

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. A small-scale project preparatory technical assistance (S-PPTA) will help prepare (i) the national feasibility study (NFS) report in form and substance required by the prevailing regulations of the Government of the Republic of Uzbekistan (the Government); and (ii) project processing assistance and implementation startup support for the ensuing financial intermediary loan to the Republic of Uzbekistan for the Horticulture Value Chain Development Project (the Project).

B. Major Outputs and Activities

2. **Output 1 – The national feasibility study report.** NSF report is a requirement of the Government in the process of its approval of the Project. An NFS will be conducted and a report produced based on the project design documents of ADB including the ADB's draft Report and Recommendation of the President to the Board of Directors (RRP) and its linked and supplementary documents. The project NFS report is expected to comply with the prevailing Government's regulations (in both form and substance).

3. **Output 2 – Project processing assistance and implementation startup support.** The project preparation is ongoing, using technical inputs provided by consultants engaged under TA 8567-UZB: Innovations for Agriculture Modernization. Since there is a limited budget on TA 8567-UZB for a proper project preparation, S-PPTA fund will finance additional work required during project processing to (i) address critical technical gaps including horticulture sector and market assessment, financial due diligence of participating financial institutions (PFIs), business and market risk assessment, project investment financial and economic evaluation, among others; (ii) provide technical back-up support to the conduct of the NFS as outlined in Output 1 above; and (iii) implementation startup support. These are to ensure that (i) proper ADB's Board documents are prepared and technical comments addressed during project processing; and (ii) NFS is harmonized and technically consistent with the RRP and its linked and supplementary documents.

4. The major outputs and activities are summarized in Table A3.1.

Table A3.1: Summary of Major Outputs and Activities

Major Outputs	Expected Completion Date
National feasibility report	Dec 2016
Project processing assistance	Dec 2016
Implementation startup support	Mar 2017

Source: Asian Development Bank staff.

C. Cost Estimate and Proposed Financing Arrangement

5. The S-PPTA is estimated to cost \$250,000, of which \$225,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF–Others). The government will provide in-kind contribution (equivalent to 10% of the TA total cost) to cover counterpart staff time and office accommodation for the S-PPTA team. The detailed cost estimates are in Table A3.2.

Table A3.2: Cost Estimates and Financing Plan
(\$'000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	65.0
ii. National consultants	90.0
b. International and local travel	20.0
c. Reports and communications	10.0
2. Workshops and training	10.0
3. Miscellaneous administration and support costs	10.0
4. Contingencies	20.0
Total	225.0

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

^b Workshops, trainings, seminars, and conferences

Purpose	Venue
- Workshops on credit demand and business development constraints	- Offices of potential PFIIs
- Training on ESMS	

Source: Asian Development Bank staff estimates.

D. Consulting Services

6. The TA will require two types of consulting services (i) a national consulting firm to conduct the NFS (Output 1) using the Consultants' Qualifications Selection (CQS) method and contract will be performance-based; and (ii) three individual consultants (two international and one national) using the Single-Source Selection (SSS) method for individual consultants and contracts will be time-based for project processing assistance and implementation startup support.

7. Consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time). The number of person-months is in Table A3.3 below. The outline terms of reference for the S-PPTA consultants are described in Supplementary Appendix 6.

Table A3.3: Summary of Consulting Services Requirement

1. Consulting Service through a National Firm (using CQS Method and Performance-based)	
Positions	Person-days
National	
Team Leader/Agricultural Sector Specialist	90
Bank Credit Specialist	80
Horticulture Specialist	60
Financial Specialist	80
Procurement Specialist	30
Environmental Specialist	50
Gender and Social Development Specialist	50

2. Individual Consulting Services (using SSS Method)

Positions	Person-days
International	
Agricultural Development Specialist and Team Leader	20
Agricultural Financing Specialist	35
National	
Financial Analyst/Financial Management Specialist	60

Source: Asian Development Bank staff estimates.

1. Output 1 – The National Feasibility Study Report

8. **Scope of work.** A national consulting firm (the consultant) for performing NFS will be engaged by ADB using the CQS method and the service contract will be performance-based to conduct and produce an NFS report based on the project design documents of ADB including the draft RRP and its linked and supplementary documents. The consultant is required to work closely with the Rural Restructuring Agency (RRA), participating financial institutions (PFI), and other relevant stakeholders in order to ensure the high quality of the NFS report. The project NFS report is expected to comply with the prevailing Government's regulations (in both form and substance).

9. **Consultant's Qualification.** The minimum requirements for the consultant are (i) extensive and proven experience in conducting feasibility studies for agriculture development projects funded by international development organizations; (ii) at least 10 years of experience for team leader and five (5) years of experience for other key staff in similar agriculture development projects; (iii) familiarity with requirements of the Decree of the Cabinet of Ministers of the Republic of Uzbekistan, №110 dated 07 June 2007; and (iv) experience with previous ADB financed projects. The consultant is free to propose a staffing plan and skill mix necessary to meet the objectives and scope of the services. An indicative staffing requirement is in Table A3.3 (Section 1).

10. **Deliverables.** The consultant is expected to prepare the following reports in English and Russian and provide eight (8) copies of the reports to ADB in PDF and MS Word: (i) Draft final NFS report including all necessary aspects covering technical, institutional, economic, social and environmental assessments, procurement and financial management, etc., required for the project approval by authorized ministries and agencies; and (ii) Final NFS report after incorporation of all comments and/or recommendations of the Government and after approval of the NFS by the relevant decree of the President of the Republic of Uzbekistan.

11. **Maximum Budget and Payment Schedule.** The maximum budget for the NFS assignment is \$80,000. The payment schedule is as follows: Payment 1: 15% after signing the contract; Payment 2: 45% following the submission of the draft final NFS report to the government; Payment 3: 30% after incorporating comments of relevant Government ministries and agencies and endorsement of the draft NFS report by relevant ministries and agencies; and Payment 4: 10% after the approval of the NFS by a decree of the President of the Republic of Uzbekistan. Detailed terms of reference for each required specialist are in Supplementary Appendix 6.

2. Output 2 – Project Processing Assistance and Implementation Startup Support

12. Two (2) international consultants for a total of 55 person-days, and one (1) national consultant for a total of 60 person-days. The project preparation is ongoing, using technical inputs provided by consultants engaged under TA 8567-UZB: Innovations for Agriculture Modernization. Since there is a limited budget on TA8576-UZB for a proper project preparation, S-PPTA fund will be needed to finance additional work required during the ADB's project processing to (i) address critical technical gaps including horticulture sector and market assessment, financial due diligence of participating financial institutions (PFIs), business and market risk assessment, project investment financial and economic evaluation, among others; (ii) provide technical back-up support to the conduct of the NFS as outlined for Output 1; and (iii) implementation startup support. These are to ensure (i) proper ADB's Board documents are prepared and technical comments addressed during project processing; and (ii) NFS is harmonized and technically consistent with the RRP and its linked and supplementary documents.

13. Due to shortfall of budget on TA 8567-UZB, three (3) individual consultants were engaged by ADB in June 2016 with shorter time inputs than that required to complete standard deliverables. These three consultants include: (i) Mr. Raymond Moule, Agricultural Development Specialist and Team Leader (Selection No. 126446, Contract No. 126446-S88462); (ii) Mr. Michael John Lloyd, Agricultural Financing Specialist (Contract No. 126629-S88447); and (iii) Ms. Nasiba Masharipova, Financial Analyst/Financial Management Specialist (Contract No. 126647-S88554). These consultants will be engaged using the SSS method on time-based contracts. The detailed terms of reference for each required specialist are outlined in Appendix 1.

E. Implementation Arrangements

14. The RRA will be the executing agency for the S-PPTA. ADB's Central and West Asia Department, Environment, Natural Resources, and Agriculture (CWER), will act as focal point and coordinator of consultant inputs and activities. The proposed S-PPTA will be implemented over nine (9) months, from October to June 2017 and will require two (2) international consultants for a total of 55 person-days, and eight (8) national consultants for a total of 500 person-days. ADB will recruit the consultants as follows (i) a national consulting firm to conduct the NFS (Output 1) using CQS method and contract will be performance-based. This package includes seven (7) national consultants with total inputs of 440 person-days; and (ii) three individual consultants (two international consultant for a total of 55 person-days and one (1) national consultant for a total of 60 person-days) using SSS method for individual consultants and contracts will be time-based for project processing assistance and implementation startup support. The disbursements will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (May 2010, as amended from time to time). The tentative implementation schedule is set forth in Table A3.4.

Table A3.4: Tentative Implementation Schedule

Item	Expected Completion Date
Approval of S-PPTA	September 2016
Initial deployment of consultants	October 2016
TA closing	June 2017

S-PPTA = small-scale project preparatory technical assistance, TA = technical assistance.

Source: Asian Development Bank staff.

DETAILED TERMS OF REFERENCE FOR CONSULTING SERVICES

1. Output 1 – The National Feasibility Study Report

1. **Team leader/Agricultural Sector Specialist** (national: 90 person-days). The specialist must at least meet the minimum requirements stated in para. 9. In addition, (s)he should have at least a Master's Degree in agriculture economics, with experience in rural finance, horticulture trade, horticulture value chains, and updated knowledge on sector transformation and reforms. The specialist will be responsible for the following (i) supervise overall preparation of the NFS report by the team; (ii) liaise with government ministries, agencies, PFIs, and other relevant stakeholders to ensure the report reflects diverse but practical views; (iii) ensure that the NFS report is consistent with the RRP and its linked and supplementary documents; and (iv) submitting a NFS report which addresses various due diligence aspect including technical, institutional, economic, social and environmental assessments, procurement and financial management, etc., in form and substance required by the Government's prevailing regulations.
2. **Bank Credit Specialist** (national: 80 person-days). The specialist must at least meet the minimum requirements stated in para. 9. In addition, (s)he should have at least a Bachelor's Degree in banking, finance or economics with experience in local bank lending practices, preferably in agriculture sector and bank financial statement analysis. The specialist will be responsible for the following (i) conduct financial analysis of PFIs (financial performance, projection, and governance and integrity); (ii) prepare financial and economic analyses for representative subproject investments; (iii) ensure that the relevant NFS report sections are consistent with the RRP and its linked and supplementary documents and present them in form and substance required by the Government's prevailing regulations.
3. **Horticulture Specialist** (national: 60 person-days). The specialist must at least meet the minimum requirements stated in para. 9. In addition, (s)he should have at least a Bachelor's Degree in agronomy with specialization on horticulture (fruits and vegetables). Experience in horticulture sector development and export promotion is strongly desired. The specialist will be responsible for the following (i) conduct analysis on past and current agriculture sector development and sector prospects with particular focus on horticulture subsector; and (ii) ensure that the relevant NFS report sections are consistent with the RRP and its linked and supplementary documents and present them in form and substance required by the Government's prevailing regulations.
4. **Financial Management Specialist** (national: 80 person-days). The specialist must at least meet the minimum requirements stated in para. 9. In addition, (s)he should have at least a Bachelor's Degree in accounting, auditing, finance or economics with experience in local bank financial management and governance regimes. The specialist will be responsible for the following (i) conduct financial management assessments of PFIs (financial management, governance, and integrity); (ii) analyze risks and recommend mitigation measures to safeguard PFIs' risk exposures; (iii) ensure that the relevant NFS sections are consistent with the RRP and its linked and supplementary documents and present them in form and substance required by the Government's prevailing regulations.
5. **Procurement Specialist** (national: 30 person-days). The specialist must at least meet the minimum requirements stated in para. 9. In addition, (s)he should have at least a Bachelor's Degree in agricultural engineering or mechanical engineering with experience in local procurement, and trade and custom practices. The specialist will be responsible for the following (i) conduct overall procurement risk assessments related to machinery and equipment financed

by subloans to alert PFIs during their subloan appraisals; (ii) analyze procurement risks and recommend mitigation measures to help safeguard PFIs' risk exposures; (iii) ensure that the relevant NFS report sections are consistent with the RRP and its linked and supplementary documents and present them in form and substance required by the Government's prevailing regulations.

6. **Environmental Specialist** (national: 50 person-days). The specialist must at least meet the minimum requirements stated in para. 9. In addition, (s)he should have at least a Bachelor's Degree in environmental management, environmental engineering, agro-chemistry with experience in environmental safeguards in agriculture sector, climate change mitigation and adaptation, and establishment of an environmental and social management system (ESMS) at PFIs. The specialist will be responsible for the following (i) conduct overall environmental risk assessments related to investments to be financed under the project to alert PFIs during their subloan appraisals and monitoring; (ii) ensure that the NFS report contain national environmental requirements related to the farm operations and agriculture business, consistent with the RRP and its linked documents; (iii) prepare draft ESMS with a clear action plan to comply ADB's SPS 2009 requirements for each PFI to establish its ESMS acceptable to ADB prior to first disbursement from the loan.

7. **Gender and Social Development Specialist** (national: 50 person-days). The specialist must at least meet the minimum requirements stated in para. 9. In addition, (s)he should have at least a Bachelor's Degree in social sciences, sociology, anthropology, or other relevant disciplines, with experience in social development and/or gender development. Familiarity with ADB policies on gender and core labor standards is required. Working experience in agriculture and natural resource sector in Uzbekistan is preferred. The specialist will be responsible for the following (i) assess socio-economic constraints faced by farmers, particularly women; (ii) collect relevant data, prepare a brief profile of male and female labor working in the agriculture sector in general and horticulture subsector in particular, including wages, and analyze potential (positive and negative) impacts of horticulture crops on labor and rural livelihoods; (iii) prepare a gender action plan for the proposed project in order to maximize impacts on women; (iv) analyze the implementation of core labor standards in the sector and provide analysis of the impact of the project; and (v) ensure that the relevant NFS report sections are consistent with the RRP and its linked and supplementary documents and present them in form and substance required by the Government's prevailing regulations.

2. Output 2 – Project Processing Assistance and Implementation Startup Support

8. **Agricultural Development Specialist and Team Leader** (international: 20 person-days). Mr. Raymond Moule has performed the following on Contract No. 126446-S88462: (i) provide overall supervision and coordination of activities to be carried out by individual team members to ensure the overall team scope of work is fully accomplished; (ii) carry out a detailed sector assessment of the current state of agriculture production; (iii) 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; (iv) prepare an investment feasibility study report to present a proposed project design with due diligence from technical, financial, economic, social (safeguards, gender, labor), and environmental perspectives.

9. With continued inputs, Mr. Raymond Moule will be responsible for the following (i) refine the project design report based on the outline agreed with ADB to address technical gaps which was due to tight project preparation timeline; and (ii) provide technical backstopping support for

the national consulting firm to ensure harmonization and consistency of the NFS report with the RRP and its linked and supplementary documents.

10. **Agricultural Financing Specialist** (international: 35 person-days). Mr. Michael John Lloyd has performed the following on Contract No. 126629-S88447 (i) assist the team leader in the sector assessment if and when required; (ii) develop representative crop budgets in financial and economic terms and derive a total factor productivity analysis and comparative analysis for crop production in Uzbekistan; (iii) coordinate inputs from other team members to lead a supply and demand assessment of various types of machines and tools for crop mechanization; (iv) conduct due diligence on potential PFIs, including leasing companies and commercial banks; (v) develop eligibility criteria for identifying recipients of and sub-loan borrowers; (vi) conduct financial management assessment of the executing and implementing agency; (vii) prepare project cost estimates and financing plan; and (viii) conduct economic and financial analysis for the project investment.

11. With continued inputs, Mr. Michael John Lloyd will be responsible for the following (i) refine documents related to the PFIs' due diligence, project economic and financial analysis, among others based on the outline agreed with ADB to address technical gaps which was due to tight project preparation timeline; (ii) assist ADB during the project processing to ensure the RRP and its linked and supplementary documents are ADB's required form and substance; (iii) provide support to accredited PFIs in compliance with the disbursement conditions (with organization of workshop and training if required); and (iv) provide technical backstopping support for the national consulting firm to ensure harmonization and consistency of the NFS report with the RRP and linked and supplementary documents.

12. **Financial Analyst/Financial Management Specialist** (national: 60 person-days). Ms. Nasiba Masharipova has performed the following on Contract No. 126647-S88554 (i) collect data and information on potential PFIs (including leasing companies and commercial banks); (ii) assist in conducting due diligence on PFIs, including assessments on (a) financial management systems; (b) quantitative and qualitative financial analysis; and (c) integrity due diligence as part of the selection process for PFIs; (iii) carry out financial management assessments on the project executing and implementing agencies; (iv) prepare project fund flows and financial arrangement.

13. With continued inputs, Ms. Nasiba Masharipova will be responsible for the following (i) assist in refining documents related to the PFIs' due diligence (financial performance, financial projection, integrity, governance and financial management) among others based on the outline agreed with ADB to address technical gaps which was due to tight project preparation timeline; (ii) assist ADB during the project processing to ensure the RRP and its linked and supplementary documents are ADB's required form and substance; (iii) together with the international specialists (Mr. Raymond Moule and Mr. Michael John Lloyd), provide support to accredited PFIs in compliance with the disbursement conditions (with organization of workshop and training if required); and (iv) with local knowledge on NFS, provide technical backstopping support for the national consulting firm to ensure harmonization and consistency of the NFS report with the RRP and its linked and supplementary documents.