
Informe del Presidente
Propuesta de préstamo
República de Uzbekistán
Segunda Fase del Proyecto de Desarrollo de las
Cadenas de Valor Lácteas

N.º de identificación del proyecto: 2000004301

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Para aprobación

Medida: Se invita a la Junta Ejecutiva a que apruebe la recomendación que figura en el párrafo 59.

Preguntas técnicas:

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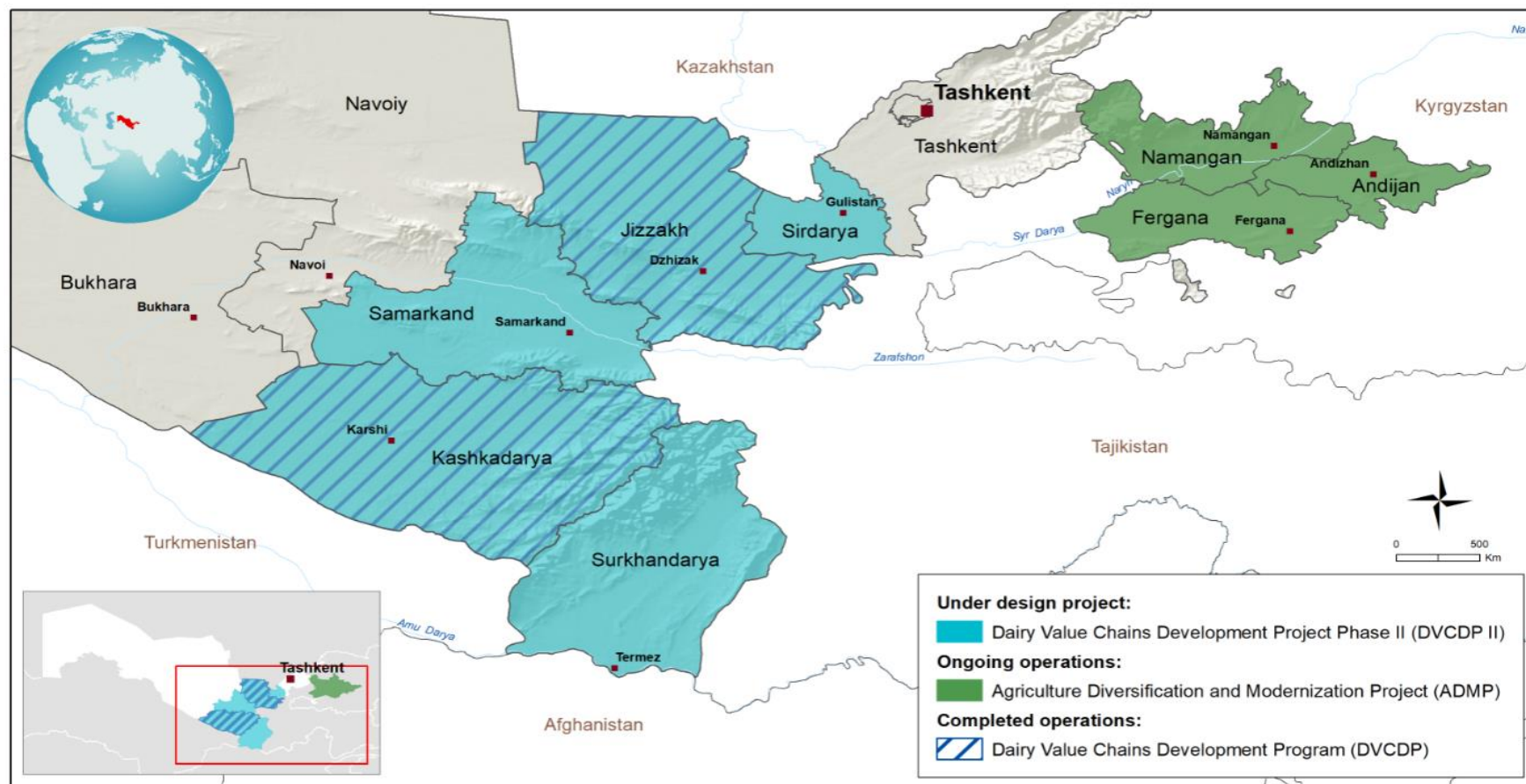
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- I. Negotiated financing agreement
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Equipo encargado de la ejecución del proyecto

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Mapa de la zona del proyecto



Las denominaciones empleadas y la forma en que aparecen presentados los datos en este mapa no suponen juicio alguno del FIDA respecto de la demarcación de las fronteras o límites que figuran en él ni acerca de las autoridades competentes.
 Mapa elaborado por el FIDA | 10-8-2023

Resumen de la financiación

Institución iniciadora:	FIDA
Prestatario/receptor:	República de Uzbekistán
Organismo de ejecución:	Comité Estatal para el Desarrollo de los Servicios Veterinarios y Ganaderos (CVLD) del Ministerio de Agricultura
Costo total del proyecto:	USD 47,4 millones
Monto del primer préstamo del FIDA:	USD 30,0 millones
Condiciones del primer préstamo del FIDA:	Condiciones combinadas con un plazo de vencimiento de 25 años, incluido un período de gracia de 5 años, con un cargo por servicios del 0,75 % anual y una tasa de interés del 1,25 % anual en derechos especiales de giro (ajustes para préstamos en una sola moneda)
Monto del segundo préstamo del FIDA:	USD 7,8 millones
Condiciones del segundo préstamo del FIDA:	Condiciones ordinarias con un plazo de vencimiento de 25 años, incluido un período de gracia de 5 años, sujeto a un interés equivalente a la tasa de interés de referencia del FIDA, incluido un diferencial variable
Contribución del prestatario:	USD 3,7 millones (en especie)
Contribución de los beneficiarios:	USD 5,1 millones (en efectivo) USD 0,8 millones (en especie)
Monto de la financiación del FIDA para el clima:	USD 14,1 millones
Institución cooperante:	Supervisado directamente por el FIDA

I. Contexto

A. Contexto nacional y justificación de la actuación del FIDA

Contexto nacional

1. La República de Uzbekistán es el país más grande de Asia central: ocupa una superficie de 447 400 km² y en 2022 contaba con una población de casi 36 millones de habitantes. En 2017 comenzó un proceso de transformación hacia una economía de mercado diversificada; entre 2010 y 2020 el crecimiento anual del producto interno bruto (PIB) se mantuvo en un constante 5 %. La tasa de pobreza se redujo del 24 % registrado en el año 2000 al 11,5 % en 2020, con la consiguiente mejora de las condiciones de vida de 2,2 millones de personas. No obstante, la pandemia de la enfermedad por coronavirus (COVID-19) detuvo los avances del país.
2. **Armonización con las prioridades nacionales.** La segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas tiene como objetivo impulsar la seguridad alimentaria nacional, reducir la pobreza y estimular el crecimiento económico.
3. **Principales actores y disposiciones institucionales.** Entre los principales actores se cuentan una serie de proveedores de servicios especializados (algunos de los que tuvieron un mejor desempeño en la primera fase del proyecto), así como organizaciones de mujeres, de productores y de jóvenes y organizaciones de base comunitaria.

Aspectos específicos relativos a las esferas transversales prioritarias del FIDA

4. Más del 57 % de la población de Uzbekistán tiene menos de 30 años y un tercio, menos de 18 años. Un estudio reciente revela que el 50 % de la gente joven no cursa estudios superiores y se incorpora a la población activa una vez finalizada la enseñanza secundaria, sobre todo en el caso de las mujeres jóvenes. La gente joven del medio rural, a menudo con escasa capacitación, se enfrenta al desempleo y el subempleo. En consonancia con los compromisos transversales del FIDA, la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas ha recibido las clasificaciones que se detallan a continuación:

- Abarca la financiación para el clima
- Tiene en cuenta a la juventud
- Tiene en cuenta la capacidad de adaptación

5. Uzbekistán tiene que hacer frente a desafíos relacionados con el cambio climático, como la escasez de agua y los fenómenos meteorológicos. Se prevé que el aumento de las temperaturas perjudique a los pastizales de libre acceso, estrese al ganado y disminuya la productividad. Para combatir estos problemas, en la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas se emplean enfoques de probada eficacia en materia de gestión de la sanidad animal, estrategias de cultivo y eficiencia hídrica. Además, se centra en la adaptación del ganado, el pastoreo rotativo y la producción optimizada de forraje.

Razones que justifican la intervención del FIDA

6. El FIDA tiene un historial relativamente largo y con buenos resultados en el sector uzbeko de la cadena de valor de la ganadería y los productos lácteos. Gracias a la primera fase del proyecto se mejoró el acceso a la financiación y se reforzaron las conexiones entre productores y elaboradores. La segunda fase del proyecto aprovechará esas conexiones para consolidar y ampliar los resultados obtenidos en la primera fase.

B. Enseñanzas extraídas

7. **Estrategia de focalización.** Sobre la base de la experiencia adquirida en la primera fase, en la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas se adopta una estrategia de focalización en favor de las personas pobres, centrandó la atención en los productores familiares, las *dehkan* (pequeñas explotaciones) y los grupos vulnerables de la cadena de valor.
8. Se dará prioridad al **desarrollo de la capacidad y a la creación de un entorno propicio.** La inversión en capacitación y asistencia técnica es crucial para integrar eficazmente a los productores en la cadena de valor.
9. Se mejorará **el acceso a la tierra y al agua** mediante la captación del agua de lluvia y la promoción de forrajes resistentes a la sequía.
10. **Establecimiento de centros de recogida de leche.** El proyecto también aborda la necesidad de establecer centros de recogida de leche mediante donaciones del Gobierno, en reconocimiento de que depender únicamente de préstamos no es realista.
11. **Mayor acceso a financiación para las mujeres y la gente joven.** Durante la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas, en colaboración con las instituciones financieras participantes, se desarrollarán productos e instrumentos financieros adaptados a las necesidades de las mujeres, la gente joven y los productores familiares no registrados.
12. **Introducción de razas mejoradas.** La segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas se centra en la generación local y la inseminación artificial en lugar de la importación de animales, en consonancia con las estrategias pecuarias nacionales y las preocupaciones medioambientales. Asimismo, se fomentan los vínculos entre los ganaderos privados que venden terneros mejorados y los ganaderos beneficiarios.
13. Se reforzarán los **servicios en las zonas más alejadas**, como los de extensión, inteligencia artificial y atención veterinaria, que son de vital importancia.
14. **El seguimiento y la evaluación (SyE) y la gestión de los conocimientos** recibirán un mayor nivel de financiación en comparación con la primera fase con el fin de garantizar una gestión eficaz del proyecto.
15. Las deficiencias de la **gestión financiera** observadas en la primera fase (por ejemplo, la ausencia de personal de gestión financiera a tiempo completo, la escasa supervisión y notificación de los flujos a las instituciones financieras participantes y la deficiente contabilidad manual) se abordarán para mejorar la transparencia y la precisión de los datos.
16. Por último, con **la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas se pretende ajustar el diseño** al estudio de viabilidad del Gobierno a fin de evitar los problemas de ejecución que se produjeron en la fase anterior.

II. Descripción del proyecto

A. Objetivos, zona geográfica de intervención y grupos objetivo

17. La segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas tiene como objetivo mejorar los ingresos y los medios de vida de los productores en pequeña escala del sector lácteo, y garantizar una cadena de valor láctea competitiva y sostenible, en consonancia con el primer y segundo objetivos estratégicos del programa de oportunidades estratégicas nacionales (COSOP) para 2023-2027, a saber: primer objetivo estratégico: aumentar la resiliencia y la productividad de los productores en pequeña escala, y segundo objetivo estratégico: mejorar el acceso de los productores en pequeña escala a sistemas alimentarios y mercados agrícolas viables.

18. **Focalización geográfica.** En el marco del proyecto se seguirá invirtiendo en las regiones de Jizzakh y Kashkadarya y se ampliará a Sirdarya, Samarcanda y Surkhandarya, con el fin de fomentar un amplio desarrollo regional. La selección dentro de estas regiones se basa en múltiples criterios, incluidos los niveles de pobreza rural, la producción lechera existente, el potencial sin explotar de los pequeños productores, las oportunidades del mercado local, la coordinación con otras iniciativas de desarrollo y la vulnerabilidad al cambio climático.
19. **Grupo objetivo.** Los beneficiarios del proyecto ascenderán a unos 31 000 hogares de las cinco regiones, entre los que habrá un 40 % de mujeres y un 30 % de jóvenes. Los principales grupos objetivo engloban: i) productores familiares vulnerables; ii) productores familiares en mejor situación económica (no registrados) y productores *dehkan* (registrados) que poseen más ganado y tienen acceso a la tierra, y iii) mujeres y jóvenes sin apenas tierra y desempleados, algunos con discapacidad, y migrantes retornados.

B. Componentes, efectos directos y actividades

20. El programa consta de tres componentes:
- **Componente 1. Mejora de la producción láctea sostenible y acceso a los servicios.** Con la atención puesta en la producción, mediante este componente se pretende mejorar la producción lechera garantizando la disponibilidad de agua y forraje de calidad, promoviendo métodos climáticamente inteligentes y empoderando a los hogares de los pequeños productores y sus grupos de interés. También se pretende mejorar el acceso de los pequeños productores a los servicios, los conocimientos y los insumos relacionados con la producción de lácteos.
 - **Componente 2. Aumento de la participación de los pequeños productores en la cadena de valor de productos lácteos.** Con el objetivo de impulsar la participación de los pequeños productores en la cadena de valor de los productos lácteos y aumentar sus ingresos, en el marco de este componente se crean 100 centros de recogida de leche y se facilita el acceso al crédito, incluida una ventanilla específica para la gente joven, las mujeres y los productores no registrados, con el apoyo de un mecanismo de garantía.
 - **Componente 3.** Este componente comprende la promoción de las políticas, la gestión de los proyectos y la coordinación. Incluye el establecimiento de una plataforma o foro nacional del sector lácteo y la participación en grupos de trabajo para influir en las políticas del Gobierno, en particular las relacionadas con la reforma agraria.

C. Teoría del cambio

21. A pesar de la significativa contribución de los productores en pequeña escala de Uzbekistán a la mano de obra y a la economía del país, su actividad está muy por debajo de sus posibilidades empresariales y se ven afectados de forma desproporcionada por la pobreza, la inseguridad alimentaria y el cambio climático.
22. Para hacer frente a este problema, se seguirán tres vías que se refuerzan mutuamente: i) producción láctea sostenible y climáticamente inteligente, mediante la adopción de nuevas prácticas ganaderas y la mejora de los servicios de extensión e investigación para los pequeños productores; ii) aumento de la competitividad de la cadena de valor de los productos lácteos, mediante un mayor acceso a los servicios financieros rurales y el apoyo a los vínculos con el mercado, y iii) desarrollo institucional y organizativo sostenible.
23. Entre los supuestos cabe citar: el interés de las instituciones financieras participantes por aumentar el acceso de los pequeños productores a los instrumentos de financiación rural; la disponibilidad de instrumentos de financiación adecuados para los pequeños productores de la cadena de valor; la

capacitación y las inversiones que den lugar a la adopción de prácticas resilientes al clima; el interés del sector privado por invertir en la cadena de valor de productos lácteos, y la adopción por parte de los pequeños productores de una mentalidad empresarial y la obtención de capacidades de gestión.

D. Armonización, sentido de apropiación y asociaciones

24. La segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas está en consonancia con el Marco Estratégico del FIDA (2016-2025)¹, la Estrategia de Desarrollo del nuevo Uzbekistán para 2022-2026 y la Estrategia de Desarrollo del Subsector Ganadero para 2021-2030 recientemente aprobada. El proyecto aprovechará las asociaciones vigentes establecidas en el marco del programa en el país.
25. **Sentido de apropiación.** Se garantizará el sentido de apropiación del país, entre otras cosas, mediante: i) la designación del Comité Estatal para el Desarrollo de los Servicios Veterinarios y Ganaderos (CVLD por su sigla en inglés) como organismo de ejecución principal; ii) la instrumentalización de los sistemas y registros de apoyo social del Gobierno para identificar y movilizar a los beneficiarios objetivo; iii) la movilización de los organismos públicos locales como principales asociados en la ejecución del proyecto (es decir, el Comité de la Mujer, las *mahalla* o comunidades locales, el Centro de Servicios Agrícolas AKIS, las universidades y los institutos de investigación), y iv) la definición de una estrategia de salida desde el principio.
26. La segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas estará en plena consonancia con otros proyectos financiados por otros asociados para el desarrollo en el sector ganadero, en particular el Banco Asiático de Desarrollo (BASD) y el Banco Mundial, a los que complementará. Esta armonización óptima con las iniciativas de otros donantes se verá propiciada por el hecho de que la ejecución de los cuatro proyectos correrá a cargo del mismo organismo de ejecución, es decir, el CVLD.

E. Costos, beneficios y financiación

Costos del proyecto

27. Se calcula que los costos totales del proyecto ascenderán a USD 47,4 millones, repartidos a lo largo de los siete años de duración del proyecto. Los gastos recurrentes del proyecto equivalen a USD 3,2 millones (el 6,8 % del costo total del proyecto), mientras que los costos de inversión constituyen el 93,2 % del costo total del proyecto. Los gastos recurrentes financiados por el FIDA representan el 6,7 % de la financiación total del FIDA, prorrogada con arreglo al Sistema de Asignación de Recursos basado en los Resultados (PBAS) y el Mecanismo de Acceso a Recursos Ajenos (BRAM), y se financian en su totalidad con recursos procedentes de la Duodécima Reposición de los Recursos del FIDA (FIDA12).
28. Los componentes 1 y 2 del proyecto en parte guardan relación con la financiación para el clima del FIDA². El monto total de la financiación para el clima concedida por el FIDA para este proyecto se estima en USD 14,1 millones.

¹ El proyecto contribuye a la consecución del Objetivo de Desarrollo Sostenible de las Naciones Unidas (ODS) 1 (fin de la pobreza), ODS 2 (hambre cero), ODS 5 (igualdad de género), ODS 8 (trabajo decente y crecimiento económico), ODS 13 (acción por el clima) y ODS 15 (vida de ecosistemas terrestres).

² Con arreglo a lo dispuesto en las metodologías que se emplean en los bancos multilaterales de desarrollo para el seguimiento de la financiación destinada a la adaptación al clima y a la mitigación de sus efectos: [MDB Methodologies for Tracking Climate Adaptation and Mitigation Finance](#).

Cuadro 1

Costos del proyecto, desglosados por componente, subcomponente y entidad financiadora

(en miles de dólares de los Estados Unidos)

Componente/subcomponente	Primer préstamo del FIDA		Segundo préstamo del FIDA		Contribución en especie del Gobierno		Contribución en especie del Gobierno (espacio de oficinas)		Contribución efectiva de los beneficiarios		Contribución en especie de los beneficiarios		Total		
	Monto	%	Monto	%	Monto	%	Monto	%	Monto	%	Monto	%	Monto	%	
1. Mejora de la producción láctea sostenible y acceso a los servicios															
1.1 Movilización de los productores y los hogares y creación de capacidad	768,9	100,0	-	-	-	-	-	-	-	-	-	-	-	768,9	1.6
1.2 Mejora del acceso al agua, la producción de forraje y las tierras de pastoreo	1 641,9	58,3	530,0	18,8	294,4	10,4	-	-	175,7	6,2	175,7	6,2	2 817,1	5.9	
1.3 Mejora de la producción de lácteos y la gestión de las explotaciones	3 020,4	93,8	-	-	110,0	3,4	-	-	44,9	1,4	44,9	1,4	3 220,3	6.8	
1.4 Mejora del acceso a los servicios de extensión, salud e insumos	1 988,9	74,7	-	-	207,2	7,8	-	-	373,8	14,0	93,5	3,5	2 663,4	5.6	
1.5 Investigación aplicada, proyectos piloto y difusión	769,8	100,0	-	-	-	-	-	-	-	-	-	-	769,8	1.6	
Subtotal	8 190,0	80,0	530,0	5,2	611,6	6,0	-	-	594,5	5,4	314,1	2,9	10 240,2	21.6	
2. Aumento de la participación de los pequeños productores en la cadena de valor de productos lácteos															
2.1 Establecimiento de centros de recogida de leche	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	
2.2 Facilitación del acceso al crédito para las partes interesadas de la cadena de valor	9 844,6	50,1	6 000,0	30,6	-	-	-	-	3 788,9	19,4	-	-	19 633,5	41.1	
Subtotal	18 070,0	55,3	7 270,0	22,2	2 307,7	7,1	-	-	4 483,0	14,5	553,3	1,5	32 684,1	68.9	
3. Apoyo en materia de políticas y coordinación y gestión del proyecto															
3.1 Apoyo en materia de políticas	468,8	100,0	-	-	-	-	-	-	-	-	-	-	468,8	1.0	
3.2 SyE y gestión de los conocimientos	466,0	100,0	-	-	-	-	-	-	-	-	-	-	466,0	1.0	
3.3.a Unidad de Gestión del Proyecto (UGP) - Taskent	1 999,5	79,1	-	-	451,8	17,9	76,3	3,0	-	-	-	-	2 527,6	5.3	
3.3.b Unidad de ejecución del proyecto (UEP) - regional	805,7	77,1	-	-	201,6	19,3	38,2	3,7	-	-	-	-	1 045,5	2.2	
Subtotal	3 740,0	83,0	-	-	653,5	14,5	114,5	2,5	-	-	-	-	4 508,0	9.5	
Total	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	

Cuadro 2

Costos del proyecto por categoría de gastos y entidad financiadora

(en miles de dólares de los Estados Unidos)

	Primer préstamo del FIDA		Segundo préstamo del FIDA		Contribución en especie del Gobierno		Contribución en especie del Gobierno (espacio de oficinas)		Contribución en efectivo de los beneficiarios		Contribución en especie de los beneficiarios		Total	
	Monto	%	Monto	%	Monto	%	Monto	%	Monto	%	Monto	%	Monto	%
I. Costos de inversión														
A. Equipo y bienes	8 044,9	62,5	1 270,0	9,9	21 318,6	18,0	-	-	694,1	5,4	553,3	4,3	12 880,9	27,2
B. Vehículos	91,4	75,0	-	-	30,5	25,0	-	-	-	-	-	-	121,8	0,3
C. Asistencia técnica	3 116,0	100,0	-	-	-	-	-	-	-	-	-	-	3 116,0	6,6
D. Capacitación	579,2	100,0	-	-	-	-	-	-	-	-	-	-	579,2	1,2
E. Consultorías	1 149,0	100,0	-	-	-	-	-	-	-	-	-	-	1 149,0	2,4
F. Estudios y talleres	1 147,6	100,0	-	-	-	-	-	-	-	-	-	-	1 147,6	2,4
G. Donaciones y subsidios	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. Ventanilla de fondos de crédito y garantía														
1. Mujeres, jóvenes, hogares no registrados	700,0	90,0	-	-	-	-	-	-	77,8	10,0	-	-	777,8	1,6
2. Productores <i>dehkan</i>	4 484,6	80,0	-	-	-	-	-	-	1 121,1	20,0	-	-	5 605,7	11,8
3. Productores privados	-	-	6 000,0	80,0	-	-	-	-	1 500,0	20,0	-	-	7 500,0	15,8
4. Elaboradores agropecuarios	3 300,0	80,0	-	-	-	-	-	-	825,0	20,0	-	-	4 125,0	8,7
5. Proveedores de servicios e insumos	1 060,0	80,0	-	-	-	-	-	-	265,0	20,0	-	-	1 325,0	2,8
6. Mecanismo de garantía	300,0	100,0	-	-	-	-	-	-	-	-	-	-	300,0	0,6
Subtotal de fondos de crédito y garantía	9 844,0	50,1	6 000,0	30,6	-	-	-	-	3 788,9	19,3	-	-	19 633,5	41,4
Total de costos de inversión	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. Gastos recurrentes														
A. Salarios	1 711,2	80,0	-	-	427,8	20,0	-	-	-	-	-	-	2 139,0	4,5
B. Funcionamiento y mantenimiento	209,9	83,3	-	-	42,0	16,7	-	-	-	-	-	-	251,9	0,5
C. Otros costos de funcionamiento	599,2	70,0	-	-	142,8	16,7	114,5	13,4	-	-	-	-	856,5	1,8
Total de gastos recurrentes	2 520,3	77,6	-	-	612,6	18,9	114,5	3,5	-	-	-	-	3 274,4	6,8
Total	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

Cuadro 3

Costos del proyecto desglosados por componente, subcomponente y año del proyecto
 (en miles de dólares de los Estados Unidos)

Componente/subcomponente	Totales incluidos los imprevistos							Total
	2025	2026	2027	2028	2029	2030	2031	
1. Mejora de la producción láctea sostenible y acceso a los servicios								
1.1 Movilización de los productores y los hogares y creación de capacidad	307,5	325,1	99,1	8,9	9,1	9,4	9,7	768,9
1.2 Mejora del acceso al agua, la producción de forraje y las tierras de pastoreo	212,6	606,8	539,6	687,6	505,7	263,9	1,5	2 817,1
1.3 Mejora de la producción de lácteos y la gestión de las explotaciones	353,8	550,2	447,7	560,5	571,3	482,4	254,5	3 220,3
1.4 Mejora del acceso a los servicios de extensión, salud e insumos	201,7	144,1	724,4	742,2	525,6	285,5	39,7	2 663,4
1.5 Investigación aplicada, proyectos piloto y difusión	50,8	146,4	150,8	155,3	137,1	123,5	6,1	769,8
Subtotal	1 126,4	1 772,7	1 961,5	2 154,5	1 748,9	1 164,8	311,4	10 240,2
2. Aumento de la participación de los pequeños productores en la cadena de valor de productos lácteos								
2.1 Establecimiento de centros de recogida de leche	463,9	4 212,7	4 334,8	2 863,0	612,0	397,5	166,7	13 050,6
2.2 Facilitación del acceso al crédito para las partes interesadas de la cadena de valor	1 682,8	5 030,0	4 830,0	4 330,0	3 130,0	630,7	-	19 633,6
Subtotal	2 146,6	9 164,8	9 164,8	7 193,0	3 742,0	1 028,2	166,7	32 684,1
3. Apoyo en materia de políticas y coordinación y gestión del proyecto								
3.1 Apoyo en materia de políticas	50,8	86,1	86,1	88,7	91,4	36,8	-	468,8
3.2 SyE y gestión de los conocimientos	195,2	18,8	18,8	74,9	20,0	20,6	118,2	466,0
3.3.a UGP - Taskent	347,0	353,7	357,7	368,5	366,1	368,1	366,5	2 527,6
3.3.b UEP - regional	129,7	149,5	150,7	152,0	153,2	154,5	155,9	1 045,5
Subtotal	722,7	636,5	613,4	684,0	630,7	580,1	640,5	4 508,0
Total	3 995,7	11 651,9	11 739,7	10 031,5	6 121,6	2 773,1	1 118,7	47 432,2

Estrategia y plan de financiación y cofinanciación

29. Se estima que el costo total del proyecto ascenderá a USD 47,4 millones a lo largo de un período de siete años. De esa financiación total, la contribución del FIDA al proyecto es de USD 37,8 millones (el 79,7 %), de los cuales USD 30,0 millones proceden de la FIDA12 con arreglo al PBAS y USD 7,8 millones se aportan con cargo al BRAM. Se espera que el proyecto obtenga una cofinanciación nacional de USD 9,6 millones, de los cuales USD 3,7 millones provienen del Gobierno (el 7,7 % del costo del proyecto), y los beneficiarios aportarán USD 5,1 millones (el 10,7 %) en efectivo y USD 0,8 millones en especie.
30. Se estudió con el BASD la posibilidad de obtener financiación paralela adicional. También cabe la posibilidad de obtener financiación para el clima del Fondo de Adaptación que podría destinarse a la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas.
31. Asimismo, se buscarán recursos adicionales para el proyecto con cargo a los recursos de la FIDA13, en unas condiciones de financiación que habrán de determinarse y con sujeción a los procedimientos internos y a la posterior aprobación de la Junta Ejecutiva.

Desembolsos

32. Los préstamos del FIDA se desembolsarán en dos cuentas designadas, denominadas en dólares de los Estados Unidos, en un banco comercial aceptable para el FIDA, sobre la base de los informes financieros provisionales presentados trimestralmente. Las cuentas del proyecto en moneda local, sum uzbeko (UZS), se mantendrán para recibir fondos de la cuenta designada. Un mecanismo de fondo rotatorio facilitará el flujo de fondos del FIDA, incluidas las transferencias a las instituciones financieras participantes y a la Empresa para el Desarrollo Empresarial (EDC) para las líneas de crédito y el fondo de garantía. La cofinanciación por parte del Gobierno será en especie, principalmente en forma de exenciones al pago de impuestos u obligaciones. Las condiciones específicas para el primer desembolso a la cuenta designada y las transferencias de fondos a las instituciones financieras participantes y a la EDC se detallarán en el convenio de financiación y en el manual de ejecución del proyecto.

Resumen de los beneficios y análisis económico

33. El análisis económico y financiero de la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas indica que las actividades previstas son adecuadas y que el proyecto es económicamente viable. La tasa de rendimiento económico de todo el proyecto es del 16,4 % y el valor actual neto económico asciende a USD 41,6 millones. El análisis de sensibilidad muestra que las hipótesis sobre el precio de la leche y la productividad repercuten de forma más significativa en los resultados de los modelos que los cambios en los costos de inversión y de funcionamiento, lo que pone de relieve la necesidad de realizar un seguimiento meticuloso. El análisis de sensibilidad también demuestra que todos los modelos siguen siendo atractivos incluso en situaciones hipotéticas en las que los costos aumentan y los beneficios disminuyen. Este grado de resiliencia demuestra la capacidad del proyecto para resistir las posibles fluctuaciones de las condiciones del mercado y de las variables financieras. Los indicadores económicos confirman que el proyecto es económicamente viable.

Estrategia de salida y sostenibilidad

34. La estrategia de salida del proyecto se basará en varios elementos presentados en el manual de ejecución del proyecto; la sostenibilidad del proyecto se garantizará mediante las medidas siguientes: i) establecer criterios participativos para los grupos de pequeños productores; ii) dar prioridad a la formación de formadores y la creación de capacidad de los asociados locales en la ejecución; iii) fomentar la participación de asociaciones entre el sector público, el sector privado y los productores y alianzas productivas para modelos operacionales económicamente

sostenibles y beneficiosos para todos; iv) promover recursos naturales y prácticas de gestión eficientes para reforzar la sostenibilidad medioambiental de la cadena de valor, y v) generar pruebas para el desarrollo de políticas en apoyo de la producción de los pequeños productores en el ámbito de las políticas.

III. Gestión de riesgos

A. Riesgos y medidas de mitigación

35. El riesgo inherente general del proyecto se considera moderado, al igual que el riesgo residual. Entre los principales factores de riesgo figuran: i) un posible desajuste entre el calendario de las reformas del Gobierno y el calendario del proyecto; ii) dificultades de carácter medioambiental que provoquen pérdidas en la productividad ganadera; iii) la pertinencia del proyecto a la vista de las limitaciones de los productores *dehkan* y la discordancia del producto financiero con los grupos vulnerables, y iv) problemas de gestión financiera y de control interno.
36. Las medidas de mitigación del riesgo son las siguientes: i) en cuanto a las estrategias y políticas sectoriales, el FIDA proporcionará apoyo en materia de políticas y mantendrá un diálogo con el Gobierno para lograr la armonización con las prioridades del proyecto y los temas del FIDA; ii) en cuanto a los riesgos relacionados con el medio ambiente y el clima, en la segunda fase del proyecto se introducirán prácticas de gestión de los recursos naturales sostenibles desde el punto de vista medioambiental; iii) en lo tocante a la pertinencia del proyecto, se desarrollarán productos financieros adaptados en favor de la población pobre, y iv) en cuanto a los riesgos relacionados con la gestión financiera del proyecto, se reforzarán los sistemas de control interno, incluida la mejora de la función financiera de la UGP, la actualización de los programas informáticos de contabilidad y el establecimiento de procedimientos financieros globales en el manual de ejecución del proyecto.

Cuadro 4

Calificación general de los riesgos

<i>Esferas de riesgo</i>	<i>Calificación del riesgo inherente</i>	<i>Calificación del riesgo residual</i>
Contexto nacional	Moderado	Moderado
Políticas y estrategias sectoriales	Considerable	Moderado
Medio ambiente y clima	Considerable	Moderado
Alcance del proyecto	Considerable	Moderado
Capacidad institucional de ejecución y sostenibilidad	Moderado	Moderado
Gestión financiera	Considerable	Considerable
Adquisiciones y contrataciones en el marco del proyecto	Moderado	Moderado
Impacto ambiental, social y climático	Moderado	Moderado
Partes interesadas	Moderado	Moderado
Riesgo general	Moderado	Moderado

B. Categoría ambiental y social

37. El riesgo medioambiental y social de la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas se califica de considerable por estar centrado en la ganadería intensiva. Los riesgos sociales incluyen el desempleo juvenil, las condiciones laborales y la violencia de género. En el marco del proyecto se abordan mediante la creación de puestos de trabajo seguros para los jóvenes y se hace frente a la violencia de género con asesoramiento. Las preocupaciones relacionadas con el medio ambiente abarcan la degradación de la biodiversidad, la extracción de agua, el uso de pesticidas, la contaminación de los productos lácteos y la gestión de los residuos. En el proyecto se pone a prueba la tecnología de gestión de los recursos hídricos, la producción sostenible de piensos y la gestión de los recursos. El componente 2 está en consonancia con la reducción sostenible de los gases de

efecto invernadero, la degradación del suelo y los impactos sobre la biodiversidad. Para garantizar que las instituciones financieras participantes sigan las normas, se adaptarán sus sistemas de gestión ambiental y social durante el proceso de diligencia debida.

C. Clasificación del riesgo climático

38. El riesgo climático asociado a la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas se considera moderado. Uzbekistán se enfrenta a vulnerabilidades relacionadas con el cambio climático atribuibles principalmente a la escasez de agua, las prácticas de riego ineficaces, la sequía y los posibles fenómenos meteorológicos extremos. Mediante la promoción de prácticas agrícolas sostenibles, el proyecto pretende reducir la vulnerabilidad a los riesgos climáticos y aumentar la resiliencia. Aborda las emisiones de gases de efecto invernadero mediante la mejora de la salud animal y la eficiencia de los piensos, pone en marcha instalaciones de energía solar y se centra en la gestión de la tierra y el suelo como medidas de secuestro.

D. Sostenibilidad de la deuda

39. Sostenibilidad de la deuda³: el riesgo de sobreendeudamiento de la deuda externa sigue siendo bajo. Se espera que la financiación externa siga proporcionando la mayor parte de la financiación a medio plazo. La evaluación del Fondo Monetario Internacional de noviembre de 2022 concluyó que el crecimiento económico del país seguía siendo firme a pesar de los nuevos vientos en contra derivados de la guerra en Ucrania, las presiones mundiales sobre los precios y el endurecimiento de las condiciones del mercado financiero mundial. También se espera que el crecimiento se mantenga con fuerza, ya que las autoridades continúan con sus firmes políticas y reformas macroeconómicas. Esto debería permitir a Uzbekistán alcanzar el objetivo de convertirse en un país de ingreso mediano alto para 2030.

IV. Ejecución

A. Marco organizativo

Gestión y coordinación del proyecto

40. **Gestión y coordinación del proyecto.** El organismo principal del proyecto será el Ministerio de Agricultura por conducto del Comité Estatal para el Desarrollo de los Servicios Veterinarios y Ganaderos (CVLD). Concretamente, el CVLD, dependiente del Ministerio, actúa como tal. Se encarga de dirigir la estrategia general del proyecto y nombrar al director del proyecto, previa aprobación del FIDA. Una UGP dentro del CVLD gestiona las actividades cotidianas. Comprende una unidad central en Taskent y dos unidades regionales en Kashkadarya y Surkhandarya, que facilitan la participación local. Además, un comité directivo del proyecto, dirigido por el Ministerio de Agricultura, supervisa los progresos del proyecto.
41. Se firmarán **instrumentos contractuales jurídicamente vinculantes** entre el organismo principal del proyecto y las otras partes del proyecto, incluidos el Comité de la Mujer de Uzbekistán, las *mahalla* (en apoyo de la selección de beneficiarios y la elaboración de mapas de beneficiarios), la Universidad Estatal Agraria de Taskent y el Instituto de Medicina Veterinaria de Samarcanda (para la investigación).

Gestión financiera, adquisiciones y contrataciones, y gobernanza

42. La unidad de gestión financiera realizará su labor desde Taskent y contratará al personal encargado de la gestión financiera mediante un proceso competitivo, previa aprobación del FIDA. La contabilidad del proyecto se llevará a cabo según el principio de caja, de conformidad con las Normas Internacionales de Contabilidad del Sector Público (IPSAS), utilizando un programa informático específico (1C) para realizar el seguimiento de las transacciones por componente y categoría de gastos.

³ Fondo Monetario Internacional (FMI), artículo VI, consulta sobre Uzbekistán, junio de 2022, confirmado en el artículo VI, julio de 2024.

Los informes financieros provisionales, incluidos los de las instituciones financieras participantes y la EDC establecido bajo el Ministerio de Economía y Finanzas para la provisión de sistemas de garantía, se presentarán al FIDA trimestralmente. Los requisitos formalizados sobre la presentación de la información financiera para las instituciones financieras participantes se estipularán por medio de un decreto presidencial como parte de los acuerdos subsidiarios de préstamo. La UGP elaborará un plan operacional anual y presupuesto conexo que se ajuste al plan de adquisiciones y contrataciones, las actividades de la línea de crédito y el documento de diseño. Se respetarán las medidas de control interno establecidas por Uzbekistán y previstas en el manual de ejecución del proyecto. A falta de una unidad de auditoría interna en el CVLD, la UGP contratará a un proveedor de servicios privado para que realice auditorías internas con el fin de llevar a cabo controles puntuales sobre la utilización de los fondos por parte de los beneficiarios, incluidas las líneas de crédito y los sistemas de garantía.

43. Una empresa independiente llevará a cabo la auditoría externa de acuerdo con las Normas Internacionales de Auditoría (NIA) y las directrices del FIDA. El alcance de la auditoría incluirá las líneas de crédito y los sistemas de garantía.
44. **Adquisiciones y contrataciones.** El riesgo inherente se considera moderado. Hasta que entre en vigor la Ley Nacional de Contratación Pública de 2021, y haya sido examinada y considerada satisfactoria por el FIDA, las adquisiciones de bienes y la contratación de obras y servicios para la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas se llevarán a cabo de conformidad con las disposiciones de las directrices del FIDA para la adquisición de bienes y la contratación de obras y servicios en el ámbito de los proyectos, en sus sucesivas versiones enmendadas, y con las disposiciones estipuladas en el convenio de financiación y en la carta al prestatario. En caso de conflicto entre los decretos, normas y reglamentos del Gobierno y las directrices del FIDA sobre adquisiciones y contrataciones, prevalecerán estas últimas.
45. **Plan de adquisiciones y contrataciones.** Anualmente se elaborará un plan de adquisiciones y contrataciones basado en el plan operacional anual y presupuesto correspondiente a nivel nacional y regional. En ese plan se especificarán los métodos de adquisiciones y contrataciones, los costos estimados, los plazos, etc. El plan consolidado, así como cualquier actualización, se presentará al FIDA para su examen previo.
46. **Gobernanza.** Según el índice de percepción de la corrupción de 2022 de Transparency International, el país ocupa el puesto 126 de un total de 180 países. Una evaluación del gasto público y responsabilidad financiera (PEFA) de 2018 reveló que la gestión de las finanzas públicas es fiable en términos de credibilidad presupuestaria, gestión de la deuda y funciones de tesorería, pero existen deficiencias en lo que respecta a la transparencia, la participación pública, la financiación extrapresupuestaria, los informes financieros anuales y la auditoría interna y externa. La Política del FIDA en materia de Prevención del Fraude y la Corrupción en sus Actividades y Operaciones está integrada en el marco jurídico del Fondo, lo que exige la rápida notificación de las denuncias de fraude o corrupción en relación con las actividades de los proyectos.

Participación y observaciones del grupo objetivo y resolución de reclamaciones

47. Se formulará y aplicará un **plan de participación de las partes interesadas** para mejorar la transparencia y las relaciones con las partes interesadas. Las campañas de información servirán para aclarar los objetivos y los mecanismos operacionales en el marco del proyecto para guiar, capacitar y financiar a los jóvenes en el inicio o la consolidación de sus actividades económicas. Las opiniones de los beneficiarios y de los asociados se recabarán de acuerdo con el manual de ejecución del proyecto.

48. **Resolución de reclamaciones.** Se establecerá un mecanismo de resolución de reclamaciones con el fin de responder a las consultas o aclaraciones sobre el proyecto, resolver cualquier problema con la ejecución y atender las quejas y reclamaciones de forma eficiente y eficaz. El proyecto aprovechará los mecanismos existentes de resolución de reclamaciones a nivel local, de distrito y nacional. Las reclamaciones serán atendidas por el especialista en género e inclusión social de la UGP y por los facilitadores regionales sobre el terreno, y se elevarán al director del proyecto, al CVLD y, en su caso, al FIDA, en función del nivel de prioridad.

B. Planificación, seguimiento y evaluación, aprendizaje, gestión de los conocimientos y comunicación

49. La UGP preparará un plan operacional anual y presupuesto correspondiente donde se describirán las actividades que se llevarán a cabo, junto con un calendario, las partes interesadas y el presupuesto y el correspondiente plan de adquisiciones y contrataciones. Gracias a un seguimiento constante del plan operacional anual y presupuesto correspondiente por parte del responsable de SyE, se garantiza la evaluación del uso de los recursos.
50. La UGP establece un sistema de SyE para cumplir los requisitos del FIDA y del Gobierno. El sistema de SyE medirá la consecución de los resultados previstos, validará la teoría del cambio del proyecto para la toma de decisiones fundamentadas y extraerá enseñanzas de la experiencia de ejecución.
51. Como parte del aprendizaje, la gestión de los conocimientos y la comunicación, en el marco del proyecto se fomentará el intercambio y la puesta en común de conocimientos técnicos entre los diferentes actores. La UGP, en estrecha colaboración con el Gobierno, las *mahalla* y otras partes interesadas, desarrollará y aplicará una estrategia integrada de gestión de los conocimientos y de comunicación.

Innovación y ampliación de escala

52. La segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas:
- i) introducirá el novedoso concepto de escuelas de campo para ganaderos en Uzbekistán;
 - ii) incorporará servicios de extensión a través de los medios de comunicación para las pequeñas explotaciones;
 - iii) apoyará la privatización de los (para)veterinarios;
 - iv) establecerá grupos y registros de cría;
 - v) convocará una licitación para propuestas de estudios de maestría científica sobre temas pertinentes para las pequeñas explotaciones;
 - vi) creará grupos de producción de forraje y de prestación de servicios para la gente joven, y
 - vii) ampliará los centros de recogida de leche bajo un modelo de gestión cooperativa y en colaboración con el Comité de la Mujer.

C. Planes para la ejecución

Preparación para la ejecución y planes para la puesta en marcha

53. Entre la aprobación y la puesta en marcha de la segunda fase del proyecto, la UGP llevará a cabo las siguientes actividades de preparación: i) contratar al personal clave; ii) establecer el sistema de contabilidad; iii) preparar el primer plan operacional anual y presupuesto correspondiente y el plan de adquisiciones y contrataciones; iv) ultimar las directrices de inversión, el estudio de referencia y la cartografía de los beneficiarios, y contratar al operador que facilitará el acopio, y v) organizar un taller de puesta en marcha. Se podrá conceder un anticipo inicial de hasta USD 300 000 con cargo al préstamo del FIDA para sufragar los gastos derivados de la puesta en marcha del proyecto antes de que se cumplan las condiciones previas a la retirada de fondos.

Supervisión, examen de mitad de período y planes de finalización

54. La supervisión de la segunda fase del Proyecto de Desarrollo de las Cadenas de Valor Lácteas se llevará a cabo conjuntamente por el FIDA y el Gobierno a través de misiones anuales de apoyo a la ejecución y de supervisión durante el período de ejecución del proyecto. Se organizarán cuatro misiones anuales durante todo el período de ejecución. Al término del cuarto año de ejecución se efectuará un examen de mitad de período.
55. **Finalización del proyecto:** Tras la fecha de finalización del proyecto y a más tardar en la fecha de cierre, el FIDA, en colaboración con el CVLD, preparará un informe final de proyecto de conformidad con las normas del FIDA. Además, la UGP llevará a cabo una evaluación del impacto del proyecto para fundamentar adecuadamente el informe final.

V. Instrumentos jurídicos y facultades

56. Un convenio de financiación entre la República de Uzbekistán y el FIDA constituye el instrumento jurídico para la concesión de la financiación propuesta al prestatario. Se adjunta como apéndice I una copia del convenio de financiación negociado.
57. La República de Uzbekistán está facultada por su legislación para recibir financiación del FIDA.
58. Me consta que la financiación propuesta se ajusta a lo dispuesto en el Convenio Constitutivo del FIDA y en las Políticas y Criterios en materia de Financiación del Fondo.

VI. Recomendación

59. Recomiendo a la Junta Ejecutiva que apruebe la financiación propuesta con arreglo a lo dispuesto en la resolución siguiente:

RESUELVE: que el Fondo conceda un préstamo en condiciones combinadas a la República de Uzbekistán por un monto equivalente a treinta millones de dólares de los Estados Unidos (USD 30 000 000), conforme a unos términos y condiciones que se ajusten sustancialmente a los presentados en este informe.

RESUELVE ADEMÁS: que el Fondo conceda un préstamo en condiciones ordinarias por un monto equivalente a siete millones ochocientos mil dólares de los Estados Unidos (USD 7 800 000), conforme a unos términos y condiciones que se ajusten sustancialmente a los presentados en este informe.

Álvaro Lario
Presidente

Negotiated financing agreement

Loan No: _____

Loan No: _____

Project name: *Dairy Value Chains Development Project II ("DVCDP II "or the "Project")*

The Republic of Uzbekistan (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS:

- A.** The Borrower requested a financing in the form of two loans from the Fund for the purpose of financing the Project, as further described in Schedule 1 to this financing agreement;
- B.** It is expected that the Project will be co-financed by various sources, such as other international financial institutions and donors active within the Republic of Uzbekistan and other potential co-financiers;
- C.** The Borrower has undertaken to provide additional support, that may be needed to the Project; and
- D.** The Fund agreed to provide financing for the Project.

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this present financing agreement (the "Agreement"): i) this document (the "Special Conditions"); ii) the Project Description and Implementation Arrangements, attached in Schedule 1 hereto; iii) the Allocation Table, attached in Schedule 2 hereto; iv) the Special Covenants, attached in Schedule 3 hereto; and v) the Eligibility criteria for PFIs, attached in Schedule 4 hereto.

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide two (2) loans, a loan A (the "Loan A") and a loan B (the "Loan B") (collectively referred to as the "Financing") to the Borrower which the Borrower shall use solely in order to implement the Project in accordance with the terms and conditions stipulated within this present Agreement.

4. *Credit lines and Guarantee mechanism.*

A. Definitions. For the avoidance of doubt and regarding activities falling under:
Component 1: Improving and increasing sustainable climate smart dairy production and access to required services; and Component 2. Increasing participation of small-scale farmers in the dairy VC and Sub-component 2.2. – Facilitating access to credit for stakeholders in the dairy VC; the following definitions shall apply:

"*Commercial Banks*" shall mean any commercial bank established and operating in compliance with all banking laws and prudential regulations of the Central Bank of Uzbekistan (the "CBU"), and which are eligible to receive subsidiary loans from the Borrower and to enter into a Subsidiary Loan Agreements with eligible beneficiaries of sub-loans;

"*Participating Financial Institution*" or "*PFI*" shall mean, a Commercial Bank selected by the Borrower and subject to IFAD's no-objection for the provision of Subsidiary Loan Agreements;

"*PFI Subsidiary Loan Agreement*" means a loan agreement between the Borrower and each of the eligible PFIs with respect to the implementation of Activity 2.5 – Extending lines of credit to banks and developing tailored financial products for the dairy sector as the same may be amended or otherwise modified from time to time only with the prior consent of the Fund; a Subsidiary Loan Agreement shall include right of access to PFI records by project's auditors, PMU staff and IFAD for purposes of supervision.

B. Selection of PFIs. Eligible PFIs will be selected in line with the agreed eligibility criteria and through a competitive tender process open to Commercial Banks, upon IFAD's non-objection. The applicable due diligence process will be led by the Project Management Unit (the "PMU") and shall be subject to IFAD's no objection.

The applicable indicative eligibility criteria for the selection of PFIs as further detailed in Schedule 4 to this Agreement have been agreed between the Parties. During Project implementation these criteria may be modified, following the PIU's suggestion and upon IFAD's no-objection.

Eligible PFIs shall be responsible for identifying sub-borrowers and for following the eligibility criteria for sub-loan beneficiaries described in the PFI Subsidiary Loan Agreements. The PFIs shall assume the full credit risk on all sub-loans financed under the Project. The terms and conditions applicable to PFI Subsidiary Loan Agreements and to sub-loan agreements shall be subject to IFAD's no-objection.

Section B

1.
 - A. The amount of the Loan A is of thirty million US dollar (USD 30 000 000).
 - B. The amount of the Loan B is of seven million eight hundred thousand US dollar (USD 7 800 000).

2. Loan A is granted on blend terms and shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of Loan A by the Fund's Executive Board (the "EB"). The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's EB. The principal of Loan A will be repaid in equal instalments.

3. Loan B is granted on ordinary terms and shall be subject to interest on the principal amount outstanding of the Loan B, at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twenty-five (25) years, including a grace period of five (5) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
4. The Loan Service Payment Currency shall be in US dollar (USD).
5. The first day of the applicable Fiscal Year shall be 1 January.
6. Payments of principal, interest and service charge of the Loans shall be payable on each 20 January and 20 July.
7. The Borrower shall confirm two (2) Designated Accounts (the "DA") in USD, at a bank acceptable to IFAD, for the exclusive use of the Project, in order to receive the proceeds of the Loan A and Loan B, respectively.
8. The Project Implementation Unit (the "PIU"), as further described in Schedule 1 of this present Agreement, shall open and maintain two separate Project Accounts (the "PA"), one for credit lines and one for other eligible project expenditure, respectively, in UZS currency at a commercial bank acceptable to IFAD, for the exclusive use of the Project, in order to receive the proceeds of the IFAD Financing from the DAs.
9. The Borrower shall cause the Entrepreneurship Development Company (the "EDC") to open and maintain one separate account in order to receive funds from the DA-Loan A for the Rural Guarantee Fund (the "RGF").
10. The Borrower shall cause each eligible PFI to open and maintain:
 - two separate accounts, one in USD and one in UZS, in order to receive proceeds of the Financing from the DAs and the PA for credit lines to Project's beneficiaries, respectively;
 - two separate accounts, one in USD and one in UZS, to receive the reflows from the credit lines. The Borrower shall inform IFAD of the persons entitled to operate such accounts.
11. The Borrower shall provide counterpart financing in-kind in the form of exemptions on taxes and custom duties in the amount of approximately USD 3 570 000. The Borrower will also contribute in-kind in the form of office space for the Project approximately in the equivalent amount of USD 110 000.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture (the "MoA") through the Committee of Veterinary and Livestock Development (the "CVLD") (both referred to as the "LPA").
2. The following are designated as additional Project parties (the "Additional Project Parties"): i) the Women Committee of Uzbekistan; ii) the Mahallah; iii) the University State Agrarian University; iv) the EDC v) eligible PFIs and vi) the Veterinary University in Samarkand.

3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

4. The Project Completion Date shall be the seventh (7th) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.

5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Fund's Project Procurement Guidelines dated December 2019, as may be amended from time to time by the Fund.

Section D

1. The Fund will administer the Financing and will supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement, complementing Article XII, Section 12.01 - Suspension by the Fund of the GCs:

(a) i. The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without IFAD's prior agreement; and IFAD, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.

ii. The Parties agree that under the rules and regulations of the Borrower a feasibility study, according to the national legislation is required prior to the implementation of the Project. IFAD shall cover the costs of the Study and both Parties shall approve it.

For the avoidance of doubt, the feasibility study will be provided in English and/or any provision thereof, should not be waived, suspended, terminated, amended or modified without IFAD's prior agreement.

(b) In the event that the Borrower did not request a disbursement of the Financing for a period of at least twelve (12) consecutive months without valid justification.

(c) In the event that within twelve (12) months of the entry into force of this present Agreement, the Project has not entered into relevant agreements with the Additional Project Parties (a list of which shall be agreed and revised on a timely basis by the Parties), as further defined in Section C para 2 of the Special Conditions, that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting, subject to IFAD no-objection.

2. The following are designated as additional grounds for cancellation of this Agreement:

In the event that the Borrower did not request a disbursement of the Financing for a period of at least twelve (12) months without justification.

3. The following are designated as additional general conditions precedent to withdrawal:

- (a) The IFAD no objection to the PIM shall have been obtained and no change and/or any provision thereof, has been waived, suspended, terminated, amended or modified without IFAD's prior agreement;
 - (b) Key Project staff, as further defined in Schedule III- Section 11 of the Special Conditions shall be competitively recruited, following an open call and shall be timely appointed subject to IFAD's no-objection;
 - (c) A suitable accounting software, with fully automated accounting and financial reporting functions is in place in compliance with IFAD's requirements; and
 - (d) The opening of a designated account (the "DA") in compliance with Section B paragraph 7 of this Agreement.
4. The following are designated as additional specific conditions precedent to withdrawal:
- (a) No proceeds from the Financing will be disbursed by the Borrower to EDC for the RGF prior to the fulfilment of the following conditions:
 - i. The signature and entry into force of the agreement between the Borrower and EDC subject to IFAD no-objection; and
 - ii. The Borrower has complied with Section B paragraph 9 of the Agreement.
 - (b) No proceeds from the Financing will be disbursed by the Borrower to PFIs for Credit Lines prior to the fulfilment of the following conditions:
 - i. The signature and entry into force of the agreements between the Borrower and eligible PFIs, subject to IFAD no-objection;
 - ii. The formalisation, in accordance with the applicable regulation, of the financial reporting requirements in the agreements with the eligible PFIs; and
 - iii. The Borrower has complied with Section B paragraph 10 of the Agreement.

5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

For the Fund:

International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

Copy to:

If applicable, The Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement, dated _____, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the [Borrower/Recipient].

REPUBLIC OF UZBEKISTAN

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____⁴

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

⁴ In case the FA is not signed in IFADHQ

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Target Population.** The Project shall benefit_ approximately 31,000 households, with 40% being women and 30% youth. The main target groups encompass: a) Vulnerable household farmers; b) better-off household farmers (unregistered) and dekhan farmers (registered) owning larger livestock and having access to land; c) Near landless and unemployed women and youth, some with disabilities and returning migrants.
2. **Project area.** The Project will invest in five regions – Jizzakh, Kashkadarya - Sirdarya, Samarkand, and Surkhandarya (the “Project Area”).
3. **Goal.** The goal of the Project is Reduce poverty level among small scale dairy producers and mitigate the impacts of climate change in the sub-sector.

Objectives. The objective of the Project 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.

4. **Components.** The Project shall consist of the following Components:

Component 1: Improving and increasing sustainable climate smart dairy production and access to required services. This component is focusing on production as well as increasing and improving access to suitable dairy production services, knowledge and inputs for smallholders and strengthening institutional capacity for smallholder dairy development.

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. Most training activities will be delivered through the implementation of farmer-to farmer and learning by doing methodologies, most notably Livestock Farmer Field Schools.

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 dekhan and private farms on best practices for improved water management and irrigation.

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. The Project will provide training to the targeted farmers, following a Livestock Farmer Field School (L-FFS) model.

Activity 1.4: Improving access to extension, health and input services. Extension will complement the farmer field school training that project smallholder farmers receive. 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.

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 dairy management practices.

Component 2: Increasing participation of small-scale farmers in the dairy VC. The aiming of this component is to increased participation of smallholder farmers in the dairy and enhance the competitiveness of the value chain.

Sub-Component 2.1: Establishing Milk Collection Centres

Activity 2.1 – Construction and equipment of new Milk Collection Centres. During DVCDP, four MCCs were established by the end of the Project.

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.

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.

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.

Sub-component 2.2: Facilitating access to credit for stakeholders in the dairy VC. Under this subcomponent the Project will extend lines of credit to banks and developing tailored financial products for the dairy sector. This will be achieved through:

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).

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.

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.

Component 3: Policy support and Project coordination and management. This component involves policy advocacy, project management, and coordination. It includes establishing a national dairy platform/forum and participating in working groups to influence government policy, particularly related to land reform.

Sub –Component 3.1: Policy support. This subcomponent will foresee the *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 platform will 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. 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 Implementation Unit. The Project will support the establishment of PIU within the CLVD for the day-to-day management and implementation of project activities. The PIU will consist of: (i) a **central unit in Tashkent**, and (ii) **two decentralized units in Kashkadarya and Surkhandarya regions**,

II. Implementation Arrangements

5. *Lead Programme Agency*: The Lead Project Agency (the "LPA") shall be the Minister of Agriculture (the "MoA") through the Committee of Veterinary and Livestock Development (the "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 no objection.

6. **Project Steering Committee (PSC)** will be established to oversee the implementation and progress, provide strategic guidance and ensure alignment with national policies.

7. *Programme Implementation Unit*. A PIU 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.

8. *Implementing partners*. **Agreements or other relevant contractual arrangements** will be concluded between the PIU and envisaged implementing partners, as further defined in Section C para 3 of the Agreement.

9. *Monitoring and Evaluation*. In alignment with the directives of RoU 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 including the appointment of one full-time dedicated M&E Specialist based in Tashkent, and the 2 Regional Field Facilitators (RFFs) in Surkhandarya and Kashkadarya regions.

A Monitoring Information System (MIS) will be set-up at the project's start to allow systematic and consistent data collection.

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.

10. *Knowledge Management*. The overall purpose of knowledge management is to help build a credible knowledge base through practical 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.

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.

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

11. *Programme Implementation Manual*. The Project Implementation Manual (PIM) has been developed to determine implementation arrangements of the 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 LPA 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 to the 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 for approval 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.

Schedule 2

Allocation Table

1. Allocation of the Financing Proceeds.

(a) The Table below sets forth the components eligible for expenditure under the Financing, the amounts of the Financing allocated to each component and the percentages of expenditures for items to be financed in each component:

Component	IFAD Loan A (expressed in USD)	IFAD Loan B (expressed in USD)	Percentage (net of Taxes, Government and Beneficiaries' contributions)
COMPONENT 1	8 190 000	530 000	100%
COMPONENT 2	18 070 000	7 270 000	100%
COMPONENT 3	3 740 000		100%
TOTAL	30 000 000	7 800 000	

(b) The terms used in the Table above are defined as follows :

- (i) Components are defined in Schedule 1;
- (ii) Expenditure for *Component 1* will include technical assistance, training, studies and workshops, consultancy services, equipment and materials;
- (iii) Expenditure for *Component 2* will include equipment and materials, training, as well as credit to the following beneficiary groups: (i) Women, youth, non-registered households; (ii) Dekhan farmers; (iii) Private farmers; (iv) Agri processors; (v) Service providers; (iv) Guarantee fund. Detailed financial allocations to each of these groups will be provided in the Project's Annual Work Plan and Budget (AWPB) subject to IFAD no-objection; and
- (iv) Expenditure for *Component 3* will include technical assistance, training, studies and workshops, consultancy services, equipment and materials, vehicles, salaries and operating costs.

2. Disbursement arrangements

Start-up Advance. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of three hundred thousand US Dollar (USD 300 000). Activities to be financed by the Start-up Advance will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Financing Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project.

1. **Financial Management.** The Chief Accountant and the Financial Specialist shall have completed the IFAD e-learning course on financial management (FM) within three (3) months from the date of his/her appointment in the PMU.
2. **Planning, Monitoring and Evaluation.** The Borrower shall ensure that either (i) an updated Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement; or ii) a new Planning, Monitoring and Evaluation (PM&E) system shall be established within eighteen (18) months from the date of entry into force of this Agreement.
3. **Gender.** The Borrower shall ensure that the resources and benefits of the Project, to the fullest extent practicable, are allocated among the Target Population using gender disaggregated methods.
4. **Anticorruption Measures.** The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
5. **Sexual Harassment, Sexual Exploitation and Abuse.** The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
6. **Use of Project Vehicles and Other Equipment.** The Borrower shall ensure that:
 - (a) all vehicles and other equipment procured under the Policy Support and project management Component 3 of the Project are allocated to the PIU in Tashkent and to the regional offices for Project implementation;
 - (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project;
 - (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use; and
 - (d) At Project closure, the Borrower shall confirm that all procured assets under the Project are properly transferred.
7. **IFAD Client Portal (ICP) Contract Monitoring Tool.** The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

8. **Scope of External Audit.** Project's external audit scope shall include scrutiny of credit lines and guarantee fund activities, through end-use review, including auditor's field visits to PFIs and beneficiaries, to verify use of the IFAD Loans for Project's eligible expenditures.

9. **Utilization funds.** After Project Financing Closure:

- i. All funds revolved and/or to be revolved to PFIs, from the repayment of beneficiaries' credit lines funded by IFAD, shall be used by PFIs to finance projects under the same conditions of DVCDP 2, as it will be set in the relevant agreements between the Borrower and eligible PFIs;
- ii. Any outstanding balance on the bank account held by EDC for the RGF, shall continue to be administered by EDC in order to guarantee groups of final beneficiaries similar to those targeted under DVCDP II, as it will be set in the relevant agreement between the Borrower and EDC.

10. **Key Project Personnel.**

- i. The Key Project Personnel shall be: i) Project Manager, ii) Chief Accountant, iii) Officer for Monitoring and Evaluation, iv) Procurement Officer, v) Social Inclusion and Gender Specialist, vi) Environment and Climate Assessment Specialist.
- ii. In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the PMU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Borrower/Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Agreement and/or in the Management Plan(s), if any.

2. For Projects presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or

Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIA and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Borrower has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower shall not, and shall cause the Lead Project Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The Borrower shall cause the Lead Project Agency to comply at all times while carrying out the Project/Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

6. The Borrower shall ensure or cause the LPA and the Additional Project Parties to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

7. The Borrower will ensure that a Project-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project - level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Borrower/Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower/Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. The Borrower shall ensure or cause the LPA, the Additional Project Parties, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

10. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports ; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

11. The Borrower shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project.

12. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

Schedule 4

Indicative Eligibility criteria for PFIs⁵

Requirement	Means of verification and monitoring	
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	
Be interested and committed to servicing the range of clients, who are the intended beneficiaries of the Project	Initial Due Diligence, on-going updates	
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	
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	
Have the necessary staff, knowledge, physical and other resources to implement the credit lines under the Project	Initial Due Diligence, on-going updates	
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	
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	
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	
Have the aggregate share of sub-loans outstanding under DVCDP not exceeding [50%] of capital according to IAS	Project data, Audited financial statements	

⁵ Any changes to this Schedule, as agreed between the Parties, shall not require an amendment to this present Agreement.

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	
Have a qualified and capable management team		
Have a sound business plan and appropriate budgeting and budget control procedures	Initial Due Diligence, Business Plan	
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	
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	
Not be exposed to undue interest rate risk, as confirmed by annual audited financial statements	Initial Due Diligence, Audited financial statements	
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	

Logical framework

Results Hierarchy	Indicators			Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	
Outreach Number of persons receiving services promoted/ supported by the project and corresponding number of households reached and estimated corresponding total number of HH members (based of HH average size of 5.7 members)	1 Persons receiving services promoted or supported by the project				M&E system	Annual/Semi-annual	aw M&E unit, Component leads
	Males - Males	0	7,440	18,600			
	Females - Females	0	4,960	12,400			
	Young - Young people	0	3,720	9,300			
	Total number of persons receiving services - Number of people	0	12,400	31,000			
	1.a Corresponding number of households reached				M&E system	Annual/Semi-annual	PMU M&E unit, Component leads
	Women-headed households - Households	0	124	310			
	Non-women-headed households - Households	0	12,276	30,690			
	Households - Households	0	12,400	31,000			
	1.b Estimated corresponding total number of households members				M&E system	Annual/Semi-annual	PMU M&E unit
Household members - Number of people	0	70,680	176,700				
Project Goal Reduce poverty level among small scale dairy producers and <i>mitigate the impacts of climate change in the sub-sector</i>	Households experiencing economic mobility (proxied by asset indicators i.e. Household, durable, productive, and livestock)⁶				COI survey ⁷	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors
	Households - Number	0	3,100	7,750			
	Households - Percentage	0	10	25			
	3.2.1 Tons of Greenhouse gas emissions (tCO₂e) avoided and/or sequestered				FAO Ex-ACT and GLEAM-I assessment	Baseline, Mid-term, Endline	FAO, IFAD's ECG Division, PMU M&E unit,
	Hectares of land - Area (ha)	0		25,000			
	tCO ₂ e/20 years - Number	0		TBC			
	tCO ₂ e/ha - Number	0		TBC			
tCO ₂ e/ha/year - Number	0		TBC				
Tons of carbon avoided ⁸	0						
Development Objective to improve the income and the livelihood of small-scale producers involved in a competitive and sustainable dairy value chain and promote food security	Households reporting an increase in resilience and recovery to shocks				COI survey ⁹	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors
	Households - Number	0	3,100	7,750			
	Households - Percentage (%)	0	10	25			
	Households reporting an increase of incomes deriving from livestock or dairy production				COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors
	Households - Number	0	9,920	24,800			
	Households - Percentage (%)	0	32	80			
	Percent reduction in the prevalence of moderate or severe food insecurity among beneficiary households (FIES)				COI Survey (FIES Methodology)	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors
	Percent reduction	0	5	15			
	SF.2.1 Households satisfied with project-supported services				COI survey	Baseline, Mid-term, Endline	
	Household members - Number of people	0	53,010	132,525			

⁶ 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.

⁷ The questionnaire for project specific indicators in the Log-Frame will be integrated in the COI module.

⁸ Through the deployment of solar electricity.

⁹ The questionnaire for project specific indicators in the Log-Frame will be integrated in the COI module.

smart dairy production through improved fodder and feed production, animal husbandry, water access and land use	Women-headed households - Number	0	93	232			PMU M&E unit, Baseline, Mid-term and Impact assessment contractors		
	Households - Percentage (%)	0	30	75					
	Households – Number	0	9,300	23,250					
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers					COI Survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors	
	Household members - Number	0	53,010	132,525					
	Women-headed households – Number	0	93	232					
	Households - Percentage (%)	0	30	75					
	Households (number) - Households	0	9,300	23,250					
	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices¹⁰					COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors	Trainings and investments result in adoption of adequate climate resilient practices
	Household members - Number	0	42,408	106,020					
Households - Percentage (%)	0	24	60						
Households - Number	0	7,440	18,600						
3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices					COI Survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors		
Household members - Number	0	49,476	123,690						
Households - Percentage (%)	0	28	70						
Households – Number	0	8,680	21,700						
1.2.3 Households reporting reduced water shortage vis-à-vis production needs					COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors		
Households - Percentage (%)	0	40	80						
Households – Number	0	1600	3200 ¹¹						
Total number of household members	0	9120	18,240						
1.2.9 Households with improved nutrition Knowledge, Attitudes and Practices (KAP)¹²					COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors		
Households (number)	0	11,200	22,400						
Households (%)	0	40	80						
Household members	0	63,840	127,680						
Percentage increase in milk production					COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors		
Litre/cow/day	0	12.5	25						
Output									
1.1 Training and capacity building of dairy value chain actors	1.1.4 Persons trained in production practices and/or technologies					M&E system, Service provider records	Annual/Semi-annual	PMU M&E unit, Service Providers/external trainers	Adequate level of adoption of management practices in milk production by the farmers
	Total number of attendances to training sessions ¹³	0	18,798	31,330					
	Men trained in crop	0	1349	2,249					
	Women trained in crop	0	556	926					
	Young people trained in crop - Young people	0	465	775					
	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 climate-resilient practices					M&E system GIS	Annual/Semi-annual	PMU M&E unit, Component lead	Access to land and water technologies for the smallholders is facilitated	
1.2 Access to technology, inputs and improved	Hectares of land	0	12,500	25,000					
1.1.3 Rural producers accessing production in puts and/or technological packages					M&E system	Annual/Semi-annual	PMU M&E unit, Component lead		
	Males – Number	0	6,688	13,377					

¹⁰ 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.

¹¹ 80% of 4000 households benefiting from 20 water points constructed/rehabilitated.

¹² The outcome for the target under Outputs CI 1.1.8 will be reported under Outcome CI 1.2.9.

¹³ The sum of Total persons trained in each sector.

access and use of land and water	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 accessing technological packages				M&E system	Annual/Semi-annual	PMU M&E unit, Component lead	
	Males – Number	0	552	920				
	Females – Number	0	48	80				
	Young – Number	0	420	700				
	Total rural service providers - Number	0	600	1,000				
Household members benefitted - Number	0	3,420	5,700					
Output 1.3 Improved nutrition sensitive production and farm management	1.1.8 Households provided with targeted support to improve their nutrition				M&E system, Service provider records	Annual/Semi-annual	PMU M&E unit, Service providers in charge of the implementation of nutrition related activities	Small scale producers face no issues with physical availability of food
	Total persons participating – Number	0	14,000	28,000				
	Males – Number	0	8,400	16,800				
	Females – Number	0	5,600	11,200				
	Young – Number	0	4,200	8,400				
	Households – Number	0	14,000	28,000				
	Household members benefitted - Number	0	79,500	159,600				
Output 1.4. Applied research, pilots and dissemination	No of applied research studies		1	2	M&E system	Annual/Semi-annual	PMU M&E unit, Component lead	
	No of MSC research studies		2	4				
Outcome 2: Increased competitiveness of the dairy value chain through enhanced business linkages, service provision, and financial innovations	2.2.1 Persons with new jobs/employment opportunities¹⁴				COI Survey, M&E system	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors	Interest of Partner Financial Institutions (PFI) to increase access to rural finance products for small-scale farmers. Interest of private sector entities in participating in the project. Dairy producers groups' capacity is strengthened to manage efficiently the business of milk production Interest of private sector to invest in the dairy VC Smallholders adopt a business mindset and acquire management skills
	Males	0	752	1505				
	Females	0	95	190				
	Young	0	589	1179				
	Total number of persons with new jobs/employment opportunities	0	847	1695				
	1.2.5 Households reporting using rural financial services				COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors	
	Total number of household members	0	2287	3,944				
	Households - Percentage (%)	0	46%	80%				
	Households – Number	0	401	692				
	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities				COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors	
	Number of POs -	0	61	122				
	Total number of POs members	0	1408	2817				
	Women PO members	0	561	1122				
	Men PO members	0	847	1695				
	Young PO members	0	428	857				
2.2.6: Households reporting improved physical access to markets, processing and storage facilities				COI survey	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors		
Households reporting improved physical access to storage facilities (number)	0	7,916	10,416					
Households reporting improved physical access to storage facilities (%)	0	60%	80%					

¹⁴ 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.

	Size of Households (number of people) -storage facilities	0	45,121	59,371				
Output 2.1. Improved milk collection, aggregation and processing through productive Alliances, 4Ps and cluster approaches	2.1.2 Persons trained in income-generating activities or business management				M&E system, Service provider records	Annual/Semi-annual	PMU M&E unit, Service providers/external trainers	
	Persons trained in IGAs or BM (total)	0	17,847	29,745				
	- Males	0	10,178	-16,963				
	- Females	0	7,669	12,782				
	- Young	0	5,646	9,410				
	2.1.3 Rural producers' organizations supported				M&E System	Annual/Semi-annual	PMU M&E unit, Component lead	
	Rural POs supported (number)	0	612	1,225				
	- 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	0	6	12					
2.1.6 Market, processing or storage facilities constructed or rehabilitated¹⁵				M&E System	Annual/Semi-annual	PMU M&E unit, Component lead		
Total number of facilities	0	76	100					
Storage facilities constructed/rehabilitated	0	76	100					
Output 2.2: Increased access to credits by value chain actors	1.1.5 Persons in rural areas accessing financial services				M&E system, PFI records	Annual/Semi-annual	PMU M&E Unit, PFIs	Adequate financing instruments available for the smallholders in the VC
	Men in rural areas accessing financial services - credit - Males	0	380	655				
	Women in rural areas accessing financial services - credit - Females	0	122	210				
	Young people in rural areas accessing financial services - credit - Young people	0	122	211				
	Total persons accessing financial services - credit - Number of people	0	502	865				
Outcome 3: Sustainable institutional and organisational development in the dairy sector	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				M&E system, relevant legal in-country institutions	Baseline, Mid-term, Endline	PMU M&E unit, Baseline, Mid-term and Impact assessment contractors	Interest and motivation among dairy value chain actors
	Number		0	0				
Output 3.1 Dialogue between dairy sector stakeholders strengthened.	Policy 2 Functioning multi-stakeholder platforms supported				M&E system	Annual/Semi-annual	PMU M&E unit	
	Number		0	4				

¹⁵ 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.

Integrated project risk matrix

Overall Summary

Risk Category/ Subcategory	Inherent risk	Residual risk
Country Context	Moderate	Moderate
<i>Political Commitment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Governance</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Macroeconomic</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Fragility and Security</i>	<i>Moderate</i>	<i>Low</i>
Sector Strategies and Policies	Substantial	Moderate
<i>Policy alignment</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Policy Development and Implementation</i>	<i>Substantial</i>	<i>Moderate</i>
Environment and Climate Context	Substantial	Moderate
<i>Project vulnerability to environmental conditions</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project vulnerability to climate change impacts</i>	<i>Moderate</i>	<i>Moderate</i>
Project Scope	Substantial	Moderate
<i>Project Relevance</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Moderate</i>
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
<i>Implementation Arrangements</i>	<i>Moderate</i>	<i>Low</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
Project Financial Management	Substantial	Substantial
<i>Project Organization and Staffing</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project Budgeting</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Internal Controls</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Accounting and Financial Reporting</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project External Audit</i>	<i>Moderate</i>	<i>Moderate</i>
Project Procurement	Moderate	Moderate
<i>Legal and Regulatory Framework</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Accountability and Transparency</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Capability in Public Procurement</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Public Procurement Processes</i>	<i>Moderate</i>	<i>Moderate</i>
Environment, Social and Climate Impact	Moderate	Moderate
<i>Biodiversity Conservation</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Cultural Heritage</i>	<i>Low</i>	<i>Low</i>
<i>Indigenous People</i>	<i>Low</i>	<i>Low</i>
<i>Labour and Working Conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Community Health and Safety</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Physical and Economic Resettlement</i>	<i>Low</i>	<i>Low</i>

<i>Greenhouse Gas Emissions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Moderate</i>	<i>Moderate</i>
Stakeholders	Moderate	Moderate
<i>Stakeholder Engagement/Coordination</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Stakeholder Grievances</i>	<i>Moderate</i>	<i>Low</i>
Overall	Moderate	Moderate

Country Context	Moderate	Moderate
Political Commitment	Moderate	Moderate
<p>Risk:</p> <p>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.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>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.</p>		
Governance	Substantial	Moderate
<p>Risk:</p> <p>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).</p>	Substantial	Moderate
<p>Mitigations:</p> <p>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.</p>		

Macroeconomic	Moderate	Moderate
<p>Risk:</p> <p>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 war in Ukraine, 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.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>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.</p>		
Fragility and Security	Moderate	Low
<p>Risk:</p> <p>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 war in Ukraine 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.</p>	Moderate	Low
<p>Mitigations:</p> <p>The project is also targeting returning migrants through its youth activities, thus trying to somehow alleviate the issue related to jobless migrants.</p>		
Sector Strategies and Policies	Substantial	Moderate
Policy alignment	Substantial	Moderate
<p>Risk:</p> <p>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.</p>	Substantial	Moderate

<p>Mitigations:</p> <p>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.</p>		
<p>Policy Development and Implementation</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Risk:</p> <p>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.</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>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".</p>		
<p>Environment and Climate Context</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Project vulnerability to environmental conditions</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Risk:</p> <p>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 17 per cent of rangelands have been affected by degradation, leading to substantial loss of productivity. Dairy production is dependant both on croplands and rangeland as they provide forage and fodder feed for livestock.</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>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.</p>		

Project vulnerability to climate change impacts	Moderate	Moderate
<p>Risk:</p> <p>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.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>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.</p>		
Project Scope	Substantial	Moderate
Project Relevance	Substantial	Moderate
<p>Risk:</p> <p>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 dehqan 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 dehqan 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.</p>	Substantial	Moderate

<p>Mitigations:</p> <p>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 — dehqan 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.</p> <p>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.</p>		
<p>Technical Soundness</p>	<p><i>Moderate</i></p>	<p><i>Moderate</i></p>
<p>Risk:</p> <p>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 and introduced with lacking stakeholders' awareness on the technical implications' requirements.</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>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.</p>		
<p>Institutional Capacity for Implementation and Sustainability</p>	<p><i>Moderate</i></p>	<p><i>Moderate</i></p>
<p>Implementation Arrangements</p>	<p><i>Moderate</i></p>	<p><i>Low</i></p>
<p>Risk:</p> <p>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.</p>	<p>Moderate</p>	<p>Low</p>
<p>Mitigations:</p> <p>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.</p>		

Monitoring and Evaluation Arrangements	Moderate	Moderate
<p>Risk:</p> <p>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 PFLs) in terms of data collection and sharing in a consistent manner and in line with the Project information needs.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>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.</p>		
Project Financial Management	Substantial	Substantial
Project Organization and Staffing	Moderate	Moderate
<p>Risk:</p> <ul style="list-style-type: none"> • Lack of full-time qualified and experienced Financial Management staff for the implementation of the project; • Absence of annual performance reviews and a lack of capacity among FM staff; • Risk of a lack of knowledge of IFAD's financial management practices and procedures that could lead to non-compliance. 	Moderate	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> • 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; • 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. 		
Project Budgeting	Moderate	Moderate
<p>Risk:</p> <ul style="list-style-type: none"> • Lack of timely submission of the annual work plan budget may lead to implementation delays; • Component 2 includes line of credit activities. As implementation of line of credit activities relies on demand from beneficiaries and PFLs, 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 expenditure and budget. 	Moderate	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> • 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; • The PMU to prepare accurate cash forecasts, and monitor budget execution and demands from PFLs 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. 		
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
<p>Risk:</p> <ul style="list-style-type: none"> • 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; • Complex and cumbersome flow of funds including transfers to and reflows from PFLs and Rural Guarantee Facility. As well as from PFLs to beneficiaries. 	Substantial	Substantial

<p>Mitigations:</p> <ul style="list-style-type: none"> • The PMU to open and maintain a Designated Account and all required operating accounts, including specific credit line transit account; • A separate account for RGF has been duly opened by EDC; • PFI to open incremental accounts to receive funds from IFAD loan and a revolving account for credit reflows; • 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; • The Ministry of Finance to allow advance requests covering forecasted expenditures for at least one quarter. 		
<p>Project Internal Controls</p>	Substantial	Substantial
<p>Risk:</p> <ul style="list-style-type: none"> • 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; • Lack of internal controls and monitoring regarding the lines of credit and guarantee funds. 	Substantial	Substantial
<p>Mitigations:</p> <ul style="list-style-type: none"> • 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; • 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; • 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; • 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; • Due diligence assessment of EDC, including an assessment of its FM capacity has been conducted and has been deemed satisfactory to IFAD; • The investment guidelines (or equivalent) and operating modalities including the eligibility criteria for RGF have received IFAD's no-objection; • 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. 		
<p>Project Accounting and Financial Reporting</p>	Substantial	Substantial
<p>Risk:</p> <ul style="list-style-type: none"> • The accounting software used in DVCDP phase one was an old version of 1C. The software did not allow recording of expenditures by components and categories, and was not able to generate the financial statements required by IFAD. Therefore, financial reports were prepared manually in Excel, which is prone to errors; • Risk of PFI's non-compliance with financial reporting requirements set out in the SLAs. 	Substantial	Substantial
<p>Mitigations:</p> <ul style="list-style-type: none"> • 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); • 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. 		
<p>Project External Audit</p>	Moderate	Moderate

Risk: <ul style="list-style-type: none"> • 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 by another INTOSAI member SAI or IFIs and the CoA undertakes the audits once in two years; • Risk that credit line activities implemented by PFIs are not covered by external audits. 	Moderate	Moderate
Mitigations: <ul style="list-style-type: none"> • 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; • 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 were used for intended purposes. 		
Project Procurement	Moderate	Moderate
Legal and Regulatory Framework	Moderate	Moderate
Risk: <p>NB: This section was drafted on the basis of findings from last DVCDP supervision mission assessment on procurement – Sept 2022)</p> <ul style="list-style-type: none"> - Uzbekistan adopted a new law about procurements, dated April 22, 2021, No. ZRU-684, although it still needs further improvements in the area of tenders' definition and complaint resolution and following international standards; - No national procurement manual exists; - Only one Standard Bidding Document is available for customization and adoption based on the type of procurement and method, and SBD does not include a standard contract form; - There is a risk of escaping competitive procurement methods in favour of direct contract awards. 	Moderate	Moderate
Mitigations: <ul style="list-style-type: none"> - Development of a detailed PIM to mitigate the absence of a national procurement manual is necessary; - Continue following IFAD Procurement Guidelines, Procurement Handbook and IFAD SBDs as stipulated in the Financing Agreement will be a critical mitigation measure. 		
Accountability and Transparency	Moderate	Moderate
Risk: <ul style="list-style-type: none"> - Complaints management are under the risk of ineffectiveness due to the presence of a single tier; - Public Anticorruption entities are not independent and all fall under the executive body increasing the risk of ineffectiveness. - The risk that accountability, transparency and oversight arrangements are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds or execution of project procurements outside of the required time, cost and quality requirements 	Moderate	Moderate
Mitigations: <ul style="list-style-type: none"> - The terms, procedures, and responsibilities as clearly specified in the "IFAD Policy on preventing fraud and corruption in its activities and operations" should be strictly followed. - IFAD's references to the anticorruption policy, corruption reporting hotlines and IFAD policies should be disseminated in all bidding documents. - The project should abide by NOITA, standstill and NOA provisions as per IFAD Handbook. 		
Capability in Public Procurement	Moderate	Moderate

<p>Risk:</p> <ul style="list-style-type: none"> - There is only one procurement specialist dedicated to the project procurement activities. - There is no official capacity building strategy, nor one for providing guidance in response to queries, and there are no obligations to use the public procurement training currently available. Public procurement is not professionalized, i.e. it does not provide a career path to public procurement officials involved in conducting and managing procurement; nor does it provide adequate opportunities for skills building, there is no official job description or qualification requirements specific to public procurement. 	Moderate	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> - The Project shall hire additional procurement specialist to handle increased workload with respect of procurement related activities; - Quality of procurement related work, i.e. preparation of procurement plan revisions/upgrades, bidding documents for works and services, and evaluation reports shall be improved; - Institutional and management capacity needs improvement and procurement staff needs adequate training (ITC/IO BuildProc Certification Program); - A hands-on approach, including the introduction to NOTUS and CMT will allow the systematic tracking of procurement activities throughout the project cycle. 		
Public Procurement Processes	Moderate	Moderate
<p>Risk:</p> <ul style="list-style-type: none"> - The general limited procurement expertise is invested in AWPB preparation needs to be addressed to ensure embedding sufficient time with procurement; - A risk of non-transparent proceedings is present due to evidence of not sharing minutes of bid opening process and not publicizing awards. 	Moderate	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> - During DVCDP 2 implementation, the AWPB needs to be prepared in consultation with the Procurement Officer/s; - The procedures of dissemination of bid opening minutes and publication of awards should be rigorously implemented to mitigate risks non-transparent proceedings; - If less than 3 quotations/bids/proposals are received, the project should seek IFAD's N.O. in order to proceed if deemed justifiable. 		
Environment, Social and Climate Impact	Moderate	Moderate
Biodiversity Conservation	Moderate	Moderate
<p>Risk:</p> <p>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.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The proposed interventions under the DVCDP2 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.</p>		

Resource Efficiency and Pollution Prevention	Substantial	Moderate
<p>Risk:</p> <p>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.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>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.</p>		
Cultural Heritage	Low	Low
<p>Risk:</p> <p>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.</p>	Low	Low
<p>Mitigations:</p> <p>Default mitigation text</p>		
Indigenous People	Low	Low
<p>Risk:</p> <p>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 minorities which arrived in the country more recently (Russians, Crimean Tatars, Meskhetian Turks, Koreans and Jews). The project target communities will include vulnerable and marginalized groups.</p>	Low	Low
<p>Mitigations:</p> <p>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.</p>		
Labour and Working Conditions	Moderate	Moderate
<p>Risk:</p> <p>Risk pertains to enterprises generating new jobs who are not adhering to labour conditions.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>i) Local business development service providers guide the process of farm expansion and will provide information on safe and healthy working arrangements. ii) Project interventions support the development of healthy and safe working conditions by e.g. developing new health protocols and executing regular inspections.</p>		
Community Health and Safety	Moderate	Moderate
<p>Risk:</p> <p>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.</p>	Moderate	Moderate

<p>Mitigations:</p> <p>i) Training on animal health care will be included in the interventions that aim to strengthen the dairy value chain.</p> <p>ii) The project will increase the availability of reliable animal healthcare and vaccination services.</p> <p>iii) Public health inspectors in milk and dairy premises hygiene are trained and receive refresher training on regulatory control;</p> <p>iv) Beneficiaries receive training on quality control as part of value chain interventions.</p> <p>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.</p>		
<p>Physical and Economic Resettlement</p>	<i>Low</i>	<i>Low</i>
<p>Risk:</p> <p>The project does not include any activities requiring physical resettlement.</p>	Low	Low
<p>Mitigations:</p> <p>Default mitigation text</p>		
<p>Greenhouse Gas Emissions</p>	<i>Moderate</i>	<i>Moderate</i>
<p>Risk:</p> <p>Intensification of dairy production may contribute to the increase of GHGs emission (directly or indirectly)</p>	Moderate	Moderate
<p>Mitigations:</p> <p>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.</p>		
<p>Vulnerability of target populations and ecosystems to climate variability and hazards</p>	<i>Moderate</i>	<i>Moderate</i>
<p>Risk:</p> <p>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.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>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.</p>		

Stakeholders	Moderate	Moderate
Stakeholder Engagement/Coordination	Moderate	Moderate
<p>Risk:</p> <p>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.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>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.</p>		
Stakeholder Grievances	Moderate	Low
<p>Risk:</p> <p>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.</p>	Moderate	Low
<p>Mitigations:</p> <p>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.</p>		