

**The Republic of Uzbekistan
Horticulture Development Project
Implementation Support Mission
May 23 – June 10, 2016**

Aide Memoire

A. Introduction

1. A World Bank mission comprising Messrs/Mmes: Dilshod Khidirov (Senior Rural Development Specialist, Task Team Leader), Sandra Broka (Senior Rural Finance Specialist), Olivier Durand (Senior Economist), Samvel Ghazaryan (Water Management Specialist, FAO), Fasliddin Rakhimov (Procurement Specialist), Chris Mathies (Consultant, Rural Training and Advisory Service Specialist), Djamshid Iriskulov (Finance Management Specialist), Arcadie Capelea (Senior Environment Specialist, HDP), Nina Kolybashkina (Senior Social Development Specialist), Sabohat Ergasheva (Team Assistant) visited Uzbekistan during May 23 - June 10, 2016 conducted Implementation Support Mission of the HDP project. The mission would like to thank the officials of Ministry of Finance, Ministry of Agriculture and Water Resources (MAWR), Ministry of Economy (MOE), Rural Restructuring Agency (RRA), and project beneficiaries in Tashkent, Andijan, Fergana, Samarkand and Syrdarya regions and Project Financial Participating Institutions for their provided support, warm hospitality and assistance in facilitating the work of the mission. This aide memoire summarizes the mission's key conclusions and recommendations.

2. The main objectives of the Implementation Support mission were (i) to review the implementation progress on all project component activities achieved to date; (ii) identify the constraints to project implementation and assess whether there is a need to adjust project design or project fund reallocations; (iii) review safeguards, financial management and procurement arrangements; (iv) meet with the project participants and hold a discussion on the overall project implementation activities. The mission also discussed implementation arrangements, safeguards and fiduciary issues.

3. The mission worked together with the Government of Uzbekistan (GOU) and specifically with the Ministry of Agriculture and Water Resources, Ministry of Finance, Ministry of Economy, the participating financial institutions and the Rural Restructuring Agency. The list of people met is attached in Annex 1.

4. Key Data

Board Date	June 12, 2014	Current Performance Rating	
Effectiveness Date	October 5, 2015	Development Objectives	Moderately Satisfactory
Closing Date	June 30, 2021	Implementation Progress	Moderately Unsatisfactory
Project Age	8 months		
IBRD Credit Amount	USD 150 million		
Per Cent Disbursed	7.48%		

B. Summary

5. Overall project implementation progress is moderately unsatisfactory. The progress towards achieving project development objectives moderately satisfactory, and all PDO indicators are expected to be achieved prior to the Closing Date June 30, 2021. The project became effective on October 5, 2015. The Project has disbursed a total of US\$ 20.67 million as of July 2016, most of which has been under the credit line for provision of sub-loans to beneficiaries.

6. The Ministry of Finance, in its letter dated September 28, 2015, has requested the Bank to: (i) Reallocate loan proceeds in the amount of US\$ 24.2 million from the Goods and Works and Consultants Services categories (categories 1 and 2) to the Investment and Working Capital Sub-loans and Lease Financings category (category 3); and (ii) Include Khorezm Region in the Project Areas, as an area with high potential for horticulture development.

7. The Bank has requested the Ministry of Finance to provide confirmation that the Government will finance the activities originally intended to be financed under the Goods and Works and Consultants Services categories from its own resources until EU grant financing for Component 1 is made available. In response, the Bank has received a letter from MOF dated February 8, 2016, in which the Borrower confirmed the use of its own resources and of remaining project resources in the amount of US\$6,377 million until EU grant financing becomes available. The EU has also indicated its interest in providing co-financing through its "Development Cooperation Instrument" in the amount of US\$24.2 million to finance the original Technical Assistance activities under Component 1. The Bank project team has submitted an application for financing which was approved by the two stages of the EU internal review process. A final approval by the EU member states is expected in September 2016.

8. The technical assistance activities under the Component 1 plays very important role to develop Market-led agricultural technology transfer to bridge the knowledge and experience gap in the new production techniques, storage methods, post-harvest handling, marketing and business management knowledge. The success of the Horticulture Development Project and achieving its development objectives are heavily dependent on implementation of the technical assistance activities which will ensure sustainable development of this sector.

9. The current eligible area of the credit line is the rural areas outside the municipal boundaries of the eligible oblast centers. The mission discussed and agreed to include municipal industrial zones as eligible areas for support under the credit line. This would allow the sub-borrowers to benefit from uninterrupted electricity supply and better access to transport routes and markets.

Agriculture support services component

10. This component is designed to strengthen the capacity of participating research institutes and plant protection services¹ to provide demand driven, participative technology transfer that will help the farmers to respond to the emerging market opportunities and enhance the capacity of farmers to improve quality and productivity of their product, as well as to identify and respond to market opportunities both domestically and in export markets.

11. The Ministry of Finance has requested the Bank to reallocate US\$ 24.2 million from this component to access to credit component to finance more a hard investments under the credit line component and sent a formal request to EU provide co-financing through its "Development Cooperation Instrument" in the amount of US\$24.2 million, grant funds to finance the original Technical Assistance activities under this component 1. EU showed an interest to provide grant funds and asked the Bank to submit an application for grant funds. The Bank project team prepared and submitted an application for financing which was approved by the two stages of the EU internal review process. A final approval by the EU member states is expected in September 2016.

12. As next steps, RRA need to prepare a draft term of references for consultants who will work closely with the research institutes to develop laboratory equipment specifications, provide technical recommendations and carry out number of market studies. Below action plan was discussed and agreed during the mission:

Activity	Completion period
Submission of TORs to the Bank for recruiting individual consultants to develop lab equipment specs and renovation recommendations for participating three Research institutes and Plant Quarantine Centre	August, 2016
Submission of TORs to World Bank's review for recruiting consultant firm on carrying out of open-field demo activities, development of value chain, knowledge transfer and training, conduct studies	August, 2016
Commencement of consultant recruitment procedure for individual consultants (REoI, receive CVs, Evaluation, contract negotiation, contract signing)	August 2016
Commencement of consultant recruitment procedure of consultant firms (REoI, receive EoI, Technical Evaluation)	September 2016
Preparation of Report and bidding documents for procurement of lab equipment and renovation for 11 laboratories of participating Research Institutes and Plant Quarantine Centre	August-November 2016

¹ The Shredder Institute for Fruit Growing, Viticulture and Winemaking (Mirzayev Institute); Uzbek Research Institute for Vegetables Melons and Potato (RIVMP); Uzbek Scientific Plant Protection Institute and "Uzglavgoskarantin" Laboratory Research Center for Plant Quarantine under the Ministry of Agriculture and Water Resources

Commencement of bidding procedure for procurement of lab equipment and design/renovation	December 2016
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Access to Credit Component

13. This subcomponent aims to enhance access to financial services for farmers and agribusinesses operating in the horticulture sector, to enable them to undertake the investments to strengthen their productivity and competitiveness. It will support activities including the purchase of new cultivars, seeds/seedlings, water-saving irrigation facilities (such as drip irrigation), cold storage and other cold chain facilities, and value added handling/processing equipment and facilities.

14. The following seven participating financial institutions (PFIs) have signed Subsidiary Loan Agreements (SLAs) with the Ministry of Finance and the RRA in January 2016: Halq Bank, Hamkorbank, Ipak Yuli Bank, Ipoteka Bank, Quishloq Qurilish Bank, Turon Bank, and Uzpromstroi Bank. In addition, two new PFIs – Asaka Bank and the National Bank of Uzbekistan are expected to join the project shortly. Due diligence of both banks was carried out in April 2016 by an international consultant in close collaboration with the RRA.

15. Credit Line Resource Allocation among the PFIs.

It should be noted that the PFI commitments only amount to US\$63.8 million equivalent, which is 45.6% of the total allocation. The table below indicates the amounts for which the various SLAs were signed, as well as the disbursement status as of end-May 26, 2016. Hamkorbank, Ipak Yuli, QQB and Uzpromstroi Bank have requested additional amounts between US\$ 1 and US\$ 4 million from the remaining amount, and substantive share of the uncommitted balance will be absorbed by NBU and Asaka Bank.

PFI	Amount of the SLA Signed		Number of sub-loans disbursed	Amount disbursed, US\$ million equivalent
	SLA Amount Denominated in US\$ million	SLA Amount Denominated in UZS (in US\$ million equivalent)		
Halq Bank	8.60	1.40	0	0.00
Hamkorbank	2.65	2.65	0	0.00
Ipak Yuli Bank	8.60	1.40	1	0.50
Ipoteka Bank	8.50	0.00	1	2.00
Quishloq Qurilish Bank	8.60	1.40	3	2.93
Turon Bank	12.90	2.10	1	0.27
Uzpromstroi Bank	5.00	0.00	1	0.20
Total	54.85	8.95	7	5.90

16. Characteristics of the sub-loan portfolio.

(i) *Maturity of Sub-loans.* Similar to RESP II AF, sub-loans are mostly for investment purposes, with the maturities in most cases between 36 and 84 months; in 1 case, the sub-loan

was provided for 120 month, and in one case for 24 months. Sub-loans are extended in both currencies, and interest rates vary between 5.5% and 7%.

(ii) *Sub-loan Portfolio Sectoral Breakdown.* Of the total portfolio supporting horticulture sector development: 3 sub-loans (US\$1.2 million equivalent) finance food processing and packaging; 2 sub-loans (3.9 million equivalent) were provided for orchards and vineyards, and one sub-loan each were disbursed for greenhouses and vegetable production (US\$0.5 million), and storage and cold storage (US\$0.27 million).

(iii) *Regional breakdown of sub-loans.* Some regions that participated in the RESP I and RESP II additional financing have been excluded from the HDP (namely, Bukhara and Sirdarya), and three new regions have been added: Horezm, Karakalpakistan, and Namangan. As mentioned above, most of the sub-loans at this time were disbursed in Tashkent Region. Going forward, the PFIs and RRA should strive to achieve a more balanced regional breakdown of the portfolio, as horticulture development in other regions of the country is also picking up pace.

Region	Number of sub-loans	Total Amount Refinanced, US\$ mil equivalent	Amount Refinanced as a % of Total Refinanced
Andijon	0	0.0	0.0%
Ferhgana	1	0.50	8.50%
Horezm	0	0	0.0%
Jizzak	0	0.0	0.0%
Karakalpakistan	0	0.0	0.0%
Kashkadarya	0	0.0	0.0%
Namangan	0	0.0	0.0%
Samarkand	1	0.50	8.50%
Tashkent	5	4.90	83.00%
Total	7	5.90	100.0%

(iv) 167 jobs have been created under the credit line to date. Two sub-loans (of seven) have been extended to women borrowers.

17. Round Table with the PFIs. All PFIs, except for Halq Bank, as well as NBU and Asaka Bank, attended a round table with the World Bank mission on May 26, 2016. A range of issues were discussed on the results of implementation of the Additional Financing to the RESP II and their implications for the HDP, which has a much larger credit line of US\$140 million, which may aggravate the issues. In particular, the mission would like to highlight the issue which has been repeatedly discussed in the previous Aide Memoires. The issues include:

(i) *The PFIs effectively take foreign exchange risk on the US Dollar portion of the credit line², which also affects the PFIs currency position and creates losses.* US Dollar loans

² Sub-borrowers take the "base" FX risk as they borrow in US Dollar and repay in Soums in accordance with the exchange rate between the US Dollar and UZS as of the date of payment. However, there are additional FX risks to which the PFI is exposed due to inability to convert back into US Dollars the portion of funds that keep revolving at the PFI level.

are quite demanded as they allow for import of equipment and machinery from abroad. In such cases, PFIs receive US Dollar funding from the Ministry of Finance, to finance import of equipment or machinery. However, the repayment by the sub-borrower takes place in UZ Soum equivalent as of the date of repayment, and the PFIs cannot change the UZ Soum resources into US Dollars to finance new similar sub-loans. Such currency exchanges take place only once every six months, in the amount of the repayment due by the Ministry of Finance to the World Bank.

This situation has a negative effect of the PFI currency exposure limits, but also creates actual losses to the PFIs since the interest rate for on-lending in UZ Soum does not fully compensate the continuous devaluation of the UZS against the US Dollar.

This will further be aggravated under the HDP, as the Ministry of Finance informed the other project participants, in particular the RRA and PFIs that only about 20% of the US\$140 million will be available in UZ Soum. This means that, in addition of the currency mismatch problems that the PFIs are dealing with at this time, another US\$ 140 million will be provided to the banking sector creating currency exposure mismatches and/or actual losses in terms of income generated from interest rate differential for the PFIs. HDP does have a prepayment to the MOF option (which the RESP II AF did not envisage), however, a penalty is charged for early repayment of the HDP credit line funds back to the MOF.

Action Required: The MOF should allow for periodic (every six months) conversions of the reflows of the initially US Dollar-denominated sub-loans that have been repaid in UZ Soum, to ensure that funds can be provided in new similar sub-loans, in the currency in which the sub-loan funds were originally denominated. This will allow the PFIs to manage their foreign currency position, avoid income losses, and also allow the PFIs to provide the currency as demanded by the ultimate borrowers (as set forth in the credit line operational manual).

(ii) **Revolving funds are not used as intended in the REIR.** In accordance with the legal agreements administering the credit line, the PFIs are expected to on-lend the funds received from sub-borrowers in new loans towards achieving the objectives of the credit line. The balances of reflows with the PFIs should be monitored at the end of every quarter. The mission was informed that at this time the PFIs are accumulating excessive amounts of reflows in UZS of the subsidiary loan originally withdrawn in US\$, due to reasons described in paragraph (i) above. This situation is against the objectives of the project, as this money should not be sitting with the PFIs but providing benefits to new beneficiaries. However, the solution to this situation should be found through providing PFIs access to currency exchange as described above.

Action Required: The MOF should allow for periodic (every six months) conversions of the reflows of the initially US Dollar-denominated sub-loans that have been repaid in UZ Soum, to ensure that funds can be provided in new similar sub-loans, in the currency in which the sub-loan funds were originally denominated.

18. The mission also discussed with the PFIs the quality of sub-loan applications submitted for prior review to the World Bank. In many cases, the questions posed by the Bank team are quite routine and been mentioned on numerous occasions during the prior review. The mission urges the RRA and PFIs to focus on the quality of sub-loan applications, which would allow speeding up the review process. In particular, the following recommendations were provided by the World Bank team:

- (i) **Try to avoid providing general information**, for example: “Country consumes xxx thousand tons of apples every year”, **in particular without specific information regarding the locality where the sub-project will be implemented**. More useful information would be how much produce is consumed in the specific region, what is already area under orchards/vineyards, what is the total capacity of storage/cold storage in the region, etc. It is much more important to describe the sub-project’s market – be it domestic or export – and the direct competition. In particular, indicating contracts signed and arrangements made with specific companies and for what volume, - both for inputs and output - is key. Sales contracts in particular are the ones expected to generate income to be used for sub-loan repayment.
- (ii) The above information will also help address **possible concerns with market saturation**. A lot of funds are being invested in the country in horticulture-related activities, and at some point selling produce may become difficult, unless it is for export markets. Market information and sales plan, therefore, are very important.
- (iii) **Validate the prices**. There have been cases when two sub-loan proposals located in the same area have been submitted by two different PFIs, and sales prices differ by 30-50%. What is the explanation for such price differential? Quality of the produce? Other reasons? RRA in particular have an overview of sub-loan submissions for the whole credit line, and should be in position to identify these outliers of assumptions and request the PFI to provide necessary clarifications why the prices are so much higher.
- (iv) **Specify/detail the sub-borrower contribution**. Often large amounts are indicated as the required so-financing by the sub-borrower simply by indicating “operating expenses”. Such amounts should be **itemized**.
- (v) In general, **any “irregularities” should be explained**: such as seemingly unfounded assumptions (such as on prices, as above), falling financial indicators after the investment, starting business in a completely new area where the sub-borrower has no prior experience, etc.
- (vi) **Please make sure numbers match** in the financial tables and across the application.

19. **Monitoring of sub-loans under the HDP Credit Line**. Similar to RESP II, one of the RRA’s responsibilities is to carry out monitoring of the sub-loans refinanced not later than within four (4) months from the disbursement of the sub-loan. Under the RESP II, most of the sub-loan monitoring is carried out by the Credit Line Specialists in the RRA’s Regional Offices, with the credit component coordinator at the RRA Headquarters following up with spot-checks. This was done very sporadically under the RESP II. Under the HDP, the same approach to sub-loan monitoring will be continued, as long as RESP II is under implementation. To date, no sub-loans have been monitored by RRA on site yet due to the fact that disbursements only started in April 2016. However, the monitoring will need to start shortly, to meet the monitoring requirements.

20. The monitoring arrangements after the completion of RESP II, however, are not clear. The mission was informed in September 2015, the budget for HDP management has been severely reduced, most of the staff positions of the RRA (including the regional offices) have been eliminated, and the PFIs are expected to do most of the monitoring themselves. While the PFIs have done a good job making sure there are no ineligible sub-loans, it should also be noted that they have received extensive support from the RRA in terms of ensuring eligibility of the sub-loans, expenditures, timely disbursements, reporting, and other key aspects of the credit line implementation. In addition, 9 oblasts are expected to be eligible for the credit line, with no regional office to monitor the sub-loan implementation on site and liaising with the PFIs. With the RRA support structure gone, there is a high likelihood that the implementation of the credit line will significantly slow down, and lack of monitoring will result in higher probability for ineligible expenditures and/or sub-loans. It is, therefore, crucial that the Ministry of Finance and RRA find a solution to ensure proper monitoring and support to the PFIs and sub-loan beneficiaries.
21. **Action to be taken:** Ensure an arrangement to provide support to the PFIs and monitoring of the sub-loan portfolio, which should include visits to the sub-project sites and review of the sub-loan files with the PFIs.
22. **Changes to the HDP Credit Line Parameters.** A number of changes to the provisions of the Credit Line Investment Guidelines (which is the operational manual for the HDP credit line) were discussed during the September 2015 mission. The table below summarizes the status of the proposed amendments:

Proposed Change to the Credit Line Investment Guidelines	Status as per Most Recent No-objectioned Credit Line Investment Guidelines
The prior review limit by the World Bank has been set at US\$350,000 for all PFIs (in addition to the first three sub-loans for each PFI, irrespective of the size);	Implemented.
The maximum sub-loan size is US\$ 2 million;	Implemented.
The maximum sub-loan size for working capital is US\$300,000	The actual increase of the limit was US\$200,000.
Given that some PFIs requested more resources in UZS, based on the type of clients they service, the maximum limit of resources available in UZS of the US\$140 million credit line of 20% should be revisited and increased by the MOF.	The RRA has informed the World Bank that the issue is no longer as acute as the demand for US Dollar resources in increasing.
Procurement. Given the sub-loan sizes of up to US\$ 2 million, the requirements for International Competitive Bidding (ICB) procedure should be revisited to either: ensure that commercial practice can be used under the credit line for contracts up to US\$ 2 million, or streamline the role of the World Bank in the ICB procedure for credit line beneficiaries to avoid excessive reviews and delays.	No action to date has been taken. However, given the large sub-loan sizes under the HDP, it is necessary to make the procurement procedures under the project conducive for private sector investment.

23. **PFI Training.** PFI training in Environmental issues, as agreed during the previous mission, has not yet been done. The World Bank's Environmental Specialist worked with RRA to strengthen RRA capacity and agree on arrangements for the training of PFIs. It has been agreed that such training of PFIs would be organized using funding left under the GEF grant, which also requires training of the PFIs.

Environmental Management Issues

24. Senior Environmental Specialist (GENDR) visited Tashkent to work on specified project. The main goal of the mission was to see how the Environmental Management Framework (EMF) is being implemented, identifying problems, if any, and compliance of implemented activities with the environmental requirements. Among the mission objectives were: (a) assessing project environmental performance; (b) reviewing the status of Environmental Assessment (EA) for the selected for financing subprojects, undertaking site visits; (c) agreeing on main focus of the EA training activities; and (d) discussing and agreeing on the main steps on project environmental management to be undertaken next 5-6 months. The joint work with the Rural Restructuring Agency (RRA) representatives and subprojects beneficiaries (see Annex 1 with the people met) resulted in a review of the progress in implementing EMF and in formulating relevant recommendations for improving project environmental management. The main mission's findings and recommendations are presented below.
25. *Overall conclusion concerning project environmental management performance.* Based on the reviewed documents, undertaken site visits, held discussions with the RRA representatives and subproject beneficiaries, the mission concluded overall the project environmental management performance is satisfactory. As required by the EMF the RRA and Participating Banks (PBs) at the initial stage of subproject proposals selection have conducted their environmental screening, filling relevant forms, and ensuring for Category B subproject are undertaken an Environmental Impact Assessment (EIA) and prepared an Environmental Management Plan (EMP). For these subprojects the RRA requests also that all relevant environmental approvals and permits are obtained, including the decision of the State Ecological Expertise on the prepared EIA/"Declaration of the potential environmental impacts" per national legislation. The mission was also informed and observed during the filed visits of two Category B subprojects, the beneficiaries are implementing them in compliance with the EMP environmental requirements and up to now there were no complaints from local environmental authorities, RRA, or local population. As agreed during the previous WB mission RRA has prepared the TORs for EA capacity building activities that has been approved by the WB and is ready to start hiring a Consultant for this purpose.

Main findings

26. *Subprojects EA.* The mission met RRA representatives (Mr. Mahmudov, Credit line officer and Mr. Az. Omonov, Environmental Specialist (ES)) and jointly checked the files for all 5 supported sub-projects of which 3 have been qualified as Category C and 2 – as Category B. The category C subprojects will support the following: (a) Green Organic –

purchasing and installation of almond calibrating equipment in an existing building; (b) Graniks Gas Service – purchasing and installation new equipment for drip irrigation for an existing greenhouse; and (c) Business Time Group – installation of a fruit fridge for 600 tones. The two Category B subprojects (Golden Fruit and Eco-Agro Product) propose plantation of new intensive orchards with the creation of systems for drip irrigation, building new water pumping stations and agrichemicals warehouses. None of these projects have been proposed by enterprises related to cotton production. The project categorization is done adequately and based on the subproject business plans and on the “Declaration of the potential environmental impacts” approved by the State Ecological Expertise (SEE). The sub-project EA documents are kept by RRA and PBs in separate files and have been presented to the WB mission. The mission was informed RRA has recently received two more subproject proposals which are at the moment under consideration (“Avtomobilist” – for purchasing an installing of equipment in an existing facility for producing of ketchup and fruit puree; and O’rta Osiyo Stil, - for production of wood boxes for fruits packaging).

27. *Quality of conducted subprojects’ EA.* Overall the quality of conducted subprojects EA is satisfactory. At the initial stage of EA the PBs and RRA prepare Environmental Screening forms assigning a project environmental category. The review of these forms has shown that overall they are of good quality but in some cases they do not reflect clear enough what types of activities and civil works will be financed and from which sources of financing. Additionally to the screening form the RRA requested for both Category C and B the preliminary EIA studies/“Declaration of the potential environmental impacts” and their approval by the SEE (the requirement specified in the national legislation). The review of these documents (especially in the case of two Category B subprojects) showed overall they are well designed, containing EA regulatory requirements, a well presented baseline analysis and identifying and quantifying all potential impacts and proposed necessary mitigation measures. At the same time these documents do not fully comply with the EMF and WB requirements (see below point 28) or do not contain necessary elements of the environmental due diligence in the case of EA of existing enterprises (see point 30 below).

28. *Improving EA documents.* As described in the project EMF document there are few important discrepancies between WB and National EA requirements. These relate, first of all, in terms of preparing an EMP and a Monitoring plan for all project implementation phases, - per national legislation at the initial EIA study/ Declaration of the potential environmental impacts it would be necessary to specify only recommended mitigation measures, while a supervision and a monitoring plan is required for operational phase at the stage of preparing of a “Statement of environmental consequences” after the project has been implemented and before its official commissioning. Thus the national legislation do not require an EMP which would contain a monitoring plan during implementation phase, considered as a part of the project documentation, mandatory for implementation. These issues have been discussed with the RRA and based on this requirement, in the case of Category B subprojects, taking into account they would support small scale construction activities (pumping stations; water reservoirs; warehouses) there have been prepared simple EMP Checklists. It was agreed in all other forthcoming projects PBs and

RRA will require the beneficiaries to include in the EIA studies such documents, - applying when appropriate, the EMP Checklist. The EMP Checklist is a rather simple EA document which may be slightly adjusted by deleting those sections which are not related to the proposed subproject or by adding in the case some mitigation measures included in the "Declaration" EA document and not specified there. In some cases, when the subprojects would include activities with more significant impacts (which may deal with waste water; hazardous wastes; air emissions; impacts on biodiversity; purchasing and usage of pesticides), then the EIA studies have to include a more detailed EIA study, based on what should be prepared a site specific EMP and a detailed monitoring plan as required by the EMF.

29. *Applying WB safeguards requirements in the case of Bank and other sources of financing.* The RRA representatives informed the WB mission in some cases the beneficiaries will use several sources of project financing, asking which EA requirements to be used. The mission informed in such cases, as the general rule, should be used WB EA procedures specified in the EMF.
30. *Environmental due diligence for the existing enterprises.* The WB mission focused attention of the RRA representatives in the case when an existing enterprise proposes a project it would be needed to conduct an express environmental due diligence making sure it complies with the national regulations, norms and standards and do not have any outstanding environmental issues. For that purpose it would be necessary additionally to a screening form to be filled out table 6 on page 32 of the project EMF. The table contains a series of questions related to environmental performances of the enterprises in operation (on existence of environmental permits, and licenses; on the status of environmental payments; on any of environmental noncompliance or conflicts with the environmental authorities or local population). In the case if the beneficiary have some environmental problems RRA has to discuss them and agree on a timetable for solving them. To acknowledge the compliance of the potential beneficiary enterprise the RRA ES may get additional information from the local environmental inspectors. During the project implementation the RRA ES has to keep under control what was agreed and if that action (s) have been implemented.
31. *Visited project site.* The mission and RRA representatives visited all approved for financing subprojects specified above in point 26 which that are located in Tashkent Oblast, but the Graniks Gas Service proposed project, which is located in Samarkand oblast. (a) The Eco-Agro Product project is well advanced and has already in place the orchard (planted last year) as well as drip irrigation infrastructure and a warehouse for agrichemicals (see pictures 1- 4 in the Annex). It has also in place an EIA study and an EMP Checklist for small scale construction, - as the project beneficiary plans to build a special warehouse for picked fruits and a sorting and packaging facility and a fridge. Furthermore, it has obtained a special authorization for water withdrawal and usage. The company also has an Agronomist which is charge of agricultural chemicals usage and who conducts training for the staff. The only issue raised by the mission was with regard to storage in the same room of both mineral fertilizers and pesticides, - per safety

requirements these have to be kept separately (see pictures 4 in the Annex). While at the site the mission have not observed any outstanding environmental issues; (b) "Urtachirchik golden fruit "– has just started to plant the new orchard and later this year will built the pumping station and the warehouse and will install the necessary equipment. The company also has received all relevant EA documents and approval from the SEE and has prepared an EMP Checklist for planned small scale construction activities. While at the site the mission also have not observed any outstanding environmental issues (see pictures 5 - 6); (c) Business Time Group, which proposes purchasing and installation of a fridge for 600 tones within an existing agro-industrial platform. Currently on this platform the company has built already a small textile factory and a small scale cattle farm with about 50 capita. The company wants to install the fridge on a place with the existing roof and basement (see picture 7 from the Annex), using the sandwich panel's technology. Thus the scale of civil works will be minimal and respectively there will be no or very insignificant environmental impacts. As in the previous cases the company has in place the EA document approved by the SEE. The provided by the beneficiary information show the company doesn't have any outstanding environmental problems related to both its current activities (cattle and textile production) and it operates based on the required environmental authorizations. While on site the mission visited the cattle section and concluded it is in good shape with overall good performances in terms of waste and waste water management (see picture 8 in the Annex); (d). Green Organic which plans purchasing and installing almond calibrating equipment in an existing facility on the territory of a milk processing factory (see pictures 9-10). The necessary for civil works for adjusting proposed equipment would be minimal and will not involve any hazardous materials. The company has obtained SEE approval of the Declaration potential environmental impacts which specifies several avoidance mitigation measures for the operation phase of the project. The company has in place all environmental and sanitary authorizations for its main activity on milk processing and do not have any outstanding environmental problems or conflicts with the local population of environmental or sanitary inspection.

32. *Integration of EA documents.* The mission focused attention of the RRA representatives the main requirements of the EA documents should be included the contracts for conducting civil works and for implementing the EMPs. This has to be done by the subproject beneficiaries while the RRA and the PBs have to specify clearly the client is obliged to follow environmental requirements and implement the project EMPs. These requirements and EMPs should be considered as legal and mandatory for implementation documents by the clients and subcontractors.
33. *EA disclosure and consultations:* RRA representatives informed the mission in the case of two Category B subprojects the EA documents have been disclosed on the RRA website and public consultations conducted (the minutes of the consultations have been attached to the EA reports and presented to the Bank). The mission has focused RRA representatives' attention the EA disclosure has to be done not only on the RRA website but also on the local level where the project site is located, either by providing a hard copy of the document or, if available, on its website. After EA disclosure, in about 2 weeks the project beneficiary and its consultant have to organize a public consultation which should

be documented and a short information in this regard integrated into the final version of the EA document. In exceptional cases when the project is located far away from the settlements and when the proposed activities would have minimal environmental and social impacts it is accepted to conduct a virtual public consultation on the EIA by posting it on the website and allowing those interested to send their comments.

34. *ES EA capacities.* From the previous WB mission the RRA ES has worked with the RESP II ES and studied necessary EA documents, obtaining overall good understanding on project EA rules and procedures, specified in the EMF. One way to further consolidating his knowledge on EA issues, as proposed in the EMF is to have a study tour to a similar WB project. In this regard the WB mission has suggested such tour could be organized for both ES and Credit Line Officer based on Moldova Agricultural Competitiveness Project, which has a good track record in implementing similar activities and a highly qualified Environmental Safeguards Specialist.
35. *TA and information dissemination activities.* As agreed during the previous WB mission the RRA ES during the first year of project implementation will start EA capacity building activities while similar activities on Pest Management – during second and third year. For this purpose it was recommended to design the TORs for the EA activities which have been already approved by the WB Environmental Specialist. Such training will enable the specified target groups to recognize and assess potential negative environmental impacts and set relevant measures to mitigate them. It was also agreed the relevant training to be conducted in July and August. In this regard RRA will launch the hiring process sometime in June, 2016.
36. *Working plan for second half of 2016.* The mission discussed and agreed with the RRA Manager and ES the main actions to be undertaken in terms of EA during the second half of 2016. Among most important activities are those of ensuring appropriate EA activities are conducted for the new forthcoming subprojects and on strengthening EA capacities. In that regard RRA, its Credit Officer and ES have to: (a) make sure the EA activities are done for all selected subprojects and at the requested level taking into account suggestions reflected in points 28-33 above; (b) organize and conduct EA orientation seminars for PFIs and RRA staff and other interested parties; (c) organize and conduct special EA training for PFI loan officers; and (d) organize a study tour to a similar WB project for RRA ES and Credit Officer. Within EA training RRA has to make sure the selected consultant/company will prepare and publish information dissemination materials on EA rules and procedures and on environmental issues in horticulture.
37. *Agreed next steps.* The mission and the RRA agreed on the following next steps for the next 6 months (see table below):

No.	Actions	Responsibility	Timing
1	Ensure the qualitative EA process for all new forthcoming subprojects	RRA ES and Credit officer	Permanently
2	Organize procurement of a local consultant for EA training activities	RRA/HDP Procurement Specialist; RRA ES	Timing TBD June-July, 2016
3	Conduct EA training activities	EA Local Consultant; RRA ES	TBD initial proposal was July – August, 2016
4	Organize a study tour to a similar WB for RRA ES and Credit Officer	RRA	November, 2016 – TBC by RRA management



Figure 1. EcoAgroProduct orchard with drip irrigation



Figure 1. EcoAgroProduct orchard

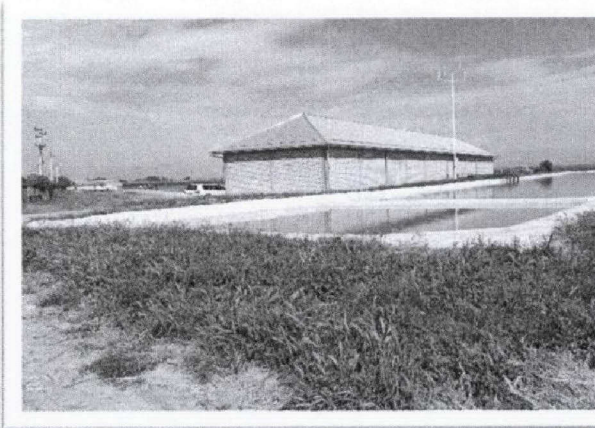


Figure 2. EcoAgroProduct water reservoir and agrichemicals warehouse

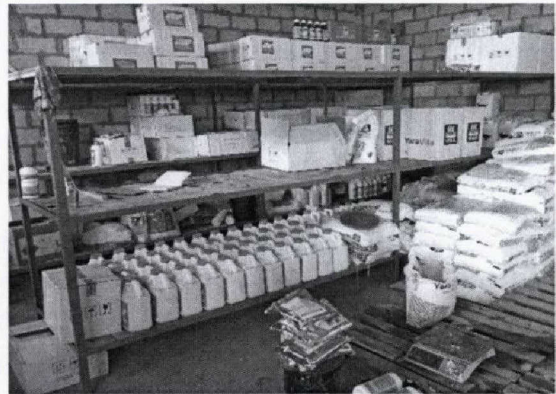


Figure 3. Stored pesticides and mineral fertilizers in the same room of the warehouse



Figure 4. Golden Fruit new orchard



Figure 5. Plantation of new orchard by Golden Fruit company

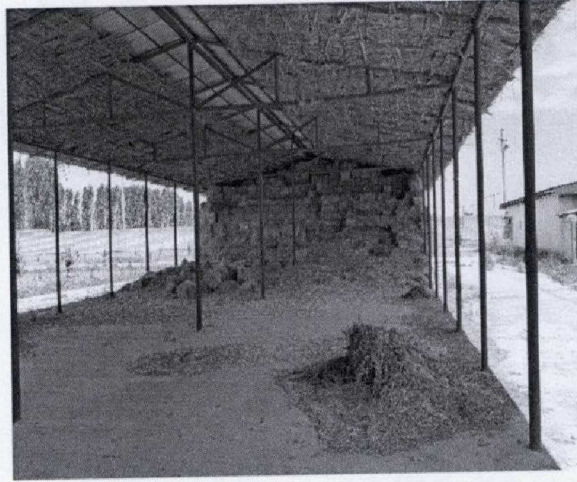


Figure 6. Location for installing a fruit fridge by Business Time Group

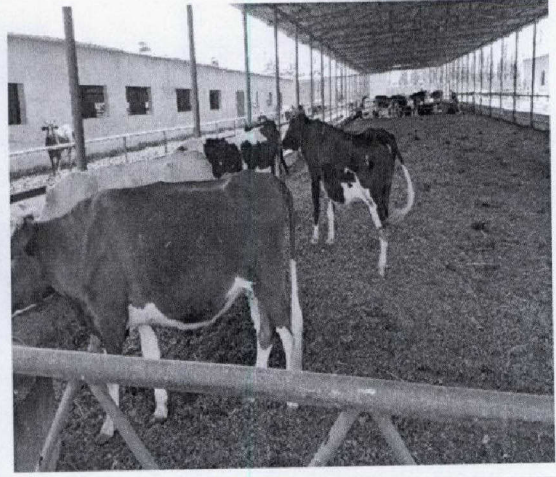


Figure 7. Cattle at the Business Time group industrial platform

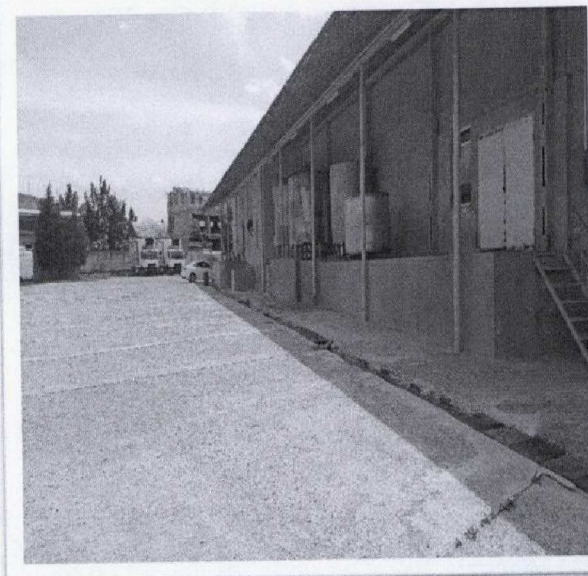


Figure 8. The territory of the milk factory of the Green Organic company

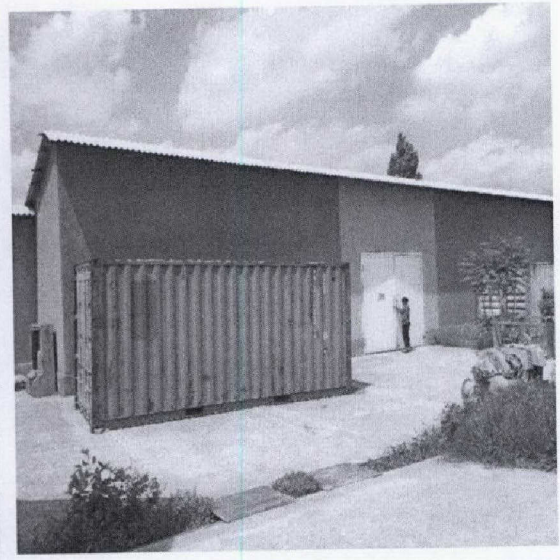


Figure 9. Facility proposed for installing almond calibrating equipment (Green Organic company)

List of People Met

Ministry of Economy	Mr. S. Shermatov, Deputy Minister of Economy Mr. Utkir Sheraliev, Chief of Agriculture and Water Resources Development Department Mr. Muhammad Mondjazip, Chief of Protocol Mr. Nurmukhammedov Jakhongir, Chief of monitoring department of invested programs with International Financial Institutions
MAWR	
	Mr. Muhammadjon Kasimov, Head of Agriculture Department Mr. Shahobiddin Karimov, International Department
RRA	
	Mr. N. Najimov, General Director, RRA Mr. B. Kamalov, Deputy General Director, HDP Project Manager Mr. Kh. Khasanov, Coordinator, Credit Line, HDP Mr. N. Kushnazarov, HDP Acting Manager Mr. M. Makhmudov, Credits Coordinator Mr. B. Turaev, Credit Line Specialist
EU	Ms. Assunta Testa, Program Manager Mr. Ovidiu Mic, Head of Cooperation Section
ADB	Mr. Talab Nosirov, Senior Operations Officer
IFC	Mr. Adham Ergashev, Operations Officer Mr. Zafar Khashimov, Country Officer
Ecological Movement of Uzbekistan	Mr. Bory Alikhanov, Deputy Speaker – Leader of the Deputy Group of Eco-movement, Chairman of the Committee on the issues of Ecology and Environment Protection Mr. Islom Hushvaqtov, Deputy of Legislative House of Oliy Majlis
PFI	
Qishloq Qurilish Bank	Mr. D. Gaipov, Head of Department Mr. Sh. Muhtarov, Leading Specialist of credit and investment department
Uzpromstroybank	Mr. E. Nurali, Specialist of the department on Financing Investment Projects
Turon Bank	Mr. D. Tashkulov, Head of Investment Department
Ipak Yuli Bank	Mr. Sh. Mamatov, Acting Head of department on Financing Small Business Projects Mr. M. Safarov, Head of department on Financing Investment Projects
Hamkorbank	Mr. Sh. Kasimov, Specialist of Agrocrediting department Mr. J. Hasanov, Head of Representation
Ipoteka Bank	Mr. N. Tursunov, Head of Department

National Bank	Ms. Mariya Mikhaylova, Acting Chief of attraction of foreign investments department, Centre of Project Financing
Asaka Bank	Ms. M. Kostina, Department of Financing and Monitoring of Investment Projects Mr. H. Holiknazarov, Department of Financing and Monitoring of Investment Projects
RRA Andijan Region May 24-25, 2016	
Joint Stock Commercial Bank “Hamkorbank”	Mr. U.Soliev, Chief of Credit Department Mr. Sh.Najmitdinov, Chief of Micro and Agrocrediting Department Mr. B. Hodiev, Chief of Agrocrediting Department Mr. Sh.Kosimov, Specialist of Agrocrediting Department
“Rural and Water Resources” College, Markhamat rayon	Lectors: Mr. A.Isashev, Doctor of Agriculture and Mr. A.Aripov, Master of Agriculture
Project beneficiary LLC “Sabina savdo elit”, Altinkul rayon	Mr. S.Tadjimukhamedov, Director of the LLC
Project beneficiary LLC “Argumon Oltinkul”, Altinkul rayon	Mr. H. Zaynabiddinov, Director of the LLC
RRA Ferghana Region May 25, 2016	
Project beneficiary LLC “Kuvassay Avtotrans Servis”	Mr. A.Kosimov, Director of the LLC
Visit to a demonstration lot within the framework of GEF project: Farm enterprise “Povulgon Bustoni”, Altiarik rayon	Mr. D.Ohunjonov, Director of the Farm Enterprise
Project beneficiary LLC “Boyazid Altiarik”, Altiarik rayon	Mr. A.Isakov, Director of the LLC
Project beneficiary LLC “Golden apple”, Altiarik rayon	Mr. N.Nabiev, Director of the LLC
RRA Syrdarya Region June 2, 2016	
Visit to the interfarm canal “PR-2”, LLC “SKS” Business Group”, Bayavud rayon	Mr. D.Muhammadiev, Director of the LLC
Visit to a demonstration lot of LLC “Muhammad Mumin”, Bayavud rayon	Mr. Sh.Salahitdinov, Director of the LLC

RRA Samarkand Region June 2-3, 2016	
Visit to the interfarm canal “KRS”, LLC “Okdare Bunyodkor Kuruvchi”, Pastdargam rayon	Mr. T.Fayziev, Director of the LLC
Project beneficiary JV “Pulse trading”, Samarkand rayon	Mr. B.Makhmudov, Deputy Director of the JV
Project beneficiary LLC “Kristal Business Style”, Samarkand rayon	Mr. A.Rasulov, Director of the LLC
Project beneficiary LLC “Samarkand Garden Plast”, Bulungur rayon	Mr. J.Ergashev, Director of the LLC

