



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 20-Jun-2022 | Report No: PIDA33233

**BASIC INFORMATION****A. Basic Project Data**

Country Uzbekistan	Project ID P177825	Project Name Second Livestock Sector Development Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 20-Jun-2022	Estimated Board Date 29-Sep-2022	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency State Committee of Veterinary and Livestock Development	

Proposed Development Objective(s)

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

Components

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

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

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

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	150.00
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International Development Association (IDA)	150.00
IDA Credit	150.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

Uzbekistan is a lower middle-income country aspiring to become an upper middle-income country by 2030 while maintaining equitable income distribution and halving poverty by then. Its GDP per capita grew by an annual average of about five percent between 2010 and 2020, and this was well above regional and other lower-middle income country averages. Poverty fell from nearly 28 percent in 2000 to 11 percent in 2019. Between 2018 and 2020, life expectancy rose by more than two years, access to primary and secondary education became universal, and the number of higher education institutions grew by 88 percent (with enrollment up by 54 percent). Nevertheless, high unemployment and low wages resulted in a mass labor migration mainly to Russia and Kazakhstan, with remittances until recently accounting for about 10-12 percent of the GDP.¹ Despite increased urbanization, particularly in recent years, poverty remains a rural phenomenon as 75 percent of those living in extreme poverty still reside in rural areas where agriculture and livestock are the main sources of livelihoods.²

Since 2017, the government has been implementing a series of agricultural reforms. The reforms, underpinned by a series of Bank-financed Development Policy Operations (DPOs)³ have led to amongst others: trade liberalization and export promotion; abolishment of the state quota systems for cotton and wheat; elimination of a systematic use of forced and child labor in cotton; removal of policy distortions for horticulture and livestock;

¹ In the context of the war in Ukraine (as of June 2022), the economy of Uzbekistan, like most of the Central Asia (CAs) countries, is likely to be impacted, including a rise in price of wheat and wheat flour, and experiencing a major decline in remittance inflows from Russia in 2022 due to the decline in economic activity in Russia caused by the sanction (that will dampen employment and incomes of migrant workers and their ability to send remittances) and a weakening of the ruble against the US dollar (which will reduce the nominal US dollar value of remittances sent in rubles).

² Uzbekistan Country Partnership Framework FY22-26 Concept Note.

³ The first (2018) DPO helped reduce land area allocated for the mandatory production of cotton and wheat and make more land available for horticulture, while the second (2019) DPO removed mandatory pre-payment and minimum export price requirements for horticultural exports. The third (2020) DPO helped abolish the state quota system for cotton, and the fourth (2021) DPO did the same for wheat.



acceleration of agricultural diversification; the liberalization of wheat price, and adoption of the Agriculture Sector Development Strategy (ADS) 2020-2030, and the Livestock Subsector Development Strategy 2020-2030 and Five-Year Investment Plan 2020-2025 (LSSDS). However, the reforms are not yet complete and the focus is now shifting towards deepening reforms by addressing structural issues, including: land tenure and rental land market; access to finance for smallholder farmers; quality of agricultural and livestock public support services; recognition of unique problems faced by dehkans and their inclusion in public support programs; and transition to green growth in agriculture and livestock and regional integration and trade, including through the One Health approach, food safety, and digital innovations.

The COVID-19 pandemic slowed down Uzbekistan's economic growth, but the country did not fall into recession. Uzbekistan was one of only three economies in Eastern Europe and Central Asia (ECA) that maintained positive economic growth in 2020.⁴ Fast policy measures backed by the Anti-Crisis Fund (US\$1 billion or 2.2 percent of GDP) to support and sustain the economic activity served to cushion the shocks of an acute effect of the COVID-19 pandemic. The agriculture sector proved resilient to the outbreak of COVID-19⁵ thereby sustaining the economic growth of the country. In 2020, the agriculture GDP grew by three percent, higher than the industry, service and transport sectors, the latter having decelerated by -2.2 percent.⁶ In agriculture, the government implemented policy measures that countered the negative impacts of COVID-19, including: monitoring market prices of food products important for national food security, e.g., meat and milk, and ensuring their sufficient supply; provision of 0.01 ha of greenhouse for cultivating fresh vegetables to families; leasing land plots (for up to one hectare), primarily to low-income families with agricultural knowledge and skills in need; financial support to low-income families participating in poultry cooperatives in the order of US\$50 thousand per family; allocating US\$0.5 billion from the Anti-Crisis Fund to cover up to 50 percent of the transportation costs (by road) of exporters of fruits and vegetables; and allocating up to one hectare of land for rural youth and returnee migrants.

The war in Ukraine is exerting new pressures on Uzbekistan, the implications of which are not yet clear. The war is expected to have large indirect effects on Uzbekistan particularly for wheat, even if it does not import much wheat from Russia and Ukraine. One scenario is that a sharply lower supply of wheat and other cereals from Russia and Ukraine onto global markets will put an upward pressure on grain prices in Kazakhstan, increasing demand for Kazakh wheat in places, which were used to buy Russian or Ukrainian wheat. This coupled with Kazakhstan's latest export restrictions of wheat leave other Central Asian (CAs) countries with no alternatives to source wheat. The result will be an immediate impact on food security in CAs countries through higher food prices. This situation will have not only immediate negative effect on food security; it could also damage it in the long run. Moreover, reduced remittances to countries in Central Asia (CAs), are expected to significantly increase food insecurity risks via an income reduction and job losses. Based on an initial assessment of the first-round effects of a decline in economic activity in Russia (that will dampen employment and incomes of migrant workers and their ability to send remittances) and a weakening of the ruble against the US dollar (which will reduce the nominal US dollar value of remittances sent in rubles), the revised projected growth rates of remittances in CAs in 2022 are expected to average around -25 percentage points.⁷

⁴ Turkstra, Alberto, and Matthew Neapole. 06 June 2020. Uzbekistan's Economic Resilience in the Face of COVID-19. European Institute for Asian Studies (EIAS). Available at: <https://eias.org/op-ed/uzbekistans-economic-resilience-in-the-face-of-covid-19/>

⁵ Etenesh B. Asfaw, Iroda Amirova and Shakhzoda Erkinova. March 2021. The Impact of COVID-19 on Agriculture, Food and Rural Areas in Central Asia and Caucasus Countries: The case of Uzbekistan. Center for Policy Research and Outreach at the Westminster International University in Tashkent (CPRO/WIUT).

⁶ The GDP deflator index, relative to 2019, used by the State Statistics Committee is 11.9 percent.

⁷ "Impact of the War in Ukraine on Food/Wheat Security in Central Asia". 12 March 2022. Produced by the Agricultural team of



Uzbekistan is vulnerable to climate change particularly in the sectors of agriculture, energy, and water. Anticipated impacts include increases in monthly maximum temperatures, reduced and high variability of rainfall, and increased glacier melting with implications for water availability and river flow. For agriculture, it is manifested in the form of extreme temperatures, less precipitation hence risk of water availability, high hazard from wildfires and increased incidence of pests, insects, and diseases. The country ranks second in terms of disaster risk and is in the top 20 in the world in terms of its exposure to drought,⁸ and droughts may become more frequent due to decreases in runoffs of Amu and Syr Darya Rivers. Climate change is also expected to adversely affect soil fertility, because of droughts, and exacerbate soil salinity due to water scarcity and other factors. The likely effect of climate change on the livestock subsector, is not very clear. On the one hand, the direct effects via projected increase in temperatures, and more frequent episodes of sustained exposure to extreme heat, are expected to directly reduce livestock productivity. On the other hand, the indirect effects on pasture yields are not expected to be as severe across all three agroecological zones in Uzbekistan. Lastly, changes in the temperature regime, precipitation amount, and air humidity may stimulate outbursts of plant and animal emerging diseases and the propagation of certain pest varieties.⁹ Most of the rural population is set to be disproportionately affected by climate change risks since their livelihoods depend on agriculture and livestock, and since they have relatively lower ability to adapt and spend a high share of their income on food, on average 50 percent. Climate change impacts could also reverse progress made in poverty reduction, and negatively affect food security and economic growth in vulnerable rural areas, as changes in the seasonal distribution of temperature and precipitation undermine predictable agriculture production.¹⁰

The government adopted the Strategy for the Transition of the Republic of Uzbekistan to a Green Economy for the period 2019-2030.¹¹ The Strategy highlights the need for mainstreaming climate mitigation and adaptation, environmental protection, and sustainable natural resource management as essential components of any development endeavor. The Strategy identified priority areas, including improving energy efficiency; enhancing adaptation to and mitigation of the effects of climate change; increasing the efficiency of natural resources and preservation of natural ecosystems; and developing financial and non-financial support mechanisms for the green economy. The Strategy underlined the need to promote climate-smart, and energy-efficient technologies and innovations that help increase productivity, enhance resilience and reduce greenhouse gas (GHG) emissions. The Strategy envisions the creation of a monitoring, reporting and verification system on GHG emissions; the development of public-private partnerships to promote green technologies; and support to private investors, including small businesses, in the implementation of the "green growth" initiative. Although the implementation of the Strategy slowed down in 2020, as resources were shifted to addressing the socio-economic impacts of COVID-19, the global health crisis re-emphasized the link between public health, climate, and nature. This renewed emphasis could be harnessed for strengthening the focus on enhancing the implementation of the Strategy and building a green economy.

Sectoral and Institutional Context

Livestock is one of the key economic subsectors of Uzbekistan's economy constituting 13 percent of the GDP and about 50 percent (livestock value added) of the national agricultural GDP (AgGDP) and this is without

the World Bank working on Central Asia.

⁸ The World Bank Group and the Asian Development Bank. 2021. Climate Risk Country Profile: Uzbekistan.

⁹ The World Bank Group and the Asian Development Bank. 2021. Climate Risk Country Profile: Uzbekistan.

¹⁰ WBG. 2019. Uzbekistan Country Economic Update Summer 2019.

¹¹ Resolution of the President of the Republic of Uzbekistan, No. PP-4477, dated April 10, 2019.



accounting for the estimated monetary value of organic matter from livestock (manure). Out of the total livestock value-added, cattle (dairy and beef) contribute 76 percent; small ruminants (meat) nine percent; poultry (meat and egg) seven percent; and fish (meat) two percent. Further livestock value added comes from other livestock value chains, including apiculture (honey), rabbit (meat), horse (meat and breeding), ostrich (meat), and camel (milk). Livestock constitutes 45 to 67 percent of the rural household income and plays a significant role for food and nutrition security. It is also an important source of employment and constitutes about 27 percent of the agricultural employment,¹² including in primary production and along livestock value chains. Dairy (cattle), meat (cattle, small ruminants, poultry, and fish), and egg (poultry) are the most important livestock value chains.

Livestock production is practiced in all AEZs¹³ of Uzbekistan. However, the type practiced varies across the AEZs. While beef production is predominantly practiced in the Highland and Piedmont AEZs, dairy production is practiced in all AEZs but predominantly in the Piedmont and Highland AEZs, and in areas dominated by irrigated croplands and near urban industrial centers. Small ruminant production is practiced in Highland AEZ whereas karakul sheep production is practiced in Desert and Steppe AEZs. Poultry production is practiced in all AEZs with Industrial-scale poultry production predominantly practiced near large cities and industrial centers and backyard poultry production in rural areas around homesteads. Apiculture is practiced in all AEZs whereas fishery (aquaculture), and emerging and fast-growing subsector, is practiced in Piedmont and Highland AEZs.¹⁴

Livestock is held by smallholder farmers (dehkans), private commercial farmers, agricultural cooperatives (formerly known as *shirkats*), and agribusinesses.¹⁵ Dehkans keep more than 90 percent of livestock herd and produce more than 95 percent of livestock products.¹⁶ They are less regulated by the government plan of land allocation and use their plots for producing different agricultural products. They receive little, if any, public support and have limited access to land, improved technologies, and finance. They are fragmented and least integrated into the livestock value chains rendering commercialization and service delivery challenging. They are primarily oriented towards self-sufficiency, however, evidence from the current Livestock Sector Development

¹² State Committee of the Republic of Uzbekistan on Statistics.

¹³ **The Desert and Steppe AEZ** constitutes lowlands and low plateaus in the western areas of the country, with vast valleys in the central part of the AEZ. Elevation ranges from 60 to 150 meters above sea level with smaller areas in eastern districts with elevation greater than 400 meters above sea level. Annual mean temperature ranges from 10 to 15 degree Celsius and rainfall 100 to 200 millimeters or mm. Crop production is possible only with irrigation. The vast rangeland found in the AEZ is used for livestock production. **The Piedmont AEZ** is found in the central, southeast and Fergana valley areas of the country and consists of the undulating terrain intermixed with open plains and elevation ranging from 400 to 1000 meters above sea level; precipitation is below 400 mm; and irrigated and rain fed crop production is both practiced. Extensive areas of pasture are used for livestock production. **The Highland AEZ** is found in the southeast and Fergana valley areas of the country and consists of steep and mountainous with elevation greater than 1000 m; annual mean temperature of -5 to 5 degree Celsius; rain fall exceeds 600 mm, but the area is not suitable for crop production. The area is the source of summer grazing for livestock.

¹⁴ Uzbekistan Livestock Sector Analysis Baseline 2017.

¹⁵ **Dehkans** are small household farms engaged in livestock and crop production mainly for own consumption but also for marketing, mainly using household labor and household land plot. They control less than 5 percent of the arable land with average land size of 0.35 ha in non-irrigated areas and from 0.04-0.08 ha in irrigated lands. **Private commercial farmers (also known as large scale private farms/farmers)** are independent legal entities with long term land lease. They hire external labor and also use household labor. They produce mainly for the market. **Agribusinesses** also referred to as specialized production (SP) systems (also known as **agro-companies or enterprises**) include those entities whose livestock production methods are modern, and which depend mainly on the procurement of live animals, farm machinery and feed from outside the farm operation for livestock feeding. They employ modern livestock production practices, and they are commercial (market-oriented).

¹⁶ They produce 97 percent of the milk, 90 percent of the meat and 60 percent of the egg (State Statistics Committee, 2021).



Project (LSDP) showed that they can be commercially competitive. Agribusinesses, commercial farmers, and agricultural cooperatives on the contrary have access to land and finance and receive government subsidies and support. However, they suffer from lack of access to improved technologies and innovations, and frequent farm restructurings and (persisting) weak land tenure security rights that have made them reluctant to invest in measures that improve land productivity and competitiveness.

Livestock production has grown over the last three decades,¹⁷ but is not meeting the growing demand. It grew by 4.2 percent and 6.5 percent in 2017 and 2018, respectively outpacing the overall average growth in agriculture, which was 1.2 percent in 2017 and 0.2 percent in 2018. However, the increase in per capita livestock production is low compared to neighboring countries, such as Russia, Turkey, and Kazakhstan. Livestock productivity in general is low, and the productivity of animals kept by dehkans is lower than those kept by commercial farmers and agribusinesses. Average meat productivity measured by average market live weight (cattle) is 500 kg for agri-businesses, 350 kg for dehkans and 420 kg for commercial farmers. Average milk productivity, measured by liters of milk per cow per day is three for dehkans, eight for private farms and 20 for agribusinesses. Despite the growth in livestock production, the country has not been able to meet its increasing domestic demand for animal source foods (ASFs) hence is a net importer of livestock products. The increase in the demand for ASF is expected to continue, and it is projected that by 2035, under a business-as-usual scenario, Uzbekistan can experience 41 and 48 percent production and consumption gaps in milk and meat, respectively, a deficit that could widen, unless interventions are made to address the challenges the livestock subsector is facing, including subsistence oriented and fragmented livestock production system; limited availability of animal feed & nutrition and inefficient natural resource (pasture) management; weak veterinary, animal health, research and extension services; low productivity of animals (breeding and genetics); limited access to inputs, technologies and finance; underdeveloped market and value addition infrastructure; and traditional, not inclusive and less competitive livestock value chains.

The government succeeded in addressing several the sub-sector's challenges, yet additional support is needed to build on this success and assure sustainability. Addressing the challenges can serve as an engine of growth in livestock production and productivity, and creating rural jobs, while ensuring sustainability, resilience, and inclusion. The LSDP is the latest in the government's continued endeavor of addressing some of the challenges faced by the subsector. The LSDP supported the livestock subsector public investment framework and public services, including developing the LSSDS; the modernization of the subsector by improving the access to finance, market, and technology of commercial farmers and agribusinesses, and the inclusion of smallholder farmers into the livestock value chains. It also contributed to increased production and productivity, increased value of livestock products old and creation of new jobs. However, larger-scale commercial farmers and agribusinesses were the main beneficiaries of the LSDP support, and dehkans benefitted less. The European Union (EU) financed value chain development (VCD) program of the LSDP improved the access to finance of dehkans. However, because of the limited financial resource allocated to the VCD program, it was not possible to reach many dehkans. Moreover, the LSDP did not focus on improving market and value addition infrastructure and addressing climate change and resilience issues. The proposed project, while building on the gains of the LSDP, will fill in the gaps that were addressed partially, and the results of this work will also support the implementation of the recently approved LSSDS.

The livestock subsector currently has limited commercial orientation due to inadequate market and value addition infrastructures. The main market outlets are local and regional markets, wholesale buyers, and

¹⁷ Uzbekistan Livestock Subsector Development Strategy 2020-2030- and Five-Year Investment Plan 2020-2025.



processing enterprises. Physical infrastructures, including market centers, stock routes or slaughtering houses, processing plants, and milk collection centers, are few and lack the appropriate facilities and equipment. Moreover, they have not been supported by a real-time market information system to enhance efficiency in the function of the marketing system. Value addition facilities are either lacking or suffer from limited investments. Only a small portion of livestock products goes through value addition, and that comes mainly from commercial farmers and agribusinesses. Only few processors exist in the country and most of them operate under capacity.¹⁸ Dehkans are not the preferred source of livestock products for processing because of concerns over quality and animal health. Dehkans sometimes process excess livestock products into traditional products e.g., processing milk to produce kaymak, sour cream, chakka, cottage cheese, and butter. However, these are either destined for own consumption or sold at local bazaars by peddlers. Encouragingly, recently the number of legal and certified livestock product processing companies is increasing. However, they are still few and need substantial capacity building.

Limited access to finance is one of the challenges faced by the livestock subsector. The credit accessed by the subsector is disproportionately low compared with its contribution to GDP. Indicatively, in 2019, aggregate livestock lending accounted for one percent of the overall banks' loan portfolios, while the subsector contributed about eight percent of GDP. Access to finance, although showing signs of improvement lately, is still far from being a reality for many livestock farmers and enterprises, especially dehkans. The limited assets and financial capacity of small livestock farmers limits their access to formal financial institutions, forcing them to self-finance or depend on informal sources thereby limiting their access to innovation and improved and climate smart technologies. The capacity of financial institutions involved in providing loans to livestock farmers is also very much limited, especially when it comes to developing diversified loan products that are inclusive and climate smart thereby leading to the development of green and resilient livestock value chains.

The public sector dominates livestock support services but has largely remained weak. The State Committee of Veterinary and Livestock Development (SCVLD),¹⁹ is the Competent Authority (CA) responsible for providing livestock public support services as well as some elements of veterinary public health i.e., food safety and diagnostics. However, the management and service delivery capacity of the SCVLD has largely remained weak. For example, the resources allocated for provision of basic services by the SCVLD, including vaccination, and deworming, and anticipated revisions (if any) on legislation provisions for a compensation mechanism in case of culling for disease control; access and use of veterinary drugs; and detailed diagnosis on the capacity of the laboratory network have been scanty. The LSDP supported capacity building of the SCVLD. However, the scope of the support was very limited and focused more on infrastructure capacity building, including procurement of goods, as in for example refrigerated vehicles and information and communications technology (ICT) equipment, and less on improving planning, systems, coordination, and human resource capacity of the SCVLD. Research institutions (RIs), national veterinary laboratories (NVLNs), and border inspection posts (BIPs) have also been largely underfunded with limited human and infrastructure capacity making the provision of veterinary and animal health, extension, research services as well as import control less efficient. The almost complete lack of field quarantine stations poses a significant threat and a risk of importing pests and diseases along with live animals and livestock products especially in the face of climate changes that favor their proliferation.

¹⁸ Uzbekistan Livestock Sub Sector Development Strategy 2020-2030 and Five-year Investment Plan (2020-2025).

¹⁹ The SCVLD includes its branch offices at the regional and district level, Livestock Research Institutes (RIs), National Veterinary Laboratories Network (NVLNs), Border Inspection Posts (BIPs), and Artificial Insemination (AI) centers.



Livestock public support services and programs are often not climate smart and not yet sufficiently targeted towards climate goals despite the country's commitment to climate targets. Policies and legislations related to the livestock subsector are not yet sufficiently considering climate actions and solutions, and even when espousing to principles of climate adaptation and mitigation they can be incoherent and have little or no assessment of their likely impacts on climate adaptation and mitigation, productivity, and the environment. In Uzbekistan, livestock contributes most of the agriculture GHG emissions, estimated at 13.1 percent of domestic emissions. Uzbekistan's Land-Use Change and Forestry (LUCF) sector, including pastureland, was a net carbon sink, absorbing 16.4 MtCO₂e more than was emitted from that sector in 2014²⁰. The country increased its commitments in the updated nationally determined contribution (NDC) and intends to reduce specific greenhouse gas emissions per unit of GDP by 35 percent by 2030 from the level of 2010 instead of 10 percent specified in the NDC1. The main strategic direction of climate adaptation is closely related to mitigation measures and includes breeding highly productive livestock breeds resistant to salinity, drought and other hazardous weather events and risks; preserving the gene pool of local livestock breeds; introducing organic farming practices; properly storing/processing organic animal waste; and restore degraded pastures and introduce sustainable pasture management mechanisms.²¹

In Uzbekistan, women play an important role in crop farming and livestock production. However, they tend to take on traditionally gendered tasks (for example those that are less visible or involve less physical strength). Men are more involved in livestock sales, slaughter, and breeding, whereas women oversee grazing (close to the home) and feeding livestock, milking, and preparing dairy products, as well as the informal sale of excess products (for example, milk and eggs). Women have a small role in aquaculture (most formal employees on fish farms is men), and they are mostly involved in retail trade. Official statistics do not differentiate by gender in livestock production, but experience shows that women face constraints in owning and accessing productive assets and resources such as land, water, livestock, agricultural equipment, seeds, and information and knowledge, as well as accessing finance and markets²². Reasons for limited access to financing include that borrowing is considered a risky activity, which is to be undertaken by men, not women; and difficulties in producing collateral, due to limited land ownership and lease rights for women. Moreover, a survey had shown that while rural women would have liked to pursue entrepreneurial opportunities, they had concerns over their business skills, mobility, and knowledge of laws and regulations.²³ A 2017 United Nations Development Programme (UNDP) policy brief based on a survey of Uzbek female entrepreneurs highlighted the remaining urgent need for financial inclusion and focus on capacity and skills enhancement for entrepreneurship.²⁴

The government has recently approved the Livestock Subsector Development Strategy 2020-2030 and Five-year Investment Plan 2020-2025. The vision of the Strategy, which is aligned with the ADS 2020-2030, is to develop a competitive, sustainable, resilient, and inclusive livestock subsector that contributes to a prosperous

²⁰ The Strategy for the Transition of The Republic of Uzbekistan to a "Green" Economy for the period 2019 – 2030.

²¹ Republic of Uzbekistan. 2021. Updated Nationally Determined Contribution submitted to the United Nations Framework Convention on Climate Change (UNFCCC) secretariat.

²² FAO. 2019. *Gender, agriculture, and rural development in Uzbekistan*. Country gender assessment series. Budapest. 88pp. License: CC BY-NC-SA 3.0 IGO.

²³ International Fund for Agricultural Development (IFAD). 2015. Dairy Value Chains Development Programme. Design completion report.

²⁴ United National Development Programme (UNDP). 2017. Women Entrepreneurs in Uzbekistan: Challenges and Opportunities; Policy Brief. Prepared by UNDP project 'Business Forum of Uzbekistan (Phase III)', the Chamber of Commerce and Industry of Uzbekistan, the Women's Committee of Uzbekistan, the Business Women's Association of Uzbekistan and the UN Joint Programme 'Building the Resilience of Communities Affected by the Aral Sea Disaster through a Multi-Partner Human Security Fund for the Aral Sea'.



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

The project will support the implementation of the LSSDS, which was prepared in alignment with the recommendations of the various World Organization of Animal Health (OIE) Performance of Veterinary Services (PVS) Missions as well as with the priorities identified by the Permanent Mission of the Republic of Uzbekistan to the United Nations.²⁵ Uzbekistan hosted a number of OIE PVS Missions, including the OIE PVS Evaluation Mission (diagnosis) in 2007, the OIE PVS Evaluation Follow-Up Mission (diagnosis) in 2017, the OIE PVS Gap Analysis Mission (prescription) in 2018 and the OIE PVS Sustainable Laboratory Mission (treatment) in 2019. The objectives of the OIE Pathway Missions were to assess the performance of veterinary services and provide decision makers with information to allocate appropriate resources and the necessary support to the veterinary system, and to help them make strategic decisions to support accurate and timely diagnosis, while ensuring the sustainability of the veterinary system. The missions recommended priority areas that support the development of sustainable livestock production, and the provision of veterinary and animal health service that are climate smart and resilient. These include: (a) National Livestock Development Priorities, including increasing domestic production and self-sufficiency in livestock products; liberalizing the agriculture economy, including the livestock and veterinary subsector; improving food and nutrition security; reducing costs of imports and increasing exports; and introducing animal identification, registration, and traceability (AIR&T) system; (b) Animal Health Priorities, including improving dairy cattle health to support increased milk production; minimizing the risks and impacts from brucellosis and other transboundary and zoonotic animal diseases; preventing/controlling infectious and non-infectious diseases; (c) Veterinary Public Health Priorities, including developing a National Food Safety Strategy jointly with the Ministry of Health (MOH) to increase effectiveness and efficiency of the national food safety system; strengthening ante- and post-mortem inspection; developing capacity to control the distribution, sale and use of veterinary medicines; reducing/preventing the development of antimicrobial resistance (AMR); and (d) Management of Veterinary Services Priorities (building the capacity of the SCVLD), including completing/consolidating the reorganization of the SCVLD; computerizing the activities of SCVLD, training of its staff, including the leadership, improving its coordination capacity; creating a veterinary statutory body (VSB) to strengthen governance of the profession through systematic licensing, standards for continuous education, a code of practice and a regime of professional oversight; improving research, extension and advisory services; and improving graduate veterinary training and continuing education based on needs of the new activities of veterinary services (e.g., animal ID, epidemiology, risk analysis, food safety etc.).

²⁵ The Permanent Mission of the Republic of Uzbekistan to the United Nations (citing a meeting of the Cabinet of Ministers of the Republic of Uzbekistan) <https://www.un.int/uzbekistan/news/uzbek-agriculture-progress-and-achievements#> accessed 2018-04-29



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

The project is consistent with the new Country Partnership Framework (CPF)²⁶ and the Second Systematic Country Diagnostic²⁷ (SCD) for Uzbekistan. It falls under the CPF's High Level Outcomes: 1 - Increase Inclusive Private Sector Employment, supporting a more strategic engagement in agriculture; 2 - Improve Human Capital; and 3 - Improve Livelihoods and Resilience through Greener Growth. The project will also support the CPF's cross-cutting objectives of closing gender gaps and strengthening Citizen Engagement and accountability in public services. The project is also aligned with the Second SCD, which emphasizes the need for: (a) a stronger private sector response, through its support for the development of a vibrant, competitive and private sector-led livestock subsector; (b) effectiveness and accountability of the state, through the project's support for strengthening public livestock institutions with the aim to reduce their economic footprint while improving their capacity, regulatory quality, and accountability; (c) effective investments in people, through the project's support for human capacity building; and (d) an environmentally sustainable growth model that promotes efficient use of natural resources, through the project's support for the generation of climate smart and inclusive livestock production technologies and their dissemination to and adoption by end users as well as the development of green and resilient livestock value chains.

The project is aligned with the World Bank Group's (WBG) twin goals and strategic directions. Specifically, the project will support ending extreme poverty and boosting shared prosperity and two focal areas of the WBG "Saving Lives, Scaling-up Impact and Getting Back on Track" approach paper of June 2020 in response to the COVID-19 crisis including: (a) economic response for saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation; and (b) focused support for strengthening policies, institutions, and investments for resilient and sustainable recovery. Moreover, the underlying themes of the project, specifically, inclusion, and climate resilience and mitigation, reflect the three dimensions of the World Bank's GRID (Green, Resilient, and Inclusive Development) Approach and RISE (resilience, inclusion, sustainability, and efficiency) pillars. The GRID Approach is identified by the World Bank as important to achieving a more

²⁶ World Bank Group. 2022. CPF for the Republic of Uzbekistan for the Period FY2022 – FY2026.

²⁷ World Bank Group. 2021. The Second Country Systematic Diagnostic for Uzbekistan: Towards a Prosperous and Inclusive Future.



sustainable and equitable recovery from COVID-19 and a long-term development paradigm.²⁸ Besides, the project incorporates the RISE pillars identified by the World Bank as having a large impact on economic and social development around the globe and being key to achieving the goals of a fairer, more efficient, and sustainable economy.²⁹ The project also builds on the World Bank ECA Climate Change Action Plan (2021-2025) to support ambitious, people-centered transitions in ECA by prioritizing amongst others climate-smart agri-food and livestock value chains with a priority to achieve sustainable and carbon neutral/negative livestock systems.

The project builds on the gains and lessons learnt from the on-going LSDP (P153613)³⁰ (more in Section F) and complements three ongoing projects related to agrifood sector development, specifically, the Agriculture Modernization Project (AMP) (P158372), Horticulture Development Project (HDP) Additional Financing (P164226), and Fergana Valley Rural Enterprise Development Project (FVREDP) (P166305) that collectively aim to support productivity supporting public services; strengthen the crisis and climate resilience of the agriculture sector; increase domestic food self-reliance and improve nutrition; foster competitiveness of the growing agricultural sector; and improve public institutions' early warning and crises preparedness and response capacity; and contribute to the development of viable private micro, small and medium enterprises in rural areas.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

The proposed project will transform the livestock subsector by promoting the development of sustainable livestock production systems that can efficiently respond to the growing demand for ASF. It would (a) strengthen the capacity of public livestock institutions for better management and enhanced service delivery; (b) improve market access, enhance value addition, and facilitate import control; and (c) develop green, resilient, and competitive livestock value chains. The proposed project would also help livestock farmers employ good animal husbandry practice (GAHP) by addressing breeding and genetics, feed and nutrition, animal health and veterinary, and animal husbandry as well as create new and better paying jobs. All activities and investments supported through the project would facilitate the wide adoption of climate smart and improved livestock production technologies and practices ranging from adaptation and increased productivity (resulting in lower emission intensities) to specific mitigation options such as covered manure storage, biogas and energy saving technologies.

²⁸ From COVID-19 Crisis Response to Resilient Recovery - Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID). Washington, D.C.
<https://thedocs.worldbank.org/en/doc/9385bfef1c330ed6ed972dd9e70d0fb7-0200022021/original/DC2021-0004-Green-Resilient-final.pdf>

²⁹ World Bank. 2021. The RISE Framework. Washington, D.C.

³⁰ The LSDP closes in June 2022.



D. Project Description

Component 1: Strengthen public livestock support services (IDA US\$107.5 million). The objective of this component is to improve the capacity of public institutions involved in providing livestock support services³¹. Climate change, inclusion, resilience, and sustainability will be at the center of strengthening public support services. The various OIE PVS missions as well as the LSSDS indicated the need to strengthen public livestock support services and to make them inclusive, sustainable, and climate resilient. The OIE missions highlighted positive changes, including the establishment of the SCVLD itself, the adoption of several policies and legislations, and improvements in infrastructure development at central and local levels. At the same time, however, they identified many challenges, including poor enabling environment; weak management and service delivery capacity of the SCVLD, including the need for reorganizing the SCVLD Headquarters by establishing units, and building the capacity of its staff, including the leadership; weak public livestock support services, including veterinary, animal health, research, extension and advisory services; weak basic veterinary education; ineffective system of control and enforcement of present and future food safety laws and regulatory acts; and low motivation of the “veterinary specialists” (veterinarians in the field) who need adequate infrastructure (facilities, transportation, equipment), training and increased salaries. This component has four subcomponents: (a) improving the enabling environment; (b) strengthening the management and service delivery capacity of the SCVLD; (c) strengthening livestock extension and advisory services; and (d) strengthening research and development.

Subcomponent 1.1: Improve the enabling environment. The objective of this subcomponent is to improve the policy and legal framework of the livestock subsector. Since independence in 1991, the government issued several policies and legislations, including presidential decrees, resolutions, and directives of cabinet of ministers (COM). However, while some of the policies and legislation are outdated, most of them placed more emphasis on increasing production volumes, and less on improving production efficiency, market orientation, inclusion, and environmental sustainability. They also did not pay sufficient attention to sustainable intensification making the development and implementation of climate smart policies and legislations a formidable challenge. There are also policy and legislative gaps identified by the OIE PVS missions and the LSSDS, including in livestock breeding and genetics, land tenure, animal health, veterinary public health, trade, and management of veterinary services. The subcomponent thus aims at filling the policy and legislation gaps by developing new and/or revising existing policies and legislations that promote sustainable livestock production, including climate resilience and mitigation and the control of One Health related issues, i.e., zoonoses, food safety and AMR. The development and/or revision of policies and legislations would also ensure better coordination with the Ministry of Health, and State Committee for Ecology and Environmental Protection for surveillance and control of zoonotic diseases and AMR, which would be done in line with the OIE PVS mission recommendations. National objectives of climate change adaptation and mitigation will be mainstreamed in the policies and regulations supported through the project. The results of this work will also support and enhance the implementation of the LSSDS. The subcomponent would support: (a) review of existing policies, legislations, regulations, institutions and standards, including: (i) identifying gaps and implementation challenges, (ii) developing new and/or revising/updating existing policies, legislations, regulations, institutions and standards, including harmonizing them with regional and international standards; and (b) provision of technical assistance for the SCVLD and other stakeholders in the review, formulation and implementation of policies and legislations with a particular focus on climate change adaptation and mitigation. The support would also focus on raising awareness and progressive implementation of the collaborative One Health approach.

Subcomponent 1.2: Strengthen the SCVLD. The objective of this subcomponent is to improve the management and service delivery capacity of the SCVLD. The SCVLD, with its headquarters located in Tashkent and branch offices in all the regions and districts as well as NVLNs³², artificial insemination (AI) centers, and BIPs that directly report to it, is the



CA responsible for veterinary and livestock development. The current capacity of the SCVLD is limited: it is not yet aligned with the new strategic vision for the sector; and it is not organized with relevant units/departments and adequate systems and procedures that are in line with a modern and forward-looking sector. The SCVLD is also underfunded to fulfill its mandate, and lacks the required capacity, including IT system to implement its core functions, support its activities, monitor sector performance, and improve internal and external coordination capacity. The various OIE PVS missions highlighted the urgency to strengthen the management and service delivery capacity of the SCVLD. Guided by findings of the 2017 OIE PVS evaluation follow-up, national priorities, and detailed discussions with representatives of the SCVLD and supporting documents, the OIE PVS gap analysis mission made recommendations for priority activities to strengthen the SCVLD, including the need for building the capacity of SCVLD staff, including the leadership, improving the infrastructure of the SCVLD, developing the veterinary information system (VIS) with connected databases managed by the SCVLD that will allow collection and sharing of information amongst different levels and units of the SCVLD and across Ministries in a One Health approach, as well as monitoring of the effectiveness of implementation of the activities; ensuring relevant and stable financing of the different programmes through better planning and financing of the activities; and improving standards and regulations through systematic licensing, a code of practice and a regime of professional oversight. There is also a need to strengthen the capacity of SCVLD in the area of environmental monitoring and in the monitoring of GHG emissions in the subsector. The subcomponent would support: (a) system capacity building, including developing a veterinary information system (VIS), (b) infrastructure capacity building, including procurement of goods such as office furniture, IT and field equipment, vehicles, and civil works, including rehabilitation/renovation and refurbishment/equipping office and laboratory buildings; and (c) human capacity building, including advanced and vocational trainings, and international exchanges. The support to strengthen the SCVLD would be based on priority development areas identified by the various OIE PVS missions as well as the LSSDS and a detailed human and infrastructure capacity needs assessment that would be undertaken during implementation.

Subcomponent 1.3: Strengthen public livestock extension and advisory services. The objective of this subcomponent is to further improve livestock extension and advisory service provision. In Uzbekistan, livestock extension and advisory services is the mandate of the Uzbekchorvanasi Agency (hereafter referred to as the Agency), which was established in 2019 under the auspices of the SCVLD, following the transfer of livestock development responsibility from the MOA to SCVLD. The Agency is not only newly established but also lacks the necessary infrastructure, systems and human capacity and resources to plan, implement, monitor, and evaluate extension and advisory service programs. As a result, livestock extension and advisory services in Uzbekistan remained weak, not sufficiently supporting livestock farmers, agribusinesses, and other value chain actors. Universities and research institutes have also been involved in providing livestock extension and advisory services. However, their services are not only ad-hoc and weak, but they are neither inclusive (often they target only their members) nor climate sensitive. This is aggravated by the lack of feedback mechanisms for ensuring the participation of producers and the private sector and informing the design and implementation of extension and advisory services. The subcomponent would support: (a) capacity building primarily of the Agency, but also other public livestock extension and advisory service providing institutions as deemed necessary, including (i) infrastructure capacity building (civil works for rehabilitation/renovation and refurbishment of office buildings, and goods, including office furniture; field equipment; farm machineries and vehicles) and (ii) human capacity building (short and long term training, exchange visits, study tours and technical assistance); (b) the establishment of demonstration plots, including (i) infrastructure (civil works for the construction, rehabilitation/renovation and refurbishment of demonstration farms, and goods such as agricultural inputs used for demonstration purposes,

³¹ These include veterinary and animal health services; extension, and advisory services; and research and development, including educational institutions i.e., universities and colleges.

³² The NVLN consists of the Central Veterinary Laboratory in Tashkent, 13 Regional Veterinary Laboratories, and 130 District Veterinary Laboratories



extension materials, office furniture), and (ii) human capacity building, including through training of extension staff, farmers, agribusinesses; organizing field days, workshops and exchange visits and; (c) technical assistance for public education campaign using traditional and new media tools to raise awareness about diet-appropriate nutrition and food preparation practices in collaboration with the MOH.

Subcomponent 1.4: Strengthen public livestock research and development. The objective of this subcomponent is to build the capacity of selected public institutions involved in livestock research and development (R&D)³³, including the Research Institutes of Veterinary; Animal Husbandry and Poultry; Fisheries, and RIs under the auspices of the Uzbekistan Academy of Sciences, including the Research Institute of Karakul Sheep Breeding and Desert Ecology, and the Samarkand Institute of Veterinary Medicine (SIVM). The R&D institutions are significantly underfunded and understaffed, and they lack capacity, including infrastructure, human and systems. Initial basic trainings to bring new graduates and professionals entering the veterinary profession up to standards set out in the OIE Competencies Guidelines, and continuing education for improving the knowledge and skills of existing SCVLD staff and reflect current expertise and methods are also lacking. As a result, R&D institutions have not been able to engage in meaningful research programs hence in the generation of high-quality and client-oriented knowledge, technologies and innovations, including in the areas of productivity and efficiency gains among dehkans, climate smart agriculture, environmental sustainability and food safety. Training institutions have also not been able to produce graduates (professionals) that are up to the standard. The situation is aggravated by the lack of mechanisms for ensuring the participation of livestock producers and the private sector in determining research, development and training priorities and providing feedback. The subcomponent would support: (a) infrastructure capacity building, including construction (of new), rehabilitation/renovation (of existing), and refurbishment (both existing and new) office and laboratory buildings, green houses and lath houses; and procurement of goods i.e., office furniture; laboratory equipment and consumables, , green house and lath house facilities, field equipment and farm machineries, vehicles, and; (b) human capacity building, including training (short and long term) of staff, exchange visits, study tours, and technical assistance.

Component 2: Strengthen market and value addition infrastructures and facilitate trade (IDA US\$32 million). The objective of this component is to improve the access to market of livestock farmers, agribusiness and other value chain actors and enhance import control. Enhancing climate resilience, including adaptation and mitigation opportunities will be at the center of strengthening the market and value addition infrastructures, both in terms of climate proofing, building broader climate resilience due to addressing climate risks and impacts, as well as energy efficiency, and less FLW along the value chain and strengthening border control and quarantine. The component has three subcomponents, including: (a) strengthening market and value addition infrastructures; (b) strengthening border security and quarantine; and (c) operationalizing the AIR&T system.

Subcomponent 2.1: Strengthen livestock market and value addition infrastructures. With a focus on dehkans, the objective of this subcomponent is to improve market access for livestock farmers, processors, and other value chain actors. The livestock subsector currently has a low commercial orientation and limited value addition due to inadequate market and value addition infrastructure. Market and value addition infrastructures, including market centers and the associated basic amenities, including feed, veterinary services, and water provision, stock routes or slaughtering houses, processing plants, and milk collection centers, are few and lack the appropriate facilities and equipment. There are very few livestock product processing facilities and most of them are not operating at full capacity due to shortage of supplies and poor infrastructure quality. Only a small portion of livestock products goes through value addition, and that comes mainly from commercial farmers and agribusinesses. The country does not have quarantine facilities and border

³³ The detailed investment plans of the RI to be supported by the project will be prepared before the project is declared effective.



inspection and import control are weak. Market participation by producers is currently hampered by remoteness of the marketplaces, absence of stock routes, and poor infrastructure development, accompanied by lack of vertical (value addition) and horizontal (productive alliances) coordination between value chain actors through, for example, forward contracts and cooperatives, women groups, youth groups, or clustering, led to inefficiencies, and unpredictability of transactions in the livestock value chain. The subcomponent would support: (a) establishing new and/or strengthening and modernizing existing livestock market and value addition infrastructures. This includes: (i) infrastructure capacity building (goods and civil works), including the construction (of new), rehabilitation/renovation (of existing) and equipping (of both existing and new) market and value addition infrastructures, and (ii) human capacity building, including trainings, exchange visits, study tours and technical assistance to livestock producers, traders and staff of institutions involved in livestock marketing; (b) the development of vertical and horizontal integration/coordination among livestock value chain actors for production, processing, marketing, and input supplies through productive alliances and partnerships, with due attention to women and youth and possibilities of greening; and (c) establishing livestock market information infrastructure.

Subcomponent 2.2: Strengthen border security and quarantine. The objective of this subcomponent is to enhance import control and thereby protect the health of the population and animals (including wildlife), as well as ensure food safety. There are 20 border inspection posts (BIPs) in Uzbekistan but no quarantine stations. The BIPs have all serious capacity limitations and lack the necessary infrastructure, including vehicles and equipment required for sample collection and related inspection at customs terminals that would enable them to monitor the health status of animals and animal products imported from abroad. The country does not have a comprehensive and integrated border control strategy, a border module for the proposed VIS and biosecurity measures that meet international standards for on-farm quarantine of animals from abroad. It also does not have well qualified veterinarians who have the capacity to diagnose and detect clinical signs and recognize diseases of potential risk for the country. The subcomponent would support: (a) the development of a comprehensive and integrated border control strategy; (b) strengthening BIPs; (c) establishing on-farm quarantine stations; and (d) establishing cross-border collaboration on animal movements and control. Strengthening BIPs and establishing quarantine stations include: (i) infrastructure capacity building, such as works i.e., construction and/or rehabilitation of various types of buildings, and goods i.e., the procurement of vehicles, sample collection and related physical inspection equipment, computers and office equipment, a VIS compatible border inspection module; and (ii) human capacity building, such as training of personnel involved in quarantine and border security. The capacity building support, which targets BIPs, and quarantine stations will be provided based on OIE recommendations as well as the outcome of a detailed capacity needs assessment to be developed during project implementation. The support to the development of a comprehensive and integrated border control strategy will focus on the development of a trade health certificates system that follows international standards and ensures sustainability. With strengthened border security and enhanced quarantine, Uzbekistan will be able to protect the health of its population, animals, and investments as well as ensure food safety.

Subcomponent 2.3: Operationalize AIR&T system. The objective of this subcomponent is to support the government in the implementation (roll out) of the AIR&T system. The currently ongoing LSDP financed the preparation of the methodology for AIR&T. The methodology was developed based on the recommendations of the various OIE PVS missions and by reviewing (a) the current legislative base for AIR&T systems, and (b) characteristics of the livestock production systems with particular focus on stock routes, slaughtering, marketing systems, pastures, livestock markets, holding grounds, transport facilities, feedlots, and quarantine stations. The methodology includes a roadmap i.e., step-by-step implementation of the AIR&T system in Uzbekistan and an estimate of the financial resources required to fully implement the AIR&T system and its maintenance. The AIR&T system, the roll out of which the proposed project would be supporting, can also be used as precision livestock farming (PLF) since it allows the use of several technologies used for health and welfare monitoring, weight control, and animal management (identification, registration, and movement



control) that can support the livestock keeper in making decisions or even make decisions for the producer. The subcomponent would support: (a) procurement of information and communications technology (ICT) equipment, including computers, servers, smartphones, printers, tablets, scanners, and field equipment, including vehicles, ear tags; (b) field activities, including coordination mechanisms with relevant national and regional institutions and local authorities, preparation of census staff and materials, conducting the census i.e. cattle census (individual animal) and holding census (all cattle owners); (c) drafting legislations and rules; (d) human resource development, including training and capacity building of staff of the SCVLD, field veterinarians, farmers, slaughter house and livestock market workers, police and zootechnicians; and (e) awareness creation, including preparing communication plan, production (and distribution) of printed materials and audiovisuals and social media outlets.

Component 3: Green and resilient livestock value chains (IBRD US\$150.5 million). The objective of this component is to modernize livestock value chains and make them greener and more resilient, by improving access to finance and technology of livestock farmers, agribusinesses, productive alliances and other value chain actors interested in improving their on-farm climate resilience and in greening their livestock production. A special focus will be given to support access to finance for productive alliances established under the project (particularly those comprising or led by women and/or youth), as well as smallholder livestock farmers. The component includes two subcomponents: (a) credit line to participating financial institutions (PFIs) for provision of working capital and investment finance to the livestock subsector nationwide for farmers, agribusinesses, productive alliances and other value chain actors, including for climate-resilient and green livestock farming, marketing, distribution, and processing; and (b) capacity building for PFIs on sector-specific loan product development, loan appraisal, environmental and social standards, and monitoring in the livestock subsector.

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

Smallholder livestock farmers lack access to investment financing due to lack of suitable loan products, funding structure of financial institutions characterized by limited long-term fundings and “investment choices” of the financial sector institutions, which tend to favor lending to larger farms/livestock production businesses. The increasing provision of long-term funding for the livestock sector, targeting the funding towards smallholders and ensuring the PFIs are aware of the specifics of lending to livestock sector can help alleviate these structural constraints and increase flow of loan funds to smallholder livestock farmers. Financial products that are tailored to livestock production cycles and to the needs of the smallholder farmers are in short supply, highlighting the need to further support financial institutions in developing specific loan products/services for this segment and in building the capacity of financial institutions in new lending methodologies. Window 2 is deemed, therefore, necessary to fill the credit gap of very small farmers who usually are not able to borrow from the formal financial sector. In order to encourage downscaling by the commercial banks, a number of simplifications will be proposed for sub-loans in the amount of up to US\$50,000: (a) simplified business plan and documentation requirements; (b) strictly enforcing application of the agreed prior and post-review formats, not requiring full sub-loan applications for the smaller loans; (c) submitting the Statements of Expenditure for the sub-loans up to US\$50,000 in a table format, indicating some key parameters; (d) digitizing the sub-loan application



process, including environmental and social safeguards; and (e) encouraging the use of the refinancing facilities for small loans.

Building on the experience gained under several previous credit lines to Uzbek agriculture sector, the subcomponent will be compliant with World Bank Guidance for Financial Intermediary Financing and adopt a set of acceptable Credit Line Guidelines. The credit line will fund investments that strengthen on-farm resilience and contribute to either climate change mitigation or adaptation. Climate change mitigation approaches may include feed digestibility and ration balancing, improvement of animal health and breed, animal waste management, biodigesters, pasture management, energy saving; while climate adaption activities may include drought- and heat-resistant fodder crop varieties and breeds, water savings, renewable energy, buildings, diversification. Financing for renewable energies production and energy saving technologies along the livestock value chain would be eligible under this sub-component, for instance: biodigesters and solar panels to power processing plants or temperature control in animal houses and clean cooling technologies. In addition, the subcomponent will include eligibility/ evaluation criteria of applications to benefiting women participation.

Subcomponent 3.2: Build capacity of PFIs. The objective of this subcomponent is to build the capacity of PFIs, including through trainings, study tours and exchange visits to staff and managers of PFIs so that they can introduce innovative financing instruments such as digital financial services and value chain financing modalities for livestock farmers and agribusiness enterprises. The training program would focus on the use of new financial products to target clients (with a particular focus on smallholder farmers in this case, and on female clients) engaged in livestock production activities, evaluating the suitability and effectiveness of these new financial products, and mitigating the possible risks associated with lending to these beneficiaries as well as risks associated with climate change. Training will also cover how to integrate cost-of-fuel savings into financial analyses.

Component 4: Project management and coordination (IDA US\$10 million). This component will be implemented by the project implementation unit (PIU) established under the auspices of the SCVLD. The component will support incremental operating costs for project execution, including project administration and management, management of social and environmental issues, financial management (FM), procurement, contract administration, project reporting, and monitoring and evaluation (M&E). It will also finance consultancy services (individual and firm) hired to complement capacity building of the implementation units, baseline and project completion surveys, preparation of assessments and data collection, annual project audits.

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

Summary of Assessment of Environmental and Social Risks and Impacts



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

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

Most of the environmental risks are expected to occur during the construction phase and relate to occupational health and safety hazards, generation of solid waste, air pollution and noise, and disruption of traffic. Under Component 1, the proposed project’s main efforts will be on strengthening public institutions in the livestock sector through consultant services, capacity building, purchase of training and goods, purchase of new equipment, development of information management systems, transfer of technologies and knowledge, among others. These activities will have limited environmental impacts, such as the generation of waste. However, physical works such as construction, rehabilitation/renovation of existing administrative and laboratory facilities under Subcomponents 1.2, 1.3 and 1.4 will generate significant impacts, but these impacts are site-specific and temporary (dust, noise, construction litter, occupational and safety risks) that can be readily mitigated by applying good construction management practices. The majority of the environmental risks of the project would be associated with Component 2 aimed at improving physical livestock market infrastructure and Component 3 aimed at improving access to finance for livestock farmers country-wide, which, in turn, encourage farmers to increase number of livestock and build new infrastructure. Risks will stem from investments in improving physical market infrastructures (such as well-facilitated market centers, stock routes or slaughtering houses, livestock product processing plants, and milk collection centers), as well as rehabilitation/renovation and refurbishment of office and laboratory buildings. These impacts would be associated with noise, dust, air and water pollution, health hazards and labor safety issues. All of them are expected to be typical for small to medium scale construction/rehabilitation works or for various livestock processing activities, temporary by nature and site specific and can be easily mitigated by applying best construction and/or livestock-processing practices and relevant mitigation measures. However, at this stage, the scale or complexity of renovations, the estimated number of investments on new roads, markets, centers, plants are not known to assess the significance of these impacts.



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

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

Social Impacts. On social front, the positive social impacts include establishing new jobs and jobsites; increased involvement of dehkans (small farms) and rural women to the credit lines; increased public awareness among vulnerable (small, young) producers as well as women farmers and other users; strengthened institutional capacity for better agrobusiness planning and practices due to enhanced skills in management of innovative financial schemes using PFIs. However, there are some social risks that primarily relates to the possibility of excluding small and marginal farms and households from full access to credit lines either due to lack of information or insufficiency of credit lines (e.g., small farms, women headed farms); the possible land acquisition and resettlement related economic and physical displacement due to a new construction of livestock infrastructures; community disturbance during the civil works by Contractors including labor influx, SEA/SH.. E&S



procedures to be put in place under the project have to take into account these contextual risks and manage and monitor the risks as they relate to project-supported activities. Project shall provide adequate attention to public awareness, outreach, and transparency in selection procedures as well as capacity-building activities of the involved PFIs to ensure that all farmers, particularly small farmers, women farmers, and vulnerable groups such as the rural poor, have equal access to participate in and benefit from project initiatives. Significant reputational risks are also present given the prior history of forced evictions, forced and child labor in the country. These need to be mitigated with sufficient awareness, capacity-building, and monitoring systems during the project implementation.

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

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

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

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

Labor Management Procedure (LMP). A LMP will be prepared before appraisal and updated before negotiations to facilitate the planning and implementation of the main labor management requirements of the project. The



LMP will include aspects related to working conditions, employment, occupational health and safety, and a worker specific grievance mechanism (GM).

E. Implementation

Institutional and Implementation Arrangements

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

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

The implementation of the SLSDP will also be supported by a Project Steering Committee (PSC) and Project Technical Committee (PTC). The SLSDP will use the existing PSC established for the LSDP, which it will supplement with additional members, as deemed necessary, by drawing from institutions that would be involved in project implementation. The PSC, headed by the Chairman of the SCVLD, will provide strategic guidance for project implementation, ensure coordination as well as help identify key issues that need to be brought to the attention of the government and facilitate their resolution. The PTC, chaired by the Deputy Chairman of LSDP, will be responsible for providing technical advice to the PIU on the quality of implementation. It will also review reports and special studies, guidelines, documentation of best practices, and M&E reports.

The implementation of the SLSDP will also be supported by a TA. Effective implementation of some of the capacity building and technical-assistance-related activities identified under the various components and subcomponents requires specialized technical knowledge and experience. It also requires coordination and supervision capacities on behalf of the SCVLD and other project implementing entities e.g., research institutions, which it currently lacks. As such, the project will finance the procurement of consulting firms (international and local) and individual consultants (international and local) that will assist in the implementation of some of the capacity building and TA-related activities. Specific areas that will require further TA will be identified during the first year of project implementation as part of the capacity needs assessment under the various components and subcomponents. The details of institutional and implementation arrangements and support plan are provided in Annex 1.



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