



Technical Assistance Report

Project Number: 52110-002
Transaction Technical Assistance (TRTA)
August 2018

Republic of Uzbekistan: Preparing the Livestock Value Chain Development Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 23 August 2018)

Currency unit	–	sum (SUM)
SUM1.00	=	\$0.000127
\$1.00	=	SUM7,898.63

ABBREVIATIONS

ADB	–	Asian Development Bank
IFS	–	investment feasibility study
RRA	–	Rural Restructuring Agency
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars unless otherwise stated.

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 52110-002	
Project Name	Livestock Value Chain Development Project	Department/Division	CWRD/CWER
Nature of Activity Modality	Project Preparation Regular	Executing Agency	Rural Restructuring Agency
Country	Uzbekistan		
2. Sector		Subsector(s)	
✓ Finance	Small and medium enterprise finance and leasing	ADB Financing (\$ million)	
Agriculture, natural resources and rural development	Livestock		0.50
			0.50
		Total	1.00
3. Strategic Agenda		Subcomponents	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change Information	
Environmentally sustainable growth (ESG)	Eco-efficiency Natural resources conservation	Climate Change impact on the Project	Low
4. Drivers of Change		Components	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Knowledge sharing activities	No gender elements (NGE)	✓
Partnerships (PAR)	Commercial cofinancing International finance institutions (IFI)		
Private sector development (PSD)	Promotion of private sector investment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	High
Household Targeting	No	Urban	Low
SDG Targeting	Yes		
SDG Goals	SDG2, SDG8, SDG9		
6. Risk Categorization		Low	
7. Safeguard Categorization		Safeguard Policy Statement does not apply	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		1.00	
Transaction technical assistance: Technical Assistance Special Fund		1.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		1.00	

I. THE ENSUING PROJECT

1. The proposed project will enhance livestock value chains. The project will provide investment finance through eligible participating financial institutions (PFIs) to increase the volume and improve the quality and safety of commercially-oriented livestock production and processing. It will also provide finance for commercial fodder and feed production and for the establishment or expansion/improvement of private sector service providers, notably veterinary services, in support of government policy. The project will provide capacity building, training, and technical support to help build the capacity of the State Veterinary Committee (SVC) to identify, monitor and control livestock disease risks. It will enhance the capacity of selected private sector service providers as a demonstration of best practices. It will also build the capacity of PFIs in livestock-related credit policy, product development, outreach strategy, and in the identification, appraisal, and management of livestock sector lending. The project management office based in the Rural Restructuring Agency will oversee implementation, including monitoring of relending; compliances for safeguards, gender, and financial covenants; and financial auditing.

2. The project is estimated to cost \$167.0 million. ADB will finance \$100.0 million from its ordinary capital resources (concessional loans). Subborrowers will contribute \$30.0 million as equity contribution to subproject investment; and the government \$37.0 million, comprising \$30.0 million through exemptions of taxes and duties, and an estimated \$7.0 million in interest during implementation. The transactional technical assistance (TRTA) and the ensuing loan were included in ADB's country operations business plan for 2018–2020.¹

II. THE TECHNICAL ASSISTANCE

A. Justification

3. The TRTA² will help the government prepare the Livestock Value Chain Development Project (the project). Particularly, the TRTA will help with: (i) preparing the investment feasibility study (IFS); and (ii) loan processing and implementation startup.

B. Outputs and Activities

4. The TRTA has two outputs: (i) Output 1 – the investment feasibility study prepared, and (ii) Output 2 – loan processing and implementation startup assisted. The investment feasibility study report will be prepared in accordance with the format and content that satisfy the requirements of ADB and Government of the Republic of Uzbekistan (the government) in loan processing and approval.

5. **Output 1 – The Investment Feasibility Study Prepared.** The investment feasibility study (IFS) will cover, but not be limited to the following aspects: livestock market and value chain analysis; livestock product demand analysis; analysis of the demand for production and processing investment finance in the livestock sector; due diligence of potential PFIs; financial management assessment of the proposed executing agency for the project; economic and financial analysis of indicative subprojects to be financed under the project; and safeguards assessment (environmental and social management systems, labor, and gender) and other project-specific due diligence aspects.

¹ ADB. 2017. *Country Operations Business Plan: Uzbekistan, 2018–2020*. Manila.

² The TA first appeared in the business opportunities section of ADB's website on 13 March 2108.

6. The consultants will deliver the following reports: (i) Inception Report; (ii) Draft Final Report; and (iii) Final Report. The draft final report and the final report shall follow the structure of the Report and Recommendation of the President (RRP) to the Board of Directors and associated linked documents and take into account the requirements of ADB and the government in both form and substance to expedite reviews and loan processing.

7. **Output 2 – Loan Processing and Implementation Startup Assisted.** Additional consultants and/or additional inputs by consultants mentioned under Output 1 may be required for the design and startup activities to continue and undertake the following tasks: (i) address critical technical gaps including livestock sector and market assessment, financial, business and market risk due diligence, and financial and economic evaluation, among others during the loan processing stage; (ii) assist with the revisions and comments by the government agencies on the IFS report as a technical back-up; and (iii) provide implementation startup support. These activities are to ensure that (i) proper ADB Board documents are prepared, and technical revisions made during the loan processing; (ii) the IFS report is harmonized and technically consistent the government requirements; and (iii) loan disbursement is expedited. The actual inputs for these consultants and possible additional experts to carry out the above mentioned tasks will be determined by the loan fact-finding mission to ensure practical and cost-effective use of resources.

C. Cost and Financing

8. The TRTA is estimated to cost \$1.0 million, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF–Others). Key expenditure items are listed in Appendix 1.

9. The government will provide office space for TRTA consultants, counterpart staff, data and information access, and facilitation of liaison with stakeholders during project preparation. The government was informed that approval of the TRTA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

10. ADB will administer the TRTA. The Rural Restructuring Agency will be the executing agency for the TRTA.³ ADB's Central and West Asia Department, Environment, Natural Resources, and Agriculture Division (CWER), will act as the focal point and coordinator of consulting inputs and activities. The proposed TRTA will be implemented over 24 months, from December 2018 to November 2020. The implementation schedule is in Table 1.

11. **Consulting Services.** The TRTA will require consulting services of six individual consultants to prepare the investment feasibility study (Output 1): (i) Team Leader/Agricultural Economist (international), (ii) Livestock Specialists (international and national), (iii) Bank Financial Analysis and Financial Management Specialist (national), (iv) Environmental and Social Management Specialist (international) and (v) Social and Gender Specialist (national). These six consultants and/or additional expertise may be required for implementation startup support (Output 2). The actual inputs for these consultants and possible additional experts will be determined by the loan fact-finding mission to ensure practical and cost-effective use of resources and will utilize allocated person months for implementation startup support. ADB will engage the

³ The Rural Restructuring Agency will change the name to the Agency for Investment Projects in Agro-industrial and Food Sectors. The final confirmation will be subject to the Presidential Resolution, planned for release in September 2018.

consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.⁴ The indicative expertise and corresponding person-months are in Table 2.

Table 1: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	December 2018 – December 2020		
Executing agency	The Rural Restructuring Agency		
Implementing agencies	Environment, Natural Resources, and Agriculture Division of Central and West Asia Department		
Consultants	To be selected and engaged by ADB:		
	ICS	32 person-months for investment feasibility study; and 28 person-months for startup support	\$744,000
Procurement	None		
Advance contracting and retroactive financing	None		
Disbursement	The TRTA resources will be disbursed in accordance with ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	None		

ADB = Asian Development Bank, ICS = individual consultant selection, TA = technical assistance, TRTA = transaction technical assistance.

Source: Asian Development Bank.

Table 2: Summary of Indicative Consulting Services Requirement

Positions	International (person-months)	National (person-months)
1. Output 1 – The Investment Feasibility Study Prepared		
1.1. Agricultural Economist/Team Leader	7	0
1.2. Livestock Specialist	2	6
1.3. Bank Financial Analysis and Financial Management Specialist	0	7
1.4. Environmental and Social Management Specialist ^a	5	0
1.5. Social and Gender Specialist	0	5
Subtotal 1	14	18
2. Output 2 - Loan Processing and Implementation Startup Assisted		
2.1. Project Design and Startup Specialists ^b	8	20
Subtotal 2	8	20

^a For preparation of environmental and social management system (ESMS) arrangements for the whole project and ESMS policy and guidelines for livestock financing by participating financial institutions.

^b Specific expertise and input requirement will be determined before fact-finding mission to ensure practical and cost-effective use of resources.

Source: Asian Development Bank.

⁴ The terms of reference for consultants by consulting service package are accessible from the list of linked documents in Appendix 2.

III. THE PRESIDENT'S DECISION

12. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis to the Republic of Uzbekistan for preparing the Livestock Value Chain Development Project, and hereby reports this action to the Board.

Takehiko Nakao
President

September 2018

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	462.0
ii. National consultants	152.0
b. International and local travel	90.0
c. Reports and communications	40.0
2. Workshops	26.0
3. Surveys and Studies	40.0
4. Miscellaneous administration and support costs ^b	90.0
5. Contingencies	100.0
Total	1,000.0

Note: The government will provide counterpart support in the form of office space for TRTA consultants, counterpart staff, data and information access, and facilitation of liaisons with stakeholders during the feasibility study. The value of the government contribution is estimated to account for 10% of the total TA cost.

^a Financed by the ADB Technical Assistance Special Fund (TASF–Others).

^b Including office operation expenses, translation, and interpretation during the project preparation and implementation startup period.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=52110-002-TARreport>

1. Terms of Reference for Consultants

TERMS OF REFERENCE FOR CONSULTANTS

A. Output 1 – The Investment Feasibility Study Prepared

1. The investment feasibility study (IFS) will be undertaken by the following individual consultants: (i) Agricultural Economist/Team Leader (international); (ii) Livestock Specialists (international and national); (iii) Bank Financial Analysis and Financial Management Specialist (national); (iv) Environmental and Social Management Specialist (international); and (v) Social and Gender Specialist (national). ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. The terms of reference for individual consultants are detailed hereunder.

2. **Agricultural Economist/Team Leader.** (international: 7 person-months). The specialist will have at least a Master's Degree in agricultural economics or related discipline, with 15 years of work experience in the preparation of investment projects financed by ADB and the World Bank in the agriculture sector, including the livestock subsector. The specialist will have experience of leading a team of multidisciplinary consultants and will have up-to-date knowledge of agriculture sector transformation and reforms in Uzbekistan.

3. As Team Leader, the specialist will (i) provide overall supervision and coordination of activities to be carried out by individual consultants to ensure the overall scope of work is fully accomplished; (ii) guide and oversee technical studies, field surveys, and project-related due diligence to ensure the analysis, data, and information are relevant to the project investment feasibility study; (iii) prepare an investment feasibility study report in the form of a draft ADB Report and Recommendation of the President (RRP) to the Board of Directors to present a proposed project design with due diligence from technical, financial, economic, social (safeguards, gender, labor), and environmental perspectives; (iv) refine the RRP to address comments received from ADB and government; (v) assist ADB during project processing to ensure the RRP and its linked and supplementary documents reflect ADB's and the government's required form and substance; and (vi) address the comments during the government's review and approval of the project documents.

4. As agricultural economist, the specialist will (i) guide and support the Livestock Production/Processing Specialist, Bank Financial Analysis and Financial Management Specialist, and Environmental Specialist to undertake sector analyses and due diligence, (ii) collaborate with the Bank Financial Analysis and Financial Management Specialist to develop eligibility criteria for project participating financial institutions (PFIs) and subloans to be financed under the project; (iii) collaborate with the Livestock Production/Processing Specialist, and Bank Financial Analysis and Financial Management Specialist to develop eligibility criteria for subborrowers and subprojects to be financed under the project; (iv) work with the Livestock Production/Processing Specialist and the Bank Financial Analysis and Financial Management Specialist to identify indicative subprojects that may be financed under the project; (v) guide and provide inputs to the Environmental Specialist in preparing environment and social management systems (ESMS) arrangements for the project and for each PFI; (vi) undertake financial and economic analysis of identified subprojects in accordance with ADB's Guidelines for the Economic Analysis of Projects (2017); (vii) collaborate with the Bank Financial Analysis and Financial Management Specialist to prepare project implementation arrangements; and (viii) prepare the project cost estimates, financing plan, and procurement plan.

5. **Livestock Specialists** (international: 2 person-months; national: 6 person-months). The international specialist will have at least a Master's Degree in livestock husbandry, or agricultural

economics/agronomy with livestock specialization, or related discipline with emphasis on livestock production and marketing systems. S/he will have at least 15 years of work experience in projects in the livestock subsector financed by international development organizations, and in general ADB-financed projects in the agriculture sector. The national specialist will have at least a Bachelor's Degree in agricultural economics or agronomy with livestock specialization, or related discipline with emphasis on livestock production and marketing systems. S/he will have at least 10 years of work experience in projects in the livestock subsector financed by international development organizations, and in general ADB-financed projects in the agriculture sector. Both specialists will have up-to-date knowledge of agriculture sector transformation and reforms in Uzbekistan.

6. The specialists will (i) undertake a detailed livestock sector analysis identifying and/or preparing, amongst others, (a) types, volumes, productivity, and price structure of livestock production and livestock product processing, (b) geographic distribution of production and processing facilities, (c) a livestock value chain map and/or analysis, and (d) profiles of livestock producers and/or owners and processing enterprises; (ii) undertake an analysis of demand for Uzbek livestock products in domestic and export markets; (iii) in collaboration with the Bank Financial Analysis and Financial Management Specialist identify financial sector constraints to livestock sector development and assess the demand for investment credit in the sector; (iv) undertake an assessment of the provision of state and private sector provision of veterinary services and, based on the assessment, collaborate with the Ministry of Agriculture and the State Veterinary Committee to develop/review/revise government strategy for the privatization and commercialization of veterinary services, (v) in collaboration with the Agricultural Economist and the Bank Financial Analysis and Financial Management Specialist identify indicative subprojects that may be financed under the project; (vi) support the Agricultural Economist in the financial and economic analysis of indicative subprojects; (vii) assess the impact of the proposed project on the structure and profitability of the livestock sector; and (viii) support the Team Leader in addressing technical issues raised during the review of the project design and RRP by ADB and the government.

7. **Bank Financial Analysis and Financial Management Specialist.** (national: 7 person-months). The specialist will have at least a Bachelor's Degree in finance, accounting, economics, or related discipline with emphasis on banking sector issues and financial management. professional qualification such as CPA or CFA is required. S/he will have at least 10 years of relevant work experience in projects financed by international development organizations, including ADB. S/he will have up-to-date knowledge of finance sector issues in Uzbekistan and familiarity with international standards on accounting, auditing, and financial reporting of financial institutions. S/he will have undertaken financial management assessment and integrity due diligence of project executing agencies and financial institutions in Uzbekistan.

8. The specialist will (i) in collaboration with the Livestock Specialists identify financial sector constraints to livestock sector development and assess the demand for investment credit in the livestock sector; (ii) develop eligibility criteria for project PFIs and subloans to be financed under the project; (iii) collaborate with the Agricultural Economist and Livestock Specialists to develop eligibility criteria for subborrowers and subprojects to be financed under the project; (iv) identify potential PFIs and conduct due diligence on identified PFIs, including (a) governance and financial management assessment, (b) financial analysis of the preceding three years of performance and projections for 10 years subsequent to commencement of participation in the project, including presentation of financial statements and financial ratios (in accordance with International Financial Reporting Standards), (c) assessment of compliance with prevailing prudential regulations and standards, and (d) integrity due diligence; (vi) support the Environmental Specialist to design and

implement an environmental and social management system (ESMS) in selected project PFIs or upgrade the ESMS already established in selected PFIs to reflect environmental issues relating to the livestock sector; (vii) carry out financial management assessment on the project executing agency; (viii) collaborate with the Agricultural Economist to prepare project implementation arrangements; (ix) prepare project funds flow and financial management arrangements; and (x) support the Team Leader in addressing technical issues raised during the review of the project design and RRP by ADB and the government.

9. **Environmental and Social Management System Specialist.** (international: 5 person-months). The environmental and social Management system (ESMS) specialist will have at least a Bachelor's Degree in environmental management, environmental engineering, agro-chemistry or related discipline. S/he will have up-to-date knowledge of international and national environmental regulations and environmental issues in Uzbekistan. S/he will have experience in environmental safeguards in the agriculture sector and livestock subsector, establishment of ESMS at financial institutions in previous ADB-financed projects in Uzbekistan, and climate change mitigation and adaptation.

10. The specialist will (i) conduct overall environmental risk assessments related to potential subprojects to be financed under the project for reference by PFIs during subloan appraisal and monitoring; (ii) prepare a draft ESMS arrangements for the project to comply with ADB's Safeguard Policy Statement 2009 requirements; (iii) with the support of the Bank Financial Analysis and Financial Management Specialist, prepare and/or upgrade the ESMS (if already in existence) in selected PFIs to ensure ESMS policy documents and guidelines are in place as a condition for disbursement from the loan proceeds; and (iv) support the Team Leader in addressing technical issues raised during the review of the project design and RRP by ADB and the government.

11. **Social and Gender Specialist** (national: 5 person-months). The specialist should have at least a Bachelor's Degree in social sciences, sociology, anthropology, or other relevant disciplines, with experience in social and gender development. Familiarity with ADB policies on gender and core labor standards is required. Work experience in the agriculture and natural resource sector in Uzbekistan is preferred. The specialist will be responsible for (i) assessing socio-economic constraints faced by livestock producers and/or owners, particularly women; (ii) collecting relevant data to prepare a brief profile of male and female labor working in the agriculture sector in general and livestock subsector in particular; (iii) analyzing potential (positive and negative) impacts of livestock production and/or processing on labor and rural livelihoods; (iv) preparing a gender action plan for the proposed project in order to maximize impacts on women; (v) analyzing the implementation of core labor standards in the sector and providing analysis of the impact of the project; (vi) reviewing the social safeguards management of PFIs, and contributing inputs to the social sections of the project ESMS, and ESMS of each PFI; and (vii) support the Team Leader in addressing technical issues raised during the review of the project design and RRP by ADB and the government.

B. Output 2 – Loan Processing and Implementation Startup Assisted

12. **Project Design and Startup Specialists** (international: 8 person-months; national: 20 person-months). Additional consultants and/or additional inputs by consultants mentioned under Output 1 may be required for the design and startup activities to continue and undertake the following tasks: (i) address critical technical gaps including livestock sector and market assessment, financial, business and market risk due diligence, and financial and economic evaluation, among others during the loan processing stage; (ii) assist with the revisions and

comments by the government agencies on the investment feasibility report as a technical back-up; and (iii) provide implementation startup support. These activities are to ensure that (i) proper ADB's Board documents are prepared and technical revisions made during the loan processing; (ii) the investment feasibility report is harmonized and technically consistent the government requirements; and (iii) loan disbursement is expedited. The actual inputs for these consultants and possible additional experts to carry out the above mentioned tasks will be determined by the loan fact-finding mission to ensure practical and cost-effective use of resources.