, principally for livestock feed with residues often used as household fuel for heating and cooking. Dekhan farm models are also the only tenure classes that maintain a certain degree of independence and security under the evolving legal frameworks. Some research suggest that they are more efficient than commercial farms in their use of land and labour, and are more profitable and less water demanding over the long term.

Types of land tenure relevant to DVCDP II	Definition	Land use obligations	Land dimensions	Production specializati on	Competen ce requireme nts	Labour used
Cooperative farms (Shirkats)	The economic entities with legal status, based on mutual basis and mostly family (collective) contract, a voluntary association of citizens for the production of marketable agricultural products. Along with the production of agricultural products, an agricultural cooperative or Shirkat has the right to value add, process, trade, repair and realise construction work, as well as the provide services to legal entities and individuals.	The land plots Shirkats use to conduct their activities cannot be privatized nor be objects of purchase, sale, mortgage, donation or exchange. Unused land can be provided for sublease or for temporary use to other legal entities and individuals for a period of up to three years with the right to extend land use for a new period.	In a Shirkat, by decision of the general meeting, land plots are transferred, as a rule, for temporary use for a period of at least five years to families (collectives) for the production of agricultural products on the basis of a family (collective) contract. After the expiration of the term for using the land plot, families (collectives) have the right to extend the family (collective) contract for a new period.	Land plots provided on the basis of a family (collective) contract are used strictly for their intended purpose, and no reduction in the size of arable land is permitted.	Minimum 16 years old	Cooperative members and employees

# ANNEX 2 – DVCDP II Gender and Youth Action Plan

Component/ activity	Measure/action	Output/outcome	Timeline	Means of verification
PMU				
Staff composition	<ul> <li>Hiring of a gender, youth and targeting officer in central PMU</li> <li>Hiring of gender, youth and targeting consultants to support the activities of decentralised PMUs</li> </ul>	<ul> <li>A gender, youth and targeting officer is appointed in PMU</li> <li>Appointment of Regional Field Facilitators (RFFs) in decentralised PMUs with a social inclusion, youth and gender expertise</li> <li>Punctual gender and youth expertise (consultants)</li> </ul>	Pre- implementation	PMU contracts
	nd increasing sustainable climate smart dairy pro		ervices	
Activity 1.1 – Mobilizing farmers and households and building capacities	<ul> <li><u>Social mobilisation</u></li> <li>Hiring and training a team of social mobilisers/NGOs with expertise in community participation and participatory value-chain development.</li> <li>Developing information campaign materials with messages on gender, youth and social inclusion.</li> <li>Social mobilisation activities include gender and youth focused PRA to identify the needs of women, youth and other vulnerable groups and opportunities for their participation in different functions of the dairy value-chain.</li> <li>Pre-identification of project's participants and formation of women and youth groups</li> </ul>	Information campaign needs assessment and group formation activities reach and benefit women, unemployed youth and vulnerable groups.	Early implementation	Procurement, contracts, activity reports, diagnostic study
	<ul> <li><u>Capacity-development</u></li> <li>Training women and vulnerable youth in financial literacy, leadership and business plan development to access the programme grant</li> </ul>	10,000 Women and 5,000     vulnerable youth (3,000     female and 2000 male youth)     are successfully trained and	1st to 3rd year of implementation	Training reports

	<ul> <li>schemes and subsidised government credit line for women and vulnerable household.</li> <li>Training and awareness-raising of all project staff and service providers on gender issues - with a focus on dairy.</li> </ul>	<ul> <li>linked to programme grant</li> <li>programmes and government</li> <li>credit lines.</li> <li>All project staff and service</li> <li>providers are trained on</li> <li>gender.</li> </ul>
Activity 1.2 – Improving access to water, fodder production and grazing land.	<ul> <li>Support the formalization and registration of 200 groups formed by 5 to 6 vulnerable people and youth (registered on the notebook) who will access land (around 5 ha together) through the national land auction.</li> <li>Earmarked grants to vulnerable people and youth groups to acquire small equipment for fodder production and conservation (hydroponic fodder, hay baler, fodder conservation and storage equipment, etc.).</li> </ul>	<ul> <li>1,000 unemployed youth         <ul> <li>(30% young women) and poor             people, acquire land and small             equipment for fodder             production and conservation.</li> </ul> </li> </ul>
Activity 1.3: Improving dairy production and farm management.	<ul> <li>Develop a gender module for L-FFS. Potential topic and tools to be included: Gender Balance Tree, Daily clock, a women-targeted module on artisanal milk processing.</li> <li>40% of women attending L-FFS become lead farmers.</li> <li>Catalytic grants to implement L-FFSs innovations include 40% women.</li> </ul>	<ul> <li>A gender module and specific modules for women (linked to activity 2.4.) are developed and integrated into L-FFS curriculum.</li> <li>40% women access grant resources to improve farm management and dairy production.</li> <li>Gender module; M&amp;E grant developed by 1st year</li> <li>Grant-funded activities implemented by end of programme.</li> </ul>

Activity 1.4: Improving access to extension, health services.	<ul> <li>Training of young veterinarians and para- veterinarians to offer private animal health services</li> </ul>	200 youth veterinarians and para- veterinarians trained and delivering services in their communities.	By mid-term	M&E training reports
Component 2: Increasing	participation of small-scale farmers in the dairy	vc		
Activity 2.1 – Construction and equipment of new Milk Collection Centres	<ul> <li>MCCs will be managed by local hired staff, with priority given to women and young women, who will be trained in the areas of milk quality and hygiene, milk testing, records keeping, business management, and contract negotiation.</li> </ul>	youth trained and employed by MCCs	By completion	M&E training reports; contracts issues by MCCs
Activity 2.2 – Organization and equipment of milk collectors/traders.	<ul> <li>Formation and hiring of young milk collectors</li> <li>Catalytic grants to purchase refrigerated tricycles for young milk collectors who will also receive milk containers and a portable mill testing kit each. Priority will be given to youth included in the notebook. This activity wil mostly benefit male youth.</li> </ul>	<ul> <li>600 youth equipped with milk collection equipment</li> </ul>	By completion	Contracts issued by MCCs; training reports; M&E
Activity 2.3 – Equipment of producer groups with refrigerators	<ul> <li>Groups of women producers (the ones who were formed through the LFFS) benefit through the catalytic grants from small-scale milk cooling equipment functioning with solar panels, mill containers and milk testing kit.</li> </ul>	8000 women) benefit from the refrigerator.	By mid-term	
Activity 2.4. Providing women with small-scale processing and packaging equipment.	<ul> <li>Training women and especially young women in artisanal milk processing and marketing</li> <li>Women targeted catalytic grants to purchase small-scale equipment for dairy processing and packaging. Priority will be given to young women.</li> </ul>	wmen) trained on artisanal processing and marketing of dairy products.	By completion	Training reports; grant records; M&E
Activity 2.5. Window 1: credit window for women, youth and unregistered farmers.	<ul> <li>Facilitate access to loans by poor women, youth and unregistered farmers for investment in dairy.</li> <li>Facilitate access to loans by Dekhan women farmers and women owner of larger farms.</li> </ul>	unregistered farmers (50% women and 50% youth)	By completion	Loan records

Window 2,3,4,5: credit windows for Dekhan/ private farms/dairy processors/input suppliers.		<ul> <li>Approximately 20% of beneficiaries of window 2,3 and 4, 5 are women</li> <li>Approximately 20% of beneficiaries of window 2,3 and 4, 5 are youth</li> </ul>		
Component 3: Policy Suppo	rt			
Policy-dialogue on land rights.	<ul> <li>Policy dialogue on land tenure issues will include attention women, youth and smallholders' land rights</li> </ul>	<ul> <li>At least 2 policy events on land tenure with a focus on women, youth and vulnerable groups are organised.</li> </ul>	By completion	Reports of events on tenure rights

# ANNEX 3 – DVCDP II Theory of change

Figure 1: Theory of Change DVCDP II - PDO is to "to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain"

CHALLENGES	NPUTS/ACTIVITÉS	OUTPI	JTS 🕨		OUTCOMES	IMPACTS
Limited access to land and to water, Inefficient water management practices Low quality and limited availability of fodder Poor animal health and unsustainable genetic improvement strategy	<ol> <li>Working group discussions on land reform. Study on the current status/future impacts of the land reform</li> <li>Small scale water related infrastructure, inputs and practices for efficient water use.</li> <li>Support to land and soil management, climate smart</li> </ol>	reform. Study on the status/future impacts of reform			1. Sustainable climate-smart dairy production - Improved access to land for landless for fodder production -Improved animal husbandry and yields - Improved fodder and feed production -Adoption of newproduction practices and technologies -Improved AHS access, (privatization of paravets)	
Limited SHF know-how in dairy management and access to services and social mobilisation Limited research orientation towards SHFs needs	fodder and feed production inputs and practices 4. Support to public and private services (extension, animal health, breeding, research) Support on genetics, animal health, herd management and feeding, climate smart technologies and practices. 5. Support to climate adaptation and sustainable pasture management, regeneration of degraded	-Improved breed progra MSclevel research inno Equipment and animal Milk collection, aggrega quality fodder and animal feed	vations ousing ion processing and production		eduction of disease and mortality rate/ rease in preventive measures doption of climate resilient practices and chnologies approvement breeding system and Al option increase option increase oproved extension and research for SHFs	Increased incomes small-scale farmers in the dairy VC
Limited exposure to climate smart technologies and practices		tolerant fodder Improved access/ use of	o technologies/inputs: drought dder access/ use ofland and water esistant fodder production	l	-Reduction in GHG emission in the VC -Improved pasture management and regeneration of degraded rangeland. -Improved water-use efficiency	Increased climate mitigation and resilience to shocks
Insufficient food access and improper food utilization		asture management, generation of degraded Production groups formed and capacity		H	-Improved nutrition outcomes 2. Increased competitiveness of the dairy	Improved food security
Lack of formal linkages between producers and aggregators,	rangeland 6.Social mobilization and dairy management capacity building	Trainings to improve nu	utrition knowledge	i,	value chain -PPP partnerships -Increase in milk sales	
processors, private service providers.	7. nutrition knowledge and nutrition-sensitive agriculture				-Increased access to rural finance services -Increased market access -Increased investments in livestock dairy VC	
Lack of business management and financial skills	8 Productive infrastructures and marketing capacity	Formal partnerships 4P POs, processors and s			Employment opportunities created for unemployed young people and vulnerable women in the VC	
Lack of access to finance, in particular for small scale farmers, youth and women also based on gender and generational inequalities constraints	Rural finance 10 Pro-poor financing services 11. Gender equality through Catalytic gran		ity nerable groups		-Improved opportunities for women as entrepreneurs -enhanced productivity and sustainability of the value-chain	
Lack of dialog between the value chain actors	12. Dialogue between value chain actors	including vulnerable wa unemployed youth	omen and		3. Sustainable institutional and organisational development - Approval/amendment of new/existing	
		Support to multi-stakeh	nolder platforms		laws/regulations/strategies support	Enabling business and
-Improved access to water and land for smallholders -Physical availability of food	Interest of Partner Financial Institut access to rural finance products for - adequate financing instruments a smallholders in the value chain	r small-scale farmers	adequate climate res - Interest of the priva	silien ite se	ents resulting in adoption of t practices ector to invest in the dairy VC usiness mindset and acquire	political environment: Policy support to facilita access to land and wate for smallholders, in particular youth

# ANNEX 4 – DVCDP II Logical Framework

Results	Indicators		Means of Ve	Accumutions				
Hierarchy	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	Assumptions
Number of	1 Persons receiving service project	s promot	ed or supp	orted by the	M&E system	Annual/Semi- annual	PMU M&E unit, Component leads	,
persons receiving services	Males - Males	0	7,440	18,600				
	Females - Females	0	4,960	12,400				
supported by the project and	Young - Young people	0	3,720	9,300				
	Total number of persons receiving services - Number of people	0	12,400	31,000				
reached and estimated	1.a Corresponding number of	of househ	olds reache	ed	M&E system	Annual/Semi-	PMU M&E unit,	,
corresponding total number of	Women-headed households - Households	0	124	310		annual	Component leads	
HH members (based of HH average size of	Non-women-headed households - Households	0	12,276	30,690				
5.7 members	Households - Households	0	12,400	31,000				
	1.b Estimated correspondin members	ng total	number of	households	M&E system	Annual/Semi- annual	PMU M&E unit	
	Household members - Number of people	0	70,680	176,700				

Reduce poverty	livestock) ³⁷		-		-	PMU M&E unit Baseline, Mid-term and Impact	
scale dairy producers and	Households – Number	0	3,100	7,750		assessment contractors	
<i>. mitigate the impacts of climate</i>	Households - Percentage	0	10	25			
change in the	3.2.1 Tons of Greenhouse and/or sequestered	gas emis	sions (tCO		and GLEAM-1	FAO, IFAD's ECG Division, PMU M&E	
	Hectares of land - Area (ha)	0		25,000	assessment	unit,	
	tCO2e/20 years - Number	0		твс			
	tCO2e/ha - Number	0		ТВС			
	tCO2e/ha/year - Number	0		ТВС			
	Tons of carbon avoided ³⁹	0					
-	Households reporting an in to shocks	crease in	resilience a	and recovery	COI survey ⁴⁰	Baseline, Mid-term	Epobling
	Households - Number	0	3,100	7,750		and Impact assessment	business and
income and the livelihood of	Households - Percentage (%)	0	10	25		contractors	political environment:

³⁷ Economic mobility is defined as the changes in economic status from one time period or generation to another (Fields and Ok 1999) and for the purpose of the project is proxied by assets indicator.

Economic mobility measures captures welfare gains of farmers across the entire welfare distribution. ³⁸ The questionnaire for project specific indicators in the Log-Frame will be integrated in the COI module.

³⁹ Through the deployment of solar electricity

⁴⁰ The questionnaire for project specific indicators in the Log-Frame will be integrated in the COI module

sustainable dairy	Households reporting an in livestock or dairy productio	COI survey	Baseline, Mid- term, Endline	PMU M&E Baseline, I and assessment contractors	Mid-term Impact	Policy support to facilitate access to land and water for smallholders,			
value chain and promote food security	Households - Number	0	9,920		COI survey	Baseline, Mid- term, Endline	-PMU M&E Baseline, I and	unit, Mid-term Impact	youth
	Households - Percentage (%)	0	32	80			assessment contractors		
	Percent reduction in the p food insecurity among bene			IES)		term, Endline	PMU M&E Baseline, I and assessment contractors	unit, Mid-term Impact	
	Percent reduction	0	5	15					
	SF.2.1 Households satisfied		ject-support	ed services	COI survey	,	PMU M&E	/	
1: Sustainable climate smart dairy production	of neonle	0	53,010	132,525		term, Endline	Baseline, I and assessment	Mid-term Impact	
through improved fodder and feed	Women-headed households -	0	93	232			contractors		
production, animal	Households - Percentage (%)	0	30	75					
husbandry, water access and land	Households – Number	0	9,300	23,250					
use	SF.2.2 Households reportion making of local authorities providers				-	Baseline, Mid- term, Endline	PMU M&E Baseline, I and	unit, Mid-term Impact	

Household members - Number	0	53,010	132,525			assessment	
Women-headed households – Number	0	93	232			contractors	
Households - Percentage (%)	0	30	75				
Households (number) - Households	0	9,300	23,250				
1.2.2 Households reportir inputs, technologies or prac		ion of ne	w/improved	COI survey	Baseline, Mid- term, Endline	Baseline, Mid-term	Trainings investmen
Household members - Number	0	42,408	106,020			and Impact assessment	result adoption
Households - Percentage (%)	0	24	60			contractors	adequate climate
Households - Number	0	7,440	18,600				resilient
3.2.2 Households reportin sustainable and climate-res			=	COI Survey	Baseline, Mid- term, Endline	Baseline, Mid-term	I
Household members - Number	0	49,476	123,690			and Impact assessment contractors	
Households - Percentage (%)	0	28	70				
Households – Number	0	8,680	21,700				
1.2.3 Households reporting production needs	reduced v	vater shorta	age vis-à-vis	COI survey	Baseline, Mid- term, Endline	PMU M&E unit, Baseline, Mid-term	

⁴¹ The outcome for the target under Outputs CI 1.1.3 and CI 1.1.4 will be reported under Outcome CI 1.2.2.

	Households - Percentage (%)	0	40	80			and Impact	
	Households – Number	0	1600	3200 ⁴²			assessment contractors	
	Total number of household members	0	9120	18,240				
	1.2.9 Households with i Attitudes and Practices (KA	-	nutrition	Knowledge,	COI survey	Baseline, Mid [.] term, Endline	-PMU M&E unit, Baseline, Mid-term	
	Households (number)	0	11,200	22,400			and Impact assessment	-
	Households (%)	0	40	80			contractors	
	Household members	0	63,840	127,680				
	Percentage increase in milk	productio	on		COI survey		-PMU M&E unit,	
	Litre/cow/day	0	12.5	25		term, Endline	Baseline, Mid-term and Impact assessment contractors	
-	1.1.4 Persons trained in	product	tion practi	ces and/or	M&E system,			Adequate level
1.1 Training and		1			Service	annual	Service Providers/external	of adoption of management
of dairy value chain actors	Total number of attendances to training sessions ⁴⁴	0	18,798	•	provider records		trainers	practices in milk
	Men trained in crop	0	1349	2,249				production by
	Women trained in crop	0	556	926				the farmers
	Young people trained in crop - Young people	0	465	775				

 ⁴² 80% of 4000 households benefiting from 20 water points constructed/rehabilitated
 ⁴³ The outcome for the target under Outputs Cl 1.1.8 will be reported under Outcome Cl 1.2.9.
 ⁴⁴ The sum of Total persons trained in each sector.

	Men trained in livestock - Males	0	10,136	16,893					
	Women trained in livestock - Females	0	6,757	11,262					
	Young people trained in livestock - Young people	0	5,067	8446					
	Total persons trained in crop -	0	1,905	3,175					
	Total persons trained in livestock -	0	16,893	28,155					
-	3.1.4 Land brought under cl	imate-res	ilient practi		-	Annual/Semi-		-	Access to land
1.2 Access to technology,	Hectares of land	0	12,500	25,000	GIS	annual	Compone	ent lead	and water technologies
inputs and									for the
improved access and use of land									smallholders is facilitated
	1.1.3 Rural producers acce technological packages	-	Annual/Semi- annual	PMU N Compone	1&E unit ent lead	,			
	Males – Number	0	6,688	13,377					
	Females – Number	0	2,867	5,733					
	Young – Number	0	3,822	7,644					
	Total rural producers - Number	0	9,555	19,110					
	Household members benefitted - Number	0	54,463	108,927					
	Rural service providers acce	Rural service providers accessing technological packages					PMU M&E		
	Males – Number	0	552	920		annual	Compone	nt lead	

	Females – Number	0	48	80				
	Young – Number	0	420	700				
	Total rural service providers · Number	- 0	600	1,000				
	Household members benefitted - Number	50	3,420	5,700				
-	1.1.8 Households provided their nutrition	with	targeted support	-		Annual/Semi- annual	Service providers in	-
Improved nutrition sensitive	1 1 5	- 0	14,000	•	provider records		implementation of	no issues with physical availability of
production and	Males – Number	0	8,400	16800	_		nutrition related activities	food
farm management	Females – Number	0	5,600	11200				
	Young – Number	ıng – Number 0 4,200 8400						
	Households – Number	0	14,000	28,000				
	Household members benefitted - Number	50	79,500	159,600				
Output	No of applied research studies		1	2	M&E system	Annual/Semi-	PMU M&E unit,	
1.4. Applied research, pilots and dissemination		2		4		annual	Component lead	
Outcome	2.2.1 Persons with new job	s/em	ployment opport	tunities ⁴⁵	COI Survey,	Baseline, Mid-	PMU M&E unit,	Interest of
2: Increased	Males 0		752	1505	M&E system	term, Endline	Baseline, Mid-term	Partner

⁴⁵ Number of new full-time or recurrent seasonal on-farm and off-farm jobs created thanks to project activities since project start-up, either as independent individuals (self-employed) or as employees of micro, small and medium-sized enterprises.

competitiveness	Females	0	95	190			and	Impact	Financial	
of the dairy value	Young	0	589	1179			assessment		Institutions	
chain through		0	847	1605			contractors		(PFI)	to
	Total number of persons with new	0	847	1695					increase access to ru	Iral
linkages, service									finance	ı aı
	opportunities									for
financial	1.2.5 Households repo	orting usin	ng rural financial	services	,	,	PMU M&E	,	small-scale farmers.	
	Total number of household members	0	2287	3,944		term, Endline	Baseline, and assessment	Mid-term Impact	private sec	of tor
	Households - Percentage (%)	0	46%	80%			contractors		entities participating the proje	
	Households – Number	0	401	692					Dairy	
	2.2.3 Rural producer	·s' organi	zations engage	d in formal	COI survey	Baseline, Mid-	PMU M&I	E unit,	producers	
	partnerships/agreeme entities	ents or co	ntracts with publ	ic or private		term, Endline	Baseline, and	Mid-term Impact	groups' capacity strengthene	is d
	Number of POs -	0	61	122			assessment contractors		to mana	age
	Total number of POs members	0	1408	2817					efficiently t business milk	the of
	Women PO members	0	561	1122					production	
	Men PO members	0	847	1695						
	Young PO members	0	428	857						
	2.2.6: Households re markets, processing a			al access to	-		PMU M&I Baseline,	E unit, Mid-term		

im ac	ouseholds reporting nproved physical ccess to storage icilities (number)		7,916	10,416		and assessment contractors	Impact	
im ac	ouseholds reporting nproved physical ccess to storage icilities (%)		60%	80%				
(n	ize of Households number of people) - corage facilities	0	45,121	. 59,371				Interest of private sector to invest in the dairy VC Smallholders adopt a business
								mindset and acquire management skills
	.1.2 Persons trained usiness management		me-generating	activities or	M&E system, Service	PMU M&B Service	E unit,	

milk collection, aggregation and	Persons trained in IGAs or BM (total)	0	17,847	-	provider records		providers/external trainers		
processing through	- Males	0	10,178	-16,963					
productive Alliances, 4Ps and		0 7,669 0 5,646		12,782					
cluster approaches	- Young			9,410					
	2.1.3 Rural producers	′ organiza	itions supported		M&E System	-	PMU M&E unit		
	Rural POs supported (number)	0	612	1,225		annual	Component lead		
	- Total size of POs (number of people)	0	14,087	28,175					
	- Females	0	5,613	11,226					
	- Males	0	8,474	16,949					
	- Young	0	4287	8,575					
	- Rural POs supported that are headed by women		6	12					

	2.1.6 Market, process rehabilitated ⁴⁶	ing or sto	rage facilities co	nstructed or	M&E System	Annual/Semi- annual	PMU M&E unit, Component lead	
	Total number of facilities	0	76	100				
	Storage facilities constructed/rehabilitate d	0	76	100				
Output	1.1.5 Persons in rural	areas acc	essing financial	services	M&E system,	Annual/Semi-	PMU M&E Unit, PFIs	Adequate
hy value chain	laccessing financial		380	655	PFI records	annual		financing instruments available for the
	Women in rural areas accessing financial services - credit - Females		122	210				smallholders in the VC
	Young people in rural areas accessing financial services - credit - Young people		122	211				
	Total persons accessing financial services - credit - Number of people		502	865				

⁴⁶ Processing facilities include equipment and machinery that are used for the transformation of agricultural produce (such as mills, hullers, shellers, extractors) where value is added. Storage facilities include structures used for mid- to long-term storage or preservation of produce. The facilities may be on-farm storage structures such as containers and small silos, or village/community facilities such as warehouses, granaries and large silos.

Sustainable	strategies proposed to pol ratification or amendment	s, regulations, icy makers f	-		M&E system, relevant legal in-country institutions	term, Endline		d-term Impact	Interest motivation among value actors	and n dairy chain
	Number		0 0	1						
Output	Policy 2 Functioning multi-stak	eholder platforr	ns supp	orted		,	PMU M&E unit			
3.1 Dialogue between dairy sector stakeholders strengthened.			0 4	6		annual				

# ANNEX 5 – Glossary and definitions of DVCDP II core indicators

The following CIs and Project Specific indicators have been included in DVCDP II Logical Framework:

Туре	Indicator	Definition	Notes
CI	CI 1 Persons receiving services promoted or supported by the project	Refers to the number of new individuals who have received services or participated to activities promoted or supported by the project during the considered period (annual reporting).	if one person received different type of services during the reporting period, it should be counted only once to avoid double counting.
			If the same person receives services promoted or supported by the project over the years, it should only be counted once. Some years, there may then be no additional outreach (e.g. if the project continues to work only with the same beneficiaries, communities and households. In these cases, the annual value equals zero and the cumulative figure remains the same as
		CI CI 1 Persons receiving services promoted or	CICI 1 Persons receiving services promoted or supported by the projectRefers to the number of new individuals who have received services or participated to activities promoted or supported by the project during the considered period (annual

CI 1.a Corresponding number of households reached	Relative to the previous indicator, refers to the number of new households in which at least one member received services or participated to activities promoted or supported by the project, during the considered period (annual reporting).	If two persons belonging to the same household (e.g. the husband and wife) have received direct project support, then this household should only be counted once for annual reporting. If the same families are being supported over the years, they should only be counted once. Some years, there may then be no additional outreach (e.g. if the project continues to work only with the same beneficiaries, communities and households). In these cases, the annual value equals zero and the cumulative figure remains the same as the previous year.
CI 1.b Estimated corresponding total number of households members	Refers to an estimate of the total number of persons in the households supported by the project (as reported under the previous indicator), during the considered reporting period (annual reporting). This estimate is based on the average number of persons per household recorded in the country or, if available, in the project intervention area.	The indicator includes all household members, even those who did not receive project services (e.g. children).

Goal	Project specific	Number of households experiencing economic mobility (proxied by asset indicators i.e. Household, productive, and livestock)	Asset index and changes over time: livestock, durables, productive, housing. "Economic mobility can be defined as "the changes in economic status from one time period or generation to another" (Fields and Ok 1999) and can be proxied by assets, income, expenditure and employment status indicators.	
	CI	3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered	This indicator captures whether the project has the potential (or has succeeded) to avoid or sequester greenhouse gas emissions as a result of the introduction and uptake of mitigation technologies and practices. At aggregate level, the indicator is measured in terms of total GHG emissions avoided and/or sequestered (expressed in tonnes of carbon dioxide equivalent or tCO2e) over a 20 year time horizon (tCO2e/20y) covering the whole project area. This 20 year time horizon comprises both the project implementation phase (usually 6-8 years), during which project activities are carried out, as well as the 'capitalization phase' (usually 12-14 years, adjusted based on project length to give a 20 year projection), during which the impact of project activities continues to be visible, for instance in terms of soil carbon content or biomass.	The indicator will be measured in partnership with the UN Food and Agriculture Organization (FAO) through a detailed emissions assessment using the Ex-ACT and Global Livestock Environmental Assessment Model (GLEAM-interactive).
Development Objective	Project specific	Households reporting an increase in resilience and recovery to shocks	<ul> <li>Experience with and ability to recover from shocks</li> <li>Income diversification</li> </ul>	Module S12 of DVCDP I Impact Assessment Questionnaire could be adapted and applied
	Project specific	Households reporting an increase of incomes deriving from livestock or dairy production	Changes in incomes deriving from livestock and/or dairy production over time due to improved inputs, practices and/or technologies	
	Project specific	Percent reduction in the prevalence of moderate	<ul> <li>Household Dietary Diversity Score (HDDS)</li> </ul>	Module S11 of DVCDP I Impact Assessment

		or severe food insecurity among beneficiary households (FIES)	<ul> <li>Food Insecurity Experience Scale (FIES) and its components</li> </ul>	Questionnaire could be applied
			Food Insecurity Experience Scale (FIES) is experience-based measures of household or individual food security.	
			The FIES-SM questions refer to the experiences of the individual respondent or of the respondent's household as a whole. The questions focus on self-reported food-related behaviors and experiences associated with increasing difficulties in accessing food due to resource constraints.	
			Household dietary diversity Score (HDDS) is a qualitative measure of food consumption that reflects household access to a variety of foods. HDDS is not meant to be used in accessing dietary diversity at individual level.	
			The household dietary diversity score (HDDS) is meant to reflect, in a snapshot form, the economic ability of a household to access a variety of foods	
Outcome 1	CI	SF.2.1 Households satisfied with project- supported services	Households reporting that they: (a) easily accessed or used the services provided by the public/private entities supported by the project, and (b) were satisfied with the quality of the services provided by the public/private entities supported by the project.	Refer to COI Guidelines for COI related methodology and questions
			The indicator aims at determining whether the main services delivered by the	
			public/private entities supported by the project adequately meet target groups' productive/business/employment/livelihood needs. The indicator indirectly assesses (1) the responsiveness of the project in reflecting target groups' views and needs during the design, delivery and adaptation of services, and (2) the impact of the project's capacity building support to the	

		service providers towards improving their service delivery capacities.	
CI	SF.2.2 Households reporting they can influence decision- making of local authorities and project- supported service providers	Households that participate in project-supported groups/organizations reporting that: (a) they have influence over decisions taken in the project-supported group/organization in which they participate; and (b) the project-supported group/organization they participate in can influence decision-making of local authorities and project- supported service providers.	Refer to COI Guidelines for COI related methodology and questions
CI	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices	Beneficiary households interviewed who claim that: (a) they are fully satisfied with the inputs, practices or techniques promoted; and (b) they are now using those inputs, practices and technologies instead of previous ones.	Refer to COI Guidelines for COI related methodology and questions
CI	3.2.2 Households reporting adoption of environmentally sustainable and climate- resilient technologies and practices	Project beneficiaries who were trained in environmentally sustainable practices and/or the management of climate- related risks, and who claim that: (a) they have fully mastered these practices; and (b) they are now routinely using these technologies and practices.	Refer to COI Guidelines for COI related methodology and questions
CI	1.2.3 Households reporting reduced water shortage vis-à-vis production needs	Beneficiary households interviewed who claim that they now have enough water for crop, and livestock production during dry-spells and the dry season. This indicator monitors the improvement in water availability; the results could be driven as much by improved technology (more water-efficient) or less water-demanding crop varieties, as by greater water availability.	Refer to COI Guidelines for COI related methodology and questions
CI	1.2.9 Households with improved nutrition Knowledge, Attitudes and Practices (KAP)	Percentage of the targeted households who have acquired new knowledge and have adopted good attitudes and practices (KAP) on nutrition.	Refer to COI Guidelines for COI related methodology and questions

			The indicator will measure the change in targeted behaviours that have negative impacts on nutrition micronutrients intake and food safety.	
	Project specific	Percentage increase in milk production	Change in milk production (litres of milk) per cow per day. If a beneficiary has different breeds, data on milk production of each breed per day will be collected separately.	
Output 1.1	CI	1.1.4 Persons trained in production practices and/or technologies	Number of persons who have been trained at least once in improved or innovative production practices and technologies during the considered period (annual reporting). Training and capacity development may be provided in a variety of forms: participation in a farmers' field school, field demonstrations, training in livestock immunization, etc.; and for various durations (a full day's training conducted outside the trainees' community, training of extension officers in a district centre; shorter sessions conducted within the trainees' community/village, regular short classroom training, or on-the-job or in-field training.	Refer to COI Guidelines for COI related methodology and questions
			Training topics may concern crop production (e.g. cultivation practices, participatory varietal selections, use of improved seeds, soil fertility practices and technology, efficient water use, micro-irrigation, proper plant protection, or enhancing produce quality); livestock production (e.g. milking and milk handling, slaughtering, animal nutrition, disease prevention and veterinary practices, animal husbandry.	
Output 1.2	CI	3.1.4 Land brought under climate-resilient practices	Land in which activities were undertaken to restore the productive and protective functions of the land, water and natural ecosystems and/or reverse degradation processes with a view to building resilience to specific climate vulnerabilities during the considered period (annual reporting).	Refer to COI Guidelines for COI related methodology and questions

			This will include:	
			<ul> <li>Improved fodder, crop, and land management practices</li> <li>Enhanced water-use efficiency practices through deployment of improved irrigation approaches and technologies</li> </ul>	
	Project Specific	Additional production of drought resistant fodder crops	Refers to ha of land under drought resistant fodder crops	
	CI	1.1.3 Rural producers accessing production inputs and/or technological packages	Refers to farmers, livestock owners or other rural producers who received support to access production inputs (e.g. chemical or organic fertilizers, pesticides, improved seeds, stocked livestock, veterinary medicines, etc.) or technological packages (e.g. small scale milk cooling tanks, milk containers, milk testing kits, small-scale processing equipment, farming tools, animal health and artificial insemination kits, drip irrigation systems, etc.) thanks to project interventions. Such inputs or technological packages and options may be provided on a free basis, or against some beneficiary contribution.	Refer to COI Guidelines for COI related methodology and questions
	Project specific	Rural service providers accessing technological packages	Refers to rural service providers such as Veterinarians and AI specialists, milk collectors who received support to access production inputs (e.g. veterinary medicines, etc.) or technological packages (e.g. animal health and artificial insemination kits, tricycles for milk collectors/traders, milk containers, milk testing kits, etc.) thanks to project interventions. Such inputs or technological packages and options may be provided on a free basis, or against some beneficiary contribution.	
Output 1.3	CI	1.1.8 Households provided with targeted	Refers to the number of people that have directly participated in project-supported activities designed to help improve nutrition during the considered period. Note that the	Refer to COI Guidelines for COI related

		support to improve their nutrition	nutrition-sensitive activities are not generic but that they are tailored to address context-based nutrition problems. Activities may include people participating in nutrition related trainings, exchange visits, behaviours change communication campaigns, integrated food production, infrastructure (e.g. drinking water and sanitation), homestead food production, technical assistance on the use of inputs and technologies intended to improve nutrition outcomes (e.g. bio-fortified seeds, small livestock, labour-savings implements/technologies), socio-cultural related issues impacting on nutrition outcomes etc. Also note that based on the typology of the nutrition-activity, they may target household members and not individuals e.g. backyard poultry or vegetable gardens. It is important to note that not all nutrition-sensitive activities will be reported under this indicator. For example, mass media campaigns (e.g. radio) and/or other open sessions where it is difficult to quantify the number of people reached should be excluded. While counting beneficiaries, care should be taken not to double count individuals or households benefiting in more	methodology and questions
Outcome 2	CI	2.2.1 Persons with new	than one activity or the same activity more than once in the same year. Number of new full-time or recurrent seasonal on-farm and	Refer to COI Guidelines
Outcome 2		jobs/employment opportunities	Number of new full-time or recurrent seasonal on-farm and off-farm jobs created thanks to project activities since project start-up, either as independent individuals (self-employed) or as employees of micro, small and medium-sized enterprises. Jobs created within farmers' organizations that received project support are also included, but temporary jobs created for a limited period (e.g. for road construction) shall be excluded.	for COI related methodology and questions

	CI	1.2.5 Households reporting using rural financial services	Beneficiary households interviewed who state that they are fully satisfied with and are using the financial products and services facilitated by the project, in order to invest in a productive or income-generating activity (i.e. as opposed to being used for consumption or other non-productive purposes).	Refer to COI Guidelines for COI related methodology and questions
	CI	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities	Surveyed producers' organizations that have established contractual or other types of arrangements with other value chain stakeholders and/or public entities, with project support. Includes upstream and downstream arrangements (e.g. input provision or selling arrangements) and partnerships with public and/or private entities (includes also partnership with PFIs)	Refer to COI Guidelines for COI related methodology and questions
	CI	2.2.6: Households reporting improved physical access to markets, processing and storage facilities	Beneficiary households interviewed who claim that, as compared to the pre-project situation: (a) they can now more easily access the required <b>storage facilities</b> and that (b) these facilities are fully functional.	Refer to COI Guidelines for COI related methodology and questions
Output 2.1	CI	2.1.2 Persons trained in income-generating activities or business management	Persons who during the considered period, have received training in topics related to income-generating activities, including post-production handling, processing and marketing. Such activities include cheese-making, small- scale processing of milk products, conservation of agricultural products, agro-processing techniques, handling in compliance with safety (use of chemicals, pesticides) and other quality requirements, packaging, market information and procedures, etc. Business management training includes organizational management, accounting and bookkeeping, cash flow management and marketing.	Refer to COI Guidelines for COI related methodology and questions

	CI	2.1.3 Rural producers' organizations supported	First-level groups of farmers or other rural producers, whether formally registered or not, that have been newly formed or created, or strengthened with project support during the considered period, in order to enhance agricultural, livestock, processing or marketing, and provide services to their members.	Refer to COI Guidelines for COI related methodology and questions
	CI	2.1.6 Market, processing or storage facilities constructed or rehabilitated	Storage facilities that have been fully constructed or rehabilitated by the project during the considered period. Storage facilities include structures used for mid- to long- term storage or preservation of produce. Within the framework of the Project storage facilities will be	Refer to COI Guidelines for COI related methodology and questions
Output 2.2	CI	I 1.1.5 Persons in rural areas accessing financial services	MCCs. Refers to the number of individuals who have accessed a financial product or service specifically promoted/supported by the project and its partner financial service provider (FSP), at least once during the considered period (annual reporting).	
			Such services within the framework of the Project will include loans. Note: When rural enterprises access financial services promoted/supported by the project, only owners and co- owners of enterprises receiving financial services are counted as persons accessing services. This also applies to Outreach CI 1: Persons receiving services promoted or supported by the project: only owners and co-owners of enterprises are counted as persons receiving services.	
Outcome 3	CI	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval,	Number of existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment	Data for this indicator can be collected in the relevant legal in- country institutions or through qualitative surveys administered

		ratification or amendment		to relevant stakeholders.
Output 3.1	CI	Policy 2 Functioning multi-stakeholder platforms supported	Platforms involving different grass-roots rural producers, private-sector partners, local service providers, local government representatives; central government; and/or financial institutions that have been supported during the considered period (annual reporting) with the objective of entering into policy dialogue and improving the rural investment environment. This includes new platforms/forums created during the considered period, as well as existing ones that have received support during the same period. Within the framework of the Project 6 platforms will be established/supported, 5 regional level (one platform in each region) and 1 at national level.	Data for this indicator can be collected in the relevant legal in- country institutions or through qualitative surveys administered to relevant stakeholders.

# ANNEX 6 – Draft Terms of References for PMU Staff

This annex provides indicative Terms of Reference for the recruitment of PMU staff. These ToRs will be finalized and adjusted in the project start-up phase.

## A. <u>CENTRAL PMU IN TASHKENT</u>

#### **1. Project Director/Manager**

The Project Manager heading the DVCDP II PMU based in Tashkent has the overall responsibility for ensuring the effective management of the Project and achievement of Project objectives. She/he will have overall responsibility for the Project management resources, including finances, personnel, vehicles, equipment and information and his/her major responsibilities are to:

<u>Main tasks</u>:

- Provide direct supervision of all DVCDP II PMU staff and provide leadership to them for implementation of the Project;
- Ensure that the meetings of the PSC are held regularly and facilitated;
- Hold regular monthly meetings with all key staff and implementing partners to discuss Project planning, implementation and progress;
- Ensure the timely preparation and collation of the annual work plans and the preparation of the annual budgets based on the work plans and ensure that these are submitted to IFAD and Government as stipulated in the Project Financing Agreement;
- Ensure the proper implementation of the work plans at the central and regional levels and ensure that staff are properly facilitated in the implementation of Project activities;
- Maintain focus on the less socio-economically advantaged, vulnerable and women and youth within the Project area and ensure that they are able to actively participate in Project decision-making and implementation. S/He will ensure that special strategies are developed to ensure their inclusion in Project activities. S/He will ensure that at least 30% of the Project beneficiaries are women;
- Ensure proper operation of the Designated Account and ensure the flow of funds as stipulated in the Project Financing Agreement and Project Implementation Manual. S/He will ensure the timely submission of the withdrawal applications to IFAD and ensure the timely audit of all Project accounts;
- Ensure that the procurements of all major items are made using the procedures specified in the Project Financing Agreement and the Project implementation Manual;
- Ensure that, as necessary and appropriate, MoUs, Partnership Agreements (PAs) with key Government agencies, regional agencies, NGOs and other specialised institutions are in place for ensuring the efficient implementation of Project activities;
- Ensure that a Management Information System (MIS) is established which provides data on progress, outputs and impact evaluation including responding to the information needs of the Project Logical Framework and the IFAD Results and Impact Management System (RIMS). S/He will ensure that all key indicators are disaggregated by gender and youth;
- Ensure that the consolidated progress reports are prepared on a timely basis and submitted to all concerned agencies including IFAD. S/He will ensure that the

special issues and constraints that affect the less socio-economically advantaged, vulnerable and women and youth are highlighted in Project reports;

- Ensure that contracts are executed with qualified agencies for the timely conducting of the baseline, mid-term and Final Impact surveys;
- Promote linkages with other Projects and Projects that would help to achieve Project objectives and maintain contacts with the different implementing agencies, donor Projects, and central level institutions and ensure that they are well informed about the Project progress, best practices and areas where there are opportunities for linkages and sharing; and
- Ensure that IFAD supervision missions are facilitated and provided with logistic support.

## 2. Targeting, Youth and Gender Specialist

**Position:** DVCDP II Targeting, Youth and Gender Specialist

Location: Tashkent, Project Area

Reporting to: DVCDP II Project Director

Roles and responsibilities: under the general supervision of the Project Director, the Project Targeting and Gender Specialist will perform activities in five main areas to mainstream social inclusion:

#### <u>Main tasks</u>

Project implementation

- Advise and support the project manager, other members of the PMU and field officers in the effective mainstreaming of targeting, gender, youth in project activities.
- In close collaboration with the PMU, develop and update regularly gender and youth strategies and action plans.
- Work with each specialist in the PMU in critically reviewing project design to see how each component or subcomponent addresses gender, targeting and youth issues, and identify opportunities for strengthening implementation from a gender and social inclusion perspective.
- Develop guidance and supervise: i) Participatory Rural Appraisal (PRA) activities carried out by social mobilisers; ii) development of A gender module for the Livestock Farmer Field Schools (L-FFS) iii) Implementation of the IPPF and FPIC
- Develop partnership with key stakeholders, including the Mahalla and the WCU, through the preparation of Memorandum of Undestanding (MoUs) and monitor progress with the implementation of the agreed activities.
- Review regularly basic project implementation processes to provide feedback and suggestions on how to ensure that vulnerable segments, women and youth are effectively targeted and included.
- Ensure that activities of the targeting, gender and youth strategies are reflected in Annual Work Plans and Budgets (AWP/B); Monitoring and Evaluation (M&E) system; Project progress reports and Project supervision.
- Participate in the development of detailed Terms of Reference (TORs) and tender documents of national and local consultants and service providers to provide youth and women-focused training under different components and activities.

M&E and knowledge management

- Together with M&E and knowledge management staff, establish an M&E system that captures and analyses disaggregated data on gender and social inclusion.
- Document and share M&E, learning and communication products.
- Analyse data to ensure that there are no adverse impacts on target groups as a result of project implementation, and suggest remedial measures if necessary.

## Capacity-building

• Undertake regular capacity assessment on gender and social inclusion issues and provide capacity-building for staff at the field level, PMU, implementing partners and service providers.

## Communication

- Liaise with the IFAD country office and gender team on questions regarding gender in implementation, knowledge-sharing and other aspects.
- Serve as a channel of communication between the project and others working on gender issues in government, implementing agencies, other development projects and IFAD.
- Advocacy and networking
- Establish linkages with other gender, women's or social inclusion programmes implemented by national, international and intergovernmental agencies.
- Present evidence-based information on good practices in gender equality and women's empowerment in national forums.

### Qualifications and experience

- Master's degree in social sciences, rural development or related discipline;
- At least 7 years' experience working in gender and social inclusion issues;
- Substantive experience in agricultural and rural development projects;
- Experience in participatory development
- Highly motivated and committed to poverty alleviation, gender equality and youth empowerment;
- Knowledge of GALS is an asset

# 3. Dairy production and Veterinary Specialist

**Position:** DVCDP II Dairy production and Veterinary Specialist

Location: Tashkent, Project Area

Reporting to: DVCDP II Project Director

## 1. <u>General Objective of the Assignment</u>

The Dairy production and veterinary specialist will support the field implementation of the activities of DVCDP II in the domain of animal production and health for dairy. He/she will support the PMU coordinator in all aspects of implementation of the project, with a particular focus on animal production and productivity, including health, water and feed, breeding, climate smart techniques, training, services, research and dairy value chain development aspects.

## 2. <u>Duties and Responsibilities</u>

The project's dairy production and veterinary specialist is responsible for:

With regard to animal production and health:

- Assuring good practices concerning animal production and health, including animal welfare;
- Safeguard SHF livelihood improvement as the beneficial outcome of animal production and health and dairy value chain development;
- Support and coordinate Smallholder Farmer knowledge (via training, extension, media, field visits, farmer group formation);
- Support and coordinate last mile services activities, especially extension, AI and animal health care services, including privatization;
- Support and coordinate establishment of fodder and breeding farmer groups;
- Support and coordinate milk hygiene, quality and safety;
- Support and coordinate animal disease intelligence (incl. zoonotic diseases and AMR);
- Support and coordinate climate smart diary development information and practices;
- Support and coordinate applied research relevant to SH dairy development;
- Contribute to KM related to animal production and health;
- Work with relevant institutes and partners;
- Any other related duties.

### With regard to project activities in rural smallholder dairy value chain development:

- Lead implementation of technical activities with the implementing partners;
- Supervise and ensure quality control of all livestock related activities implemented under the project components in the five project regions;
- Coordinate the mapping and analysis of existing dairy production systems and practices;
- Identify key problems pertaining to the existing practices with respect to animal health, nutrition, forage production, genetics, animal husbandry;
- Based on the analysis propose recommendations for improvement to enhance dairy farm production and productivity and increase of incomes;
- Lead and coordinate the designed project activities;
- Be directly responsible for planning and reporting of activities;
- Support the project areas (staff) for planning and reporting of activities implemented;
- Supervise, contribute or orepare training materials and conduct (some of the) trainings if necessary;
- Develop terms of reference and concept notes for studies and consultancies;
- Prepare and facilitate workshops;
- Ensure PMU secretariat of the technical platforms and committees established;
- Solicit, screen, advise and contract service providers to develop and administer training modules suited to the needs of smallholder dairy farmers, transporters, farmer interest groups, service providers, processors and distributors/retailers including women, youth and other target groups;
- Coordinate and review policy reviews, feasibility studies and applied research;
- Coordinate, assess and guide on the Project's pilots and scaling up of among other (para)veterinary privatization, extension, breeding groups, fodder groups, etc.

- Identify key problems and offer interventions in the use of existing technologies and practices with respect to the hygiene standards, quality and safety control, (incl. equipment and packaging) of dairy products;
- Assist the project's procurement officer in sourcing and procuring required new technologies, equipment, TA and training for participating enterprises / service providers;
- Assist the PMU Coordinator with DVC implementation reporting;
- Prepare necessary reports as required by the PMU Coordinator and IFAD;
- Ensure the implementation of gender activities related to women and youth participation in the dairy value chain;
- Ensure the implementation of climate smart technologies;
- Any other activities.

### 3. <u>Educational Background:</u>

- Minimum qualification: MSc in animal production science or veterinary science
- A major in dairy science is an advantage
- A major in fodder production is an advantage
- Partial training abroad is an advantage
- Additional training in social or economic or rural development studies is an advantage
- Research experience can be an advantage

### 4. <u>Required Experience:</u>

- At least 7 years of experience in animal production or health;
- At least 5 years of professional experience in pre-gate dairy value chain business activities, e.g. extension, fodder production, animal health, breeding, farm management, milk quality and safety control, or other project activity related fields;
- At least 5 years of experience in coordination of field activities;
- At least 3 years practical working experience in project implementation;
- Experience in smallholder production development is a major advantage;
- Familiarity with Veterinary Services, animal disease epidemiology and One Health is an advantage;
- Computer literacy and proficiency (word processing, spreadsheets and data bases);
- Strong verbal and written communication skills in Uzbek, Russian and English;
- Ability to work efficiently under pressure and to meet deadlines;
- Good social and communication skills and ability to work in a team atmosphere with colleagues, project partners and project beneficiaries;
- Well-organised and well oriented to details.

### 4. Dairy Value Chain / Agribusiness and Marketing Specialist

Position: DVCDP II Dairy Value Chain / Agribusiness and Marketing Specialist

Location: Tashkent, Project Area

Reporting to: DVCDP II Project Director

Under the general supervision of the Project Director, the Project Dairy Value Chain / Agribusiness Specialist will have the following responsibilities:

- Identify and examine constraints and opportunities for project beneficiaries within the dairy value chain at regional and local levels, and recommend interventions to overcome constraints and make use of opportunities to promote inclusive & sustainable pro poor economic growth and competitiveness in the dairy value chain
- Analyse dynamics of milk processing and value addition/ creation, reward distribution, value chain governance and power relation structures and knowledge transfer in the dairy value chain in the Project areas
- Participate in the identification of market stakeholders felt needs to strengthen their capacities;
- Be instrumental in preparation of training materials/ modules etc and updating the same as per requirement.
- Contribute to establish procedures for screening and selecting applications for the establishment of MCCs
- Establish linkages between project beneficiaries, dairy processors, collectors, MCCs and other stakeholders in the value chain in the Project area;
- Oversee the finalization of contractual arrangements between MCCs, processors and producers (project Sub-component 2.1);
- Lead other field implementation activities with regards the establishment of MCCs (Sub-component 2.1) and value-chain related trainings to beneficiaries under Component 1;
- Ensure that the local concertation process involving all market stakeholders (producers, collectors and MCCs, transporters, processors, service providers, research institutes, local and national authorities, etc) is effective in the project areas of interventions;
- Support the emergence and set-up of the multi-stakeholder dairy platform at local and national levels involving all different identified groups (project Sub-component 3.1);
- Prepare and convene regular stakeholder meetings related to thematic issues pertaining to the establishment of MCCs or the overall dairy platform development process;
- Support market-oriented farmers and farmer groups to identify action plans and develop business plans and, in coordination with the Rural finance Specialist, facilitate access to finance by target household producers, farmers, and other stakeholders by linking them to the DVCDP 2 Participating Financial Institutions;
- Represent the PMU at programme meetings, and other programme related activities in the concerned province and district.
- Ensure through appropriate informative/training sessions, that the programme approach is understood and bought-in by all stakeholders;
- Work closely with national and international partners in his/her field of interventions, including the AKIS, the CVLD, regional and local authorities, representatives from the Chamber of Industry and Commerce, etc.
- Coordinate the work of the two Regional Agribusiness Specialists recruited in the project decentralized units in Kashkadarya and Surkhandarya;
- Support in organizing, meetings, workshops, seminars, conferences and other such events etc. at the regional level as well as at the district offices as per the project requirements;
- Implement any other agribusiness related activity that may be required by the Project.
- Ensure that all performed activities are gender & youth inclusive;

- Ensure that the concerned activities are carried out in compliance with the Project's Environment and Social Management Framework;
- Documenting success stories, case studies, innovative business models and disseminating at various in liaison with the Communication and Knowledge Management Specialist;
- Contribute to the development of annual work plans and budgets, quarterly and annual progress and monitoring reports;
- Carry out field monitoring trips as required and needed; participate in the field monitoring trips for IFAD supervision and program development missions.
- 5. <u>Qualifications and experience</u>
- At least a Master's degree in agronomy, agricultural economics, environment or natural resources, or business management, with experience in rural development and/or SME development, commercial agribusiness activities and major international development programmes or institution.
- A minimum of five years of work experience in domains linked to family farming agri-business, with support to business-oriented farmers in the dairy value chain. Experience with projects, farmer's organisations, agribusiness actors in the targeted project areas is an asset;
- Ability to bring together various stakeholders for purposes of policy dialogue.
- Strong organizational skills and knowledge of strategic planning.
- Strong oral and written communication skills in English, Uzbek and Russian.
- A good understanding of climate change, capacity building, gender issues and rural youth support.

# **5.** Rural finance Project director

**Position:** DVCDP II Rural Finance Project director

Location: Tashkent, Project Area

# Reporting to: DVCDP II Project Director

The PMU is requesting the services of a Rural Finance Project director to co-ordinate the activities of the Rural Finance Component of the IFAD-financed Dairy Value Chain Development Project – Phase 2 (DVCDP II), providing refinancing funds to commercial banks for on-lending to (i) women, youth and household farms; (ii) dekhan farmers; (iii) private farms; (iv) processors; and (v) private veterinaries and feed suppliers.

# <u>Main tasks</u>

The overall duties of the Rural Finance Project director will be to assist the DVCDP II Project Director in all aspects of the Rural Finance Component of the Project.

Duties and Responsibilities include, but are not limited to:

- Contributing to establish eligibility criteria for Participating Financial Institutions (PFIs) and end-borrowers in accordance with Project design;
- Coordinating the selection process of Participating Financial Institutions (PFIs);
- Assessing applications of the participating financial institutions to DVCDP II;
- Supporting the preparation, finalization and implementation of Subsidiary Loan Agreements (SLA) with PFIs and contractual arrangements with the State Guarantee Fund;

- Contributing to the finalization of the Project Implementation Manual with regards the rules and procedures of Sub-component 2.2 (credit lines and guarantee mechanism), in liaison with PFIs and the State Guarantee Fund;
- Creating awareness amongst beneficiaries of the credit lines on the available opportunities for borrowing under DVCDP 2, the potential for business development and the means through which loans can be accessible according to each beneficiary's financial status;
- Supervising and verifying the quality of rural finance-related services delivered by companies and consultants contracted by the PMU;
- Developing and improving linkages between the banks and the project beneficiaries and oversee the activities related to financial literacy and support to establishment of loan applications for HH and dekhan farmers under Component 1;
- Throughout the project's lifetime, creating strong ties between the rural communities and the PFIs. One of the duty is to leave a sustainable system operating even after the end of the project;
- Closely liaise with the gender and youth specialist to maintain focus on the less socio-economically advantaged, and ensure that the credit lines benefit to the project priority target groups, including vulnerable farmers, women and youth; Ensuring close monitoring and evaluation of the PFIs on the identified risks, evolution of the quality of the portfolio, and continuous compliance of the PFIs with eligibility criteria (on a monthly basis);
- Following up on delinquent client borrowers in coordination with PFIs;
- Maintenance of monitoring system for each sub-component of financial services project components;
- Preparing necessary performance reports and presentations related with DVCDP II to the Project Director and to the Steering Committee;
- Prepare proposals for ways of solving project implementation constraints;
- Encouraging the participation of the banks to the multi-stakeholder platform; coordinating information meetings and training activities for PFIs and cluster members;
- Introducing and promoting DVCDP II in the program area and at national level
- Coordinating, monitoring and supervising the Regional Rural Finance Specialist in Kashkadarya and Surkhandarya regions.
- Contributing to the development of annual work plans and budgets, quarterly and annual progress and monitoring reports;
- Carrying out field monitoring trips as required and needed; participate in the field monitoring trips for IFAD supervision and program development missions.

# Qualification and experience

The suitable candidate will have the following background and experience:

- A higher degree in Economics/Agricultural Economics, preferably with major in financing, accounting, banking.
- Minimum 10 years working experience in the financial sector, including experience in rural financial inclusion.
- Minimum 3 years practical working experience with economics and financial analysis.

- Working experience with national or international financial institutions, or international experience in fundraising, attracting foreign investment funds, international cooperation for development of financing rural programs.
- Highly motivated and committed to poverty alleviation, gender equality and youth empowerment; experience in women and youth rural financial inclusion projects will be an asset.
- Computer literacy and proficiency (word processing, spread sheets and data bases).
- Strong verbal and written communication skills.
- Ability to work efficiently under pressure and to meet deadlines.
- Well-organised and well oriented to details.

# 6. Environment/land management Specialist

**Position:** DVCDP II Environment/management Specialist

Location: Tashkent, Project Area

Reporting to: DVCDP II Project Director

Main responsibilities

- Provide expertise and support all project activities related to improved fodder production, soil and water management, agro-forestry, restoration activities, and other climate adaptation activities;
- Provide specific recommendations including opportunities to optimize climate adaptation, environmental management and resource use with regard to the dairy value chain;
- Explore existing lessons and good practices with regard to dairy production and assess scale-up options;
- Ensure the sound integration of climate-resilient technologies in dairy value chain development
- Provide guidance on training required to support improved fodder production, soil and water management, and on-farm land/soil management and other adaptation practices in the project areas
- Be instrumental in preparation of training materials/ modules related to the above, in the framework of L-FFS curriculum, and updating the same as per requirement.
- Participate in trainings, training of trainers, and on-farm extension trainings related to adaptation/climate smart agriculture in all project regions
- Build DVCDP II capacities in climate resilient approaches (both climate change adaptation and mitigation);
- Train the three PMU dairy production and veterinary specialists in adaptation/climate smart agriculture (dairy production and veterinary specialists in PMU Tashkent and in the two regional project units in Kashkhadarya and Surkhandarya)
- Coordinate with stakeholders at local, regional and national levels on fodder management, land management and land regeneration, and water management-related aspects
- Participating in policy working groups on land management and land regeneration (see Sub-component 3.1)
- Ensure that all project activities are carried out in compliance with the Project's Environment and Social Management Framework.

Qualification and experience

- Higher degree in Environment/climate adaptation/ climate-smart agriculture with expertise in land and fodder management
- Minimum 5 years working experience in the field of land management/climate adaptation/ climate-smart agriculture
- Ability to bring together various stakeholders for purposes of policy dialogue.
- Strong organizational skills and knowledge of strategic planning.
- Strong oral and written communication skills in English, Uzbek and Russian.

# 7. Monitoring and Evaluation Specialist

Position: DVCDP II M&E Specialist Location: Tashkent, Project Area Reporting to: DVCDP II Project Director

#### Overall scope of activities

The monitoring and evaluation (M&E) officer will lead the operations and activities of the M&E team, system and processes, ensuring the continuous Project performance monitoring and evaluation of Project results with respect to the defined indicators and respective targets and providing timely and relevant information to Project stakeholders. Additionally, the M&E officer has overall responsibility for guiding and leading the overall M&E, targeting, gender, and knowledge management (KM) strategy.

The overall implementation and coordination of M&E activities will rest with the M&E officer in the PMU, who will also be responsible for the field work in the target regions of Sirdarya, Samarkand and Jizzakh, considering their proximity to Tashkent. S/he will supervise the Regional Field Facilitators in Surkhandarya and Kashkadarya regions and work closely with other PMU management and technical staff.

The M&E officer reports to the Project manager. The position is based at the IFAD PMU in Tashkent with frequent technical support and supervision visits to the DVCDP Regional office and Project implementation sites.

#### Main responsibilities of the M&E officer

- In line with DVCDP II goals and objectives, the COSOP strategic objectives as well as DVCDP II targeting strategy, develop and implement effective M&E strategy, systems and tools (M&E plan, MIS, data collection and reporting forms, etc.)
- Ensure that Project M&E is carried out in accordance with the Project guidelines and procedures.
- Develop an M&E Plan (including an M&E action plan to be updated annually) to define the scope, organization and contents of the M&E system, roles and responsibilities, participatory approaches, how data will be collected, analyzed, reported, used and otherwise managed, data quality assurance mechanisms, timeline for M&E-related activities, staffing and capacity building plan, budget, linkages with KM, etc.
- Establish an MIS for Monitoring and Evaluation to allow systematic and consistent data collection process. Coordinate the process and oversee recruitment of the service provider/consultant. The MIS provider/developer, in turn, will be responsible for developing and setting up the MIS.

- Set up a participatory system of data collection from all Project partners to feed into the Project M&E system,
- Ensure systematic collection, storing and analysis of data, both qualitative and quantitative, to inform decision-makers and management and other relevant stakeholders about the project progress against expected results, identify implementation bottlenecks to take timely corrective actions when needed and/or draw lessons learned, and to document project successes to replicate successful interventions.
- Monitor, record and report physical and financial progress of the indicators against AWPB targets.
- In addition to the indicator identified in the project logical framework, identify appropriate monitoring indicators for each component (gender and age disaggregated as relevant, and disaggregated as per target groups) and ensure that they are used in measuring the Project progress;
- Produce, organize and disseminate the information needed for the strategic management of the Project, document the results and lessons learned for internal use and for public dissemination on the achievements and respond to the information needs of IFAD and the Government on the activities, immediate outcomes and impact of the Project.
- Develop Terms of Reference (TOR) for specific tasks (Baseline, mid-term and endline surveys, ad-hoc and case studies, etc.). Submit the draft ToR to IFAD for clearance. Additionally, seek IFAD clearance for the survey methodology and tools.
- Oversee the process (selection; backstopping and supervision; quality control of process), seek IFAD's clearance for key aspects (survey ToRs, then survey methodology, final survey report).
- Supervise and coordinate the Project baseline, outcome and impact assessment surveys and ensure that the quality standards as per IFAD guidelines are met and that the survey is implemented in line with the approved ToR. Oversee the preparation of the report and assure its quality.
- Develop and circulate standard data collection forms/tools and reporting templates based on the indicators/information requirements set out in the Project documents that capture both quantitative and qualitative data to field staff in the regions, the PFIs, the service providers (SPs) including SPs implementing training activities, the PMU divisions (finance, procurement, component units) etc.
- Supervise the activities implemented by the RFFs in the field.
- Ensure timely submission of Monthly Progress Reports produced by project implementing partners/service providers and RFFs in the field for continuous monitoring of project activities. Ensure timely response to the challenges highlighted.
- Lead the preparation of and contribute to the Project AWPB, Semi-annual and Annual progress reports.
- Generate analysis for evidence-based decisions. Analyze data (linking inputs to outputs, and outputs to outcome) and preparing analytical reports for project management on implementation progress, performance and impact;
- Produce technical M&E reports elaborating on the analysis of the wide range of data across components and interventions to be available in the M&E system. Additionally, implement ad hoc/thematic studies, quick outcome surveys, problem analysis, etc. for which develop appropriate methodologies, data collection tools, organize the fieldwork, ensure proper data input in the appropriate information management systems for analysis. Analyze the quantitative and/or qualitative data

and produce relevant reports. Provide M&E technical reports as an annex to Project progress reports.

- Update the MIS and the Project Log-frame semi-annually, annually, and immediately before the start of IFAD supervision and implementation support missions. Report to IFAD annually on the ORMS indicators.
- In close collaboration with KM and Gender specialists establish stakeholder feedback mechanisms both online (through social media pages, call centres and websites) and offline by e.g., placing letterboxes in the target communities where the beneficiaries with limited/no access to the internet can submit their feedback/complaints through letters to be further collected and analysed.
- Organize Project annual review and planning workshops involving Project stakeholders to discuss Project results as well as lessons learned and successful cases. These should be reflected in Project reports and widely disseminated.
- Undertake regular visits to the field to support implementation of M&E and to identify where adaptations might be needed.
- Work closely with the KM/Communication specialist while the Knowledge Management and Communication Strategy is being developed.
- Closely cooperate and coordinate with the KM/Communication specialist while producing analytical reports, case studies, success stories etc; to ensure appropriate learning and dissemination processes.
- Coordinate and cooperate with the Knowledge Management Officer for promoting information sharing on all aspects related to programme activities among stakeholders.
- Jointly with the KM and Gender specialists ensure that innovative experiences, learning and good practices are captured, synthesized, documented and shared continuously within the programme, within the relevant government ministries with IFAD with in-country partners, other regional and international partners.
- Ensure that lessons and good practice emerging from the Project support knowledge-based decision making and policy dialogue.
- Contribute to Project supervision, implementation support and completion missions undertaken by IFAD.
- Establish an e-library repository for key project documents.
- Undertake any other tasks as assigned by the Project Manager.

# Minimum qualification requirements

At least master's degree in one of the following: Social Sciences, Political Science, Agricultural Economics, Rural Development, Economics, Project Management/Business Administration, or a similar subject.

- At least 5 years of experience in the design and implementation of M&E/MIS in development projects implemented by national/international NGOs/UN bodies/ Government;
- Experience in designing tools and strategies for data collection, analysis and production of reports;
- Proven ICT skills, especially in the development of MIS software using database software;
- Expertise in analyzing data using statistical software;

- Strong managerial skills and demonstrated capacity to manage people and interact with a wide range of private sector partners, public sector representatives, and development partners.
- Specific working experience in agriculture and rural development field will be an asset;
- Highly motivated and committed to poverty alleviation, gender equality and youth empowerment;
- Strong analytical and technical writing skills;
- Strong training & facilitation skills.
- Language Requirements: Fluency in written and spoken English.

#### <u>Duration</u>

M&E officer will be contracted for 12 months period with possible extension, based on satisfactory performance with a 6-month probation period.

# 8. Procurement Specialist

**Position:** DVCDP II Procurement Specialist **Location:** Tashkent, Project Area **Reporting to:** DVCDP II Project Director

The main objective of the Procurement specialist is to support the PMU in the implementation of activities related to procurement within the Project framework.

During implementation of activities the specialist will be guided by the present Terms of Reference, Project Implementation Manual, the current legislation of the Republic of Uzbekistan, the Head of the Committee of Veterinary and Livestock Development (CVLD)'s orders, as well as by other basic documents.

#### <u>Main tasks</u>

Under the direct supervision of the Project Director, the Procurement specialist would be responsible for procurement of goods, works and services in the framework of the DVCDP II. Within this overall role, the following tasks would be the specific responsibility of the DVCDP II Procurement specialist.

- To fulfil all obligations concerning the procurement of all kinds of works, goods and services in accordance with the applicable procurement guidelines of IFAD and other relevant project documents;
- Prepare the annual Procurement Plans in accordance with the Annual Work Plans and Budgets and ensure their timely implementation;
- Preparing statements of requirements, specifications, terms of reference and/or bills of quantities in coordination with the technical specialist;
- Draft the public announcement for each procurement activity;
- Prepare Bidding Documents for each contract in accordance with the approved Standard Bidding Documents;
- Coordinate bid opening, evaluation and preparation of required documentation such as minutes of bid opening ceremony, written proposals and recommendations for contract award;

- Participate in Bid Opening and Evaluation Committee meetings and prepare the minutes;
- Prepare and submit bid evaluation reports and recommendations for contract award to the Tender Committee for review and approval.
- Prepare and submit to IFAD all required information for prior review and noobjection for bids, evaluation, contracts award as per the Financing Agreement requirements.
- After agreement with IFAD for contract award initiate the contract signing procedure;
- Maintain a Contract Register for all the contracts signed under the project;
- Coordinate all procurement procedures within the CVLD regarding the DVCDP II implementation;
- Carry out proper monitoring of the procurement process;
- Administer DVCDP II contracts concluded under the projects managed by the PMU, as well as with the Government agencies for specific works and/or components of the projects;
- Keep, systematize and store procurement files including bid correspondence.
- Update IFAD procurement systems;
- Perform any other duties as agreed with the Project Director.

#### Qualifications and experience

- A higher degree or an equivalent qualification in Law, Economy, Management, international relation, finance or equivalent with sound knowledge of the procurement procedures applicable under the legislation of the Republic of Uzbekistan and foreign donors funded Programmes;
- A minimum of three years working experience and technical capacity, and proven ability to work in a multi-disciplinary team. Familiarity with relevant legislation and procedures of the Republic of Uzbekistan;
- Good analytical skills, skills to write reports and other materials;
- Fluent Uzbek, Russian and English, both spoken and written;
- Computer literate;
- The selected candidate will have a pragmatic, creative and energetic approach to problem solving and decision-making and the capacity to operate effectively with suppliers.

# 9. Chief Accountant

**Position:** DVCDP II Chief Accountant

Location: CVLD, Tashkent, Uzbekistan

**Duration:** One-year renewable

Type of contract: short term

# Closing date: insert

# <u>Background</u>

Under the supervision of the Minister of Agriculture, the State Committee for Veterinary and Livestock Development (CVLD) is responsible for the implementation and administration of the DVCDP II financed by IFAD. A Project Management Unit (PMU) is established within the SCLVD to coordinate the management and implementation of project activities.

# The PMU Financial Management Unit

The PMU has a Financial Management Unit responsible for financial and accounting matters and a Procurement Unit responsible for the procurement of goods, works and services. Financial and accounting matters are the responsibility of the Chief Accountant, who heads the Financial Management Unit and who reports directly to the Project director and PMU Director. The Chief Accountant is assisted by a finance specialist.

# Scope of Services and Responsibilities

- Chief Accountant is responsible for financial management of the project, and performs his/her tasks in accordance with; (i) IFAD's guidelines, rules and documents regulating the project implementation (Project Implementation Manual, Procurement Plan) and (ii) Statutory, regulatory and legislative acts of the Republic of Uzbekistan regulating implementation of investment projects under the guarantee of the Government of the Republic of Uzbekistan.
- The Chief Accountant's tasks and responsibilities include, but are not necessarily limited to, the following:
- Maintaining the project's accounting and reporting in accordance with IFAD and the current legislation of the Republic of Uzbekistan;
- ensuring proper management of project funds and their disbursement in accordance with the accounting, budgeting, and financial control procedures established for the PMU in the light of IFAD's requirements;
- preparing, and securing approval of budgets based on the operating plans of the projects' sub-components;
- periodically evaluating the financial reporting and internal control arrangements for the projects' sub-components and preparing proposals for improvements;
- performing a monthly review of the projects' general ledgers with a view to identifying and clarifying any errors and anomalies, and particularly with reference to receivables and payables which have been overdue for more than one month;
- scrutinizing financial reports submitted by project components and subcomponents and institutions implementing or managing such components and subcomponents to ensure that they follow established procedures, and to take corrective action where necessary;
- monitoring the status of budget utilization by project component and category of expenditure and reporting to the Project director on any significant variances, together with recommendations for appropriate actions;
- liaising with officials of the Ministry of Finance, the Ministry of Agriculture and other concerned government bodies on financial issues pertaining to the PMU and the project/s, for which it is responsible, and particularly on the timely payment of government counterpart funds;
- ensuring the timely preparation of financial, activity and monitoring reports to the Government of Uzbekistan, IFAD, and providing the projects' external auditors with all information, documentation and explanations required for the purposes of audit;
- preparing and submitting requests for the replenishment of the projects' Designated Accounts in accordance with the IFAD's Project Financial Management Financial Control Arrangements Letter (FMFCL) and the financial agreement;
- Updating the PMU's Financial Manual and ensuring adherence to its provisions;

- preparing TORs for the annual external audits; technical and financial assessment of auditors' proposals; preparing annual financial statements and explanatory notes in accordance with IFAD's requirements and with IAS, to the extent applicable; agreeing with the auditors the form of their report;
- Reviewing/Clearing the financial transactions, reconciliations and reports prepared by finance specialist to ensure proper segregation of duties;
- Following up on government contributions and ensuring that there are sufficient funds to pay project expenditures.
- Follow up/Record beneficiary and PFI contributions
- Follow up/record Rural Guarantee Fund expenditures and reports
- Following up on timely submission of annual institutional audit reports from the PFIs.
- Follow up on timely submission of quarterly financial reports from the PFIs.
- organizing and providing training workshops in accounting and financial management topics for finance staff of the PMU;
- supervising the operation of the projects' Designated Accounts and project accounts in accordance with IFAD's procedures;
- standing in for the Financial Unit specialists and performing their routine duties during periods when they are absent;
- Review and clear the tasks performed by the finance specialist
- Perform such other duties as may be required by the PMU Director and Project director.

# Institutional Organization

The Financial Manager will work closely with the PMU staff, two decentralized units in Kashkadarya and Surkhandarya region, PFIs of the project , government agencies and other organizations that have a direct link to the project implementation.

#### Reporting and Approval

The Chief Accountant will directly report to Project director who will evaluate performance of his/her responsibilities every year in accordance with performance management framework.

#### Qualifications and Experience

The Chief Accountant should satisfy the following qualifications and criteria:

- Higher education in accounting and finances;
- At least 7-year work experience in accounting and finance in a similar role;
- At least 4-year relevant work experience in donor funded project finances;
- Broad experience of budgeting, accounting and reporting procedures of IFAD, World Bank Group and other donors;
- Hands-on experience of setting up and running a project financial management and accounting information system in accordance with best international practice;
- Complete, practice-based command of double-entry bookkeeping;
- Ability to present financial information in a clear, concise manner and in formats suitable for non-specialists;
- Fluency in Uzbek and Russian; and at least an intermediate level of English;
- Computer literate; familiarity with Windows-based programs such as Word and Excel, PowerPoint, 1C Accounting Program.

# Duration of Appointment

The period of assignment in the position will be initially 12 months, with probation period of three months and may be extended by mutual agreement based on satisfactory annual performance review.

#### **10.Finance Specialist**

Post title:	Finance Specialist				
Organisation:	CVLD				
Location:	Tashkent, Uzbekistan				
Name of Project:	DVCDP II				
Duration:	One-year renewable				
Type of contract:	short term				
Closing date:	insert				

#### <u>Background</u>

Under the supervision of the Minister of Agriculture, the State Committee for Veterinary and Livestock Development (CVLD) is responsible for the implementation and administration of the DVCDP II financed by IFAD. A Project Management Unit (PMU) is established within the SCLVD to coordinate the management and implementation of project activities.

#### The PMU Financial Management Unit

The PMU has a Financial Management Unit responsible for financial and accounting matters and a Procurement Unit responsible for the procurement of goods, works and services. Financial and accounting matters are the responsibility of the Chief Accountant, who heads the Financial Management Unit and who reports to the PMU Director and the Project director. The Chief Accountant is assisted by a finance specialist.

#### Scope of services and duties

Finance Specialist will perform his/her tasks in accordance with; (i) IFAD's guidelines, rules and documents regulating the project implementation (Project Implementation Manual, Procurement Plan) and (ii) Statutory, regulatory and legislative acts of the Republic of Uzbekistan regulating implementation of investment projects under the guarantee of the Government of the Republic of Uzbekistan.

The Finance Specialist shall perform with all responsibility the works specified in the Terms of Reference and scope of services in detail. The main responsibilities of the Finance Specialist include but do not limit to:

- Process payments for eligible expenditures from the project bank accounts; enter all daily accounting transactions into 1C Accounting Program; their correct classification and proportion of expenses according to their categories/components;
- Keep accounting; provide duly control of the project funds and their cash flow and payments following the adopted procedures and standards in accordance with IFAD's requirements;
- Perform bank accounts, fuel and business card reconciliations.
- Prepare Withdrawal Applications, quarterly IFRs, and Statement of Expenditures in accordance with the Disbursement Guidelines of IFAD;

- Prepare all required supporting documents on the Project(s) expenses for withdrawal application;
- Monitor available balances in the project bank accounts and prepare monthly reports on cash flows;
- Participation in preparation of quarterly interim financial reports and other financial reports for IFAD in accordance with the international standards.
- Assist the Chief Accountant to prepare financial statements for auditors during Project(s) audit, and work together with auditors until receiving the IFAD's final approval on auditor's report.
- Prepare various reports, information materials at the request of the Ministry of Finance, and IFAD;
- Replace chief accountant; perform his/her responsibilities during his/her absence;
- Inventory and fixed asset management;
- Control over the fuel consumption and keeping the SOEs;
- Carry out other appropriate responsibilities upon request of the Project director/Director and Chief Accountant.

#### Reporting and approval

The Finance specialist shall report to the Project director, and Chief Accountant who will evaluate performance of his/her responsibilities on a regular basis.

#### Institutional arrangement

The finance specialist will work closely with PMU staff, all partners, PFIs of the project, government agencies and other organizations that have a direct link to the project(s) implementation.

#### Qualification and experience

The finance specialist should meet the following qualification criteria:

- Higher education in accounting and finances;
- At least 5-year work experience in accounting;
- At least 3-year relevant work experience in donor funded project finances;
- Good knowledge of financial management, tax policy and other legislative financial norms;
- Knowledge of procedures of international organization financial management such as WB/IFAD etc.;
- Fluency in Russian and Uzbek, knowledge of English is an asset;
- Compulsory knowledge of 1C Accounting Program;
- Compulsory computer knowledge of Windows, such as knowledge of Microsoft Office package.

# Duration of Assignment

The period of assignment in the position will be initially 12 months, with probation period of three months and may be extended by mutual agreement based on satisfactory annual performance review.

# **11. Communication and Knowledge Management Specialist**

**Position:** DVCDP II Communication and KM Specialist **Location:** Tashkent, Project Area **Reporting to:** DVCDP II Project Director Enhancing the communication of DVCDP II's opportunities, eligibility requirements, activities and results to relevant project stakeholders through the use of traditional and digital communication channels, learning approaches by developing and implementing innovative and effective ways to strategically capture and share knowledge, leverage good practices, and improve the effectiveness of DVCDP II. The KM/Communications Specialist will be responsible for a wide variety of activities related to identifying, managing, packaging, and disseminating key information to DVCDP II's stakeholders and public at large.

The KM/Communications Specialist has the responsibility for developing and implementing the knowledge management (KM) strategy. S/he will also work closely with Regional Field Facilitators in the field as well as working closely with other PMU management and technical staff.

The Knowledge Management and Communications specialist will report directly to the Project Manager and will supervise the KM-related work of the Regional Field Facilitators.

The position is based at the IFAD PMU in Tashkent with frequent technical support and supervision visits to the DVCDP Regional office and Project implementation sites.

# Main responsibilities of the KM/Communication Specialist

- In line with DVCDP II goals and objectives, the COSOP strategic objectives as well as DVCDP II targeting strategy, develop and implement effective Communication and Knowledge Management strategy (along with annual action plans) across components, implementation entities and beneficiaries in close collaboration with PMU M&E and Gender specialists as well as Regional Field Facilitators (RFFs).
- Define the DVCDP II KM goals and strategic objectives, KM products and the main areas of KM-related work with clear linkages to improving Project performance, promoting innovations, scaling up success, sharing lessons learned, and influencing policy.
- Identify the key partners (Mahallas and other decentralized authorities, Women's Committee, Agricultural Knowledge and Innovation System (AKIS) center, etc.) for knowledge dissemination, transfer and uptake by the target groups. Further explore parents for knowledge exchange at regional and central level with Hokymiats, research institutes/universities, extension services, etc.
- Establish online and offline systems for a downward and upward timely flow of upto-date information about project opportunities, progress, results to Project stakeholders and public at large.
- Contribute to generating various knowledge products (ad hoc studies/case studies, success stories, problem analysis, etc.) throughout DVCDP II lifecycle to foster informed decision making and the implementation of timely remedy actions.
- Work proactively with project teams to identify opportunities for capturing and sharing knowledge, and disseminating information about major progress and results;
- Document various success stories that will become a source of inspiration for potential beneficiaries to participate in DVCDP II's activities and will allow to replicate and scale up successful interventions.
- Produce Knowledge Management Reports elaborating on the best practices and lessons learned, success stories, etc., communication related activities, analysis of stakeholder feedback and grievance, etc. provide these reports as annex to Project Progress Reports.
- Analyze and document the results of the innovative approaches of DVCDP II in terms of pro-poor approach in dairy value chain development, the establishment

of L-FFS, youth fodder production groups, local breeding groups, upscaling of the MCCs, etc.,

- Document and share learning by ensuring that lessons learned, and best practices are documented and communicated in a timely manner.
- Collaborate across teams to ensure that M&E and gender aspects are integrated throughout DVCDP II's public communications efforts.
- Manage the successful execution of learning, knowledge sharing events including multistakeholder consultations, implementation review and reflection meetings, planning workshops, project learning days, seminars/webinars, workshops, conferences, peer learning sessions, etc.
- Develop and implement a communications strategy along with annual action plans to enhance the communication of DVCDP II's opportunities, activities and results to relevant Programme stakeholders thus raising awareness, generating resources, and policy dialogues necessary to achieve DVCDP II's goals.
- Develop communication materials, including digital materials, to promote the project and raise awareness (project briefs, infographics, brochures, newsletters)
- Develop appropriate stakeholder outreach plans to share the programme opportunities, strategies and communicate impact.
- Advise on how communications can most effectively be used to support DVCDP II's goals.
- Develop and implement a proactive media strategy, contribute to the design of new strategies, collaborations and implementation plans to ensure long-term sustainability and impact.
- Track and analyze key media and communications trends relevant to DVCDP II.
- Develop and manage a website and/or a Facebook page, or other online platforms where the actual and potential beneficiaries can access comprehensive information about Programme opportunities and eligibility requirements. These will also become a platform for sharing various knowledge products, such as success stories, case studies, etc., as well as the lessons learned. Produce video documentary for capturing project results and success stories Work collaboratively with peers (particularly with the M&E and Gender specialists as well as other team members) to ensure alignment and cohesion.
- Represent the PMU to key program-related external constituencies, as appropriate, on committees related to area of expertise and responsibilities of the position.
- Coordinate and oversee the KM related activities implemented by the RFFs in the field.
- This role is responsible for high quality interactions and clear and consistent communications with beneficiaries and partners.

# Minimum qualification requirements:

- At least BS degree in Marketing, Public Relations, Business, Law or related fields;
- At least 3 years of specific experience in marketing/public relations;
- Specific working experience in agriculture and rural development field will be an asset;
- Excellent written and oral communication skills in English.

# Duration:

Knowledge Management and Communications specialist will be contracted for 12 months period with possible extension, based on satisfactory performance with a 6-month probation period.

# B. DECENTRALIZED UNITS IN SURKHANDARYA AND KASHKADARYA

#### **12. Field Coordinators**

**Position:** DVCDP II Field Coordinators **Location:** Tashkent, Project Area **Reporting to:** DVCDP II Project Director

#### Overall scope of activities

The two Regional Field Facilitators (RFFs) in Surkhandarya and Kashkadarya regions will work under the direct supervision of the DVCDP II M&E officer, the KM/Communication Specialist and the Gender Specialist in the respective area of work and will act as the extended arm of DVCDP II Project Management Unit staff in the field. The assignment is a full-time job, 5 days per week, with frequent travels in the selected municipalities within the region. The duty location for this assignment is the municipality itself (exact city location to be discussed and confirmed).

Main responsibilities of the Regional Field Facilitators

- Assist in the mapping of key dairy VC stakeholders operating in target region, and update it on a regular basis with a particular emphasis on tamarkas, near landless and unemployed youth and women;
- Ensure identification and mobilization of potential beneficiaries in line with the programme's targeting strategy in close collaboration with Mahallas, Women Committee regional offices and other stakeholders;
- Establishing and keeping regular working connection with the local authorities (Mahallas, etc.);
- Ensure best possible information outreach of DVCDP II's activities/services in the region in line with the KM and Communication Strategy. Widely disseminating information about project opportunities and eligibility requirements in target communities (information meetings, multi-stakeholder meetings, household visits, presentations in Mahallas with the participation of community members, etc.) with the tools and methodologies provided by the PMU. At later stages, widely disseminating information about Project successes also with respect to DVCDP II innovative approaches;
- Closely liaise with the gender and youth specialist to maintain focus on the less socio-economically advantaged, vulnerable and women and youth within the Project area and ensure that they are able to actively participate in Project decision-making and implementation.
- Contributing to the selection/information of beneficiaries of grants, farmers to be organized in groups, etc.
- Ensure organization and follow up of grant beneficiaries in close collaboration with SPs;
- Providing extensive support to the beneficiaries in filling out the grant/loan application forms and compiling the necessary documents in line with the requirements set out in Project documents;
- Review regularly basic project implementation processes to provide feedback and suggestions on how to ensure that vulnerable segments, women and youth are effectively targeted and included.
- Coordinating and Monitoring of works implemented by the Service Providers;
- Monitoring of implementation of DVCDP grant projects on-site, and provide regular progress and impact reporting;

- Implementation of spot-checks and on-site data verification.
- Implementing quantitative and qualitative data collection in line with the tools and methodologies provided by the PMU.
- Reporting to the central M&E on implementation progress, issues encountered, etc. on a monthly basis and as needed.
- Preparation of necessary monthly/quarterly reports as per the format and as required by the hierarchy;
- Ensure organization of field days and exchange visits in close collaboration with the SPs;
- Assisting in the formation/initial operation of dairy platform;
- Identifying the dynamic representatives of local stakeholders who will facilitate the operation of these dairy platforms and continue platform member mobilisation and outreach efforts on a voluntary basis;
- Provide administrative support to the Project Manager and other staff of PMU in all possible coordination aspects related to project;
- Performing any other project related tasks assigned by the DVCDP II Project Director, M&E officer, KM/Communication Specialist, Gender Specialist.

# Minimum qualification requirements:

- Minimum BSc Degree in Rural Development Science, Agricultural Economics, Business Administration, Social sciences or other relevant discipline related to coordination of rural development projects.
- Minimum 3 years of working experience with international donors or donor-funded projects in the field or rural development, agribusiness, smallholder agriculture. Experience in gender and social inclusion issues is an asset.
- Highly motivated and committed to poverty alleviation, gender equality and youth empowerment;
- Experience in participatory development is an asset
- Particular experience in target regions is an asset.
- Particular experience in the dairy sector is an asset;
- Proven ability to manage and coordinate teams at field level, ensuring that project deadlines are met in a timely manner;
- Proven ability to work with local communities and governmental organizations;
- Sound knowledge of project management principles;
- Ability to gather and report information in a simple form;
- Ability to research, analyse and write up complex information in a simple form;
- Responsible and flexible attitude and demonstrated ability to work with minimum supervision;
- Demonstrated strong passion for assisting clients in filling out application forms and compiling necessary documents;
- Excellent oral & written presentation skills;
- Knowledge of English language will be a plus;
- Good knowledge of computer (MS Office, Internet, familiarity with the relevant project management software);
- Willingness to travel extensively to the field and work closely with the value chain actors;

- Excellent interpersonal skills and ability to form and maintain cooperative working relationships with colleagues and stakeholders.
- Strong training & facilitation skills.

# Duration:

Regional Field Facilitators will be contracted for 12 months period with possible extension, based on satisfactory performance with a 6-month probation period.

# **13. Regional Dairy production and Veterinary Specialists**

**Position:** DVCDP II Regional Dairy production and Veterinary Specialists in [*Kashkadarya* / *Surkhandarya*] region

# Location: [Kashkadarya / Surkhandarya] Project Area

**Reporting to:** DVCDP II Dairy production and veterinary Specialist PMU Taskhent, and DVCDP II Project Director

# 6. <u>General Objective of the Assignment</u>

The Regional Dairy production and veterinary specialist will support the field implementation of the activities of DVCDP II in the domain of animal production and health for dairy in [*Kashkadarya / Surkhandarya*] region. He/she will support the PMU coordinator in all aspects of implementation of the project, with a particular focus on animal production and productivity, including health, water and feed, breeding, climate smart techniques, training, services, research and dairy value chain development aspects.

# 7. Duties and Responsibilities

The regional dairy production and veterinary specialist is responsible for:

With regard to animal production and health:

- Assuring good practices concerning animal production and health, including animal welfare;
- Safeguard SHF livelihood improvement as the beneficial outcome of animal production and health and dairy value chain development;
- Support and coordinate Smallholder Farmer knowledge (via training, extension, media, field visits, farmer group formation);
- Support and coordinate last mile services activities, especially extension, AI and animal health care services, including privatization;
- Support and coordinate establishment of fodder and breeding farmer groups;
- Support and coordinate milk hygiene, quality and safety;
- Support and coordinate animal disease intelligence (incl. zoonotic diseases and AMR);
- Support and coordinate climate smart diary development information and practices;
- Support and coordinate applied research relevant to SH dairy development;
- Contribute to KM related to animal production and health;
- Work with relevant institutes and partners;
- Any other related duties.

# With regard to project activities in rural smallholder dairy value chain development:

• Lead implementation of technical activities with the implementing partners;

- Supervise and ensure quality control of all livestock related activities implemented under the project components in the five project regions;
- Coordinate the mapping and analysis of existing dairy production systems and practices in [*Kashkadarya / Surkhandarya*] region;
- Identify key problems pertaining to the existing practices with respect to animal health, nutrition, forage production, genetics, animal husbandry in [Kashkadarya / Surkhandarya] region;
- Based on the analysis propose recommendations for improvement to enhance dairy farm production and productivity and increase of incomes;
- Lead and coordinate the designed project activities in [Kashkadarya / Surkhandarya] region;
- Be directly responsible for planning and reporting of activities;
- Support the project areas (staff) for planning and reporting of activities implemented;
- Supervise, contribute or prepare training materials and conduct (some of the) trainings if necessary;
- Contribute to the development of terms of reference and concept notes for studies and consultancies with the Dairy production and Veterinary Specialist in PMU Tashkent;
- Prepare and facilitate workshops;
- Contribute to PMU secretariat of the technical platforms and committees established at regional level;
- Solicit, screen, advise and contract service providers to develop and administer training modules suited to the needs of smallholder dairy farmers, transporters, farmer interest groups, service providers, processors and distributors/retailers including women, youth and other target groups;
- Contribute to policy reviews, feasibility studies and applied research;
- Coordinate, assess and guide on the Project's pilots and scaling up of among other (para)veterinary privatization, extension, breeding groups, fodder groups, etc in [Kashkadarya / Surkhandarya] region.
- Identify key problems and offer interventions in the use of existing technologies and practices with respect to the hygiene standards, quality and safety control, (incl. equipment and packaging) of dairy products in [Kashkadarya / Surkhandarya] region;
- Assist the project's procurement officer in sourcing and procuring required new technologies, equipment, TA and training for participating enterprises / service providers;
- Assist the PMU Coordinator and Dairy production and Veterinary Specialist in PMU Tashkent with dairy value chain implementation reporting;
- Prepare necessary reports as required by the PMU Coordinator and IFAD;
- Ensure the implementation of gender activities related to women and youth participation in the dairy value chain in [Kashkadarya / Surkhandarya] region;
- Ensure the implementation of climate smart technologies;
- Any other activities.

# 8. Educational Background:

- Minimum qualification: MSc in animal production science or veterinary science
- A major in dairy science is an advantage

- A major in fodder production is an advantage
- Partial training abroad is an advantage
- Additional training in social or economic or rural development studies is an advantage
- Research experience can be an advantage
- 9. <u>Required Experience:</u>
- At least 7 years of experience in animal production or health;
- At least 5 years of professional experience in pre-gate dairy value chain business activities, e.g. extension, fodder production, animal health, breeding, farm management, milk quality and safety control, or other project activity related fields;
- At least 5 years of experience in coordination of field activities;
- At least 3 years practical working experience in project implementation;
- Experience in smallholder production development is a major advantage;
- Familiarity with Veterinary Services, animal disease epidemiology and One Health is an advantage;
- Computer literacy and proficiency (word processing, spreadsheets and data bases);
- Strong verbal and written communication skills in Uzbek, Russian and English;
- Ability to work efficiently under pressure and to meet deadlines;
- Good social and communication skills and ability to work in a team atmosphere with colleagues, project partners and project beneficiaries;
- Well-organised and well oriented to details.

# **14. Regional Value Chain/Agribusiness Specialists**

**Position:** DVCDP II Regional Value Chain / Agribusiness Specialist in [Kashkadarya / Surkhandarya] region

Location: [Kashkadarya / Surkhandarya] Project Area

**Reporting to:** DVCDP II Value Chain / Agribusiness Specialist PMU Taskhent, and DVCDP II Project Director

<u>Main tasks:</u>

- Identify and examine constraints and opportunities for project beneficiaries within the dairy value chain in [Kashkadarya / Surkhandarya] region, and recommend interventions to overcome constraints and make use of opportunities to promote inclusive & sustainable pro poor economic growth and competitiveness in the dairy value chain ;
- Analyse dynamics of milk processing and value addition/ creation, reward distribution, value chain governance and power relation structures and knowledge transfer in the dairy value chain in the Project areas
- Participate in the identification of market stakeholders felt needs to strengthen their capacities;
- Be instrumental in preparation of training materials/ modules etc and updating the same as per requirement;
- Contribute to establish procedures for screening and selecting applications for the establishment of MCCs in [Kashkadarya / Surkhandarya] region;

- Establish linkages between project beneficiaries, dairy processors, collectors, MCCs and other stakeholders in the value chain in the Project area;
- Oversee the finalization of contractual arrangements between MCCs, processors and producers (project Sub-component 2.1);
- Lead other field implementation activities with regards the establishment of MCCs (Sub-component 2.1) and value-chain related trainings to beneficiaries under Component 1 in [Kashkadarya / Surkhandarya] region;
- Ensure that the local concertation process involving all market stakeholders (producers, collectors and MCCs, transporters, processors, service providers, research institutes, local and national authorities, etc) is effective in the project areas of interventions;
- Support the emergence and set-up of the multi-stakeholder dairy platform at local and regional levels involving all different identified groups (project Sub-component 3.1);
- Prepare and convene regular stakeholder meetings related to thematic issues pertaining to the establishment of MCCs or the overall dairy platform development process;
- Support market-oriented farmers and farmer groups to identify action plans and develop business plans and, in coordination with the Rural finance Specialist, facilitate access to finance by target household producers, farmers, and other stakeholders by linking them to the DVCDP 2 Participating Financial Institutions;
- Represent the PMU at programme meetings, and other programme related activities in the concerned province and district in [Kashkadarya / Surkhandarya] region;
- Ensure through appropriate informative/training sessions, that the programme approach is understood and bought-in by all stakeholders;
- Work closely with national and international partners in his/her field of interventions, including the AKIS, the CVLD, regional and local authorities, representatives from the Chamber of Industry and Commerce, etc. in [Kashkadarya / Surkhandarya] region;
- Support in organizing, meetings, workshops, seminars, conferences and other such events etc. at the regional level as well as at the district offices as per the project requirements;
- Implement any other agribusiness related activity that may be required by the Project.
- Ensure that all performed activities are gender & youth inclusive;
- Ensure that the concerned activities are carried out in compliance with the Project's Environment and Social Management Framework;
- Contribute to the development of annual work plans and budgets, quarterly and annual progress and monitoring reports;
- Carry out field monitoring trips as required and needed; participate in the field monitoring trips for IFAD supervision and program development missions.

# Qualifications and experience

- A Master's degree or equivalent in agronomy, agricultural economics, environment or natural resources, or business management, with experience in rural development and/or SME development, commercial agribusiness activities
- A minimum of three years of work experience in domains linked to family farming agri-business, with support to business-oriented farmers in the dairy value chain.

Experience with projects, farmer's organisations, agribusiness actors in the targeted project areas is an asset;

- Ability to bring together various stakeholders for purposes of policy dialogue.
- Strong organizational skills and knowledge of strategic planning.
- Strong oral and written communication skills in English, Uzbek and Russian.
- A good understanding of climate change, capacity building, gender issues and rural youth support.

# **15. Regional Rural Finance Specialists**

**Position:** DVCDP II Regional Rural Finance Specialist in [Kashkadarya / Surkhandarya] region

Location: [Kashkadarya / Surkhandarya] Project Area

**Reporting to:** DVCDP II Rural Finance Coordinator and DVCDP II Project Director

The PMU is requesting the services of Regional Rural Finance Project Specialists to coordinate the activities of the Rural Finance Component of the IFAD-financed Dairy Value Chain Development Project – Phase 2 (DVCDP II) in [Kashkadarya / Surkhandarya], providing refinancing funds to commercial banks for on-lending to (i) women, youth and household farms; (ii) dekhan farmers; (iii) private farms; (iv) processors; and (v) private veterinaries and feed suppliers.

#### <u>Main tasks</u>

The overall duties of the Regional Finance Project Specialist will be to assist the DVCDP II Rural Finance Project director in all aspects of the Rural Finance Component of the Project in [Kashkadarya / Surkhandarya] region.

Duties and Responsibilities include, but are not limited to:

- Contributing to the selection process of Participating Financial Institutions (PFIs);
- Assessing applications of the participating financial institutions to DVCDP II;
- Creating awareness amongst beneficiaries of the credit lines on the available opportunities for borrowing under DVCDP 2, the potential for business development and the means through which loans can be accessible according to each beneficiary's financial status;
- Supervising and verifying the quality of rural finance-related services delivered by companies and consultants contracted by the PMU;
- Developing and improving linkages between the banks and the project beneficiaries and oversee the activities related to financial literacy and support to establishment of loan applications for HH and dekhan farmers under Component 1;
- Throughout the project's lifetime, creating strong ties between the rural communities and the PFIs. One of the duty is to leave a sustainable system operating even after the end of the project;
- Ensuring close monitoring and evaluation of the PFIs on the identified risks, evolution of the quality of the portfolio, and continuous compliance of the PFIs with eligibility criteria (on a monthly basis);
- Following up on delinquent client borrowers in coordination with PFIs;
- Maintenance of monitoring system for each sub-component of financial services project components;
- Preparing necessary performance reports and presentations related with DVCDP II to the Rural Finance Project director and to the Project Director;
- Prepare proposals for ways of solving project implementation constraints;

- Introducing and promoting DVCDP II in the program area;
- Contributing to the development of annual work plans and budgets, quarterly and annual progress and monitoring reports;
- Carrying out field monitoring trips as required and needed; participate in the field monitoring trips for IFAD supervision and program development missions in [Kashkadarya / Surkhandarya] region.

#### Qualification and experience

The suitable candidate will have the following background and experience:

- A higher degree in Economics/Agricultural Economics, preferably with major in financing, accounting, banking.
- Minimum 5 years working experience in the financial sector. Experience in financial inclusion projects, especially for women and youth, will be an asset.
- Minimum 3 years practical working experience with economics and financial analysis.
- Highly motivated and committed to poverty alleviation, gender equality and youth empowerment; experience in women and youth rural financial inclusion projects will be an asset.
- Computer literacy and proficiency (word processing, spread sheets and data bases).
- Strong verbal and written communication skills.
- Ability to work efficiently under pressure and to meet deadlines.
- Well-organised and well oriented to details.

# **ANNEX 7** – Draft Terms of References for the Baseline survey

The Committee of Veterinary and Livestock Development (CVLD)

# Dairy Value Chain Development II (DVCDP II) Project

# Draft Terms of Reference Baseline Survey

Indicative table of Content:

- 1. BACKGROUND AND CONTEXT
- 2. DESCRIPTION OF THE PROJECT
- 3. PURPOSE AND OBJECTIVES OF THE CONSULTANCY
- 4. METHODOLOGICAL REQUIREMENTS
- 5. DETAILED LIST OF ACTIVITIES AND DELIVERABLES
- 6. COMPETENCIES REQUIRED
- 7. ADMINISTRATIVE AND OTHER ASPECTS
- 8. TECHNICAL ANNEXES

# **1. INTRODUCTION**

In view of the Baseline Assessment of the Dairy Value Chain Development Project II (DVCDP II) scheduled ....2024, the relevant Programme Management Unit (PMU) will conduct a **Baseline Survey** (the Assignment) of DVCDP II through the recruitment of an experienced service provider/consultancy firm. The scope of the exercise is to identify household characteristics before project interventions and generate benchmark information for Log-frame indicators. A participatory geo-referenced listing and mapping exercise will be embedded in the Project baseline survey aimed at identifying and mapping the target groups/potential beneficiaries in the value chain enabling a more targeted approach for Project implementation. The exercise will also include context-specific needs assessments of the concrete barriers to smallholder-driven dairy sector development and address pressing information needs for implementation planning.

This document sets out the Terms of Reference (TOR) for implementing the foreseen Assignment. A service provider/consultancy firm will be recruited to carry out the exercise.

A. PROJECT DATES					
EB Approval					
Entry into					
force					
First					
disbursement					
MTR Date					
Completion					
Date					
Financial					
Closure					
B. PROJECT OVERVIEW					
Project goal	Reduce poverty level among small scale dairy producers and mitigate the impacts of climate change in the subsector.				
Project objectives	To improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain and promote food security by enhancing their market participation and increasing productivity				
	C. PROJECT COSTS				

# 2. PROJECT OVERVIEW

IFAD I	oan						
Gover	nment						
Benefi	ciaries	5					
ADB	to	be					
detern	nined						

#### TOTAL

Ministry & Lead Programme agency	Ministry of Agriculture, Committee for Veterinary and Livestock Development (CVLD)
Implementing agency	Project Management Unit (PMU)

#### D. INSTITUTIONAL FRAMEWORK

# **3. DESCRIPTION OF THE PROJECT**

The **Dairy Value Chain Development II Project goal** is to "*Reduce poverty level among small scale dairy producers and mitigate the impacts of climate change in the subsector*". The **Project Development Objective** is "*to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain and promote food security*" by enhancing their market participation and increasing productivity. It will be achieved through two main outcomes: **Outcome 1**: Sustainable climate-smart dairy production through improved fodder and feed production, animal husbandry, water access and land use; **Outcome 2**: Increased competitiveness of the dairy value chain through enhanced business linkages, service provision, and financial innovations.

The project outcomes will be achieved through the implementation of three inter-related components:

# *Component 1. Improving and increasing sustainable climate smart dairy production and access to required services*

**Expected outcomes.** The expected outcomes of Component 1 are as follows: (i) Increased milk volumes and quality, secured water and fodder and increased adoptions of dairy and climate smart methodologies and technologies; (ii) Enhanced smallholder household social and economic empowerment and (newly) developed farmer interest group organisations in support of increased dairy production and productivity, value chain strengthening, climate change mitigation and adaptation; (iii) Increased and improved access to suitable dairy production services, knowledge and inputs for smallholders and strengthened institutional capacity for smallholder dairy development, including animal extension and animal health services, applied research and strategic pilot investments.

These outcomes will be reached through the following activities:

**Activity 1.1 – Mobilizing farmers and households and building capacities.** The project will be highly inclusive, with dedicated activities aimed at fostering social mobilization and participation. For instance, the majority of training activities will be delivered through the implementation of farmer-to-farmer and learning by doing methodologies, most notably Livestock Farmer Field Schools (L-FFSFFS)⁴⁷. Trainings of Trainers (ToTs) will be delivered in target districts across the five regions to disseminate these methodologies.

Sub-component 1.2 – Improving access to water, fodder production and grazing land. Access to water and land for fodder production is critical for livestock and dairy

⁴⁷ See below, Activity 1.3

production. The Project will provide technical trainings and capacity buildings to 28,000 dekhan and private farms on best practices for improved water management and irrigation. Around 600 households will benefit from water harvesting investments, for HH and livestock, as well as irrigating home gardens.

Medium-scale dekhan farmers (average of 50 ha land and 50 head of cattle) and large private farms will be able to access loans (Window 2 line of credit – see *Component 2.2*) to purchase water harvesting tanks, efficient irrigation equipment, solar panels for water pumping to improve water use efficiency, etc. The beneficiaries from these concessional loans should demonstrate business linkages with smallholder dairy producers. Priority will be extended to those farmers selling feed/fodder to smallholder milk producers.

The Project will also rehabilitate 20 existing communal water points that are used by households and livestock. The selection of water points to be rehabilitated will be based on the number of households served, the number of existing livestock (cattle), the degree of degradation of the facility, etc.

To improve fodder production, up to 28,000 dekhan farmers will receive trainings and capacity building under the L-FFS to improve fodder and feed production and management, along with extension practices on climate smart fodder and feed production. These farmers will then have access to drought resistant seeds and fodder varieties.

The Project will also pilot (30 pilots) and then eventually upscale the development and use of hydroponic for fodder production (wheat, barley, etc.). In this case also, a collaboration will be established with universities/research centres as well as with dairy farmers who are currently using those techniques. In this regard, field visits and trainings will be organized.

The project will also support the formalization and registration of groups formed by six to seven youth who will access land (around 6 ha together) through the national land auction programme, and will grow fodder that will be sold to smallholder milk producers. Around 25 groups will be established and will benefit, through a grant mechanism, from improved seed varieties and access to water. In addition, these groups will also receive small-scale tools and equipment to provide agricultural services to the farmers, along with required trainings.

Household producers, small-scale dekhan farmers, youth and women groups will also receive (grants) small equipment for fodder production and conservation (hydroponic fodder, hay baler, fodder conservation and storage equipment, etc.). Combined with best practice in soil and land management, such as improved management of animal wastes, crop rotation and cover cropping, minimum tillage, and the use of nitrogen fixing species, these practices will enhance resilience among farmers to maintain and improve production while at the same time improving their ability to withstand climate shocks.

In addition to feed and fodder promotion, the Project will assist the Ministry of Agriculture in tackling issues related to grazing land degradation. In this sense, on a pilot scale, the Project, in collaboration with the local communities and the MoA, will support the regeneration of degraded rangeland.

**Sub-component 1.3: Improving dairy production and farm management.** The project will provide training to the targeted farmers, following a Livestock Farmer Field School (L-FFS) model⁴⁸, whereby group formation will enhance peer learning. Around 28.000 farmers will benefit from these trainings directly. Five L-FFS master trainers will acquire the curriculum and then train 15 groups of 10 facilitator trainers to total of 150

⁴⁸ A cascade on-farm training model of practical training in groups for a longer period, e.g., seasons or one or two years. FAO executes LFFSL-FFS and convenes platforms for graduate farmer communities worldwide.

actively training farmers in groups of 20 to 25 on farm to a total of 28,000 farmers being trained.

**Catalytic grants** will be provided to project target beneficiaries to enable these farmers trained or in training to implement improvements (e.g., improving cowsheds, fodder and feeding, milk hygiene, AI, etc.) and for stimulating climate smart practices (e.g., manure management, renewable energy, agroforestry, water harvesting, etc.). A need assessment will be conducted by the trainers and the beneficiaries during the L-FFS trainings to identify the equipment gap.

# Sub-component 1.4: Improving access to extension, health services.

2. **Extension.** Extension will complement the farmer field school training that the targeted farmers receive. DVCDP II will pilot a voucher system to provide continued access to extension. This can be done via AKIS for a subset of the targeted smallholder farmers for an additional three years. In parallel a number of MCCs established under the project (see Component 2.1) will work with private extension workers (paid by e.g., processor or farmers group).

3. **Animal health.** This project will cover the necessary strengthening of the public animal health services, including laboratory capacity. DVCDP II will complementarily invest in last mile private veterinary service delivery to ensure that smallholder farmers in the targeted areas have access to therapeutic and preventive animal health services. A four-year programme will be developed and executed to enable some 300 veterinarians and para-veterinarians to offer private animal health services to especially smallholder farmers to complement and also contribute to the public system. A tailored training, including technical as well as business knowledge and skills, will be developed and provided to the candidates of the programme. In addition, matching grants will be offered to the trainees that successfully complete the training to embark on the four-year phased trajectory, whereby they are contracted to offer a package of bundled services to smallholder farmers. Loans for professional gear can be provided (see under Component 2.2).

**Breeding.** The project will promote artificial insemination (AI). Farmers participating in the L-FFS training will receive AI vouchers representing up to 20 USD. The existing AI infrastructure will be strengthened, and AI will become part of the bundled services of the 300 private (para)vets in the project's animal health services programme and 100 additional inseminators will be trained. The project will also promote endogenous breeding, whereby local farmer breeding groups will be developed and supported to strategically improve productivity traits in their herds, while preserving resilience traits, through participatory local breeding programmes.

**Sub-component 1.5: Applied research, pilots and dissemination.** Investments in short and applied research studies have the aim to assist in piloting innovations for scaling up in DVCDP II project, generate knowledge for project beneficiaries, inform policy and/or build institutional capacity with regards to further climate smart dairy development and smallholder farmer empowerment and dairy management practices. The following research, pilots and dissemination will be carried out under DVCDP II:

- Bovine Brucellosis
- Technical and organizational support for local breeding groups.
- The project will competitively grant MSc research proposals.

# *Component 2. Increasing participation of small-scale farmers in the dairy VC*

**Expected outcomes.** The expected outcomes of Component 2 are to increase the participation of smallholder farmers in the dairy value chain with increased incomes, and

enhance the competitiveness of the value chain. These outcomes will be reached through the following activities:

# Sub-component 2.1. – Establishing Milk Collection Centres (MCCs)

**Construction and equipment of new Milk Collection Centres.** The project will establish/construct additional 100 MCCs. The Project will provide technical support and trainings on milk handling and testing as well as on business management to these MCCs.

Three MCCs management models will be adopted during the implementation of this second phase. (i) MCCs managed by a dairy processor, where the processor will be in charge of providing the land and finance the construction of the building and the Project will fund the equipment of the centre. If needed, the dairy processor will have access to the credit facility under Component 2.2 (Window n°4) to get a loan and finance this investment, including the purchasing of transport means. The capacities of these MCCs will be relatively large ranging between 20,000 and 30,000 litres (cooling tanks capacities); (ii) MCCs managed by a private company/individual trader, in this case, the Project will finance the construction and the equipment of the MCC. The trader/company will provide the land. The cooling capacities of the MCCs will vary depending on the location of the MCC (high milk production locality or not); (iii) MCCs managed by farmers associations/cooperatives, the project will pilot the establishment of five MCCs managed by farmers associations/cooperatives, supporting their sustainability by setting up public private producer partnerships (4Ps). The project will provide the stakeholders involved in these 4Ps with technical support.

All constructed MCCs will be equipped with milk testing kits and small-scale laboratories. Some new MCCs will also be equipped with solar panels to reduce the use of fossil energy sources. The staff of these new MCCs will receive training and capacity building in the areas of milk quality and hygiene, milk testing, records keeping, business management, and contract negotiation.

**Organization and equipment of milk collectors/traders.** DVCDP II will provide through catalytic grants, around 600 refrigerated tricycles for young milk collectors who will also receive milk containers and a portable milk testing kit each. The transporters will also benefit from trainings on milk testing and milk handling and hygiene. Larger milk collectors (e.g., MCCs, dairy processing units) will also have facilitated access to refrigerated milk transport trucks and pick-up cars through loans provided by the project under the credit financing Window n°4.

**Equipment of producer groups with milk refrigerators.** At the production level, around 1,000 groups of producers (the ones who were formed through the L-FFS) will also benefit through the catalytic grants from small-scale milk cooling equipment functioning with solar panels, milk containers and a simple lacto-densimeter for milk testing.

**Providing women involved in artisanal dairy processing with small-scale processing and packaging equipment.** Around 1,700 Women who are currently involved in artisanal milk processing and transformation to dairy products such as kefir, cheese, cream, etc. will also benefit from catalytic grants to purchase small-scale equipment for dairy processing and packaging to improve the quality and the preservation of their products, and facilitate its marketing. These women will also benefit from related training and capacities building sessions.

# Sub-component 2.2. – Facilitating access to credit for stakeholders in the dairy VC

**Extending lines of credit to banks and developing tailored financial products for the dairy sector.** To achieve the expected outcomes in rural financing, the Project will

support the establishment of five (5) targeted financing windows through subsidiary agreements/ sub-lending to selected Participating Financial Institutions (PFIs):

- Window 1 Women, Youth, and unregistered HH farmers. This funding window will be dedicated to youth and women, and to unregistered HH farmers involved in the dairy value chain or willing to develop a viable business in the dairy sector. The window will combine facilitated access to concessional loans with a dedicated guarantee mechanism providing additional guarantee coverage (up to 75% of the loan amount). The loans can also be combined with matching grants received under Component 1 to finance the contribution expected from the beneficiaries on larger equipment grants (see Sub-component 1.3). This window will be established as a pilot and an initial target of 125 beneficiaries.
- **Window 2 Dekhan farmers.** This financing window will provide concessional loan proceeds borrowing to registered dekhan farmers, with up to 20 cows, for the purchase of small-size on-farm equipment, machinery and working capital. It is expected that approximatively 450 dekhans farmers could benefit from facilitated access to loans under Window 2;
- Window 3 Private commercial farmers working with vulnerable household farmers and small-scale dekhan farmers. This window will provide loans to larger commercial farmers (e.g., up to 50 cows), under the condition that they demonstrate clear linkages with smallholder dairy producers (i.e., vulnerable household farmers, small-scale dekhan farmers, poor, near landless or unemployed women and youth, etc.). It is estimated that 140 private farms could benefit from this financing window;
- Window 4 Agri-processors and MCCs working with vulnerable household farmers and small-scale dekhan farmers. This window will provide loans to dairy processors who demonstrate linkages with smallholder dairy farmers and vulnerable households in the project target groups (e.g., as milk suppliers, collectors, sourcing or buying from MCCs that source milk form smallholder farmers, etc.). It is estimated that 20 agri-processors and 20 30 MCCs could benefit from this financing window;
- Window 5 Service providers and input suppliers. This window will provide loans for financing the purchase of veterinarian equipment and professional gear; medications; equipment for artificial insemination; and unit systems for feeds product, etc. An estimated 80 private veterinarians and 20 feed producers could benefit from this financing window.

**Guarantee mechanism.** A partial credit guarantee scheme for youth, women, and unregistered HH borrowers who have limited access to collaterals will also be considered in the framework of DVCDP II, hosted and administered by the Entrepreneurship Development Company (i.e. formerly the State Fund for Support of Entrepreneurship Development - SFSED. It is envisaged that this guarantee window could cover up to 75% of the principal amount of the loans disbursed to dekhan farmers eligible to Window 1.

**Capacity building of PFIs.** The project will also support capacity building of the PFIs for the design of loan products tailored to the needs of the project target groups and for improved targeting to women and youth.

# Component 3 – Policy support and Project management

# Sub-component 3.1 – Policy support

• **Establishment of a national dairy platform/forum** that includes the main value chain actors involved (producers, collectors/traders, MCCs, processors).

- Building national capacity for research and policy regarding developing strategies for climate-smart livestock development, including mitigation, adaptation and grazeland restoration.
- **Influencing government policy on land reform** through the participation to working groups with the aim to improve smallholders and youth access to agricultural land. The project will also develop a study assessing the current status/results of the land reform and its potential future impacts if youth and smallholder farmers, including women, get higher access.

# **Project Area**

In line with the Country Strategic Opportunities Programme (COSOP) for 2023-2027, the geographical targeting of DVCDP II aims at scaling up the investment in the areas previously supported under DVCDP (Jizzakh and Kashkadarya regions), while developing new activities in three additional regions (Sirdarya, Samarkand and Surkhandarya). Further targeting will identify priority districts and intervention areas within the 5 target regions.

A list of districts and number of potential beneficiaries per districts and per target groups to be provided after the implementation of the listing exercise.

# Target groups

The project's priority target groups will comprise the following:

- **Vulnerable household farmers ('tamarkas')** (approximatively 65% of the total beneficiaries), owning small stock (up to 5 cows) and with poor access to land and credit. They are mostly unregistered farmers, with access to small size plots (between 0.3 to 1 hectare) household gardens where they farm for home consumption and local markets. Income level for this group is usually at or not significantly above the national poverty line. Milk productivity is generally low due to poor animal health, limited access to water and fodder and low quality of feeding. The milk is sold mostly in local markets or to neighbors. Among this group, women constitute the vast majority of milk producers. The income from milk is managed by them and is mostly used for household expenditures.
- **Better off household farmers (unregistered) and dekhan farmers** (*registered*) (*approximately 25% of the total beneficiaries*), owning larger stock (up to 20 cows) and with access to land. Farmers in this group generally manage larger farms, where they produce high value-crops for the market. They sell their produce to milk processors and often act as middlemen in their community.
- **Near landless and unemployed women and youth**, including people with disabilities and returning migrants, who live below the poverty line and are willing to engage in the dairy sector (*approximately 10% of the total beneficiaries*). Most of the people in this this target group are registered in the '*Mahalla notebooks*'⁴⁹. The lack of available data concerning the assets and livelihood characteristics of this group made it difficult to carry out an in-depth socio-economic assessment during the project design. However, data from qualitative analysis and key informant interviews reveal that the majority of them mostly raise small ruminants and poultry, and a minority already own cattle. More rigorous data will be generated through the baseline study. Despite this knowledge gap, several opportunities have been identified to promote the

⁴⁹ GoU introduced a social registry system in 2021 - the "Iron Notebooks" to track families facing severe social and living conditions with assistance programmes. These Notebooks are managed by the local Mahalla and also include "Women Notebooks" and "Youth Notebooks".

inclusion of this vulnerable target group in the dairy value chain, including facilitating access to trainings and land, identifying employment opportunities in the dairy value chain (e.g. as drivers, milk collectors, small processors, fodder producers, etc.), and building linkages with pro-poor business models in the project areas.

• Other direct beneficiaries include: middle-scale and private commercial farms, private input suppliers/service providers for e.g. breeding/veterinary and fodder, milk collectors, MCCs and processors. These are key, catalytic actors in the value chain and their participation will be strictly monitored to ensure that their business plan will be sustainable, inclusive and pro-poor. Clear pro-poor and social inclusion criteria will be formulated for selecting private business proposals.

**Number of beneficiaries.** It is anticipated that the project will reach approximately 31,000 households living in the five selected regions, and include 40% women, and 30% youth beneficiaries.

# **Targeting Strategy**

The process to identify, mobilise and select eligible participants, will be driven by a team of social mobilisers, and will be carried out in partnership with local communities and the Mahalla. Eligibility criteria for selecting project's participants have been formulated and will be further validated by communities and the Mahalla. Linkages with the government targeting system have also been established, through the partnership with the Mahalla. The Project will also work closely with district deputy *khokims* (i.e., local mayors) and the Women's Committee (WCU). Participatory Rural Appraisal (PRA) will be the entry point to pre-identify, mobilise and organize the project's target beneficiaries. The scope of the PRA exercise will be to assess the specific needs and socio-economic characteristics of different target groups, with emphasis on more vulnerable intersectional groups, and identify existing opportunities to include them all along the different stages and functions of the dairy value chain. The Livestock Farmer Field Schools (L-FFS) (Component 1) will be the main activity to organise beneficiary groups so that they can access project's support and compete for grant resources and additional technical training.

# Theory of Change (See Annex 2. ToC diagram)

1. Small-scale farmers, including youth and women, in the livestock and dairy value chain face a number of challenges which hinder their capacity to generate higher income and sustainably develop their activity. These include a limited access to land, including grazing land, as well as water, a lack of access to essential inputs such as feed, or services such as artificial insemination, private veterinary services, fodder mechanization, climate smart technologies and practices, technical assistance and credit. Small scale farmers also have limited know-how in livestock managing and milk processing, low awareness of sustainable practices and technologies, and have poor business management and financial skills. The lack of formal business linkages between farmers and private service providers, input suppliers, aggregators and financial institutions, does not allow them to access markets and services, and limited access to finance for value chain stakeholders, including women, also associated with gender and generational inequalities constraints, and youth, associated with limited access to assets (including land), and employment opportunities prevent them from accessing working capital and investing on their farm.

1. In addition, the lack of dialog between the value chain actors does not allow them to voice the main issues they face in the value chain to inform the related policy and strategies developed by the government.

2. The **development problem** is that small-scale farmers in Uzbekistan, despite their significant contribution to the country's labour force and economy, operate well below

their business potential and are disproportionally affected by poverty, food insecurity, and climate change impacts.

3. To address this problem, the project will focus on the livestock and dairy value chain, which has a great potential for productivity increase and competitiveness improvement, income generation for small-scale farmers, and the adoption of (climate) adaptive practices and technologies in land and water management, livestock management as well as energy use, that will eventually also lead to GHG emissions reduction along with building households resilience to climate related shocks.

4. If small-scale farmers in the livestock and dairy value chain have improved access to land and water thanks to an enabling policy framework facilitating access to land and water for smallholders, in particular youth, and if they are provided with intensification technical package with a combination of support on genetics, animal health, herd management and feeding, climate smart technologies and practices **then** they will adopt more productive, sustainable and climate resilient practices resulting in an increase of the productivity and milk quality. In addition, improved animal health including from better and drought resistant feed/fodder crops, improved breeding practices including resistant breeds, preservation of soil fertility, use of improved pasture management systems, water-use efficiency as well as deployment of renewable energy systems, particularly utilization of solar energy in the value chain and in water pumping, will directly lead to GHG emissions and GHG emission intensities reductions. And if all stakeholders in the value chain, including the most vulnerable (registered in Mahalla notebooks), including vulnerable women (including women headed households) and unemployed youth including persons with disabilities and returning migrants, receive adequate trainings to improve their technical and business management skills and technologies and to overturn gender stereotypes in the value chain, **then** they will develop a modern entrepreneurial mindset to run their business and will be able to access government support schemes ("every family is an entrepreneur") and credit opportunities.

In addition, **if** formal linkages between producers and aggregators, processors, private service providers and input suppliers are established, **and if** adequate financing instruments are available for all stakeholders in the value chain, including vulnerable household farmers (including vulnerable women and unemployed youth), **then** small-scale farmers will have increased market opportunities and better access to inputs and services, and sustainable investment will increase across the dairy value chain, **then** this will result in the generation of a higher added value and sales, additional job opportunities for unemployed women and youth and increased incomes, including incomes deriving from livestock and dairy production, leading to improved economic access to food for smallholder households. Additionally, **if** all stakeholders in the value chain, including the most vulnerable, receive dedicated nutrition education and training in nutrition-sensitive agriculture, and **if** nutrition is integrated in agriculture extension approaches like L-FFS **then** this will lead to improved nutrition outcomes, and enhanced food security among smallholder households facing no issues with physical availability of food.

**And if** dialogue is established between the different actors with the aim of identifying the main issues they face and providing concrete solutions and action plans to resolve them **then** VC actors' propositions will be reflected in related policy and strategies developed by the government. **And if**, policy dialogue on land reform is established with the aim of improving smallholders, including women and youth access to agricultural land combined with related research activities, **then** this will lead to approval/amendment of new/existing laws/regulations/strategies on land tenure.

In the presence of an enabling business and political environment, with policy support to facilitate access to land and water for smallholders, in particular youth, and interest of Partner Financial Institutions to increase access to rural finance products for small-scale farmers and availability of adequate financing instruments for the smallholders in the value

chain, as well as interest of the private sector to invest in the dairy value chain along with adoption of adequate climate resilient inputs and practices as well as business mindset and management skills by the smallholders the combined effect of the project activities will then lead to a better integration of small-scale farmers in a competitive, inclusive and climate smart dairy value chain resulting in increased incomes, increased climate mitigation and resilience to shocks and improved food security among small-scale farmers in the dairy VC, in turn contributing to the sustainable and inclusive development of the agriculture sector and of the economy.

# 4. PURPOSE AND OBJECTIVES OF THE CONSULTANCY

# 4.1 Purpose

The planned study aims at carrying out a baseline survey to measure the baseline values of project outcome and impact indicators, identify household characteristics before project interventions and generate benchmark information for Log-frame indicators. It will consist of quantitative and qualitative information on livestock production (including milk production), incomes deriving from livestock or dairy production, asset ownership, land ownership, status of contractual arrangements in the dairy value chain (formal/informal), employment, food security and nutrition, financial services, producers' organizations, rural enterprises, climate resilience, water availability for production purposes, and any other impact or project specific thematic area included in the questionnaire.

The set of data to be collected will be based on the Project's logical framework indicators and IFAD's COI Guidelines. T

This study constitutes one of the stages of the project evaluation process and is part of a global evaluation plan.

# 4.2. Objectives

The survey will measure the baseline values of project outcome and impact indicators and individual/household characteristics at project start. The baseline survey will be conducted on a sample of potential beneficiaries from the eligible population. Baseline data provide information on beneficiaries and comparison groups before the Project is implemented and are important for measuring pre-intervention outcomes and establish benchmark information for selected indicators. A participatory geo-referenced listing and mapping exercise will be embedded in the Project baseline survey aimed at identifying and mapping the target groups/potential beneficiaries in the value chain enabling a more targeted approach for Project implementation. The exercise will also include context-specific needs assessments of the concrete barriers to smallholder-driven dairy sector development and address pressing information needs for implementation planning. The analysis of baseline data will also be used to assess targeting effectiveness, that is, whether or not DVCDP II is going to reach its intended beneficiaries.

The main objective of the study is to develop the quantitative survey methodology, qualitative assessment methodology, survey tools, data input platforms, sample design, informed consent forms, respondent access strategy, conduct the data collection, data input, cleaning and analysis, and report writing of the DVCDP II Baseline survey to be used for the project evaluation process.

# 5. METHODOLOGICAL APPROACH

The Service Provider, when carrying out the Assignment, shall refer to the DVCDP II Programme related documents (PDR, PIM, IFAD COI guidelines, DVCDP Impact Assessment report and questionnaires, etc.), etc. The scope of the Assignment will focus on assessing the status of a set of Project indicators extracted from the Log Frame and the list of IFAD's ORMS indicators, as well as other Project specific indicators. The scope of the services required under this Terms of Reference include the collection of data at the appropriate levels of analysis: Individual/Household/Rural Enterprises/Producer organizations.

Given the diversity of the indicators to be informed through the Assignment, quantitative and qualitative research methods shall be employed to carry out the research and data analysis:

- Primary data collection that will include both quantitative and qualitative data collection methods (Survey with beneficiaries; in depth interview with the Key Informants; Focus Group Discussions with beneficiaries to capture their needs opinions and perceptions)
- Secondary data collection that will include the analysis of available information from Programme related documents and other sources including among others national statistics; scientific studies; financial institutions reports, etc.

A participatory geo-referenced listing and mapping exercise will be conducted aimed at identifying and mapping the target groups/potential beneficiaries in the value chain enabling a more targeted approach for Project implementation. The sample frame will be drawn as a result of the mentioned exercise. The exercise will also include context-specific needs assessments of the concrete barriers to smallholder-driven dairy sector development and address pressing information needs for implementation planning through the deployment of qualitative methods (e.g. key informant interviews, focus group discussions).

The baseline survey will consist of quantitative information collected from the potential target population consisting of a household survey (PO, Rural enterprise or community survey will be deployed if and when relevant). Data collection methods will pay attention to gender and youth matters in the Project area. In particular, the Assignment should provide gender-disaggregated information for all relevant indicators. The qualitative data collection will consist of focus group discussion and key informant interviews with potential beneficiaries and key informants. Both data collection methods will pay attention to gender and youth matters in the Project area. In particular, the Assignment should provide gender/youth-disaggregated information for all relevant indicators. The respondent access strategy shall be developed to ensure 30% women and 30% youth participation in the survey.

# 5.1 METHODOLOGICAL REQUIREMENTS FOR QUALITATIVE SURVEY

The qualitative survey serves the purpose of complementing the quantitative survey by contextualizing the findings and providing information on the capacity of existing institutions and procedures. In the case of all qualitative work, the Contractor must take the lead role in identifying participants with support of the PMU, arranging the interviews and collecting info and data, with general guidance provided by the Project Management Unit and IFAD. The purpose of the qualitative surveys are to verify and contextualize the results of the quantitative analysis, provide information on program design and implementations, and evaluate program activities not included in the quantitative study. The qualitative survey will include context-specific needs assessments of the concrete barriers to smallholder-driven dairy sector development and address pressing information needs for implementation planning. Additionally, the qualitative assessment will focus on the **Policy Indicator**: Existing/new laws, regulations, policies or strategies proposed to

policy makers for approval, ratification or amendment under the Outcome 3: Sustainable institutional and organizational development in the dairy sector to identify and describe the existing laws, regulations, policies or strategies in the respective sector and discuss the existing gaps in the system. The firm will develop the questionnaires and guidelines for the qualitative work, subject to the approval of IFAD. The qualitative data collection will consist of {FGDs and KIIs}, namely:

- {XX to XX FGDs composed of XX people each ensuring representativeness, including women and youth.
- {XX to XX KIIs with XXXX, note the types of people who will be interviewed}

The plan for the qualitative work will be enumerated in the baseline assessment plan which is subject to the approval of the IFAD team.

# 5.2 METHODOLOGICAL REQUIREMENTS FOR QUANTITATIVE SURVEY

A listing survey will be conducted to obtain a listing of households in the eligible population. Quantitative data collection will entail a sample-based survey and structured/semi structured data collection of Project potential beneficiaries. The quantitative data collection will consist of in-person surveys with households, rural enterprises, producer organizations, etc.

- The listing or enumeration exercise questionnaire administered as part of this survey will consist of surveys with XXX. Note that the listing or enumeration exercise should be conducted in-person.
- The household questionnaire administered as part of this survey will consist of questions regarding general household characteristics, such as household demographic characteristics, land ownership and use, on-farm and off-farm employment, income, resilience and asset ownership, among others. The length of surveys may vary, however, on average it is expected that one household level questionnaire should take approximately {1-1.5 hours} to complete. The survey will be administered to the household head {and a female household member, a young person, etc., specify who will be interviewed if conducting more than one interview}.

# 5.3 Questionnaire and variables

The draft questionnaire presented in the IFAD Guidelines for measuring Core Outcome Indicators as an annex to the current TOR integrates the logframe outcomes indicators of key relevance to this study, it should be contextualized and complemented but the outcome related-questions from the draft questionnaire should remain the same when relevant to a particular group or stage of the project and should not be rephrased. The survey questionnaire should be complemented with additional questions formulated by the Service Provider for the other project specific indicators of the logframe at outcome level. While developing the survey questionnaire the questionnaire of DVCDP Impact Assessment exercise shall also be consulted and the relevant modules applied (e.g. S11, S12, etc.). The Service Provider has to develop the survey questionnaire further and include the list of questions identified by the PMU. For the purpose of collecting qualitative data through focus group discussions the service provider shall develop separate assessment methodology and discussion guides for qualitative assessment. Both data collection tools (quantitative survey questionnaire, qualitative assessment discussion guides) shall be cleared by the PMU and IFAD Country Team.

# 5.4 Sample frame

The sample frame is the list of Project potential beneficiaries, from which random samples of units are selected to build the survey samples. Based on the information available, these units should be crossed with the main characteristics of the desired population. (e.g., geographical location, farm type, main products, etc.). To build a list of units (sample frame), the project will implement a listing and mapping exercise. To ensure the representativeness of the sample, many factors should be taken into account based on a good understanding of the targeting strategy. It should clearly define who are the different groups targeted or each of the project activities and how the beneficiaries might overlap.

The project targets in terms of specific groups' participation, such as women and youth for instance, also have to be taken into account. All these elements have to be adequately reflected in the sample.

For more details on how to set the sample frame, see STEP 3.1 of the COI measurement guidelines.

# 5.5 Sampling method

An appropriate methodology should be applied to draw a representative sample that reflects the characteristics of the population from which it has been drawn. The methodology applied shall ensure proportional representation among all Project-targeted groups. The sample shall include a geographically, age and gender balanced group of representatives of project target beneficiaries. The sample unit shall be clearly defined. The consultant should maintain an accurate register of households sampled for future reference. The sampling method should be enumerated in the survey plan.

See step 3.2 of the COI measurement guidelines for further details.

# 5.6 Sample size

The sample size refers to the number of households to be included in the survey and defines how many observations are enough to be able to detect significant effects in the variable of interest. The sample size is referred to as N. The selected households should confirm their willingness to participate in the survey following standard guidance for free-informed prior consent.

COI guidelines allow two approaches for determining an adequate sample size.

- Power calculations using secondary data guaranteeing a minimum detectable effect consistent with the logframe and relevant literature

- IFAD's "Rule of Thumb" may be applied where 750 treated and 750 control units are surveyed only if requisite steps are made to ensure sufficient power are made taking into account the stratified nature of the sample.

Since project beneficiaries have not been yet identified, the baseline survey-sample should be drawn from the eligible population, considering an over-size of the sample to ensure it contains sufficient treatment units.

See step 3.3 of the COI measurement guidelines for further details.

	Stages:	Baseline	
F	Beneficiaries identified at	Formula	N treated units
Sample size calculation	baseline	Rule of Thumb	750 treated units
	Beneficiaries <b>not identified</b> at baseline	Formula	2N eligible units
		Rule of Thumb	1500 eligible units

# 5.7 Probability sampling

The probability sampling refers to the sampling method in which all the members of the population have an equal chance to be a part of the sample and it uses random selection to select the sample within the desired population. The contractor should employ methods (i.e. probability weighted sampling, clustered sampling, and/or stratified random sampling) to ensure representativeness on relevant dimensions.

See step 3.4 of the COI measurement guidelines for further details.

# 5.8 Data quality control

The process of ensuring data quality is vital to the accuracy and usefulness of the survey. As data is collected and entered into a data input platform, checking for errors, data cleaning and data quality assurance is an important step and sufficient time should be allocated to review the data and assure its quality. The following strategies should be used:

- Double data entry.
- Spot checking.
- Sort data to find missing data, outliers, high, or low values.
- Use automation, such as drop-down menus.
- Format a database to accept only numbers.
- Review data for anomalies.
- Discuss data discrepancies and/or findings with implementers.

Data-quality checks should be implemented while collecting the data rather than ex-post as in the case of paper -based surveys as such for data collection, the use of electronic devices, CAPI systems such as Survey solution or similar softwares, and georeferencing are required. The process of ensuring data quality is vital to the accuracy and usefulness of the survey. Data quality control requires a significant effort. As such, the contractor must also ensure an adequate number of enumerators and supervisors and thorough intimal training (and re-training as needed). Data-quality checks must be implemented while collecting the data rather than ex-post (as in the case of paper -based surveys), by using electronic devices for the data collection.

See step 5.1 of the COI measurement guidelines for further details.

# 5.9 Computer entry

The use of electronic devices and geo-referencing is recommended. The use of Survey Solutions or a similar software is recommended for CAPI data collection.

See step 5.2 of the COI measurement guidelines for further details.

# 5.10 Analysis and report

### Analysis

The Assignment is conducted on a sample of beneficiaries. Results then have to be extrapolated for the whole beneficiary population in order to populate the logframe. It is important to keep in mind that some indicators might not apply to the whole beneficiary population and this has to be taken into account for the estimation. The Assignment (COI survey) aims at collecting benchmark data regarding IFAD Core Outcome Indicators and specific project outcome indicators and impact indicators and thus allow to assess changes occurring at the outcome level due to project intervention. It does not only intend to evaluate the project but also helps projects monitor their progress.

*See STEP 5.3 of the COI measurement guidelines for further details on analysis of survey results.* 

# Report

While writing the report, the Service provider will work in close collaboration with the PMU and other implementing partners, to enable a learning process and to maximize transparency and accountability. Once the surveys have been conducted and their quality controlled, the analysis of the results should be presented in a report. The report summarizes the conclusions emerging from the analysis and includes the following elements:

- the description of survey methodology (including limitations of the study) and assessment structure
- the description of methodology for qualitative assessment
- the list of villages/communities surveyed and sample calculations
- the results of the survey (findings)
- findings of the qualitative assessment presented as a separate chapter
- the updated logframe (at least CIs and project specific indicators at outcome levels)
- the ToC and its description based on the results of the survey
- the analysis and interpretation of the results (detailed analysis with statistical significance and summarized tables for each indicator)
- the questionnaire (provided as annex to the report)

The survey database will also be provided to project staff with all raw data, code files, intermediate, and final outputs. The qualitative data will be presented in a separate chapter and reports and transcripts submitted.

See STEP 5.3 of the COI measurement guidelines for further details.

# 6. DETAILED LIST OF ACTIVITIES AND DELIVERABLES

The Service provider will work in close collaboration with the concerned general experts of the implementing agency and under the supervision of the Project Team and IFAD in the development and supervision of all phases of data collection and following analysis of the dataset.

Prior to the launch of the survey, the Service provider will present in a meeting with the PMU and IFAD the overall methodological approach and all the elements needed to achieve high quality deliverables.

# 6.1 List of activities

### Phase 1 - Inception phase

Initial situational analysis - Review of project materials and data: The identification of the beneficiaries (and non-beneficiaries) interviewed at previous stage will enable the firm to construct a panel survey.

The Project Team shall be responsible for providing key background documentation to the service (financing agreements, Logframe, ToC, Project Implementation Manual, etc.).

- Collect and analyze secondary data (from multiple sources where available).
- Listing of potential beneficiaries To facilitate the drawing of the sample within the eligible population, a listing of potential beneficiaries will be conducted in the field. Enumerators will collect basic information from each household in the enumeration area, taking on average no more than 5 minutes per household to assess household eligibility, basic demographic and re-contact information. The household sample will then be constructed on the basis of this listing. An initial identification and selection of enumeration areas (districts) will also be required. The Service provider will work closely with the Mahallas, Women Committee (including regional offices) and other relevant stakeholders as key informants for identifying the eligible potential beneficiaries.

# Phase 2 – Sampling strategy and quantitative survey instrument development

- Development of the survey questionnaire based on the draft provided by the project as well as focus group discussion guides.
- Development of the sampling design
- Clearance by Project Team and IFAD of pilot sampling design and the questionnaire.
- Survey plan: The contractor must deliver a survey plan outlining the sampling strategy and methods for approval before proceeding.
- Develop interview manuals and instructions for field staff
- Questionnaire pre-testing:
- Development of the Final Questionnaire.
- Development of an appropriate data management system with adequate quality controls.
- Clearance of the final questionnaire, discussion guides and sampling design by Project Team and IFAD

See section IV of COI Guidelines Appendices on methodological requirement for details

#### **Development of qualitative survey instruments**

- Development of Focus Group Discussion Guides and manual for facilitators

- Identification of sampling strategy, participants and planning of FGDs

See STEP 4 of the COI measurement guidelines for further details.

### **Phase 3 – Fieldwork Activities**

- Preparation for field work (recruitment of interviewers, printing of questionnaires and other fieldwork documents).
- Staffing, Enumerator training, and pilot
- Administrative approval from necessary authorities
- Quantitative data collection at the appropriate level of analysis: Individual/Household/Rural Enterprises/Producer organizations
- Data quality control
- Qualitative data collection (focus group discussion/semi structured in-depth interviews, etc.).

See STEP 4 of the COI measurement guidelines for further details.

### Phase 4 - Data Processing, Analysis and Final Report Preparation

- Data input platform formation (Stata, SPSS SAS for quantitative data; the use of MAXQDA software for qualitative and mixed methods data analysis would be an asset).
- Data entry and cleaning.
- Statistical analysis of both quantitative and qualitative data.
- Preparation of the first draft of the report.
- Presentation and discussion of findings with project team
- Finalization of the report
- Translation of the final report.
- Clearance of the report.

See STEP 5 of the COI measurement guidelines for further details.

#### 6.2 Deliverables

The Service provider will produce the following deliverables for this assignment:

- Deliverable 1: Assessment roadmap (for both quantitative and qualitative assessments) including updated working calendar and delivery schedule
- Deliverable 2: Survey design describing the survey methodology, sampling strategy, respondent access strategy, consent form, data collection instruments and data entry methodology
- Deliverable 3: Final questionnaire and discussion guide including electronic format (e.g. Survey Solutions, Survey CTO).
- Deliverable 4: List of households to be interviewed and list of communities/villages surveyed
- Deliverable 5: Training manual for field staff and enumerators
- Deliverable 6: Training of field staff and enumerators
- Deliverable 7: Draft Survey Report Analysis and Reporting in English
- Deliverable 8: Final Survey Report Analysis and Reporting in English
- Deliverable 9: Clean dataset (Stata, SPSS or SAS) along with raw survey data, code files, and other intermediate and final outputs needed to replicate analysis presented in the report.

The Service provider will deliver all the material in electronic format. The expected tasks for the Service provider should be performed in accordance with a mutually agreed

schedule. Final deliverables should be submitted according to this schedule and within the limits of the contract duration.

Deliverables are subject to agreement by the Project Team and preliminary versions should therefore be submitted by the service provider in time allowing for comments to be shared and if required changes to be introduced by the Service provider. The deliverables will not be considered final unless fully accepted and approved by the project team. All deliverables will be reviewed by the project team within 7 days of submission.

A table presenting the payment schedule and conditions according to the delivery of the products must be included.

# [TIME SCHEDULE FOR THE BASELINE SURVEY to be developed]

# 7. COMPETENCIES REQUIRED

# 7.1. Service provider expertise and required qualifications

The selected Service provider shall possess the following qualifications:

- Previous experience in carrying out evaluation surveys is a compulsory requirement, including demonstrated experience in designing and conducting evaluations and of organizing surveys on the scale of this project (including survey and sampling design)
- Good network of experienced enumerators, supervisors and data entry clerks
- Strong capacity in data management and statistics
- Strong capacity in survey analysis and reporting of results
- Strong interpersonal skills and a team oriented spirit
- Experience doing household survey work and carrying out evaluations in Georgia
- Strong background in statistics and econometrics.

# 7.2. Key staff/ required staff

The proposed team should consist of reasonable number of qualified and experienced professionals having proven track record in designing and implementing socio-economic and baseline studies and/ or evaluation studies and having good depth of understanding of rural development as well as of and gender and social inclusion. The bidders are expected to propose a study coordinator/Team Leader and appropriate number of experts, field supervisors, enumerators and support staff.

#### Minimum key professional staff positions (recommended):

- One study coordinator/team leader: Advanced degree in economics, statistics, agricultural economics or related field. At least five years relevant experiences in conducting impact evaluations, large quantitative survey implementation and analysis, experience in household and agricultural data collection and analysis required, ability to coordinate teams and ensure timely reporting.
- The study coordinator/Team Leader will be in charge of coordinating the planning, implementation of the studies and ensuring that the work is conducted following the highest professional standards. The individual will be in charge of ensuring that the quality control and supervision mechanism in place for the survey is effective, manage the data collection team and ensure that each member performs their specific scope of work.
- One expert in survey implementation and field supervision: Minimum five years' experience with large survey implementation, experience in implementing household and agricultural surveys required. Preferably with previous experiences in conducting surveys in Uzbekistan.

- One socio-economic researcher: Advanced degree in economics, agricultural economics or related fields, at least five years' experience in analyzing survey data using STATA or equivalent software. Strong background and experience in statistics and econometrics is required. Expertise in Gender and Social inclusion would be an asset. Ability to write clearly and concisely in English. Previous experience in impact evaluation is preferred.
- One computer specialists in data entry and data base management: Minimum experience of three years with large survey data sets and data entry software required. The data specialist will develop appropriate data management system with adequate quality controls, and finalize the data management system before the data collection team moves to the field. The data management system would also be organized in such a way as to deliver partial datasets on a regular basis to the Project Team.

# Minimum key support staff positions (recommended):

- Field supervisors: Minimum of 2-3 field supervisors should be hired (best ratio would be 1 supervisor every 4 enumerators). They should be chosen based on the firm's best practices. Some degree of knowledge of local languages is expected at least from a sufficient number of the supervisors. At least two years' experience in conducting or managing household surveys is required.
- Survey enumerators: Minimum of 8-10 enumerators should be hired. Minimum qualifications include knowledge of local language. A good gender balance should be also ensured among the enumerators. Preference should be given to candidates with experience in quantitative data collection in rural Uzbekistan, namely, on the themes of the questionnaire.
- Data entry technicians: Minimum qualifications include knowledge of local language and advanced computer skills. Preference should be given to candidates with experience in quantitative data entry and/or previous experience in survey work.

# 8. ADMINISTRATIVE AND OTHER ASPECTS

# 8.1. Proposal content

Interested consulting companies should submit their applications consisting of the following documents/information to demonstrate their qualifications:

- **Technical Proposal** will include: the profile of the company, relevant experience for the assignments, staffing (CV of each team member), proposed methodology to perform the assessment, the size of the sample to be analyzed, the work plan and schedule (activities) and resources (including number of person-day).
- **Financial proposal** will obligatorily include the consulting fee and operational expenditures related to the assignment. The survey company will provide a break-down of the budget by the activities mentioned in the Activities section above.

# 8.2. Conditions for offer's submission

To be considered interested companies should submit their proposal (technical and financial offer) in original and a copy in separate sealed envelopes. Each envelope will consist of the technical and financial offer sealed in separate envelopes as well (a total of 2 envelopes, each with 2 envelopes inside).

# 8.3. Selection Process

The consulting company will be selected in accordance with Uzbekistan's procurement procedures in effect for the Project.

The final score obtained by each firm being composed of [X %] of the score for the parameter "Quality" (evaluated based on technical bid) and [(100-X) %] - score obtained for the parameter "Cost" (established based on financial bid). The financial offer will be opened only if the provided technical offer will pass the minimum technical score of [xx] points.

# 8.4. Equipment and logistics

It is the responsibility of the Service Provider to ensure that vehicles and/or equipment are available and functional over the course of the contract duration. The Service Provider will prepare all the materials required for the field staff. The Service Provider will also conduct appropriate transportation arrangements when conducting field work. All expert expenditure for travel to the pilot provinces shall be covered by the Service Provider.

# 8.5. Budget and mode of payment

Budget should cover all costs for remuneration of experts/staff including their travel and miscellaneous cost. If the applicant is a firm or a company, Value-added tax certificate is a must. Prevailing national rules will be applied for tax purpose.

According to the estimated timeframe and schedule of execution, payments for the services provided will be made, after the products/deliverables are submitted timely and cleared by the PROJECT TEAM and IFAD.

A table presenting the payment schedule and conditions according to the delivery of the products might be included.

# 8.6. Future Use of the Data

The clean dataset and all data collected as well as the resulting reports will be property of the Project Team.

# ANNEXES to the TOR:

- 1. Log frame
- 2. ToC Diagram
- 4. Project Design Report
- 5. Financial Agreement
- 6. Project Implementation Manual
- 7. IFAD COI guidelines + annexes (including survey sample)
- 8. Draft questionnaire (this appendix presents the mandatory questions to be included in the final questionnaire based on the CIs (and PSIs/Impact) indicators identified in the logframe. See STEP 4 of the COI measurement guidelines for further details.

# **ANNEX 8 – Draft Terms of Reference for External Auditor**

Terms of reference for the financial audit and factual findings of Dairy Value Chain Development Programme - II (DVCDP II)

# **Background**

- The International Fund for Agricultural Development (IFAD) is aiding the Borrower in the form of a loan.
- A financing agreement has been signed between IFAD and the Republic of Uzbekistan on _____.
- IFAD requires the Borrower to appoint an independent auditor to audit the accounts related to the Project, in accordance with the IFAD Handbook on Financial Reporting and Auditing.
- The reporting entity is State Committee for Veterinary and Livestock Development.
- The entity prepares its financial statements in accordance with the IPSAS Cash Basis of Financial Reporting.
- The auditor conducts its audit in accordance with International Standards on Auditing (ISA)
- insert other relevant info)

# <u>Objective</u>

The objective of this audit is to enable the auditor to express an opinion on whether the financial statements (including additional disclosures as outlined in section 5) present fairly, in all material respects, the financial position of the reporting entity as at [insert year-end date], and/or the results of its operations and its cash flows for the years then ended, in conformity with the [applicable accounting standards].

# **Responsibilities of the Borrower**

# General

- Provide financial statements for the activities financed by loans that are reconcilable to its records and accounts.
- Provide the auditor with access to all legal documents and correspondence with consultants, contractors and other persons or firms engaged by the Project, and any other information associated with the Project and deemed necessary by the auditor.
- Ensure that the accounting policies are consistently applied and disclosed.
- Ensure that appropriate internal controls are implemented to prevent misstatements and susceptibility to fraud.
- Ensure compliance with all relevant laws and regulations that pertain to the entity, as well as with the financing agreements between the Borrower and IFAD.
- Provide the financial statements to the auditor within a reasonable time and be available for any queries that the auditor may have.

# Financial statements

The Borrower shall:

 Prepare financial statements covering the reporting period [date] to [date], in accordance with IPSAS Financial Reporting under the Cash Basis of Accounting. In addition, the following IFAD specific disclosures will be included in the financial statements:

- Sources and uses of funds statement by financier, category and component, disclosing separately the income and expenditures by all financiers - refer to DVCDP II Financial Manual for illustration)
- Statement of Cash Receipts and Payments
- Budget to actual comparison refer to DVCDP II Financial Manual for illustration;
- Withdrawal application summary refer to DVCDP II Financial Manual for illustration;
- Designated Account statement and reconciliation refer to DVCDP II Financial Manual for illustration;
- Fixed asset schedule refer to DVCDP II Financial Manual for illustration
- Rural finance disbursement report and reconciliations.
- Rural Guarantee Fund reports, indicating the information about; advance provided to the EDC, Actual guarantees provided by EDC for the sub-loans and available balance.

# **Responsibilities of the auditor**

### Auditing standards

The audit shall be conducted in accordance with the International Standards of Audit (ISA) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit includes examining, on a test basis, evidence, supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with ISA, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

- In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud as required by the <u>International Standard of Audit 240: The</u> <u>Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</u>.
- When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements as required by the <u>International Standard of Audit 250: Consideration of Laws and Regulations in an Audit of Financial Statements</u>.
- The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity as required by the <u>International Standard of Audit 260: Communication with those Charged with</u> <u>Governance</u>.
- The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by the <u>International Standard of Audit 265:</u> <u>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</u>
- In order to reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion

level as required by the <u>International Standard of Audit 330: The Auditor's Responses</u> to Assessed Risks.

- In instances where certain aspects of an entity's operations are performed by a third party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process as required by the <u>International Standard of Audit 402: Audit Considerations</u> <u>Relating to an Entity Using a Service Organization</u>.
- As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance as required by the <u>International Standard of Audit 580: Written Representations</u>.

# General principles

By agreeing to these terms, the auditor confirms that:

- The firm is independent from the Project, its staff and activities, in accordance with international best practices.
- The firm is not providing consultancy services to the Project or preparing its Project financial statements (nor has it done so in the previous two years).
- The auditor is suitably qualified and a member of a professional body affiliated with the International Federation of Accountants.
- The auditor is able to conduct the audit in line with international auditing standards.
- The firm can assign an audit team to the audit that has the necessary competence and skills.
- The firm has a proven track record in conducting audits of a similar nature and complexity.

# Management letter

The management letter is an integral part of the audit package that documents accounting and internal control issues identified by the auditors. The management letter should:

- Outline the auditor's recommendations to improve identified accounting and internal control issues;
- Include the responses of Project management to the identified control issues, and its proposal to address the issues identified within a specific time period.
- Where applicable, follow up on the issues identified in the previous year's management letter.
- report on instances of non-compliance with the terms of the financing agreement;
- quantify and report expenditures that are considered to be ineligible and either paid out of the designated (special) accounts or which have been claimed from the IFAD;
- communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project;

# Reporting

The Auditor is required to deliver an audit package that includes:

- The audited financial statements, including additional specific disclosures as specified.
- An audit opinion on the financial statements
- A management letter

• A report on factual findings, within the scope of agreed-upon procedures as outlined. Any ineligible expenditure identified should be clearly mentioned.

The audit report should provide sufficient detail as to the nature and extent of the procedures performed by the auditor. The auditor is required to provide the audit package by no later than [insert date]. Reports are to be delivered in English.

# Scope of the financial audit

In performing the audit, at a minimum the auditor shall:

- Obtain an understanding of the internal controls related to the financial reporting process, to identify and assess any weakness in internal control that might result in misstatements, whether due to fraud or to error;
- Design and conduct audit procedures in response to any weaknesses identified in the internal controls relating to the financial reporting process, to obtain audit evidence that the financial statements are fairly presented and free from material misstatements, in accordance with the applicable accounting framework;
- Verify whether expenditure that was incurred in the name of the Project is in line with the terms of the financing agreement(s) and incurred for the purposes intended in this agreement. Both IFAD and third-party funding should be taken into consideration;
- Verify that the amount of the in-kind contribution is reported according to the agreed accounting principles and the reported fair-market value for all in-kind contribution items is reasonable and correctly and fully disclosed in the financial statements
- Verify the reliability of financial management information presented in the Interim Financial Reports (IFRs);
- Verify that the fixed assets held by the entity exist, are complete, are properly accounted and are used for the Project purposes;
- Review lines of credit and Guarantee Fund to determine whether they are used for intended purposes in accordance with the terms of financing agreement and Subsidiary Loan Agreements (SLAs). As part of the procedures to determine if funds provided were, used for intended purposes, the Auditor should carry field visit to perform end-use reviews for an appropriate sample based on the control risk assessment. The loans issued through credit lines these are not properly used in accordance with terms of financing agreement must be quantified and reported.
- Note any weaknesses in the internal control environment and in the financial reporting process, and communicate those in the management letter.

# Scope of the agreed-upon procedures

The auditor is required to perform the following specific procedures and report on factual findings as outlined:

#### Withdrawal application summary:

The Auditor is requested to obtain the individual withdrawal applications submitted to IFAD as summarized in the withdrawal application summary and develop testing procedures to:

• Determine whether the designated account currency equivalent was determined using the historical exchange rate of transfers to the operating account;

- Determine whether goods and services have been purchased through the SOE mechanism in line with the SOE threshold stipulated;
- Determine whether the expenditures claimed through SOEs/IFRs procedures were properly appropriately authorized, classified and supported by audit documentation;
- Identify any ineligible expenditure;
- Determine whether the Interim Financial Reports (IFRs) were used to support Withdrawal Applications and disbursement of funds by IFAD are reliable and accurately reflect expenditures and activities during the reporting period;

### Designated account statement and reconciliation:

The Auditor is requested to review the activities of the designated account(s) associated with the project, including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The Auditor is requested develop testing procedures to:

- Check the accuracy of the designated account reconciliation(s)
- Confirm that the designated account(s) have been maintained in accordance with the provisions of the financing agreement.

# Fixed asset register

- Select a sample of fixed assets from the fixed asset register and confirm the accuracy and completeness of the information included in the fixed asset register.
- Select a sample of project assets from the floor and confirm that the asset is accurately
  recorded in the fixed asset register.

# Lines of Credits expenditures:

- Review credit lines and RGF transactions to determine whether they were, used for intended purposes in accordance with the terms of financing agreement. As part of the procedures to determine if funds provided were, used for intended purposes, the Auditor should carry field visit to perform end-use reviews for an appropriate sample based on the control risk assessment. The loans issued through credit lines these are not properly used in accordance with terms of financing agreement must be quantified and reported.
- Verify beneficiary, PFIs and government contributions (provide in cash and in-kind).

# Public disclosure

IFAD promotes public disclosure of Project financial information to enhance the level of transparency and accountability. IFAD will disclose Project audit reports, as appropriate, in line with the Fund's disclosure policy. Management Letters issued by auditors are not subject to public disclosure by IFAD. In agreeing to the terms of reference, the auditor explicitly acknowledges IFAD's right to publicly disclose audit reports (audited financial statements and audit opinion) and will issue reports without a limitation of use clause.

To facilitate the public disclosure process, the auditor is requested to submit two separate files as follows:

- Audited financial statements and audit opinion; and
- Management Letter.

Appendices [list as applicable]

Appendix: Financing agreement

Appendix: Project Financial Management and Financial Control Arrangements Letter (FMFCL)

Appendix: IFAD Handbook on Financial Reporting and Auditing of IFAD-financed Projects

# **ANNEX 9 – Tools and cheklists templates for Financial Management**

# **TOOL 1: AWPB Structure and preparation checklist**

The PMU is responsible for the development of the Annual Work Plan and Budget (AWPB), generally covering a period of 12 months, which should include the following mandatory sections:

Section	Description
Introduction	<ul> <li>Provide a brief background</li> <li>Include narrative covering the strategic focus, target group, geographical focus (Project sites), outreach (with gender disaggregation), Project components, specific activities to be undertaken and the planned output for each activity.</li> </ul>
Risks and mitigation	<ul> <li>Outline of major risks that could affect adversely the Project outcomes and mitigating actions taken.</li> </ul>
Budget and financing plan	<ul> <li>Describe the necessary inputs and outputs for each activity, including the expenditures, financing source and expected completion date.</li> <li>The expenditures should be classified per activity and should also be linked to a component, expenditure category as per the financing agreement and a financing source.</li> <li>Each activity should be coupled with tangible outputs or physical targets to facilitate the measurement of Project progress.</li> </ul>
Procurement plan	<ul> <li>Outline detailed plan outlining procurement activities, include expected cost for each item, procurement method and timeline.</li> <li><u>The first Procurement plan should cover the first 18 months of the Project lifecycle while the subsequent procurement plans should cover 12 months of the Project lifecycle.</u></li> </ul>
<i>Progress and past performance (include in 2nd AWPB onwards)</i>	<ul> <li>Outline the following with:</li> <li>Summary of the key achievements</li> <li>Problems encountered and how these were resolved</li> <li>Budget execution, comparing actual expenditure per category/component to prior AWPB with an indication of category overspend</li> </ul>
Other	<ul> <li>Training and technical assistance schedule</li> <li>PCU staff development plan</li> <li>Project staff payroll (including the names, titles, salaries and incentives)</li> </ul>

AWPB Check: The checks listed below are designed to improve the quality of the AWPB during the final preparation stage.

Yes <u>No</u>

Is the AWPB complete and clearly presented? Does it disclose sufficient information?	
Is the AWPB in line with the Project description and rational (schedule 1) as per the financing agreement and the Project log-frame? Are all the activities relevant to the Project?	
Does it contain the necessary summary tables by component and financier and by expenditure category and financier as well as the detailed tables by component?	
Does the implementation schedule seem realistic and does it show appropriate targets and milestones? Are the targets and execution level realistic compared to past years progress?	
Does it contain a separate annex disclosing the details of the Project payroll?	
Does it contain a separate annex containing outlining the planned trainings?	
In the detailed tables are the expenditures structured by activity and linked to a component, expenditure category and financing source?	
Are the cost components/categories of the AWPB in line with the Schedule 2 of the IFAD financing agreements and are expenditures within the agreed allocations?	
Is any expenditure category going to be overdrawn during the year? Is a reallocation of IFAD funds needed?	
Does the total (and subtotal) costs add up? Are the inputs (unit cost) and outputs (physical targets) adequately quantified? Is there coherence between the inputs and outputs? And does these represent value for money (i.e. what is the unit cots for per output, e.g. cost per trained farmer)?	
Are the unit cost are realistic and do they reflect market prices?	
Is the AWPB accompanied by a procurement plan? Is the procurement plan consistent with the AWPB?	
Is the format of the AWPB compatible with other financial reports and the accounting software to allow input in the budget module and generation of actual vs. budget reports and	
If last audit, does it take into account completion date of the Project as well as winding up activities such as Project completion report, final audit as handover/disposal of Project assets (computers, vehicles etc.)	
	· · · · · · · · · · · · · · · · · · ·

# A.1. Annual Work Plan and Budget

# Project Name: Recipient: Reporting period: DD.MM.YYYY – DD.MM.YYYY

	Detailed Tables per Component, Expenditure Category and Financier - (Separate sheet for each component as applicable).																
Description	1		Loca	tion		Items (	cost in USD)	)		Timeline					Financing Source (USD)		
Budget item by Component, Subcomponent and Activity	Methods	Budget Category	Implementing entity	Country/site	Unit	Unit cost	Quantity	Total	Physical Outreach/target by activity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Delivered by	IFAD Grant	Recipient	Co- financier
Component 1																	
Activity 1.1																	
Expenditure item																	
Expenditure item																	
Subtotal																	
Activity 1.2																	
Expenditure item																	
Expenditure item																	
Subtotal																	
Activity 1.3																	
Expenditure item																	
Expenditure item																	
Expenditure item																	
Expenditure item																	
Subtotal																	
Total (Component 1,2,3 etc)																	

# **TOOL 2: Information checklist – preparing for IFAD missions**

It is required that the PMU prepare the following in anticipation of IFAD missions:						
	Information	Guidance				
1	Annondix 1	Propage Appendix 1 in Excel Workbook and include				

1.	Appendix 1	<ul> <li>Prepare <u>Appendix 1</u> in Excel Workbook and include formulate as appropriate.</li> </ul>
2.	FMAQ	• Include comments in the Financial Management Assessment Questionnaire (with exception of the summary section).
З.	<i>Withdrawal applications/IFRs/ SOEs</i>	<ul> <li>Make hardcopy files of all recent withdrawal applications/statement of expenditures available (at least covering 12 months prior to the missions). Upon request, provide supporting documentation for a selection of expenditures.</li> <li>Provide a summary of pending withdrawal applications / IFRs and SOEs for review.</li> </ul>
4.	Bank, petty cash, fuel and business trip card reconciliations	• Make hardcopy files of most recent bank, petty cash (if relevant), fuel and business trip cards reconciliations available. Include copies of relevant bank statements.
5.	Financial reports	<ul> <li>Provide most recent financial reports (as at end of most recent completed month), which include summary information (including all sources and uses of funds).</li> <li>Provide most recent interim financial report (format illustrated in 21.10)</li> <li>Provide copy of most recent audited financial statement.</li> </ul>
6.	Fixed asset register and fixed asset physical verification report	<ul> <li>Provide updated fixed asset register in Excel Workbook format (export from accounting software).</li> <li>Provide fixed asset physical verification report (PDF/Signed/Stamped)</li> </ul>
7.	Manuals and procedures	<ul> <li>Provide an electronic of the most recent version of the Financial Manual (to which IFAD provide a no objection).</li> <li>Provide a copy of the accounting software manual.</li> </ul>
8.	Contract register and monitoring forms	<ul> <li>Make available the update Contract Register and Contract Monitoring Forms (export from Accounting software).</li> </ul>
9.	Action tracker	Update the action tracker with progress to date.
10.	<i>AWPB/Procurement Plan</i>	<ul> <li>Make available electronic copies of the AWPB and Procurement Plan (provide in Excel Workbook format).</li> </ul>

	Information	Guidance			
11.	Advances	<ul> <li>Make available a summary of outstanding advances with supporting documentation.</li> </ul>			
12	<i>PFIs quarterly disbursement reports</i>	• Make available all quarterly reports from each PFIs. The report should indicate opening and closing bank balances in the relevant quarter and actual payments of sub-loans to the beneficiaries.			
13	RGF Reports	• Make available all quarterly reports for Rural Guarantee Fund. The report should indicate opening and closing bank balances in the relevant quarter and actual guarantees paid for the beneficiaries.			

### **TOOL 3: Illustrative financial statements**

# [DVCDP - II]

## ANNUAL FINANCIAL STATEMENTS

# Minimum prescribed content of annual project financial statements to be submitted to IFAD

Project financial statement	Cash basis				
Section A: Disclosures as prescribed by accounting standards					
1. Statement of cash receipts and payments	$\checkmark$				
2. Comparison of budget and actual amounts	$\checkmark$				
Notes (a summary of significant accounting policies and other					
3. explanatory notes)	$\checkmark$				
Section B: IFAD-specific disclosures provided as suppler	mentary information				
4. Fixed asset schedule	$\checkmark$				
5. Withdrawal application statement	$\checkmark$				
6. Sources and uses of funds statement	$\checkmark$				
7. Designated Account statement and reconciliation ¹⁷	$\checkmark$				

# Section A: Disclosures as prescribed by accounting standards

# Statement of Cash Receipts and Payments:

Statement of Cash Receipts and Payments								
	Note	Current Year Receipts/Payments	Cummulative Receipts/Payments					
Presentation currency		USD	USD					
Opening Balances		0.00	0.00					
IFAD Loan:		0.00	0.00					
Government Contributions		0.00	0.00					
Beneficiaries		0.00	0.00					
PFI Contributions		0.00	0.00					
Cash Receipts During the Year		0.00	0.00					
IFAD Loan:		0.00	0.00					
Government Contributions		0.00	0.00					
Beneficiaries		0.00	0.00					
PFI Contributions		0.00	0.00					
Total cash available		0.00	0.00					
Cash Payments	_							
IFAD Loan	_	0.00	0.00					
Category 1		0.00	0.00					
Category 2		0.00	0.00					
Category 3		0.00	0.00					
Category 4		0.00	0.00					
Government		0.00	0.00					
Category 1		0.00	0.00					
Category 2		0.00	0.00					
Category 3		0.00	0.00					
Category 4		0.00	0.00					
Beneficiary		0.00	0.00					
Category 1		0.00	0.00					
Category 2		0.00	0.00					
Category 3		0.00	0.00					
Category 4		0.00	0.00					
PFIs		0.00	0.00					
Category 1		0.00	0.00					
Category 2								
Category 3 Category 4		0.00	0.00					
Total Payments		0.00	0.00					
Cash at the end of the year		0.00	0.00					
Closing Balances as of//								
IFAD Loan - Closing Balance at the end of the year		0.00	0.00					
Government Contribution		0.00	0.00					
Beneficiary		0.00	0.00					
PFIs		0.00	0.00					

Budget	vs.	Actual	Comparison
--------	-----	--------	------------

		Comparison	of budget and act	ual amounts					
		0	Current Year USD			Cumulative-to Date USD			
	Description	Actual	Planned	Variance %	Actual	Planned	Variance %		
		1	2	3=1/2	7	8	9=7/8		
	Sources of Funds								
	IFAD Loan								
	Government								
	Beneficiary								
	PFIs								
	Total Sources of Fund	0.00	0.00	0.00	0.00	0.00	0.0		
	Uses of Funds								
	By components								
	Component 1 - XXX								
	Component 2 - XXX								
	Component 3 - XXX								
	Component 4 - XXX								
Sub To	tal	0.00	0.00	0.00	0.00	0.00	0.0		
	By expenditure category								
	- Category 1 - XXX								
	- Category 2 - XXX								
	- Category 3 - XXX								
	- Category 4 - XXX								
Sub To		0.00	0.00	0.00	0.00	0.00	0.0		
	Non-IFAD or EU								
	Total Uses of Fund	0.00	0.00	0.00	0.00	0.00	0.0		

We hereby certify that the receipts from IFAD have been expended for Eligible Expenditures for the proper execution of the Project in accordance with the terms

#### Notes to the financial statements:

#### Proceeds from external financiers

The following external sources of finance were received from the IFAD Loan during the period

	31 December 20XX
IFAD Loan (PBAS)	-
IFAD Loan (BRAM)	
	-
Borrower contributions in kind	
The following is included in Borrower proceeds	
	31 December 20XX
Government in-kind	
Uses of Funds	_
Goods and Services	-
Lines of Credit	-
Grants and subsidies	-
Credit, Guarantee Funds	-
Training and Workshop	-
Salaries and Allowances	-

Explain basis for measuring value. Outline the nature of the contribution, Specify that in-kind is required in terms of loan agreement, Indicate the uses of these funds by category.

The following is included in beneficiary contributions

Beneficiary in-kind	31 December 20XX
Uses of Funds	
Goods and Services	-
Lines of Credit	-
Grants and subsidies	-
Credit, Guarantee Funds	-
Training and Workshop	-
Salaries and Allowances	-
	-

Explain basis for measuring value. Outline the nature of the contribution, Specify that in-kind is required in terms of loan agreement, Indicate the uses of these funds by category.

#### **Unrealised gains/losses**

IFAD Loan Total unrealised gain/(losses)

31 December 20XX	
	-
	-
	_

Total forex gain and losses related to designated accounts which are maintained in USD

Other - accrual based information

Provide info on accrual related info not disclosed in cash receipts and payments e.g. Staff loans/advances

# Section B: IFAD-specific disclosures provided as supplementary information

# Sources and Uses of Statement:

Financial Statements for;	DVCDP II								
For the Period Ending	31.12.20XX								
Sources and Uses of Funds Statement (by Category)									
For the Period XX.XX.20XX - XX.XX.20XX	Notes	Current period 01.01.20XX - 31.12.20XX	Previous period 01.01.20XX - 31.12.20XX	Cumulative					
Presentation currency		USD	USD	USD					
SOURCES OF FUNDS									
IFAD Loan:		0.00	0.00	0.0					
Government Contributions		0.00	0.00	0.0					
Beneficiaries		0.00	0.00	0.00					
PFI Contributions		0.00	0.00	0.00					
Total sources of funds		0.00	0.00	0.00					
USES OF FUNDS BY CATEGORY									
IFAD Loan		0.00	0.00	0.00					
- Category 1 - XXXXX		0.00	0.00	0.0					
- Category 2 - XXXXX		0.00	0.00	0.0					
- Category 3 - XXXXX		0.00	0.00	0.0					
- Category 4 - XXXXX		0.00	0.00	0.00					
Government		0.00	0.00	0.00					
- Category 1 - XXXXX		0.00	0.00	0.0					
- Category 2 - XXXXX		0.00	0.00	0.0					
- Category 3 - XXXXX		0.00	0.00	0.0					
- Category 4 - XXXXX		0.00	0.00	0.0					
Beneficiaries		0.00	0.00	0.00					
- Category 1 - XXXXX		0.00	0.00	0.0					
- Category 2 - XXXXX		0.00	0.00	0.0					
- Category 3 - XXXXX		0.00	0.00	0.0					
- Category 4 - XXXXX		0.00	0.00	0.0					
PFIs		0.00	0.00	0.00					
- Category 1 - XXXXX		0.00	0.00	0.0					
- Category 2 - XXXXX		0.00	0.00	0.0					
- Category 3 - XXXXX		0.00	0.00	0.0					
- Category 4 - XXXXX		0.00	0.00	0.0					
Total uses of funds		0.00	0.00	0.00					
SURPLUS/DEFICIT		0.00	0.00	0.00					
Notes:		0.00	5.00	0.00					

	Note	Current period	Previous period	Cumulative
presentation currency	Note	01.01.20XX - 31.12.20XX USD	01.01.20XX - 31.12.20XX USD	USD
presentation currency		030	030	030
SOURCES OF FUNDS				
IFAD Loan:		0.00	0.00	0.00
Government Contributions		0.00	0.00	0.00
Beneficiaries		0.00	0.00	0.00
PFI Contributions		0.00	0.00	0.00
Total sources of funds		0.00	0.00	0.00
USES OF FUNDS COMPONENT				
IFAD Loan		0.00	0.00	0.00
- Component 1 - XXXXX		0.00	0.00	0.00
- Component 2 - XXXXX		0.00	0.00	0.00
- Component 3- XXXXX		0.00	0.00	0.00
- Component 4- XXXXX		0.00	0.00	0.00
Government		0.00	0.00	0.00
- Component 1 - XXXXX		0.00	0.00	0.00
- Component 2 - XXXXX		0.00	0.00	0.00
- Component 3- XXXXX		0.00	0.00	0.00
- Component 4- XXXXX		0.00	0.00	0.00
Beneficiaries		0.00	0.00	0.00
- Component 1 - XXXXX		0.00	0.00	0.00
- Component 2 - XXXXX		0.00	0.00	0.00
- Component 3- XXXXX		0.00	0.00	0.00
- Component 4- XXXXX		0.00	0.00	0.00
PFIs		0.00	0.00	0.00
- Component 1 - XXXXX		0.00	0.00	0.00
- Component 2 - XXXXX		0.00	0.00	0.00
- Component 3- XXXXX		0.00	0.00	0.00
- Component 4- XXXXX		0.00	0.00	0.00
Total uses of funds		0.00	0.00	0.00
SURPLUS/DEFICIT		0.00	0.00	0.00

# **Designated account statements**

	Designated account statement									
Designated Account Statement XXXXXXXX										
			Notes	USD (or as otherwise denominated)	Local Currency Equivalent (optional)					
	Opening Balance			А	А					
	Add:									
1	IFAD Replenishments:									
	Date	WA No.								
	Date	WA No.								
	Replenishment Total			В	В					
2	Bank Interest			С	С					
	Deduct									
1	Transfers to Operating Accounts:									
	Date	No								
	Date	No								
	Total Transfers to Operating Accounts			E	E					
2	Bank Charges			F	F					
3	Exchange Rate Differences				G					
	Closing balance			#VALUE!	#VALUE!					

# **Designated account reconciliations**

Finandial statements for         For the period ending         Designated account reconditation         IFAD Finanding agreement nr:         Bank account nr:         SecTION 1         1       Total advanced by IFAD to designated account         2       Legs Total amount recovered by IFAD         3       - Outstanding amount advanced by IFAD         4       Balance of designated accounts         9       Legs total amount claimed for the period         6       Plug amount claimed for the period         7       Provide reasons - not yet claimed         8       Plug samount claimed for         9       Legs interest eamed         10       = Total advance accounted for         11	<b>r</b> 1								
Designated account reconciliation         IFAD Financing agreement nr:         Bank account nr:         SECTION 1         1       Total advanced by IFAD to designated account         2       Less Total advanced by IFAD         3       - Outstanding amount advanced by IFAD         3       - Outstanding amount advanced by IFAD         4       Balance of designated account as per bank statement         5       Plus cash on hand         -       -         6       Plus amount claimed for the period         7       Plus cash on hand         9       Less: interest eamed         10       = Total advance accounted for         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)									
IFAD LOAN DESIGNATED ACCOUNT RECONCILIATION         IFAD Financing agreement nr:         Bank account nr:         SECTION 1         1       Total advanced by IFAD to designated account         2       Less Total amount recovered by IFAD         3       = Outstanding amount advanced by IFAD         4       Balance of designated accounts         9       Luss amounts claimed for the period         1       Provide reasons - not yet claimed         9       Less: interest eamed         10       = Total advance accounted for									
IFAD Finanding agreement nr:       Bank account nr:         Bank account nr:       SECTION1         1       Total advanced by IFAD to designated account       -         2       Less Total amount recovered by IFAD       -         3       = Outstanding amount advanced by IFAD       -         3       = Outstanding amount advanced by IFAD       -         4       Balance of designated account as per bank statement       -         5       Plus balance of operating accounts       -         Plus cash on hand       -       -         4       Balance       -       -         6       Plus amount claimed for the period       -       -         6       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       -         9       Less: interest eamed       -       -         10       = Total advance accounted for       -       -         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)       -	Des	ignated account reconciliation							
IFAD Finanding agreement nr:       Bank account nr:         Bank account nr:       SECTION1         1       Total advanced by IFAD to designated account       -         2       Less Total amount recovered by IFAD       -         3       = Outstanding amount advanced by IFAD       -         3       = Outstanding amount advanced by IFAD       -         4       Balance of designated account as per bank statement       -         5       Plus balance of operating accounts       -         Plus cash on hand       -       -         4       Balance       -       -         6       Plus amount claimed for the period       -       -         6       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       -         9       Less: interest eamed       -       -         10       = Total advance accounted for       -       -         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)       -									
Bank account nr:	_		T RECONCILIATION						
SECTION 1         1       Total advanced by IFAD to designated account         2       Less Total amount recovered by IFAD         3       = Outstanding amount advanced by IFAD         4       Balance of designated account as per bank statement         5       Plus balance of operating accounts         Plus balance of operating accounts	IFAI	DFinancing agreement nr:							
1       Total advanced by IFAD to designated account         2       Less Total amount recovered by IFAD         3       = Outstanding amount advanced by IFAD         4       Balance of designated account as per bank statement         5       Plus balance of operating accounts         Plus balance of operating accounts       -         9       Plus amount claimed in period not yet credited at date of bank statement         8       Plus amounts claimed in period not yet credited at date of bank statement         9       Less: interest eamed         10       = Total advance accounted for         10       = Total advance between outstanding advance (line 3) and advance accounted for (line 10)	Ban	k account n r:							
1       Total advanced by IFAD to designated account         2       Less Total amount recovered by IFAD         3       = Outstanding amount advanced by IFAD         4       Balance of designated account as per bank statement         5       Plus balance of operating accounts         Plus balance of operating accounts       -         9       Plus amount claimed in period not yet credited at date of bank statement         8       Plus amounts claimed in period not yet credited at date of bank statement         9       Less: interest eamed         10       = Total advance accounted for         10       = Total advance between outstanding advance (line 3) and advance accounted for (line 10)									
2       Less Total amount recovered by IFAD		SECTION 1							
2       Less Total amount recovered by IFAD	1	Total advanced by IFAD to designated a	account						
3       = Outstanding amount advanced by IFAD	-								
SECTION 2       SECTION 2       SECTION 2         4       Balance of designated account as per bank statement       Section 2         5       Plus balance of operating accounts       Section 2         Plus cash on hand       Section 2       Section 2         a       Plus cash on hand       Section 2         a       Plus cash on hand       Section 2         a       Plus cash on hand       Section 2         a       Plus amount claimed for the period       Section 2         6       Plus amount claimed for the period       Section 2         8       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Section 2         9       Less: interest eamed       Section 2       Section 2         10       = Total advance accounted for       Section 2       Section 2         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)       Section 2	-		D						-
4       Balance of designated account as per bank statement       Image: constraint account as per bank statement         5       Plus balance of operating accounts       Image: constraint account as per bank statement       Image: constraint account as per bank statement         6       Plus amount claimed for the period       Image: constraint account as per bank statement       Image: constraint account as per bank statement         6       Plus amount claimed for the period       Image: constraint account as per bank statement       Image: constraint account as per bank statement         6       Plus amount claimed for the period       Image: constraint account as per bank statement       Image: constraint account as per bank statement         7       Provide reasons - not yet claimed       Image: constraint account as per bank statement       Image: constraint account as per bank statement       Image: constraint account as per bank statement         8       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: constraint account as per bank account accoun	-								
4       Balance of designated account as per bank statement       Image: constraint account as per bank statement         5       Plus balance of operating accounts       Image: constraint account as per bank statement       Image: constraint account as per bank statement         6       Plus amount claimed for the period       Image: constraint account as per bank statement       Image: constraint account as per bank statement         6       Plus amount claimed for the period       Image: constraint account as per bank statement       Image: constraint account as per bank statement         6       Plus amount claimed for the period       Image: constraint account as per bank statement       Image: constraint account as per bank statement         7       Provide reasons - not yet claimed       Image: constraint account as per bank statement       Image: constraint account as per bank statement       Image: constraint account as per bank statement         8       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: constraint account as per bank account accoun		SECTION 2							
5       Plus balance of operating accounts       Image: state of operating accounts       Image: state of operating accounts         Plus cash on hand       Image: state of operating accounts       Image: state of operating accounts       Image: state of operating accounts         Image: state of operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts         Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts         Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts       Image: state operating accounts <td>4</td> <td></td> <td>ank statement</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	4		ank statement						
Plus cash on hand									
= Period end cash balance	-								
6       Plus amount claimed for the period       -         6       Plus amount claimed for the period       -         7       -       -         8       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       -         9       Less: interest earned       -       -         10       = Total advance accounted for       -       -         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)       -									-
Provide reasons - not yet claimed       Image: Control of difference between outstanding advance (line 3) and advance accounted for (line 10)       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of claimed in period       Image: Control of claimed in period       Image: Control of claimed in period       Image: Control of claimed in period         Image: Control of claimed in period in									
Provide reasons - not yet claimed       Image: Control of difference between outstanding advance (line 3) and advance accounted for (line 10)       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       Image: Control of claimed in period       Image: Control of claimed in period         Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of claimed in period       Image: Control of claimed in period       Image: Control of claimed in period       Image: Control of claimed in period         Image: Control of claimed in period in	6	Plus amount claimed for the period							-
8       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       -         9       Less: interest earned       -         10       = Total advance accounted for       -         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)       -	-								
8       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       -         9       Less: interest earned       -         10       = Total advance accounted for       -         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)       -									
8       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       -         9       Less: interest earned       -         10       = Total advance accounted for       -         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)       -									
8       Plus amounts claimed in period not yet credited at date of bank statement and claimed after date of bank statement       -         9       Less: interest earned       -         10       = Total advance accounted for       -         11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)       -		Provide reasons - not vet claimed						_	
bank statement		,							
bank statement	8	Plus amounts claimed in period not vet	credited at date of	f bank state	ement and	d claimed a	fter date o	f	-
9       Less: interest earned	-							-	
10       = Total advance accounted for									
10       = Total advance accounted for	9	Less: interest earned							
11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)									
11       Explanation of difference between outstanding advance (line 3) and advance accounted for (line 10)	10	= Total advance accounted for							-
	11	Explanation of difference between out	tandina advance (	line 3) and	advance (	accounted a	for (line 10	0	_
Insert explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations         Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations         Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations         Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations       Image: Sector explorations			internet p	ine oj unu	aa ranee e	ieco antea j	101 (11112 20	/	
Image: state of the state									
Image: Section of the section of th									
	$\vdash$								

# Withdrawal application summary:

					Withdrawal applica For XX.XX.20XX -							
Withdrawal application number	Date	Category 1 XXXX	Category 2 XXXX	Category 3 XXXX	Category 4 XXXX	Category 5 XXXX	Category 6 XXXX	Total	Designated account currency equivalent	Value date	Rejected by IFAD	Net reimbursed
			I	n local currency - XX	х				In Desi	ignated Acco	unt currency -	XXX
Section A: Payment me	thod - Replenishme	nt										
Approved withdrawals												
Pending submission												
Sub-Total (A)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Section B: Payment me	thod - Direct Payme	ent										
Approved withdrawals												
Pending submission												
Sub-Total (B)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL (A+B)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

# Fixed asset register:

	FIXED ASSET SCHEDULE											
Asset ref	Description	Source	Category	Location	Assigned to	Tag nr	Supplier	Invoice nr/contract	Date of purchase	Date of reciept	Purchase price	Remarks
Asset code		Source of finance										Note on condition of asset

# Rural Finance Disbursement Report (Supplementary):

	Rural Finance Disbursement Report								
No.	Participating Financing	Name of the Beneficiary	Aim of the Sub Loan	Sources of fund for the Extended Sub-Lo			o-Loan		
	Institution (PFI)	,		IFAD	Beneficiaries	PFI	Total		
	I	TOTAL	1						

### PFI Bank Account Activity Statement and Reconciliation (Supplementary):

#### PFI Bank Account Activity Statement & Reconciliation

#### PFI's Name: For the Period of:

<u>01/01/20XX</u> <u>31/03/20XX</u>

	Current	Quarter	Year to	date	Cummulative		
SOURCES OF FUNDS	Local Currency	USD Currency	Local Currency	USD Currency	Local Currency	USD Currency	
1. PFI's Incremental Credit Bank account balance at the beginning of the period (Bank account opened at PFI's HQ to receive funds from IFAD Loan):	_	-		-	-		
2. PFI's Beneficiary Sub-Loan Account balance at the beginning of period:	_	_	-	_	-	-	
3. Transfers from SCVLD's Designated Bank Account to PFI's incremental credit account during the period:	-	-	-	-	-	-	
4. Total Avaliable balance at the beginning of the period (Line 1 to Line 3)	-	-	-	-	-	-	
<ol> <li>Transfers to beneficiaries/ Suppliers during the perod:</li> </ol>	-	-	-	-	-	-	
6. Closing balance at the end of the period (Line 4 minus Line 5)	-	-	-	-	-	-	
7. Closing balance in the Incremental Credit Bank Account at HQ		-		-		-	
8. Closing balance in the Beneficiary Sub-Loan Accounts	-	-	-	-	-	-	

# **Rural Guarantee Fund Report & Reconciliation**

Rural Guarantee Fund Report & Reconciliation								
Sources	Year to date	Inception to date						
Opening Balance at the start of the reporting period	-	-						
Funds received from IFAD	-	-						
Available Funds	-	-						

Proceedings during the period							
Participating Financing Institution (PFI)	Aim of the Sub Loan	Amount					
		-					
		-					
		-					
		-					
		-					
		-					
		-					
		-					
		-					
<b>TOTAL</b> amounts of Guarantees Provided During the	Reporting Period	-					

Closing Balance at the end of the reporting period (D7 - F20)	-

Action tracker (supplementary)

	Financial statements for DVCDP II For the period ending Action tracker				
ACTION T		Requirements/recommendations/actions	Responsible person	Current status	Deadline

# <u>Appendix 1</u>

Financial: actual financial performance by financier; by component and disbursements by category

Financier	Appraisal	Disbursements	Percent disbursed
IFAD Loan			
Beneficiaries			
Government			
PFIs			
Total			

Table 1:Financial performance by financier (USD '000)

# Table 2: Financial performance by financier by component (USD `000)

	IFAD Loan		Beneficiaries		Government		PFIs		Total						
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
										1					

# Table 3:IFAD Loan disbursements (USD, as at [Insert date: dd-m-yy])

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I							
II							
III							
IV							
	Initial deposit						
	Total						

# **TOOL 4: Travel advance report**

"Oʻzbekistonning sutchilik sohasida qo's		rivojlantirish" LAOG	Φ	орма по ОКУД по ОКПО	Код		
наименовани	а организации	УТВЕРЖДА Отчет в сум					
АВАНСОВЫЙ ОТЧЕТ	Дата	Руководи/(е)	ћь <u>.</u>	должность			
			tCb	расшифро 20 г.	eka nogravov		
Структурное подразделение				К	од		
Тодотчетное лицо		Та	бельный ном	Nep			
фа Трофессия (должность)	милия, инициалы На	азначение аванса _					
Наименование показателя	Сумма, :		Бухгалт	ерская запись			
Предыдущий остаток		деб		кредит			
аванс перерасход		счет, субсчет	сумма,	счет, субсчет	сумма,		
Триложение							
Этчет проверен. К утверждению в сумме;	-						
лавный бухгалтер				CONTRACTOR OF A			
лавный бухгалтер	h		расши	фронка подписи			

# **TOOL 5: Vehicle and fuel documents**

# **Register of Waybills**

Реестр путевых листов

№ путевы	Наименование автомашин	Расход ГСМ бензин на 100 км	По городу		Командировка					Отклонения		
х листов			Пробег	Расход ГСМ бензин	Дата	Пробег	Расход ГСМ	Общий пробег (км)	Общие расход ГСМ бензин (л)			
							бензин			перерасход	экономия	
	•	×									ť.	
	-											
Итого:							2		- 4 . 1			

по корпо-й карточки

# Expense Report

			Агропромышленное Аг	ентсво		
			OTYET N	2		
	Ф.И.О					
	Должность		·			
	Автомобиль					
	Гос.номер					
			1		гт	
N⁰	Дата	Чек №	Наименование товара	Кол-во литр	Цена	Сумма
1	· · · · · · · · · · · · · · · · · · ·					
2						
3					-	
4	C					
5			-			
6						
	ИТОГО					
	Остаток					
	Отчёт сдал:		-			

### **Itinerary list**

Itinerary list for the period:

Driver:

Vehicle type:

Starting Speedometer reading _____as at _____

Date	Tin	ıe	Name Trip purpose		e Trip purpose Mileage, km		Signature		
	from	to			post	prior	Passenger	Driver	

Starting Speedometer reading _____as at _____

#### Vehicle History Record

Vehicle registration number _____

Assigned driver _____

Date	Repairs			Service & ma	intenance		Insurance			Fitness	tests
	Description of repair	Garage	Cost	Description of service	Garage	Cost	Туре	Period covered	Cost	Check ed by	Cost

# Report accidents in the space below, providing all relevant details for each occurrence:

Date:			
Place:			
Name		of	driver:
Circumstances:			
Damage	to	project	vehicle:
Damage	to	other	vehicles:
Injuries (indicate name of vic	tims and describe injuries):		
Insurance settlement:			

#### **TOOL 6: Interim Financial Report (IFRs) Templates:**

Interim Financial Report User Guide:

#### INTERIM FINANCIAL REPORT USER GUIDE

Protection Password: 1234

#### Tips:

Provide information in cells highlighted with this color Text in blue: Provide period for the reporting statement The cells containing sums and analysis shall be updated automatically.

#### **Cash Forecast:**

Provide project information in the highlighted Cells of the Sheet. The "Descriptions" of Categories and Components in this sheet are linked with other sheets. Once provided in this statement will automatically update the "Descriptions in all other statements.

Provide funds forecast for the subsequent two quarters along with anticipated direct payments, in line with approved AWPB for current year. In case the Cash Forecast for subsequent two quarters include fourth quarter of the approved AWPB and the first quarter of the subsequent year (for which the approval of AWPB is awaited), provide forecast of the fourth quarter of approved AWPB in "Next Reporting Quarter" column and forecast of the first quarter as per the draft AWPB of subsequent financial year in "Following Reporting Quarter". Once the AWPB of the subsequent year is approved, the information is to be aligned as per the approved AWPB in subsequent WA.

#### Summary of Sources and Uses of Funds-DA Account: Provide actual data in cells highlighted with this color.

It should only include the information related to the receipts and payments from DA only.

#### **Designated Account Activity:**

Provide required information in the cells highlighted with this color. Information in the other cells is linked with relevant statements/formulas and it shall be updated automatically. Relevant necessary instruction are provided in the last column for compliance.

"WA Submitted but not yet credited"; to include any pending WA that was submitted in ICP but was not credited to DA as of the relevant application date

"WA received after the end of the quarter (for emergency advances only)"; this line to be filled when project is submitting an emergency advance. It must include any WA received after the end of the directly preceding quarter.

#### Variance Analysis - Reporting Quarter:

Provide information in cells highlighted with this color.

Provide forecasted figures in the **"Planned"** column for the reporting quarter. The Planned figures for the Quarter are to be aligned with "Cash Forecast" of the resepctive quarter submitted in last WA.

Provide figures for any Direct Payments or Reimbursements in "Direct Payments/ Reimbursements" column that were made directly by IFAD to any other account during the reporting quarter.

The Columns for actual data are linked with relevant columns for actual figures in "Summary of Sources and Uses of Funds" statement and shall be updated automatically.

The formulas for variances are incorporated in "Variance" columns and the information shall be updated automatically.

#### Variance Analysis - Financial Year:

Provide information in cells highlighted with this color.

Provide approved AWPB figures in the "Planned" column for the respective year.

Provide year to-date figures for any Direct Payments or Reimbursements in "Direct Payments/ Reimbursements" column which were made directly by IFAD to any other account during the year.

The Columns for actual data are linked with relevant columns for actual figures in "Summary of Sources and Uses of Funds" statement.

The Columns for Cash Forecast are linked with relevant columns of "Cash Forecast" statement.

The formulas for calculating "Balance", "Variance" and "Performance" are incorporated in relevant columns and the information shall be updated automatically.

#### Variance Analysis - Cumulative:

Provide information in cells highlighted with this color.

Provide overall project allocations as per Project Design/Revisions (if any) in the "**Planned**" column.

Provide cumulative since inception to-date figures for any Direct Payments or Reimbursements in "Direct Payments/ Reimbursements" column which were made directly by IFAD to any other account since the inception of the Project.

The Columns for actual data are linked with relevant columns for actual figures in "Summary of Sources and Uses of Funds" statement.

The formulas for calculating "Balance" and "Performance" are incorporated in relevant columns and the information shall be updated automatically.

# **Report I: Cash Forecast for Next 2 Quarters**

-	ct Name: DVCDP II				
	ice Instruments Numbers ne Period:		Starting Date	То	End Date
FUL			Starting Date	10	End Date
				IFAD Loan	
Disbursement Category		Ref	Next Reporting Quarter	Following Reporting Quarter	Total for 2 Subsequent Quarters
			Α	В	С
			DA D	enominated Curr	ency
	ast by Category:				
1	Category 1 (As per the FA)		-	-	-
2	Category 2 (As per the FA)		-	-	-
3	Category 3 (As per the FA)		-	-	-
4	Category 4 (As per the FA)		-	-	-
5	Category 5 (As per the FA)		-	-	-
Total			-	-	-
<b>-</b>	aat hu Commonanti				1
1	ast by Component:				
2	Component 1 (As per the FA)		-	-	-
2	Component 2 (As per the FA)		-	-	-
Total	Component 3 (As per the FA)	Ш	-	-	-
Total	(must be equal to I)		-	-	-
Total	Cash Forecast Expenditure	III	-	-	-
	Planned Direct Payments/Reimburse	IV			-
LC33.				-	-
Net p	rojected expenditure from DA	V=III-IV			

Authorized Signatory

# Report II: Summary of Sources and Uses of Funds - DA Account

Project Name: DVCDP II Finance Instruments Numbers

For the Period:	Starting Date	то	End Date	
			IFAD Loan	
Description	REF	Quarter	Year To-Date	Inception To-Date
		Α	В	с
		DA	Denominated Curre	ency
Sources of Funds:				
DA Opening Balances		-	-	-
Operating account opening balance		-	-	-
Petty cash opening balance		-	-	-
Funds received		-	-	-
Total Cash Available	I	-	-	-
Uses of Funds by Category:		Actual for Qtr	Actual for FY	Actual since inception
1 Category 1 (As per the FA)		-	-	-
2 Category 2 (As per the FA)		-	-	-
3 Category 3 (As per the FA)		-	-	-
4 Category 4 (As per the FA)				
5 Category 5 (As per the FA)				
Total Funds Used by Categories	Ш	-	-	-
Uses of Funds by Component:				
1 Component 1 (As per the FA)		-	-	-
2 Component 2 (As per the FA)		-	-	-
3 Component 3 (As per the FA)		-	-	-
Total Funds Used by Component (must be equal to II)	III	-	-	-
Category not yet identified/adjustments/advance, if any	IV	•	•	-
Closing Cash Balances:	V=I-II-IV	-	-	-
Represented by:				
DA Closing Balance		-		
Operating account Closing Balance		-		
Petty cash Closing Balance		-		
Total Closing Balance (must equal V):	VI	-		

Authorized Signatory

### Report III: Designated Account Activity Statement

Project Name: DVCDP II Finance Instruments Numbers

For the Period:	Starting Date	End Date
PART I		
	IFAD Loan	Remarks
	DA Denominated Currency	
PART I (Advances and Expenditure)	r	
1. Cumulative Advances into the DA by IFAD to the end of Reporting Quarter	-	
2. Cumulative Expenditure justified by IFAD until the end of previous reporting Quarter	-	This should match with IFAD records. In case of any differences between project figures and justified figures as per IFAD records, it has to be explained in Line 11 below.
3. Outstanding Advances to be accounted for (Line 1 minus Line 2)	-	This should match with IFAD records.
PART II (DA Activity)		
4. DA balance at beginning of Reporing Quarter		
5. Advances by IFAD during the Quarter	-	
6. Add/Substract - Cumulative Adjustments (if any)	-	If not zero, please provide explanation
7. Sub total of Advances and Adjustments (Line 5 plus Line 6)	-	
8. Outstanding Advances to be accounted for (Line 4 plus Line 7)	-	
9. DA balance at end of Quarter	-	
10. Expenditure incurred during the Reporting Quarter     11. Add/Less - Adjustments (if any)	-	If not zero, please provide explanation
12. Total expenditure reported (net of adjustments) (Line 10 plus Line 11)	-	ii not zero, please provide explanation
13. Total Advance accounted for: Add Line 9 and Line 12	-	
14. Difference if any (Line 8 minus Line 13)	-	If not zero, please provide explanation
PART III (CASH FORECASTS)		
15. Total Forecasted amount for subsequent 2 Quarters	-	
16. Planned Direct Payments, Reimbursements, if any	-	
17. Net Forecasted Expenditures from Designated Account (Line 15 less Line 16)	-	
18. Closing DA balance at the end of reporting Quarter after adjustments	-	
19. WA Submitted but not yet credited	-	
20. WA received after the end of the quarter (for emergency advances only)	-	Only to be filled in case of emergency advances
21. Replenishment Requirement for Subsequent 2 Reporting Quarters (Line 17 minus Line 18 to 20)	-	
PART IV (SUMMARY OF WITHDRAWAL APPLICATION)		
22. Amounts to be justified against the expenditure incurred during current quarter	-	This amount is to be submitted as justification through the "WA for justification" "his line could be not considered for emergency advances applications
23. DA Additional Advance - Cash requirement for Subsequent 2 Reporting Quarters, if required.*	-	This amount is to be submitted through a separate "WA for advance" to request this additional advance
Explanation for Line 6 (if not zero):	FMR & AW Ref.	
	TWIN & AVV REJ.	
	1	1
Explanation for Line 11 (if not zero):	FMR & AW Ref.	
		-

Explanation for item 14 (if not zero):	FMR & AW Ref.	
Explanation for item 19 (if not zero):	FMR & AW Ref.	

Authorized Signatory

# Report IV: Variance Analysis of Use of Funds by Quarter

#### Project Name: DVCDP II Finance Instruments Numbers For the Period:

Starting Date

то

End Date

			IFAD Loan		
	Planned	Actual Expenditure from DA	Direct Payment/ Reimbursements	Varia	ince*
	Α	В	С	D	E
	Ref: AWP/ Forecast	Actual for the Quarter	Actual for the Quarter	A-B-C	D/A
		DA Denomir	nated Currency		%age
Expenditure by Categories:					
1 Category 1 (As per the FA)	-	-	-		
2 Category 2 (As per the FA)	-	-	-		
3 Category 3 (As per the FA)	-	-	-		
4 Category 4 (As per the FA)	-	-	-		
5 Category 5 (As per the FA)	-	-	-		
TOTAL I	-	-	-		
Expenditure by Components:					
1 Component 1 (As per the FA)	-	-	-		
2 Component 2 (As per the FA)	-	-	-		
3 Component 3 (As per the FA)	-	-	-		
TOTAL II (must be equal to I)	-	-	-		

* Note: Provide reasons if the quarterly variances are equal to or more than 10%

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## Report V: Variance Analysis of Use of Funds - FY

Project Name: DVCDP II Finance Instruments Numbers

For the Period:	FY Start Date To End Date						
			IF	AD Loan			
	Planned	Actual Expenditure from DA	Direct Payment/ Reimbursements	Balance	Forecast	Varian	ce*
	А	В	С	D=A-B-C	E	F=D-E	G=(B+C)/A
	Ref: AWP/ Forecast	Actual Cumulative year todate	Actual Cumulative year todate	AWPB Available Balance	Cash Forecast for next 2 quarters	Variance b/w AWPB Balance and Cash Forecast	Actual Progress against AWPB
			DA Denominate	d Currency			%age
Expenditure by Categories:							
1 Category 1 (As per the FA)	-	-	-	-	-	-	
2 Category 2 (As per the FA)	-	-	-	-	-	-	
3 Category 3 (As per the FA)	-	-	-	-	-	-	
4 Category 4 (As per the FA)	-	-	-	-	-	-	
5 Category 5 (As per the FA)	-	-	-	-	-	-	
TOTAL I	-	-	-	-	-	-	
Expenditure by Components:							
1 Component 1 (As per the FA)	-	-	-	-	-	-	
2 Component 2 (As per the FA)	-	-	-	-	-	-	
3 Component 3 (As per the FA)	-	-	-	-	-	-	
TOTAL II (must be equal to I)	-	-	-	-	-	-	

* Note: Provide reasons if the Cash Forecast is over and above AWPB Balance (i.e. the Forecast includes the Quarter 1 of the Subsequent AWPB)

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# Report VI: Variance Analysis of Use of Funds - Cumulative

Project Name: DVCDP II Finance Instruments Numbers For the Period:

Since Inception

End Date

то

			IFAD Loan		
	Planned	Actual Expenditure from DA	Direct Payment/ Reimbursements	Prodress	
	Α	В	С	D	Е
	As per Project Design	Actual Cumulative todate	Actual Cumulative todate	A-B-C	D/A
		DA Denomin	ated Currency		%age
Expenditure by Categories:					
1 Category 1 (As per the FA)	-	-	-		
2 Category 2 (As per the FA)	-	-	-		
3 Category 3 (As per the FA)	-	-	-		
4 Category 4 (As per the FA)	-	-	-		
5 Category 5 (As per the FA)	-	-	-		
TOTAL	-	-	-		
Expenditure by Components:					
1 Component 1 (As per the FA)	-	-	-		
2 Component 2 (As per the FA)	-	-	-		
3 Component 3 (As per the FA)	-	-	-		
TOTAL II (must be equal to I)	-	-	-		

Authorized Signatory

# Report VII: Rural Finance Disbursement Report

	Rural Finance Disbursement Report									
No.	Participating Financing	Name of the Beneficiary	Aim of the Sub Loan	Sources of fund for the Extended Sub-Loan						
	Institution (PFI)	,		IFAD	Beneficiaries	PFI	Total			
		TOTAL								

## **Report VIII: PFI Bank Account Activity Statement and Reconcliation:**

#### PFI Bank Account Activity Statement & Reconciliation

PFI's Name: For the Period of:

<u>01/01/20XX</u> <u>31/03/20XX</u>

	Current	Quarter	Year to	date	Cumm	ulative
SOURCES OF FUNDS	Local Currency	USD Currency	Local Currency	USD Currency	Local Currency	USD Currency
1. PFI's Incremental Credit Bank account balance at the beginning of the period (Bank account opened at PFI's HQ to receive funds from IFAD Loan):	-	-	_	-	-	-
<ol><li>PFI's Beneficiary Sub-Loan Account balance at the beginning of period:</li></ol>	-	_	-	-	-	-
3. Transfers from SCVLD's Designated Bank Account to PFI's incremental credit account during the period:	-	-	-	-	-	-
4. Total Avaliable balance at the beginning of the period (Line 1 to Line 3)	-	-	-	-	-	-
5. Transfers to beneficiaries/ Suppliers during the perod:	-	-	-	-	-	-
6. Closing balance at the end of the period (Line 4 minus Line 5)	-	-	-	-	-	-
7. Closing balance in the Incremental Credit Bank Account at HQ		-		-		-
8. Closing balance in the Beneficiary Sub-Loan Accounts	-	-	-	-	-	-

### **Report IX: Rural Guarantee Fund Report and Reconciliations**

Fund Report & Reconcilia	ation	
Quarter	Year to date	Inception to date
-	-	-
-	-	-
-	-	-
Name of the Beneficiary	Aim of the Sub Loan	Amount
		-
		-
		-
		-
		-
		-
		-
		-
	Quarter - - -	Quarter Year to date

# ANNEX 10 – Project Procurement Supervision Plan

## 1. Introduction

The implementing agency of Dairy Value Chain Development Project II (DVCDP-II) is the Committee of Veterinary and Livestock Development (CVLD) under the supervision of the Ministry of Agriculture. IFAD will be responsible for supervision of procurement activities through the reviews required for no-objection requests. IFAD will also undertake post procurement supervision for prior review thresholds. Procurement supervision will also be done during scheduled project supervision missions. Procurement activities at the project level will be supervised by the Head of Procurement of the CVLD on a day to day basis.

### **2. IFAD's Project Supervision Role for the DVCDP II Project**

The review of project procurement processes during project implementation is an essential part of IFAD's fiduciary responsibility. In supervising projects and providing implementation support, IFAD aims to ensure that project procurement processes conform with national procurement laws and regulations and are consistent with the IFAD Project Procurement Guidelines and Procurement Handbook, any ancillary IFAD Procurement Documents/Templates, and other applicable policies, guidelines and procedures.

### 3. Scope of Supervision

The Procurement Risk Assessment undertaken during the DVCDP II project design mission returned a rating of Low Risk and therefore the extent and intensity will be based on a standard supervision scope as provided in the IFAD procurement Manual and will include the following:

- i. PRM Reviews
- ii. Prior review
- iii. Post review
- iv. Project Supervision
- v. Review of the Procurement Plan
- vi. Internal Supervision

### 3.1 PRM Reviews

The PRM is a tool that underpins IFAD's risk-based approach to project procurement oversight. Its principal aim is to ensure adequate mitigation of key risks of a project implementing agency failing to perform the procurement processes it will be responsible for in a sound and efficient manner. During the design of the Dairy Value Chain Development Project II (DVCDP-II) project a Procurement Risk Assessment was undertaken which entailed updating the previous PRM assessment country level dimensions and conducting an institutional level dimension assessment the Committee of Veterinary and Livestock Development (CVLD) which is the project the implementing agency.

Determination of the scope and intensity of procurement reviews will follow a risk-based approach informed by PRM assessments, issues identified in previous procurement reviews, and taking into account the project's stage of implementation. For every ongoing project, the PRM assessment will have to be updated once a year during project supervision.

### 3.2 Prior review

Conducted when a CD is required to provide a NO to a procurement document and process undertaken by the designated borrower. Prior review is an additional risk mitigation measure during the various stages of a procurement process. For the DVCDP II project prior review will be include a review of the following documents: the Procurement Plan, bid documents, evaluation reports and award recommendations, draft contracts and its amendments.

CD and PMU are required to use NOTUS to manage NOs; through NOTUS, PMUs submit documentation to IFAD for prior review and issuance of NOs.

Prior review will address the following:

- 1. Compliance with Financing Agreement and Letter the Borrower, or any subsequent changes reflected in mission reports (e.g. Supervision, Mid-Term Review, Back-toOffice Reports, Aide-Memoires, correspondence, etc.) and consistency with the approved AWPB and PP
- 2. Adequacy and Quality of the Bidding Documents
- 3. Review of compliance with relevant provisions in the IFAD General Conditions for Agricultural Development Financing, Project Procurement Guidelines, Procurement Handbook, any ancillary IFAD Procurement Documents/Templates, IFAD Policy on Preventing Fraud and Corruption, the Financing Agreement and Letter to the Borrower
- 4. The evaluation was done in compliance with IFAD guidelines and in compliance with applicable laws of the country.
- 5. Draft Contract consistency between the draft contract and the contract form provided as part of the bidding document, and between the price contained in the contract and that in the evaluation report (to which IFAD provides its NO) Refer to checklist appendix: No-Objection Checklists for Prior Review of the IFAD Procurement Manual

### 3.3 Post Review

This is the assessment by IFAD in the context of supervision and implementation support or desk-based reviews of procurement conducted by the Borrower/Recipient for a sample of contracts or ongoing procurement activities. The assessment will ensure procurement principles, provisions and procedures as stipulated in the IFAD Project Procurement Guidelines and Procurement Handbook, Financing Agreement and Letter to the Borrower, PIM, standard templates (e.g. bidding documents for goods, works and services) and related systems are available and fully explained to procurement and project management staff. A minimum of ten percent of ongoing contracts should be reviewed. The sampling should be risk-based and take into consideration: (i) the PRM assessment, with the riskier projects having a larger sample, and (ii) the contract risk rating, to ensure that riskier contracts constitute a higher proportion of the sample. The following will be assessed:

- 1. Bidding Process (for each procurement)
- 2. Evaluation Process (for each procurement)
- 3. Award and Negotiations (for each procurement)
- 4. Contract, Contract Administration and Management Process (for each procurement)
- 5. Identify issues and weaknesses (and the relevant underlying causes of these issues and weaknesses) in contract administration and management and recommend improvements.
- 6. Review of issues identified in the previous review and aide-mémoire and procurement related issues identified in project audit reports.
- 7. Review of project's procurement filing system and the ease of document retrieval.

- 8. Periodic review of any significant changes in the Borrower/Recipient's procurement system and practices and ensure project procurement procedures and systems are updated accordingly.
- 9. Ascertain procurement capacity within the PMU, availability of dedicated staff, and the adequacy of their experience and qualifications.
- 10. Assessment of further procurement staff training needs and ensure relevant training is planned and provided to project management and procurement staff in a timely manner.
- 11. Field visits as necessary to complete the above tasks, especially when an issue is identified in contract management.

*Refer to checklist appendix: No-Objection Checklists for Prior Review of the IFAD Procurement Manual* 

### 3.4 Project Supervision

As part of a procurement review undertaken during supervision, a project's PRM will need to be reviewed and updated in light of evolving conditions or circumstances, for example, with respect to the national procurement system, improvement/deterioration of project procurement performance, overall implementation progress and results delivery. As a result, procurement and prior review thresholds may be revised, and other existing risk mitigation measures may be adjusted or new ones implemented. The procurement plan will also be reviewed during supervision and any updates that may be agreed will be done and the revised PP sent for No-objection. Supervision missions will spot check the procurement documentation associated with prior reviews as well as assess procurement processes conducted by the Borrower/Recipient for a sample of contracts not subject to prior review as shown below:

- 1. Review Procurement Plan (PP)
- 2. Review of the procurement process
- 3. Review of final contract
- 4. Contract implementation
- 5. Review of project's procurement filing system and the ease of document retrieval

*Refer to checklist appendix No-Objection Checklists for Prior Review of the IFAD Procurement Manual* 

### 3.5 Procurement Plan reviews

Procurement Plans should be reviewed on a periodic basis (preferably quarterly), such as when a PP Update52 is submitted, prior to giving a NO for a PP Upgrade53, and at any other point in time as determined by the CD e.g. when supervision and/or implementation support activities take place. Review of a PP will assess the following: Consistency with the latest approved AWPB:

1. Nature and quantity of goods/works/services is consistent with the activities in the AWPB

- 2. Procurement schedule is consistent with the implementation schedules in the AWPB (the delivery of goods, works and services correspond to targets in the AWPB)
- 3. Procurement budget is adequate
- 4. Selection of procurement methods are in compliance with the provisions of the Letter to the Borrower
- 5. The estimates indicated seem realistic
- 6. Adequacy of procurement packaging:
- 7. Procurement activities are systematically and logically grouped according to the categories of the procurement (goods/works/services)
- 8. Packaging has been done in a way that generally facilitates the use of the most competitive and efficient procurement method, that ensures the best value for money and that avoids pseudo-packaging 9. Progress in implementing and updating and upgrading the PP, including identifying significant delays and causes, proposing adjustments to the PP and recommending improvements relating to planned/ongoing procurement processes (e.g. in the preparation of the bidding documents).

#### 3.6 Internal Supervision

PMU will hire two procurement specialists who will responsible for the supervision of all day to day procurement activities of the DVCDP II project. She will undertake the following activities:

- 1. Review the Procurement Plan
- 2. Monitor the day to day implementation of the PP
- 3. Review the following documents before they are submitted for no-objection:
  - TORs/Specifications
  - Requests for expressions of interests
  - Request for proposals
  - Bidding documents
  - Evaluation reports
  - Draft contracts

Refer to Procurement Performance Indicator for Supervision Reporting

Appendix 1	Supervision P	lan
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S/ N	Type of supervisi on	Purpose of the supervision	Responsibility	Outputs	Frequency
1	PRM Reviews	PRM assessments, issues identified in previous procurement reviews, and taking into account the project's stage of implementation For every ongoing project, the PRM assessment will have to be updated once a year during project supervision.	Senior Procurement Officer (SPO) or Consultant	<ul> <li>A summary of the project's main procurement risks and corresponding mitigating actions to address and minimize their impact/likelihood</li> <li>Assigned Ratings</li> <li>Write up for the Aide Memoire</li> </ul>	Once every year
2	Prior review	Review procurement documentation associated with prior reviews as well as assess procurement processes conducted by the Borrower/Recipient for a sample of contracts not subject to prior review.	Senior Procurement Officer (SPO)or Consultant CD will issue the non-objection based on the recommendation from SPO	No-objection by concerned CD/CPM	Based on Requests
3	Post review	The purpose is the assessment by IFAD of the procurement processes conducted by the Borrower/Recipient for a sample of contracts that are not subject to prior preview.	Senior Procurement Officer (SPO) or Consultant	Procurement Review Working Paper ⁵⁶	As scheduled

S/ N	Type of supervisi on	Purpose of the supervision	Responsibility	Outputs	Frequency
4	Project Supervisio n	Spot check the procurement documentation associated with prior reviews as well as assess procurement processes conducted by the Borrower/Recipient for a sample of contracts not subject to prior review Update the PRM (see 1 above)	Senior Procurement Officer (SPO) or Consultant	Supervision Aide Memoire and the Management Letter.	As scheduled
5	Review of Procureme nt Plan	Procurement Plans should be reviewed on a periodic basis (preferably quarterly), such as when a PP Update 3 is submitted, prior to giving a NO for a PP Upgrade4, and at any other point in time as determined by the CD/CPM, e.g. when supervision and/or implementation support activities take place.	Senior Procurement Officer (SPO) or Consultant	Updated procurement plan	Quarterly

# **ANNEX 11 – Project Cost and Financing: Detailed Cost Tables**

See Annex 3 of the Project Design Report.

# ANNEX 12 – First Annual Work Plan and Budget (AWPB)

See Annex 6 of the Project Design Report.

# **ANNEX 13 – Economic and Financial analysis**

See Annex 4 of the Project Design Report.

## **ANNEX 14 – SECAP Review Note**

See Annex 5 of the Project Design Report.

## **ANNEX 15 – Environmental and Social Management Framework**

See Annex 16 of the Project Design Report.

# **ANNEX 16 – Grievance Redress Mechanism**

See Annex 14 of the Project Design Report.

# ANNEX 17 – Stakeholder's Engagement Plan

See Annex 15 of the Project Design Report.

# ANNEX 18 – Exit Strategy

See Annex 10 of the Project Design Report.



Uzbekistan

**Dairy Value Chains Development Project II** 

**Project Design Report** 

Annex 9: Integrated Project Risk Matrix (IPRM)

 Mission Dates:
 01/05/2023 - 02/06/2023

 Document Date:
 22/08/2024

 Project No.
 2000004301

 Report No.
 6595-UZ

Near East, North Africa and Europe Division Programme Management Department

# **Overall Summary**

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Moderate	Moderate
Fragility and Security	Moderate	Low
Macroeconomic	Moderate	Moderate
Governance	Substantial	Moderate
Political Commitment	Moderate	Moderate
Sector Strategies and Policies	Substantial	Moderate
Policy Development and Implementation	Substantial	Moderate
Policy alignment	Substantial	Moderate
Environment and Climate Context	Substantial	Moderate
Project vulnerability to climate change impacts	Moderate	Moderate
Project vulnerability to environmental conditions	Substantial	Moderate
Project Scope	Substantial	Moderate
Technical Soundness	Moderate	Moderate
Project Relevance	Substantial	Moderate
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
Monitoring and Evaluation Arrangements	Moderate	Moderate
Implementation Arrangements	Moderate	Low
Project Financial Management	Substantial	Substantia
Project External Audit	Moderate	Moderate
Project Accounting and Financial Reporting	Substantial	Substantia
Project Internal Controls	Substantial	Substantia
Project Funds Flow/Disbursement Arrangements	Substantial	Substantia
Project Budgeting	Moderate	Moderate
Project Organization and Staffing	Moderate	Moderate
Project Procurement	Moderate	Moderate
A.1 Legal, Regulatory and Policy Framework	Moderate	Moderate
A.2 Institutional Framework and Management Capacity	Moderate	Moderate
A.3 Accountability, Integrity and Transparency of the Public Procurement System	Moderate	Moderate
A.4 Public Procurement Operations and Market Practices.	Moderate	Moderate
B.1 Assessment of Project Complexity	Moderate	Moderate
B.2 Assesment of Implementing Agency Capacity	Low	Low
Project Procurement Overall	Moderate	Moderate
Environment, Social and Climate Impact	Moderate	Moderate
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Moderate
Greenhouse Gas Emissions	Moderate	Moderate
Physical and Economic Resettlement	Low	Low
Community health, safety and security	Moderate	Moderate
Labour and Working Conditions	Moderate	Moderate

Risk Category / Subcategory	Inherent risk	Residual risk
Indigenous People	Low	Low
Cultural Heritage	Low	Low
Resource Efficiency and Pollution Prevention	Substantial	Moderate
Biodiversity Conservation	Moderate	Moderate
Stakeholders	Moderate	Moderate
Stakeholder Grievances	Moderate	Low
Stakeholder Engagement/Coordination	Moderate	Moderate
Overall	Moderate	Moderate

Country Context	Moderate	Moderate
Fragility and Security	Moderate	Low
<b>Risk:</b> The core of Uzbekistan's political system is largely unchanged. There is continuity at the Head of State level with the recent election of the incumbent President for a third term, assuring political stability and continuity. However, the Russian-Ukraine war is affecting the regional trade and the supply of inputs as well as the increase in prices. There are also some issues of returning migrants from Russia who are mainly young men.	Moderate	Low
The project is also targeting returning migrants through its youth activities, thus trying to somehow alleviate the issue related to jobless migrants.		
Macroeconomic	Moderate	Moderate
<b>Risk:</b> Based on the Joint Bank-Fund Low-Income Country Debt Sustainability Analysis (LIC-DSA), Uzbekistan has a low risk of debt distress, with debt burden indicators below relevant thresholds in the baseline and all stress scenarios. Over the medium term, the public debt-to-GDP ratio is expected to increase moderately, while the total external debt-to-GDP ratio is expected to decline somewhat. Despite COVID 19 and the Russo-Ukrainian war, the economy remains resilient to shocks thanks to gold, natural gas and textile exports. In particular, both the real income and GDP (5.5%) grew in 2022 and the country recorded lowest unemployment rate since 2018. In terms of remittances, the Central Bank of Uzbekistan released the statistical data on the total inbound flow for 2022, corresponding to more than double (+109.8%) the inflow in 2021. Nonetheless, assistance from development partners remains critical to helping offset the social implications of the compounded effects on the most vulnerable groups. In addition, the potential impact of returning migrants from Russia is still unclear as information is limited and challenging to capture.	Moderate	Moderate
Mitigations: The Government has assigned a pioneering role for IFAD for smallholder agriculture development - through bringing in new approaches and technologies for agriculture and targeting the most vulnerable groups of population. This role was confirmed with the signature of the new COSOP and the design of a second phase of DVCDP which will adopt a stronger pro-poor approach. With regard to returning migrants, close partnership with ILO and the World Bank at the country team level will be sought to gather and analyse data related to this topic. This collaboration can help improve IFAD understanding of poverty and return migration, enabling the Government to develop more effective policies and interventions.	Substantial	Moderate

Risk:	Substantial	Moderate
The Transparency International's 2021 Corruption Perceptions Index ranks Uzbekistan in 140th place out of 180 countries in the Index. The World Bank 2021 Country Policy and Institutional Assessment (CPIA) rates Uzbekistan as medium policy reformer with a score of 3.5. The country shows weaknesses in the Public Sector Management and Institutions (Quality of Public Administration and Transparency scored 3).		
Mitigations:		
With the support of development partners, Uzbekistan has been steadily improving in terms of the CPI, gaining 11 points since 2012. The country is setting an example in Central Asia as it begins to show signs of democratisation and sanction corruption and abuse of power within government agencies. In recent years, the country undertook a number of key reforms in anti- corruption policies, identifying prevention as one of its priorities. IFAD is going to increase the monitoring on the quality and transparency of the allocation of resources for rural development through in-country staff based in Tashkent. The ICO is expected to be established in Q4 2023.		
Political Commitment	Moderate	Moderate
Risk:	Moderate	Moderate
The sixth presidential elections were held in October 2021, which confirmed the second term of the President Mirziyoyev with a majority of more than 80%. Early presidential elections will be held in July 2023, called after the approval of the constitutional referendum which reset the Presidential term limits. IFAD relations with Uzbek Government has further improved with the signature of an ambitious new country strategy 2023- 2027. Consequently, a host country agreement for opening IFAD office in Tashkent was signed in Tashkent in October 2022. However, institutional fragmentation and high ministerial and staff turnover could negatively affect the communication between IFAD and the Government.		
Mitigations:		
IFAD will enhance the country dialogue through its country presence, active engagement with policy makers and participation in key national and high-level policy events. Furthermore, the Government of Uzbekistan and IFAD will convene rural sector partners in a country platform which will help to coordinate development interventions and incentivise evidence-based investment decisions. No major political changes are expected to occur following the elections in July.		
Sector Strategies and Policies	Substantial	Moderate
Policy Development and Implementation	Substantial	Moderate
Risk:	Substantial	Moderate
There is a risk that projects interventions could not be effectively scaled up/sustainable due to the not conducive policy environment. In particular, within the on-going policy reforms agenda of Uzbekistan, land access is becoming a growing issue and concern for IFAD target group and IFAD project outputs delivery. Following a Presidential Decree approved of August 2020, land allocation is granted to farmers only through an auction system which is typically proven challenging for smallholders who are not able to afford the cost of buying a new plot of land.		

Mitigations:		
TA and policy support activities will provide evidence basis for policy reform, and capacity building. In this regard, the GoU expressly asked IFAD to convene rural sector partners in a country platform that helps coordinate development interventions, promote policy coherence and incentivise evidence-based investment decisions. Concerning access to land, while several donors (EU, WB) are leading a working group to support the implementation of the land reform, IFAD will be focused on addressing the needs of access to land by smallholders through the financing of DVCDP II sub-component 3.1 "Policy support".		
Policy alignment	Substantial	Moderate
Risk:	Substantial	Moderate
The overall framework for development in Uzbekistan is guided by the Development Strategy of New Uzbekistan for 2022-2026 and its vision of reducing poverty by half by 2026, including through key interventions targeted at vulnerable segments of the population, and aiming for an upper-middle-income status by 2030. Sustainable rural development is a priority with the specific goals of an annual growth of the sector by at least 5 percent and doubling of farmers' incomes. Agricultural and rural development in Uzbekistan is regulated by the Agro-Food Development Strategy for 2020-2030 which aims to develop a competitive, market and export-oriented agri-food sector to increase farm incomes, create jobs, enhance food security and ensure sustainable natural resources. However, given the ambitious reform agenda, there is a risk that the above mentioned strategies will not be implemented in a timely manner that is suitable to the new project implementation timeline, to effectively support targeting of small scale producers. <b>Mitigations:</b>		
IFAD will continue its country dialogue and sustained study of the impact of government policies and programmes at IFAD target group level, to ensure that commitment is maintained on the part of the Government, including alignment of project with main policy priorities of the implementing agency active and active participation in the UN coordination team assuring that IFAD mainstreaming themes are included in the UN cooperation development framework. Furthermore, IFAD will provide technical assistance to the Government in the design of land access and water use policies as a specific activity of DVCDP 2 (SC 3.1) and through a CPLE initiative.		
Environment and Climate Context	Substantial	Madarata
Environment and Climate Context Project vulnerability to climate change impacts	Substantial <i>Moderat</i> e	Moderate <i>Moderate</i>
Risk:	Moderate	Moderate
The impact of the climate change is evident in increased droughts, high temperatures, heat waves, heavy precipitation, mudflows, floods, and avalanches. Aridity and drought risks are high, especially during vegetation periods particularly for areas with increased demand and consumption from economic development and population growth. Water scarcity, heat waves and increased frequency of high heat days (Max T>39°C) are the most severe risks from climate change in Uzbekistan. Climate change may undermine the project's progress. Climate change tends to disproportionately affect the rural poor, as they have relatively fewer assets resulting in lower adaptive capacity, with the majority of their income typically spent on food. Reduced security in water access, changes in precipitation, and the increased frequency of drought in Uzbekistan have amplified these risks. The country's main climate hazards include more variable precipitation, higher temperatures, reduced water security, increased frequency and severity of extreme weather events; and increased frequency of crop failure – resulting in reduced, less certain, and lower quality crop and livestock yields. Climate change projections forecast higher temperatures, changes in precipitation regimes and more severe droughts, with decreases in water availability.		

Mitigations:		
In response, the project will promote numerous adaptation measures which include enhanced livestock management through improved health/nutrition practices and livestock breeds, improved pasture and stocking management practices, deployment of field-tested drought/salinity-resistant crop varieties, improved crop rotation and cover-cropping practices, minimum tillage and improved soil management practices, and deployment of more efficient irrigation techniques. For livestock production, the negative impact of the anticipated rise in temperature and consequent increased heat stress will be partially offset by the construction of improved cow sheds along with expected increased rainfall in the Steppe and Piedmont zones, and consequent increased quality of pasture and lucerne production.		
Project vulnerability to environmental conditions	Substantial	Moderate
Risk:	Substantial	Moderate
Environmental challenges in Uzbekistan include fresh water resource depletion and deterioration of water quality, desertification, salinization and erosion, all of which are being aggravated by climate change. Widespread irrigation and the use of poor, inefficient and water-wasting technologies have significantly impacted highly sensitive desert ecosystems. About 26 per cent of croplands and 17per cent of rangelands have been affected by degradation, leading to substantial loss of productivity. Dairy production is dependent both on croplands and rangeland as they provide forage and fodder feed for livestock.		
Mitigations:		
Investments in improved forage and fodder production, along with climate-smart agriculture/livestock production implemented as planned will result in positive outcomes. The new project is expected to reduce pressure on natural resources by introducing more environmentally sound natural resource management practices and by diversifying livelihoods. The DVCDP 2 will reduce pressure on natural resources by introducing sustainable NRM practices, e.g., improved stocking management, increased feed use efficiency, and manure techniques for proper nitrogen cycle management. These developments will also enhance the resilience of rural households to climate change and reduce their vulnerability to extreme weather events.		
Project Scope	Substantial	Moderate
Technical Soundness	Moderate	Moderate
Risk:	Moderate	Moderate
The new project could face risks associated with innovativeness of activities related to pro-poor value chain development and the SPs approach which are mostly new in Uzbekistan. Additionally, new rural finance tools may be recommended an introduced with lacking stakeholders 'awareness on the technical implications' requirements.		
Mitigations:		
The new project will benefit from several years of implementation experience of the first phase and build on the technical lessons that will derive from the first phase completion review. Furthermore, the design will benefit from a highly specialized team of experts across different domains. Adequate awareness and capacity building support for all stakeholders has been foreseen and will be factored into the design.		

Risk:	Substantial	Moderate
The livestock sector plays an important role in the economy and society of Uzbekistan, contributing about 43 per cent of the country's agricultural GDP (2022). Most production comes from the 4.7 million small dehkan farms, with the balance from private commercial and a limited number of cooperative (shirkat) farms. There is a risk that project implementation will not sufficiently address the principal constraints of the livestock sub-sector development which include: (i) limited dehkan farmer access to land; (ii) lack of access to sufficient fresh and conserved forage and the unreliable quality of forage and feed; (iii) limited access to reliable, quality animal health services; (iv) low genetic merit of much of the national herd; (v) inadequate sanitary conditions at farms and processors; (vi) constrained direct access to processors and markets; and (vii) lack of asset-building resources including training / advisory services, accessible financing and business capacity to increase sectoral and microenterprise productivity and efficiency. There is also a risk of misalignment between the financial products offered by the partner financial institutions and the project focus on vulnerable groups, with limited collateral, lack of sound business plans and limited financial literacy and capacity preventing them from accessing formal financial institutions.		
Mitigations:		
The DVCDP 2 will continue addressing the aforementioned constraints and opportunities within dairy value chains, by: (i) facilitating access to modern production and processing technologies/ best practices, capacity building through training and on-farm demonstrations; and by an integrated support along key dairy value chains with development potential and comparative advantage at local/ regional levels; (ii) building linkages between knowledge and financial service providers and dairy value chain stakeholders; (iii) addressing the specific challenges and constraints for efficient production and market access faced by the Fund's target group — dehkan farmers (e.g., access to land and water resources, veterinary services, animal feeds and forage, fresh milk collection, etc.), and (iv) support landless farmers to initiate non-farm activities in rural areas or involve in agro-processing.		
The project will also pay close attention to the design of tailored pro-poor financial products, in close coordination with the project beneficiaries and the participating financial institutions. These financial products will include specific guarantee mechanisms, catalytic matching grants, and affordable loan products tailored to the specific needs of the different project target groups.		
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
Monitoring and Evaluation Arrangements	Moderate	Moderate
<b>Risk:</b> The PMU of the first phase experienced issues in establishing a good M&E system, and the M&E processes were not adequately planned. IFAD projects in Uzbekistan have often used an unstructured and ad hoc approach for capturing and documenting M&E data on the outputs, outcomes and impact of interventions. There has been weak collaboration between Project different stakeholders (e.g. with PFIs) in terms of data collection and sharing in a consistent manner and in line with the Project information needs.	Moderate	Moderate
Mitigations:		
Provision has been made for strengthening the capacity of the Minister of Agriculture and CVLD in M&E. Regular follow up, focused capacity building in M&E and Knowledge Management, including yearly IFAD supervision missions will be part of mitigation measures. Dedicated budget for M&E, including for the		
establishment of an adequate MIS for M&E will be included in the COSTAB.		

Risk:	Moderate	Low
The main risks of the implementation arrangements are related to: 1) Project management – some constraints have emerged in the phase I with respect to limited institutional capacity, particularly in attracting qualified local personnel, lack of knowledge and technical expertise in project management and in retaining staff. Furthermore, the limited resources allocated to the project management component results in PMU's limited capacity in M&E, KM and procurement and the PMU being understaffed and/or in certain cases employees working part-time for the Project. Additionally, limited field presence due to unavailability of field staff has resulted in limited engagement with the beneficiaries, lack of data to feed the Project information needs, poor communication of Project opportunities, etc. 2) The COVID-19 and the change of the implementing entity of the project (2021) led to slower implementation of project activities and hinder capacity of PMU to deliver. The country has been on lockdown during the pandemic resulting in slower progress and limited field access by PMU staff due to travel restrictions.		
Mitigations:		
Regular follow up with PMU from IFAD country team, in particular through the recently recruited national programme officer and future country-based IFAD Country Director, IFAD supervision and implementation support missions and strengthened staff capacity through specific trainings. DVCDP 2 will allocate adequate human and financial resources at project management level in order to reduce staff turnover and increase the quality of M&E, KM and procurement and ensure the availability of field staff in target regions. The specific EU-led GEI initiative will strengthen the M&E system and capacity of the implementing agency.		
Project Financial Management	Substantial	Substantial
Project External Audit	Moderate	Moderate
Risk: • Chamber of Accounts (SAI) recently became a full member of INTOSAI. However, there is no independent quality assurance review of the CoA's practice performed	Moderate	Moderate
<ul><li>by another INTOSAI member SAI or IFIs and the CoA undertakes the audits once in two years;</li><li>Risk that credit line activities implemented by PFIs are not covered by external audits.</li></ul>		
in two years; • Risk that credit line activities implemented by PFIs are not covered by external		
in two years; • Risk that credit line activities implemented by PFIs are not covered by external audits.		
<ul> <li>in two years;</li> <li>Risk that credit line activities implemented by PFIs are not covered by external audits.</li> </ul> Mitigations: <ul> <li>An independent private audit firm to be hired by the project to undertake external audits in accordance with International Standards on auditing (ISAs) and IFAD requirements;</li> <li>External audit terms of reference to include lines of credit and guarantee fund activities, including end use review, and field visits for an appropriate sample of end beneficiaries based on the control risk assessment to determine if funds provided</li> </ul>	Substantial	Substantial

Mitigations:		
<ul> <li>Procurement of a new version of 1C accounting software for fully automated accounting and financial reporting, and implementation of the new software within 2 months of the loan's effectiveness. (Dated covenant);</li> <li>Financial reporting requirements from the PFIs to be formalized through a presidential decree to ensure that PFIs meet reporting requirements, and included in the Subsidiary Loan Agreements.</li> </ul>		
Project Internal Controls	Substantial	Substantial
Risk:	Substantial	Substantial
<ul> <li>Internal audit practice in Uzbekistan is weak, does not follow international standards, and no focus on system monitoring and there is no internal audit unit in CVLD;</li> <li>Lack of internal controls and monitoring regarding the lines of credit and guarantee funds.</li> </ul>		
Mitigations:		
<ul> <li>Hiring a private service provider to perform internal audit and spot checks on the use of funds by intended beneficiaries, including the lines of credit and RGF;</li> <li>A comprehensive financial procedures manual to be formulated in the PIM as part of the start-up phase. The manual should include detailed internal control arrangements, including the lines of credit and Rural Guarantee Facility;</li> <li>The executing agency to conduct a due diligence procedure on potential PFIs prior to signing the SLAs to ensure that PFIs have the satisfactory internal control and financial management structure to implement the activities;</li> <li>The executing agency to ensure that satisfactory internal control procedures are maintained at PFIs throughout the implementation period, which are also validated by institutional audits that performed by an audit firm acceptable to IFAD;</li> <li>Due diligence assessment of SFSED, including an assessment of its FM capacity has been conducted and has been deemed satisfactory to IFAD;</li> <li>The investment guidelines (or equivalent) and operating modalities including the eligibility criteria for RGF have received IFAD's no-objection;</li> <li>The RGF agreement, specifying the legal structure of the funds, ownership, and all the necessary modalities, between CVLD and the entity managing RGF has been duly formalized and received IFAD's no objection.</li> </ul>		
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
Risk:	Substantial	Substantial
<ul> <li>Potential liquidity issues due to restrictions established on advance withdrawals from IFAD loan by the Ministry of Finance to avoid holding large amounts of unused funds in the Designated Account, and bear interest charges on ideal fund;</li> <li>Complex and cumbersome flow of funds including transfers to and reflows from PFIs and Rural Guarantee Facility. As well as from PFIs to beneficiaries.</li> </ul>		
Mitigations:		
<ul> <li>The PMU to open and maintain a Designated Account and all required operating accounts, including specific credit line transit account;</li> <li>A separate account for RGF has been duly opened by SFSED;</li> </ul>		
<ul> <li>PFIs to open incremental accounts to receive funds from IFAD loan and a revolving account for credit reflows;</li> <li>Finalize the lines of credit guidelines and draft SLAs, which include withdrawal procedures and the financial reporting obligations of the PFIs, subject to IFAD's no objection;</li> <li>The Ministry of Finance to allow advance requests covering forecasted expenditures for at least one quarter.</li> </ul>		

Risk:	Moderate	Moderate
<ul> <li>Lack of timely submission of the annual work plan budget may lead to implementation delays;</li> </ul>		
<ul> <li>Component 2 includes line of credit activities. As implementation of line of credit activities relies on demand from beneficiaries and PFIs, it is difficult to forecast annual demand at the beginning of the year, and there is a risk that annual work plans may not be realistic, which may result in high variances between actual</li> </ul>		
expenditure and budget.		
Mitigations:		
<ul> <li>The lead project agency to submit the draft Project AWPB to IFAD for comments no later than sixty (60) days before the start of the relevant year;</li> <li>The PMU to prepare accurate cash forecasts, and monitor budget execution and demands from PFIs on a monthly basis to ensure that budget execution is on track, and revise the budget as needed to avoid high variances between budget and actual figures.</li> </ul>		
Project Organization and Staffing	Moderate	Moderate
Risk:	Moderate	Moderate
<ul> <li>Lack of full-time qualified and experienced Financial Management staff for the implementation of the project;</li> <li>Absence of annual performance reviews and a lack of capacity among FM staff;</li> <li>Risk of a lack of knowledge of IFAD's financial management practices and procedures that could lead to non-compliance.</li> </ul>		
Mitigations:		
• Experienced Financial Management staff to be hired from the open market on a competitive basis, and each staff member to complete the IFAD e-learning course within 2 months of the start of the project;		
<ul> <li>Developing an annual performance appraisal process for FM staff to assess the performance of FM staff and determine skills gaps to identify appropriate training and capacity building needs.</li> </ul>		
performance of FM staff and determine skills gaps to identify appropriate training	Moderate	Moderate
performance of FM staff and determine skills gaps to identify appropriate training and capacity building needs.         Project Procurement	Moderate <i>Moderat</i> e	Moderate <i>Moderate</i>
performance of FM staff and determine skills gaps to identify appropriate training and capacity building needs.         Project Procurement         A.1 Legal, Regulatory and Policy Framework	Moderate	Moderate
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loderate
/loderate

Mitigations		
Mitigations: - Projects will strictly adhere to AWPB and PP preparation according to IFAD templates and requirements The project should develop and continuously monitor and update a Procurement Strategy in line with IFAD requirements Change the current multi-platform e-procurement system into a monoplatform system and development of a system that would cover the entire cycle of a public procurement procedure and would be compliant with the legal frameworkRecognise public procurement as a profession, with corresponding positions introduced in the official classification of professions, and ensure that corresponding training and other means for career development are developed; -A hands-on approach, including the introduction to NOTUS and CMT will allow the systematic tracking of procurement activities throughout the project cycle. The PIU shall be trained in NOTUS, and the		
Procurement Specialist at IFAD		
shall closely work with the PIU and provide trainings to local staff, as needed.		
A.3 Accountability, Integrity and Transparency of the Public Procurement System	Moderate	Moderate
Risk:	Moderate	Moderate
- The procedure for planning public procurement by the state customer has also been approved. Thus, the annual plans and corporate customers post schedules of public procurement for the next year until December 25 of this year on a special information portalThere are no means in place for monitoring and managing public procurement performance The public authorities of Uzbekistan have initiated dialogue and co-operation with the non-government sector. Public councils are being set up to advise the government authoritiesThere is daily information on the turnover of contracts, volume, price per unit, supplier/contractor. E-procurement involves moderators based at the Commodity Exchange markets and the Treasury.		
Mitigations: Conduct performance analysis, using the information from the e-procurement system, and make results publically available. In case necessary, the way information is stored in the e- procurement system could be amended to facilitate analysis; increase the capacity of the procurement workforce to reach a higher level of compliance with rules, as well as better value for moneyA standard and formal mechanism/process shall be initiated for regular consultations between the public and the private sector on issues related to procurement policy and practice - Carry out a comparative study of the demand and supply side of the public procurement market in Uzbekistan and use the findings to inform development policy Online mandatory publication, adoption of AWPB, PP and PPS in the project; continuous training and certification as well as the adoption of a thorough PIM.		
A.4 Public Procurement Operations and Market Practices.	Moderate	Moderate

Risk:	Moderate	Moderate
-Special information portal (www.uzex.uz) maintained by an authorized body that		
provides electronic		
viewing of information on public procurement announcements, public procurement results, proposals of		
participants and other information provided for by law, as well as collection of		
information entered by		
(sent) by operators of electronic public procurement systems on conducted electronic public procurement.		
- There is an established programme to train internal and external auditors to		
ensure that they are		
qualified to conduct high-quality procurement audits, including performance audits, as well as supported		
by procurement specialists or consultants The tender participants have right to		
challenge and appeal by		
addressing their complaint to the Commission for Consideration of Complaints in the Field of Public		
Procurement, which is mandated within three working days from the date of its		
receipt, to notify the state customer about this and suspend the procurement procedure for a total period of		
up to ten working days.		
- Public Procurement Complaints Commission has authority and level of		
independence to fully assume the role of appeals body There are no provisions on prohibited practices in		
procurement documents - The		
Anti-Corruption Agency of the Republic of Uzbekistan is a specially authorized state		
body responsible for the formation and implementation of state policy to prevent and combat corruption		
within the country		
There is a civil society organizations involvement in monitoring public procurement, helping to adjust the		
legislative framework, identify irregularities, etc -Public officials are required to		
notify their supervisor or		
law enforcement bodies about all cases of appeal to them by any person in order to induce them to		
commit corruption offences and any cases of such offences committed by other		
public officials.		
Mitigations:		
- Increase the level of transparency by making all procurement related information		
comprehensive and		
easily accessible and free of charge through electronic platforms Formal training and on-the-job trainings		
shall be conducted regularly to ensure that auditors and controllers have the		
qualifications requiredThe Public Procurement Complaints Commission shall have a complete autonomy from		
the rest of the system,		
to ensure that its decisions are free from interference or conflict of interest The		
project should ensure integration in all bidding documents of provisions on prohibited practices, i.e. on		
Preventing Fraud and		
Corruption, on Preventing and Responding to Sexual Harassment, Sexual		
Exploitation and Abuse, etc The system of monitoring should be further improved through involvement of the		
representatives of the civil		
society, academia, international partners, members of the business community and general public IFAD		
policies, reporting hotlines, and self-certification shall be complied with. IFAD		
Handbook shall be adopted		
and applied. Audit shall be secured through an independent entity.		
B.1 Assessment of Project Complexity	Moderate	Moderate

Risk:	Moderate	Moderate
A Project Management Unit (PMU) will be established within the Committee for Veterinary and Livestock Development (CVLD) for the day-to-day management and implementation of project procurement activities as per approved annual work plan and budget and procurement plan. The project adheres to IFAD's SECAP procedures which encompass principles and requirements that aim to integrate social, environmental, and climate considerations into the project cycle. The project aims at active community participation in relevant project activities, including procurement.		
Mitigations:		
The project shall strictly follow IFAD Procurement Guidelines and Handbook, as well as IFAD SBDs. The Committee for Veterinary and Livestock Development (CVLD) shall ensure a proper monitoring of community participation in procurement activities. Good coordination is required to ensure good cooperation between all cooperating agencies		
B.2 Assesment of Implementing Agency Capacity	Low	Low
<b>Risk:</b> The project follows IFAD Procurement Guidelines and Handbook, as well as requirements of standard IFAD SBDs	Low	Low
Mitigations:		
Project Procurement Overall	Moderate	Moderate
Risk:	Moderate	Moderate
<ul> <li>Standard bidding documents do not exist.</li> <li>The tender participants have right to challenge and appeal by addressing their complaint to the Commission for Consideration of Complaints in the Field of Public Procurement, which is mandated within three working days from the date of its receipt, to notify the state customer about this and suspend the procurement procedure for a total period of up to ten working days.</li> <li>Public procurement planning is carried out by the state customer and represents the systematization of procurement, ensuring the relationship between public procurement planning and planning in the budget and investment processes, as well as business planning.</li> <li>Financial procedures are not flexible for swift and efficient payments to suppliers, contractors and service providers who therefore may face the risk of running into financial problems preventing them from ensuring that subsequent deliveries can be made as required by the contract.</li> <li>Publication of public procurement information on e-</li> <li>The legal framework allows but only partly mandates the use of e-procurement solutions; However, it is established that the selection of the best offers and the tender are necessarily carried out in electronic form, with the exception of cases provided for by law.</li> <li>Procurement is not recognized as a profession.</li> </ul>		
Pillar B - The project mostly follows IFAD Procurement Guidelines and Handbook, as well as requirements of standard IFAD SBDs, the past performance based on		

Mitigations		
<ul> <li>Mitigations:</li> <li>-The Standard Procurement Documents for goods, works and services shall be adopted.</li> <li>-Standardize and formalize guidance for the preparation and use of forms of different contracts and contract management.</li> <li>-Ensure that obligations deriving from international agreements are consistently and coherently reflected in the legal framework.</li> <li>-The project will follow IFAD Procurement Guidelines and Handbook as well as IFAD SBDs; the PIM will elaborate the particulars of procurement execution.</li> <li>Pillar B - The project shall continue following IFAD Procurement Guidelines and Handbook, as well as standard IFAD SBDs.</li> <li>The Project shall strictly follow IFAD's SECAP procedures which encompass principles and requirements that aim to integrate social, environmental, and climate considerations into the project procurement cycle.</li> <li>The Project shall ensure an active community participation in relevant project activities, including procurement.</li> <li>The Project shall ensure that Project staff participate regularly participate in the training sessions organized by IFAD on OPEN, IFAD Project Procurement Guidelines and a Handbook (BuildProc program).</li> </ul>		
Environment, Social and Climate Impact	Moderate	Moderate
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Moderate
<b>Risk:</b> The Second National Communication of Uzbekistan to the UNFCCC outlined future climate programmes for the country. Climatic trends in Central Asia, highlighted in IPCC Assessment Report 6 of 2022, indicates that the mean temperatures will continue to rise and precipitation will become more variable. This will result in greater aridity and variability with the increased probability of extreme events such as droughts and increased heat stress to livestock and crops. This will affect the livestock sector with respect to animal health, nutrition and availability of fodder. The frequency and severity of extreme heat events may result in impacts to animal health which in turn will lead to lower productivity. Indirect effects include reduced pasture/crop productivity and increased exposure to new pests and diseases. Climate change will also affect water availability for irrigation, with direct impacts on crop production.	Moderate	Moderate
<b>Mitigations:</b> Proven strategies to address the trends noted above are well known and have been mainstreamed into the design of DVCDPII, in order to mitigate any impacts on dairy production, enhance resilience, and ensure that this key agricultural sector is able to adapt to likely climatic changes over the coming years. These include drought resistant fodder and feed crop varieties (including crop rotation), enhanced silage practices to improve the quality of animal feed, including ground cover and nitrogen fixing in rotation to maintain/improve soil fertility, introduction of climate-smart farming practices including improved processing and use of animal manure, promotion of minimum tillage of agricultural land, and agro-silvo practices – particularly tree planting along field/farm boundaries, canals, and irrigation works. Enhanced irrigation practices will also be deployed to improve efficiencies, water security, and soil quality.		
Greenhouse Gas Emissions	Moderate	Moderate
Risk:	Moderate	Moderate
Intensification of dairy production may contribute to the increase of GHGs emission (directly or indirectly)		

<b>Mitigations:</b> The Programme will reduce GHG emissions as it promotes the "less animals, better animals" concept, while the technology innovation sub-programmes are expected to address environmental issues related to fodder production including pasture monitoring, management and reinforcement and manure management for nitrogen cycle control.		
Physical and Economic Resettlement	Low	Low
Risk:	Low	Low
The project does not include any activities requiring physical resettlement.		
Mitigations:		
Default mitigation text		
Community health, safety and security	Moderate	Moderate
Risk:	Moderate	Moderate
Risk pertains to potential community health issues such as animal to human communicable diseases or issues related to the quality of dairy that can arise from an expanded and intensified dairy and livestock sector.		
Mitigations:		
<ul> <li>i) Training on animal health care will be included in the interventions that aim to strengthen the dairy value chain.</li> <li>ii) The project will increase the availability of reliable animal healthcare and vaccination services.</li> <li>iii) Public health inspectors in milk and dairy premises hygiene are trained and receive refresher training on regulatory control;</li> <li>iv) Beneficiaries receive training on quality control as part of value chain interventions.</li> <li>Through the organization of capacity building programmes, the target population shall be sensitized on zoonotic diseases related risks, communicable diseases related risks, best practices of keeping animals in a safe manner to avoid cross species contamination (e.g. safe disposal of fetus and placenta in case of abortion), and disposal of containers of veterinary medicines.</li> </ul>		
Labour and Working Conditions	Moderate	Moderate
<b>Risk:</b> Risk pertains to enterprises generating new jobs who are not adhering to labour conditions.	Moderate	Moderate
Mitigations:		
<ul> <li>i) Local business development service providers guide the process of farm expansion and will provide information on safe and healthy working arrangements.</li> <li>ii) Project interventions support the development of healthy and safe working conditions by e.g. developing new health protocols and executing regular inspections.</li> </ul>		
Indigenous People	Low	Low
Risk:	Low	Low
Uzbekistan is made up of a number of traditional populations of Turkic (Uzbeks, Kazakhs, Karakalpaks), Semitic (Bukhara Jews), and Iranian origins (Tajiks), as well as more recent minorities which arrived in the country during the Russian and Soviet domination (Russians, Crimean Tatars, Meskhetian Turks, Koreans and some Jews). The project target communities will include vulnerable and marginalized groups.		
	<u>.</u>	

Mitigations:		
In the event during implementation that traditional/indigenous communities are identified in the project area, the project will follow the steps to seek their free, prior and informed consent (FPIC) outlined in the SECAP Review Note.		
Cultural Heritage	Low	Low
Risk:	Low	Low
Not applicable. There are 4 UNESCO recognised cultural heritage sites in Uzbekistan. The project is not implemented in the district where the sites are located.		
Mitigations:		
Default mitigation text		
Resource Efficiency and Pollution Prevention	Substantial	Moderate
Risk:	Substantial	Moderate
Dairy production intensification can challenge environmental sustainability goals, as intensification of dairy farming raises methane production and increases the risk of nitrate pollution and land degradation through pasture grazing and soil cultivation for fodder production, including on sloping land.		
Mitigations:		
To address this and other possible environmental impacts, the Project will formulate an Environmental and Social Management Plan that will comprise adequate mitigation measures, climate-smart agriculture practices and adaptation investments, and compliance with IFAD environmental, social and climate change safeguard procedures whilst seeking sustainable management of natural resources in the targeted regions. The climate-smart agricultural approaches considered in the project are also agro-ecological in nature, therefore minimizing or eliminating the use of agro-chemical products and fertilizers. Existing forest management areas, along with areas planned for future restoration, are known and will be avoided in the project. Planned project activities include improving water use efficiency through improved irrigation practices, and improved energy use efficiency through the deployment of grid-connected solar energy installation in conjunction with cold chain requirements and water pumping for irrigation – thereby improving efficiencies in water use. While the project is fully dependent on production of living natural resources, it will be sited in areas of existing intense agricultural activity, with low environmental and/or social sensitivity.		
Biodiversity Conservation	Moderate	Moderate
Risk:	Moderate	Moderate
For Uzbekistan's biodiversity and ecosystem services the key issues remain desertification, soil erosion and salinization, and habitat loss, as the result of unsustainable agriculture and irrigation practices. In addition to a loss of habitat and biodiversity, the reduction of forests and other vegetation decreases absorption of carbon dioxide, thus accelerating climate change impacts.		

Mitigations:		
The proposed interventions under the DVCDP 2 are expected to have negligible impact to biodiversity, with a substantial likelihood that they will result in some positive benefits. The project will be taking place in already highly modified landscapes under intense agricultural production, as well as in built up areas. As a result, project intervention sites will not take place in areas of high biodiversity value or in forested areas. Due diligence will also be undertaken to ensure that project field activities in no way intervene in the same areas as current or planned protected areas or forest management areas. In addition, only fodder and feed crop species that have completed field trials in Uzbekistan with government designated research bodies will be used in project extension activities.		
Stakeholders	Moderate	Moderate
Stakeholder Grievances	Moderate	Low
<b>Risk:</b> Stakeholder grievance will be introduced for the first time since a GRM was not adopted in the project first phase. The risk is associated with PMU limited capacity and understanding of this best practice the project should adopt.	Moderate	Low
<b>Mitigations:</b> The proposed project will use the existing IFAD's grievance mechanism with the introduction of SECAP. A specific grievance and redress mechanism will be designed in the phase II of the project with adequate training and awareness for all stakeholders.		
Stakeholder Engagement/Coordination	Moderate	Moderate
<b>Risk:</b> A main programme implementation risk relate to the potential lack of incentives on the part of the various value chain actors and beneficiaries — dehkan and commercial private farmers and agroindustry entrepreneurs — to participate in the programme's activities and financing. Moreover, for the DVCDP the location of the main Project Management Unit in the capital meant that direct interaction with stakeholders and beneficiaries was limited. However, the recruitment of local field-based consultants and NGOs facilitated beneficiaries' engagement, especially women.	Moderate	Moderate
<b>Mitigations:</b> The project will conduct a regular project supervision with a focus in gender and targeting strategy development. An in-depth, participatory analysis of production/ business opportunities, input and other constraints, and actual financial risks, based on formulated bankable business plans. Mitigation in this regard also involves a widespread informational campaign on the programme's objectives/scope and initial support to farmer group formation at Mahalla level. Stronger grass-root support will be sought through increased partnerships with local NGOs operating in rural areas.		



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Annex 10: Exit Strategy

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# Annex 10: Exit Strategy

# 1. Introduction

The sustainability of the interventions of the Dairy Value Chain Development Project – Phase 2 (DVCDP II) is an integral part of its initial design.

The objective of this exit and sustainability strategy is to ensure, that at the end of the Project:

- Producers have adequate technical skills, the ability to maintain and develop their livestock and dairy business, have access to agricultural advice, quality inputs and support services, and are in commercial relations with dairy collectors and processors downstream of the value chain;
- The agricultural products and equipment developed or financed with the support of the Project are in good physical and sanitary condition at the time of their final reception by the producers;
- The physical infrastructures of MCCs, and other buildings and equipment put in place and equipped with the support of the Project, are appropriated and managed in a transparent and viable manner; they have adequate financial and institutional means for their operation and maintenance;
- The project implementing partners have the technical capacities to maintain or scaleup technical support to the project beneficiaries in the project areas of intervention;
- The partners financing institutions supported by the Project have the capacity to pursue and develop the provision of financial services to the beneficiaries in the project target groups, taking into account women and youth;
- Innovations whether technical, organizational or functional, validated and developed within the framework of the Project are well documented, and continued to be adopted and disseminated in the Project area and beyond, within the framework of a welldefined scaling process.

This Annex provides a general overview of DVCDP II exit strategy and approach. Specific arrangements related to the sustainability of each project sub-component/activity are further described in the Project Implementation Manual (PIM) - Section 3 *Detailed project descriptions and implementation modalities*.

## 2. Principles of the exit and sustainability strategy of DVCDP II

The environmental and socio-economic sustainability of the project outcomes will be ensured by applying the following strategic and operational principles during project design, implementation, and exit:

- Smallholder producer (including women and youth) groups will be formed following suitable participatory criteria;
- The project will prioritize training and trainers (ToTs) and capacity building of local implementing partners, in particular for the continuation and scaling-up of L-FFS after project completion;
- The efficient use of natural resources (land use/management and water harvesting), the introduction of management plans for communal grazing, the use of organic fertilizers and manure, the treatment of wastewater at the MCCs and processing units will strengthen the environmental sustainability of the value chain;
- 4Ps and productive alliances will be facilitated and established under the project, ensuring that provision of services and market access to smallholder farmers are based on economically sustainable and mutually beneficial business models. In particular, identified management models for MCCs will prioritize strong ownership from

implementers; MCC contracts will ensure that processors who own MCCs do not receive excessive market power and protects the interest of all parties;

- Financing mechanisms such as credit lines and guarantee mechanism will be designed, mutually beneficial for financing institutions and beneficiaries and creating long-term relationships and trust between them; in addition, provision for the use allocation revolving funds will be made since the onset, and available revolving funds will be used by PFIs to finance additional projects under the same conditions as for the DVCDP II after project completion;
- Evidence will be generated throughout the project implementation which could be used at policy level for creating an enabling environment for development of smallholder production.

Concrete measures to ensure exit and sustainability of the project outputs are further detailed in the Project Implementation Manuel (PIM), in the detailed description of each project component and activity.

## 3. Planned disengagement and sustainability process

From the start of activities, the Project coordination teams will **raise awareness** among all actors on the application of this intervention approach aimed at the sustainability of investments and interventions.

The process of handing-over interventions and activities will be **formalized** and follow procedures clearly identified in, among others:

- the Financing Agreement with the Government of Uzbekistan;
- the MoUs signed with project implementing partners and with public actors in charge of supporting the target groups after the project;
- agreements for the transfer of ownership or use of infrastructure, equipment or funds set up with financing from the Project with the entities concerned;
- formalized service contracts with private actors.

An **action plan for disengagement** will be prepared after the Mid-term review and implemented by the PMU in the last year of project implementation. The action plan will include a schedule of actions to be carried out to validate the achievements of all entities that have benefited from Project support and identify the consolidation measures necessary to guarantee their empowerment.

The action plan will include, among others, for each Project activity:

- A description of the exit strategy as a clear plan with a realistic timeline and key milestones, as well as the related costs and necessary resources and institutional arrangements for effective implementation;
- Expected approach for the exit strategy, e.g. programmatic approach, phasing down/out, scaling up, etc.
- Pre-identification of partners and services to be involved in the post-project phase.
- Identification of the activities for the official handover of the Project's infrastructures and assets, which must recall the commitments of each stakeholder with a view to the proper operation and maintenance of the investments.
- Key assumptions vis-à-vis the sustainability of project benefits to the target group;
- Challenges and risks to the implementation of the exit strategy;

As relevant, **disengagement workshops** could be organized with the project implementing partners (Women Committee, Mahala, L-FFS providers, other actors or service providers, that have been supported by the Project), by associating the pre-identified partners to ensure the post-project. The purpose of these workshops would be to:

- actively involve all partners in the final exit measures implemented before the end of the Project;
- verify, analyze and document the level of achievements and the degree of maturity of the entities carrying the achievements;
- analyze and agree on the additional reinforcement measures to be carried out and the collaborations or partnerships to be set up with the support of the Project before its completion.
- agree on the necessary support measures after the completion of the Project, specifying the partners who will be involved and the necessary means;
- draw up with the participants in the workshop a "matrix of disengagement" and sustainability actions to be implemented on the model of table 2. This matrix will constitute the action plan and the checklist for disengagement by entity and the validation of the current situation and achievements and the consolidation measures remaining to be undertaken before the completion of the Project. This matrix, once validated with all the stakeholders, will represent the disengagement and sustainability action plan for the entity concerned.
- consolidate the action plans of the entities in a work program for disengagement and sustainability of the Project at the level of the Province, which will support with all the stakeholders the implementation of the actions at the level of each listed entity

In the final year of implementation, the project M&E team will conduct a mapping of the status of interventions before hand-over, and monitor the exit plans.

The final disengagement will be accompanied by a series of administrative tasks and formalization of the withdrawal from the Project, in alignment with the Financing agreement, MoUs and contracts signed with implementing partners during the project implementation. All documentation (studies, operation manuals, database, capitalization documents, etc.) on the achievements of the Project will be transferred to the services concerned.

## 4. Guide and checklist for organizing disengagement activities

The following tables could initially serve as a guide and checklist for the organization of disengagement and sustainability activities, then, once validated with all the stakeholders, as tables for monitoring the implementation of the selected activities.

These tables are to be completed and updated as the disengagement process progresses, and will serve as final documentation of the execution of the disengagement process and the sustainability of the Project in the areas of intervention.

#### a. Achievements to be sustained

Project achievements to be sustained	Indicative factors of sustainability
Producers	<ul> <li>Technical skills</li> <li>Access to advice and other production support services</li> <li>Access to good quality equipment and inputs</li> <li>Reliable business leads</li> <li>Maintenance of project infrastructure and equipment after project completion</li> </ul>
Farmers groups, associations, cooperatives, stakeholder platform	<ul> <li>Governance</li> <li>Management capabilities</li> <li>Funding</li> <li>Maintenance of project infrastructure and equipment after project completion</li> </ul>
MCCs, rural enterprises	Viable business plan

Table 1: Summary table of project achievements to be sustained

Project achievements to be sustained	Indicative factors of sustainability
	<ul> <li>Partnerships / contractual agreements formalized and endorsed, protecting all parties</li> <li>Reliable and stable market linkages</li> <li>Capacity for technical and managerial management of the activity</li> <li>Access to finance</li> <li>Maintenance of project infrastructure and equipment after project completion</li> </ul>
Livestock, agricultural products, equipment infrastructure	<ul> <li>Good physical and sanitary condition at the time of their final reception by the producers</li> <li>Management and maintenance capacity</li> <li>Technical support and accompaniment</li> <li>Liaison/transfer with technical services, etc.</li> <li>Maintenance</li> </ul>
Participating Financial Institutions (PFIs)	<ul> <li>Continuation of financial services for dekhan farmers, women, and youth by PFIs after the project's completion</li> </ul>
Other implementing partners	<ul> <li>Technical capacities to maintain or scale-up technical support to the project beneficiaries</li> <li>Financing</li> </ul>
Innovations	<ul> <li>Suitability to local conditions</li> <li>Accessible and affordable for users</li> <li>Profitability and climate change resilience documented (ease of technical implementation, benefits/costs) documented</li> <li>Wider dissemination, via diversified information channels</li> </ul>

## b. Disengagement and sustainability measures undertaken and to be undertaken

Table 2 indicative template below could be drawn up and completed for each category and asset holder, in order to take stock of: (i) the status of achievements and the activities of sustainability already undertaken by the Project; and (ii) those remaining to be undertaken by the completion of the Project to ensure its proper and proper disengagement.

Table 2: Exam	ple of a "matrix	c of disengageme	ent"

Sustainabili factors	ty Needs in terms of sustainability (for example)	Measures already taken by the Program	Consolidation measures to be taken before programme completion	Support measures planned after programme completion	Related Costs	Entities involved	Means to be mobilized



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Annex 11: Mainstreaming themes – Eligibility criteria checklist

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	Be gender transformative	Be youth sensitive	Be nutrition sensitive	Prioritize persons with disabilities	Prioritize indigenous peoples		imate finance ptive capacity
Situation analysis	<ul> <li>National gender policies, strategies and actors</li> <li>Gender roles and exclusion/discrimination</li> <li>Key livelihood problems and opportunities, by gender</li> </ul>	National youth policies, strategies and actors Main youth groups Challenges and opportunities by youth group	<ul> <li>National nutrition policies, strategies and actors</li> <li>☐ Key nutrition problems and underlying causes, by group</li> <li>☐ Nutritionally vulnerable beneficiaries, by group</li> </ul>	<ul> <li>National policies, strategies and actors</li> <li>Main groupings among PwDs</li> <li>Context-based barriers and opportunities for PwDs</li> </ul>	<ul> <li>International standards, national policies, strategies and key IPs' organizations</li> <li>Main IPs communities, demographic, social, cultural and political characteristics</li> <li>Important livelihoods constraints and opportunities for IPs and their cultural heritage</li> </ul>		
Theory of change	Gender policy objectives (empowerment, voice, workload) Gender transformative pathways Policy engagement on GEWE	Pathways to youth socioeconomic empowerment Vouth employment included in project objectives/activities	Nutrition pathways Causal linkage between problems, outcomes and impacts	Pathways to PwDs' socioeconomic empowerment using a twin-track approach	Pathways to IPs' socioeconomic empowerment		
Logframe indicators	Outreach disaggregated by sex, youth and IPs (if appropriate) Women are > 40% of outreach beneficiaries IFAD empowerment index (IE.2.1)	Outreach disaggregated by sex, youth and IPs (if appropriate) Persons with new jobs/employment opportunities (CI 2.2.1)	Cutreach disaggregated by sex, youth and IPs (if appropriate) Targeted support to improve nutrition (CI 1.1.8) Outcome level Cls CI 1.2.8 MDDW CI 1.2.9 KAP	Outreach disaggregated by sex, youth, disability and IPs (if appropriate)	<ul> <li>Outreach indicator disaggregated by sex, youth and IPs</li> <li>IPs are &gt; 30% of target beneficiaries</li> </ul>		
Human and financial resources	Staff with gender TORs Funds for gender activities Funds for IFAD empowerment index in M&E	Staff with youth TORs Funds for youth activities	Staff or partner with nutrition TORs Funds for nutrition activities	Staff with disability inclusion-specific TORs Funds for disability inclusion-related activities (including accessibility)	Staff with IPs-specific TORs Funds for IPs related activities, including FPIC	IFAD Adaptation Finance	\$14,082,000
	budget					IFAD Mitigation Finance	\$0
						Total IFAD Climate- focused Finance	\$14,082,000

	Gender
Remarks	Nutrition
	Youth
	Persons with Disabilities
	Indigenous Peoples
	□ No social inclusion themes



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Annex 12: List of eligible activities to be financed by FIPS

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# Annex 12: List of Start-up Activities for Start-up Facility

# 1. Introduction

1. The Project is to be presented to the IFAD's Executive Board in December 2023. Provided all loan effectiveness conditions are met on time, the project start-up is tentatively planned for June 2024. To facilitate a prompt start-up, a withdrawal of up to USD 300 000 may be made from the IFAD Loan to pay for expenditures related to the Project start-up before fulfilment of the conditions precedent to withdrawal. The start-up activities may include:

- (i) Recruitment of key staff;
- (ii) Finalizing the Project Implementation Manual including the Financial procedures, accounting, and procurement manuals;
- (iii) Preparation of the first AWPB and procurement plan;
- (iv) Organization of a Start-up workshop;
- (v) Procurement/upgrading of the accounting software for the new project;
- (vi) Finalization of the Agreement and/ SLA templates with the implementing partners, PFIs, and SFSED;
- (vii) Finalization of Investment Guidelines, baseline survey, and mapping of beneficiaries.

# 2. List of activities and detailed tentative costs

Republic of Uzbekistan Dairy Value Chain Development Programme - II Table 3. Component 3. Policy support and Project coordination and management						Breakdow	n of Totals ('000)	Incl. Cont.		
Detailed Start-up Costs							Local			
					Totals Including					
(US\$)		Quantities			Contingencies ('000)	For.	(Excl.	Duties &		Other Accounts
	Unit	2024	Unit Cost	Total	2024	Exch.	Taxes)	Taxes	Total	Fin. Rule
I. Investment Costs										
A. 'Project Start-up										
1. Technical Assistance, Studies and Workshops										
PIM preparation	Report	1	10.000	10,0	10,2	-	10,2	-	10,2	IFAD (100%)
Start-up Workshop	w/shop	1	7.200	7,2	7,3	2,2	5,1	-	7,3	IFAD (100%)
Baseline Survey /a	lumpsum	1	100.000	100,0	101,5	30,5	71,1	-	101,5	IFAD (100%)
Subtotal Technical Assistance, Studies and Workshops				117,2	119,0	32,6	86,3	-	119,0	
2. Programme Communications and Software										
Upgrading of accounting software	lumpsum			20,0	20,3	6,1	14,2	-	20,3	IFAD (100%)
Subtotal 'Project Start-up				137,2	139,3	38,7	100,5	-	139,3	
II. Recurrent Costs										
A. Project start-up (recurrent costs)										
1. Salaries										
Director/Project Manager	pers-month	12	1.800	21,6	21,6	-	21,6	-	21,6	IFAD (100%)
Chief Accountant	, pers-month	6	1.320	7,9	7,9	-	7,9		7,9	IFAD (100%)
Finance Specialist	pers-month	6	1.320	7,9	7,9	-	7,9	-	7,9	IFAD (100%)
Procurement Officer	pers-month	6	1.200	7,2	7,2	-	7,2	-	7,2	IFAD (100%)
Translator	pers-month	6	1.000	6,0	6,0	-	6,0	-	6,0	IFAD (100%)
Security guard	pers-month	6		1,8	1,8	-	1,8	-	1,8	IFAD (100%)
Janitor	pers-month	6	200	1,2	1,2	-	1,2	-	1,2	IFAD (100%)
Driver	pers-month	6	300	1,8	1,8	-	1,8	-	1,8	IFAD (100%)
Subtotal Salaries				55,4	55,4	-	55,4	-	55,4	. ,
TOTAL Start-up Costs				192,6	194,	,7 38,7	156,0	-[	194,7	IFAD (100%)



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Annex: Annex 13 Overview Of Rural Finance Supply In Uzbekistan And Profile Of Pre Identified Pf Is

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# Annex 13: Overview of rural finance supply in Uzbekistan and profile of preidentified Participating Financial Institutions (PFIs)

This Annex provides a brief overview of the rural finance supply in Uzbekistan, including a mapping of existing instruments available in the market for smallholder farmers, and their limitations (Section 1). It also provides a brief description of the four Financial Institutions (FIs) that demonstrated an early interest in participating in DVCDP II (QQB, Mikrocredit Bank, Xalq Bank, Hamkor Bank) (Section 2).

The information provided in this Annex is mostly based on interviews held in December 2022 and during DVCDP II design mission in May 2023, completed with a review of recent studies published by the World Bank and the Asian Development Bank on the financial sector in Uzbekistan (*Financial Sector Reform Project, Project Appraisal Document*, World Bank, May 2022; and *Small and medium-sized enterprise finance in Uzbekistan: Challenges and opportunities,* Working paper, Asian Development Bank Institute, 2019).

#### **1.** Overview of the financial sector¹

**Dominating the financial system, the banking sector is primarily state-owned and highly concentrated.** Commercial banks comprise more than 95% of total financial sector assets. The banking sector consists of 33 banks, of which twelve are state-owned and account for 81% and 86% of total assets and credit by end 2021 respectively (see Annex). The six largest state-owned commercial banks (SOCBs) account for 68% of total sector assets. The government directly and indirectly controls over 90% of the shares of the SOCBs via MOF, various state agencies and public companies.

**Private banks are small**, with an average equity of USD 61 million as of 2021, and mostly serve the private sector on commercial terms. Unlike SOCBs, they fund their operations through retail deposits (about 65% of liabilities) with the remaining liabilities sourced from foreign banks and international DFIs.

**The non-bank financial organizations** and capital markets are underdeveloped. Non-bank credit organizations comprise microcredit organizations (MCOs), leasing companies, pawnshops and one mortgage refinancing company. The **63 MCOs and 64 pawnshops** account for just 0.3% of banking sector assets. The Central Bank of Uzbekistan (CBU) is currently developing a new law on non-bank credit organizations, with WB support, to be adopted in 2022. There are **more than 100 leasing companies**, with a loan portfolio of about 2% of banking sector credit. Capital markets are underdeveloped. By end-November 2021, the total market capitalization of listed securities reached UZS 84 trln.

**Insurance penetration is very low**, despite numerous insurance companies in the market. In 2021, the insurance penetration ratio (gross written premiums to GDP) reached 0.52%. Major insurance products include compulsory motor insurance, compulsory employer's liability insurance, contractor's voluntary all-risk insurance, credit risk insurance and property insurance. The life insurance sector is nascent, comprising about 10% of gross written premiums. As of 2020, the insurance industry is supervised by the Insurance Market Development Agency (IMDA) under the MoF. The IMDA is currently working on the development of a new insurance market development strategy, and a series of ambitious reforms, including developing the catastrophe insurance markets, with support from the WB (WB sector reform project).

¹ This section is mostly based on World Bank, Financial Sector Reform Project, Project Appraisal Document, May 2022

**Ongoing privatization process in the banking sector** with support from the WB, in alignment with the objective stated in the national development strategy 2022-2026 of "*completing the transformation of commercial banks with a state share, increasing the share of the private sector in banking assets to 60 % by the end of 2026".* This privatization process in the banking sector is leading to **increased competition between institutions**, and the need for public banks to adopt best practices in terms of governance, risk management, etc. and clarify their market positioning.

**Establishment of a Development Bank.** The authorities have decided to establish a development bank in Uzbekistan. This decision was delivered in the new Development Strategy 2022-2026 (action 106) approved by the Presidential Decree N 60 in January 2022. The creation of a development bank is envisaged, among others to support development of large infrastructure and industrial projects in the country and development of export potential of Uzbekistan enterprises through the provision of comprehensive financing, guarantee, and insurance support.

## 2. Key figures on financial inclusion in Uzbekistan

Only **36% of adults report owning an account at a financial institution**², less than in peer countries (e.g., 47% in Tajikistan, 59% in Kazakhstan, 63% in Ukraine, 81% in Belarus). The **usage of credit** in formal financial institutions is remarkably low: the majority of households and firms, rather than using formal finance, save and borrow informally, and indicate the high cost of finance is inhibitive. In 2017, only 2.3 % of adults borrowed money from a financial institution³.

**Account ownership is even lower for rural, youth, and less educated population.** A 16%point gap in the account ownership exists between the urban (43%) and rural (27%) populations. Similarly, the distribution of financial access points is uneven with large concentration in bigger cities. The **gender gap** in account ownership is, however, narrow, compared to Middle-income countries (MICs) and Europe and Central Asia (ECA) – with 37% versus 34 % difference between men and women. The usage of payment cards and remote banking systems has been rising in recent years.

**The access to finance among MSMEs also remains comparably low**, hindered by limited instruments addressing MSME needs. During the post-2017 credit boom, the private sector benefited from improved access to finance. The 2019 World Bank Enterprise Survey⁴ indicates that 5.8% of Uzbek firms perceive access to finance as a major constraint—a lower share than for the regional and income peers (17% and 26%). However, the survey also shows that only 22% of firms have a bank loan or credit line (24% in 2013)—well below the 28% average for lower MICs and 38% for ECA. Funding constraints limit the innovation capabilities of the private sector (limiting the inclination to take on risk), and growth-oriented SMEs do not have diversified financing options that go beyond traditional bank credit to realize their potential.

**Uzbekistan adopted its first National Financial Inclusion Strategy (NFIS) 2021-2023 in June 2021**, with the support of the World Bank Group. The NFIS provides a comprehensive approach to improving financial inclusion. It defines national financial inclusion objectives, identifies a prioritized set of actions to achieve those objectives, and outlines the main

² IFC 2020 Financial Capability Survey

³ Asian Development Bank Institute, 2019. Working Paper. Small and medium-sized enterprise finance in Uzbekistan: Challenges and opportunities

⁴ https://microdata.worldbank.org/index.php/catalog/3723

opportunities and obstacles that policymakers should consider during implementation. The NFIS focuses on five main policy areas for reform actions: basic financial services, access to finance for SMEs, digital financial services, financial consumer protection, and financial literacy. Further assistance to the NFIS activities will be provided by the World Bank under a new TA program.

# 3. Main challenges in accessing funding for smallholders and rural MSMEs⁵

# On the demand side

On the demand (smallholder) side, the main challenges for accessing funding include the following:

- Lack of collateral. As all agricultural land is owned by the State, and although leases for small farms are lifetime holdings, they can be transferred through inheritance only, and are not able to be sold⁶. Small producers do not normally have other significant saleable assets that can be used as collateral for financing. This, coupled with a lack of value chain financing, means that they do not have significant access to formal finance for seasonal costs and productive investments (COSOP 2023-2027). Typical collateral requirements in the banking sector reach 125% of the loan amount (standard practice in all banks), with a maximum 25% of the collateral possibly covered by insurance companies. Other authorized collaterals include future crops (for farmers) and tangible assets (e.g. stores, building, machinery, vehicles). Third parties can also give authorization for borrower to use their assets, or issue guarantee letters (for example clients with good loan repayment track record at the bank can become third party guarantors for new clients). Neither private farmers nor dekhan farms are allowed to use land or cattle as collateral.
- **High interest rates.** Commercial rates in the banking sector typically range 20-25% annual (in local currency), and 6%-11% in USD (see Table below). Subsidized rates in the agriculture sector (government programmes) typically reach 15% in local currency, and 3,75%-6,5% in USD.
- **Complex loan application procedures.** Small businesses in Uzbekistan report that complex application procedures and high collateral requirements are the second and third most important reasons for not using formal finance⁷.
- Lack of documentation: most household and dekhan farmers lack clear business plans and have no business registration document.
- Low level of awareness of dekhan enterprises and farm enterprises about the current credit conditions. Many still have information that a loan is difficult to obtain. The banks' websites usually clearly display the conditions of Government loan products, but not for other available products (i.e. donor-based programmes). There is a general lack of understanding of collateral requirements, and the possibility to have third party guarantors as an alternative to tangible assets.

⁵ This section is mostly based on preliminary interviews conducted with Mikrocredit Bank, Xalq Bank and QQB in December 2022 and May 2023, in preparation of DVCDP II design document.

⁶ Land Tenure Reform. The Strategy for the development of agriculture 2020-2030 includes amendments to the Land Code that improve small farmers land tenure situation. If reforms allow for land to be tradeable it can be used as bankable collateral.

⁷ Asian Development Bank Institute, 2018. Working Paper Series. Financial inclusion, regulation and literacy in Uzbekistan.

#### These challenges are even more acute for women and for youth:

- Rural women are seldom registered business owners in Uzbekistan, and usually **lack the collateral** (in the form typically of vehicles or buildings) and **business registration** to obtain the loans. Banks will usually sign the loan contract with the person who owns the collateral (i.e. men).
- Moreover, **women financial literacy is weak**, and this affects the capacity to handle loan applications, business planning and repayment options, and in the end makes them feel insecure and reluctant to approach the banking system.
- **Youth** most often lack track record, credit history and collateral to access standard loans from commercial banks.

#### On the supply side

On the supply (financial institutions) side, the main challenges for providing funding to smallholder farmers include:

- **Poor quality of loan applications.** Smallholder farmers (especially HH farmers) usually lack robust business plans, collateral, and financial capacity, which prevent them from submitting sound loan applications to the banks;
- High operating costs and administrative burden for disbursement of small loans;
- Banks have engaged in **limited product innovation** and marketing to new customers to expand the client base;
- There is a **lack of know-how** to properly assess rural investment proposals, especially those that are from smaller-scale operators;
- There is a **lack of access to long-term financing on the liability side.** Banks and other rural financial services providers do have relatively good liquidity levels, and they would be able to provide short-term lending products for commercial rural production and services. However, they lack access to long-term deposits, thus inhibiting their willingness to lend for capital items without support.

## 4. Current supply of funding in the agriculture sector and Livestock/Dairy VC

12,7% of the loans disbursed by commercial banks in 2021 went to the agriculture sector, and 16,5% of the loans to individual and small businesses (Central Bank report, Sept 2022).

#### Finance to the agriculture sector is mostly channeled through public commercial banks.

- Since 2017, public commercial banks have received specific mandate and are responsible for financing one or several sectors/value chains. For example, Xalq Bank is the main player in the livestock and dairy value chain.
- Commercial banks provide funding to the agricultural sector at market rates (20-25% in local currency, 6%-11% in USD) or at concessional rates with funding from the Government and donor programmes (typically 9%-15% in local currency, 3%-5% in USD) – see Appendix 1 summarizing existing products available for smallholder farmers.
- Some private banks are interested in investing in the agricultural sector. Private banks were traditionally focusing mostly on infrastructure and construction. Hamkor Bank

is developing its agricultural portfolio and has demonstrated an early interest in participating in DVCDP II.

- Microcredit organisations (MCOs) are overall rather weak. As MCOs have no access
  to subsidized government funding, their interest rates on microloans are much higher than
  those of banks (typically ~50% annual), which makes it hard for them to compete in the
  market. In addition, MCOs are required to have official proofs of their borrowers' repayment
  capacity, such as formal income confirmations; like banks, they are required to disburse all
  loans for business purposes through wire transfers rather than in cash, as well as demand
  collateral for most of their loans for business purposes. These restrictions limit MCOs'
  competitiveness and expansion in the market⁸.
- **Leasing companies** could become interesting partners to finance equipment for smallholder farmers. More than 100 leasing companies are operating in the country, with most banks having their own leasing subsidiary. They typically charge 27% interest rate.
- Parastatal Fund: the State Fund for Support of Entrepreneurship Development (SFSED). Established in 2017, the State Fund for Support of Entrepreneurship Activities aims at providing financial assistance to private MSMEs in Uzbekistan. The initial capital base of the Fund was approximately UZS 600 billion (~ USD 50 million). Resources came from the state budget (from the liquidation of two existing funds) and, going forward, the State Fund will be supported by additional budget allocations and Central Bank's annual net profits.

The Fund provides:

- 30% decrease on interest rates (interest rate compensation scheme)
- Partial Credit Guarantees (PCGs) to participating financial institutions (PFIs) of up to 50 % of loan amount, not exceeding UZS 2.5 billion (~USD 220,000) with a one-time 2% fee paid upfront by the borrower.
- Loans allocated to remote and hard-to-reach areas, as well as "leading" small businesses affiliated with small enterprises and on the basis of cooperation, as well as households, will also include up to 75% of the loan amount, not exceeding UZS 2,5 billion (~US\$ 220,000)⁹

Most commercial banks in Uzbekistan are already familiar with the SFSED guarantee mechanism. Applications from clients are handled online, and clients are informed about the application process by phone messages, usually within 3-4 days maximum.

According to the SFSED, the total loss on the guarantee fund has reached 8.5 billion UZS since 2017, out of a total 6 trillion USZ guaranteed (0.14%).

The Fund has 40 employees, including 8 employees dedicated to monitoring. The fund receives technical assistance support from various donors, including the World Bank, to improve the risk management and monitoring functions.

The fund is guaranteeing mostly investments but should be ready to guarantee working capital loans by the end of 2023.

Discontinuation of the guarantees and compensation of the interest rate expense on USD loans made DVCDP products less attractive. The guarantees are now issued only for loans

⁸ See also final design report DVCDP Phase 1

⁹ Interview with SFSED and <u>https://statefund.uz/en/services/guarantee/</u>

in local currency (UZS). However, according to the representatives of the SFSED interviewed, this could be reconsidered as there is a strong demand from donor-funded projects to issue guarantees on USD loans as well.

- Government programs for smallholder farmers. Government credit programs targeting micro and small farmers include funds are channeled through public commercial banks. They are easy to access for borrowers, do not require collateral, and are provided at concessional conditions (15% in local currency, some as low as 9%, e.g. in the poultry sector). However, these programmes have limitations, as loans are provided only in local currency, and are capped at USD 5,000 for individuals. The terms of the loans are further described in the table below.
- Donor programs. Donors involved in the Livestock/dairy value chain financing include: IFAD, WB, AFD, ADB. IFAD's comparative advantage in the livestock projects landscape in Uzbekistan stems from its experience with DVCDP, its strong pro-poor approach, including a clear targeting on tamarkas and dekhan, and the implementation of a phased approach to gradually include vulnerable farmers into the value chain.
- Other source of funding for SHF include ad-hoc programmes providing grant/seed capital funding. Some ad-hoc "challenge funds" organized under ADB and WB programmes have provided matching grants to selected groups of farmer and/or women based organizations, for the purchase of collective (sustainable) equipment (see description of donor projects in annex). However, these remain limited.
- **Informal sector.** There is substantial evidence of a vibrant informal subsector in the rural financial markets of Uzbekistan. As noted by the Asian Development Bank (ADB) and confirmed by anecdotal evidence, informal money lenders are ubiquitous and may be more accessible than banks, despite their reported effective lending rates of up to 120% per annum¹⁰.
- Appendix 1 provides a mapping of existing loan products available for smallholder farmers in the dairy / livestock value chain in Uzbekistan.

¹⁰ DVCDP Project completion report, IFAD, June 2023; and Asian Development Bank Institute, 2018. Working Paper Series. Financial inclusion, regulation and literacy in Uzbekistan.

# Appendix 1: Examples of loan products to smallholders in the Dairy/Livestock VC

	Disburse- ment mechanism	Amount	Maturity	Interest rate	Currency	Collateral requirements	Comment				
1. Financial institutions (on own funds – outside Government and donor Programmes – commercial rates)											
Loan for the development of the livestock sector	Commercial bank (e.g. Xalq Bank)	No maximum amount	<ul> <li>Up to 24 months for Working capital</li> <li>Up to 3 years for equipment, agricultural machinery (fixed assets)</li> <li>Up to 5 years for the purchase of breeding livestock from a foreign country</li> <li>Up to 5 years for the construction of a barn building (repair - up to 36 months)</li> <li>Grace period: 6 to 12 months</li> </ul>	21% annual + 30% initial fee	SOM	Movable and immovable property, third party guarantees and other types of collateral not prohibited by law	For business entities with the status of a legal entity				
Working capital loans	Commercial banks		Usually up to 3 years	20-25 % in SOM	SOM or USD	SOM or	-	Pledge of property; third party	For private entrepreneurs, dekhan		
Equipment loans	Commercial banks		Usually up to 5 years	6%-11% in USD		guarantee; credit risk insurance	farms and legal entities that are small business entities				

# Table:Mapping of currently available SHF products in the Dairy/livestock VC

	Disburse- ment mechanism	Amount	Maturity	Interest rate	Currency	Collateral requirements	Comment
						policies and others	
Factoring loans	Commercial banks		Up to 180 days	6% factoring discount			Business entities with the status of a legal entity
Leasing	Leasing companies, commercial banks		Up to 5 years	22-27% annual	SOM	Collateral: Leased property, property, third party guarantees, insurance, etc.	Business entities with the status of a legal entity
Microfinance loans	MCOs-	Current regulations make provisions for three microfinance products: • micro loan (up to 150 times min. wage or approx. 3,000 USD) • micro credit (up to 1,000 times min. wage or approx. 21,000 USD) • micro leasing	Typically less than 1 year	Max 50% of the principal per year as per regulation	SOM	Hard collateral requirements, and direct supplier crediting. Some of these requirements have been relaxed through the State Fund which provides a window for SMEs to apply for guarantees of up to 50 % of collateral or interest rate subsidies	

	Disburse- ment mechanism	Amount	Maturity	Interest rate	Currency	Collateral requirements	Comment
Fund for the support of farmers, farmers and landowners of the farm ¹¹ Every family - entrepreneur Programme Women's support Fund Youth Entrepreneurs hip Support Programme	Commercial banks	Up to 5,000 USD for individuals Up to 20,000 USD (225 mil. SOM) for legal entities	Up to 7 years Grace period 6 months to 3 years	15%	SOM	No provision is required for individuals Types of provision for legal entities established by law	Loans are allocated through a single electronic online platform in a fully digitized manner Loans allocated to young people (under 30 years) who have successfully completed the courses of non- governmental educational organizations on vocational and entrepreneurship training and received their special certificate.
Employment Assistance Fund		Up to 225 mil. SOM (20,000 USD)	Up to 3 years Grace period up to 6 months			Types of provision defined by law	Employers employing persons with disabilities

¹¹ 3,377 loans disbursed in 2021 on this programme, for a total amount of 189 billion UZS (16, 8 million USD), or 4,960 € per loan on average (Central Bank report Sept. 2022)

	Disburse- ment mechanism	Amount	Maturity	Interest rate	Currency	Collateral requirements	Comment	
3. State Fund f	. State Fund for Support of Entrepreneurship activities							
State Fund Compensation scheme	Through Commercial banks	For loans up to 5 billion SOM (~450,000 USD)	Loans with a maturity up to 3 years. The compensation schemes applies for the first two years	Up to 30% interest rate rebate	Only for loans and leasing disbursed in SOM	Same as for commercial banks application	Compensation is provided for the first two years of the loan (leasing). In the case of complete fulfillment by entrepreneurs of the indicators of the production of products (services) provided for in the business plan and the creation of jobs, the period for compensation is extended by an additional year.	
State Guarantee Fund	Through Commercial banks	For loans up to 2,5 billion SOM (~220,000 USD)		Up-front fee up to 1% of the guarantee amount	Only for loans and leasing disbursed in SOM	Same as for commercial banks application	The Fund provides guarantees for loans from commercial banks up to <b>50%</b> of the loan amount (up to <b>75%</b> for loans allocated to remote and hard-to-reach areas, as well as "leading" small businesses affiliated with small enterprises, as well as households)	
State Guarantee Fund	Through Commercial banks	For loans up to 2,5 billion SOM (~220,000 USD)		Up-front fee up to 1% of the	Only for loans and leasing	Same as for commercial banks application	The Fund provides guarantees for loans from commercial	

	Disburse- ment mechanism	Amount	Maturity	Interest rate	Currency	Collateral requirements	Comment
				guarantee amount	disbursed in SOM		banks up to <b>50%</b> of the loan amount (up to <b>75%</b> for loans allocated to remote and hard-to-reach areas, as well as "leading" small businesses affiliated with small enterprises, as well as households)
4. Donor prog	r <mark>ammes (</mark> subsid	lized or market rat	tes depending on pro	ogramme)			-
IFAD – DVCP 1	Funds channeled through three 3 commercial banks: Xalqbank, Mikrocredit Bank, QQB	Average loan size ¹² : • Dekhans: 10,000 USD • Private farms: 63,000 USD • Private service/ input suppliers: 76,000 USD • Dairy processors: 188,000 USD					
IFAD – ADMP	Funds channeled through commercial banks	Average loan size ¹³ : • Dekhans: 150,000 USD					

 ¹² DVCDP Supervision report, Nov 2022
 ¹³ IFAD CSEP

	Disburse- ment mechanism	Amount	Maturity	Interest rate	Currency	Collateral requirements	Comment
		<ul> <li>Private farms: 113,000 USD</li> <li>Agro and private firms: 175,000 USD</li> </ul>					
WB – Livestock Development Project	Funds channeled through commercial banks	<ul> <li><u>Phase 1:</u></li> <li>Up to 150,000 USD for working capital</li> <li>Up to 2 MUSD for value chain financing products</li> </ul>	<ul> <li><u>Phase 1:</u></li> <li>Up to 18 months for working capital</li> <li>Up to 10 years for VC financing products</li> </ul>	Market rates (18%-20% in SOM; 6,5% in USD)			
WB – WB Ferghana rural enterprise project	Funds channeled through commercial banks	<ul> <li>Up to 125,000 USD (one billion soum) for individual loans</li> <li>Up to 2 MUSD for cluster sub-projects</li> </ul>			Both SOM and USD		
WB – Second Rural Enterprise Development Project	Funds channeled through commercial banks	General     Window:     individual     loans up to     500,000 USD     for SME for     climate     investments	Up to 10 years for equipment and investment Up to 24 months for working capital		SOM and USD, based on the deman d of the sub-		50% of the sub-loans should qualify as "climate-smart"

	Disburse- ment mechanism	Amount	Maturity	Interest rate	Currenc	Collateral requirements	Comment
		<ul> <li>Special Window: micro and small beneficiaries, start-ups and women; loans up to 50,000 USD</li> <li>Working capital up to 125,000 USD</li> </ul>			borrow ers		
ADB – Livestock VC project	Funds channeled through 6 PFIs: Xal Bank, Torun Bank, QQB, Ipoteka, UzProm-Story, MKB	<ul> <li>Average loan around 250,000 USD</li> <li>Loan cap: up to 5 M USD - No limitation in the size of the business</li> </ul>	Up to 10 years	Based on PFIs' risk assessmet	USD, with possibil ity to convert in SOM	125% of the loan amount	
AFD – Inclusive and Climate investments financing in the livestock sector	Funds channeled through 4 PFIs: HalBank, QQB, MKB, Hamkor Bank	Up to 1 M€ (large scale)				Focus on adaptation / mitigation	Matching grant 40%. Eligibility criteria to access the grant: climate, women, youth.

#### **Appendix 2: Profile of some pre-identified PFIs**

#### Mikrokredit Bank

- **History and mission:** Joint-Stock Commercial Bank "Microcreditbank" was established by Decree of the President of the Republic of Uzbekistan dated May 5, 2006 No-3750 and Resolution No78 of the Cabinet of Ministers ("*On the establishment of a joint-stock commercial bank* "*Microcreditbank*"). Its mission is to create new jobs through the development of small business, private entrepreneurship, support for the poor, development of handicrafts and home-based work, especially in rural areas, providing microfinance services to the population.
- Location and branches: 71 branches
- **Shareholders:** Fund for Reconstruction and Development of the Republic of Uzbekistan (45.5%); Ministry of Finance of the Republic of Uzbekistan (52.8%); others (1.7%)

#### Outreach (2021)

- Number of clients : 1.645 million
- Share of portfolio in Agriculture: 22.8%
- Type and size of loans: 16% microloans

# Financial statements and key financial ratios:

• Fitch ratings: BB-'; Outlook Stable (Apr 2023)

2020	2021
992.1 million	1.2 billion
166.0 million	274.2 million
751.1 million	788.1 million
227.6 million	291.1 million
9.554 million	3.547 million
-	13.8%
	992.1 million 166.0 million 751.1 million 227.6 million

Source: Annual report 2021

* As of January 1st, 2022 (USD 1 = UZS 10,837)

** As of January 1st, 2021 (USD 1 = UZS 10,470)

## Qishloq Qurilish Bank (QQB)

- History and mission: Joint-stock commercial bank «Qishloq Qurilish Bank» was established by the Resolution of the President of the Republic of Uzbekistan № PR-1083 dated March 30, 2009 on the basis of existing joint-stock commercial bank «Galla- Bank», which was functioning since 1994. One of the key mission of Qishloq Qurilish Bank is to promote rural development in Uzbekistan, improving living conditions in the villages, providing assistance in the accelerated development of the industrial and social infrastructure in rural areas and the provision of long-term concessional housing lending.
- Location and branches: 44 branches, including 14 regional branches
- **Shareholders:** Ministry of Finance of the Republic of Uzbekistan (74.45%); Fund for Reconstruction and Development of the Republic of Uzbekistan (23.89%); Others (1,7%)

#### Outreach (2021)

• Number of clients : 532,073 retail clients and 65,725 corporate clients (2021)

#### Financial statements and key financial ratios:

• Fitch ratings: BB-'; Outlook Stable (July 2023)

Table 1 – QQB's financial statements 2021 (USD)

USD*	2018	2019	2020	2021
Total Assets	771.3 million	976.0 million	1.18 billion	1.44 billion
Total Equity	129.7 million	117.5 million	117.5 million	193.1 million
Outstanding loans	1.02 billion	1.20 billion	1.32 billion	1.61 billion
Total Deposits	338.1 million	308.6 million	360.7 million	599.1 million
Net income	1.6 million	9.0 million	13.5 million	7.5 million
Capital adequacy ratio	13.4%	14.3%	16.6%	25.5%
Non-Performing Loans (NPL)	-	-	1.5%	-
Return on Assets (ROA)	0.9%	2.0%	1.4%	1.8%
Return on Equity (ROE)	7.0%	17.3%	9.3%	12.5%

Source: Annual report 2021

* Exchange rates as of December 31st, 2018 (USD 1 = 8,334 UZS ); December 31st, 2019 (USD 1 = 9,501 UZS); December 31st, 2020 (USD 1 = 10,470 UZS); December 31st, 2021 (USD 1 = 10,837 UZS)

#### Xalq Bank

- **History and mission:** Joint-Stock Commercial Xalq Bank was established in Uzbekistan on July 4, 1991, following the country's declaration of independence from the Soviet Union in 1991. It was one of the first commercial banks to be founded in the newly independent Republic of Uzbekistan. Initially, the bank's primary objective was to provide financial services to the local population and contribute to the development of the country's economy. Over the years, Xalq Bank expanded its operations and services to cater to various sectors of the economy, including individuals, businesses, and government entities. Xalq Bank is a key player for the financing of the livestock sector in Uzbekistan.
- Location and branches: 200 branches
- **Shareholders:** Ministry of Finance and the Government Fund for Reconstruction and Development of Uzbekistan.

#### Outreach (2021)

• Number of clients : 8.5 million retail customers

#### Financial statements and key financial ratios:

• Fitch ratings: BB-'; Outlook Stable (July 2023)

Table 1 – Xalq Bank's financial statements 2021 (USD)

USD*	2020	2021
Total Assets	2.33 billion	2.38 billion
Total Equity	290.8 million	421.2 million
Outstanding loans	1.6 billion	1.65 billion
Total Deposits	1.05 billion	1.14 billion
Net income	-33.4 million	-117.9 million
Capital adequacy ratio	12%	15%
Impaired Loans	-	32%
Return on Assets (ROA)	1.77%	-4.95%
Return on Equity (ROE)	-11.5%	- 28.0%

Source: Audit report 2021

* Exchange rates as of December 31st, 2020 (USD 1 = 10,470 UZS); December 31st, 2021 (USD 1 = 10,837 UZS)

#### Hamkorbank

- **History and mission:** founded in 1991, Hamborkbank is the leading private sector bank (total of 33 commercial banks) in the Republic of Uzbekistan. Thanks to its social and development commitment, Hamkorbank was the first bank in the country to have cooperation with International Financial Institutions, participating in most of transformational projects in the country including ADB, WB, and IFAD's Projects (ADMP)
- Location and branches: 170 branches
- Shareholders: Mr Ikram Ibragimov, the Bank's founding shareholder and Chairman of the Supervisory Board, jointly with his family owns 58.63% of shares, FMO – 14.55%, IFC – 7.28%, ResponsAbility Participation AG and ResponsAbility SICAV jointly own 13.21% and other shareholders, individually holding less than 2% stakes, hold the remaining shares.

#### Outreach (2021)

- Number of clients : 3.3 million active retail clients
- Share of portfolio in Agriculture: 2,3% (19,6 million USD)

Hamkor's portfolio in agriculture has geographical and value chain diversification with more concentration on dairy and animal production (61%) and vegetables and fruits (14%).

- Type and size of loans: The bank had in 2021 38 % of its loan portfolio directed to individuals and individual entrepreneurs (not a legal entity, i.e. not an MSMEs). Specifically, in terms of financial products, 15 % of its portfolio was represented by 'microloans' to individuals and an additional 13.5 % was represented by 'microcredit' financing to MSMEs.
- Size of loans in the agricultural sector: USD 6.6 million of the bank's agricultural portfolio is represented by microloans (38.3% of agricultural exposure) and an additional USD 4.6 million targets small-sized companies (27 % of agricultural exposure). Hamkorbank has developed a strategy to expand its microloans to SSPs and producer organizations.

## Financial statements and key financial ratios:

• Fitch ratings: B+/B; Outlook positive (December 2022)

Table 1 – Hamkorbank's financial statements 2021 (USD)

USD	2018	2019	2020	2021	
Total Assets	812.9 million	928.2 million	982.1 million	1.154 billion	
Total Equity	95.9 million	125.8 million	150.7 million	192.0 million	
Outstanding loans	599.7 million	634.6 million	694.4 million	877.8 million	
Total Deposits	406.9 million	346.2 million	342.0 million	403.8 million	
Net income	27.8 million	34.3 million	36,6 million	46,2 million	
Capital adequacy ratio	15.1%	17.6%	18.8%	16.4%	
Non-Performing Loans (NPL)	0.79%	1.94%	3.36%	3.08%	
Return on Assets (ROA)	3.4%	3.7%	3.7%	4.0%	
Return on Equity (ROE)	29.0%	27.2%	24.3%	24.1%	
Source: Audited Financial Accounts 2021					



**Dairy Value Chains Development Project II** 

**Project Design Report** 

Annex: Annex 14 Grievance Redress Mechanism Grm Formatted

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# Annex 14: Grievance Redress Mechanism (GRM)

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# Annex 14: Grievance Redress Mechanism (GRM)

## 1. GENERAL

A grievance redress mechanism (GRM) is a process for receiving, evaluating and addressing project related concerns of, and complaints by, project affected communities or persons.

IFAD's Grievance Redress Mechanism allows affected complainants to have their concerns resolved in a fair and timely manner through an independent process. IFAD's GRM requires i) working proactively with the affected parties to resolve complaints; ii) ensuring that the complaints procedure is responsive and operates effectively; and iii) maintaining records of all complaints and their resolutions.

The principles of a good GRM are¹:

- A mechanism scaled to risk and adverse impact on affected communities.
- Designed to take into account culturally appropriate ways of handling community concerns.
- A clear and understandable mechanism that is accessible to all segments of the affected communities at no cost.
- Transparency and accountability to all stakeholders.
- A mechanism that prevents retribution and does not impede access to other remedies.

The key steps for grievance management are²:

- i. Publicizing grievance management procedures so that the mechanism is accessible to everyone.
- ii. Receiving (i.e., collecting, recording, and registering) and keeping track of grievances.
- iii. Reviewing and investigating grievances to assess the nature of the grievance, its severity and legitimacy.
- iv. Developing resolution options commensurate with the nature of grievances and preparing and communicating a clear response and closing out cases when agreement with the complainants is reached.
- v. Monitoring grievances through tracking to ascertain effectiveness, adapting the mechanism to correct inefficiencies, using the results of monitoring for feedback and lessons learned.

## 2. OPERATION OF THE GRIEVANCE REDRESS MECHANISM

The grievance redress mechanism (GRM) is a system by which queries or clarifications about the project will be responded to, problems with implementation will be resolved, and complaints and grievances will be addressed efficiently and effectively.

Under DVCDP II, the stakeholder mapping and Participatory Rural Appraisal (PRA) exercise at early implementation will provide inputs on how to set up an effective GRM system and the type of issues and complaints that might arise during implementation. Potential adverse physical, environmental, social, cultural or economic impacts, labour issues, and gender-based violence, have already been identified as part of the risk analysis and will be addressed through the GRM system.

Existing GRM mechanisms, at the local, district and national levels will also be leveraged by the programme, such as the GRM and feedback mechanism implemented by the

¹ IFC (2009); Good Practice Note – Addressing Grievances from Project-Affected Communities, Guidance for Projects and Companies on Designing Grievance Mechanisms

² ibid

Mahalla and the Women Committee (WCU), the latter being a key stakeholder to identify and address cases of gender-based discrimination or even violence, which might arise as a result of project's activities. The WCU has developed a robust resolution and mediation culture and will be a key actor to solve intra-household conflicts.

## 2.1 **Purpose of the GRM**

The GRM will serve the following purpose:

- to be responsive to the needs of beneficiaries and to address and resolve their grievances.
- to serve as a conduit for soliciting inquiries, inviting suggestions, and increasing community participation.
- to collect information that can be used to improve operational performance.
- to enhance the project's legitimacy among stakeholders.
- to promote transparency and accountability.
- to deter fraud and corruption and mitigate project risks.

#### 2.2 Structure of the GRM

The GRM consists of a small number of components:

- The access point for impacted/concerned people
- Grievance log
- Acknowledgement stage
- Assessment stage
- Passing of resolution
- Response
- Room for appeal
- Case closure

The components are summarized in the process flow diagram below.

#### 2.3 **GRM process overview**

The following key steps must be followed for all complaints received by DVCDP II staff:



#### The requirements for each of these steps is detailed below.

## i) Receive, classify & log

All potential issues must be captured and classified for escalation, review and action as required.

#### a. Receiving the Grievance:

The access points will be as close to the users as possible. An easily accessible and well publicized focal point or user-facing 'help desk' is the first step. This will be established at each sub-project, and DVCDP II Offices so that it will be seen as credible and accessible.

The main issues for the access point include the following:

- Uptake channels should include some or all of the following:
  - phone hotline,
  - email,
  - o mail,
  - SMS,

- webpage,
- suggestion boxes
- or face-to-face.
- The uptake channels will be publicized and advertised via local media, the implementing agency, and other partners (e.g. Mahalla, WCU etc.) during the initial information and social mobilisation campaign.
- Verbal complaints should be recorded by staff for them to be considered. Therefore, local staff will be trained on the importance to handle and record complaints.
- Many complaints may be resolved 'on the spot' and informally by the DVCDP II staff but should also be logged in order to (i) encourage responsiveness; and (ii) ensure that repeated or low-level grievances are being noted in the system.
- The GRM should have the ability to handle anonymous complaints. Suggestion boxes might be one of the preferential tools to ensure anonymity.
- Uptake channels should be diverse to ensure accessibility by different target groups. Those who might be less confident to raise a complain, such as women, will be encouraged to do so. The programme will also leverage existing GRM and feedback mechanisms implemented by the WCU and the Mahalla to ensure that the poor, women and youth have access to the system.

Typically, the complainant will be provided with a receipt and 'roadmap' telling him/her how the complaint process works and when to expect further information.

## b. Logging and classifying:

Any complaint, issue or negative stakeholder interaction (whether this is formally logged by the complainant or not), must be logged and classified for action (Grievance Log).

All of these complaints must be formally logged using the standard forms and all complaints must be prioritized as follows:

- Priority 1 urgent, potential high health and high business impact. This require a response to the Complainant within three (3) working days.
  - This should be used (sparingly) for major health issues where the complaint may have disastrous impacts on either human, the environment or DVCDP II itself.
  - $_{\odot}$  Also, this could be used in a situation where the complainant may be in a position to influence or make public statements that would impact upon the DVCDP II reputation.
  - Issues concerning violence, including violence against women and girls, and crimes will be immediately reported to the local justice system.
- **Priority 2 non-urgent**, lower health environmental and social impact. This requires a response to the complainant within 2 working weeks.
  - This should be used for most complaints with individual stakeholders, as this allows a reasonable time to collect information and produce a balanced response.

Discretion and flexibility should be exercised in prioritizing all complaints.

The staff member logging the complaint should review the complaint and its priority with the Sub-project/ DVCDP II Project Manager before proceeding to the next step.

The Sub-project/ DVCDP II Project Manager will decide on the appropriate person(s) to carry out subsequent steps, including the investigation.

**All Priority 1 complaints must be escalated immediately to the** DVCDP II Project Director.

## ii) Acknowledge

• Ensure that every complaint receives a formal written acknowledgement, containing an expectation of when they will receive a response, and the person dealing with it.

## iii) Assess & Investigate

- Follow up all aspects of the complaint, both internal and external, to ensure that the key facts are identified and clarified.
- The priority of the complaint will drive the timescale for completion (3 days for urgent or 2 weeks for non-urgent).
- All areas of interaction and communication should be established (who, what, where, when, why etc.) and documented where possible.

## iv) Resolve & Confirm

- Ensure that the final resolution is clear and fair. Also confirm the proposed action and resolution with another senior person (DVCDP II Management).
- Ensure that the proposed resolution meets corporate guidelines and does not prejudice DVCDP II in any unnecessary legal or financial manner.
- Document the proposed action and discuss and agree with the DVCDP II Project Manager.
- Discuss and review the solution from both the corporate and complainant viewpoint to ensure fairness and clarity.
- The review should include recognition and documentation of any underlying issues that have contributed to the complaint and recommendations for actions to prevent further occurrence.
- This should then be reviewed as part of the bi-monthly quality assurance reviews.

## v) Respond to Complainant

- Provide the Complainant with the resolution within the timescales promised.
- The details of the findings and proposed resolution should be clearly explained (in written or verbal form as appropriate) to the complainant- within the agreed timescales.
- If this cannot be done on time the Complainant should be contacted by telephone to request further time.

## vi) Appeal & Follow

- Ensure that complaints are followed up to confirm that the complainants are satisfied with the response given. If not satisfied the Complainant is advised on the route for Appealing
- All Priority 1 complaints and 95% of priority 2 complaints must be followed up within a reasonable timescale.
- This will be carried out by DVCDP II PMU / CVLD
- The follow-up should identify the following:
  - Is the complainant satisfied with the response?
  - Did they feel that their complaint was properly and fairly handled?
- Any negative responses to these questions should be referred to DVCDP II PMU Project Director for action and direct follow up with the complainant.
- The complainant is given room for appealing to the Ministry of Agriculture or Courts of Law, if he is not satisfied.

## vii) QA & Close

- Ensure that the DVCDP II as a whole is aware of the complaints and any underlying issues. Plan actions to remove these and prevent future recurrence.
- All complaints should be reviewed monthly as part of the quality assurance review meetings.
- Any complaints where action can be taken to avoid recurrence must be acted upon and raised with the appropriate managers/teams across the DVCDP II.

## 3. OPERATION MODALITIES OF GRIEVANCE REDRESS MECHANISM IN DVCDP II

Communities and individuals who believe that they are adversely affected by DVCDP II can submit complains through the grievance redress mechanism of the programme. The mechanism ensures that complaints are promptly reviewed in order to address concerns related to DVCDP II.

DVCDP II Project will put in place the strategies to monitor and resolve complaints that may arise during and after the Project implementation by the affected people. The PMU will ensure that complaints are received, reviewed and addressed.

## **3.1 Project Grievance Log**

The PMU will ensure that each complaint has an individual reference number and is appropriately recorded and tracked. The project grievance log form will contain record of the person responsible for an individual complaint received, and records dates for the following events:

- 1. Date of the received complaint.
- 2. Name of the PAP complaining
- 3. Status of the complaint
- 4. PAP Confidentiality/Identity
- 5. Signatures of the PAP complaining
- 6. Signature of committee representative
- 7. How and who addressed the complaint
- 8. Dates when the complaint was addressed.

## **3.2 Grievance prevention/Alternative Dispute Resolution**

There are ways to proactively solve issues before they even become grievances. Project implementers should be aware and accept that grievances are likely to occur. Dealing with them is part of the work and they should be considered in a work plan. Project implementers can prevent complaints by the following:

- Providing sufficient and timely information to communities
- Conducting meaningful community consultations involving all stakeholders
- Building capacity for project staff, particularly in community facilitations and other field-related issues
- Negotiation, Meditation and reconciliation

# Figure: Grievance Log Template

GRIEVANCE LOG	
	Month:
	Year:
Date Grievance Filed:	
Grievance entered by (Staff person):	
Reported to Facility Administrator/Farm Manager? Yes	No
Facility Administrator/Farm Manager's Signature:	
Name of Grievant:	
Description of Grievance:	
Actions/Steps Taken:	
Date: Actions/Steps completed by (Staff person): _	
Date: Actions/Steps completed by (Staff person): _	
Date: Actions/Steps completed by (Staff person): _	
Resolution:	
Was the grievant provided a verbal explanation of the above resolution         Yes       No         Date:	ition?
Was the Grievance escalated?	
If so to whom: *Please attach any documentation regarding the escalation of the gr	·····
rease attach any documentation regarding the escalation of the gr	levance.
Was Acknowledgement Letter Provided? Yes No Dat	te:
Was Outcome Letter Provided? Yes 🗌 No 🗍 Da	ate:



Uzbekistan

**Dairy Value Chains Development Project II** 

**Project Design Report** 

Annex: Annex 15 Stakeholder Engagement Plan Sep July 2024

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# Annex 15: Stakeholder Engagement Plan (SEP)

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## Annex 15: Stakeholder Engagement Plan (SEP)

## **1. INTRODUCTION**

The Dairy Value Chain Development Project Phase 2 (DVCDP II) Stakeholder Engagement Plan (SEP) is intended to provide complete documentation for the requirements of a holistic Stakeholder Engagement system for the project. This documents forms part of the set of Environmental and Social Management Instruments for DVCDP II. The Implementing Agency of the Project, the Committee of Veterinary and Livestock Development (CVLD) through DVCDP II Project Management Unit (PMU), has the responsibility to effectively engage stakeholders in achieving the project objectives, hence the formulation of this SEP, which will be applied for all public consultation processes.

The SEP aims to improve and facilitate decision making and create an atmosphere of understanding that actively involves project-affected people and other stakeholders in a timely manner. It will further provide the stakeholders with sufficient opportunity to voice their opinions and concerns that may influence project decisions.

The purpose of the current Stakeholder Engagement Plan is, among others, to provide information on how Stakeholder Engagement will be practiced throughout the course of the project and which methods will be used as part of the process; as well as to outline the responsibilities of DVCDP II. While the project is not expected to cause any serious or substantial environmental and/or social risks, the Project will apply the IFAD SECAP requirements.

As part of stakeholder engagement in preparing the DVCDP II Project, several missions and consultations have taken place, commencing with DVCDP supervision and completion missions, the drafting of the Concept Note for DVCDP II in December 2022, and culminating with the full design mission in May 2023.

As part of the current consultations during the preparation of the DVCDP II, the CVLD and IFAD team are engaged in ongoing dialogue with all possible stakeholders. They have informed the main stakeholders on the Project design, indicated their openness for feedback on the Project design, and also stressed the importance of stakeholder engagement with the primary beneficiaries of the project – The possible beneficiary farmers, cooperatives, the disadvantaged, women, and youths in the target constituencies.

The May 2023 design mission consultations were to introduce the project and gather stakeholders' views and perceptions on the proposed project. The Project will continue to conduct in-depth stakeholder engagement throughout Project implementation.

## 2. OBJECTIVES OF THE SEP

The Key objectives of the SEP are to:

- Identify key stakeholders that are affected, and/or able to influence the Project and its activities,
- Identify the most effective methods, timing, and structures through which to share project information, and to ensure regular, accessible, transparent, and appropriate consultation,
- Provide guidance for stakeholder engagement such that it meets the standards of International Best Practice,
- Develop a stakeholders' engagement process that provides stakeholders with sufficient opportunity to voice their opinions and concerns and be able to influence the project,
- Establish formal grievance redress mechanisms,
- Define roles and responsibilities for the project implementers in conducting stakeholder consultations,

• Define reporting and monitoring measures to ensure the effectiveness of the SEP and periodical reviews of the SEP based on findings.

The key elements of the SEP are the following:

- Stakeholder identification and analysis
- Stakeholder Engagement Program
- Grievance Redress Mechanism

#### **3. GENERAL CONSIDERATIONS**

#### 3.1 What is stakeholder engagement?

Stakeholder Engagement will be free of manipulation, interference, coercion, and intimidation, and conducted based on timely, relevant, understandable, and accessible information, in a culturally appropriate format. It involves interactions between identified groups of people and provides stakeholders with an opportunity to raise their concerns and opinions (e.g., by way of meetings, surveys, interviews and/or focus groups), and ensures that this information is taken into consideration when making project decisions.

Effective stakeholder engagement develops a "social licence" to operate and depends on mutual trust, respect and transparent communication between MINAGRI and its stakeholders.

It thereby improves its decision-making and performance by:

- **Managing costs:** Effective engagement can help RDDP-2 avoid costs, in terms of money and reputation.
- **Managing risk:** Engagement helps RDDP-2 and communities to identify, prevent, and mitigate environmental and social impacts that can threaten project viability.
- **Enhancing reputation:** By publicly recognising human rights and committing to environmental protection, MINAGRI and financial institutions IFAD involved in financing the project can boost their credibility and minimise risks.
- **Avoiding conflict:** Understanding current and potential issues such as rights to service provision and proposed project activities.
- Improving corporate policy: Obtaining perceptions about a project, which can act as a catalyst for changes and improvements in MINAGRI corporate practices and policies;
- **Identifying, monitoring and reporting on impacts:** Understanding a project's impact on stakeholders, evaluating and reporting back on mechanisms to address these impacts; and
- **Managing stakeholder expectations:** Consultation also provides the opportunity for MINAGRI to become aware of and manage stakeholder attitudes and expectations.

## **3.2 Principles for effective stakeholder engagement**

This (SEP) shall be informed by a set of principles defining its core values underpinning interactions with identified stakeholders. Common principles based on "International Best Practice" include the following:

- **Commitment** is demonstrated when the need to understand, engage and identify the community is recognized and acted upon early in the process,
- **Integrity** occurs when engagement is conducted in a manner that fosters mutual respect and trust,
- **Respect** is created when the rights, cultural beliefs, values and interests of stakeholders and affected communities are recognized,
- **Transparency** is demonstrated when community concerns are responded to in a timely, open, and effective manner,
- **Inclusiveness** is achieved when broad participation is encouraged and supported

by appropriate participation opportunities; and

• **Trust** is achieved through open and meaningful dialogue that respects and upholds a community's beliefs, values, and opinions.

#### **3.3 Other stakeholder engagement considerations**

The following considerations should be made when planning for stakeholder engagement:

• **Time and resources.** It takes time to develop and build trust-based relationships with stakeholders. The consensus from practitioners is that from the outset relationships with stakeholders should develop and grow, and that these relationships should be nurtured and fostered not to disappear.

Additional stakeholders might be identified that also want to be engaged. No willing stakeholder should be excluded from the process of engagement. Some stakeholders will need to be educated about the concept of engagement itself, as well as on the complex issues requiring specialised and technical knowledge. These demands can increase the cost of consultation required to meet external expectations, and often this occurs at a time when a project lacks the internal capacity and resources to implement a broad engagement strategy.

• **Raising expectations.** Stakeholders can have unrealistically high expectations of benefits that may accrue to them from a project. As such CVLD from the outset must be clear on what they can and cannot do, establishing a clear understanding of their roles and responsibilities.

In DVCDP II areas, the engagement processes should provide CVLD with an opportunity to develop relationships with stakeholders and potential project partners.

- **Securing stakeholder participation.** Cultural norms and values can prevent stakeholders from freely participating in meetings. Often there are conflicting demands within a community, and it can be challenging for a project to identify stakeholders who are representative of common interests. This might be avoided by employing local consultants who are sensitive to local power dynamics, which requires project proponents developing an awareness of the local context and implementing structures to support and foster effective stakeholder engagement.
- **Consultation fatigue.** Moreover, there is evidence to suggest that stakeholders can easily tire of consultation processes especially when promises are unfulfilled, and their opinions and concerns are not taken into consideration. Often stakeholders feel their lives are not improving because of a project and this can lead to consultation meetings being used as an area to voice complaints and grievances about the lack of development. This might be avoided by coordinating stakeholder engagement and by ensuring RDDP-2 Consultation process as an opportunity to manage expectations, challenge misconceptions, disseminate accurate project information, and gather stakeholder opinions which are feedback to the client and other project specialists.

#### 4. DVCDP II STAKEHOLDERS IDENTIFICATION AND ANALYSIS

#### 4.1 Identifying stakeholders.

To develop an effective SEP, it is necessary to determine who the stakeholders are and understand their needs and expectations for engagement, and their priorities and objectives in relation to the Project. This information is then used to tailor engagement to each type of stakeholder. As part of this process, it is particularly important to identify individuals and groups who may find it more difficult to participate and those who may be differentially or disproportionately affected by the project because of their marginalised or vulnerable status.

Stakeholders for the purpose of this project have been and will continue to be identified on a continuous basis by identifying those people and institutions that have an interest in the successful planning and execution of the project including special interest groups.

These include those:

- Project Implementing Agencies (funding agencies, executing agencies, partners)
- Directly and/or indirectly project-affected people (PAPs) and
- Interested parties (Environmental protection authorities, Social and labour regulatory authorities, Contractors, Media, Civil Society etc)

The affected group comprises of the beneficiary farmers, groups of farmers or Cooperatives, Micro, Small & Medium Enterprises (MSMEs) and farmer groups/associations among others who will benefit from the hardware and software services offered by the project.

A subset of this category is the vulnerable groups. A significant factor in achieving inclusiveness of the engagement process is safeguarding the participation of vulnerable individuals in public consultations and other engagement forums established by the project. Vulnerable groups are persons who may be disproportionately impacted or further disadvantaged by the project as compared with any other groups due to their vulnerable status, and that may require special engagement efforts to ensure their equal representation in the consultation and participation in the program. In this case, women and youths fall into that category but there are differences within the same categories and/or gender lines that needs to be carefully considered.

Engagement is directly proportional to impact and influence, and as the extent of impact of a project on a stakeholder group increases, or the extent of influence of a particular stakeholder on a project increase, engagement with that stakeholder group should intensify and deepen in terms of the frequency and the intensity of the engagement method used.

## 4.2 **Preliminary stakeholder identification**

The key stakeholders identified in the SEP and to be continuously engaged could include:

Level	Stakeholder	Specific information target	Role in the project
Global	IFAD	Country/Regional Office	Financing (loan) Agency
	FAO (L-FFS, GLEAM- I)	Country/Regional Office	Collaboration, technical expertise
	ADB	Country/Regional Office	Information, Collaboration, potential parallel financing
	World Bank	Country/Regional Office	Information, Collaboration
	AFD	Country/Regional Office	Information, Collaboration
	UNDP	Country/Regional Office	Information, Collaboration
Central Government	Ministry of Agriculture	Ministry/Committee	Oversight and technical expertise on livestock;

Table 1.Identified Stakeholders for DVCDP II

Level	Stakeholder	Specific information target	Role in the project
	(MoA)/Committee for Veterinary and Livestock Development (CVLD)	Project Management	coordination with other donor projects in the livestock and dairy VC; Chair of the Project steering Committee (PSC) Lead Implementing
		Unit staff	unit. Day to day Project Management under the supervision of the Project Director
	Ministry of Agriculture (MoA)/ International Strategic Centre for Agri- Food Development (ISCAD)	Ministry	Oversight and technical expertise on agricultural production; Coordination with other donor projects in the agricultural sector; Member of the Project Steering Committee (PSC)
	Ministry of Support of Mahalla and Family	Ministry	Implementing partner; Member of the Project Steering Committee (PSC)
	Ministry of Economic Development and Poverty Reduction	Ministry	Member of the Project Steering Committee (PSC)
	Ministry of Investments and Foreign Trade (MIFT)	Ministry	Member of the Project Steering Committee (PSC)
	Ministry of Economy and Finance	Ministry	Member of the Project Steering Committee (PSC)
	<ul> <li>Ministry of Natural Resources (MNR):</li> <li>State Committee for Ecology and Environmental Protection</li> <li>State Committee on Forestry (SCF)</li> <li>Center for Hydro- Meteorological Services (UzHydromet)</li> </ul>	Ministry/Committees	Member of the Project Steering Committee (PSC)
Local Government authorities	Regional representations of the Committee for Veterinary and	Regional administration	Oversight and technical expertise on livestock in the region
	Veterinary and Livestock Development (CVLD)	Decentralized Project Management Units in Surkandharyo and	Day to day Project Management in Surkhandharyo and Kashkadaryo

Level	Stakeholder	Specific information target	Role in the project
	in the 5 project regions	Kashkadaryo regions	
	Local Government Authorities in the project target regions	Regional administration	Information; Collaboration
	Khokims	Local mayor at district level	Collaboration; implementing partner for targeting and identification of project beneficiaries
Other public institutions (central and regional) Private	Council of farmers, dehkan farms and owners of household lands of Uzbekistan		Interested party, technical expertise, coordination
Sector, Partners	Women Committee of Uzbekistan (WCU)		Interested party, technical expertise and coordination
	Youth Affairs Agency		Interested party, technical expertise, coordination
	The State Agrarian University		Interested party, technical expertise, coordination, implementing partner for research activities
	The Veterinary University in Samarkand		Interested party, technical expertise, coordination, implementing partner for research activities
	The Agriculture Knowledge and Innovation Service (AKIS)		Interested party, coordination
Partner financial institutions	Public or private financial institutions (e.g. Hamkor Bank, Xalq Bank, Mikrokredit Bank, QQB)	Financial institutions	Implementing partners; targeted Loans to livestock and dairy VC actors under Component 2.2
Civil Society	Interdepartmental youth councils, Youth Commission, and Youth Parliament along with Youth Council and the Forum of Youth Organizations of CIS Member States	Youth NGOs	Interested parties, technical expertise

Level	Stakeholder	Specific information target	Role in the project	
	Other NGOs NGO focal persons (potential service providers)		Interested parties, technical expertise	
Direct project beneficiaries	Dairy farmers (tarmarkas, better- off HH farmers, dehkan farmers, commercial farms)	Private individuals, groups of individuals, or companies	Directly Affected parties / primary project beneficiaries	
	Unemployed Women and Youth, including returning migrants and people with disabilities	Private individuals, groups of individuals, or companies	Directly Affected parties / primary project beneficiaries	
	Dairy processors	Private companies	Directly Affected parties / primary project beneficiaries	
	Service providers (e.g. veterinarians, fodder producers, etc)	Private or public individuals, or companies	Directly Affected parties / primary project beneficiaries	
Indirect project beneficiaries	Other dairy and livestock farmers	Private individuals, groups of individuals, or companies	Indirect beneficiaries	
	Manufacturing / supplier companies	Private or public individuals, or companies	Indirect beneficiaries; inputs suppliers	
	Aggregators, transporters, buyers, processing businesses	Private individuals, groups of individuals, or companies	Indirect beneficiaries, produce market linkages, ensure quality handling or dairy products	
	Wider Community	Communities	Indirectly affected parties	

The above list is not exhaustive. As the project gets underway, DVCDP II PMU will develop a detailed SEP identifying emerging and all possible stakeholders, their specific information needs and the appropriate modes of consultation as well as feedback mechanisms. The consultation process shall ensure that all those identified as stakeholders are conferred with. Active engagement of all stakeholders will facilitate a common understanding of the specific opportunities and constraints which can be the foundation for deeper harmonization and coordination of the various support Services.

## 4.3 Stakeholders analysis

Once stakeholders are identified by directly and/or indirectly project-affected parties, interested parties, and those who have the potential to influence project outcomes, the next step will be to assess the level of stakeholder interest and support for the project.

The assessment shall be geared toward identifying:

- stakeholders' interests,
- areas of potential risks and misunderstandings,
- mechanisms to positively influence other stakeholders,

- key people to be informed about the project during the preparation and implementation phases and,
- negatively impacted stakeholders as well as their adverse effects on the project.

DVCDP II through its implementation partners shall continuously classify stakeholders based on:

- their power to influence and their interest on the project,
- the legitimacy of each stakeholder's relationship with the project, and
- the urgency of the stakeholder's claim on the project activities, potential risks, and impacts.

Based on this analysis, the communication strategy, and the coordination mechanism to be developed by DVCDP II shall incorporate strategies to engage the '*High Interest and High Influence stakeholders*' and the '*High Interest and Low Influence*' stakeholders.

**High interest and high influence stakeholders:** the plan should be to fully engage this group and apply all effort to ensure that they are satisfied and fully always informed of the project. This can be done by focusing efforts on these groups of stakeholders throughout the project cycle, giving them the importance, they deserve, involving them in project governance decision making bodies and engaging them and consulting them regularly as well as providing timeous feedback. The engagement plan targeting these stakeholders shall be incorporated into the project annual work plan.

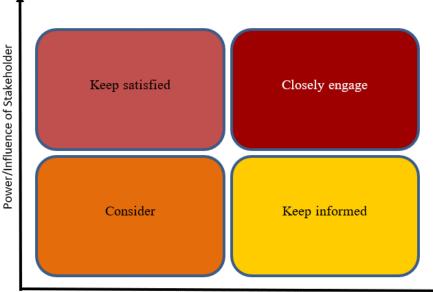


Figure 1 Basic Stakeholder Influence/Interest Chart

Level Of Interest of Stakeholder

(Adapted from: https://www.boreal-is.com/data/uploads/2020/07/A-step-by-step-guide-to-building-a-stakehoder-engagement-plan)

**High interest and medium/low influence stakeholders:** the high interest and low influence stakeholders should be kept informed, ensuring that no major issues arise because of the project. The project will maintain this group's interest in the project, involving them in the implementation arrangements, tapping into their interest and keep them in the loop.

The objective of the engagement and consultation plan under the DVCDP II is to:

• Begin early in the project planning process to gather initial views on the project proposal and inform project design,

- Encourage stakeholder feedback, particularly as a way of informing project design and engagement by stakeholders in the identification and mitigation of environmental and social risks and impacts,
- Ensure that stakeholders understand how the project is likely to affect them.
- Ensure consistency in messaging,
- Continue engagement on an ongoing basis as risks and impacts arise and manage stakeholders' expectations,
- Ensure prior disclosure and dissemination of relevant, transparent, objective, meaningful and easily accessible information in a timeframe that enables meaningful consultations with stakeholders in a culturally appropriate format, in the local language and is understandable to stakeholders,
- Consider and respond to feedback,
- Support active and inclusive engagement with project-affected parties,
- Ensure that consultation(s) is/ are free of external manipulation, interference, coercion, discrimination, and intimidation; and
- Ensure consultation (s) is/are documented and disclosed by the project.

## 5. STAKEHOLDER ENGAGEMENT STRATEGY AND TECHNIQUES

#### 5.1 **Proposed strategy for information disclosure**

Information and data that will be shared will be information about the project description that will include among many other issues, the project background, the theory of change and the summarized presentation of each of the project components and subcomponents. The project's beneficiary's selection will also be outlined. This information will largely be shared at the early stages of the project.

This will be presented in document format to the district offices and to the beneficiary representatives. These documents will also be published in the Government of Uzbekistan website as well as the Committee of Veterinary and Livestock Development (CVLD) website.

The type of information to be disclosed to the various stakeholders depends on their interests and how they will be affected by the Programme – or how DVCDP II activities may be affected by them.

Thereafter various communication tools can be utilized for the engagement process, such as:

- Project notices published in local newspapers,
- Radio advertisements,
- Direct mailings to communities,
- Presentations with or without focus group sessions),
- Targeted e-mails,
- Virtual meetings, presentations, seminars, workshops, with stakeholders,
- One-on-one meetings, presentations, seminars, workshops, e-mails, and phone conversations with stakeholders,
- Site tours, and
- The use of social media.

The strategy will also include means to consult with project-affected stakeholders if there are significant changes to the project resulting in additional risks and impacts. The most critical aspect of the strategy is the leveraging of village level leadership engagement and coordination.

#### **5.2 Proposed strategy for consultation**

The Livestock Sector has a range of stakeholder groups as earlier identified. These include members of the community level governance structures, District Administration Structures, Ministry Officials and the general public. The CVLD, through the Project

Management Unit (PMU), will be responsible for coordination of all these events and will keep a schedule of implementation of all outreach activities and will report on progress.

There are a variety of engagement techniques used to build relationships with stakeholders, gather information from stakeholders, consult with stakeholders, and disseminate project information to stakeholders. A range of techniques will be applied that are specifically tailored to the identified stakeholder groups. The format of every engagement activity should meet general requirements on accessibility, i.e., should be held at venues that are easily reachable and do not require long commute, entrance fee or preliminary access authorization, cultural appropriateness (i.e., with due respect to the local customs and norms), and inclusivity, i.e., engaging all segments of the project affected parties including the vulnerable individuals. If necessary, logistical assistance should be provided to enable participants from the remote areas, persons with limited physical abilities and those with insufficient financial or transportation means to attend public meetings scheduled by the project. Particular attention will be given to the vulnerable groups to ensure that they are not denied project benefits.

In general, public consultations will take place through virtual and physical workshops, seminars, meetings, radio programs, request for written proposals/comments, questionnaire administration, public reading and explanation of project ideas and requirements. In the wake of Covid-19 however, there needs to be a paradigm shift as to how engagement processes are carried out to minimize risk of infection and spread of the disease. There is need to do a cost-benefit analysis and strike a balance between virtually based communication channels and those that need physical interaction. The techniques mostly used in SEP are outlined in the table below:

Engagement technique	Appropriate application of the technique				
DVCDP II - Internal	<ul><li>Emails</li><li>Progress Meetings</li><li>Bulletin board Grievance procedure Code of conduct</li></ul>				
Correspondences (Phone, Emails)	<ul> <li>Distribute information to Government officials, NGOs, Local Government, and organisations/agencies.</li> <li>Invite stakeholders to meetings and follow-up</li> </ul>				
Social Media (WhatsApp, SMS, Face book, Twitter, Zoom, Microsoft Meetings Google classes etc	<ul> <li>Share information with beneficiaries.</li> <li>Distribute information to Co-Implementing partners.</li> <li>Invite stakeholders to meetings and follow-up.</li> <li>Online Meetings with stakeholders</li> <li>Online Workshops with stakeholders</li> </ul>				
One-on-one meetings	<ul> <li>Seeking views and opinions</li> <li>Enable stakeholder to speak freely about sensitive issues.</li> <li>Build personal relationships.</li> <li>Record meetings</li> </ul>				
<ul> <li>Formal meetings</li> <li>Present the Project information to a group of stakeholders.</li> <li>Allow group to comment – opinions and views.</li> <li>Build impersonal relation with high level stakeholders.</li> <li>Disseminate technical information.</li> <li>Record discussions</li> </ul>					
Public meetings (following COVID-19 guidelines)	<ul> <li>Present Project information to a large group of stakeholders, especially communities</li> <li>Allow the group to provide their views and opinions.</li> <li>Build relationship with the communities, especially those impacted.</li> </ul>				

 Table 2.
 Stakeholder communication and engagement techniques

Engagement technique	Appropriate application of the technique			
	<ul> <li>Distribute non-technical information.</li> <li>Facilitate meetings with presentations, PowerPoint, posters etc.</li> <li>Record discussions, comments, questions.</li> </ul>			
Focus group meetings	<ul> <li>Present Project information to a group of stakeholders (8- 15 people groups)</li> <li>Allow stakeholders to provide their views on targeted baseline information.</li> <li>Build relationships with communities.</li> <li>Record responses</li> </ul>			
Project website	<ul> <li>Present project information and progress updates</li> <li>Disclose SEP, GRM and other relevant project documentation</li> </ul>			
Project leaflet	<ul><li>Brief project information to provide regular update.</li><li>Site specific project information.</li></ul>			
Surveys	<ul> <li>Gathering opinions and views from individual stakeholders</li> <li>Gather baseline data.</li> <li>Record data</li> <li>Develop a baseline database for monitoring impacts</li> </ul>			
Multi- stakeholder meetings and/or Workshops	<ul> <li>Present project information to a group of stakeholders</li> <li>Allow a group of stakeholders to provide their views and opinions.</li> <li>Use participatory exercises to facilitate group discussions, brainstorm issues, analyse information, and develop recommendations and strategies.</li> <li>Record responses</li> </ul>			

## **5.3 Proposed strategy to incorporate the view of vulnerable groups**

During the consultation process, the views of vulnerable or disadvantaged groups will be sought through a process of free, prior, and informed consultation. This will be done during project preparation to inform them about the project, to fully identify their views, to obtain their broad community support to the project, and to develop project design and safeguard instruments. This process is best done as part of the social assessment although consultations are likely to continue after its completion.

For investments or activities with no impacts or direct interventions with the vulnerable or disadvantaged communities, the local communities are informed about the project, asked for their views on the project, and assured that they will not be affected during project implementation.

For investments or activities affecting vulnerable or disadvantaged communities, whether positively or adversely, a more elaborate consultation process is required. This may include, as appropriate:

- Informing the affected vulnerable or disadvantaged communities about project objectives and activities,
- Discussing and assessing possible adverse impacts and ways to avoid or mitigate them,
- Discussing and assessing potential project benefits and how these can be enhanced,
- Discussing and assessing land and natural resource use and how management of these resources may be enhanced,
- Identifying customary rights to land and natural resource use and possible ways of enhancing these,
- Identifying and discussing (potential) conflicts with other communities and how these might be avoided,
- Discussing and assessing food security and how it might be enhanced through project interventions,

- Discussing and eliciting customary norms of the vulnerable or disadvantaged groups and incorporating them into the project design.
- Eliciting and incorporating indigenous knowledge into project design,
- Facilitating and ascertaining the affected communities' broad support to the project,
- Developing a strategy for vulnerable or disadvantaged groups' participation and consultation during project implementation, including monitoring and evaluation.

All project information provided to vulnerable or disadvantaged groups should be in a form appropriate to local needs. Local languages should usually be used and efforts should be made to include all community members, including women and members of different generations and social groups (e.g. clans and socioeconomic background).

If the vulnerable or disadvantaged groups are organized in community associations or umbrella organizations, these should usually be consulted. In some cases, it may be appropriate or even necessary to include or use in the process independent entities that have the affected communities' trust. The experience of (other) locally active NGOs and experts may also be useful.

## 5.4 Specific approach to targeting and social mobilization under DVCDP II

**Targeting process.** The process to identify, mobilise and select eligible beneficiaries, will be driven by a team of social mobilisers, and will be carried out in partnership with local communities and the Mahalla. The Project will work closely with district deputy *khokims* and the Women's Committee (WCU). The selection process will be guided and supervised by the PMU social inclusion and gender officer.

The **social mobilisation process** will start following the preliminary mapping and identification of target districts and villages. A cadre of approximately 60-70 social mobilisers (one or two per selected district) will be hired by the project. Selected people are expected to have expertise in social mobilisation and participatory methodologies and will have the responsibility to carry out a comprehensive social mobilisation and PRA process in target communities. PMU field workers will also support the PRA exercise, which will span over the first year of implementation.

**PRA activities** are the entry point to pre-identify mobilise and organize the project's target beneficiaries. The scope of the PRA exercise will be to assess the specific needs and socio-economic characteristics of different target groups, with emphasis on more vulnerable intersectional groups and identify existing opportunities to include them all along the different stages and functions of the dairy value-chain. PRA tools will include: participatory value-chain mapping; community maps, wealth-ranking; daily clock etc.

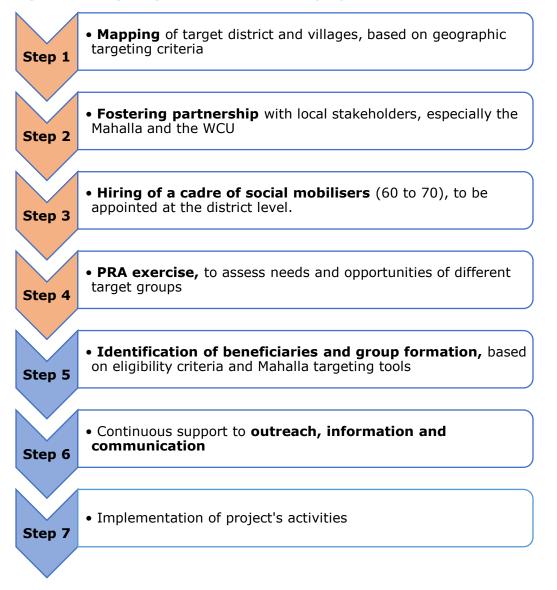
At the Village level the **Mahalla Citizen's Assembly (MCA)** will collaborate with the project's social mobilisers in the following activities:

- (i) Outreach work on the Project's objectives and criteria and requirements to access project's support
- (ii) Mobilization and identification of the project's target group
- (iii) Assistance in formation of farmers' women's and youth's groups and facilitation of various training activities;
- (iv) Advice on suitable approaches to involve vulnerable segments of population in consultation with all relevant actors.

Pre-determined eligibility criteria for each component and activity will be further refined and validated during the participatory process and in collaboration with the mahalla and other relevant stakeholders, including from the dairy sector. As member of the Mahalla the WCU and the youth officer will be actively involved in the process.

The social mobilisation component will be implemented in collaboration with local partners and consultants with a consolidated capacity to manage participatory processes. Community-based participatory approaches to rural development are relatively new in Uzbekistan, but a cadre of well-trained social mobilisers is already available in the country. Potential capacity gaps will be addressed by the project, which will develop a rigorous approach and methodology to streamline social mobilisation activities across the 5 regions. Draft ToRs for social mobilisers are included in the Annex of the PIM.

The following figure illustrates the different steps identified for the targeting and mobilization of the project beneficiaries.



#### Figure 2: Targeting and mobilization of project beneficiaries

## 5.5 Planning for stakeholder engagement

DVCDP II PMU will establish an operational plan in line with proposed project activities to ensure the participation and engagement of the stakeholders, ensuring that each group gets involved as defined and receive the agreed information. The plan must ensure a balance in the involvement and benefits between different gender segments and the participation of vulnerable groups, ensuring that the project's objectives are met in terms of regeneration of landscapes and livelihoods through inclusive financing. Regular meetings will be scheduled with the representatives of the groups of actors involved in the project, for the revision of the plan, activity progress and necessary adjustments according to probable changes in the initial context during the execution of the project.

#### 6. STAKEHOLDER ENGAGEMENT PLAN

#### 6.1 Stakeholders Engagement Activities

Prior to the commencement of stakeholder's engagement activities, meetings shall be scheduled with relevant Traditional Authorities, Community Representatives, political leaders in the project area, Government Ministries and Departments, Media, and other Interested & Affected Parties (I&APs). The purpose of these meetings shall be to refine stakeholder's engagement strategy to meet the requirements of I&APs and ensure that future communication is effective and cognizant of all social sensitivities.

STAGE	OBJECTIVES	KEY ACTIVITIES	TARGET STAKEHOLDERS
Preliminary Engagements	<ul> <li>To gain a preliminary understanding of the scope of the DVCDP II and relevant stakeholders;</li> </ul>	<ul> <li>Field Visits</li> <li>Stakeholder identification process</li> </ul>	<ul> <li>Government Ministries and Departments</li> <li>Communities</li> <li>Coalitions</li> <li>Local Authorities</li> <li>Local Leadership</li> </ul>
Engagements	<ul> <li>To meet key stakeholders and introduce them to the project and Grievance Redress Mechanism (GRM) Process,</li> <li>To disclose the GRM as well as other project documents in the public domain to all interested and affected stakeholders,</li> <li>To gather issues of concern and through this identify a list of potential negative and positive impacts</li> </ul>	<ul> <li>Meetings with key stakeholders to facilitate the broader stakeholder's engagement process,</li> <li>Dissemination of engagement materials (background information documents, posters, media notices etc.),</li> <li>Consultations through training workshops with GRM focal points, and all other stakeholders</li> <li>Feedback from stakeholders.</li> </ul>	<ul> <li>Government Ministries and Departments,</li> <li>Communities,</li> <li>Coalitions</li> <li>Local authorities,</li> <li>Local Leadership</li> <li>DVCDP II Consultants,</li> <li>Agric Extension Officers</li> <li>NGOs</li> <li>Vulnerable Persons</li> </ul>
Disclosure of the Grievance Redress Mechanism (GRM) and other project specific Reports.	<ul> <li>To expose the stakeholders to the developed GRM and other project specific Reports.</li> </ul>	<ul> <li>Disseminate the GRM and other project specific Reports to all stakeholders,</li> <li>Expound the contents of the GRM and other project specific Reports to all stakeholders</li> </ul>	<ul> <li>Government Ministries and Departments</li> <li>Communities</li> <li>Coalitions</li> <li>Local Authorities</li> <li>Local Leadership</li> <li>General Public</li> <li>Media</li> </ul>

Table 3:	Stakeholder	Engagement Activities
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## 6.2 Stakeholder Engagement Plan

The Table below gives a general overview of the types of information needs for various stakeholder groups. This table will be completed and finalized by the PMU in the project start-up phase.

Stakeholders	Method of interaction	Information to be obtained	Information to share	Frequ-ency of engagement	Respon- sibility
Donors (AFD, WB, ADB)	Regular meetings	Progress on livestock projects	Report on DVCDP II implementation and planning	Quarterly	PMU, IFAD
Central Government (Ministries)	Regular interaction at technical level; Steering Committee meetings	Progress on strategies and national policies	Regular DVCDP II progress reports and updated planning	Quarterly	PMU
Local Government authorities	Regular interaction at technical level; regular meetings	Progress on livestock local strategies and programmes	Regular DVCDP II progress reports and updated planning	Quarterly	PMU
Women's Committee of Uzbekistan (WCU)	An MoU will be signed with them. They will participate in social mobilisation and targeting process.	List of vulnerable women and girls on the notebook.	Regular DVCDP II progress reports and updated planning	Monthly	PMU
Mahalla	MoU to be signed to support the social mobilisation and targeting process including monitoring of targeting performance.	Poverty data for regions/districts. List of beneficiaries, disaggregated by poverty and socio-economic characteristics.	Regular DVCDP II progress reports and updated planning.	Monthly	PMU
Uzbekistan Center for Hydromet Services	Regular interaction at technical levels between staff responsible for data collection and management, and relevant project technical staff	Aggregated data from hydromet stations in project target regions, including temperature, precipitation, and water quality/pollution, along with reporting to the UNFCCC	Regular DVCDP II progress reports and updated planning	Monthly	PMU

## Table 4:Stakeholder Engagement Plan

Stakeholders	Method of interaction	Information to be obtained	Information to share	Frequ-ency of engagement	Respon- sibility
State Committee on Forestry	Regular interaction at technical levels between staff responsible for data collection and management, and relevant project technical staff	Plans and related geographic data related to forest restoration and future expansion of forest management areas in project target regions, along with reporting to the UNCCD	Regular DVCDP II progress reports and updated planning	Annual	PMU
State Committee for Ecology and Environment al Protection	Regular interaction at technical levels between staff responsible for data collection and management, and relevant project technical staff	Plans and related geographic data related to current protected areas in project target regions, and future expansion of protected areas, along with reporting to the CBD	Regular DVCDP II progress reports and updated planning	Annual	PMU
Partner financial institutions	Regular interaction and meetings	Reporting on DVCDP II portfolio, planning	Regular DVCDP II progress reports and updated planning	Monthly	PMU

## 7. RESOURCES AND RESPONSIBILITIES FOR IMPLEMENTION

The design and implementation of **a detailed and accurate** SEP will be the overall responsibility of DVCDP II PMU at the project start-up.

Other resources to be committed will be organized as such:

- The DVCDP II/PMU Communication officer will be in charge of the SEP in liaison with the PMU and CVLD team.
- The CLVD is committed to the implementation of the project as well as the implementation of the SEP in keeping with requirements and good governance pillars, therefore making a commitment to commit some of the project funds towards the implementation of the SEP activities.

The management, coordination and implementation of the SEP and its integral tasks will be the responsibility of dedicated team members within DVCDP II PMU, the CVLD, partner ministries and its Contractors, Sub-contractors, and Consultants. The roles and responsibilities of the organizations are presented below.

**The Project Director** will work closely with the Social Inclusion and Gender Specialist to ensure that the SEP is implemented in a successful manner.

**The Project Director,** the **Livestock and climate adaptation specialists** in the central PMU and decentralized project management units, the **Social Inclusion and Gender specialist** and the **Field Coordinators** are responsible for the management of project related social and environmental issues.

The **Social Inclusion and Gender Specialist** will oversee all stakeholders' engagement activities regarding the implementation of the SEP and GRM as well as other project specific documents. Responsibilities of the Social Inclusion and Gender specialist include the following:

- Develop, implement and monitor stakeholders engagement plan for the project, SEP, GRM and other project specific documents;
- Liaise with the Project Director to ensure that stakeholders engagement requirements are understood,
- Maintain the stakeholder database; and

Proactively identify stakeholders, project risks and opportunities and inform Project Director to ensure that the necessary planning can be done to either mitigate risk or exploit opportunities.

At the project start-up, key DVCDP II partners and DVCDP II team will attend a workshop that will bring awareness on the project, SEP, GRM as well as other project specific documents.

#### 8. GRIEVANCE REDRESS MECHANISM (GRM)

The detailed GRM for the DVCDP II has been developed as a separate document (see annex 12).



Uzbekistan

**Dairy Value Chains Development Project II** 

**Project Design Report** 

Annex: Annex 17 Description And Analysis Of Dairy Sector For Sh Fs In Uzbekistan Formatted

 Mission Dates:
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 Project No.
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Near East, North Africa and Europe Division Programme Management Department

## ANNEX 17 - Livestock Value Chain Description and Analysis

## 1. Introduction to macro-economic context

The Republic of Uzbekistan is a LMIC country¹ with aspirations to become a MIC by 2050. The population size is 35.2 million inhabitants and population density is 83 people/km2, which is the highest in Central Asia and increasing. Half the population is urban and the median age is 27 years² and illiteracy can be considered low³. The Uzbek economy has grown with a steady average of 8% since 2000 and poverty has been reduced by 15% between 2001 and 2016 (to 12.5% of total population)⁴. These are parameters associated with an increase in market demand for Animal-based Food Stuffs and demographic and economic potential for responding to such a demand⁵. The livestock sector is important for smallholder livelihoods. They keep more than 90% of the farms in Uzbekistan (4.7 million of 5 million in 2019) and produce almost 90% of livestock and livestock products. Within the livestock sub-sector, dairy makes up for 45% of the livestock gross value added⁶. For smallholders, however, linking into the market for responding to increasing dairy product demand can be improved.

#### Milk market forecasts, volumes and imports

The Uzbek milk market forecasts show that the current revenues of 227 million USD for Uzbekistan will increase with 4.47% to 283 million USD in 2028⁷. The milk market volume is currently stagnant at 0.75 billion kg (was 0.81 billion kg in 2018 and is expected to grow 0.6% to 0.77 billion kg in 2028). The average price / kg milk is expected to increase from the current 0.30 to 0.37 USD in 2028. Milk is historically integrated in the Uzbek food culture and with Uzbekistan's population and income growth and 49% urbanisation, consumer demand is expected to increase further with these three parameters⁴. The volume of dairy product imports has increased by app. 10 thousand tons (= app. 9 million kg) in the past year (22/23)⁸. A presidential decree for a zero-rate customs duty on dairy products has been extended until January 2024⁹.

## **Dual farming structure and policy framework**

After the collapse of the Soviet Union, the Uzbek agricultural sector was restructured in large private farms producing wheat and cotton. The state-owned cooperatives (shirkats) were converted (between 2002 and 2007) in 75,000 private farms, with 5.8 million ha of state leased land with an average farm size of 75 ha and lease time of 30–50-years. These farms are subject to cotton and/or wheat production quotas that require them to allocate a defined area of land to these crops. The provision of credit, input, and output markets for cotton and wheat are partly administered by the Government.

⁷ <u>https://www.statista.com/outlook/cmo/food/dairy-products-eggs/milk/uzbekistan#revenue</u>

¹ GDP per person of US\$1,980 in 2017. https://www.ifad.org/en/web/operations/w/country/uzbekistan ² <u>https://www.worldometers.info/world-population/uzbekistan-population/</u> 35.2 million inhabitants on 425,400 Km2

https://stat.uz/en/ 36.4 Million on 1 July 2023

³ With 100% youth (15-24) literacy M/F (UNICEF country data <u>https://data.unicef.org/country/uzb/#education</u> ⁴ WorldBank Report No: PAD2275 (June, 2017), Rep. of Uzbekistan Livestock Sector Development Project Appendix 1 to the National Livestock Strategy

⁵ https://www.fao.org/3/ai554e/ai554e00.htm

⁶ Uzbekistan Livestock Sub-Sector Development Strategy and Five Year Investment Plan (July 2020): Uzbekistan's Livestock Sub Sector for Accelerated, Equitable and inclusive Growth.

https://stat.uz/en/press-center/news-of-committee/27007-o-zbekiston-30-ta-davlatdan-sut-mahsulotlariniimport-gilgan-3
 For 7 months of 2022, Uzbekistan imported 22.3 thousand tons of dairy products from 30 foreign countries. Compared to the corresponding period in 2022, in 2023 the increase was 5.4 thousand tons.
 https://daryo.uz/en/2023/03/24/uzbekistan-exempts-dairy-products-from-import-duties-until-end-of-this-

<u>year</u>

In parallel, 4.7 million smallholder farmers, landless or with small plots (average 0.35–0.5 ha), are engaged in horticulture and livestock (340 thousand hectares allocated¹⁰). While these farmers with livestock use less than 15 percent of total arable land in Uzbekistan, their share of livestock production is more than 90 percent of national output. The output is for the most part based on household labour. These family farming systems are less subject to control or stimulation by the Government⁴ then the private faming system.

Acquiring land for livestock (and horticulture) production, for especially the landless household farmers (tamarkas) among the smallholders, is challenging. Large scale specialized farming is stimulated, through a policy conditioned auctioning, whereby shirkats for cotton and wheat as well as those that have remained for karakul sheep and cattle are turned into private farmland for livestock and horticulture. For dairy, the National Livestock Strategy requires the import of live animals of foreign breeds. More than 100 thousand foreign cattle (dairy and meat breeds,) have been imported¹⁰, with the number of farms with more than 500 heads of livestock increasing beyond 390¹¹. The high investments these private dairy farms require, show for modern intensified dairy farms, but efficiency is not a driver and with only 8% of the national cattle herd in this farming system, the returns and meeting consumer demand may stay behind on the investments. Smallholders producing under scarcity may be inclined to more efficient production and they own 92 percent of cattle⁵. Dairy production needs water and fodder, and thus a connection to higher rainfall or irrigated land. For the smallholder resource poor labourbased farming systems (vast majority of the farmers), these auctions so far hardly provide access.

## 2. Composition of the Dairy Sector Value Chains

The dual farm structure and policy translates into a dual dairy value chain. Below, an illustration of the commercial dairy VC structure is given. The *Private* farmers are large scale and are a result of the privatization of shirkats. *Dekhan* farmers are private farmers that are more difficult to define. They vary in scale regarding land use and production. Many are smallholders, with enough land to grow fodder and often with collateral and access to credit and other inputs, such as extension, veterinary care, AI, feed additives, etc.

Not portrayed in this figure is a third system that is producing milk; that of the tamarkas or household farmers. These smallholders, by and large, produce milk for home consumption and sales to relatives or neighbours or neighbouring dekhan farmers, who collect milk for trade or processing (see Figure 2). The tamarkas or household farming system is usually a low input low output system, whereby the calf (for meat) is often the main objective and milk is (an important) byproduct¹². This invisible third layer of the DVC also has potential for development and integration into a formal DVC. The rural poor people may belign in majority to this system, but not all tamarkas are poor. Members of the households can have off-farm jobs and keep cattle for home use, since there is no market linkage. These off-farm jobs can be poorly or well paid.

¹⁰ Appendix 1 to the National Livestock Strategy. The 10 000 possibly includes crossbreeds, see Table 1

¹¹ Appendix 1 to the National Livestock Strategy: 256 farms with 500 to 1 000 head of livestock and 136 farms with 1 000 and more head of livestock (not only cattle).

¹² This is a typical sign of subsistence farming.

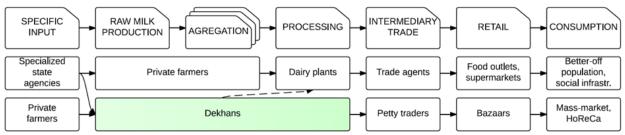
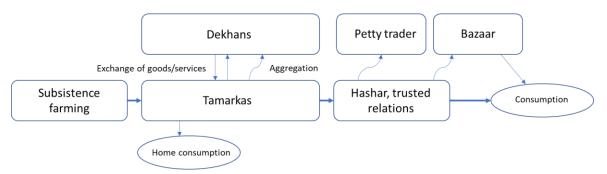


Figure 1: Simplified structure of the Dairy Value Chain in rural Uzbekistan

Figure 2: The 'invisible' DVC of the Tamarkas system



Among tamarkas and dekhan farmers, traditional home processing exists. Uzbekistan has a rich palette of traditional milk products. The cooling of milk is often not controlled and "wasted" milk is traditionally processed into another dairy product. Food safety can be an issue together with a lack of business orientation and dairy technology knowledge for many of the tamarkas farmers to formally engage in the dairy value chain. Dekhan farmers, esp. the smallholders among them, also lack knowledge and access to services and inputs, but they may have options of allocating part of their land for dairy and then find it easier to produce enough to link into the traditional market of petty traders and bazaars. For meeting the growing (urban) milk demand, this artisanal VC is not sufficiently suitable. Bulking of milk for processing and retail (supermarkets) require milk safety and quality guarantees and regularity and uniformity of produce. The post-gate part of the DVC for the dekhan and tamarkas system is not developed for this purpose and the 'private' farmers will not have the capacity to respond to the growing demand.

## Statistics on livestock, production, processing and services

For five selected regions the number of dairy cows, crossbreeds and registered cows are shown in Table 1. Cows that have been imported have a registration identification and so far the number of registered cows more or less corresponds with the number of imported cows for these regions. Statistics from different sources claim different numbers, e.g. more than 90 thousand for 2021 and declining to 88 thousand for 2022 nationwide. The expectation is a decline in numbers imported. The GoU will invest in a nation-wide animal registration identification system (WB  $project^4/^{13}$ ), so also including Uzbek bred stock.

Source: DVCDP Phase 1 Final Design Report

¹³ Internal WB document and oral communication.

Region	N. of cattle	N. of dairy cows	N. of cross breeds	N. of cows with registration identification
Jizzakh	943 077	265 472	128 320	15 923
Kashkadarya	1 688 768	558 369	26 198	17 414
Samarkand	1 924 785	754 977	-	-
Surkhandarya	1 044 857	400 607	160 086	15 530
Syrdarya	492 331	176 999	112 227	18 716
Total Project Area	6 093 818	2 156 424	426 831	67 583

Table 1: Cattle statistic for five regions in Uzbekistan

Source: State Committee for Veterinary and Livestock Development, Uzbekistan

Shown in Table 2, the majority of farmers involved in milk production are the tamarkas or HH farmers, followed by the registered dekhan farmers. Unfortunately, the statistics are incomplete, however, the ratio between the three farming systems, as shown in the Kashkadarya row, corresponds with a vast majority being HH or dekhan farmer (also confirmation by oral communication). Both groups produce in informal rather than formal Value Chains (see Fig. 1 and 2). Regional and district statistics do not provide conclusive information regarding milk production, productivity and income (the majority of farmers produce for informal markets and government (SCVLD) focus is with private farms).

Region	N. of HH farmers in milk production	N. of registered dekhan farmers in milk production	N. of private farms in milk production	
Jizzakh	-	-	213	
Kashkadarya	604 627	483 702	1 913	
Samarkand	-	-	-	
Surkhandarya	-	-	-	
Syrdarya	54 317	-	594	
Total Project Area	658 944	483 702	2 720	

Table 2: Number of dairy farmers for five regions and three farming systems in Uzbekistan

Source: State Committee for Veterinary and Livestock Development, Uzbekistan

Jizzakh and Kashkadarya have MCC/MCPs (11 and 270), established during DVCDP (phase 1). Milk aggregation is a first step to linking farmers to the dairy market. There are processing companies in Jizzakh (11), Surkhandarya (13) and Sirdarya (15)¹⁴. The processing capacities of these companies vary.

Services to farmers concern veterinary, extension and artificial insemination (AI) services. From the regional statistics provided by GoU / SCVLD (see Table 3), the number of government employed veterinarians and extension workers can vary per region (and district). Officially the number is related to the number of livestock in the districts for vets and for extension workers. The salaries are paid by the GoU, but the services are not free of charge. Understaffing is an issue that is going to be addressed for the veterinary services (via WB project Livestock Sector Development). Privatization of veterinary care is not a policy, but taking place on individual basis on a small scale. Last mile services of veterinary care for SHFs is very limited and generally only accessed by SHFs when the cow is mortally

¹⁴ GoU district statistics

ill (e.g. corpus alien rumen perforation, TBDs, broken leg, etc.). Extension services are provided by SCVLD livestock production staff, but not reaching SHFs. The extension service is meant for larger scale intensified farming and is charged for. A new extension service centre (AKIS¹⁵) is being developed, whereby research, education and extension are merged. The service will be subsidized initially, but is production technical rather than farm business economical and not including development options for smallholder family farmers and their farm and livelihood circumstances.

Region	N. of Veteri- nary Centres	N. of VETERI- NARIAN STAFF in Veterinary Centres	N. of registered Private LIVESTOCK Veterinarians	N. of PARA- VETERINARY STAFF in Veterinary Centres	N. of EXTEN- SION workers	N. of ARTIFICIAL INSEMINA- TION service providers (excl. veterinarians)
Jizzakh	13	213	16	-	-	58
Kashkadarya	134	134	-	-	268	162
Samarkand	-	-	-	-	-	-
Surkhandarya	15	342	-	-	-	83
Syrdarya	11	68	24	53	65	48
Total Project Area	173	757	40	53	333	351

Table 3: Service providers to farmers per region in Uzbekistan

*Source: State Committee for Veterinary and Livestock Development, Uzbekistan* 

AI staff is rather evenly distributed among the districts. AI is mostly adopted by private farmers and far less so by the smallholder dehkan and tamarkas farmers. Success rates are low. Most important factors for low AI success are lack of knowledge and practical training for AI staff and untimely service (oral communication).

#### 3. Development potential and constraints analysis

Livestock production provides livelihood support to almost 50 % of people living in Uzbeksitan's rural areas (15.3 million persons)¹⁶. There is much **potential for including smallholders** (tamarkas as well as dekhan farmers) into the development of the dairy sector and respond to the growing (urban) demand for milk products. This will provide rural income and additional jobs. **Upgrading** the more traditional **short value chains** (retail via bazaars and directly from producer to consumers) also has potential.

A **diversity in value chains** for developing the dairy sector is in line with the current structure of the dairy sector and has as advantage the spread of business risks, including governance risks. In addition, disparities in wealth and power between famers of the three farming systems may intervene with farmer organization and representation of what are 'common' farmer interests. Such is a risk for sustainably engaging esp. tamarkas and smallholder dekhans (majority of farmers with majority of cows, producing majority of milk) into the formal market and upgrade the quality and volumes of milk needed for this market. Their interests and empowerment need to be accommodated (for tailored training, breeding, services, price induced milk quality rise, etc.). The cultural preference of doing business within the own social circle and the growing interest of women to engage in dairy

¹⁵ EU and WB funded

¹⁶ World Bank Report No: PAD2275 (June, 2017), Rep. of Uzbekistan Livestock Sector Development Project

business also points in the direction of also establishing / strengthening short value chains. Only developing the large-scale private farms will not meet the growing demand in the medium term and in the long term (if successful) will push smallholders out of business, creating unemployment and poverty in the rural areas¹⁷.

There are **three drivers** for the Uzbek SHFs to **transform from subsistence to commercially producing** milk (products), namely: **(i)** market linkage; **(ii)** access to production factors and inputs (land, water, fodder, services, etc.); and **(iii)** social mobilisation. In vast majority SHFs will experience that one or all three will limit them to develop their farming business. Engaging SHFs to help respond to the national consumer demand, means addressing these three drivers.

## 3.1 Market linkage

Subsistence farming produces milk as a meat side product, for home consumption and any surplus for consumers or traders in the neighbourhood, often regular customers. The location and familiarity of the buyer, influences the milk price (and milk quality). There will be little incentive to increase milk volumes, because this low input low output (market) system has an equilibrium, providing low and known livelihood risk to the smallholder families. Dairy, being labour intensive and milk being perishable, will remain a by-product of raising a calf for meat.

Aggregation of milk into larger volumes can enter other larger more distant (urban) markets, 'the formal market'. However, aggregation will entail bulking milk of different quality and food safety risks. Dairy products need quality and health control (and standardization) already at its first level of aggregation, posing a threshold for subsistence farmers to enter this market. Farm-gate milk prices remain low for the SHFs, if they sell the milk for aggregation to larger dekhan farmers, middlemen, etc.. If they would aggregate the milk among themselves, the price could rise with 20-25%. This would pose economic incentive to increase milk volumes and engage in dairy farming for the market. Another way of increasing the farm-gate milk price for economic incentive is via scarcity, e.g. increase dairy import taxes, or via guaranteeing minimal prices (e.g. by off-takers or dairy board policy). A third way of would be through strengthening short value chains and promoting niche markets for traditional / regional/ organic products. This third pathway has already developed in Uzbekistan (see Fig. 1 with the Bazaars as outlet for this DVC). Here too, SHFs will need an entry farm-gate milk price that is 'fair' for taking the entrepreneurial risk of increasing milk volumes, meaning investing in labour, allocating land for growing fodder, buying inputs, etc.

Policy for stimulating milk volume (to respond to urban consumer demand), must take into consideration the constitution of farm-gate prices and of farmers coming together to aggregate milk so they have more control over the farm-gate price. Without such control, dairy as an enterprise can be too risky for SHFs to embark on. Without SHFs, a significant increase in milk volume cannot be expected. They own more than 80% of cows and can breed from resilient stock, which is a crucial climate adaptation strategy for the Uzbek context.

## 3.2 Production factors and inputs

Dairy production requires more and better water and fodder than livestock production for meat. Not having enough clean water, land for growing fodder, or access to irrigation canals, are issues for many SHFs in Uzbekistan, esp. the tamarkas. These issues lay with policy and politics. Private initiative, such as establishing boreholes, acquiring land at

¹⁷ EU briefing on rural poverty

https://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599333/EPRS_BRI(2017)599333_EN.pdf

auctions, fodder production for the market are an option, but still difficult to obtain for SHFs.

Another production factor is the cow. Local breeds have been bred for surviving harsh winters and summers and sustaining the HH with meat and milk, not for commercial dairy production. Replacing local cows by foreign dairy breeds is very risky, since these cows are not adapted to the circumstance and have higher needs. The vulnerability of these cows requires higher investments and inputs (shelter, quality and quantities of feeds, disease prevention, etc.) and management knowledge, entrepreneurship and bookkeeping. Higher investments and costs can result in loss and debt if efficiency remains low. Less risky and more sustainable is to start breeding from the existing stock by registering new-borns with their characteristics (starting a breeding system) and upgrade with semen from bulls with known characteristics for dairy potential. This takes longer (app. 3 years to have a first self-bred crossbreed dairy cow in milking), but provides opportunity to farmers to grow with the change. For dairy as an enterprise it is important that the farmer knows and has some control over the genetic potential of the cows, because (s)he needs to breed for efficiency and resilience to secure profit. This is even more important for smallholders than large scale farms, because they usually have fewer options of spreading (business) risks. SHFs may choose to purchase a crossbreed (in Uzbekistan of unknown heritage) as their first-generation dairy cow for milking and breeding (speeding up the process with app. 3 years). Consciously breeding for more dairy potential and keeping breeding records benefits the individual farmer. Doing this in breeding groups has additional benefits for the farmers (and the national herd). These benefits are: (i) farmers learn from each other 's knowledge and experience and give momentum to the importance of breeding and speed up improvement (translating into higher yields); (ii) breeding a most suitable dairy cow is aiming for more than one characteristic¹⁸ and by debating and placing value to the characteristics, a breeding strategy develops; (iii) cows and offspring with higher valued characteristics (and recorded performance) can be sold for higher prices to other smallholders that benefit from this breeding product and also breed towards more value. Since more than 80 % of dairy farmers are SHFs, the impact on transforming the dairy sector in a sustainable way can be very significant.

Animal housing is another crucial production factor for smallholder dairy farming in Uzbekistan. It is necessary to protect the cow from the elements (high and low temperatures, sun strokes, diseases, etc.), but also to support animal welfare (enough room, light, fresh air, hygiene, etc.)¹⁹. Daily discomfort of a dairy animal translates into daily milk yield loss. Cowsheds should be designed for the needs of the cow to give good returns on investment.

The most important *inputs (production costs)* for dairy are feed and concentrates, veterinary care, and extension (esp. when management and investments become more important). Concentrates start having significant effect on milk yields with higher genetic dairy potential. Fodder and feeding, good management practices and health are game changers from the start. Without these game changing conditions, genetic upgrading is not meaningful (resulting in costs and risks without benefits). Access to services for SHFs is low and needs to increase. Privatization of veterinary care is necessary for developing

¹⁸ E.g. rumen space, strong claws, in sunny countries skin colour of muco-cutanic areas, fertility, easy calving and meat potential of bull calves, etc. In addition, breeding from an enterprise perspective: Not only increasing yields, but also keeping production costs under control, is an important factor. Farmers in NW Europe that have upgraded for dairy potential too much, run into too high production costs and are now starting to 'down breed' with less productive but more robust dairy or dual-purpose bulls (from other breeds for heterosis effect) to bring the production costs down and breed for more resilience. For SHFs (also in Uzbekistan), breeding for not increasing production costs too much is essential.

¹⁹ https://www.roodbont.nl/en/product/100-18_Cow-Signals

wider access and with many SHFs embarking on market- oriented dairy production the demand for veterinary and extension service provisions will further increase.

# 3.3 Social mobilisation

Engaging in entrepreneurial dairy production, can be constraint (or stimulated) by sociocultural factors. Uzbekistan is in majority Muslim (> 95%) and not all activities in the agriculture sector are seen as appropriate, esp. not for women. Dairy (and poultry) activities are socially acceptable for women to be engaged in. Women in smallholder systems play an important role in providing labour for dairy production, but do they have time available in the day/season to increase milk production and will they reap the financially benefits, remains to be seen.

In a study (WB) Uzbekistan, women daily and seasonal calendar show that more than 9 hours per day, esp. daughters in law (av. XX hrs. per day). Seasonality in work, also implies that during summer, there may be too few hours in the day to do the labour for dairy. Most women farmers' labour remains unpaid (av. off farm income XX Sums for mother in laws and XX sums for daughter in laws). Decision power about investing in enterprise development is usually with men.

For a family to engage in increasing dairy production for the market, the family members must negotiate the inputs for and gains from such enterprise development, including labour and household income, to be able to make the enterprise work. If the roles within the family and the goals of the enterprise are not discussed, then plans and investments may not materialize due to a lack of a common family vision and effort. In traditional culture negotiating (gender) roles, even when it is for economic gain, does not come naturally and may need catalysation via community work. For Uzbekistan, it would be especially important to also involve the daughters-in-law in the social mobilisation activities.

Social mobilisation and (self) organization beyond household level seems not very developed in Uzbekistan and the attitude towards collective action may even be somewhat adverse due to the Soviet history. For successfully developing smallholder farmer-centred responses to the current dairy sector development challenges, such as milk aggregation, land access and fodder production and marketing, starting a breeding system, developing short VCs, community-based initiatives need attention and investment.

# 4. Investment priorities

- 1. For the development of the dairy sector SHFs are essential. Current public and private investments are not reflecting that.
- 2. Access to production factors and inputs (including service provisions) for SHFs should have first priority together with stimulating access to dairy technologies and knowledge and market linkages for the SHFs.
- 3. Milk aggregation (MCCs) and short value chain developments are the highways for linking SHFs into the dairy market.
- 4. Once this is established, SHFs can start to invest in their own dairy enterprise themselves, and other entrepreneurs in the DVC, e.g. milk collectors, fodder producers, etc. in their enterprise via credit provision.



Uzbekistan

**Dairy Value Chains Development Project II** 

Project Design Report

**Annex: Procurement Annexes** 

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Near East, North Africa and Europe Division Programme Management Department

# UZBEKISTAN

# **PROJECT PROCUREMENT STRATEGY**

(PPS)

Dairy Value Chain Development Project II (DVCDP-II)

Dated: July, 2023

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Country:	Uzbekistan	
Full Project Name:	Dairy Value Chain Development Project II (DVCDP-II)	
IFAD Financing (\$):	37.8 mln	
Project Number:	2000004301	
Summary of Project Development	The Dairy Value Chain Development Project II (DVCDP II) will build on	
Objectives	achievements and lessons learnt of DVCDP to scale up existing business	
	linkages between small-scale producers, private sector, processors and	
	value chain actors in dairy sub-sector while improving resilience at	
	production level. The project will be implemented by the Committee of the	
	State Veterinary and Livestock Development (SCVLD)	

# 1 Project Overview

# 1.1 Project Development Objectives & Project Description

# 1.1.1 Project Development Objectives

The Project Development Objective is to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain and promote food security by enhancing their market participation and increasing productivity. It will be achieved through two main outcomes.

Outcome 1: Sustainable dairy production through improved fodder and feed production, animal husbandry, water access and land use:

There is a potential for productivity gains in smallholder systems that the project can achieve through a combination of support to breeding services, animal health, herd management, and feeding. These productivity gains can also have a significant positive impact on GHG emission intensity reductions. The project will also address the issue of climate adaptation and mitigation, through the use of drought (frost) resistant fodder crops, improved breeds of dairy cattle, preservation of soil fertility and use of organic fertilizers and manure, use of improved pasture management systems, including pasture rotation and rehabilitation, ensuring applied research and dissemination of climate smart innovations such as optimization of feed rations, improved manure management practices, and utilization of solar energy in the value chain including at postproduction levels.

Outcome 2: Increased competitiveness of the dairy value chain through enhanced business linkages, service provision, and financial innovations:

Small-scale producers are mostly involved in short traditional/informal value chains that include themselves, milk traders, and consumers. This type of value chain has flexibility and payment modalities, but is characterized by low productivity, limited capacities for milk collection, issues with milk quality, and lack of formal business linkages between farmers and private service providers. Without such linkages production improvement for food security, farmer income increases and GHG mission reductions remain very limited. The project will partner with local financial institutions for the provision of adequate financing to farmers, milk collectors/traders, service providers and other stakeholders in the value chain, in order to finance the necessary investments and improve milk quality and productivity, collection and processing.

Key assumptions for these impact pathways: (i) enabling business and political environment; (ii) trainings resulting in adoption of good management practices in milk production by the farmers; and (iii) interest of Partner Financial Institutions (PFI) and private sector entities in participating in the value chain.

# 1.2 Project Implementing Entity

The implementing agency is the State Committee of Veterinary and Livestock Development (SCVLD) under the supervision of the Minister of Agriculture. The SCVLD is the implementing entity of all livestock projects funded by the major IFIs. The Committee also focuses on delivering of public livestock services such as animal health, breeding, and extension, which ensures proper alignment and complementarities of interventions.

The SCVLD will ensure overall guidance and strategic directions of the project implementation process and will appoint the Project Coordinator from its own staff. A Project Steering Committee will be established to oversee the implementation and progress, provide strategic guidance and ensure alignment with national policies. A Project Management Office will be established within the SCVLD for the day-to-day management and implementation of project activities as per approved work plan and budget. The PMO will be staffed with the project manager, M&E, finance, procurement, livestock, value chain/agribusiness, gender specialists; and support staff. Possibly, qualified staff from DVCDP-I will be retained for continuity and assets purposes.

# 2 Strategic Assessment of Operating Context and Borrower Capability

# 2.1 Operational Context

This Project Procurement Strategy (PPS) is analyzing and considering the operational context factors that may affect the procurement approach, the motivation of bidders to participate, and the likely success of any subsequent contracts. This includes the following:

# • Governance aspects

The Development Strategy of New Uzbekistan for 2022–2026 and its vision of halving poverty by 2026, including through key interventions targeted at vulnerable segments of the population, and aiming for upper-middle-income status by 2030 guides the COSOP ambition. Sustainable rural development remains a particular priority, with the specific goals of annual sector growth of at least 5 per cent and doubling of farmers' incomes. Specific objectives and incentives for private sector investment in the agrifood sector, sustainability of water use and mitigation of ecological issues are also included.

The Strategy for Agricultural Development 2020–2030 and its overall objective to develop a competitive, market and export-oriented agrifood sector to increase farm incomes, create jobs, enhance food security and ensure sustainable natural resources use provides the COSOP's long term framework. The COSOP also draws on the Programme's vision for the development of the livestock sector and its branches for 2022–2026 to bridge subsector policies that are effectively contributing to the Food Systems National Pathway to efficient and sustainable food systems by 2030.

# • Economic Aspects

Uzbekistan's economy will grow at a rate similar to the 7.4 % recorded in 2021. Stronger industrial and service growth will continue to offset comparably weaker agricultural growth. Remittance inflows measured in US\$ will remain nominally at or above pre-shock levels - but measured in net PPPs for Uzbek recipients decline - and only partially offset a large drop in gold sales (by 29 %) increasing further the current account deficit of 6.6 % of GDP in 2021, up from 5 % in 2020. The fiscal deficit increased from 4.5 % of GDP in 2020 to 6.2 % of GDP in 2021. It was almost entirely financed by new external debt, though the government stayed within its annual debt ceiling of US\$5.5 billion. Averaging 10.8 % in 2021 (against 12.9 % in 2020) driven by higher domestic and global food prices, as well as higher shipping costs, inflation will remain moderate and manageable. Credit growth slowed to 18 % in 2021, down from 31 % in 2020, due to a reduction in subsidized lending and high real interest rates. The banking system is still strong. Capital and liquidity buffers continue to exceed regulatory minimums. In order to reduce banking dollarization, the Central Bank of Uzbekistan raised the minimum reserve requirement for foreign currency deposits from 14 to 18 % in 2021. The unemployment rate fell from 10.5 % in 2020 to 9.6 % in

2021, but it has yet to return to the pre-pandemic level of 9 %. In this scenario, unemployment will continue to fall.

The war in Ukraine and the sanctions on Russia could present possible upsides, such as relocation of production away from Russia as well as a diversification of trade and trade routes may give a boost to Uzbekistan's economy.

Although Uzbekistan will benefit from high global commodity prices (gold, copper, and natural gas), risks regarding a medium term decrease in remittances persist potentially affecting the current account deficit. With Russian foreign investments expected to fall, inflows of foreign direct investment will be muted in 2022 and will take time to recover. Uzbekistan is the biggest labour supplier to the Russian Federation, with estimated 4.5 million Uzbek migrants in 2021¹. According to the World Bank estimates², the remittances to Uzbekistan reached USD 9.2 billion in 2021, of which more than USD4 billion came from Russia (equivalent 6.1 % of country's GDP). Another important factor of concern will be return migration from Russia and Ukraine, which will put additional pressure on the domestic labour market in Uzbekistan.

As a result, the increased current account deficit is expected to be financed by new public debt and reserves. In 2022, the overall fiscal deficit is expected to be 4% of GDP. The fiscal consolidation scheduled for 2023 is now likely to be postponed. The national debt is expected to peak at 42 % of GDP in 2022-23 and then stabilize at around 40 % of GDP by the end of 2024.

# • Sustainability Aspects

Land degradation is acknowledged as one of the major problems for the sustainable development in Uzbekistan and the Central Asian region, as a whole. The most recent PRAIS3 reports that 28.6 per cent of land in the country is degraded. As the figure is partially based on global data, it is anticipated that local degradation is far greater.

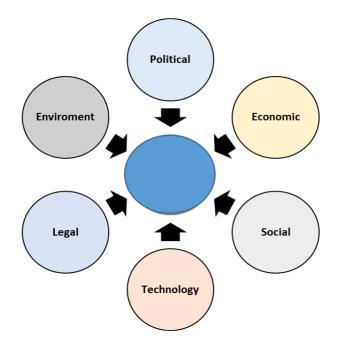
#### • Technological Aspects

In Uzbekistan, the introduction of modern innovative ideas, developments and technologies has been identified as among the key factors promoting quick and meaningful progress towards joining the ranks of developed countries in the world economy. The advancement of education and science in Uzbekistan has been identified by the Government as a priority area for societal development in the 2017–2021 period according to Presidential Decree No. UP-4947, dated 7 February 2017 and entitled "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan". At the same time, an agenda was established to stimulate research and innovation, create effective mechanisms for the introduction of scientific and innovative achievements into practice, create specialized scientific and experimental laboratories as well as high-tech centres and technology parks at higher educational institutions and research institutes.

¹ <u>https://xn--b1aew.xn--p1ai/dejatelnost/statistics/migracionnaya/item/28104344/</u>

² https://www.knomad.org/sites/default/files/2021-11/Migration_Brief%2035_1.pdf

# 2.1.1 PESTLE Analysis



Political	High bureaucracy levels and some corruption is evident			
Economic	Medium unemployment rate at around 6.04% in 2022			
	High inflation rate has been affecting the local economy during the p			
	several years			
	• The impact of COVID-19 has been moderate given the service nature of the			
	economy (tourism especially)			
Social	Unequal opportunities for male and female in education and employment			
	• The impact of COVID-19 has affected demographics and the ability to move			
	internally			
Technological	Access to quality internet is an issue			
	Pace of change in technology is moderate			
	Development of communication and technology infrastructure is moderated			
Legal	Enforcing labor codes is a challenge			
Environment	Evidence of climate change			
	Current policies and instruments lack the rigor to effectively reduce pressures			
	on natural assets and protect public health from poor environmental quality			
	Uzbekistan's environmental legal framework is poorly developed and does			
	not cover key aspects of environmental protection legislation.			

Table I – PESTLE Analysis

# 2.1.2 Key PESTLE Conclusions:

Overall, operational context imposes moderate risk to implementation of the project.

# 2.2 Implementing Agency Capability Assessment

An assessment of the State Committee of Veterinary and Livestock Development (SCVLD), which is a Project Management Organization (PMO) for DVCDP II was conducted using the IFAD tool for Assessment of Agency Capacity to Implement Procurement. Based on its performance under the previous DVCDP programme financed by IFAD, the SCVLD procurement capacity and practices are found to be consistent with current IFAD procurement regulations and procedures. The Procurement Unit has one dedicated procurement specialist with sufficient proficiency in IFAD procurement procedures. Application of procurement procedures is transparent and competitive. Overall, the SCVLD's procurement performance is rated as moderately satisfactory.

# 2.3 Market Research and Analysis

# 2.3.1 Works

Uzbekistan's construction sector is well established and comprises engineering and design services, builders and contractors, and construction equipment and construction material factories. Since 2009, over 20,000 construction companies were registered, of which more than 90% are privately owned. Construction firms have broad experience with major infrastructure projects and an extensive range of public and commercial buildings.

The construction sector is regulated by the State Committee for Architecture and Construction (SCAC). The SCAC is responsible for developing sector policy and national guidelines and standards, and monitoring their implementation. With a network of regional and district offices, the SCAC is responsible for on-site inspection (prior to and during construction, and post construction prior to commissioning and handover) to ensure (i) site development and preparation are in accordance with local government by-laws and national environmental and safety standards; (ii) construction materials used meet national quality and environmental and safety standards; and (iii) building and construction processes are in compliance with national design and engineering norms and safety standards.

# 2.3.2 Consultancy Services

These will include both consultant firms and individuals from local and international market as appropriate. There are limited domestic capacity of firms/individuals who can be engaged as Technical Assistants (TAs) for capacity building. However, there are well qualified consulting firms and individuals mainly from the region who have participated in the previous consultancy assignments in the past. Previous experience from other similar projects shows that both local and foreign firms have participated in the bid opportunities. In some instances, local firms have partnered with foreign firms. There is therefore a likelihood of foreign firms to associate with national firms to enhance their capacity. Firms and individuals will be selected on openinternational/national basis as appropriate. The preferred procurement method for firms under consulting services would be QCBS. However, other methods including Consultant Qualification and Direct Selection will be used as stipulated in the Procurement Plan.

# 2.3.3 Procurement of Non-Consulting Services

Contracts under non-consulting services include activities such as workshop venues, transport, printing services or IT services. These non-consulting services are available either locally or internationally. Given the size and nature of non-consulting services to be procured, most of the potential bidders are available locally. Such items will be procured through Open National Market Approach and Request for Quotations.

# 2.3.4 Office Equipment and Supplies

Uzbekistan has available local traders for ICT equipment, scientific equipment, motor vehicles, and furniture and other office supplies. For equipment, vehicles and ICT hardware and Software, no domestic manufacturing capacity or facility to produce these goods, equipment and machineries. The bidders import the equipment/goods and provide after sales support. The specifications for these items are of standard nature.

# **3** Arrangements for Procurement under the Project

Public procurement in Uzbekistan is governed by the "Public Procurement Law" of April 22, 2021 No. ZRU-684, which defines the responsibilities, principles and processes applicable in the public procurement of works, goods and services and, as compared to the previous Public Procurement Law No. 472 (2018), provides a more satisfactory legal framework following good international practices. Nevertheless, it needs further improvement to ensure wider range of procurement methods in order to provide for proportionality and fitness for purpose to achieve better value for money. Until such time that the PPL is operationalized, further reviewed and found satisfactory by the IFAD, Procurement of goods, works and services for DVCDP II shall be carried out in accordance with the provisions of the IFAD Project Procurement Guidelines and provisions stipulated in the Financing Agreement/Procurement Arrangement Letter to the Borrower. If there is conflict between the Government's decrees, rules and regulations and the IFAD Procurement Guidelines, then IFAD Guidelines shall prevail.

#### 4 Procurement Risk Analysis

In view of the challenges outlined above, the risk for procurement was considered Moderate.

Note: As per the last edition of the procurement Manual for consultant the wording on risk was amended as follows: a reduction in residual risk is only possible on the basis of fully implemented and effective mitigation measures, this means that Net Risk = Inherent Risk if mitigation measures are not yet implemented.

Risk Description	А	В	Description of proposed mitigation through the procurement process	Risk Owner
	Inherent	Residual		
Additional procurement personnel needs to be hired	Н	н	Hiring a qualified additional procurement specialist	PMU
Insufficient knowledge of the IFAD's procurement procedures may cause the slow procurement processing and decision-making, with potential implementation delays	Н	н	• Ensure that Project staff participate regularly to the training sessions organized by IFAD on OPEN, NOTUS, IFAD Project Procurement Guidelines and refer to the procurement Handbook. Procurement staff should follow the BuildProc program.	PMU
Poor contract management system, with potential time and cost overruns and poor-quality deliverables.	Н	Н	<ul> <li>Introduce key performance indicators in the contracts.</li> <li>Active communication with supplier during contract implementation with proper project monitoring and control process in place and periodic progress reports from the supplier.</li> </ul>	PMU
Possible Fraud and Corruption	Н	н	Conduct customized training on fraud and corruption	PMU
Low level of Competition (Few Bidders)	Н	Н	<ul> <li>Conduct bidder's awareness and set qualification requirements to ensure better competition.</li> <li>Increase the capacity of potential suppliers through training sessions to increase responsive bids</li> <li>Yearly publication of GPN</li> <li>Ensure that tender opportunities are widely advertised and accessible</li> </ul>	PMU
Ensuring quality of proposed solution	Н	Н	• Set qualification requirements for bidders and detailed functional and non- functional requirements, testing and user acceptance testing (UAT).	PMU
Delays with project implementation	Н	н	Penalties, contract performance control shall be applied	PMU
Contract termination	Н	Н	• Ensure technical requirements are clearly defined so that the qualified supplier/service provider is selected	PMU

Table II – Procurement Risks and Mitigation Measures

Procurement Type	Risks	Mitigation Measures
Works Contracts	<ul> <li>Limited access to domestic financing</li> <li>Skilled labor shortages</li> <li>High cost of construction materials</li> </ul>	<ul> <li>Encourage use of ICB to broaden pool of potential suppliers and maximize Value for Money. Domestic preference to be applied to favor local participation of SMEs</li> </ul>
Goods Contracts	<ul> <li>High cost of inputs</li> <li>Non-availability of goods locally</li> <li>Lack of participation by SMEs</li> </ul>	<ul> <li>Application of domestic preference as prescribed in the national law to encourage participation by domestic SMEs</li> <li>Engage in proper planning to ensure goods are obtained in time, without delaying implementation</li> </ul>
Consultancy Services Contracts	<ul> <li>Growing but still small market may result in inadequate expertise in various fields</li> <li>Oligopolistic market may constrain competition</li> </ul>	<ul> <li>Provision of TA by IFAD to cover gaps in consultant expertise</li> <li>Comprehensive TORs to ensure selection of qualified suppliers</li> </ul>

# Procurement Risk Analysis for above mentioned contract/group of similar contracts

# Procurement Objectives for above mentioned contract/group of similar contracts:

- 1. Maximize Value for Money
- 2. Timely completion of contracts
- 3. Achieve adequate competition
- 4. Selection of qualified suppliers with good track record in implementation and SECAP concerns

# 5 Recommended Procurement Approach for the Project

# Works Contracts:

Attribute	Selected arrangement	Justification
		Summary/Logic
Specifications (SECAP compliance)	Conformance	Stringent SECAP standards have been outlined in the SECAP for SPOs table included in the PIM. Conformance is adequate to ensure good SECAP performance.
Sustainability	Yes	
Requirements		
Contract Type	A. Traditional	Most of the works' contracts follow the normal contracting process.
Pricing and costing	A. Lump Sum	These two methods are
mechanism	B. Schedule of Rates/Admeasurement	applicable and can be used in the pricing and cost mechanism of these contracts.
Supplier Relationship	A. Collaborative	
Price Adjustments	A. None, fixed price	Fixed Price applies or
	B. Negotiated C. Percentage	Admeasurement price
Form of Contract	D. State any special conditions of	1. 10% Performance Security
(Terms and	contract	shall be required from a
Conditions)		reputable bank
		2. The maximum amount of
		liquidated damages for the
		whole of the works is 10 percent
		of the final Contract price.
Selection Method	A. Requests for Bids (RFB)	Most of the procurements will
	B. Requests for Quotations (RFQ)	go through RFB to give an
	C. Direct Selection	opportunity for competition and a wide range of competitors.

Selection Arrangement	A. Commercial Practices	Selection arrangements will be based on standard commercials practices.
Market Approach	<ul> <li>A. Type of Competition <ol> <li>Open</li> </ol> </li> <li>B. Number of Envelopes/Stages <ol> <li>Single Envelope</li> </ol> </li> <li>C. Negotiations - No</li> </ul>	Open competition allows greater competition by increasing potential bidders. No negotiations are allowed on works contracts
Pre / Post Qualification	Post-Qualification	Since bids are advertised in the open market, Post qualification is the most ideal method.
Evaluation of Costs	A. Adjusted Bid Price (corrected for bidder's minor deviations)	Adjusted bid price is the most ideal method.
Domestic Preference	Yes	7.5% domestic Preference is allowed to encourage local companies to participate in tenders
Rated Criteria	List the type of criteria to be used (mandatory/desired)	Lowest Price or Lowest Evaluated cost

Goods	Contracts:
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Attribute	Selected arrangement	Justification
		Summary/Logic
Specifications (SECAP	Conformance	Stringent SECAP standards
compliance)		have been outlined in the
		SECAP for SPOs table
		included in the PIM.
		Conformance is adequate to
		ensure good SECAP
		performance.
Sustainability	Yes	Sustainability should always
Requirements		be considered in all
		procurement activities
Contract Type	A. Traditional	The standard traditional
		contract applies to these
		procurements of goods.
Pricing and costing	A. Lump Sum	Lump-sum pricing serves
mechanism		well in most of the
		procurement of goods for
		the project
Supplier Relationship	A. Collaborative	Collaborative relationships
		work well where suppliers
		agree on the prices and
		terms to be met.
Price Adjustments	A. None, fixed price	Fixed prices will apply to
	B. Negotiated	procurement of goods as no
	C. Percentage	negotiations are allowed for
	C C	procurement of goods.
Form of Contract	D. State any special conditions of	N/A
(Terms and	contract	
Conditions)		
Selection Method	A. Requests for Bids (RFB)	Most of the procurements
	B. Requests for Quotations (RFQ)	will go through RFB to give
	C. Direct Selection	an opportunity for
		competition and a wide
		range of competitors.

Market Approach	<ul> <li>A. Type of Competition <ol> <li>Open</li> </ol> </li> <li>B. Number of Envelopes/Stages <ol> <li>Single Envelope</li> </ol> </li> <li>C. Negotiations (No)</li> </ul>	Most of these tenders are open to encourage competition amongst suppliers in the market and also internationally where possible. Single Envelope will be used for procurement of goods. No negotiations are allowed for procurement of goods.
Pre / Post Qualification	Post-Qualification	The post-qualification will apply in most cases
Evaluation of Costs	A. Adjusted Bid Price (corrected for a bidder's minor deviations) B. Life-Cycle Costs	Adjusted Bid price will be used.
Domestic	Yes / No	This is allowed up to 7.5%
Preference		
Rated Criteria	List the type of criteria to be used (mandatory/desired)	Lowest Price or Lowest Evaluated cost

# **Consultancy Services Contracts:**

Attribute	Selected arrangement	Justification
		Summary/Logic
Specifications (SECAP compliance)	Conformance	Stringent SECAP standards have been outlined in the SECAP for SPOs table included in the PIM. Conformance is adequate to ensure good SECAP performance.
Sustainability Requirements	Yes	Sustainability will be a mandatory requirement for any procurement carried out in this project.
Contract Type	Lump Sum; or Time-based	Both types of contract will be used
Supplier Relationship	Collaborative	Collaborative relationship will apply in all contracts with consultants
Price Adjustments	A. None, fixed price B. Negotiated	Both Fixed Price and negotiated contracts methods will be used. Contract negotiations are allowed only on exceptional cases, such as: – when the single sourcing/direct contracting method of procurement has been used; or – when price has not been a factor in the bid evaluation process (i.e. quality-based selection).
Selection Method	<ul> <li>A. Quality Cost Based Selection (QCBS)</li> <li>B. Fixed Budget Based Selection (FBS)</li> <li>C. Least Cost Based Selection (LCS)</li> <li>D. Quality Based Selection (QBS)</li> </ul>	Where possible QCBS will be the default procurement method. However other methods are allowed based on the approved procurement plan.

Selection Arrangement	<ul><li>E. Consultant's Qualifications Based</li><li>Selection (CQS)</li><li>D. Direct Selection</li><li>A. Commercial Practices</li></ul>	Selection arrangements will be based on standard commercials practices.
Market Approach	<ul> <li>A. Type of Competition <ol> <li>Open</li> <li>Limited</li> <li>International</li> <li>National</li> <li>No Competition - Direct</li> <li>Selection</li> </ol> </li> <li>B. Number of Envelopes <ol> <li>Single Envelope</li> <li>Two Envelopes</li> </ol> </li> </ul>	Competition is supposed to be Open and International but in very isolated cases direct selection could also be used Both Single and Two Envelopes will be used
	C. Negotiations (as applicable)	Contract negotiations are allowed only on exceptional cases, such as: – when the single sourcing/direct contracting method of procurement has been used; or – when price has not been a factor in the bid evaluation process (i.e. quality-based selection).
Rated Criteria	Relevant experience; Past performance; Management and technical skills; Resources; etc.	QCBS, QBS, CQS and ICS

# PROCUREMENT SUPERVISION PLAN

# 1. Introduction

The implementing agency of Dairy Value Chain Development Project II (DVCDP-II) is the Committee of Veterinary and Livestock Development (CVLD) under the supervision of the Ministry of Agriculture. IFAD will be responsible for supervision of procurement activities through the reviews required for no-objection requests. IFAD will also undertake post procurement supervision for prior review thresholds. Procurement supervision will also be done during scheduled project supervision missions. Procurement activities at the project level will be supervised by the Head of Procurement of the CVLD on a day to day basis.

# 2. IFAD's Project Supervision Role for the DVCDP II Project

The review of project procurement processes during project implementation is an essential part of IFAD's fiduciary responsibility. In supervising projects and providing implementation support, IFAD aims to ensure that project procurement processes conform with national procurement laws and regulations and are consistent with the IFAD Project Procurement Guidelines and Procurement Handbook, any ancillary IFAD Procurement Documents/Templates, and other applicable policies, guidelines and procedures.

# 3. Scope of Supervision

The Procurement Risk Assessment undertaken during the DVCDP II project design mission returned a rating of Low Risk and therefore the extent and intensity will be based on a standard supervision scope as provided in the IFAD procurement Manual and will include the following:

- i. PRM Reviews
- ii. Prior review
- iii. Post review
- iv. Project Supervision
- v. Review of the Procurement Plan
- vi. Internal Supervision

# 3.1 PRM Reviews

The PRM is a tool that underpins IFAD's risk-based approach to project procurement oversight. Its principal aim is to ensure adequate mitigation of key risks of a project implementing agency failing to perform the procurement processes it will be responsible for in a sound and efficient manner. During the design of the Dairy Value Chain Development Project II (DVCDP-II) project a Procurement Risk Assessment was undertaken which entailed updating the previous PRM assessment country level dimensions and conducting an institutional level dimension assessment of the Committee of Veterinary and Livestock Development (CVLD) which is the project the implementing agency.

Determination of the scope and intensity of procurement reviews will follow a risk-based approach informed by PRM assessments, issues identified in previous procurement reviews, and taking into account the project's stage of implementation. For every ongoing project, the PRM assessment will have to be updated once a year during project supervision.

# 3.2 Prior review

Conducted when a CD is required to provide a NO to a procurement document and process undertaken by the designated borrower. Prior review is an additional risk mitigation measure during the various stages of a procurement process. For the DVCDP II project prior review will be include a review of the following documents: the Procurement Plan, bid documents, evaluation reports and award recommendations, draft contracts and its amendments.

CD and PMU are required to use NOTUS to manage NOs; through NOTUS, PMUs submit documentation to IFAD for prior review and issuance of NOs.

Prior review will address the following:

1. Compliance with Financing Agreement and Letter the Borrower, or any subsequent changes reflected in mission reports (e.g. Supervision, Mid-Term Review, Back-to-Office Reports, Aide-Memoires, correspondence, etc.) and consistency with the approved AWPB and PP

2. Adequacy and Quality of the Bidding Documents

3. Review of compliance with relevant provisions in the IFAD General Conditions for Agricultural Development Financing, Project Procurement Guidelines, Procurement Handbook, any ancillary IFAD Procurement Documents/Templates, IFAD Policy on Preventing Fraud and Corruption, the Financing Agreement and Letter to the Borrower

4. The evaluation was done in compliance with IFAD guidelines and in compliance with applicable laws of the country.

5. Draft Contract consistency between the draft contract and the contract form provided as part of the bidding document, and between the price contained in the contract and that in the evaluation report (to which IFAD provides its NO) (*Refer to checklist appendix: No-Objection Checklists for Prior Review of the IFAD Procurement Manual*).

# 3.3 Post Review

This is the assessment by IFAD in the context of supervision and implementation support or deskbased reviews of procurement conducted by the Borrower/Recipient for a sample of contracts or ongoing procurement activities. The assessment will ensure procurement principles, provisions and procedures as stipulated in the IFAD Project Procurement Guidelines and Procurement Handbook, Financing Agreement and Letter to the Borrower, PIM, standard templates (e.g. bidding documents for goods, works and services) and related systems are available and fully explained to procurement and project management staff. A minimum of ten percent of ongoing contracts should be reviewed. The sampling should be risk-based and take into consideration: (i) the PRM assessment, with the riskier projects having a larger sample, and (ii) the contract risk rating, to ensure that riskier contracts constitute a higher proportion of the sample. The following will be assessed:

- 1. Bidding Process (for each procurement)
- 2. Evaluation Process (for each procurement)
- 3. Award and Negotiations (for each procurement)
- 4. Contract, Contract Administration and Management Process (for each procurement)

5. Identify issues and weaknesses (and the relevant underlying causes of these issues and weaknesses) in contract administration and management and recommend improvements.

6. Review of issues identified in the previous review and aide-mémoire and procurement related issues identified in project audit reports.

7. Review of project's procurement filing system and the ease of document retrieval.

8. Periodic review of any significant changes in the Borrower/Recipient's procurement system and practices, and ensure project procurement procedures and systems are updated accordingly.

9. Ascertain procurement capacity within the PMU, availability of dedicated staff, and the adequacy of their experience and qualifications.

10.Assessment of further procurement staff training needs and ensure relevant training is planned and provided to project management and procurement staff in a timely manner.

11. Field visits as necessary to complete the above tasks, especially when an issue is identified in contract management (*Refer to checklist appendix: No-Objection Checklists for Prior Review of the IFAD Procurement Manual*).

# 3.4 Project Supervision

As part of a procurement review undertaken during supervision, a project's PRM will need to be reviewed and updated in light of evolving conditions or circumstances, for example, with respect to the national procurement system, improvement/deterioration of project procurement performance, overall implementation progress and results delivery. As a result, procurement and prior review thresholds may be revised, and other existing risk mitigation measures may be adjusted or new ones implemented. The procurement plan will also be reviewed during supervision and any updates that may be agreed will be done and the revised PP sent for No-objection. Supervision missions will spot check the procurement documentation associated with prior reviews as well as assess procurement processes conducted by the Borrower/Recipient for a sample of contracts not subject to prior review as shown below:

- 1. Review Procurement Plan (PP)
- 2. Review of the procurement process
- 3. Review of final contract
- 4. Review of contract implementation
- 5. Review of project's procurement filing system and the ease of document retrieval

(Refer to checklist appendix No-Objection Checklists for Prior Review of the IFAD Procurement Manual)

#### 3.5 Procurement Plan reviews

Procurement Plans should be reviewed on a periodic basis (preferably quarterly), such as when a PP Update is submitted, prior to giving a NO for a PP Upgrade, and at any other point in time as determined by the CD e.g. when supervision and/or implementation support activities take place. Review of a PP will assess the following: Consistency with the latest approved AWPB:

1. Nature and quantity of goods/works/services is consistent with the activities in the AWPB

2. Procurement schedule is consistent with the implementation schedules in the AWPB (the delivery

- of goods, works and services correspond to targets in the AWPB)
- 3. Procurement budget is adequate
- 4. Selection of procurement methods are in compliance with the provisions of the Letter to the Borrower

5. The estimates indicated seem realistic

6. Adequacy of procurement packaging

7. Procurement activities are systematically and logically grouped according to the categories of the procurement (goods/works/services)

8. Packaging has been done in a way that generally facilitates the use of the most competitive and efficient procurement method, that ensures the best value for money and that avoids pseudo-packaging.

9. Progress in implementing and updating and upgrading the PP, including identifying significant delays and causes, proposing adjustments to the PP and recommending improvements relating to planned/ongoing procurement processes (e.g. in the preparation of the bidding documents).

# 3.6 Internal Supervision

PIU will hire two procurement specialists who will be responsible for the supervision of all day to day procurement activities of the DVCDP II project by undertaking the following activities:

- 1. Review the Procurement Plan
- 2. Monitor the day to day implementation of the PP
- 3. Review the following documents before they are submitted for no-objection:
  - TORs/Specifications
  - Requests for expressions of interests
  - Request for proposals
  - Bidding documents
  - Evaluation reports
  - Draft contracts

(Refer to Procurement Performance Indicator for Supervision Reporting)

# Appendix 1. Procurement Supervision Plan

S/N	Type of supervision	Purpose of the supervision	Responsibility	Outputs	Frequency
1	PRM Reviews	PRM assessments, issues identified in previous procurement reviews, and taking into account the project's stage of implementation For every ongoing project, the PRM assessment will have to be updated once a year during project supervision.	Senior Procurement Officer (SPO) or Consultant	<ul> <li>A summary of the project's main procurement risks and corresponding mitigating actions to address and minimize their impact/likelihood</li> <li>Assigned Ratings</li> <li>Write up for the Aide Memoire</li> </ul>	Once every year
2	Prior review	Review procurement documentation associated with prior reviews as well as assess procurement processes conducted by the Borrower/Recipient for a sample of contracts not subject to prior review.	Consultant or Senior Procurement Officer (SPO) CD will issue the no objection based on the recommendation from Procurement	No-objection by concerned CD/CPM	Based on Requests
3	Post review	The purpose is the assessment by IFAD of the procurement processes conducted by the Borrower/Recipient for a sample of contracts that are not subject to Prior Review.	Senior Procurement Officer (SPO) or Consultant	Procurement Review Working Paper	As scheduled
4	Project Supervision	Spot check the procurement documentation associated with prior reviews as well as assess procurement processes conducted by the Borrower/Recipient for a sample of contracts not subject to prior review ; Update the PRM (see 1 above)	Senior Procurement Officer (SPO) or Consultant	Supervision Aide Memoire and the Management Letter.	As scheduled
5	Review of Procurement Plan	Procurement Plans should be reviewed on a periodic basis (preferably quarterly), such as when a PP Update is submitted, prior to giving a NO for aPP Upgrade, and at any other point in time as determined by the CD/CPM, e.g. when supervision and/or implementation support activities take place.	Senior Procurement Officer (SPO) or Consultant	Updated procurement plan	Quarterly



Uzbekistan

**Dairy Value Chains Development Project II** 

**Project Design Report** 

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# Annex 16: Environment, Social and Climate Management Framework

# 1. INTRODUCTION

- 1. The environmental, social, and climate risk of the Dairy Value Chain Development Project Phase 2 (DVCDP 2) is considered substantial due primarily to the focus of the project on intensive livestock systems and the concomitant risks to climate, soil and water pollution, health hazards, and labour-related health and safety issues often associated with these investments. Moreover, the climate risk category was listed as "moderate", due primarily to the existing baseline scenario of dairy investments in Uzbekistan along with the numerous mitigation and adaptation options available in this sector. These ratings were confirmed during the Design Mission.
- 2. The Environmental, Social, and Climate Management Plan (ESCMP) sets out the principles, guidelines and procedures for selecting, assessing and managing the potential environmental, social and climate risks and impacts of future interventions. The abbreviated Environmental, Social, and Climate Management Framework (ESCMF) specifies the environmental, social and climate policies and interventions most likely to be applicable and how these requirements will be met through assessment and implementation, mitigation, monitoring procedures and notification of the environmental, social and climate risks and impacts associated with the activities to be supported.
- 3. This framework was prepared following a design mission in May of 2023 where the main stakeholders were met and consulted, including the relevant departments within the Ministry of Agriculture, associations, cooperatives, economic actors, and farmers.

# 2. PROJECT OVERVIEW

The DVCDP 2 **project goal** is to "Reduce poverty level among small scale dairy producers and mitigate the impacts of climate change in the subsector". The Project Development Objective is "to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain and promote food security" by enhancing their market participation and increasing productivity. This will be achieved through two main components as outlined below.

# Component 1. Improving and increasing sustainable climate smart dairy production and access to required services

These outcomes will be reached through the following activities:

**Activity 1.1 – Mobilizing farmers and households and building capacities.** The training activities will be delivered through the implementation of farmer-to-farmer and learning by doing methodologies, most notably Livestock Farmer Field Schools (LFFS). Trainings of Trainers (ToTs) will be delivered in target districts across the 5 regions to disseminate these methodologies. A community-based peer learning structure will be created, through the formation of local trainers and champions. Partnership with the women's committees will be leveraged to enhance outreach to rural women Women's groups will also be formed as part of the implementation of LFFSs.

Activity 1.2 – Improving access to water, fodder production and grazing land. Access to water and land for fodder production is critical for livestock and dairy productions. The Project will initially provide technical trainings and capacity buildings to 3,000 dekhan farmers and owners of private farms on good practices for improved water harvesting and management To improve fodder production, 2,000 dekhan farmers will receive training to improve fodder and feed production and management, and extension practices on climate smart fodder and feed production, as well as the use of hydroponic techniques for fodder production (wheat, barley, etc.). In this case, a close collaboration will be established with local universities/research centres. Best practice approaches in soil and land management, such as improved management of animal wastes, crop rotation and cover cropping, minimum tillage, and the use of nitrogen fixing species will be deployed to maintain and improve production while at the same time improving their ability to withstand climate shocks. In addition to feed and fodder promotion, the Project will tackle issues related to degradation of grazing land in collaboration with local communities and the MoA, and contribute to restoration. The project will also support the formalization and registration of groups formed by 5 to 6 youth who will access land (around 5 ha together) through the national land auction programme, and will grow fodder that will be sold to smallholder milk producers.

**Activity 1.3: Improving dairy production and farm management.** The project will provide training through a tailored curriculum also including climate smart practices, and training of trainers. Catalytic grants will be provided to some project target beneficiaries to enable the trained farmers to implement improvements (e.g., improving cowsheds, fodder and feeding, milk hygiene, AI, etc.) and for stimulating climate smart practices (e.g., manure management, renewable energy, agroforestry, water harvesting, etc.).

Activity 1.4: Improving access to extension, health services. Extension will complement the training program, working closely with the MoA, the Committee of Veterinary and Livestock Development, and the recently established AKIS (World Bank funded National Centre for Knowledge and Innovation in Agriculture) combining research, education and extension services. Social media will be used as an effective means of communication to smallholder. Milk collectors, who are in direct contact with the producers, will also be used as a channel of information communication and to provide advice. Animal health and support for improved breeding techniques will be key areas of extension.

Activity 1.5: Applied research, pilots and dissemination. These will assist in piloting innovations for scaling up in the DVCDP II project, generate knowledge for project beneficiaries, inform policy and/or build institutional capacity. For instance, research on Bovine Brucellosis, a zoonotic disease causing abortions in cows, will be undertaken. With regard to silage making and diet composition for livestock, a participatory study will be undertaken. Local breeding groups will be supported in setting up a recording system and climate smart breeding programmes. A geneticist will be consulted to map the needs for conserving resilience and upgrading productivity traits. An organization and management researcher will monitor the development of the breeding interest groups and its knowledge management.

**Expected outcomes.** The expected outcomes of Component 1 are as follows:

- Increased participation of smallholder farmers in sustainable commercial dairy value chains with increased incomes, milk volumes and quality, secured water and fodder and increased adoptions of dairy and climate smart methodologies and technologies;
- Increased smallholder household social and economic empowerment and (newly) developed farmer interest group organisations in support of increased dairy production and productivity, value chain strengthening, climate change mitigation and adaptation;
- Increased and improved provision of and increased access to suitable dairy production enhancing services, knowledge and inputs for smallholders. and strengthened institutional capacity for smallholder dairy development, including animal extension and animal health services, applied research and strategic pilots.

# **Component 2. Increasing participation of small-scale farmers in the dairy**

# Component 2.1. – Establishing Milk Collection Centres

**Activity 2.1** – The project will establish 120 MCCs in four (4) regions: Sirdaryo, Jizzakh, Surkhandarya and Qashqadaryo. The following MCC management models will be adopted during this phase.

- MCCs managed by a dairy processor;
- MCCs managed by a private company/individual trader.

All constructed MCCs will be equipped with milk testing kits and small-scale laboratories that will allow testing of milk quality (fat content, protein content, bacterial cells count, milk density, alcohol test, etc.). The new MCCs will also be equipped with solar panels to reduce the use of fossil energy sources. The staff of these new MCCs will receive training and capacity building in the areas of milk quality and hygiene, milk testing, records keeping, business management, and contract negotiation.

**Activity 2.2 – Organization and equipment of milk collectors/traders.** The optimal functioning of the MCCs requires not only equipped centres and well-trained staff and but also an enabling environment with regular supply of quality milk. For this reason, DVCDP II will provide catalytic grants for up to 600 refrigerated tricycles for young milk collectors who will also receive milk containers and a portable milk testing kit each.

**Activity 2.3 – Equipment of producer groups with refrigerators.** At the production level, around 500 groups of producers (the ones who were formed through the LFFS) will also benefit through catalytic grants for small-scale milk cooling equipment functioning with solar panels, milk containers and a simple lacto-densimeter for milk testing

Activity 2.4 - Improving access of milk processing units and MCCs to loans to purchase refrigerated trucks and pick-up cars. MCCs and dairy processing units will have facilitated access to loans through the credit financing Window 3 (see below Activity 2.6), for the purchase of refrigerated milk transport trucks and pick-up cars.

Activity 2.5 – Providing women involved in artisanal dairy processing with smallscale processing and packaging equipment. Around 500 Women who are currently involved in artisanal milk processing and transformation to dairy products such as kefir, cheese, cream, etc. will also benefit from catalytic grants to purchase small-scale equipment for dairy processing and packaging to improve the quality and the preservation of their products, and facilitate its marketing.

# Component 2.2. – Facilitating access to credit for stakeholders in the value chain

Activity 2.6 – Extending lines of credit to banks and developing tailored financial products for the dairy sector. To achieve the project expected outcomes in rural financing, the programme will support the establishment of four targeted financing windows:

- **Window 1 Dekhan farmers.** This financing window will provide concessional loan proceeds borrowing to registered dekhan farmers with up to 15 cows, for the purchase of small-size on-farm equipment (e.g., portable milking apparatus, grain mills, hay balers, small processing equipment, small cooling systems, etc.), machinery (e.g. tractors) and working capital (e.g., for the purchase of fodder).
- Window 2 Private commercial farmers working with vulnerable household farmers and small-scale dekhan farmers. This window will provide loans to larger commercial farmers (e.g., up to 50 cows), under the condition that they

demonstrate clear linkages with smallholder dairy producers (i.e., vulnerable household farmers, small-scale dekhan farmers, poor, near landless or unemployed women and youth, etc.). The private farms eligible for funding could either sell fodder or improved breeds to smallholder producers, purchase milk from them, or provide other related services (e.g., organization of trainings, demonstration farms, etc.). They could also employ vulnerable, unemployed/underemployed women and youth registered in the Mahalla notebooks (e.g., as drivers, etc.).

- Window 3 Agri-processors working with vulnerable household farmers and small-scale dekhan farmers. As for Window 2, this window will provide loans to dairy processors under the condition that they demonstrate linkages with smallholder dairy farmers and vulnerable households in the project target groups (e.g., as milk suppliers, collectors, or buying from MCCs that source milk form smallholder farmers, etc.). The window will provide loans for the financing of investment capital (e.g., modernization of processing equipment, new filling and packaging lines, cold chain, new products, etc.) and working capital (e.g., purchase of ferment, flavouring materials, etc.).
- Window 4 Service providers and input suppliers. This window will provide loans for financing the purchase of veterinarian equipment; medications; equipment for artificial insemination; unit systems for feeds product, etc. The exact terms of the loans will be further discussed and agreed upon with the banks during the development of the Project Implementation Manual (PIM). Financial institutions will be selected through a tender open to the whole sector, including commercial banks and private banks. The loans disbursed under the four financing windows will be closely monitored by the Project Management Unit (PMU) in the five project regions, to ensure that all eligibility criteria to access the loans have been met, and the loans are used in alignment with the initial purpose agreed in the loan application with the client.

**Activity 2.7 - Guarantee mechanism.** A partial credit guarantee scheme for dekhan farmers borrowers who have limited access to collateral will be considered in the framework of DVCDP II, hosted and administered by the State fund for support of entrepreneurship activities (SFSED). Preliminary discussions have been held with SFSED during the mission, to identify adequate parameters for the design of such guarantee mechanism.

**Activity 2.8 - Capacity building of PFIs.** The project will also support capacity building of Partner Financial Institutions (PFIs) for the design of loan products tailored to the needs of the project target groups and for improved targeting to women and youth.

# Activity 2.9 – Providing support to project beneficiaries for the development of sound business plans and loan applications. Training will be undertaken where needed.

The expected outcomes of Component include: (i) the construction and equipment of new MCCs; (ii) the organization and equipping of milk collectors/traders; (iii) the equipping of producers groups with refrigerators; (iv) improving access of milk processing units and MCCs to loans to purchase refrigerated trucks and pick-up cars; (v) providing women involved in artisanal dairy processing with small-scale processing and packaging equipment; (vi) extending lines of credit to banks and developing tailored financial products for the dairy sector.

# 3. ENVIRONMENTAL, SOCIAL AND CLIMATE RISK ASSESSMENT PROCEDURES

Social, environmental and climate sustainability is central to achieving IFAD's mandate. Projects and programs that promote social, environmental and climate sustainability are among the Fund's highest operational priorities. In order to achieve these objectives, IFAD updated its Social, Environmental and Climate Assessment Procedures (SECAP) in 2021. This sets out a framework and detailed process for managing risks and impacts, and for integrating cross-cutting priorities into new investments supported by IFAD.

# 3.1 Environment, Social, and Climate Standards applicable to DCVSP 2

**IFAD's environmental and social standards** bring together key requirements for the environmental and social sustainability of projects. The standards are based on best practices from the United Nations, international financial institutions and multilateral development banks. The full list of standards is as follows:

- Standard 1 Biodiversity conservation
- Standard 2 Resource Efficiency and Pollution Prevention
- Standard 3 Cultural heritage
- Standard 4 Indigenous Peoples
- Standard 5 Labor and working conditions
- Standard 6 Community Health and Safety
- Standard 7 Resettlement and economic reintegration
- Standard 8 Financial intermediaries and direct investments
- Standard 9 Climate Change

All projects undergo an **environmental, social and climate assessment** to assist determining which of the above standards apply and contributes to decision making on future investment. If it is determined that a project will go forward, the assessment determines how the risks and impacts (both those affecting the Project and those resulting from the Project) should be addressed. The degree of risk is determined in a detailed checklist assessment, with mitigation and adaptation measures adopted appropriate to the nature and scale of the Project, and its level of environmental, social and climate risk. If unforeseen environmental and social risks or impacts arise during the execution of the Project, the Project team, in collaboration with the national authorities, must revise the Project plan or put in place appropriate mitigation measures.

For all IFAD-supported projects, the relevant standards – and how they will be applied throughout the life of the Project – are identified during the SECAP assessment process. The table below summarizes the standards relevant and applicable to DVCDP 2 as identified through the review process.

Standards	Objectives	Application	Requirements
Standard 1 - Biodiversity	<ul> <li>Maintain and conserve biodiversity.</li> <li>Ensure fair and equitable sharing of benefits derived from the use of genetic resources.</li> <li>Respect, preserve, maintain and encourage the knowledge, innovations and practices of indigenous peoples and local communities, which are important for the conservation and sustainable use of biodiversity and for their customary use of biological resources.</li> <li>Adopting an approach to the conservation and management of natural resources based on the precautionary principle to ensure opportunities for development that respect the environment.</li> </ul>	This standard is applicable to the Project due to the procurement of raw materials such as fodder and feed crops through primary production and natural resources for livestock rearing activities.	When procuring primary materials derived from agricultural production and the use of natural resources, it will be ensured that production does not contribute in any way to conversion or degradation of natural or critical habitats.
Standard 2 - Resource Efficiency and Pollution Prevention	<ul> <li>Prevent, minimize and manage the risks and impacts associated with hazardous substances and materials, including pesticides.</li> <li>Prevent or minimize Project-related emissions of short and long-lived air pollutants.</li> <li>Promote more sustainable use of resources, including energy, land and water.</li> <li>Identify opportunities to improve the efficient use of resources.</li> </ul>	<ul> <li>This standard is applicable to all IFAD-supported projects that:</li> <li>Have or induce significant consumption of water, energy or other resources;</li> <li>Aim to improve existing waste management practices;</li> <li>Generate or cause the generation of solid, liquid</li> </ul>	<ul> <li>Use of water: The IFAD Project undertakes to respect the following principles:</li> <li>Application of the principles of integrated water resources management.</li> <li>Promote water security and conservation for irrigation systems and rainwater harvesting structures.</li> <li>Investment in water pumping systems through adoption of groundwater quality and quantity monitoring systems.</li> </ul>

# Table 1 - Environment, Social, and Climate Standards - applicable to DCVSPII

Standards	Objectives	Application	Requirements
		or gaseous waste or emissions;	Promotion of approaches to improve water use efficiency in all sectors.
		<ul> <li>Use, cause the use or manage the use, storage or disposal of hazardous materials and chemicals, including pesticides and fertilizers.</li> </ul>	<ul><li>quality in communities.</li><li>Improved efficient use of energy</li></ul>
			practices and practices that recycle biomass and nutrients to conserve and continually restore soils.
			<b>Use and management of pesticides</b> . Pesticide use will be minimized and eliminated wherever possible. Where the use of pesticides is deemed necessary, the Project will ensure that pest control is carried out in a safe, effective and environmentally sound manner, in accordance with the International Code of Conduct on Pesticide Management. published by the World Health Organization (WHO) and the Food and

Standards	Objectives	Application	Requirements
			Agriculture Organization of the United Nations (FAO).
Standard 5 Labor and working conditions	<ul> <li>Promote direct action to encourage decent rural employment.</li> <li>Promote, respect and apply the fundamental principles and rights at work.</li> <li>Protect and promote the safety and health of workers.</li> <li>Ensure that projects comply with national employment and labor legislation, as well as international commitments.</li> <li>Leave no one behind, by protecting and supporting workers in disadvantaged and vulnerable situations, and in particular women (maternal protection, for example), young people, migrant workers, workers in the informal sector and workers with disabilities.</li> </ul>	The requirements of this standard apply depending on project requirements, its specific activities, the associated environmental and social risks and impacts, and the contractual relationships with the workers hired by the Project. These requirements apply to all Project workers directly hired by the government to work on a project or perform work essential to the Project, and to persons employed or recruited by third parties (e.g., contractors, sub-contractors, brokers, agents and intermediaries) to perform work essential to a project. This standard applies to the Project with regard to potential occupational safety and health risks related to construction work (hydro- agricultural developments, tracks, etc.)	<ul> <li>Safety and health at work. Occupational safety and health measures are applied to establish and maintain a safe and healthy working environment, which includes the prevention and protection of workers against exposure to chemical, physical, biological and psychosocial hazards (including violence and harassment). Parties that employ or recruit workers in association with the Project must put in place measures designed to take into account:</li> <li>Identification of potential hazards to workers. Protective measures include hazard labeling in languages understandable to Project workers, training, and equipment to prevent harm. occupational exposure to hazardous substances and materials.</li> <li>The identification, prevention and appropriate response to gender-based violence and harassment in the workplace.</li> <li>The implementation of preventive and protective measures, in the following order of priority: i) elimination or substitution; (ii) technical and organizational controls; (iv) where residual hazards, risks or impacts cannot be eliminated through these measures, provision of personal protective</li> </ul>

Standards	Objectives	Application	Requirements
			<ul> <li>equipment at no cost to workers and provision of adequate first aid services.</li> <li>Safety and health training, including the proper use and maintenance of machinery and personal protective equipment, at no cost to workers, and the keeping of training records.</li> <li>Documentation and reporting of work accidents, occupational diseases and work incidents.</li> <li>Measures for prevention and preparation for emergency situations, and for responding to emergency situations.</li> <li>Reparations in the event of negative impacts such as accidents at work, death, incapacity and occupational diseases.</li> </ul>
Standard 6 - Community Health and Safety	<ul> <li>Ensure quality and safety in the design and construction of infrastructure in relation to programming, so as to prevent and minimize potential safety risks and accidents.</li> <li>Avoid or minimize community exposure to disaster risk, disease and hazardous materials associated with Project activities.</li> <li>Ensure that measures to safeguard people and property minimize risks to communities and that their implementation complies with</li> </ul>	This standard applies to projects that may pose significant adverse health, nutrition and safety risks and impacts. It applies to DVCDP 2 due to the risks linked to vehicle traffic linked to milk collection centres as well as manufacturing of dairy value chain products.	Traffic and road safety. All IFAD- supported projects should have documentation setting out responsibilities for identifying, assessing and monitoring road safety risks with regard to local communities and other road users throughout the project. of the Project life cycle. The Project is required to incorporate technically and financially feasible road safety measures into Project design documentation to prevent and mitigate potential road safety risks. Health and safety of workers in milk collection centres and dairy manufacturing. All IFAD supported projects

Standards	Objectives	Application	Requirements
	<ul> <li>international human rights standards and principles.</li> <li>Put in place effective measures to deal with emergency situations, whether the hazards are of human or natural origin.</li> </ul>		must ensure that all national health and safety regulations are met or exceeded.
Standard 7 - Resettlement and economic reintegration	<ul> <li>Avoid involuntary resettlement or, when unavoidable, minimize involuntary resettlement by exploring alternative project designs and sites;</li> <li>Avoid forced eviction;</li> <li>Ensure that resettlement activities are planned and implemented collaboratively with the meaningful participation of affected people;</li> <li>Enhance and restore the livelihoods of all displaced people; and</li> <li>Provide explicit guidance to borrowers/recipients/partners on the conditions that need to be met regarding involuntary resettlement.</li> </ul>	This Standard applies to all IFAD-supported projects that involve any displacement or need for resettlement. The displacement may be full or partial, permanent or temporary, and could result from a variety of project activities. This Standard also applies to any physical or economic displacement caused by a borrower, recipient, partner for purposes relevant to the project before IFAD's involvement. Application of this Standard must be consistent with universal respect for fundamental human rights and freedoms, the principles of non- discrimination, equal opportunity and fair treatment, and the right to private property, adequate housing and improvement of living conditions.	In the case of DVCDP 2, there is no situation where forced resettlement or eviction will occur. Rather, this standard will apply in the situation referring to the economic reintegration of migrant workers returning from abroad.
Standard 9 - Climate Change	• Ensure that IFAD-supported projects are aligned with countries' nationally determined contributions and with the goals of the Paris	The requirements of this standard apply to all IFAD- supported projects:	IFAD is well aware of the threat that the risks and impacts of climate change pose to investments and sustainable development more generally. Accordingly, the Fund takes

Standards	Objectives	Application	Requirements
	<ul> <li>Agreement and other international frameworks.</li> <li>Ensure that proposed activities are subject to critical review and assessment from the perspective of risks and impacts related to climate change and disasters, whether the projects are the cause or suffer the consequences.</li> <li>Apply the mitigation hierarchy in the design of the Project.</li> <li>Strengthen the resilience of communities and their ability to cope with the risks posed by climate change and climate-related disasters. Increase the capacity of communities to adapt to the negative impacts of climate change, and foster climate resilience and low GHG emissions projects that do not threaten food production.</li> </ul>	<ul> <li>whose development effects could be threatened by climate change or climate-related disaster risk;</li> <li>that could contribute to increased exposure or vulnerability to climate change or climate-related disaster risk; or</li> <li>likely to produce significant GHG emissions.</li> </ul>	into account potential negative risks and impacts throughout the SECAP process. IFAD requires that all projects undergo climate risk review to determine their exposure and sensitivity to climate-related risks (and be assigned a high, substantial, moderate or low risk rating). This critical review procedure is also used to estimate impacts based on information on the history of climate hazards, current climate trends and future climate change scenarios.

### **3.2 ESCMP Procedures for screening, Assessment and Management**

The environmental and social (E&S) assessment process must incorporate the requirements of the regulations in force in Uzbekistan as well as IFAD procedures, policies, and safeguards. In the event of any discrepancy between these in any specific case, the most stringent requirements will be adopted.

To assess the significance of the potential E&S impacts, the project must undertake an **environmental and social screening process**. This procedure will make it possible to determine the significance of the foreseeable impacts of the project in order to define the most suitable safeguard tool (taking into account the nature and scope of the foreseeable impacts) and to establish adequate measures to address these. The steps in the environmental and social assessment process are defined as follows:

- Climate, environment, social screening checklists (Tables 2 and 3 below);
- Data collection and field work;
- Categorization of sub-projects according to the nature of the impacts identified;
- Preparation of the specific E&S safeguard instrument;
- Publication of the final report;
- Implementation and supervision.

#### **3.2.1 Data Collection and Field Work**

A design mission was undertaken in Uzbekistan in May of 2023 where the main stakeholders were met and consulted, including farmers and farm operators, the relevant departments within the Ministry of Agriculture, associations, cooperatives, banks and credit facilities, and other economic operators in the dairy value chain. Social and environmental data was collected and secondary sources consulted (see detailed references in Annex 5 SECAP, Section 9).

## **3.2.2 Assessment of Potential Environmental, Social, and Climate Risks and Impacts**

The environmental and social risk category for DVCDP 2 was deemed to be **substantial**. This classification is based on the typology, nature, and extent of the environmental and social impacts expected in the project and the mitigation strategies undertaken, as assessed through a checklist approach as outlined in the **Environmental and Social Safeguards Risk Rating Checklist** below.

The assessment criteria are as follows:

**High Risk**: This classification is based on whether the potential risks and impacts associated with a subproject have most or all of the following characteristics:

- Leads, in sensitive areas, to irreversible or unprecedented risks and impacts (for example, leading to the loss of important natural habitats or the conversion of wetlands);
- Leads to risks and impacts of significant scale and/or spatial scope (extensive geographical area or size of the population likely to be affected);
- Presents significant risks and impacts affecting a much wider area than the sites or facilities subject to physical interventions;
- Causes significant cumulative or transboundary negative impacts;
- High probability of serious adverse effects on human health and/or the environment (due, for example, to accidents, or to the disposal of toxic waste);

- Risks and potential impacts are not easily corrected by preventive actions or mitigation measures;
- The affected area is of high value and sensitivity e.g. sensitive and valuable ecosystems and habitats (legally protected and internationally recognized areas of high biodiversity value), lands or rights of indigenous peoples and other vulnerable minorities, processes intensive or complex involuntary resettlement or land acquisition, or cultural heritage impacts;
- There are significant concerns that the negative social impacts of the Project and the associated mitigation measures may give rise to significant social conflicts, harms, risks or significant impacts on human security;
- There is a history of unrest in the Project area or significant concerns about the activities of security forces;
- The Project is being developed in a legal or regulatory environment where there is significant uncertainty or conflict regarding the jurisdiction of competing agencies, where legislation or regulations do not adequately address the risks and impacts of complex projects, where changes applicable legislation are ongoing, where enforcement actions are weak;
- There are significant concerns related to the capacity, commitment, and previous experiences of Project stakeholders with respect to engagement, or there are multiple external factors that could significantly impact performance or environmental effects or social aspects of the Project.

## Examples include:

- New construction or modernization of large irrigation perimeters (greater than 1000 hectares);
- Use of groundwater from areas already experiencing ground subsidence due to overexploitation and/or increased depth to the water table (e.g. observed in existing wells) and/or groundwater abstraction close to recharge rate (taking into account all abstraction needs of the groundwater unit);
- Economic or physical displacement (e.g. land, drinking water and water for other uses), or physical resettlement of more than 100 households or businesses, and/or significant loss of assets or access to resources (i.e. a reduction of more than 15% of a farmer's or community's assets);
- Conversion and loss of tangible cultural resources.

**Substantial risk**: A sub-project should be placed in the substantial risk category when it is not as complex as a high-risk project and its environmental and social scale is not in such a sensitive area, but that it can present significant risks and impacts if not managed properly. These potential risks and impacts have most or all of the following characteristics:

- They are mainly temporary, foreseeable or reversible, and the nature of the Project allows them to be avoided or reversed entirely;
- It is feared that the negative social impacts of the Project and the associated mitigation measures may cause, to a limited degree, social conflicts, detrimental effects or impacts on human security;
- The geographical area and the size of the population likely to be affected are medium to large.
- There is some potential for cumulative or transboundary impacts, but these would be less severe and more easily avoided or mitigated than in a high risk project;
- There is a medium to low probability of serious adverse effects on human health or the environment (e.g. due to accidents, disposal of toxic waste), and reliable mechanisms are known to prevent or minimize such incidents;

- The effects of the Project on areas of high value or sensitivity will probably be less than those of high-risk projects;
- Mitigation or compensation measures may be easier to design and more reliable than those intended for high-risk projects;
- The Project is being developed in a legal or regulatory environment where there is significant uncertainty or conflict regarding the jurisdiction of competing agencies, where legislation or regulations do not adequately address the risks and impacts of complex projects, where changes applicable legislation are ongoing, where enforcement actions are weak;
- The past experience of the Borrower/Recipient/Partner and Executing Agencies in developing complex projects is limited, and their past performance on environmental and social issues suggests that some concerns could be addressed by the through implementation support;
- There are concerns about capacity and experience in managing stakeholder participation, but these can be easily addressed through implementation support.

#### Examples include:

- Development of a large-scale agro-industrial facility;
- New construction or modernization of medium-sized irrigation schemes (up to 1000 hectares);
- Economic or physical displacement (e.g., land, clean water, and water for other uses), or physical resettlement of 20-100 households or businesses, or reduction of 10-15% of a farmer's or community's assets.

**Moderate Risk**: A subproject should be placed in the Moderate Risk category when the potential adverse risks and impacts on human populations or the environment are unlikely to be significant. This may be because the Project is not large or complex, does not involve activities with a high potential to harm people or the environment, and is located away from environmentally or socially sensitive areas. The potential risks and impacts are:

- Predictable and probably temporary or reversible;
- Small scale;
- Site specific, with no likelihood of impacts beyond the life cycle of the Project;
- Low probability of severe adverse effects on human health or the environment (not including, for example, the use or disposal of toxic materials, routine safety measures should be sufficient to prevent accidents);
- The risks and impacts of the Project can be easily mitigated in a predictable manner.

#### Examples include:

- Small-scale construction of buildings and secondary structures;
- Construction, rehabilitation/development of small irrigated areas (less than 300 hectares);
- New construction, rehabilitation or improvement of rural roads.

**Low Risk**: A subproject should be placed in the low risk category if it will have negligible or no environmental or social consequences.

#### Examples include:

- Technical assistance grants for agricultural research and training; Research;
- Outreach;
- Health;
- Nutrition;

- Education;
- Capacity building and institution building.

## **Environment and Social Safeguards Risk Rating Checklist**

The following table details the typology of risk areas and specific issues/questions assessed for DVCDP 2.

## Table 2 - Environment and Social Safeguards Risk Rating Checklist

	Yes/No	Likelihood	Consequence/Mitigation	Risk Rating
1.Biodiversity conservatio	n			
1.1 Could the project potentially involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural habitat and critical natural habitat) and/or ecosystems and ecosystem services?	No	Unlikely	Moderate Targeting of project beneficiaries and mahallas should consider key biodiversity areas, and ensure that these areas are avoided.	No
1.2 Could the project involve or potentially lead to activities involving habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources (e.g. National Park, Nature Conservancy, Indigenous Community Conserved Area, ICCA, etc.)?	No	Unlikely	Moderate Targeting of project beneficiaries and mahallas should consider current and planned protected areas and ensure that these areas are avoided.	No
1.3 Could the project potentially involve or lead to an increase in the chance of human-wildlife encounters/conflict?	No	Unlikely	Moderate Project activities are targeted in areas where the primary land use is already devoted to intense agricultural production	No
1.4 Could the project potentially involve or lead to risks to endangered species (e.g. reduction, encroachment on habitat)?	No	Unlikely	Moderate See 1.3 above	No
1.5 Could the project potentially involve or lead to impacts/risks to migratory wildlife?	No	Unlikely	Moderate See 1.1 to 1.3 above	No

	Yes/No	Likelihood	Consequence/Mitigation	Risk Rating
1.6 Could the project potentially involve or lead to introduction or utilization of any invasive alien species of flora and fauna, whether accidental or intentional?	No	Low	Minor Only fodder and feed crop species that have completed field trials in Uzbekistan with government designated research bodies will be considered.	No
1.7 Could the project involve or lead to the handling or utilization of genetically modified organisms?	No	Unlikely	Minor Only improved feed and fodder crops adapted to climate and soil conditions in Uzbekistan through plant breeding and selection will be considered	No
1.8 Could the project involve or lead to procurement through primary suppliers of natural resource materials?	Yes	Possible	Moderate Project requires procurement of natural resources through primary suppliers, and resource extraction is tightly regulated	No
2.Resource Efficiency and	Pollution	Prevention		
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No	Unlikely	Moderate The climate-smart agricultural approaches considered in the project are also agro-ecological in nature, therefore minimizing or eliminating the use of agro-chemical products and fertilizers.	No
2.2 Could the project involve or lead to primary not environmentally sustainable production of living natural resources? (Note: this includes the cultivation or rearing of plants or animals, including annual and perennial crop farming, animal husbandry (including livestock), aquaculture, plantation forestry, etc )	Yes	Unlikely	Moderate While the project is fully dependent on production of living natural resources, it will be sited in areas of existing intense agricultural activity, with low environmental and/or social sensitivity.	No

	Yes/No	Likelihood	Consequence/Mitigation	<b>Risk Rating</b>
2.3 Could the project involve or lead to engagement in areas of forestry, including the harvesting of natural forests, plantation development, and/or reforestation?	No	Possible	Moderate Targeting of project beneficiaries and mahallas should consider existing forest management areas, along with areas planned for future restoration, and ensure that these areas are avoided in project activities.	No
2.4 Could the project involve or lead to significant consumption of raw materials, energy, and/or water?	Yes	Possible	Moderate Planned project activities include improving water use efficiency through improved irrigation practices, and improved energy use efficiency through the deployment of grid-connected solar energy installation in conjunction with cold chain requirements and water pumping for irrigation.	No
2.5 Could the project involve or lead to significant extraction, diversion or containment of surface or ground water (e.g. construction of dams, reservoirs, river basin developments, groundwater extraction)?	Yes	Likely	Moderate The project needs a considerable amount of groundwater or surface water. Ths will require a minor extension of existing sources. It includes construction of large-scale irrigation schemes rehabilitation/development – below 300 ha per scheme	No
2.6 Could the project involve inputs of fertilizers and other modifying agents?	Yes	Possible	Minor The project requires use of fertilizers, but options are available to replace polluting fertilizers with alternatives.	No
2.7 Could the project involve or lead to procurement, supply and/or result in the use of pesticides on crops, livestock, aquaculture or forestry?	Yes	Possible	Minor The project requires use of pesticides, but options are available to replace potentially polluting pesticides with alternatives.	No
2.8 Could the project be located in an area which is being, or has been, polluted	No	Highly unlikely	Minor No areas of high point source pollution were identified in	No

	Yes/No	Likelihood	Consequence/Mitigation	Risk Rating
by an external source (e.g. a mine, smelter, industry)?			planned project areas during the design phase. Further fine tuning in targeting of project beneficiaries and Minormahallas at inception should re-visit this issue to ensure compliance.	
2.9 Could the project involve livestock – extensive and intensive systems and animal products (dairy, skins, meat, etc.)?	Yes	Almost certain	Moderate As this is a dairy project, by definition this investment involves livestock	Yes
3. Cultural Heritage				
3.1 Could the project be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	Yes	Highly unlikely	Minor Planned expansion of the World Heritage List with additional sites in Uzbekistan should be ascertained during project inception to ensure that planned intervention sites do not overlap with these plans in any way.	No
3.2 Could the project directly or indirectly affect indigenous peoples' rights, lands, natural resources, territories, livelihoods, knowledge, social fabric, traditions, governance systems, and culture or heritage (tangible and intangible)?	Yes	Highly unlikely	Minor There are no groups in the planned intervention areas (as understood at present) which meet the definition of indigenous groups as per IFAD policies.	No
3.3 Could the project involve or lead to significant excavations, demolitions, movement of earth, flooding or other environmental changes?	No	Highly unlikely	Minor Planned land and soil management interventions, including agroforestry, will improve the local situation with regard to possible flooding or erosion risks.	No
3.4 Could the project involve or lead to adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects	No	Highly unlikely	Minor No impacts to existing cultural or natural heritage are anticipated. Please also see 3.1 above.	No

	Yes/No	Likelihood	Consequence/Mitigation	Risk Rating
intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)				
3.5 Could the project involve or lead to alterations to landscapes and natural features with cultural significance?	No	Highly unlikely	Minor The project will be taking place in already highly modified landscapes under intense agricultural production, as well as in built up areas.	No
3.6 Could the project involve or lead to utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No	Highly unlikely	Minor As noted in 3.2 above, there are no indigenous groups or communities using traditional practices which meet IFAD definitions. However, a Free Prior and Informed Consent (FPIC) analysis will be carried out at the project start, and the opportunity to engage with specific ethnic groups the in project areas to value their traditional production practices will be evaluated.	No
4. Indigenous Peoples	<u>.</u>		•	
4.1 Could the project be sited in areas where indigenous peoples are present (including the project area of influence)?	No	Highly unlikely	Minor Please see 3.2 above.	No
4.2 Could the project result in activities located on lands and territories claimed by indigenous peoples?	No	Highly unlikely	Minor Please see 3.2 above.	No
4.3 Could the project result in impacts on the rights of indigenous peoples or to the lands, territories and resources claimed by them?	No	Highly unlikely	Minor Please see 3.2 above	No
4.4 Could the project result in the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No	Highly unlikely	Minor Please see 3.2 above	No

	Yes/No	Likelihood	Consequence/Mitigation	Risk Rating
4.5 Could the project lead to impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No	Highly unlikely	Minor Please see 3.2 above	No
5. Labour and Working Co	nditions			
5.1 Could the project operate in sectors or value chains that are characterized by working conditions that do not meet national labour laws or international commitments? (Note: this may include discriminatory practices, high gender inequality and the lack of equal opportunities, denial of freedom of association and collective bargaining, labour migrants)	Yes	Unlikely	Minor The project operates in sectors or value chains that have, in the past, not met national labour laws, or international commitments, but is now adequately nationally regulated, and is part of international value chains that are subject to regular environmental and social auditing.	No
5.2 Could the project use or operate in a value chain where there have been reports of forced labour? (Note: Risks of forced labour may be increased for projects located in remote places or where the status of migrant workers is uncertain)	No	Unlikely	Minor	No
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	Yes	Possible	Minor The project does not operate in sectors or value chains where the employment of children has ever been reported.	No
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety	Yes	Possible	Moderate The project operates in a sector, area, or value chain where workers are occasionally exposed to significant OSH risks, and	No

	Yes/No	Likelihood	Consequence/Mitigation	Risk Rating
risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.)			where regulation is known to be effective.	
6. Community Health, Safe	ety and Se	curity		
6.1 Could the project be at risk from water-borne or other vector-borne diseases (e.g. temporary breeding habitats), and/or communicable and non- communicable diseases?	Yes	Possible	Moderate	Yes
6.2 Could the project lead to unintended negative impacts on nutrition?	No	Possible	Minor	No
6.3 Is there a possibility of harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	Yes	Unlikely	Minor	Yes
6.4 Could the project involve or lead to the construction or rehabilitation of dams?	No	Unlikely	Minor	No
6.5 Could the project involve or lead to transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals	No	Unlikely	Minor	No

Unlikely Unlikely Unlikely Unlikely	Minor Minor Minor Minor Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or	
Unlikely	Minor Minor Minor Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or	Yes
	Minor Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or	Yes
Unlikely	Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or	
	death is reduced by good design and implementation of safety protocols. New construction, rehabilitation or upgrade of rural roads, with Annual Average Daily Traffic (AADT) below 400	
Unlikely	Minor The project requires the employment of new labour, but workers can be sources from local communities, and so influx is kept to a minimum, and risks are effectively managed.	
Highly Unlikely	Minor	Yes
		but workers can be sources from local communities, and so influx is kept to a minimum, and risks are effectively managed. Highly Minor

	Yes/No	Likelihood	Consequence/Mitigation	Risk Rating
7.1 Could the project result in temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	No	Highly unlikely	Negligible	No
7.2 Could the project result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No	Highly unlikely	Negligible	No
7.3 Could the project present a risk of forced evictions?	No	Highly unlikely	Negligible	No
7.4 Could the project result in impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?	Yes	Unlikely	Minor	No
8. Financial intermediaries	s and dire	ct investment	S	
8.1 Could the investment be granted to an institution that does not have an environmental and social policies and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?	No	Unlikely	Minor	No
8.2 Could the investment be granted to an institution with insufficient capacities (i.e. unqualified personnel e.g. ES Officer) to implement the ESMS?	No	Unlikely	Negligible	No
8.3 Could the investment be granted to an institution that does not have an Exclusion List?	No	Unlikely	Negligible	No

	Yes/No	Likelihood	Consequence/Mitigation	Risk Rating
8.4 According to the institution's portfolio classification: Could the institution have potential high-risk projects in their portfolio?	No	Unlikely	Negligible	No
8.5 Is there evidence that the institution does not comply with the local legal framework?	No	Possible	Minor	No
8.6 Does the institution provide a stable communication channel with stakeholders and local communities (e.g. a Grievance Redress Mechanism)?	No	Possible	Minor	No
8.7 Does the organization provide auxiliary or capacity building support services.	No	Possible	Minor	No

## Hazard Risk Screening Checklist

In addition to undertaking the above risk assessment, a complementary analysis of potential hazards the project may be exposed to was also undertaken. The following checklist ensures that all hazards (whether or not related to climate) with regard to DVCDP 2, along with applicable adaptation and mitigation measures, have been identified.

#### Table 3 – Hazard Risk Screening Checklist

Step 1: Hazard identification				
What are the expected hazards in the project intervention area?	No, Yes, TBD			
River flood	Yes			
Coastal Flood	No			
Urban Flood	No			
Landslide	Yes			
Cyclone	No			
Water Scarcity (agricultural droughts and/or dry spells)	Yes			
Extreme Heat	Yes			

Wildfires	Yes
Future climate scenarios foreseen (period 2040-2059) - Change in frequency and intensity	No, Yes, TBD
Change in temperature (increase or decrease)	Yes, increasing
Change in rainfall (increase or decrease)	Yes, increasing
Climate variability (larger or smaller)	Yes, increasing
Intensity and frequency of extreme events (larger or smaller)	Yes, increasing
Is the project expected to have an impact on climate?	No, Yes, TBD
Is the project expected to be a significant emitter of greenhouse gases ¹ ?	No
Step 2: Exposure Assessment	
Is the project located in exposed areas to weather-related natural hazards?	No, Yes, TBD
Low-lying areas (valleys, coastal zones, and small islands)	Yes
Very warm areas (subtropical)	No
Tropical areas (rainforests)	No
Arid and semi-arid areas (deserts)	Yes
Mountains zones and permafrost areas (tundra)	No
River banks	No
Does the project target agricultural systems, ecosystems or livelihoods exposed to weather-related hazards?	No, Yes, TBD
Is crop production frequently affected by rainfall variability, prolonged droughts, changes in temperature or pests and diseases?	Yes
Is livestock productivity frequently affected by rainfall variability, prolonged droughts, changes in temperature or diseases?	Yes
Are fisheries frequently affected by ocean acidification, water salinity and changes in sea surface temperature due to ocean-atmospheric oscillations or climate change?	No
Is forest productivity frequently affected by wildfires, diseases, rainfall variability, prolonged droughts, or changes in temperature?	Yes

¹ The response to this screening question considers expected net emission changes in the entire value chain addressed by DVCDPII. While direct livestock emissions are expected to increase, overall emission intensity within the entire value chain is expected to decrease with the application of adaptation and mitigation approaches.

Is the biodiversity in the project area likely to be affected by changes in climate variables?	Yes
Is any stage of the agricultural value chain (production, storage, processing and marketing) exposed to climate related hazards?	Yes
Is any rural infrastructure likely to be affected by flooding, landslides, changes in temperatures, and extreme winds.	Yes
Step 3: Sensitivity Assessment	
What are key sensitivities for the populations in the project's areas of intervention?	No, Yes, TBD
Is conflict exacerbating the population's sensitivity to weather related hazards?	No
Is population displacement being exacerbated by climate change impacts?	No
Are diseases (e.g. COVID-19, malaria, cholera) increasing the population's vulnerability and affecting their capacity to address potential weather-related hazards?	No
Is the income of the target population predominately coming from agriculture?	Yes
Are social inequalities (e.g. based on gender, youth, indigenous persons and other marginalized groups) being exacerbated by climate change?	No
Is the Human Development Index (HDI) equal to or below 0.6?	No
Is the Multidimensional Poverty Index (MPI) equal to or above 0.1?	No
Step 4: Adaptive capacity and climate resilience	
What are key adaptive capacities in the areas of project intervention?	No, Yes, TBD
Is the country well ranked in the Disaster risk reduction progress score?	No
Are climate and weather information services (real-time weather data, seasonal forecasts etc.) effectively being delivered (through radio, TV, SMS, extension services etc.) to farmers, rural dwellers, and end users?	No
Does the project country have an early action plan (preparedness and emergency response) to mitigate the impacts of weather-related hazards once the shock occurs?	Yes
Does the government or other institutions support the target population/communities with the necessary social and economic resources to prepare for or respond to climate-related events?	Yes
Is the target community carrying out (using their own means) agricultural adaptation?	Yes

Does the target population have the economic means or support to adjust or adapt their activities in response to weather related shocks?	No
Do policies/mechanisms exist that make financial credit, loans, and agricultural insurance available?	Yes
Are rural infrastructures effectively delivering services to farmers and rural dwellers?	No

# **Overall climate risk classification (hazards + exposure + sensitivity + adaptive capacity):**

## MODERATE RISK

## **3.2.3 Preparation of Required Environmental and Social Safeguards**

During preparation of the PDR, all environmental and social safeguard issues identified will be addressed and incorporated into project design during the design phase and initial implementation, to ensure thorough accounting for all social and environmental considerations as identified. All relevant environmental and social measures identified during this analysis must become an integral part of all execution plans including tender documents as needed.

The Environmental, Social, and Climate Management Plan is based on the analysis and screening carried out. The Plan can be updated or revised as needed in the early stages of project implementation. The preparation of the Plan should be undertaken in a participatory manner by informing and consulting the beneficiaries as well as others which may be affected by the Project, along with government and private sector stakeholders (see Stakeholder Engagement Plan below).

## **3.2.4** Publication of the final report

Once validated, the final report should be published on the Project website (as well as on the website of the local authorities involved in the project) in order to ensure that it accessible to all stakeholders.

## 3.2.5 Implementation and supervision

All environmental and social measures defined by the safeguard documents, aimed at reducing or eliminating any possible negative impacts that may be generated by the Project, will be included in the specifications of project design and with regard to those responsible for execution and implementation.

As part of the overall project monitoring and supervision system that will be put in place, social and environmental risks will be continually monitored and assessed. The purpose is to ensure any unexpected issues are identified at an early stage, and also to certify compliance with IFAD policies and the Environmental, Social, and Climate Management Plan of the Dairy Value Chain Development Project Phase 2. Implementation of the plan requires ongoing engagement with stakeholders as outlined in the table below.

## 4. STAKEHOLDER ENGAGEMENT

## Table 4 – Stakeholder Engagement Plan

Stakeholde rs	Method of interaction	Information to be obtained	Information to share	Frequen cy of engage ment	Responsi bility
Ministry of Natural Resources	At a senior level, in order to obtain permission to work with agencies listed below and to obtain data from these agencies on a regular basis	None. Interaction at Ministerial level to seek permissions to engage with technical staff in departments under the Ministry's jurisdiction	Regular DVCDP 2 progress reports and updated planning	Annual	Country Director
Uzbekistan Center for Hydromet Services	Regular interaction at technical levels between staff responsible for data collection and management, and relevant project technical staff	Aggregated data from hydromet stations in project target regions, including temperature, precipitation, and water quality/pollution, along with reporting to the UNFCCC	Regular DVCDP 2 progress reports and updated planning	Monthly	PMU
State Committee on Forestry	Regular interaction at technical levels between staff responsible for data collection and management, and relevant project technical staff	Plans and related geographic data related to forest restoration and future expansion of forest management areas in project target regions, along with reporting to the UNCCD	Regular DVCDP 2 progress reports and updated planning	Annual	PMU
State Committee for Ecology and Environment al Protection	Regular interaction at technical levels between staff responsible for data collection and management, and relevant project technical staff	Plans and related geographic data related to current protected areas in project target regions, and future expansion of protected areas, along with reporting to the CBD	Regular DVCDP 2 progress reports and updated planning	Annual	PMU
Women's Committee of Uzbekistan (WCU)	An MoU will be signed with them . They will participate in social mobilisation and targeting process.	List of vulnerable women and girls on the notebook.	Regular DVCDP 2 progress reports and updated planning	Monthly	PMU
Ministry of Mahalla	MoU to be signed to support the social mobilisation and targeting process including monitoring of targeting performance.	Poverty data for regions/districts. List of beneficiaries, disaggregated by poverty and socio- economic characteristics.	Regular DVCDP 2 progress reports and updated planning.	monthly	PMU

# 5. POTENTIAL ENVIRONMENTAL, SOCIAL AND CLIMATE RISKS AND IMPACTS IN DVCDP 2

As noted above, the environmental and social risk category for DVCDP 2 following the assessment is considered to be **substantial**, while the climate risk is judged as **moderate**. The climate risk assessment, specifically, considers the overall vulnerability to climate hazards which exist in Uzbekistan, but also takes into consideration the numerous best practice adaptation and mitigation strategies and other proven approaches available to project executing organizations and beneficiaries that will be deployed. Below is a description of the potential environmental, social and climatic risks and impacts related to the main activities identified during DVCDP 2 project formulation and actions to address these (summarized in the table which follows on the next page).

#### 5.1 Environmental and climate risks

Average monthly temperatures in the 5 target regions have gone up approximately 1°C over the past 30 years (UzHydromet, 2023). This rate of temperature change is consistent with IPCC projections for Central Asia and is expected to further accelerate over the coming 30 years (IPCC AR-6, 2022). Although overall precipitation has trended slightly upwards over the same period, changing climate conditions in the target regions exacerbates the frequency (and intensity) of drought and extreme temperature events. Proven adaptation strategies to address these trends, particularly in terms of land management, improved cropping strategies, and greater efficiencies in water management, have been identified in order to mitigate the impacts on dairy production and ensure that this key agricultural sector is able to adapt to likely climatic changes over the coming years. These are no-regrets measures, which also contribute to improving production and livelihood outcomes.

Farmers and small household producers in the target regions face numerous challenges, and the project will implement strategies to expand farmer's access to water and enhance overall water-use efficiency through improved irrigation practices and water harvesting. Deploying drought-resistant feed crop and fodder varieties, to mitigate the expected increase in the frequency and intensity of drought conditions in the target regions over the coming years, are among the key strategies the project will employ to further enhance the ability of farmers to adapt to the likely future impacts of climate change. Combined with best practice in soil and land management, such as improved management of animal wastes, crop rotation and cover cropping, minimum tillage, and the use of nitrogen fixing species, these practices will enhance resilience among farmers to maintain and improve production while at the same time improving their ability to withstand climate shocks. Please refer to the summary of climate adaptation and mitigation measures planned for DVCDP II below, as well as the summary of climate environment risks and responses in Table 5

## **DVCDP II – Climate Adaptation and Mitigation Measures²**

#### Adaptation Approaches

- 1. Improved fodder, crop, and land management practices:
- Improved/drought resistant fodder crop varieties (including crop rotation);
- Improved/drought resistant feed crop varieties (including crop rotation);
- Enhanced silage practices to improve the quality of animal feed;
- Enhanced ground cover and cover cropping, nitrogen fixing varieties to maintain/improve soil fertility;
- Introduction of organic farming practices including improved processing and use of animal manure;
- Promotion of minimum tillage of agricultural land;
- Agro-silvo practices tree planting along field/farm boundaries, canals, and irrigation works;
- Minimum/Effective use of fertilizers and agri-chemicals;

#### 2. Water use and irrigation:

- Enhanced water-use efficiency through deployment of improved irrigation approaches & technologies;
- Inclusion of water harvesting systems in conjunction with cowshed development.

#### **Proposed Mitigation Approaches**

- 3. End-use electric energy in agricultural practices and dairy value chain:
- Deploying grid-connected solar energy systems and equipment for groundwater pumping;
- Deploying of grid-connected solar energy systems and equipment for dairy cold chain requirements;

#### Water Security

Water scarcity and security represent significant government policy issues in Uzbekistan. Water withdrawals consistently outpace surface water supplies and must be augmented through groundwater resources. In addition, water pollution and wasteful consumption have led to a challenging water supply situation and contributes to poor drinking water quality in some areas of the country. High seepage losses in irrigation water delivery network and

² Adaptation measures in crop production will contribute to improved animal health, contributing to lower gastric GHG emissions. Additional GHG benefits from lower gastric emissions will also accrue through enhanced animal health from veterinary interventions. Land management practices will contribute to improved soil fertility and increasing above-ground vegetation, which will lead to mitigation of GHG emissions from sequestration through increasing below and above-ground carbon. Enhancing water-use efficiency will contribute to reducing soil salinity problems from current extensive irrigation practices. This in turn contributes to improved animal health from better feed/fodder crops and reduced gastric GHG emissions. Improved soil fertility leads to increasing sequestration benefits from increased soil organic carbon levels. Additional benefits include improved water security and predictability of supply.

**Mitigation measures** primarily focus on shifting energy use in water pumping and dairy cold-chain requirements to grid-connected renewable energy sources (i.e. solar). As 90% of Uzbekistan's current energy production is thermal (IEA data, 2023), this shift will result in significant GHG emission reductions in the sector.

deteriorated drainage network result in rising groundwater tables. The shallow groundwater table contributes to waterlogging and salinization of the rooting zone.

### Negative Impacts

Although the need for improving water use efficiency is a well understood and accepted circumstance in Uzbekistan, the up front capital costs associated with shifting from current irrigation approaches (which are extensive and wasteful of water supplies, but relatively low cost with existing infrastructure) represents a potential barrier to adoption. Training, access to credit at competitive rates, and small grant funding will be used in the project to help lower barriers to entry.

#### Positive Impacts

The promotion of more efficient water use efficiency practices particularly through improved irrigation techniques will have a positive impact in addressing water supply challenges in the project area. It will also have a net positive effect in reducing soil salinization process, thereby reversing and improving the primary cause of land degradation in the project regions.

#### Land Resources

The natural ecosystems of the arid and semi-arid areas of the country are historically prone to natural salinization and are threatened by desertification processes along with sand and dust storms. The causes of land degradation are multiple, complex, and vary across these countries, but are largely attributed to over-exploitation and deterioration of the natural resource base, particularly through inefficient irrigation and unsustainable agricultural and grazing practices (e.g. mono-cropping of cotton, inappropriate use of fertilizers and pesticides, inadequate soil management, overgrazing of pastoral lands), aggravated by increased frequency and intensity of climate related disasters (e.g. droughts, floods and landslides). Poor irrigation practices and degraded infrastructure have largely contributed to the salinization and/or waterlogging of irrigated lands. Over 50% of the country's irrigated lands are exposed to varying degrees of salinity, with the Kashkadarya and Syrdarya regions being most affected.

Grazing lands are also experiencing increasingly serious degradation due to overgrazing and lack of effective controls to manage stocking and access. In May 2019 the country adopted a Pastures Law, however regulations have yet to be developed to control grazing in open access areas. As a result, these areas continue to deteriorate and farmers are forced to graze their livestock on pastures located on lands not allocated to agriculture, such as roadsides.

#### Negative Impacts

Intensification of agricultural land use always comes with the risk of further exacerbating land degradation processes. These risks will be responded to with best practice agro-ecological and climate smart agricultural practices.

#### Positive Impacts

Improved land management practices, particularly through the use of agro-ecological approaches in land management and crop production, benefit both improvements in fodder and feed crop outcomes as well as mitigation and land fertility through increased soil organic carbon.

## **Biodiversity**

IFAD-supported projects are obliged to review the significance of the biodiversity and habitats in the proposed project area, including their vulnerability, irreplaceability, protected status and significance to local communities. Potential direct and indirect impacts on biodiversity, ecosystems and ecosystem services from supported activities will be identified as early as possible.

For Uzbekistan's biodiversity and ecosystem services the key issues remain desertification, soil erosion and salinization, and habitat loss as the result of unsustainable agriculture and irrigation practices. In addition to a loss of habitat and biodiversity, the reduction of forests and other vegetation decreases absorption of carbon dioxide, thus accelerating climate change impacts.

Current land allocations do not account for the biodiversity and protected areas or KBAs/IBAs and possible negative impact on biodiversity. Buffer and productive zones are not delineated clearly on the ground, and there is no systematic spatial and land use planning in the surrounding geographies of the protected areas. Overgrazing in and around protected areas is having a negative effect on natural habitat, and cattle are often competing with wild ungulates over access to pastures and watering sites.

#### Negative Impacts

Due to the nature of the DVCDP 2 project promoting enhancement to dairy value chains, the focus is primarily in areas that are already intensively used for agriculture. Impacts to biodiversity are thereby expected to be low to negligible. Any potential impact to key biodiversity areas will be avoided in part by maintaining close coordination with the Ministry of Natural Resources (among key project stakeholders).

#### Positive Impacts

Improved on-farm management practices, particularly through climate smart approaches, will result in significant improvements for soil biodiversity and lead to greater fertility along with higher yields. Tree planting and restoration of riverine areas along canals as well as field boundaries will also improve habitat and connectivity for biodiversity.

#### Climate change

The most recent National Communication of Uzbekistan to the UNCCCF outlined significant future impacts from climate change, along with a comprehensive national strategy to address these challenges. The general trend indicates that the mean temperatures will continue to rise and levels of precipitation will fall or become more variable. This will result in greater aridity in many areas and the increased probability of extreme events such as droughts or extended heat waves. Considering current climate change models (temperatures, precipitation, variability, etc.) for the next 20 years, the livestock sector will be affected with respect to animal health, nutrition and availability of fodder. For instance, rising temperatures along with the frequency and severity of weather events may result in heat stress in animals which in turn will lead to lower productivity. The indirect effects include reduced pasture productivity and increased exposure to new pests and diseases. Programmed climate changes will affect water availability and thus the availability of fodder, especially in rain-fed areas.

#### Negative Impacts

Climate change in future will contribute to a decrease in the productivity of pastures and crop production and an increase in heat stress on livestock. High temperatures can also increase spoiling and loss of dairy products without proper storage or refrigeration facilities. Interventions must consider increasing temperatures when considering the climate resilient value chain options for dairy. For livestock production, the negative impact of the anticipated temperature changes and consequent increased heat stress will be partially offset by expected increased rainfall in the project target areas and consequent improved pasture conditions and crop production.

#### Positive Impacts

The project will adopt adaption measures for crop production and the livestock sub-sector, to address issues of adverse climate change impact such as: (a) use of efficient irrigation systems; (b) introduction of drought resistant varieties of crops and species of livestock; (c) optimization of cropping patterns and calendars to take advantage of altered growing periods; (d) soil conservation practices (e.g. minimum/zero tillage); and (e) improved pasture management, including pasture rotation and rehabilitation and other.

The project will promote adaptation measures which include enhanced agronomic inputs, livestock management and health/ nutrition practices at dehkan, cooperative, and private farm level; improved pasture management, drought/salinity-resistant crop varieties and livestock breeds; and increased private sector involvement aiming at overall increased investments, enhanced productivity and resource management strategies.

Security of access to feed and forage also represent significant barriers to growth for many small farms and household level dairy production. Constraints to forage production opportunities on irrigated land used for largescale cotton or wheat production include access at an appropriate period when planting success is optimized, receiving irrigation water when needed (security of supply), and access to inputs such as soil amendments and manure.

Additional detail on climate risks that were considered in the analysis, along with adaptation approaches and expected benefits, can be found in the table below.

Climate Risk	Adaptation Approaches	Description/Benefits
Feed crop and fodde	r production	
Extreme heat events	Heat-tolerant crops or crop varieties Short cropping cycle varieties	<ul> <li>Promote crops and/or crop varieties with higher heat tolerance.</li> <li>Improve yields in areas where temperatures are expected to exceed heat thresholds harmful to existing cropping systems.</li> <li>Reduce the effect of heat stress at key phenological phases (germination and flowering) and improve final yields.</li> <li>Reduce plant exposure to heat by shortening the growth cycle.</li> <li>Reduce total water requirements during the growing season.</li> </ul>

## Table 5: Climate-Environment risks and response

Climate Risk	Adaptation Approaches	Description/Benefits
	Optimization of cropping calendars Best practice agricultural approaches (e.g. weeding, harrowing, grafting, mulching)	<ul> <li>Shift cropping schedules based on historical climate data and seasonal forecasts to support real-time decision making, avoiding heat stress conditions particularly at sensitive crop phenological phases and increasing yields.</li> <li>Weeding and defoliation reduce soil water loss due to plant transpiration.</li> <li>Cover crops reduce soil erosion by increasing the availability of soil organic matter, water, air and nutrients.</li> <li>Harrowing (breaking the soil into small pieces) can prevent the loss of soil moisture through evaporation.</li> <li>Grafting techniques can reduce yield losses caused by drought.</li> <li>Hydroponics with recirculating water systems can reduce water loss.</li> <li>Covering the soil with crop residues (mulching/mulching) in combination with no-tillage reduces crop exposure to heat stress conditions. It also increases soil</li> </ul>
	Drought resistant crops Improved irrigation systems	<ul> <li>stress conditions. It also increases soll moisture by reducing direct evaporation from the soil.</li> <li>Maintains/improves yields and increases water-use efficiency.</li> <li>Improves animal health and nutrition, and increases resilience at family level.</li> <li>Increase water use efficiency by providing enough water according to the crop.</li> <li>Improve water security through access when needed</li> <li>Reduces soil salinization and land degradation</li> <li>Reduce the risk of diseases that occur in wet, waterlogged conditions.</li> </ul>
	Water efficiency and scheduled irrigation	<ul> <li>Uses water resources more efficiently and avoids permanent and increases security and resilience</li> <li>Reduces direct evaporation losses by supplying water when evaporation rates are lowest (dawn and/or dusk).</li> <li>Promoting targeted irrigation at optimal times reduces direct evaporation from the context is better water of output the security in the target is better water of output the security is better water of output the sec</li></ul>
	Rainwater harvesting and small scale tanks	<ul> <li>soil, resulting in better use of water resources.</li> <li>Increases water availability/security at household level.</li> <li>Provides supplemental irrigation on household garden plots.</li> <li>Increases water use efficiency and promotes sustainable freshwater abstraction and supply to address water scarcity.</li> </ul>

Climate Risk	Adaptation Approaches	Description/Benefits
Biodiversity	Agroforestry approaches where possible; Tree planting along field and canal boundaries	<ul> <li>Provides wind breaks against sand and dust storms, and habitat for biodiversity and pollinators.</li> <li>Agroforestry has the potential to offset greenhouse gas (GHG) emissions from the agricultural sector through carbon sequestration.</li> <li>Root systems stabilize the soil and reduce soil erosion.</li> <li>Tree leaves enrich the soil and help maintain its moisture, contributing to efficient water use and improving soil health human and market.</li> </ul>
	Crop rotation, intercropping and fallow	<ul> <li>nutrients lost by wind or water (through increased plant cover).</li> <li>Limits the concentration of pests and diseases and reduces the selection pressure on pathogens (because each crop has different pathogens).</li> <li>Reduces fertilizer use and associated pollution by improving nutrient cycling.</li> </ul>
Land degradation	Minimum tillage	<ul> <li>Increases carbon sequestration in the soil.</li> <li>Promotes minimal disturbance of soil structure and organic matter found in the soil by increasing the decomposition of plants in situ.</li> <li>Higher infiltration caused by vegetation present in the soil.</li> <li>Organic matter increases and improves nutrient cycling.</li> <li>Less resistance to root growth due to improved structure, allowing crops to germinate and grow faster with additional soil moisture.</li> <li>Reduces soil evaporation because plant</li> </ul>
	Crop residues incorporated in combination with reduced tillage	<ul> <li>residues increase soil moisture.</li> <li>Increases the availability of water for agricultural production by improving infiltration and evaporation from the top layer and improving soil structure and</li> </ul>

Climate Risk	Adaptation Approaches	Description/Benefits
	Use of organic fertilizers wherever possible	<ul> <li>Reduces the environmental impacts (volatilization and leaching) of chemical fertilizers with a high concentration of macronutrients.</li> <li>Improves nutrient availability to plants and increases yields.</li> <li>Application of living organisms to seeds, plant surfaces and/or soil.</li> </ul>
Livestock Raising		
Greenhouse gas emissions	Manure management Water reservoirs and basins	<ul> <li>Use and management of manure as bio-fertilizer, maintaining soil health and fertility</li> <li>Shorten storage time and reduces CH4 emissions.</li> <li>Optimize water resources by reducing exposure to drought and heat stress conditions.</li> <li>Limit livestock movements and reduce overgrazing.</li> <li>Reduce transhumance time by placing</li> </ul>
Extreme heat events	Heat tolerant livestock breeds	<ul> <li>water along transhumance corridors.</li> <li>The use of heat tolerant breeds can reduce animal mortality and optimize the use of water resources.</li> <li>Reduces animal mortality by minimizing stress conditions to drought and heat.</li> <li>Maintains productivity under stressful conditions of heat and drought.</li> </ul>
	Improved cow sheds	<ul> <li>Construction of barns and cow sheds to mitigate the impacts of extreme weather conditions.</li> <li>Improve animal health and productivity</li> <li>Increase and maintain vegetation cover by</li> </ul>
Drought	Stocking levels	<ul> <li>limiting grazing to specific areas.</li> <li>Improved management of common access grazing lands</li> <li>Contribute to soil formation, soil fertility, pest and disease regulation, biodiversity</li> </ul>
	Agro-silvo-pastoral approaches	<ul> <li>conservation and fire management.</li> <li>Improve the management of fodder resources.</li> <li>Reduced stand density will limit soil compaction, facilitating faster infiltration</li> </ul>
Land degradation	Rotational grazing	<ul> <li>during rainfall events and potentially reducing peak flows and sediment runoff.</li> <li>Increases forage production by minimizing overgrazing of certain plants in pastures.</li> <li>Improves soil fertility and reduces soil compaction, which in turn increases water uptake.</li> <li>Allows more animals to feed on the same surface.</li> <li>Improves animal management during droughts and prevents animals from</li> </ul>

Climate Risk Adaptation Description/Benefits	
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eating all the fodder before the rains arrive.

#### 5.2 Social/Socio-Economic Risks

The programme's social risk can be rated as substantive. Main social risks include:

- Limited outreach to vulnerable and poor farmers, nepotism and elite capture of project's benefits
- Value-chain leaders, such as milk collectors/processing companies, might not be interested in engaging with vulnerable small-scale producers.
- Limited participation of women and girls in project's activities, due to discriminatory social norms that limit women's participation in training and project-related activities.
- Limited participation of unemployed youth as they lack the assets and skills to engage in the dairy value-chains.

## 6. ENVIRONMENTAL, SOCIAL AND CLIMATE MANAGEMENT PLAN MATRIX

## Table 6 – ESCMP Review and Monitoring Matrix

No.	Risks	Recommended mitigation/enhancement measures	Public consultation activities	Responsible institution in implementation phase	Means of Verification (monitoring and reporting)	Frequency of verification	Cost estimate (US\$)
1.0	Social						
1.1	All possible adverse environmental and social impacts as a result of the DVCDP 2 Project activities	<ol> <li>Apply the Grievance Redress Mechanism (GRM) as per the SECAP.</li> <li>Ensure dissemination of the GRM to local communities prior to starting project activities and direct communication wit all target group categories once engaged.</li> <li>Maintain solid documentation for the received complaints during the operation of the project and track the level of responsiveness (provision of feedback).</li> </ol>	Start-up workshop with all the stakeholders.	PMU	<ol> <li>Review of the number of complaints received.</li> <li>Review the communication material (e.g. flyers) used to disseminate the GRM to beneficiaries</li> <li>Review of the number of complaints solved, the mechanisms used and the time it took to solve them.</li> </ol>	Weekly	Included under Start- up Costs (no additional cost)
1.2	Elite capture, nepotism and potential conflict between farmers as a result of the targeting process	<ol> <li>A baseline survey and a PRA will be carried out to identify farmers who meet the project's targeting criteria.</li> <li>The targeting strategy clearly defines poor and vulnerable smallholder in terms of land size and number of caws owned and a quota of 65% has been established for</li> </ol>	Community consultations during baseline survey and consultations with MEWA	PMU and Baseline Service Provider		First year of the project	Included under the baseline survey cost

No.	Risks	Recommended mitigation/enhancement measures	Public consultation activities	Responsible institution in implementation phase	Means of Verification (monitoring and reporting)	Frequency of verification	Cost estimate (US\$)
		<ul> <li>vulnerable smallholders owning few stock and with access to small parcels (up to 1 hectare). A quota of 15% has been established for poor near landless people who are registered on the Mahalla notebook.</li> <li>(3) Partnership with the Mahalla will provide support in identifying the poor and vulnerable and monitoring the programmes' targeting performance.</li> <li>(4) An institutional assessment of cooperatives will be undertaken before the project engages with them</li> </ul>					
1.3	Unwillingness by private farms and milk collectors/processors to engage with vulnerable farmers	Sound pro-poor criteria have been established to select beneficiary private farms and milk collectors/processors, as potential leaders of the diary value-chain The preliminary PRA and stakeholder mapping exercise will be key to identify the actors that are willing to engage with vulnerable and poor farmers.					

No.	Risks	Recommended mitigation/enhancement measures	Public consultation activities	Responsible institution in implementation phase	Means of Verification (monitoring and reporting)	Frequency of verification	Cost estimate (US\$)
1.4	Exclusion of women and youth from project activities	<ol> <li>The terms of reference of the baseline survey and PRA will include focus on identifying vulnerable women and unemployed youth</li> <li>The inclusion of women and youth farmers meeting the criteria will be mandatory</li> <li>The logframe is disaggregated by sex and age</li> <li>Specific activities and related budget, targeted at women and youth, with emphasis on vulnerable and unemployed groups is included in PDR.</li> <li>The gender sensitization delivered through L-FFS will tackle discriminatory social norms and unequal distribution of labour.</li> <li>In the value chain studies, there will be a SWOT analysis women and youth involved in the selected crops/value chains</li> <li>The PRA exercise will focus on identifying the needs and opportunities of women and youth in dairy value-chain development.</li> </ol>	Community and cooperatives consultations during baseline survey.	PMU, Baseline Service Provider and the selected cooperatives	<ol> <li>Review of the baseline survey</li> <li>Review of the final beneficiaries list</li> <li>Ensure the collection of disaggregated data and the regular update of the logframe</li> <li>Review beneficiary cooperatives compositions</li> <li>Review value chain studies to ensure SWOT analysis was done and quota was assigned where relevant.</li> </ol>	First year of the project (for baseline, value chain studies and beneficiaries list) and along the whole project for the logfame and cooperatives compositions.	Included under the baseline survey and M&E cost (no additional cost)

No.	Risks	Recommended mitigation/enhancement measures	Public consultation activities	Responsible institution in implementation phase	Means of Verification (monitoring and reporting)	Frequency of verification	Cost estimate (US\$)
1.5	Use of illegal labour in project works	<ul> <li>(1) Contracts to include clauses forbidding the use of illegal labour</li> <li>(2) Contracts to include clauses on abiding to operational health and safety measures and national laws regarding labour rights</li> </ul>	Contract negotiations with service providers	PMU and Service Providers	Review of contracts to ensure clauses are included regarding illegal labour and labour rights	Prior to signing contracts	No additional cost
2.0	Environment and climate						
2.1	Poor water use efficiency in irrigation contributes to land degradation and water scarcity	(1) The project will deploy efficient Irrigation systems and practices in targeted farms	Baseline survey results	PMU and service providers	<ol> <li>Review of technical specifications to ensure they include the water efficiency objectives of the project</li> <li>Field visits to ensure the works meet technical specifications</li> </ol>	During procurement of farm works and after the execution of the works	Included component 1 (no additional cost)
2.2	Rainwater harvesting not fully exploited, contributing to poor water use efficiency	<ul> <li>(1) Increase storage capacity for rainwater tanks/reservoirs as part of planned project interventions</li> </ul>	Baseline survey results	PMU and service providers	<ul> <li>(1) Review designs of water tanks</li> <li>(2) Field visits to ensure the works meet technical specifications</li> </ul>	During and after execution of the planned construction activities	Included component 1 (no additional cost)
2.3	Agricultural practices are not yet fully	(1) Project shall promote enhanced agricultural practices, soil and water conservation techniques	Consultations with farmers	PMU and TC experts		Following training events	Included component 1 (no

No.	Risks	Recommended mitigation/enhancement measures	Public consultation activities	Responsible institution in implementation phase	reporting)	Frequency of verification	Cost estimate (US\$)
	adaptive to climate change	<ul> <li>through technical training and Farmer Field Schools;</li> <li>(2) Use of drought resistant crop varieties;</li> <li>(3) Deployment of agroforestry practices where feasible;</li> </ul>			the TCs by beneficiaries		additional cost)
2.4	Agricultural and dairy production practices are not fully mitigating emissions	Renewable energy systems (solar panels) connected to the electrical grid will be deployed for: (1) groundwater pumps in association with irrigation; (2) refrigeration in the dairy value chain	Consultation with farmers and MCCs	PMU, Ministry of Agriculture, Ministry of Energy	technical	During procurement of equipment; During execution of planned installation activities	Included component 1 (no additional cost)

## 7. INSTITUTIONAL ANALYSIS AND LEGAL CONTEXT

## 7.1 Institutional analysis

## 7.1.1 Institutional framework for social inclusion

The key institutions involved in poverty reduction and social inclusion policies in Uzbekistan include the following:

- The Ministry of Economic Development and Poverty Reduction;
- In February 2020, the **Ministry of Support of Mahalla and Family** was established to ensuring effective implementation of the state policy for supporting women facing economic, social, legal, psychological and financial challenges through job creation, entrepreneurship and livelihoods facilitation activities. Since then, 100,000 women were employed within the programs "Every Family is an Entrepreneur", "Crafts Development Program" and "Youth is Our Future", and 41,110 women started doing their own business (World Bank, UNICEF, UNDP 2022);
- The **Women's Committee of Uzbekistan (WCU)** is the main driving force for gender equality in the country. It has operational branches in each administrative-territorial body, headed by the deputy head of administration on women;
- The **Youth Affairs Agency**, Interdepartmental youth councils, Youth Commission, and Youth Parliament along with Youth Council and the Forum of Youth Organizations of CIS Member States;
- The **National Association of NGOs** of Uzbekistan with over 300 NGOs, and the Senate Commission on Gender Equality, overseeing women's affairs;
- **Uzbekistan's scientific research complex** that includes academic, university, and industrial institutions dedicated to environmental protection and UNCCD obligations, with the Academy of Sciences serving as the cornerstone.
- UNDP has also been identified as a potential partner for supporting the project's social mobilisation and participation sub-component. UNDP has a comparative advantage and solid expertise with the implementation of participatory and community-driven development approaches in the country. Other implementing partners will include the AKIS, the Council of Farmers, Dehkan Farms and Owners of Household Lands of Uzbekistan, the State Agrarian University, and the Veterinary University in Samarkand.

## 7.1.2 Institutional framework for Environment and Climate policies

- The recently constituted **Ministry of Natural Resources** is the primary government institution in Uzbekistan overseeing environmental protection concerns and addressing climate related mitigation and adaptation efforts.
- Within the Ministry, the **State Committee for Ecology and Environmental Protection** is the main executive body in the field of environmental protection. It is the national coordinating body for control and cross-sectoral coordination in the fields of ecology, environmental protection, environmental impact assessment, and the rational use and restoration of natural resources and ensuring inter-agency interaction. This institution also serves as the National Focal Point to the Convention on Biological Diversity (CBD);

- The **State Committee on Forestry (SCF)**, also under the Ministry of Natural Resources, is responsible for national forest management and protection, restoration and reforestation, as well as ongoing assessment and inventory of forests. It exercises control on all forest land and all forestry activities (including most protected areas) through the Forestry Cadastral Department. Among the numerous restoration and reforestation efforts include increasing wind-shelter and green belts on agricultural lands. The SCF serves as the UN Convention on Desertification (UNCCD) National Focal Point. It is important to note that most open-access grazing land falls under the jurisdiction of the State Committee on Forestry;
- The Center for Hydro-Meteorological Services (UzHydromet) is responsible for Uzbekistan's system of hydro-meteorological observations, and is also housed within the Ministry of Natural Resources. In addition, it also maintains data on environmental pollution particularly in air and surface waters, maintaining the state water cadaster, and conducting research on improving short and long-term weather forecasting and coordination of scientific activities on climate change issues. UzHydromet serves as the UN Framework Convention on Climate Change (UNFCCC) National Focal Point.

## 7.2 Policies and legal framework

## 7.2.1 Legal and policy framework for poverty reduction and social inclusion

The **Development Strategy of New Uzbekistan for 2022–2026** envisions to halve poverty by 2026, including through key interventions targeted at vulnerable segments of the population. In order to achieve this ambitious goal, the government of Uzbekistan has built a national lifecycle social protection system, with schemes addressing the challenges faced by people across the lifecycle, from childhood to old age. Special assistance in the form of cash allowances is also provided to persons with disabilities (PWD), and survivors (breadwinner loss).

The **Agriculture Development Strategy for 2020-2030** is directly aimed at achieving the SDG goals. Key priorities are the following:(i) ensuring food security of the population; (ii) creating a favorable agribusiness climate and value chains; (iii) reducing the role of the state in managing the sector and increasing investment attractiveness; (iv) ensuring rational use of natural resources and environmental protection; (v) developing modern systems of public administration; (vi) phased diversification of public spending in support of the sector; (vii) development of science, education, systems of information and consulting services in agriculture; (viii) (rural development; and (ix) development of a transparent system of sectoral statistics.

The government of Uzbekistan introduced a **social registry system** in 2021 - the "*Iron Notebooks*" to track families facing severe social and living conditions with assistance programmes that include: (i) employment offers within the district; (ii) installation of greenhouses; animal feed and "Farm Service" organizations and "field shops." "*Women Notebooks*" and *Youth Notebooks*³ address the needs of vulnerable women based on the criteria established in the "*Iron Notebooks*". Youth Notebooks aim to provide support and resources to young men and women who have completed their education and are entering the workforce. The program includes measures to provide employment, training in modern professions and IT technologies, and support for entrepreneurship. Youth Business Schools

³ introduced by a Presidential Decree in 2021

are used to train young citizens in entrepreneurship skills. In 2021, 175,000 young people have been allocated 45,000 hectares of land. Several programmes have also been launched to generate jobs and promote entrepreneurship particularly among vulnerable and unemployed women and youth in rural areas. For instance, under the program "*Every family is an entrepreneur*" preferential loans are allocated to rural household to engage in family business⁴. DVCDP 2 will leverage these opportunities and support poor people in the target area to access government support schemes.

**The policy framework for Gender Equality and Women's Empowerment (GEWE).** Since it gained independence in 1991, the Republic of Uzbekistan has made gender equality a fundamental democratic principle, enshrined in the Constitution and ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1995.

In September 2019, a number of laws "*On Guarantees of Equal Rights and Opportunities between Women and Men*" were adopted. Of particular importance was the adoption of the Law on the Protection of Women from Harassment and Violence. New structures were also created such as the *Hatin Centre for Women's Entrepreneurship*. A further critical initiative relates to the Decree of the Cabinet of Ministers of the Republic of Uzbekistan dated April 12th, 2018, for women and girls in difficult social situations, for disabled mothers, low-income mothers raising children in single-parent families and in need of improved housing conditions.

**The policy framework for Youth.** Social protection of youth and the reduction of youth unemployment have become urgent issues for the government, resulting in new policies to address the issue. The Agency for Youth Affairs was established by the Decree of the President in 2020, and the Concept for the Development of State Youth Policy in Uzbekistan until 2025 was also adopted. In addition to the introduction of the "Youth notebooks" (see above), several programmes and measures are in place to train young people to increase employability and to increase chances for decent work, though needs persist in this regard. The DVDP 2 project will make use of this instrument for targeting the unemployed youth population. Collaboration with the youth officer in the mahalla will be key to identify and target this priority target group.

## **7.2.2 Legal and policy framework for climate and environment**

Uzbekistan ratified the **Paris Agreement under the UNFCCC** in 2018 with a commitment to reduce CO2 emissions by 10% as a factor of GDP compared to 2010, as well as to take measures to increase overall climate resilience by 2030. This target was subsequently revised in the most recent Nationally Determined Contribution (Uz-NDC, 2021) to reduce emissions by 35% as a factor of GDP. The National Strategy primarily targets emission reductions, energy efficiency, including accelerating the shift to renewable energy. These priorities also include enhancing climate resilience in agriculture, sustainable water and land use, along with ecosystem and forest restoration (Uz-NDC, 2021).

Uzbekistan has also established a **national Land Degradation Neutrality** (LDN) goal under the UNCCD. The aim of the goal is to prevent, overcome and, where possible, reverse the negative effects and impacts of desertification, land degradation and drought, particularly in

⁴ These preferential loans are of at 8 per cent interest rate per annum in local currency, with a grace period of 3-6 months, for a period not exceeding 3 years.

the context of supporting the country's efforts to improve welfare and ensure food and environmental sustainability.

Uzbekistan is in the process of developing national priorities and targets to respond to the **post-2020 Global Biodiversity Framework** in line with the recent decision of the Convention on Biological Diversity (COP 15) adopted in December 2022.

The following table outlines key existing legislation, policies, and strategies in place that project execution organizations and staff should be cognizant of during project implementation.

Name of legislation/policy	Relevance
Land Code № 598-I dated April 30, 1998 (New edition of 04.03.2019)	The regulation of land relations to ensure the benefit of present and future generations, rational use and protection of lands, reproduction and improvement of soil fertility, preservation and improvement if the natural environment, creating conditions for equal development, the protection of legal entities and individuals in relation to land ownership and the rule of law in this area.
Law on "Nature Protection" No.754 – XII dated on December 9, 1992	The present Law establishes legal, economic and organizational fundamentals for the preservation of natural environment and rational use of natural resources. It aims at ensuring a balanced harmonic development of relations between the humankind and the nature, protection of ecosystems, natural complexes and separate objects, to guarantee rights of citizens to enjoy a favourable environment and provision of environmental security.
Law on "Dekhkan economy" No.604-I of April 30, 1998	The law defines the legal basis for the creation, operation and liquidation of dekhkan farms, regulates their rights and obligations, and regulates relationships with other legal entities and individuals.
Law on "Subsoils" amended by Law № 444-II dated December 13, 2002	Ensuring rational, integrated use of subsoil to meet the needs for mineral raw materials and other needs, protection of subsoil, the environment, safety of work and protection of the rights of subsoil users, protection of the interests of the individual, society and the state.
Law on "Farming" No. 602-I of April 30, 1998 amended in August 26, 2004	The purpose of this Law is regulation of the relations in the field of creation, activities, reorganization and liquidation of farms.
Law of RU "On State Land Cadastre", August 28, 1998, No. 666-I. (Changes in NL database, 25.07.2018	Establishing the legal basis for maintaining the state land cadastre, using cadastral data for the development of the economy, ensuring guarantees of rights to land plots, rational use, restoration and protection of land.
Law "About the Forest" №770- I dated of April 15, 1999; amended by law No 475 of 16.04.2018	Regulation of relations in the field of protection, conservation, cultivation, reproduction, restoration, increase in productivity of forests and their rational use, and regulates the land use within the State Forest Fund.
Law on "Pastures" No 538 dated May 20, 2019.	Law is regulation of the relations in the field of use and protection of pastures.

 Table 7:
 Legislation, Policies, and Action Plans of Relevance to DCVDP II

Name of legislation/policy	Relevance
Government Resolution No 689 August 19, 2019 on "Regulation on maximum permissible norms for grazing cattle on pastures, the procedure for maintaining and maintaining pasture rotation"	Regulation on maximum permissible norms for grazing cattle on pastures, the procedure for maintaining and maintaining pasture rotation
Presidential decree # 5742 of 17.06.2019 on "Measures for effective use of land and water resources in agriculture"	Measures for effective use of land and water resources in agriculture
Government Resolution No. 737 of September 2019 on "Improvement of the environmental monitoring system in Uzbekistan"	Improvement of the environmental monitoring system, including quality of surface, drainage flow, air, underground water, soil salinity, water table, groundwater quality and other indicators
Presidential Decree # 5065 dated May 31, 2017 on "Measures to strengthen control over the protection and rational use of land, improve geodesic and cartographic activities, and regulate the maintenance of State cadastres"	The protection and rational use of land, improve geodesic and cartographic activities, and regulate the maintenance of State cadastres
President Decree #5199 dated October 9, 2017 on "Measures to radically improve the system for the protection of the rights and legitimate interests of farmers, dekhkan farms and owners of farmland and the effective use of agricultural areas under crop"	Protection of the rights and legitimate interests of farmers, dekhkan farms and owners of farmland and the effective use of agricultural areas under crop
Government Resolution No 290 October 20, 2014 on "Effective Management of Biological Resources"	Management and conservation of biological resources
Presidential Decree No 3932 dated October 2007on "Measures to radically improve the land reclamation system"	Improvement of the land reclamation system
STRATEGIES AND POLICIES	
Law On Agricultural Cooperative (Shirkat) № 600- I (April 30, 1998)	The law defines legal bases for the creation, operation, reorganization and liquidation of agricultural cooperatives

Name of legislation/policy	Relevance
	(Shirkats), regulates their rights and responsibilities, regulates relations with other legal entities and individuals.
Land Degradation Measures PQ-277 of June 10, 2022	Presidential Executive Decision – enacting measures to create an effective system for combating land degradation
Strategy of Actions in five priority directions of development of the RoU in 2017-2021 (2017)	Major priority directions of state policy in the medium term. Direction: "Modernization and intensive development of agriculture", including: (i) introduction of modern conservation agricultural technologies, (ii) new varieties of crops, (iii) adoption of systemic measures to mitigate the negative impact of global climate change, etc. This priority area of the Strategy is directly related to the targets of LDN
Agriculture Development Strategy of the RoU for 2020-	The strategy is directly aimed at achieving the LDN targets and achieving the SDG goals
2030	Key priorities of the Strategy:
	(i) ensuring food security of the population; (ii) creating a favorable agribusiness climate and value chains; (iii) reducing the role of the state in managing the sector and increasing investment attractiveness; (iv) ensuring rational use of natural resources and environmental protection; (v) developing modern systems of public administration; (vi) phased diversification of public spending in support of the sector; (vii) development of science, education, systems of information and consulting services in agriculture; (viii) (rural development; and (ix) development of a transparent system of sectoral statistics.
Strategy for the transition of the RoU to a Green economy in the period of 2019-2030 dated of October 4, 2019 # 4477.	The main priorities of the Green Economy Strategy in Agriculture are focused on 8 target tasks, including: (i) restoration of degraded pastures and implementation of sustainable pasture management mechanisms; (ii) introduction of organic farming methods; (iii) re- seeding crops to ensure permanent coverage of cropland surface; (iv) diversification of crops (expansion of crops of perennial tree plantations and perennial grasses); (v) attracting investment in production and processing, as well as creating value chains for agricultural and food products, etc.
	Target indicators for the implementation of the Strategy provide for: (i) reduction of specific greenhouse gas emissions per unit of gross domestic product by 10% from the 2010 level; (ii) doubling energy efficiency and reducing the carbon intensity of gross domestic product; (iii) further development of renewable energy sources, bringing their share to more than 25% of the total electricity generation; (iv) a significant increase in the efficiency of water use in all sectors of the economy, the introduction of drip irrigation technologies on an area of up to 1 million hectares and an increase in yield up to 20-40% of crops cultivated on them; (v) achieving a neutral balance of land degradation, and (vi) increasing the average

Name of legislation/policy	Relevance
	productivity of production of basic food agricultural products to 20-25%.
Supporting Uzbekistan in the transition to the path of low- carbon development of the national economy	The goal is to strengthen the national potential of Uzbekistan for an effective transition to the path of low-carbon development (promoting the development of renewable energy sources), mobilizing resources and implementing low-emission development strategies (LEDS), and using international financing of the carbon market, etc.
	Capacity building in low-carbon development is closely linked to LDN goals
Strategy for the conservation of biological diversity in the RoU for the period 2019 - 2028	The goal of the Strategy is to develop effective and urgent measures to ensure by 2029 the conservation and sustainable use of biodiversity, the functioning of ecosystems and the provision of key services.
	Priority tasks of the Strategy:
	<ul> <li>expanding the area of protected natural areas to 12 % of the country's territory;</li> <li>afforestation of the drained bottom of the Aral Sea, bringing the forest area to 1.2 million hectares;</li> <li>breeding gazelles in the Bukhara specialized nursery "Jeyran" with an increase in their number to 1,000 individuals;</li> <li>creation of a unified monitoring system for biodiversity components with a central link - reference ecosystems of state reserves;</li> <li>creation of a unified information database of state monitoring and state cadaster of biodiversity based on modern GIS technologies;</li> <li>an annual geo-botanical survey of vegetation of natural pastures and hayfields in the amount of 2 million hectares;</li> <li>integrating biodiversity conservation issues into all sectors of the economy.</li> </ul>
	Designed to implement a set of measures to achieve the guaranteed level of quality of the environment, the rational use of natural resources, the improvement and introduction of effective economic methods of environmental management, the development of industries based on environmental priorities, the creation of conditions promoting the sustainable development of the country, promotion of environmental science and implementation of education for sustainable development, wide propaganda for environmental awareness, as well as increase of the environmental culture.
ACTION PLANS	
Updated Nationally Determined Contribution (NDC) under the Paris Agreement of the UN	Uzbekistan's most recent National Communication to the UNFCCC and its updated Nationally Determined Contribution (NDC) outline priority adaptation and mitigation measures, particularly related to the energy, industrial, agriculture, waste, and land use sectors. In addition, forest resources in the country are important for

Name of legislation/policy	Relevance
Framework Convention on Climate Change (2021)	adaptation, maintaining biodiversity, and also for carbon sequestration.
Updated National Program of Action to Combat Desertification (2021) – Land Degradation Neutrality	The aim of the updated strategy is to prevent, overcome and, where possible, reverse the negative effects and impacts of desertification, land degradation and drought, in the context of supporting the country's efforts to improve welfare and ensure food and environmental sustainability, through a national land degradation neutrality strategy.
	Objectives: To increase national awareness of land degradation issues and their impact on socio-economic development. Ensuring response measures and actions to challenges, threats and constraints related to land degradation, desertification and drought. Compliance with the priorities and coordinated responsibility of key organizations in decision-making and effective implementation of the country's obligations under the UNCCD in the context of combating desertification and land degradation; Developing national capacities to integrate land management issues into national and sectoral plans and monitoring systems to implement coherent, participatory action to address the root causes of land degradation.
Environmental Action Program (EAP) 1999-2005, 2008-2012, 2013-2017	EAP covers general and cross-cutting measures and actions aimed at reducing environmental pollution, incl. the Aral Sea zone, as well as measures to improve soil fertility, afforestation, introduce low- waste technologies, increase energy efficiency and introduce renewable, environmentally friendly energy sources, and prevent transboundary pollution of the natural environment. The program is directly linked to LDN targets
State program for the development of irrigation, improvement of the reclamation state of irrigated lands and the rational use of water resources for the periods 2008-2012, 2013-2017, 2018-2019	The activities of the Program contribute to the gradual mitigation of land degradation, namely, to reduce the area of saline and wet lands, improve land conditions, prevent wind erosion and desertification, and introduce drip irrigation technologies and other methods of water conservation, in the regions of Uzbekistan. The expected results and activities of the Program as a whole in the country directly target and contribute to the achievement of the overall LDN targets.
State program for the development of the Aral Sea region for 2017-2021	The program aims to implement a set of technical and institutional interventions in the Aral Sea region, attracting internal and external investments and IFI loans, including deposits for combating desertification and managing water and land resources. The Aral Sea area is identified as a "hot spot" in Uzbekistan's National LDN TSP report and represents a top priority for funding from UN Trust Fund.
Uzbekistan on the way to 2030: Main directions of the transfer to the resource- effective model (2015)	<ul><li>The main measures to improve agricultural infrastructure and to transfer to the intensive methods of land and water use for the period until 2030:</li><li>1. Measure on amelioration: changing the cropping patterns, agronomic and agro-technical measures and the introduction of the modern agricultural technologies.</li></ul>

Name of legislation/policy	Relevance
	2. Efficient use of water resources: significant expansion of water- saving irrigation methods by 2030; improvement of the efficiency of irrigation systems up to 0.74 and support of the sustainable use and maintenance of the irrigation and drainage infrastructure;
	3. Institutional measures: reform of institutional and optimization of farm size in agricultural sector; to promote greater independence of farmers by reducing government interference of farmers by reducing government interference and to create incentives for long-term investment and the introduction of partial compensation mechanism for water supply costs for agricultural producers
State program to improve of ameliorative conditions of irrigated land and rational use of water resources for the period of 2013-2017 (2013)	<ul> <li>The program defines the complex of measures to improve ameliorative condition of irrigated lands and to ensure the rational use of water resources for the period 2013 – 2017 years, including:</li> <li>Improvement of the legal base for ameliorative improvement of the state of irrigated lands, irrigation and rational use of water resources,</li> <li>Introduction of drip irrigation systems and other water-saving technologies,</li> <li>Improving systems of water monitoring, irrigated land and soil fertility,</li> <li>Strengthening the material-technical base of operational water management and contracting organizations, specialized in the implementation of ameliorative and other water works as well as water users' associations</li> </ul>

## Table 8: Land tenure categories

Types of land tenure relevant to DVCDPII	Definition	Land use obligations	Land dimensions	Production specialization	Competen ce requireme nts	Labour used
Farm (Commerci al)	Commercial farms are legal entities that operate on leased land	The land plots provided to the farm are required by the lease agreement to be used strictly for their described purpose. They cannot be privatized, nor can they be objects of purchase and sale, mortgage, donation or, exchange. May be granted to businesses and individuals in the sublease (non- transferable) for a period of up to one year for the interim planting of crops; The right to lease a land plot can be used by a farm as collateral for obtaining loans. The length of the lease depends on the achievement of the public procurement target, up to a maximum of 50 years, but not less than 30.	The size of the farms can vary depending on the specialization of production. Farmers can only cultivate and grow agricultural products specified in the land lease agreement. Not less than 30 ha for cotton. and grain crops; for Horticulture, no more than 5 ha are permitted under one lease.	Principally Cotton, wheat	Minimum 18 years of age, experien ce or agricultu ral training in agricultu re can improve bid for contracti ng of land.	Family member s, permane nt workers and seasonal workers.

Types of land tenure relevant to DVCDPII	Definition	Land use obligations	Land dimensions	Production specialization	Competen ce requireme nts	Labour used
Dehkan farm⁵	Small-scale family farm that produces and sells agricultural products based on the personal labour of family members on a land plot provided to the head of the family for life-long inherited possession	The land plots provided to the dehkan farm in the form of a viable inherited possession (individual or legal entity) cannot be privatized and be objects of purchase and sale, mortgage, donation or exchange. They can be transferred for temporary use to legal entities and individuals for the purpose of growing agricultural products. ⁶ To obtain loans, the right to life-long inheritable ownership of a land plot can be pledged. they do not possess the right to have permanent buildings or living quarters.	In the amount of no more than 0.35 ha on irrigated and no more than 0.5 ha on non-irrigated (rainfed) lands, and in the steppe and desert zone - no more than 1 ha of rain-fed pastures.	Cereal, vegetable, fruit, livestock	Family member	Family member s. The dehkan farm cannot hire people on a permane nt basis though they can hire seasonal workers

⁵ Dehkan farms are considered the backbone of Uzbekistan agriculture, with estimates suggesting that Dehkan farms account for over 80% of beef/lamb/chicken production, 90% of milk, 80% of wool, and 60% of eggs produced annually in the country. Dehkans have also grown to occupy a significant portion of the vegetable, fruit and alternative crop sectors, and in rain-fed areas they continue to produce wheat and grain, principally for livestock feed with residues often used as household fuel for heating and cooking. Dehkan farm models are also the only tenure classes that maintain a certain degree of independence and security under the evolving legal frameworks. Some research suggest that they are more efficient than commercial farms in their use of land and labour and are more profitable and less water demanding over the long term.

Types of land tenure relevant to DVCDPII	Definition	Land use obligations	Land dimensions	Production specialization	Competen ce requireme nts	Labour used
Cooperativ e farms (Shirkats)	The economic entities with legal status, based on mutual basis and mostly family (collective) contract, a voluntary association of citizens for the production of marketable agricultural products. Along with the production of agricultural products, an agricultural cooperative or Shirkat has the right to value add, process, trade, repair and realise construction work, as well as the provide services to legal entities and individuals.	The land plots Shirkats use to conduct their activities cannot be privatized nor be objects of purchase, sale, mortgage, donation or exchange. Unused land can be provided for sublease or for temporary use to other legal entities and individuals for a period of up to three years with the right to extend land use for a new period.	In a Shirkat, by decision of the general meeting, land plots are transferred, as a rule, for temporary use for a period of at least five years to families (collectives) for the production of agricultural products on the basis of a family (collective) contract. After the expiration of the term for using the land plot, families (collectives) have the right to extend the family (collective) contract for a new period.	Land plots provided on the basis of a family (collective) contract are used strictly for their intended purpose, and no reduction in the size of arable land is permitted.	Minimum 16 years old	Cooperat ive member s and employe es