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**Report No. P-6509-UZ**

**MEMORANDUM AND RECOMMENDATION**  
**OF THE**  
**PRESIDENT OF THE**  
**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**  
**TO THE**  
**EXECUTIVE DIRECTORS**  
**ON A**  
**PROPOSED LOAN**  
**IN AN AMOUNT EQUIVALENT TO US\$66.0 MILLION**  
**TO**  
**THE REPUBLIC OF UZBEKISTAN**  
**FOR A**  
**COTTON SUB-SECTOR IMPROVEMENT PROJECT**

**MAY 2, 1995**

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## **Currency Equivalents**

(as of July 1, 1994)

Sum per US\$1

July 1994	US\$1 = 9 Sum	December 1994	US\$1 = 25 Sum
September 1994	US\$1 = 15 Sum	March 1995	US\$1 = 26 Sum

## **Weights and Measures**

Metric System

## **Abbreviations and Acronyms**

AOSCA	Association of Official Seed Certifying Agencies
CIU	Component Implementation Unit
GDP	Gross Domestic Product
IPM	Integrated Pest Management
MOA	Ministry of Agriculture
MOF	Ministry of Finance
PIU	Project Implementation Unit
SA	Special Account
SIFAT	Enterprise for Standardization and Certification of Cotton
SOE	Statement Of Expenditures
STF	Systematic Transformation Facility
UZAGROINFORM	Uzbekistan Information Division (in MOA)
UZKHLORKOPROM	Uzbekistan Cotton Ginning Organization
UZNIIZR	Uzbekistan Institute of Crop Protection

## **Uzbekistan - Fiscal Year**

January 1 - December 31

**REPUBLIC OF UZBEKISTAN**

**COTTON SUB-SECTOR IMPROVEMENT PROJECT**

**LOAN AND PROJECT SUMMARY**

<b>Borrower:</b>	Republic of Uzbekistan.
<b>Beneficiaries:</b>	Private Seed Companies and associated private seed farms, Ministry of Agriculture (Institute of Crop Protection: UZNIIZR and Information Division: UZAGROINFORM), State Enterprise for Cotton Certification (SIFAT).
<b>Poverty Category:</b>	Not applicable.
<b>Amount:</b>	US\$66.0 million.
<b>Terms:</b>	20 years, including 5 years of grace at the Bank's standard variable interest rate.
<b>Commitment Fee:</b>	0.75 percent on undisbursed loan balances, beginning 60 days after signing, less any waiver.
<b>Onlending Terms:</b>	Funds to Government agencies will be channeled as grants through the budgetary process. Funds to private seed companies and associated private seed farms will be on-lent in US\$ for a maximum repayment period of 10 years, including a three-year grace period. The on-lending interest rate will be equal to the long term dollar rate (US 10-year Bond rate) in effect at the time of the sub-loan (the base rate) plus a margin of 3.0 percent.
<b>Financing Plan:</b>	See Schedule A.
<b>Net Present Value:</b>	The net present value is calculated on 86 percent of project costs and is estimated at US\$110.4 million. ERR = 34 percent.
<b>Staff Appraisal Report:</b>	Report No. 13805-UZ.
<b>Map:</b>	IBRD 25454.
<b>Project ID Number:</b>	UZ-PA-9122.

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**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT  
OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
TO THE EXECUTIVE DIRECTORS  
ON A PROPOSED LOAN TO THE REPUBLIC OF UZBEKISTAN  
FOR A COTTON SUB-SECTOR IMPROVEMENT PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed loan to the Republic of Uzbekistan for an amount equivalent to US\$66.0 million to help finance the implementation of the Government's programs to improve production in the cotton sub-sector and facilitate its transition to the market economy. The Cotton Sub-Sector Improvement Loan will be at the Bank's standard variable interest rate with a maturity of 20 years, including a five-year grace period. About 47 percent of the proceeds of the loan will be on-lent to private seed companies and their associated private seed farms for a maximum of 10 years, including 3 years of grace, with interest at the long term Dollar rate (US 10-year Bond rate) in effect at the time of the sub-loan (the base rate) plus a margin of 3.0 percent per annum.

2. Uzbekistan became a member of the IBRD in September 1992, IFC in October 1993, and MIGA in November 1993. The first Country Economic Memorandum (Report No. 11683-UZ) was distributed to the Board in September 1993 and an economic report on Subsidies and Transfers (Report No. 11683-UZ) was distributed in June 1994.

**BACKGROUND**

3. Agriculture accounts for over one third of the country's GDP, generates about three quarters of the country's foreign exchange earnings, and employs about half of the labor force. Through a complex pricing system for inputs and outputs, agriculture has been transferring about 50 percent of the income it generated to the Government and urban sectors. The cotton sub-sector has accounted for about 40 percent of the gross value of agricultural products. It has been the main source of income, employment, and foreign exchange earnings. It has also generated about 80 percent of Government tax revenues.

4. Improved performance of the agricultural sector, in general, and the cotton sub-sector, in particular, are two of the most important elements in stabilizing the economy of Uzbekistan and accelerating its transition to the market economy. Although the sector has potential for higher efficiency and growth, the overall agricultural production and distribution systems remain inefficient. Cotton production has declined, yields remain relatively low, physical losses are high in terms of both quantity and quality, input supply and output marketing systems are inefficient, prices are highly distorted, and the resulting profitability is low and declining.

5. The prospects for cotton production are largely dependent on the Government's ability to enhance economic incentives, and reduce its direct control of, and intervention in the production, input supply, and output marketing systems. Recent Government policies and associated decrees indicate an intention to reverse past policies and practices. During 1994, the Government started to translate its broad reform and stabilization objectives into a comprehensive set of economic policies. In November, 1994, an agreement was reached with the IMF on a program to be supported by the Systemic Transformation Facility (STF) approved by the IMF Board on January 25, 1995. The World Bank Rehabilitation Loan was approved by the Board in March, 1995. This loan is designed to assist

Government in advancing and implementing its economic reform agenda. Particular emphasis is placed on privatization, and the deepening of the existing foreign exchange market to increase private sector participation. If political consensus can be solidified and sustained around the reforms recently initiated and those agreed under this project, the contribution of the cotton sub-sector to the economy could be greatly enhanced.

6. The Bank's medium-term objective is to assist the Government in the structural transformation of the Uzbek economy into a market-oriented economy. Given the importance of the agro-industrial activities, the Bank's lending strategy for agriculture is central to achieving this objective. Primary foci of the agricultural lending program are to accelerate the sector's adjustment process through policy changes that are more supportive of private sector initiatives, and support investment projects that enhance production capacity and improve sectoral efficiency. Another important element in the Bank's strategy is support for the development of human resources and institutional capacities in agriculture which are vital for the functioning of a market-based agricultural economy.

### PROJECT OBJECTIVES

7. In support of the CAS, this project starts the process of modernizing the Uzbek Cotton Sub-Sector by supporting selective critical interventions that would open it up to the world market and build the basis for improving its efficiency. It supports (i) the elimination of state orders, the liberalization of prices, and the privatization of the seed industry in the cotton sub-sector; (ii) the development/introduction of technology to help avert the negative impact on the environment and on productivity of past irrigation and pest control practices; and (iii) the enhancement of the cotton sub-sector's foreign exchange earning capacity.

### PROJECT DESCRIPTION

8. To help achieve the above development objectives, the project supports the following five components:

- (a) **Seed Industry.** This component supports the creation of a capacity in the private sector to process and market about 25,000 tons of planting seed per year in association with privatized seed farms. It will also support the strengthening of seed quality control agencies and help introduce reliable policy and institutional arrangements in the public sector for seed quality control, seed certification, and continued development of new and improved cotton varieties;
- (b) **Cotton Marketing.** This component supports the introduction of cotton grading technology to determine the characteristics of Uzbek cotton in conformity with internationally recognized standards. It also supports the development of a system for the dissemination (to potential buyers, the spinning industry, gin operators, farmers, and researchers) of the information generated through the grading system;
- (c) **Integrated Pest Management.** This is an applied research and development component. It supports the development of automated insect rearing and dispersal technologies that will allow the country to economically broaden the

application of biological control of cotton pests. It also supports the development of improved pesticide spraying equipment. This will allow the integration of biological and chemical controls of pests with proper cropping practices to mitigate the negative impact of pest control on the environment. A national pesticide policy and a Farmers' Pesticide Handbook will be developed under this component;

- (d) ***Irrigation.*** This component provides for equipment and training to support the introduction of irrigation scheduling technology. These actions will demonstrate effective ways to reduce water use in cotton production while improving land productivity and avoiding water-based damage to the environment; and
- (e) ***Project Management and Program Design.*** This component supports the strengthening and development of institutional capacity in agencies involved in this project to allow them to implement their respective components and contribute to the design of future investment programs in agriculture. It also supports specific preparation activities for investment programs for which Government intends to seek external financial support.

9. Total project cost is estimated at US\$84.6 million, of which US\$62.1 is in foreign exchange. The proposed Bank loan of US\$66.0 million will finance 100 percent of foreign exchange cost and 17 percent of local cost. The Government and the participating private seed companies will finance 83 percent of local costs, including import duties and taxes. About 47 percent of Bank funds will be on-lent to participating private seed companies and their associated seed farms. These sub-loans will have a maturity period of 10 years, including a three-year grace period, at an interest rate equal to the long term Dollar rate (US 10-year Bond rate) plus a margin of 3 percent. Summary of project cost estimates and the financing plan are shown in Schedule A. Amounts and methods of procurement and disbursement are shown in Schedule B. A timetable of key project processing events and the status of Bank Group operations are given in Schedules C and D respectively.

### **PROJECT IMPLEMENTATION**

10. GOSKOMPROGNOZSTAT will be responsible for coordinating project implementation through a Project Implementation Unit (PIU). Actual implementation of public sector components and sub-components will be the responsibility of Component Implementation Units (CIU) which are part of the departments serving as executing agencies. The Seed Certification and Seed Law Agency will be reconstituted and strengthened to allow it to perform its functions independently of any vested interests. The cotton quality control agency - SIFAT- will also be strengthened with the intention of making it managerially and financially autonomous to allow it to do its job impartially. The Crop Protection Institute - UZNIIZR - will implement the integrated pest management program, and the Information Division of the Ministry of Agriculture — UZAGROINFORM — will implement the irrigation component. The implementation capacity of these agencies will be strengthened through training and technical assistance. Responsibility for implementation of the private sector part of the project will rest with the management of individual seed companies and seed farms. Sub-loans will be appraised by a Credit Committee constituted in the Finance Department of the PIU. Procurement of goods and technical assistance will be implemented in accordance with relevant Bank Guidelines. The Bank will review, ex-ante, procurement procedures, consultant terms of reference, procurement budgets and bidding

documentation, as required. Procurement planning for the private sector will be reviewed at the time business plans and credit applications are submitted for Bank clearance.

### **PROJECT SUSTAINABILITY**

11. The sustainability of the project depends on: (a) availability of counterpart funds; (b) implementation capacity of executing agencies; and (c) sustained Government commitment to the institutional and market reforms underlying project activities. Project design addresses these three concerns. Government agreed to make counterpart funds available in a timely manner through the budget process. The project is designed to remove the resource and skill constraints in the public sector, thereby providing the basis for sustainability of the public sector part beyond the project period. With regard to the private sector part of the project, analysis undertaken during project design indicates that activities to be initiated by the private sector will be commercially viable and sustainable beyond the project period. With regard to market reforms, Government actions clearly indicate a long term commitment to advancing and implementing the economic reform agenda.

12. The project will introduce the concept of "fee for service" for seed certification, cotton grading, and irrigation. By June 30, 1998, the Government will prepare plans for discussion with the Bank specifying methodologies and timetables for recovering the cost of seed certification and cotton grading services. A similar plan for recovery of the cost of irrigation will be prepared and discussed by June 30, 1997.

### **LESSONS FROM PREVIOUS BANK EXPERIENCE**

13. The Cotton Sub-Sector Improvement Project is the first World Bank supported investment project in Uzbekistan. Given the evolving nature of the legal, political, and economic environments, the project may face serious problems despite the fact that relevant lessons from past Bank experience have been reflected in project design in order to improve its chances for satisfactory performance.

14. Bank experience with seed projects indicates that (i) while the private sector has a comparative advantage in seed processing and marketing, the public sector should retain responsibility for seed testing and certification performed by an autonomous agency, (ii) market-based pricing of seed is essential for the sustainability of the seed industry, and (iii) a favorable legal and policy framework is essential for attracting long term investments in the seed industry. The experience with irrigation and pest control indicates that (i) economic objectives of such interventions, even when fully achieved, cannot be sustained if they are detrimental to the environment, (ii) investments in irrigation and the selection of a package of interventions for pest control have to be justified on the basis of empirical economic results, and (iii) farmer support services enhance the profitability of interventions in cultivation, irrigation and pest control. These lessons have been incorporated in the design of the project through the selection of inputs, a package of policy and institutional reforms, and individual component interventions.

### **RATIONALE FOR BANK PARTICIPATION**

15. The project is consistent with the Country Assistance Strategy (CAS) discussed at the Board in March 28, 1995. The CAS recognizes the importance of the cotton sub-sector and the need to preserve and enhance its productivity. Its positive contribution to the economy is a critical factor in the transition to a market economy. The Government, working with the Bank in the context of the

Rehabilitation Loan and with the IMF in the context of the STF, has introduced important reform measures to accelerate this transition. This project will provide the framework for putting reforms to work on a sustained basis, thus giving them the chance to have a lasting impact. The project will also build on the reform measures already adopted and deepen their penetration at all levels of the sub-sector. It supports the removal of critical institutional constraints which currently impede private sector initiative and participation in the cotton industry. The project will provide an added medium for maintaining the policy dialogue and enhance prospects for continuing the policy reform process.

#### **AGREED ACTIONS**

16. The Government confirmed during negotiations that: (i) The State Order system for cotton will be eliminated before the 1998 crop season; (ii) Privatized seed farms will be exempt from any obligations under the State Order system; (iii) Sub-loans under the line of credit will be denominated in US\$ and disbursed in US\$ or Sum as requested by sub-borrowers; and (iv) It is the intention of the Government to amend the Statute of SIFAT, and the Seed Certification and Seed Law Agency to allow them to become managerially autonomous and ultimately financially self-reliant. Drafts of the Seed Policy and the Seed Law were submitted and reviewed by the Bank and agreement was reached that a revised version will be submitted for Bank review prior to approval by Parliament.

17. Assurances were given by the Government that: (i) plans for cost recovery will be prepared by the Seed Certification and Seed Law Agency and SIFAT and submitted to the Bank for discussion no later than June 30, 1998; (ii) the PIU will prepare and submit for Bank review and approval proposals for feasibility studies to be funded under the program design component of the project; (iii) adequate counterpart funds for the public sector components and sub-components will be included in the approved annual budgets of their respective implementing agencies in conformity with provisions under the project and will be made available to them at the beginning of each budget year; (iv) a line item will be introduced in the national budget for the project and the use of all allocations under that line item will be restricted to project activities; (v) sub-loans will be approved on the basis of eligibility criteria and terms of sub-loans agreed between Government and the Bank, (vi) responsibility for Credit Line Administration will be transferred to a suitable banking institution as soon as one becomes ready; (vii) UZAGROINFORM will, no later than June 30, 1997, prepare and submit for Bank review a plan for the recovery of the cost of irrigation water; (viii) the PIU will operate on the basis of agreed detailed organizational structure, functions, staffing plans, procedures, and scope of authority agreed with the Bank; and (ix) work plans and associated budgets will be prepared and submitted for Bank review before the beginning of each project year.

18. Loan effectiveness will be conditional upon: (i) a project account being opened in the name of the PIU with an initial deposit of US\$0.5 million equivalent; (ii) appointment of Deputy Directors for the PIU and finalization of arrangements for the engagement of a firm/organization to supply international staff to PIU; (iii) CIUs' managers appointed; and (iv) submission by PIU for review by the Bank of a work plan and budget for the first project year.

19. Disbursement against the public sector part of the Seed component will be conditional upon adoption by Government of the agreed Seed policy and the enactment of the agreed Seed Law. Disbursement against the private sector part of the seed component will be conditional upon agreement between the Bank and the Government on an agency bank to service the sub-loans.

## ENVIRONMENTAL ASPECTS

20. The project is expected to have a positive impact on the environment. The move toward private sector control of cotton farming is expected to foster more prudent use of water, land and chemical inputs. The use of pesticides will be reduced and integrated with biological control of cotton pests. The use of chemical fertilizers will be reduced as a result of more effective irrigation. The rate of water application will be reduced with beneficial impact on the quality of the soil and the quality of water leaving the system through drainage. The project has a "B" environmental assessment category.

## PROGRAM OBJECTIVE CATEGORIES

21. The principal program objectives are private sector development and economic management. The project supports the transition of the cotton sub-sector to the market economy. In particular, it helps create the enabling conditions for: (i) market-based, private sector led production, processing and marketing systems; (ii) improved management and performance of the Seed Certification and Seed Law Agency, the Cotton Quality Control Agency, the Institute of Crop Protection, and the Information Division of the Ministry of Agriculture; and (iii) development of a policy, along with legal and institutional frameworks, for accelerating the formulation and implementation of economic reforms.

## PROJECT BENEFITS

22. The project is expected to have substantial direct and indirect financial and economic benefits for private enterprises, farmers, and the nation. These benefits include enhanced incentives in the private sector, increased production and improved quality of cotton, increased farm income, increased foreign exchange earnings and a better environment. By supporting an acceleration of the pace of reforms, the project will help lead to more efficient cotton production and marketing driven by market forces and controlled by the private sector. The marketing component will result in higher foreign exchange earnings through greater gin turnout and better quality fiber. The seed component will help improve yields, promote fiber quality and uniformity, and reduce sowing rates. The irrigation scheduling component will help improve yields, reduce water use, reduce fertilizer use, and reduce environmental pollution. Integrated pest management will reduce crop losses, reduce foreign exchange expenditures on pesticides, and reduce environmental pollution. The project will also help develop the country's capacity to design and implement potential future agricultural projects to be financed by the World Bank and other international financing agencies. The overall economic rate of return for the project is estimated at 34 percent. Economic rates of return for individual components are estimated at 33 percent for seed companies, 35 percent for seed farms, 35 percent for marketing and 30 percent for irrigation.

## RISKS

23. The project does not face any significant risk associated with the technology and practices being introduced. It finances internationally well known and tested seed processing, cotton grading, and irrigation scheduling technologies. The main risk facing the project relates to the country's capacity to implement it in an effective and timely manner. Factors that could cause problems in project implementation include: the possible delay in Government decision making on liberalizing the cotton market, limited interest by the private sector in creating seed companies, lack of counterpart funds, and lack of personnel with the skills needed under the project. The maintenance of a free market for the sale of cotton seed and lint is critical for the commercial viability of participating private seed companies and

seed farms. This is also critical for cotton farmers at large since the profitability of seed companies will depend on the level of demand for higher priced quality seeds. Availability of counterpart funds and trained personnel will determine the availability and quality of public services in support of project objectives. The project introduces the necessary measures to minimize these risks in the form of legal covenants, provision for training and technical assistance, and provision for close monitoring and regular review of project activities. The establishment of a strong Project Implementation Unit with appropriate support for project management, procurement and accounting is expected to help mitigate project risks. In addition, the project will be intensively supervised (including a Project Launch Workshop, reviews of annual work programs and a comprehensive mid-term review) in order for timely action to be taken to overcome implementation problems.

#### **RECOMMENDATION**

24. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank and recommend that the Executive Directors approve it.

Lewis T. Preston  
President  
by Richard H. Frank

**Attachments:** Schedules A-D

Washington D.C.  
May 2, 1995

**REPUBLIC OF UZBEKISTAN**  
**COTTON SUB-SECTOR IMPROVEMENT PROJECT**

**SUMMARY OF PROJECT COSTS**  
**(US\$ MILLION)**

	<i>Project Costs</i>			<i>Foreign exchange % of total</i>	<i>Component % of total</i>
	<i>Foreign exchange</i>	<i>Local currency</i>	<i>Total</i>		
<i>Project Component</i>					
Seed Industry					
Seed companies and farms	28.0	10.7	38.7	72.3	45.8
Seed quality control	3.4	1.7	5.1	66.7	6.0
Marketing	20.8	7.1	27.9	73.2	33.0
Integrated Pest Management	3.6	1.5	5.1	70.6	6.0
Irrigation	2.5	1.1	3.6	69.4	4.2
Project Implementation Unit	1.9	0.4	2.3	82.6	2.7
Program Design	1.9	-	1.9	100.0	2.2
<b>Total</b>	<b>62.1</b>	<b>22.5</b>	<b>84.6</b>	<b>73.4</b>	<b>100.0</b>
<i>Category of Expenditures</i>					
Civil works	3.2	0.8	4.0	80.0	4.7
Equipment	21.8	5.3	27.1	80.4	32.0
Training	1.2	-	1.2	100.0	1.4
Technical Assistance	5.2	0.1	5.3	98.1	6.3
Program Design	1.9	-	1.9	100.0	2.3
Line of credit	28.0	10.7	38.7	72.4	45.7
Recurrent costs	0.8	5.6	6.4	12.5	7.6
<b>Total Costs</b>	<b>62.1</b>	<b>22.5</b>	<b>84.6</b>	<b>73.0</b>	<b>100.0</b>

**PROJECT FINANCING PLAN**  
**(US\$ MILLION)**

<i>Sources of Funds</i>	<i>Foreign exchange</i>	<i>Local currency</i>	<i>Total</i>	<i>Percent of Total</i>
IBRD	62.1	3.9	66.0	78.0
Government	-	10.8	10.8	12.8
Private sector	-	7.8	7.8	9.2
<b>Total</b>	<b>62.1</b>	<b>22.5</b>	<b>84.6</b>	<b>100.0</b>
<b>Percent of Total</b>	<b>73.4</b>	<b>26.6</b>	<b>100.0</b>	<b>--</b>

**REPUBLIC OF UZBEKISTAN  
COTTON SUB-SECTOR IMPROVEMENT PROJECT**

**SUMMARY OF PROPOSED PROCUREMENT ARRANGEMENTS  
(US\$ MILLION)**

<i>Expenditure Category</i>	<i>Procurement Method</i>			<i>Total</i>
	<i>ICB*</i>	<i>NCB*</i>	<i>Other</i>	
Civil works	-	4.0 <sup>1/</sup> (3.2)	- -	4.0 (3.2)
Equipment	15.8 (12.6)	-	11.3 <sup>2/</sup> (9.1)	27.1 (21.7)
Training	-	-	1.2 <sup>3/</sup> (1.2)	1.2 (1.2)
Technical Assistance	-	-	4.8 <sup>3/</sup> (4.8)	4.8 (4.8)
Program Design	-	-	1.9 <sup>3/</sup> (1.9)	1.9 (1.9)
Line of Credit	14.5 (12.5)	-	24.2 <sup>4/</sup> (18.5)	38.7 (31.0)
Recurrent Costs	-	-	6.3 <sup>5/</sup> (1.6)	6.3 (1.6)
Project Preparation Facility	-	-	0.6 <sup>6/</sup> (0.6)	0.6 (0.6)
<b>Total</b>	<b>30.3 (25.1)</b>	<b>4.0 (3.2)</b>	<b>50.3 (37.7)</b>	<b>84.6 (66.0)</b>

\* ICB: International Competitive Bidding; NCB: National Competitive Bidding, per Bank Guidelines.

- 1/ Competitive (sealed bid) procurement of construction services for public sector cotton/seed grading facilities.
- 2/ Includes Direct Contracting (DC) for proprietary computer software, spare parts, etc. purchased under the *Guidelines* (US\$ .980 million). Also included are International Shopping (IS) purchases for off-the-shelf items (US\$8.3 million), and Local Shopping (LS) (US\$2.0 million), in accordance with the Bank's Guidelines, January, 1995.
- 3/ Training and study tours (US\$1.2 million), and program design and project support/consulting services (\$10.4 million) shall be procured in accordance with World Bank Guidelines: *Use of Consultants, 1981*.
- 4/ Goods and materials (including ancillary installation services) and seed multiplication inputs procured under the Credit Line: IS for off-the-shelf items (US\$19.9 million); Local Shopping for small value, locally available equipment and construction inputs (US\$1.0 million). Also included are US\$3.3 million for taxes and/or incremental recurrent costs procured using Local Shopping and Statements of Expenditure, approved by the Bank as elements of annual component budgets.
- 5/ Public sector taxes (US\$2.8 million) and miscellaneous purchases/incremental recurrent costs approved by the Bank as part of annual budget reviews (US\$3.5 million), procured using Local Shopping and Statements of Expenditure.
- 6/ Project Preparation Facility (PPF) - US\$550,000 - financing initial consulting services, start-up equipment, supplies, communications, and misc. expenses for PIU and CIU units.

**REPUBLIC OF UZBEKISTAN**  
**COTTON SUB-SECTOR IMPROVEMENT PROJECT**

**ESTIMATED ALLOCATION OF IBRD LOAN**  
**( US\$ MILLION )**

<u>Category</u>	<u>Amount of the Loan Allocated</u> <u>(Expressed in Dollar</u> <u>Equivalent)</u>	<u>% of Expenditures to be</u> <u>Financed</u>
(1) Civil works		
(a) under Part A.1 of the Project	500,000	80%
(b) under Parts B, C, D and E of the Project	2,900,000	80%
(2) Goods		100% of foreign expenditures.
(a) under Part A.1 of the Project	1,725,000	100% of local expenditures (ex-factory cost) and
(b) under Parts B, C, D and E of the Project	17,575,000	80% of local expenditures for other items procured locally
(3) Goods and civil works financed through Sub-loans under Part A 2 Project	28,400,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(4) Training and study tours		
(a) under Part A.1 of the Project	115,000	100%
(b) under Parts B, C, D and E of the Project	1,085,000	100%
(5) Consultants' services		
(a) under Part A.1 of the Project	700,000	100%
(b) under Parts B, C and D of the Project	4,150,000	100%
(c) under Part E of the Project	1,600,000	100%
(6) Incremental operating costs		
(a) under Part A.1 of the Project	210,000	25% of expenditures incurred through June 30, 1997; 15% of expenditures incurred between July 1, 1997 and June 30, 1998
(b) under Parts B, C, D and E of the Project	1,490,000	25% of expenditures incurred through June 30, 1997; 15% of expenditures incurred between July 1, 1997 and June 30, 1998
(7) Refunding of Project Preparation Advance	550,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	5,000,000	
<b>TOTAL</b>	<b><u>66,000,000</u></b>	

**DISBURSEMENT SCHEDULE  
( US\$ MILLION )**

	<i>Bank Fiscal Year (ending June 30)</i>				
	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Annual	3.5	12.0	22.0	18.0	10.5
Cumulative	3.5	15.5	37.5	55.5	66.0

**REPUBLIC OF UZBEKISTAN  
COTTON SUB-SECTOR IMPROVEMENT PROJECT**

**TIME TABLE OF KEY PROJECT PROCESSING EVENTS**

(a)	Time taken to prepare:	Two years
(b)	Project prepared by:	Government under a PPF arrangement
(c)	First IBRD mission:	November, 1993
(d)	Departure of Appraisal Mission:	October, 1994
(e)	Negotiations:	April 1995
(f)	Board Presentation	May, 1995
(g)	Planned date of Effectiveness:	September, 1995
(h)	List of Relevant PCRs and PPARs:	None

**REPUBLIC OF UZBEKISTAN  
COTTON SUB-SECTOR IMPROVEMENT PROJECT**

**STATUS OF BANK GROUP OPERATIONS**

**STATEMENT OF BANK LOANS (AS OF MARCH 31, 1995)**

<i>Amounts in US\$ million</i>							
<i>Loan No.</i>	<i>Fiscal Year</i>	<i>Borrower</i>	<i>Purpose</i>	<i>Bank</i>	<i>IDA</i>	<i>Undisbursed</i>	<i>Closing Date</i>
L3650-UZ	1993	Republic of Uzbekistan	Institution Building TA	21.00	-	20.00	Oct. 31, 1997

**STATEMENT OF IFC INVESTMENTS (AS OF MARCH 31, 1995)**

<i>Amounts in US\$ million</i>						
<i>Fiscal Year</i>	<i>Obligator</i>	<i>Type of Business</i>	<i>IFC Loan</i>	<i>IFC Equity</i>	<i>Participants <sup>b/</sup></i>	<i>Total</i>
1994	Amantaytau Gold Fields Co.	Gold Mining	0.0	1.0	4.0	5.0
<b>Total Commitment Now Held <sup>a/</sup></b>			-	1.0	4.0	5.0

a/ Held commitments consist of disbursed and undisbursed investments.

b/ The participants in the joint venture, which to date has undertaken a feasibility study of the gold mines are: Government of Uzbekistan, Lonhro Co. (UK), and the IFC.





The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.





