

# Environment and Social Management System Arrangements

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Project Number: 47305-004  
February 2018

## UZB: Horticulture Value Chain Development Project (Additional Financing)

Prepared by the Rural Restructuring Agency under the Ministry of Agriculture and Water Resources for the Asian Development Bank (ADB). Due diligence was updated by ADB.

The environmental and social management system arrangements is a document of the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff, and may be preliminary in nature.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

**Financial Intermediary:  
Environmental and Social Management System  
Arrangement**

**UZBEKISTAN: HORTICULTURE VALUE CHAIN  
DEVELOPMENT PROJECT**

Prepared in October 2016 for the Ongoing Project  
Updated in February 2018 for the Additional Financing

**(For additional financing project, this linked document has been updated by presenting, in Appendix 12, an assessment of the effectiveness of the PFI-established ESMSs based on the findings of the ADB's safeguard compliance review conducted in November 2017, and review cum. fact finding mission in February 2018. The ESMS arrangements remain unchanged. Actual sets of PFI-approved ESMS are available upon request).**

## CURRENCY EQUIVALENTS

(as of 28 February 2018)

Currency unit – sum (SUM)

SUM1.00 = \$0.00012

\$1.00 = SUM8,186.95

## ABBREVIATIONS

ADB	–	Asian Development Bank
CP	–	credit policy
ES	–	environmental and social
ESMS	–	environmental and social management system
ESSM	–	Environmental and Social Safeguard Manager
HDP	–	Horticulture Development Project (World Bank)
PIAL	–	prohibited investment activities list
PFI	–	participating financial institution
RESP II	–	Rural Enterprise Support Project Phase II (the World Bank)
RRA	–	Rural Restructuring Agency
SNPC	–	State Nature Protection Committee
SPS	–	Safeguard Policy Statement
ZVOS	–	initial environmental examination report

## List of Participating Financial Institutions (PFIs) Covered in the Current Due Diligence

ASB	–	Asaka Bank
DVR	–	Davr Bank
HKB	–	Hamkorbank
IPB	–	Ipoteka Bank
IYB	–	IpakYuli Bank
NBU	–	National Bank of Uzbekistan
TRB	–	Turon Bank
UPSB	–	Uzpromstroybank

## NOTES

- (i) The fiscal year (FY) of the Government of Uzbekistan, its agencies and participating financial institutions ends on 31 December.
- (ii) In this report, “\$” refers to US dollars unless otherwise stated.

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## I. DUE DILIGENCE ASSESSMENT OF ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS OF PARTICIPATING FINANCIAL INSTITUTIONS

### A. Introduction

1. Project Background: The “Innovations for Agriculture Modernization” project will focus on the horticulture sector; the Project Development Objective is to enhance the productivity, profitability, and competitiveness of the horticulture sector in Uzbekistan. The project is financed by ADB. The amount of the proposed loan is \$154 million.

2. The proposed project will support the participating financial institutions (PFIs) through provision of improved financial services for entrepreneurs and agribusinesses engaged in the horticulture sector. Attention will be focused on investments supporting the increased competitiveness of the sector, access to new technologies, reduction in waste, improved value addition and enhancements to the value chain. The project is expected to support implementation of long term investments, such as use of improved modern planting materials, water-saving irrigation facilities rehabilitation (such as conversion to efficient drip irrigation systems), cold storage and other cool chain facilities, and introduction of value added handling/processing equipment and facilities.

3. The aim is to increase production of competitive horticulture products that will be targeted at international markets, and which will meet the international quality standards requirements in those markets.

4. The proposed project is planned to focus its lending activities through the PFIs on three broad target areas of activity to support development in the sector, which are:

- **Development of improved production capability:** for planting materials. The activity will provide finance investment loans for farmers and enterprises operating in the horticultural raw material production sector. PFIs will develop loan portfolios that will support improvement and intensification of production capacity, such as purchasing of certified high quality dwarfing fruit trees, modern specialized vegetable seeds for intensive greenhouse production systems, improved vegetable seeds for field vegetable production, high quality selected melon and legume seeds and broader scale development and implementation of pressurized drip irrigation systems to improve water use efficiency and product yield and quality.
- **Improvements in efficiency and productivity:** to improve the efficiency and effectiveness of the products produced in the horticulture sector, improved support will be provided through loans via the PFIs to improve sector performance and reduce current high levels of waste. Loan beneficiaries are expected to purchase modern, specialized equipment and attachments to facilitate improvement to the logistical capability of the sector, with a likely emphasis on improved cold storages, cool chain transport systems, modern processing equipment and packaging.
- **Increased access to appropriate modern technology:** access to specialized horticulture sector production equipment is currently limited. PFIs will support by provision of credit for energy-efficient modern greenhouse production systems, specialized farm level production equipment suitable for the horticulture sector (in size, capacity and quality of work) which is also energy efficient and other specialized equipment to support development of a modern cool chain production, normal and deep processing and post-

harvest systems to improve overall product quality, appearance and shelf life while further reducing post-harvest damage and risk of waste.

5. Attention will be focused on investments supporting the enhanced competitiveness of the sector, access to new technologies and value addition in the sector. It is not foreseen that the project would be used for the financing of operational costs at these enterprises, which instead should be supported through commercial short-term credit facilities already available through the participating PFI's if such support is required.

6. **Project Location:** The increased access to credit component will cover all regions of Uzbekistan, including the Republic of Karakalpakistan.

7. Findings of the safeguards due diligence which was conducted by the ADB's fact finding mission in order to assess the potential environmental and social impacts and risks associated with the 8 selected PFIs is provided in this section. In accordance with the ADB Safeguard Policy Statement (2009) and the Operations Manual section on safeguard policy (OM F1), 5 elements were reviewed for each of the PFIs: (i) environmental and social (ES) policies;(ii) screening, categorization and review procedure; (iii) monitoring and reporting procedure; (iv) organizational structure and staffing including skills and competencies in environmental and social areas; and (v) training program and requirements.

8. The following eight PFIs are broadly qualified for credit lines under the project: (i) Hamkorbank (HKB), (ii) IpakYuli Bank (IYB), (iii) Davr Bank (DVB), (iv) Ipoteka Bank (IPB), (v) Turon Bank (TRB), (vi) Asaka Bank (ASB), (vii) Uzpromstroybank (UPSB), and (viii) National Bank of Uzbekistan (NBU). All eight PFIs have business strategies reflecting a strong track record and commitment to serve horticulture sector development.

9. Currently IPB, IYB, UPSB, HKB, TRB, ASB<sup>1</sup> and NBU are participating in projects financed by the World Bank, namely (i) Rural Enterprise Support Project, Second Phase (II, P109126) starting in June 2014, and (ii) Horticulture Development Project (HDP, P133703), starting in January 2016.

10. The RESP II is financed through an International Development Association (IDA) credit of SDR 41.3 million (US\$68 million equivalent) approved on June 12, 2008. On September 11, 2012, additional financing of SDR 26.4 million (US\$40 million equivalent) was approved to support the scaling up of subloans to beneficiaries. The RESP II documentation includes an Environmental Management Framework (EMF), which provides a screening checklist and mitigating measures for the minor impacts that could occur as a result of the investments. Institutional capacity for environmental management will be established in the RRA through recruitment of an environmental specialist to support implementation of the project in conformity with the EMF. Apart from environmental assessment and international waterways, no other safeguard policies are triggered by this project

11. Within the World Bank (WB)-funded projects participating banks are responsible for screening, categorization and review. Based on EMF, the PFIs are requested to follow management activities of HDP. PFIs will be followed for ensuring that any Category B type subproject financed by HDP receives an appropriate environmental assessment (Category A subprojects will be not supported under the HDP). The responsibility for recognizing the environmental category of loan applications under Access to Credit component rests with the loan

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<sup>1</sup> ASB is participating only in HDP.

officers of the various lending institutions.

## **B. Uzbekistan – Main Laws and Regulations Relevant to the Environmental Sector**

12. The following Uzbekistan national laws and Cabinet of Ministers Resolutions and Decrees set out the requirements for environmental assessments in Uzbekistan: (i) law "On Nature Protection" (1992), (ii) law "On Environmental Expertise" (2000), and (iii) Resolution of Cabinet of Ministers 491 "About Environmental Expertise" 31.12.2001 as amended 2009 (Decree No. 152/5 June 2009). The above-mentioned laws require that environmental impact assessments are carried out for planning construction and rehabilitation activities prior to funding. Cabinet Ministry's Resolution 491 describes the initial environmental examination report (ZVOS) that also classifies the risk category of the activity to be prepared by the business owner for review of the State Nature Protection Committee (SNPC). The SNPC then issues its opinion on the risk classification and recommends mitigation measures for adverse impacts and issues the environmental clearance and permit, which is valid for 3 years.

13. Decree No. 152/5 provides the list of activities for which ZVOS must be carried out. The list splits activities into environment risk categories by high (Class 1), medium (Class 2), low (Class 3) and low with local impact (Class 4). The activities listed under Classes 1 and 2 essentially correspond with the environment "A" category of ADB's SPS, while activities listed under Class 3 and 4 are substantially equivalent to the environment B-category of the SPS.

14. Compared to the SPS, the Uzbekistan classification and environmental assessment regulation does not recognize the receiving sensitivity of adverse environmental impacts and does not provide procedures for periodically monitoring adverse environmental impacts during project/activity implementation.

15. To mitigate the risk that PFIs may be unable to manage environmental risks including the risk arising from high level environmental impact sensitivity, the PFIs will exclude from ADB loan financing the subprojects listed in the Prohibited Investment Activities List (PIAL) (Appendix 1b). The PFIs will also exclude any subproject activities classified as (i) environment category A equivalent to Decree No. 152/5 list Class 1 and Class 2 (Appendix 2a), and if they are excluded from financing based on the Rapid Environmental Assessment Checklist (Appendix 2b).<sup>2</sup>

16. The country does not have indigenous people (IP) communities as defined in ADB's SPS. The project is categorized as C for IP safeguards. Under the project, land acquisition for subproject activities by the PFIs' subborrowers will not be done via expropriation (which is a state function), but will be done by application to the district khokimiyat (administration) for land. The loan application package for subproject activities that require land is required to contain the khokimiyat's prior approval of land allocation, without which a loan application is not considered complete and is not considered for a loan. The screening for involuntary resettlement (IR) safeguard (Appendix 4) covers prohibited subproject activities including expropriation, physical and economic displacement, loss of income sources, displacement of renters or lease holders, state land involving informal settlers, and restrictions on legally designated parks or protected areas. As such, the project is categorized as C for the involuntary resettlement (IR) safeguard and no further action is required.

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<sup>2</sup> All subprojects using ADB funds will be screened against the Environmental Exclusion list, which is a part of the PFI's ESMS.

## C. The Current Environmental and Social Management Systems of PFIs

### a. Hamkorbank

17. Hamkorbank (HKB)'s ESMS is based on its environmental and social risk management policy approved in 2014 (Appendix 9) and is mandatory for all loans.<sup>3</sup> The International Finance Corporation (IFC) as one of main stakeholders has required in 2016 to update the policy and structure of the bank including environmental safeguard institutional setup. The policy and procedures being updated to describe project screening, categorization before approval, and monitoring and reporting for all categorized loans. The HKB's ESMS was amended as recommended by the environmental audit, which was conducted in February 2016. It is now being circulated for endorsement per established procedure on adopting new policy within Hamkorbank.

18. **Screening, categorization and review:** HKB subloans were only provided for activities which are not included into the ADB's prohibited investment activities list (PIAL). After verification that the Subproject is not in ADB's PIAL, credit officers conduct a rapid assessment of the likely environmental and involuntary resettlement impacts based on the Government and ADB requirement as described in ESMS. Environmental assessment checklist and social safeguard screening checklist are used to determine the significance of potential environmental and/or social impacts associated with the subproject. For the projects of category A and B (or Class 1 to 4 as described by CMR # 491 and 152), submission of the Environmental Appraisal is mandatory and it is included in a set of documents submitted to the Credit Committee for consideration and further approval. HKB has not provided loans to B-category subprojects within ADB financed Projects. All credit files contain the necessary safeguards documents, such as ES screening checklists and environmental certificates. The HKB ESMS prescribes that subprojects classified in environment must document and submit the environmental due diligence results to HKB's Credit Committee for approval. New ESMS that is being circulated for endorsement includes 6 steps of screening prior to approval of subprojects based on scoring system, action plan for projects with significant and high environmental impact and meeting requirements of 8 standards (similar to IFC performance standards) during monitoring. Monitoring for high risk subprojects is required every 6 months and annually for other subprojects.

19. **Monitoring and reporting:** HKB credit officers periodically conduct monitoring of subprojects on compliance with environmental laws and policies, particularly to assess the likely environmental and involuntary resettlement impact and its significance as required by the ESMS prior to submission of a subproject for credit approval. Credit officers regularly conduct monitoring of subprojects on compliance with environmental aspects. Environmental and Social Performance Reports (ESPR) have been prepared by HKB's Environmental Manager. The reports present information on all loans provided by Hamkorbank during the reporting period. A separate table presents information about the funded subprojects belonged to category B and Environmental Appraisals submitted by Clients for such subprojects.

20. **Organizational structure and staffing:** HKB has changed its environmental safeguard institutional setup in 2016 and new "Environmental Expertise and Monitoring" sector created within Risk Management Department. HKB has hired a full-time Environmental and Social Safeguard Manager (ESSM) with environmental background. The ESSM is responsible for (i) revisions and submission of the environmental and social policy to HKB's Management Board for approval, (ii) preparing annual environmental and social performance reports for its shareholders

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<sup>3</sup> Hamkorbank's ESMS was endorsed by ADB in July 10, 2013 as a result of the Bank's participation in the Small Business and Entrepreneurship Development Project.

and lenders, (iii) monitoring of all ES aspects during project implementation. HKB has 22 branches all over the country (Appendix 11). The ESSM is also responsible to ensure that all HKB branches follow the required ESMS procedures, properly document, and record environmental reviews in the loan files. In each regional branch, the regional ESSM monitors compliance of the ESMS with HKB's ES policies and procedures. Each branch front office head is responsible to ensure that all loan decisions are supported by appropriate due diligence documentation.

21. **Training:** HKB conducts continuing work on capacity building activity for ESMS implementation by periodically providing training for loan officers who carry out ES impact analysis and monitoring of subprojects as required by the ESMS policy. An initial training program was organized utilizing ADB technical assistance. Training on ADB's Safeguards policy has been incorporated into the annual general training program organized by HKB for staff employed in the credit departments. Training in compliance with specific ESMS was conducted for Head Office specialists and regional managers during July 15–17, 2016.

22. **Actions required for ESMS:** Prior to the first disbursement of the ADB loan, HKB will:

- (i) Ensure that the updated ESMS is approved, including the track records system.
- (ii) Conduct training for all relevant staff on the new ESMS.
- (iii) Enhance the capacity of the designated ESMS staff in identifying and implementing environmental Category B to comply with applicable laws and regulations of Uzbekistan and the SPS.

23. **Social Safeguard/Sector Issues:** Social safeguard related issues (land acquisition, physical displacement, economic displacement, loss of income/livelihood) are not relevant because under the legislation of Uzbekistan, subproject borrowers (being private persons or organizations) are unable to expropriate land. Furthermore, if any subproject activity involves use of land or allocation of land use rights (especially, for startup entrepreneurs), the loan application process requires that the potential borrower must have the approval of the district khokimiyat (administration) for land allocation, which needs to be appended to the application. Instead, according to the Cabinet Ministry's Resolution 491 dated 2001, social sector issues (forced labor, child labor) are built into the environmental consideration and reviewed for the approval of a loan. So, the loan application of any subproject that may involve forced labor or child labor would be rejected at the outset.

24. HKB will exclude from ADB loan financing:

- (i) all subprojects included in the project PIAL (Appendix 1a and 1b);
- (ii) all subprojects falling under category "A" (ADB categorization) or Classes 1 and 2 (UZB categorization by Decree No. 152/5) (Appendix 2a);
- (iii) all subprojects with activities or significant risks as identified in the Environmental Exclusion Checklist (Appendix 2b); and
- (iv) all subprojects with involuntary resettlement or activities otherwise excluded through the Social Safeguard Screening checklist (Appendix 4).

#### **b. Ipak Yuli Bank**

25. Ipak Yuli Bank (IYB)'s Environmental and Social Risk Management System (ESRMS) which was endorsed by ADB on 10 July 2013 following IYB's participation in the ADB-funded Second Phase of the Small and Microfinance Development Project.<sup>4</sup> It has been subsequently

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<sup>4</sup> ADB. 2010. *Report and Recommendation of the President of Directors: Proposed Second Small and Microfinance Development Project* (Loan 2634-UZB). An ESMS audit conducted by an ADB-funded consultant in February 2016



updated in 2015 and a copy is attached at Appendix 10. IYB's ESRMS and its environmental and social risk management policy are mandatory for all loans. The policy and procedures describe the methodology for project screening, categorization before approval and monitoring and reporting for all subsequent categorized loans. IYB's ESRMS complies with ADB's SPS 2009 requirements. The IYB ESRMS is currently in the process of being further updated into a single unified document that covers the full requirements of both the national legislation and international finance institutions (ADB, IFC etc.) with whom bank is collaborating.

26. **Screening, categorization and review:** IYB loans are screened against any ineligible activities reflected in the PIAL. All projects are categorized in accordance with UZB government RCM #491 and Decree 152/5. For the projects of category A and B (or Class 1 to 4 as described by CMR # 491 and 152), submission of the Environmental Appraisal is mandatory. This document is retained in the credit application files and its presence is mandatory for Credit Committee approval of the application. Following endorsement of the ESRMS, Ipak Yuli Bank does not provide loans to category "A" subprojects.

27. As part of the application process, credit officers assess the likely environmental and social safeguard impacts as required by the ESRMS using ADB and/or EBRD checklists for each subproject prior to submission for credit approval. The credit file contains the assessments based on standard checklists.

28. **Monitoring and reporting:** After credit approval, the credit disbursement is monitored on a selective basis by the IYB Monitoring Department including all aspects of project implementation. In line with the ESRMS Regulations, the Credit Department officers conduct monitoring of environmental issues and risks as part of a general monitoring process undertaken each quarter. The format of the Environmental Monitoring Checklist has recently been improved including the section concerning performance in environmental and social aspects and it is in the process of official approval by the Bank administration. Previous monitoring checklists did not include environmental or social safeguards, and this was highlighted during a previous appraisal process. Environmental monitoring is being conducted as part of inspection of the borrower's business. The bank's officers monitor the impact of the project on the environment to mitigate risks and to ensure compliance with ESRMS requirements.

29. The IY Bank's Officers in charge of environmental social performance report on ESRMS performance and IYB submits annual reports to shareholders and ADB. The ESPR contains general information on all provided loans, without specification on sectors. A separate table presents information about the funded subprojects in Category "B" and the Environmental Appraisals submitted by Clients for such subprojects.

30. **Organizational structure and staffing:** IYB's ESRMS Coordinator is concurrently the Head of Risk Management Department and is responsible for (a) ensuring that all loan decisions are supported by appropriate ESRMS due diligence documentation, (b) staff awareness and competency, (c) reviewing ESRMS performance and improving ESRMS as necessary, and (d) communicating with senior management on environmental and social issues. IYB has 14 branches all over the country (Appendix 11). The Chief Specialist of the International Financial Institutions Division (newly appointed) assists the ESRMS Coordinator in ensuring ESRMS compliance.

31. **Training:** IYB provides irregular training for Loan Officers carrying out Environmental and

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confirmed that IYB's ESMS meets the SPS requirements.

Social impact analysis and those who monitor subprojects as required by the ESRMS. ADB organized the initial training program under technical assistance. Training on ADB's Safeguards policy was incorporated into the annual training program of IpakYuli Bank for staff in the Credit Department. Human Resource Department plans annual program for regular training on Credit Policy Implementation for Credit Department Officers, but specific training on environmental aspects were not conducted. A roundtable meeting on environmental management was organized with SNPC on an ad-hoc basis.

32. Actions required for ESRMS: Prior to first disbursement of the ADB loan, IYB will:
- (i) Review and improve ESRMS to also introduce third party monitoring arrangements for non-compliance and compliant cases (by end of September).
  - (ii) Accelerate procedure of improved Environmental Monitoring Checklist approval and start to use it for site visits during credit disbursement evaluation. Establish track-recording system, and improve Content of Environmental Monitoring Reports (by January 2017).
  - (iii) Conduct training on requirements of national environmental legislation and its implementation in two stages: The loans preparation and their disbursement. Improve credit staff capacity through a dedicated training program for all branches on monitoring and supervising category "B" subprojects.

33. **Social Safeguard/Sector Issues:** Social safeguard related issues (land acquisition, physical displacement, economic displacement, loss of income/livelihood) are not relevant because under the legislation of Uzbekistan, subproject borrowers (being private persons or organizations) are unable to expropriate land. Furthermore, if any subproject activity involves use of land or allocation of land use rights (especially, for startup entrepreneurs), the loan application process requires that the potential borrower must have the approval of the district khokimiyat (administration) for land allocation, which needs to be appended to the application. Instead, according to the Cabinet Ministry's Resolution 491, social sector issues (forced labor, child labor) are built into the environmental consideration and reviewed for the approval of a loan. So, the loan application of any subproject that may involve forced labor or child labor would be rejected at the outset.

34. IYB will exclude from ADB loan financing:
- (i) all subprojects included in the project PIAL (Appendix 1a, 1b);
  - (ii) all subprojects falling under A-category (ADB categorization) or Classes 1 and 2 (UZB categorization by Decree No. 152/5) (Appendix 2a);
  - (iii) all subprojects with activities or significant risks as identified in the Environmental Exclusion Checklist (Appendix 2b);
  - (iv) all subprojects with involuntary resettlement or activities otherwise excluded through the Social Safeguard Screening checklist (Appendix 4).

#### c. Davr Bank

35. **ESMS policies:** Davr Bank (DVB) ESMS was adopted on 28 June 2016 and is based on International Financial Institutes (IFI) standards. The system is oriented to DVB's lending portfolio in all 7 branches (Appendix 11). ESMS policy and procedures describe project screening, categorization before approval and monitoring and reporting for all categorized loans.

36. **Screening, categorization and review:** DVB's screening procedure is carried out based on the Uzbek National regulations and in line with international practice. Risk categorization is based on the regulations of the Republic of Uzbekistan for normal loan applications, but for loan

applications financed through an IFI, then risk categorization is according to the specific IFI's requirements. Environmental and Social requirements must be met before project financing is approved. For a Category "C" project, there are no specific Environmental and Social requirements and it can be financed by DVB directly or an IFI. Category "B" projects, require initial environmental assessment in line with national legislation, including ZVOS or OVOS depending on the nature of the project. Category "A" projects require full and detailed Environmental and Social impact evaluation and assessment as prescribed in national legislation. A project of Category "A" can only be financed by an IFI, if it is specifically identified in the loan agreement and has prior approval by the IFI.

37. **Monitoring and reporting:** DVB's loan department undertakes monitoring of ES risks on a quarterly basis for compliance with relevant laws and policies of Uzbekistan and requirements of any IFI. Monitoring procedures include periodic reports on client's performance on ES safeguard measures provided by the client themselves and regular inspection of the client by bank representatives. The monitoring aims to evaluate current and new risks of DVB's client during the implementation of activities. ES monitoring procedures and regulations are described in the loan contract for all clients. DVB provides periodic reports on ES indicators and actions carried out to reduce ES risk affects. DVB has ES guidelines to be followed by staff during the project monitoring and reporting process, including project site visits.

38. **Organizational structure and staffing:** The Heads of the Credit Division and the Corporate Business Department and Loan Portfolio Monitoring Divisions are responsible for managing ESMS, including monitoring and reporting of approved projects, under the supervision of the Deputy CEO who is acting as the ESMS manager. Recruitment of an environmental specialist is underway.

39. **Training program and requirements:** DVB has a well-organized annual training program and implements periodic training for Loan Officers on ES impact analysis and how to monitor subprojects under ESMS. ADB consultants and SNPC carried out such training in July 2016 for Specialists of the Credit Division and Loan Portfolio Monitoring Division as well as branch office Lending and Monitoring Officers, covering ADB ESMS requirements.

40. Actions required for ESMS: Prior to first disbursement of the ADB loan, DVB will:

- (i) Submit ESMS to ADB for endorsement, following the ESMS outline provided in this document;
- (ii) enhance the capacity of the designated ESMS staff to full technical capability in implementing the ESMS, in particular for Category "B" subprojects in compliance with applicable laws and regulations of Uzbekistan and the SPS; and
- (iii) continue improving credit staff capacity through a dedicated training program for all branches on monitoring and supervising category "B" subprojects.

41. **Social Safeguard/Sector Issues:** Social safeguard related issues (land acquisition, physical displacement, economic displacement, loss of income/livelihood) are not relevant because under the legislation of Uzbekistan, subproject borrowers (being private persons or organizations) are unable to expropriate land. Furthermore, if any subproject activity involves use of land or allocation of land use rights (especially, for startup entrepreneurs), the loan application process requires that the potential borrower must have the approval of the district khokimiyat (administration) for land allocation, which needs to be appended to the application. Instead, according to the Cabinet Ministry's Resolution 491, social sector issues (forced labor, child labor) are built into the environmental consideration and reviewed for the approval of a loan. So, the loan application of any subproject that may involve forced labor or child labor would be rejected

at the outset.

42. DVB will exclude from ADB loan financing:
- (i) all subprojects included in the project's PIAL (Appendix 1a, 1b);
  - (ii) all subprojects falling under A-category (ADB categorization) or Classes 1 and 2 (UZB categorization by Decree No. 152/5) (Appendix 2a);
  - (iii) all subprojects with activities or significant risks as identified in the Environmental Exclusion Checklist (Appendix 2b); and
  - (iv) all subprojects with involuntary resettlement or activities otherwise excluded through the Social Safeguard Screening checklist (Appendix 4).

**d. UZPROMSTROYBANK (UPSB)**

43. **ESMS policies:** UPSB's Credit Policy (CP), covers Environmental and Social requirements compliance with national laws and regulations. The CP was updated in 2015. And includes clause 6.1.4 which states that the borrower should provide an Environmental assessment which is approved by the SNPC.

44. **Screening, categorization and review:** The Credit Policy (CP) sets out the screening and categorization requirements, including a list of required ES documents in accordance with UZB national regulations for the Environmental Appraisal. All loan application documents must be screened against any prohibited activities reflected in the CP clauses 41- 43. UPSB Credit Officers assess the likely environmental and social impacts prior to submission of a subproject for credit approval. The UPSB CP prescribes that subprojects classified as Environmental Class 1 to 4 (as described by CMR # 491 and 152)<sup>5</sup> must be documented and the environmental due diligence results must be submitted to the Banks' Credit Committee along with the loan application.

45. **Monitoring and reporting:** The UPSB Credit Officer is responsible for the monitoring of compliance with environmental laws and policies with monitoring conducted quarterly by Inspectors of the Credit Department. The Inspector submits reports to the Head of the Credit Department after which it is added to portfolio of the borrower if no issues are identified.

46. **Organizational structure and staffing:** No designated Environmental Safeguard Specialists are currently assigned, with the Credit Department carrying out the environment and social screening and categorization before loan underwriting and management. UPSB indicates to appoint the Head of the Investment Department be an ESMS manager. UPSB has 44 branches all over the country except for Jizzak region (Appendix 11).

47. **Training:** USPBB has an established training system in the bank which includes internal and external training programs providing updates on the banking regulations and related disciplines. External training is provided by Kommerz Bank (Germany), ECSIM Bank (China) and Uzbekistan Banking Association but does not include any ES-related items in the current program. No training has been conducted on environmental issues so far. An ENV training program is to be developed and approved by the Board of Directors.

48. **Actions required for ESMS:** Prior to first disbursement of the ADB loan, USPBB will:
- (i) establish ESMS to the satisfaction of ADB, following the ESMS outline provided in this document;

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<sup>5</sup> Category A and B.

- (ii) develop the capacity of the designated ESMS staff;
- (iii) prepare curriculum to cover ESMS training for all related officers and managers. The curriculum must as a minimum cover national environmental legislation and safeguard requirement and application in the ESMS; and
- (iv) Conduct an initial round of training for all branches on monitoring and supervising category “B” subprojects.

49. **Social Safeguard/Sector Issues:** Social safeguard related issues (land acquisition, physical displacement, economic displacement, loss of income/livelihood) are systemically irrelevant because, subproject borrowers being private persons or organizations cannot expropriate land. Further, if any subproject activity involves land (especially, for startup entrepreneurs), the loan application process requires that the potential borrower ensures that he has the approval of the district khokimiyat (administration) for land allocation, which needs to be appended to the application. Instead, according to the Cabinet Ministry’s Resolution 491, social sector issues (forced labor, child labor) are built into the environmental consideration and reviewed for the approval of a loan. So, the loan application of any subproject that may involve forced labor or child labor would be rejected at the outset.

50. USPBB will exclude from ADB loan financing:
- (i) all subprojects included in the project PIAL (Appendix 1a, 1b);
  - (ii) all subprojects falling under category “A” (ADB categorization) or Classes 1 and 2 (UZB categorization by Decree No. 152/5) (Appendix 2a);
  - (iii) all subprojects with activities or significant risks as identified in the Environmental Exclusion Checklist (Appendix 2b); and
  - (iv) all subprojects with involuntary resettlement or activities otherwise excluded through the Social Safeguard Screening checklist (Appendix 4).

#### e. Turon Bank

51. **ESMS policies:** Turon Bank(TRB) follows the national guidelines in environmental management and protection, but where projects are financed by IFI’s (WB, etc.), then the bank will adopt to the requirements for environmental and social risks that are mandatory for all loans within the project framework. TRB policies and procedures describe project screening, categorization before approval and monitoring and reporting for all categorized loans, but no specific requirements on ES issues. There are no separate policies for environmental and social risk management yet.

52. **Screening, categorization and review:** In accordance with Central Bank requirements TRB loans are screened against ineligible activities. TRB requires the submission of the Environmental Appraisal for all projects that fall under the list of the projects covered by Decree No. 491. The applicants credit file will contain the Environmental and Social assessments under taken based on Decree No. 491.

53. **Monitoring and reporting:** The TRB Credit Department in collaboration with the Internal Audit Division is responsible for implementation of monitoring. Based on the CP, the Credit Officer monitors the implementation of the project and gathers supporting documents once per quarter. The monitoring procedure undertaken after award of funding includes analysis of the project implementation in accordance with the proposed business plan and the environmental assessment. If any issues are identified as part of the monitoring process, the Credit Officer immediately informs senior management and together with the client develops a suitable mitigation plans to bring implementation back in line with requirements.

54. TRB is currently participating in the WB funded Horticulture Development Project where the Rural Restructuring Agency (RRA) is responsible to carry out monitoring of the sub-loans classified as category "B". In this case, RRA undertakes monitoring of environmental issues compliance as part of their periodical credit monitoring, using the environmental monitoring checklist provided by RRA. Monitoring of sub-loan compliance internally by TRB during implementation is conducted by branch credit officers on a quarterly basis.

55. **Organizational structure and staffing:** Specialists of the Credit Department are responsible for the environmental and social risk management. For projects funded by IFIs the Investment Department is responsible for appraisal and monitoring, including ES issues. TRB has 17 branches in 11 regions (Appendix 11).

56. **Training:** TRB has a bi-weekly training program for Credit Officers who carry out subproject analysis and monitor subprojects. For TRB Branch Specialists, there are video and phone consultations on specific cases when required. TRB specialists are trained at least once per quarter by senior researchers and professors of universities and ministries on a range of loan subject materials (except for ES issues).

57. Actions required for ESMS: Prior to first disbursement of the ADB loan, TRB will:

- (i) establish ESMS to the satisfaction of ADB, following the ESMS outline provided in this document;
- (ii) develop the capacity of the designated ESMS staff;
- (iii) prepare curriculum to cover ESMS training for all related Officers and Managers. The curriculum must as a minimum cover national environmental legislation and safeguard requirement and application in the ESMS; and
- (iv) Conduct an initial round of training for all branches on monitoring and supervising category "B" subprojects.

58. **Social Safeguard/Sector Issues:** Social safeguard related issues (land acquisition, physical displacement, economic displacement, loss of income/livelihood) are systemically irrelevant because, subproject borrowers being private persons or organizations cannot expropriate land. Further, if any subproject activity involves land (especially, for startup entrepreneurs), the loan application process requires that the potential borrower ensures that he has the approval of the district khokimiyat (administration) for land allocation, which needs to be appended to the application. Instead, according to the Cabinet Ministry's Resolution 491, social sector issues (forced labor, child labor) are built into the environmental consideration and reviewed for the approval of a loan. So, the loan application of any subproject that may involve forced labor or child labor would be rejected at the outset.

59. TRB will exclude from ADB loan financing:

- (i) all subprojects included in the project PIAL (Appendix 1a, 1b);
- (ii) all subprojects falling under A-category (ADB categorization) or Classes 1 and 2 (UZB categorization by Decree No. 152/5) (Appendix 2a);
- (iii) all subprojects with activities or significant risks as identified in the Environmental Exclusion Checklist (Appendix 2b); and
- (iv) all subprojects with involuntary resettlement or activities otherwise excluded through the Social Safeguard Screening checklist (Appendix 4).

**f. IPOTEKA BANK (IPB)**

60. **ESMS policies:** IPB Credit Policy (CP), covers Environmental and Social requirements compliance in line with prevailing national laws and regulations. IPB is participating in the WB's HDP project under which, the borrower should provide an appropriate environmental assessment for any Category "B" subprojects (Category "A" subprojects will be not supported under the HDP). Any Environmental assessment provided must have the SNPC clearance from an Expert of SNPC.

61. **Screening, categorization and review:** The Credit Policy (CP) sets out screening and categorization requirements. ES screening and categorization are carried out in accordance with the national requirements, set out under Decree 491. Subprojects should be classified before loan approval. Categorization is carried out according to the environmental impact and in line with national prescribed systems. When all documents have been collated, the Credit Officer will assess the application and depending on his assessment will make a qualified value judgment on the need for a site visit to assess environmental conditions and compliance. There are screening and monitoring checklists for projects financed by WB.

62. **Monitoring and reporting:** The Monitoring Department officer is responsible for conducting monitoring of subprojects on quarterly basis but this does not include specific environmental compliance issues. IPB does not have technical guideline available for environmental monitoring and reporting and no environmental monitoring mechanism is available. Monitoring of ZVOS recommendations is done by SNPC.

63. Under the WB project activities, ESMS monitoring is the responsibility of the RRA. The Environmental Specialist of the RRA follows an EMF monitoring procedure while the local SNPC inspectors have the responsibility to monitor the long-term effects of activities that could have negative environmental impacts, including those of the project. Periodically IPB's branch officer might jointly carry out monitoring with RRA and WB specialists to assess ESMS compliance at participating project sites.

64. **Organizational structure and staffing:** There is a department on coordination and monitoring of investment activities and another department on construction activities. Both departments have responsibilities for managing environmental issues. To adopt ESMS IPB needs to designate a focal point for environmental and social risks. IPB has 38\_ branches all over the Republic (Appendix 11).

65. **Training:** IPB periodically trains loan officers who carry out subproject analysis and monitor subprojects, in collaboration with CBU and the Bank Association. There was no training on ES issues available, therefore technical assistance is required to enhance environmental management awareness, and monitoring and reporting skills. Weekly training on identified topics has been provided at HQs and all branches

66. Actions required for ESMS: Prior to the first disbursement of the ADB loan, IPB will:

- (i) establish ESMS to the satisfaction of ADB, following the ESMS outline provided in this document;
- (ii) design ESMS staff and build the capacity of the staff; and
- (iii) develop curriculum for training on regular basis. Conduct an initial round of training for all branches on monitoring and supervising category "B" subprojects.

67. **Social Safeguard/Sector Issues:** Social safeguard related issues (land acquisition,

physical displacement, economic displacement, loss of income/livelihood) are systemically irrelevant because, subproject borrowers being private persons or organizations cannot expropriate land. Further, if any subproject activity involves land (especially, for startup entrepreneurs), the loan application process requires that the potential borrower ensures that he has the approval of the district khokimiyat (administration) for land allocation, which needs to be appended to the application. Instead, according to the Cabinet Ministry's Resolution 491, social sector issues (forced labor, child labor) are built into the environmental consideration and reviewed for the approval of a loan. So, the loan application of any subproject that may involve forced labor or child labor would be rejected at the outset.

68. IPB will exclude from ADB loan financing:
- (i) all subprojects included in the project PIAL (Appendix 1a, 1b);
  - (ii) all subprojects falling under A-category (ADB categorization) or Classes 1 and 2 (UZB categorization by Decree No. 152/5) (Appendix 2a);
  - (iii) all subprojects with activities or significant risks as identified in the Environmental Exclusion Checklist (Appendix 2b);
  - (iv) all subprojects with involuntary resettlement or activities otherwise excluded through the Social Safeguard Screening checklist (Appendix 4).

**g. Asaka Bank (ASB)**

69. **ESMS policies:** The ASB environmental and social risk management is conducted in accordance with national and IFI requirements and are mandatory for all loans. The policy and procedures describe project screening and categorization before loan approval.

70. ASB has been participating in WB's project "Enhancing the energy efficiency of industrial enterprises of the Republic of Uzbekistan" (47454-UZ) since 2011. Under the terms of that project, ESMS procedures and practices have been put in place by ASB. ASB has 22 branches all over the country (Appendix 11).

71. **Screening, categorization and review:** The CP includes a list of required documents to substantiate ES safeguard approvals and requirements in accordance with national regulations. Identified by the CP, is a list of prohibited activities for the borrowers which are not allowed in any circumstances. ASB does not consider any project loan application related to resettlement or expropriation of land. According to requirements a potential borrower provides land use rights and ownership of buildings and structures. After gathering necessary documents, the credit officer conducts site visits to monitor ES risk analysis and assess credit potential.

72. For the WB-funded HDP categorization and monitoring check lists are being used for environmental and social screening, categorization and review of the projects.

73. **Monitoring and reporting:** Currently, after loan approval, Monitoring and Risk Department Officers carry out site visits on quarterly basis. However, the current credit observation checklist does not include environmental analysis and ASB has no tracking system that monitors ESMS implementation.

74. Monitoring of environmental and social activities of the sub-loans financed by WB's HDP, continues to be the responsibility of the RRA and local SNPC. In some cases, ASB can in collaboration with WB's and RRA specialists visit the project site. The borrower is responsible for reporting for category "B" projects and for the periodic, monitoring of Environmental Safeguards. The reports must be presented to relevant Specialists of RRA or WB or SNPC, if needed.



75. **Organizational structure and staffing:** Under the implementation of the WB projects, the Branch Credit Officer collates all required documents for loan applications. Coordination and Monitoring division under the Investment Activity Department is responsible for environmental and social screening to present to the credit committee. In line with the WB requirements a Project Implementation Unit (PIU) was established to manage all activities of the project. At present there is no environmental specialist at PIU. A-category loans are supervised by SPNC, B-category loans are implemented in accordance with WB or other donors' policies.

76. **Training program and requirements:** ASB has its own training center and periodically trains staff on loan activities but not ESs. Therefore, there is need for development of training on ES issues. Specialist from the ASB Coordination and Monitoring Division participated in the training organized by WB 3 years ago, including ES issues.

77. Actions required for ESMS: Prior to the first disbursement of the ADB loan, ASB will:

- (i) establish the ESMS to satisfactory to ADB, following the ESMS outline provided in this document;
- (ii) appoint designated staff who are capable and adequately trained in fully implementing the ESMS;
- (iii) Prepare curriculums to cover ESMS training for all related officers and managers. The curriculum must, as a minimum, cover national environmental legislation and safeguard requirement and application in the ESMS at the stage of lease applications and monitoring.
- (iv) Conduct an initial round of training for all branches on monitoring and supervising category "B" subprojects;

78. **Social Safeguard/Sector Issues:** Social safeguard related issues (land acquisition, physical displacement, economic displacement, loss of income/livelihood) are systemically irrelevant because, subproject borrowers being private persons or organizations cannot expropriate land. Further, if any subproject activity involves land (especially, for startup entrepreneurs), the loan application process requires that the potential borrower ensures that he has the approval of the district khokimiyat (administration) for land allocation, which needs to be appended to the application. Instead, according to the Cabinet Ministry's Resolution 491, social sector issues (forced labor, child labor) are built into the environmental consideration and reviewed for the approval of a loan. So, the loan application of any subproject that may involve forced labor or child labor would be rejected at the outset.

79. ASB will exclude from ADB loan financing:

- (i) all subprojects included in the project PIAL (Appendix 1a, 1b);
- (ii) all subprojects falling under A-category (ADB categorization) or Classes 1 and 2 (UZB categorization by Decree No. 152/5) (Appendix 2a);
- (iii) all subprojects with activities or significant risks as identified in the Environmental Exclusion Checklist (Appendix 2b); and
- (iv) all subprojects with involuntary resettlement or activities otherwise excluded through the Social Safeguard Screening checklist (Appendix 4).

#### **h. National Bank of Uzbekistan (NBU)**

80. **Policy Framework:** NBU's ESMS was endorsed in November 1, 2013 #1108/31 as a result of the Bank's participation in the ADB "Housing for Rural Development Investment Program" (HRDIP). NBU's ESMS is based on the National and ADB environmental and social risk

management policies and is mandatory for all loans. Currently ESMS for affordable rural housing program (ARHP) is being updated.

81. For purposes of the provision of financing to sub-borrowers, NBU ensures that the agricultural business is compliant with the relevant environmental regulations and credit worthiness of the potential client.

82. **Screening, Categorization and Review:** NBU's screening procedure is carried out based on the national regulations and international practice. There are number of documents which are required for financing and include the SNPC expertise clearance (Conclusion). In accordance with ADB requirements and the National regulations, there is also a list of prohibited investment activities (PIAL, Appendix 1).

83. **Monitoring and Reporting:** Environmental monitoring is undertaken by the relevant branch of the bank on a regular basis as part of general project management activities. Monitoring reports at HQ are conducted on the basis of the information provided by the regional branches. These reports also form the basis for preparation of Annual Reports by the respective regional branches, following the ADB's ESMS arrangements. NBU has 93\_\_ branches all over the country (Appendix 11).

84. **Organizational structure and staffing:** Currently at the NBU, there are different departments that are implementing ADB-funded loans: the Department of Agriculture Lending is responsible for the Housing program, and the Investment Department is responsible for the SME program. The Head of the department is the ESMS Coordinator, assisted by 2 specialists in-charge of implementation of ESMS, who collect the monitoring data and prepare consolidated reports.

85. **Training program:** NBU conducts regular training to strengthen implementation of the ESMS and allocates funds for building staff capacity as part of the bank's business plan. One training workshop for environmental and gender aspects was organized and attended by approximately 30 staff of NBU.

86. **Social Safeguard/Sector Issues:** Social safeguard related issues (land acquisition, physical displacement, economic displacement, loss of income/livelihood) are systemically irrelevant because, subproject borrowers being private persons or organizations cannot expropriate land. Further, if any subproject activity involves land (especially, for startup entrepreneurs), the loan application process requires that the potential borrower ensures that he has the approval of the district khokimiyat (administration) for land allocation, which needs to be appended to the application. Instead, according to the Cabinet Ministry's Resolution 491, social sector issues (forced labor, child labor) are built into the environmental consideration and reviewed for the approval of a loan. So, the loan application of any subproject that may involve forced labor or child labor would be rejected at the outset.

87. Actions required for ESMS: Prior to the first disbursement of the ADB loan, NBU will:

- (i) update the existing ESMS to the satisfaction of ADB, following the ESMS Outline provided in this document;
- (ii) designate one ESMS Manager responsible for all ADB loans; and
- (iii) enhance the capacity of the designated ESMS staff who are capable and adequately trained in fully implementing the ESMS including identifying and executing recommended measures as presented in the EMP and the Conclusion issued by the regional SNPC in accordance with the applicable laws and

regulations of Uzbekistan and the SPS 2009.

88. NBU will exclude from ADB loan financing:
- (i) all subprojects included in the project PIAL (Attachment 1a, 1b);
  - (ii) all subprojects falling under A-category (ADB categorization) or Classes 1 and 2 (UZB categorization by Decree No. 491) (Attachment 2a);
  - (iii) all subprojects with activities or significant risks as identified in the Environmental Exclusion Checklist (Appendix 2b); and
  - (iv) all subprojects with involuntary resettlement or activities otherwise excluded through the Social Safeguard Screening checklist (Appendix 4).

## II. ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM<sup>6</sup> OUTLINE

1. The purpose of this ESMS Outline is to assist the PFI to develop or adopt own ESMS. The Outline is presented in compliance with ADB's Safeguard Policy Statement (SPS, 2009), Social Protection Strategy (2001), Public Communication Policy (2011) and Accountability Mechanism Policy (2012), as well as the National environmental and social regulatory requirements. The Outline is intended for ESMS coordinators, loan officers and sub-borrowers to determine potential environmental and social impacts of subprojects to ensure that potential impacts are avoided, minimized, or can be mitigated throughout the screening and monitoring of the subloans. Although it is required that PFIs use this Outline for ADB loans under the Innovative Agriculture Modernization project, it is recommended that the PFIs can also use ESMS for the subloans funded from PFIs own sources.

### A. INTRODUCTION

2. This section includes an overall description of the PFI and the nature of business operations/business activities of its existing and likely future portfolio. It also discusses the nature of the subprojects that may be financed by the PFI using ADB's funds or other funds.

### B. ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY AND APPLICABLE REQUIREMENTS

#### (i) Policy

3. The environmental and social management policy of [Name of Financial Institution] was approved by the Board of Directors (or signed by [the President], or indicate other position/designation) on (date/month/year) and states that:

4. The objectives of the environmental and social management system are:
- (i) To avoid, and when avoidance is not possible, to minimize and mitigate or offset adverse impacts of subprojects on the environment and affected people; and
  - (ii) To maximize opportunities for environmental and social benefits.

5. [Name of Financial Institution] continually endeavors to ensure and enhance effective environmental and social management practices in all its activities, products, and services with a special focus on the following:

- (i) Ensuring that applicable environmental and social safeguard requirements, as defined in Section II (B) are met for all subprojects;<sup>7</sup>
- (ii) Financing subprojects only when they are expected to be designed, constructed, operated, and maintained in a manner consistent with applicable environmental and social safeguard requirements, as defined in Section II (B);
- (iii) Integrating environmental and social risk into its internal risk management analysis;
- (iv) Ensuring appropriate consultation and transparency in its subproject company's activities;
- (v) Working together with subproject companies to put into practice applicable

<sup>6</sup> It is recommended that this ESMS outline be used by all PFIs to improve their existing ESMS or establish a new ESMS.

<sup>7</sup> The term "subprojects" is used in this document to mean horticulture related business activities financed in part or in full by [Name of Financial Institution] using ADB funds.

- (vi) environmental and social safeguard requirements; and Promoting subprojects with environmental and social benefits.

6. This policy will be communicated to all staff and operational employees of the [Name of Financial Institution].

**(ii) Applicable Environmental, Social Safeguard and Social Protection Requirements**

7. [Name of Financial Institution] will ensure that:

- (i) All subprojects comply with UZB national regulations;
- (ii) All subborrowers have (i) no past and ongoing environmental liabilities such as non-compliance with environmental, worker health and safety issues, any liens, fines or penalties and (ii) adequate capacity for environmental management (staff and staff capacity);
- (iii) All subprojects using ADB funds are screened against the Prohibited Investment Activities List (PIAL) provided in Appendix 1b, particularly make sure that purchased seeds/seedlings are not genetically modified and cold equipment does not contain the ozone depleting substances;
- (iv) All subprojects falling under A-category (ADB categorization) or Classes 1 and Class 2 (UZB categorization by Decree No. 491/31 and 152/5, Appendix 2a) are excluded from financing under the ADB loan (Appendix 2b). Appendix 2c provides indicative categorization for A, B, and C
- (v) Investments using ADB funds are screened against ADB's Environmental Screening Checklist (Appendix 3);
- (vi) All subprojects are screened against ADB's Social Safeguard Screening Checklist (Appendix 4).
- (vii) All subprojects using ADB funds with potential environmental and/or social impacts are reviewed and evaluated to comply with the following relevant Laws and nature protection normative documents of Uzbekistan:
  - *"On Environmental Protection"* (1992), establishing a legal, economic and organizational framework for environment protection, ensuring sustainable development and defining principles including State Ecological Expertise (SEE);
  - *"On Plant Quarantine"* (1995) regulates activities concerning outside and inside quarantine of plants, aimed at protecting the territory of the Republic from the penetration of quarantine and other dangerous pests, plant diseases and weeds from foreign countries, which can cause significant economic damage to the national economy;
  - *"On Land Code"* (1998) provides basic norms and rules for land use and stipulates the land rights;
  - *"On the Protection and Use of Flora (plants)"* (1997) regulates relations in the field of protection and use of flora (plants) growing in natural conditions, as well as wild plants kept under crop conditions for their reproduction and genetic conservation;
  - *"On Ecological Expertise"* (2001) provides for mandatory expert assessment of impacts on the environment and human health, as well as a legal basis for conducting expert assessments amended in 2005 and 2009 (Decree No. 491/31 of December 2001 and 152/5 of June 2009). Private entrepreneurs may buy land for the project activities through negotiation on a willing buyer

and willing seller basis, supported by a third-party validation, such as by a district Khokimiyat; and

- “Procedure for granting permission for special water use” (Cabinet Ministries Decree No. 171 of 14.06.2013 on the procedure of issuing permits for special water use and consumption. This Regulation establishes the procedure for issuing permits for special water use or water consumption using surface water and groundwater on the territory of the Republic of Uzbekistan).

## **C. ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES**

### **(i) Screening and Categorization**

8. The first screening for eligibility of a subproject will be based on GOU exclusion list for banks (Appendix 1a) and project’s Prohibited Investment Activities List (PIAL) Appendix 1b. The Environmental and Social Safeguard Manager<sup>8</sup> (or ESMS Manager) will make sure that if the subproject involves a prohibited activity, the subproject’s owner will be informed that the subproject will not be considered.

9. Once it is confirmed that the project is not in ADB’s PIAL and GOU exclusion list, the ESMS Manager will work with the subproject owners to conduct rapid assessment of the likely environmental and involuntary resettlement impacts using GOU and ADB checklists, consisting of Decree No. 491/31 of December 2001 and Decree 152/5 of June 2009 (Appendix 2a, 2b, 2c). The Environmental Screening Checklist (Appendix 3) and the Social Safeguard Screening Checklist (Appendix 4) are designed to help the ESMS Manager and PFI clients to determine the significance of potential environmental and/or social impacts associated with the subproject. The selection of the category should be based on professional judgment and information available at the time of project identification.

10. Once the checklists and the verification work are reviewed by the ESMS Manager [Name of Financial Institution], the subproject will be classified as one of the following categories: category A (with potentially significant environmental and/or social impacts); category B (with less significant environmental and/or social impacts), and category C (with minimal or no impacts) using Appendix 2c. The subproject could also be classified as a high-risk project (Class 1), medium risk project (Class 2), low risk project (Class 3), or low risk project with only local impacts (class 4) based on Government Decree No. 491/31 of December 2001. However, only subprojects classified as “Classes 3 or 4 (low risk)” equal to B-category based on ADB safeguard requirement 1 (Environment) are allowed to be funded. No subproject requiring land acquisition is allowed to be funded. The selection of a screening category often depends also substantially on the project setting, while the “significance” of potential impacts is partly a function of the natural and socio-cultural surroundings.

11. On this basis, the ESMS Manager will indicate the applicable environmental safeguard requirements for the subproject. The requirements are stipulated by the relevant UZB national regulations. The credit assessment team of [Name of Bank] will assure that the subproject owners are fully aware of the applicable requirements as presented in Table 1.

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<sup>8</sup> The Environmental and Social Safeguard Manager (or other designated staff) can be a full-time officer or a consultant of [Name of Bank].

**Table 1: Safeguard Requirements**

<b>Government /ADB Safeguard Requirement</b>	<b>Not Allow to be Funded</b>	<b>Allow to be Funded</b>	<b>Safeguard Requirements</b>
<b>ENVIRONMENT</b>			
Government Resolution No. 491/31 December 2001 and Decree No. 152/5 June 2009	Class 1 and Class 2, and Environmental Exclusion list	Class 3 and Class 4	<p><b>For Classes 3 and 4 or category B subproject:</b></p> <p>Obtain the environmental clearance from Goskompiroda (Nature Protection Committee) prior to requesting funding from [Name of Financial Institution], and Submit the environmental clearance</p> <ul style="list-style-type: none"> <li>• For subproject not listed in Decree No. 491/31 and 152/5 and not in the Environmental Exclusion List (category C subproject): <ul style="list-style-type: none"> <li>-Environmental Certificate for equipment and technology;</li> <li>-Permission from Quarantine inspection for imported seeds and plants.</li> </ul> </li> <li>• For project with expansion activity, to obtain the compliance permits or certificates from the State Nature Protection Committee (Goskompriroda) as required by the national regulations applied for the existing facilities.</li> </ul> <p>Follow the national regulations for Classes 3 and 4</p> <p>Follow ADB safeguard requirement 1 (Environment) 2009 requirements for PFI operations on monitoring and reporting, using Appendix 2c and Appendix 3</p>
ADB safeguard requirement 1 (Environment)	Category A and Environmental Exclusion list	Category B and C	
<b>INVOLUNTARY RESETTLEMENT</b>			
Cabinet of Ministries Resolution No. 146/25 May 2011, and No. 97/	Required land acquisition	Not required land acquisition (Class "C")	Submit: (i) evidence that there is no past and present claim on the ownership of land that has been used for current activities, and (2) submit certificate from local government on granting the use of land for current activities
ADB SPS (Involuntary Resettlement)	Required land acquisition	Not required land acquisition	

**(ii) Due Diligence**

12. For Class 3-4 or B-category subprojects, credit officers are required to ensure that a ZVOS has been developed and environmental clearance is received by the subproject owners. It is

highly recommended that credit officers conduct site visits, followed by a due diligence brief note (Appendix 5) submitted to the ESMS Manager and kept in the subproject files. Environmental certificate and quarantine permission submitted by owners for all subprojects that include purchase of imported equipment and seeds. The subproject owner must provide all requested information to the credit team, and should be able to demonstrate responsiveness with regard to the applicable environmental and social safeguard requirements.

13. The [Name of Financial Institution] will ensure that all investment agreements for subprojects contain adequate environmental and social protection covenants requirements. Particularly sub-borrowers comply with: (i) all applicable laws and regulations of Uzbekistan relating to environment; (ii) core labor standards and the applicable laws and regulations of Uzbekistan, including, but not limited to, the requirements relating to (a) workplace occupational safety norms; (b) no use of child labor; (c) no discrimination against workers in respect of employment and occupation; and (d) no use of forced labor. The [Name of Financial Institution] will ensure that the workers engaged by sub-borrowers for the subprojects are not restricted from developing legally permissible means of expressing their grievances and protecting their rights regarding conditions and terms of employment.

### **(iii) Compliance, Monitoring and Reporting**

14. After a Class 3, Class 4, or Category B subproject is approved the ESMS Manager will: (i) communicate with the subproject owners and coordinate with the credit and monitoring officers to confirm on a quarterly basis that the subproject owner is undertaking the obligations on compliance with all applicable environmental safeguard requirements; (ii) get copies of monitoring reports that the subproject owners submit to the local environmental authorities, and conduct site visits and prepare site inspection reports. All permits and reports prepared by the owners and credit/monitoring officers are required to be kept by the ESMS Manager in a track record system; [Name of Financial Institution] will promptly report to ADB any actual or potential breach of the compliance requirements after becoming aware of it. For a Class 3, Class 4 or Category B subproject, the ESMS Manager (or other designated staff) will visit the site to monitor the compliance with national regulations or to make sure that discharge permit monitoring reports as required by ZVOS are submitted to the regional State Nature Protection Committee (Goscompriroda).

15. During the project implementation, the [Name of Financial Institution] ensure that the environmental mitigation measures are implemented. In the case of non-compliance, the [Name of Financial Institution] will investigate the nature and reason(s) for non-compliance, and a decision is taken about what is needed to bring a subproject in to compliance, or whether financing should be suspended. Mitigation of any environmental effects from financed activities will be the responsibility of the activity proponent. However, it will also be the responsibility of the [Name of Financial Institution] to ensure that mitigation is carried out successfully for subprojects of Category B. Suggested site monitoring checklist is provided in Appendix 6.

16. The ESMS Manager will evaluate environmental and social (ES) performance of subprojects annually. The benchmark for performance will be the ongoing compliance against the applicable environmental and social safeguard national requirements. [Name of Financial Institution] will ensure that the owner of Class 3-4 or B-category subprojects prepares and submits an annual environmental and social monitoring report (as required by ZVOS certificate). Based on these reports and the quarterly site visits, the ESMS Manager will review and assess the subproject's environmental and social safeguard performance.



17. Based on the subproject's environmental and social safeguard performance, the ESMS Manager will consolidate in an annual ES performance report of [Name of Financial Institution] (Appendix 7) and submit it to the [Name of Financial Institution] management for endorsement before submission to the PIU of the EA (Ministry of Finance) which is RRA.

18. Based on the PFIs' ES performance reports, RRA will submit an annual project Safeguard monitoring report (Appendix 8) to RRA and ADB by the end of February every year after the loan has become effective.

**(iv) Grievance Redress Mechanism and Public Relations**

19. The [Name of Financial Institution] will ensure that the bank has a division dealing with complaints and non-compliance in accordance with national regulations and the ADB Accountability Mechanism Policy 2012. The ESMS Manager will keep records of the following:

- (i) Complaints, grievances, or protests received from local communities, recording dates and organizations involved, actions taken to resolve grievances, any outstanding issues, and proposed measures for resolution;
- (ii) Details of information disclosure and consultations, if any, with affected people, local communities, civil society groups, and other stakeholders; and
- (iii) Details of approach/methodology on addressing the concerns and issues raised at consultations.

20. [Name of Financial Institution] will ensure that all investment agreements for subprojects contain provisions enabling: (a) ADB's representatives to inspect the subprojects and any relevant records and documents; and (b) ADB, in case of any breach, to require sub-borrowers to bring the subprojects into compliance with all applicable laws and regulations of Uzbekistan and the ADB SPS 2009.

**D. ORGANIZATIONAL RESPONSIBILITIES, RESOURCES, AND CAPACITY**

21. *Organization and Responsibilities.* The [Name of Financial Institution] will have ESMS institutional set-up in place and assigns the ESMS manager for the bank. ESMS manager should be an authorized representative and dedicated for environmental and social performance within the [Name of Financial Institution]. An authorized ESMS manager can have assistants from different departments involved in the project activities. Usually a head (or deputy head) one of departments involved in the credit operations or head (or chief specialist) of specially created for running of ESMS sector (or division) is appointed as an ESMS manager by PFI. PFI also can hire a consultant for performing duties and responsibilities of the ESMS manager. Particularly ESMS manager will be responsible for (i) revisions and submission of the environmental and social policy to [Name of Financial Institution] Management Board for approval, (ii) validating and certifying safeguard exclusion and/or safeguard categorization of subloans, (iii) monitoring of all ES aspects during project implementation, and (iv) preparing annual environmental and social performance reports for its shareholders and lenders. The ESMS manager will be also responsible to ensure that all [Name of Financial Institution] branches follow the required ESMS procedures, properly document, and record environmental reviews in the loan files. In each regional branch, the regional ESMS manager monitors compliance of the ESMS with [Name of Financial Institution]'s ES policies and procedures. Each branch front office head will be responsible to ensure that all loan decisions are supported by appropriate due diligence documentation.

22. The ESMS Manager reports to the [Chief Executive Officer] of [Name of Financial Institution]. The ESMS Manager has oversight for environmental and social issues and should

sign and submit to the EA (RRA) the annual environmental and social performance report on the implementation status of its ESMS. [Name of Financial Institution] should ensure that the EA (RRA) and ADB is notified if and when the responsible staff has been changed or replaced with new staff.

23. *Resources and Capabilities.* The ESMS Manager should work with the management of [name of the bank] to ensure that adequate resources have been committed to allow for the effective implementation of this ESMS policy and procedures. S/he will need to be technically qualified to be able to carry out the screening and due diligence. S/he is responsible for creating and/or maintaining a track record system for environmental and social management. S/he should attend ADB-sponsored or approved environmental and social safeguard training related to compliance and monitoring activities. [Name of Bank] should also maintain a pool of qualified environmental and social consultants who can be called upon to assist in conducting environmental and social reviews as appropriate. Engagement of staff and experts from the SCNP's local authority is mandatory for handling non-compliance or environmental complaints cases.

**GENERAL BANK CREDIT POLICY**  
**Ineligible Loans as Regulated by the Central Bank of Uzbekistan**

Bank loans are not allowed to finance the following utilization purposes:

- Exchange speculation on securities
- Loans for political purposes
- Loans to finance the production and / or acquisition, as well as the transportation and storage of weapons, ammunition, explosives and narcotic drugs or psychotropic substances (except as permitted by the laws of the Republic of Uzbekistan)
- Loans for the publication and distribution of literature, film and video production, aimed at undermining the foundations of statehood and contrary to the Constitution of the Republic of Uzbekistan
- Loans collateralized by securities that are no liquid and low return profile;
- Loans collateralized by shares of banks
- Loans to borrowers in respect of which the bankruptcy procedure is applied;
- Loan for letters of credit, guarantees and/or loans for repayment of loans
- Loans to citizens or legal entities of other states
- Loans for unmarketable, stale, incomplete, substandard, inferior quality commodities and materials.

## Appendix 1b

**PROJECT's PROHIBITED INVESTMENT ACTIVITIES LIST (PIAL) based on ADB's PIAL**

1. The following do not qualify for Asian Development Bank financing:
  - (i) Any activity classified category "A" and/or "B" for (a) involuntary resettlement and (b) indigenous peoples in accordance with ADB's safeguard policy statement
  - (ii) Any activity classified environment category A (equivalent to Decree 491, 152 Class 1 and Class 2), and (iii) environment category B (Class 3 and Class 4) if classified receptor sensitive e.g. fall under Exclusion list provided in Appendix 3
  - (iii) production or activities involving harmful or exploitative forms of forced labor<sup>1</sup> or child labor;<sup>2</sup>
  - (iv) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase outs or bans, such as (a) pharmaceuticals,<sup>3</sup> pesticides, and herbicides,<sup>4</sup> (b) ozone-depleting substances,<sup>5</sup> (c) polychlorinated biphenyls<sup>6</sup> and other hazardous chemicals,<sup>7</sup> (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,<sup>8</sup> and (e) transboundary trade in waste or waste products;<sup>9</sup>
  - (v) production of or trade in weapons and munitions, including paramilitary materials;
  - (vi) production of or trade in alcoholic beverages, excluding beer and wine;<sup>10</sup>
  - (vii) production of or trade in tobacco (footnote 5);
  - (viii) gambling, casinos, and equivalent enterprises (footnote 5);
  - (ix) production of or trade in radioactive materials,<sup>11</sup> including nuclear reactors and components thereof;
  - (x) production of, trade in, or use of unbonded asbestos fibers;<sup>12</sup>
  - (xi) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
  - (xii) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats;
  - (xiii) mining activities; and

<sup>1</sup> Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

<sup>2</sup> Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" ([www.ilo.org](http://www.ilo.org)).

<sup>3</sup> A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

<sup>4</sup> A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

<sup>5</sup> A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

<sup>6</sup> A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

<sup>7</sup> A list of hazardous chemicals is available at <http://www.pic.int>.

<sup>8</sup> A list is available at <http://www.cites.org>.

<sup>9</sup> As defined by the Basel Convention; see <http://www.basel.int>.

<sup>10</sup> This does not apply to subproject sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a subproject sponsor's primary operations.

<sup>11</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

<sup>12</sup> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

(xiv) Activities involving genetically modified organisms.

## Appendix 2a

**ENVIRONMENT AND SOCIAL RISK CLASSIFICATION LIST OF ACTIVITIES BASED ON  
THE RESOLUTION 491 OF THE CABINET OF MINISTERS****Dated: 31 December 2001****Amended by Decree 152/5 Dated 5 June 2009****CLASS 1: High Risk Activities**

1. Automobile roads, underground, railways, highways and cargo terminals of national importance.
2. Airports.
3. Oil and gas terminals of categories I and II.
4. Water reservoirs with a capacity over 200 million m<sup>3</sup>.
5. Mining plants with a capacity over 1 million tons of ore per annum.
6. Urban terminals of everyday wastes (for cities with a population over 200,000 people).
7. Hydroelectric stations with a capacity over 30 MW.
8. Ore and chemical raw materials mining with an output of 2 million m<sup>3</sup>/year or more, re-cultivation of pits formed as a result of mining.
9. Fuel mining (oil, gas, coal etc.).
10. Ferrous and nonferrous metal plants.
11. Leather factories.
12. Canalization purifying facilities with an output of over 280,000 m<sup>3</sup>/day.
13. Transmission lines of national and international importance.
14. Industrial equipment construction (aircraft building, automobile industry, tractor industry, motor construction industry, etc.).
15. Places of burial and storage of toxic wastes as well as slag collectors.
16. Garbage termination (burning) plants.
17. Oil and gas pipelines of national importance.
18. Oil and gas processing plants.
19. Dams.
20. Underground gas storages.
21. Underground terminals of alkalization.
22. Plants using alkalization technology.
23. Wastes processing plants of the 1<sup>st</sup> and 2<sup>nd</sup> class risk.
24. Production of batteries, galvanic batteries and elements.
25. Production of asbestos and products containing asbestos.
26. Production of explosives.
27. Production of equipment or devices, containing toxic substances, regulated by international treaties.
28. Production, usage and storage of radioactive substances (isotopes).
29. Production of rubber and rubber goods.
30. Production of glass, containing toxic admixtures.
31. Tobacco production.
32. Cement production.
33. Re-cultivation of toxic wastes appendices.
34. Storages of poisonous chemicals of national importance.
35. Thermoelectric stations and other burning facilities with the thermo capacity of 300 MW and more and erections with nuclear reactors.

36. Pharmaceutical plants and factories (except for packaging of suitable pharmaceutical products).
37. Chemical complexes and plants.

## **CLASS 2: Medium Risk Activities**

1. Automobile roads of regional importance.
2. Airdromes.
3. Oil and gas terminals of category II.
4. Gas and oil wells drilling.
5. Water pools of underground water collection of regional importance.
6. Water tanks of national and regional importance.
7. Water reservoirs with the capacity below 200 million m<sup>3</sup>.
8. Hydroelectric stations with the capacity below 30 MW.
9. Urban terminals of everyday wastes (for cities with a population between 100,000 and 200,000 people).
10. Mining plants with the capacity up to 1 million tons of ore per year.
11. Railroad depots.
12. Ore and chemical raw materials mining with an output of up to 2 million m<sup>3</sup>/year and more and re-cultivation of pits formed as a result of mining.
13. Mining and processing of common natural resources with the capacity over 30,000 m<sup>3</sup> per year.
14. Railroads of regional importance.
15. Canalization purifying facilities with an output of from 50,000 to 280,000 m<sup>3</sup>/day.
16. Food and bio supplements production.
17. Biotechnology plants including recycling of cocoons.
18. Transmission lines of regional importance.
19. Bast industry.
20. Highway channels with traffic capacity more than 50 m<sup>3</sup>/sec. and collectors with an average capacity more than 20 m<sup>3</sup>/sec.
21. Furniture plants and factories.
22. Wheat mill plants.
23. Garbage processing plants.
24. Oil and gas pipelines of regional importance.
25. Exploration of new lands of over 100 hectares.
26. Dams.
27. Refreshment and alcohol beverage plants.
28. Varnishing and dyeing leather plants.
29. Plants of chemical treatment of fabrics and paper with lacquers, with a capacity of more than 300 tons per year.
30. Wastes processing plants of the 3<sup>rd</sup> class risk.
31. Construction plants, except for those producing cement and asbestos.
32. Paper and carton production plants.
33. Production of wooden fiber and wooden shaving tiles.
34. Production of glass fiber.
35. Production of inert gases.
36. Production of cosmetics, beauty and skin care products.
37. Production of dye stuffs.
38. Production of polymers and synthetic materials.
39. Production of electric appliances and goods.
40. Spinning and weaving factories with dyeing and bleaching facilities.

41. Poultry farms.
42. Search and exploration of natural resources related to mining.
43. Radio and technical and electric industries.
44. Reconstruction and melioration improvement of deteriorated irrigation lands with an area more than 1000 hectares.
45. Poison and chemicals storerooms of regional importance.
46. Thermo power plants and other burning facilities with a thermo capacity from 100 to 300 MW.
47. Cotton processing industry.

### **CLASS 3: Low Risk Activities**

1. Local automobile roads.
2. Car service stations, car parks.
3. Fuel stations and gas stations.
4. Oil depots and products of III category
5. Water collection points of regional importance.
6. Water tanks of regional and local importance.
7. Gas pipelines of rural importance.
8. Mining and processing of natural resources with a capacity less than 30,000 m<sup>3</sup> per year.
9. Livestock farms.
10. Animal farms.
11. Canalization purifying facilities with capacity less than 50,000 m<sup>3</sup>/day.
12. Carpet manufacturing.
13. Production and bottling of soft drinks.
14. Production of raw brick, including its kilns in outdoor furnaces.
15. Processing of Leather.
16. Highway channels with a traffic capacity less than 50 m<sup>3</sup>/sec. and collectors with an average capacity less than 20m<sup>3</sup>/sec.
17. Meat industry (slaughter and processing).
18. Oil storage of enterprises.
19. New land exploration with an area of up to 100 hectares.
20. Waste landfills for towns with population less than 100 thousand population
21. Enterprises wool processing.
22. Plants for wastes processing of the 4<sup>th</sup> class risk.
23. Cotton fiber processing plants.
24. Milk processing enterprises
25. Plants with chemical impregnation of textiles and paper lacquers production capacity less than 300 tons / year.
26. Manufacture of plaster and paint materials for the construction industry.
27. Manufacture of shoes.
28. Feed production
29. Soap production.
30. Production of glass products not containing toxic substances.
31. Porcelain manufacturing.
32. Spinning and weaving plants without dyeing and bleaching facilities.
33. Poultry farms.
34. Enterprises for packaging drugs
35. Reconstruction and reclamation of irrigated lands on the area from 100 to 1000 hectares.
36. Engines and car repair stations and painting.



37. Fish farms including fish processing.
38. Markets with more than 50 outlets (seats).
39. Electric equipment repair and assembling.
40. Pig farms.
41. Cereals store rooms.
42. Poison and chemicals storages of regional importance.
43. Special objects of enforcement agencies.
44. Printing houses.
45. Thermo power plants and other burning facilities with a thermo capacity less than 100 MW.
46. Tramway and trolleybus depots.
47. Cotton collectors and storage.
48. Chloral units.
49. Bread manufacturing plants.
50. Dry cleaning outlets.
51. Refrigerators with a capacity of over 50 tons.
52. Calcium carbide manufacturing workshops.
53. Tea packing plants.

#### **CLASS 4: Low Risk and Local Impact Activities**

1. Car service workshops.
2. Public baths and saunas.
3. Water tanks of local importance.
4. Veterinarian hospitals.
5. Tire repair and small-scale car repair workshops.
6. Reservoirs for fish breeding up to 30 ha without the processing of fish.
7. Car parks and garages for enterprises, organizations' and public use.
8. Cemeteries.
9. Granary.
10. Carpet workshops.
11. Sewing production.
12. Workshops for the manufacture and repair of furniture
13. Handicraft brushing workshops (cotton brushing).
14. Mini mills.
15. Car wash outlets.
16. Stone processing (manufacturing).
17. Recreation and living premises, dwellings, social and public premises without boilers and purifying facilities connected to canalization.
18. Exploration of lands inside farms and collective farms.
19. Lands for storing solid wastes.
20. Manufacture of jewelry.
21. Processing and preserving agricultural products.
22. Public catering outlets
23. Points of collection and storage of cocoons.
24. Markets with less than 50 outlets (seats).
25. Reconstruction and melioration improvement of deteriorated irrigation lands with an area less than 100 hectares.
26. Warehouses for storing agricultural products.
27. Construction of in-farm drainage and irrigation systems.
28. Greenhouses except for private farms.

29. Bakeries, manufacturing of bread and pasta products.
30. Lime production workshops.
31. Confectionery manufacturing workshops.
32. Cattle farms, horse and sheep breeding farms.

Notes: Any activity that is not included in the list above shall not be subject to a state environmental assessment.

**ENVIRONMENTAL EXCLUSION LIST, BASED ON THE SCREENING QUESTION OF  
ADB'S RAPID ENVIRONMENTAL ASSESSMENT (REA)<sup>1</sup>**

<b>SCREENING QUESTIONS</b>
<b>A. Subproject Siting</b>
Is the Subproject area within less than 300 m from any of the following environmentally sensitive areas?
<ul style="list-style-type: none"> <li>• Cultural heritage and historic site</li> </ul>
<ul style="list-style-type: none"> <li>• Legally protected area (core zone or buffer zone, all 5 types of protected areas as defined by the national environmental legislation)</li> </ul>
<ul style="list-style-type: none"> <li>• Wetland</li> </ul>
<ul style="list-style-type: none"> <li>• Mangrove</li> </ul>
<ul style="list-style-type: none"> <li>• Estuarine</li> </ul>
<ul style="list-style-type: none"> <li>• Special area for protecting biodiversity</li> </ul>
<ul style="list-style-type: none"> <li>• Residential areas, schools and hospitals</li> </ul>
<b>B. Potential Significant Environmental Impacts but no mitigation measures proposed</b>
<ul style="list-style-type: none"> <li>• social and environmental conflicts or additional burden on existing infrastructure and service if large number of workers from other regions are hired?</li> </ul>
<ul style="list-style-type: none"> <li>• risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during subproject construction and operation?</li> </ul>
<ul style="list-style-type: none"> <li>• risks to community health and safety due to the transport, storage, and use and/or disposal of materials such as explosives, fuel and other chemicals during construction and operation?</li> </ul>
<b>C. Purchase and use of fertilizers, pesticides/herbicides or hazardous materials</b>
<b>D. Purchase and use of new species, which could be considered as invasive alien species, without compliance with the national regulations and a proper</b>

<sup>1</sup> Depending on the type of investment, specific REA can be found at <http://www.adb.org/site/safeguards/environment>

<b>SCREENING QUESTIONS</b>
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<b>risk assessment or strict control measures to minimize the potential for release into local environment.</b>
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## INDICATIVE CATEGORY OF SUBPROJECTS (ADAPTED FROM WB)

Category A Subprojects	Category B Subprojects	Category C Subprojects
<p><b>Agriculture (large scale)</b>            - Agriculture, horticulture, vineyards and orchards (medium scale intensive operations &gt;500 ha)<sup>11</sup>            - Re-cultivation of resting land (greater than 1000 hectares);            - Utilization of agricultural land (over 50 hectares) for nonagricultural (commercial or industrial) purposes</p> <p><b>Food processing industries (large scale)</b>            - Canning industry (annually processing over 20,000 tons of output)</p>	<p><b>Agriculture (medium scale)</b>            - Agriculture, horticulture, vineyards and orchards (medium scale intensive operations from 50 to 500 ha)<sup>1</sup>            - Re-cultivation of resting land (up to 1000 hectares);            - Utilization of agricultural land (from 30 to 50 hectares) for nonagricultural commercial purposes            - Utilization of virgin soils and unbroken expanses for intensive agriculture            - Construction of buildings to store agriculture goods and agricultural products</p> <p><b>Food processing industries (medium scale)</b>            - Agro-processing factories, foods, beverages, seeds, fibers (medium scale from 5000 to tons/year of output)            - Canning industry (annually processing from 10,000 to 20,000 tons of output).            - Construction of agricultural products process buildings, facilities and enterprises</p>	<p><b>Agriculture (small scale)</b>            - Agriculture, horticulture, vineyards and orchards (small scale &lt;50ha)            - Construction of glasshouses or poly-tunnels            - Utilization of agricultural land (20 to 30 hectares) for non-agricultural purposes            - Acquisition of tractors and other farm equipment            - Agro-tourism</p> <p><b>Food processing industries (small scale)</b>            - Canning industry (processing &lt;3000 tons/year of raw materials).            - Collection of medicinal herbs            - Construction of a roasting enterprise (sunflower etc.)            - Establishment of semi-finished food factories (capacity up to 1000 tons/year)            - Production of non-alcoholic Beverages</p>

## Appendix 3

**ENVIRONMENTAL SCREENING CHECKLIST**

(To be completed by credit applicant and verified by Credit officer)

**ENVIRONMENTAL IMPACTS SCREENING FORM**

<input type="checkbox"/> <b>Category A</b> Significant Impact exclude from financing <input type="checkbox"/> <b>Category B</b> Limited Impact <input type="checkbox"/> <b>Category C</b> No impact	Prepared by (credit evaluator):
	Name and Signature
	Designation:
	Date:
	Approved by (Environment and Social Safeguard Manager):
	Name and Signature
	Designation:
	Date:

The credit officer uses the Environmental Exclusion Checklist (Appendix 2b) to disqualify applications, which may have significant environmental risks. If the answer to one of the screening questions is YES, the subprojects will be excluded. Furthermore, the Decree 491/31 and 152/5 checklist is used to exclude Classes 1 and 2 subprojects and request the borrowers to prepare or submit appropriate documents (ZVOS) for Classes 3 and 4 subprojects. In case requiring professional judgment, the credit officer may request ESMS Manager to seek validation by a qualified consultant (RRA consultant).

1. Subproject name:
2. Brief Description of Subproject:
  - 2.1 Nature of the activity:
  - 2.2 Cost:
  - 2.3 Physical characteristics (description of items to be financed):
  - 2.4 Site area (# of hectares) and location:
  - 2.5 Property ownership:
  - 2.6 Existence of ongoing operations? (yes/no):
  - 2.7 Plans for Expansion?
  - 2.8 New construction?
3. Which of the following inputs would be financed? Indicate with a check below which inputs or investments would be financed.

Farm Input	Financed by Credit Line	Agriculture Enterprise	Financed by Credit Line
Seed, seedlings	Yes/No	Agro-processing	Yes/No

Pedigree seed	Yes/No	Market refurbishment or new market structure	Yes/No
Fertilizer and Pesticide	Yes/No	Agriculture equipment hire or purchase	Yes/No
Land preparation (tractor and machinery hire)	Yes/No	Irrigation and drip systems	Yes/No
Tractors	Yes/No	Other agribusiness	Yes/No
Other farm implements	Yes/No	Agro-tourism, ecotourism	Yes/No
Small equipment	Yes/No		
Irrigation equipment and irrigation maintenance	Yes/No		
Primary processing equipment	Yes/No		

4. Will the subproject have impacts on the environmental parameters listed below during the construction or operational phases? Indicate with a check during which phase the impacts will likely occur and whether mitigation measures are required.

Environmental Component	Construction Phase	Operational Phase	Mitigation Measures
<b>Terrestrial environment</b>			
Soil Erosion: which horticulture crops are envisaged? Is the land located on the slopes and/or on the plain areas? Will the project involve ploughing/plant cultivation on the			
Soil pollution: Will the project apply pesticides, herbicides or chemical fertilizers?			
Land, habitats & ecosystems degradation: Is the area which is to be used currently a natural habitat (forest, wetland, natural			
Land degradation: Will the project involve land excavation?			
Generation of solid wastes - what type of wastes will be generated and their			
Generation of toxic wastes - what types of toxic waste will be generated (obsolete and unusable pesticides and mineral fertilizers; chemicals used in agro-processing activities; asbestos) and their approximate amount.			
Biodiversity and Habitats Loss: Will the project be located in vicinity of protected areas, wetlands or other sensitive areas supporting important habitats of natural fauna and flora? Will it result in modification of			
Construction: Will there be disturbance to the land and natural environment			
<b>Air quality</b>			
Will the project generate pollutant emissions? Which types of pollutants (dust, SOx, NOx, solid particles, dioxins, furans, etc.)			
<b>Aquatic environment</b>			

Environmental Component	Construction Phase	Operational Phase	Mitigation Measures
Water Quantity: will the project involve water use? From which water source (centralized water supply system and/or from water			
Water Quality/Pollution: Will the project contribute to surface water pollution - what will be the approximate volumes of waste water discharge? Does the project involve discharges of waste waters in water reservoirs and/or in centralized sanitation network/collection?			
Loss of Biodiversity: Will the project involve introduction of alien species (in case of horticulture projects)?			
Degradation of natural aquatic ecosystems - will the project involve discharges in water courses and reservoirs of solid wastes;			
<b>Socio-economic environment</b>			
Social impacts - does the project involve the following: (a) occupational safety issues; (b) health hazards; (c) land acquisition; (d) loss of the access to sources of income; and (e) disturbance of residents living near the project			
Does the project require public consultation to consider local people environmental concerns and inputs?			
<b>Climate change impacts on project</b>			
Are proposed investments in a location prone to climatic hazards (e.g. flooding, droughts, landslides, or extreme temperatures)?			
Is the operation, performance, or maintenance of the proposed investment vulnerable to climatic hazards, particularly if they become stronger or more frequent in future?			

5. For the environmental impacts that were indicated above with a check, describe the mitigation measures as described in ZVOS and SCNP recommendations that will be included during the construction (C) or operational (O) phase of subproject or both (B).

**Simple mitigation measures**

Impacts	Issues	Phase	Mitigations	Responsibility and cost
<b>Air quality</b>	<ul style="list-style-type: none"> <li>Dust</li> <li>Emission</li> <li>Noise</li> <li>Vibration</li> </ul>			
<b>Water quality</b>	<ul style="list-style-type: none"> <li>Water use: purpose, abstraction</li> <li>Effluents: quality and quantity</li> <li>Water sources: surface or ground</li> </ul>			
<b>Soil</b>	<ul style="list-style-type: none"> <li>Fertility</li> <li>Pollution by chemicals</li> </ul>			



	<ul style="list-style-type: none"> <li>• Landscape change</li> </ul>			
<b>Biological resources</b>	<ul style="list-style-type: none"> <li>• New or Invasive species</li> <li>• Decline in plant coverage and biota</li> <li>• Impacts on vertebrate fauna and common plants</li> </ul>			
<b>Climate impacts on project</b>	<ul style="list-style-type: none"> <li>• Flooding</li> <li>• Drought</li> <li>• High temperature</li> <li>• Landslides</li> </ul>			

6. A typical subproject monitoring plan would be prepared to monitor the implementation of the EMP for the subproject.

**Environmental Monitoring Plan<sup>1</sup>**

<b>Project phase</b>	<b>What is to be monitored</b>	<b>How and where will it be monitored</b>	<b>Frequency of monitoring</b>	<b>Responsibility</b>	<b>Cost</b>
Baseline					
Construction					
Operation					
De-commissioning					

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<sup>1</sup> The monitoring plan specifies the type of monitoring, with linkages to the impact assessed in the ZVOS report and the mitigation measures described in the EMP, It will provide monitoring and reporting procedures, and furnish information on the progress and results of mitigation

## Appendix 4

## SOCIAL SAFEGUARDS SCREENING CHECKLISTS

## 1. Involuntary Resettlement Impact Checklist

Screening Questions	Yes	No	Remarks
1. Will there be land acquisition using eminent domain law?			If yes, exclude from financing
2. Will there be permanent or temporary loss of shelter and residential land due to land acquisition?			If yes, exclude from financing.
3. Will there be permanent or temporary loss of agricultural and other productive assets due to land acquisition?			If yes, exclude from financing.
4. Will there be losses of crops, trees, and fixed assets due to land acquisition?			If yes, exclude from financing.
5. Will there be permanent or temporary loss of businesses or enterprises due to land acquisition?			If yes, exclude from financing.
6. Will there be permanent or temporary loss of income sources and means of livelihoods due to land acquisition?			If yes, exclude from financing.
7. If land or private property is purchased through negotiated settlement or willing buyer-willing seller, will it result in the permanent or temporary removal or displacement of renters, or leaseholders?			If yes, exclude from financing.
8. If land or private property is purchased through negotiated settlement or willing buyer-willing seller, will it result in the permanent or temporary removal or displacement of informal land-users (people without legal rights on the land) or squatters?			
9. Will the project involve any permanent or temporary restrictions in land use or access to legally designated parks or protected areas and cause people or any community to lose access to natural resources, <u>traditional habitats</u> , communal land, or communal facilities?			If yes, exclude from financing.
10. Will the project use government land or any public land or property, which will require the permanent or temporary removal of informal occupants or users (residential or economic)?			If yes, exclude from financing.

<p><b>INVOLUNTARY RESETTLEMENT IMPACT CATEGORY</b></p> <p><b>Category A</b> Significant Impact <sup>1</sup> <input type="checkbox"/> exclude from financing</p> <p><b>Category B</b> Limited Impact exclude <input type="checkbox"/> from financing</p> <p><b>Category C</b> No impact <input type="checkbox"/></p>	Prepared by:	
	Name and Signature	
	Designation:	
	Date:	
	Approved by:	
	Name and Signature	
	Designation:	
	Date:	

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<sup>1</sup> Involuntary resettlement means physical or economic displacement as a result of land acquisition or involuntary restrictions on land use or on access to legally designated parks and protected areas. Involuntary resettlement is considered significant if 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating).

# Environment and Social Management System Arrangements

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Project Number: 47305-004  
February 2018

## UZB: Horticulture Value Chain Development Project (Additional Financing)

Prepared by the Rural Restructuring Agency under the Ministry of Agriculture and Water Resources for the Asian Development Bank (ADB). Due diligence was updated by ADB.

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**Appendix 5****SUGGESTED OUTLINE OF SAFEGUARD DUE DILIGENCE BRIEFING NOTE DURING REVIEW**

(To be completed by PFI credit officers)

**A. Introduction**

1. Subproject description: title, type of subproject, location and setting, amount, size (production capacity, number of staff, etc.).
2. Environmental and social categorization and rationale

**B. Scope of Review and Methodology**

3. Documents reviewed (e.g., environmental assessment reports or environmental and social compliance audit reports, copies of permits/licenses, etc.).
4. Methodology adopted (e.g. site visit, inspection report, etc.).

**C. Compliance and Liability (by relevant safeguard requirements applicable for the specific subproject, examine environmental issues and compliance)**

5. Examine issues in terms of environmental, mitigation measures to address these issues (or corrective action plan) and compliance status with UZB environmental regulations and standards:
  - (i) appropriate identification of major anticipated environmental impacts and risks;
  - (ii) adequacy of environmental assessment (satisfactory IEE or reports requested by UZB regulations; other relevant permits;
  - (iii) compliance status with applicable UZB requirements such as information disclosure, consultation with affected people; and
  - (iv) adequacy of mitigation measures and EMP (mitigation measures, monitoring and reporting, institutional arrangement, budget), or corrective action plan, if any.
6. Recommend mitigation measures, or corrective action plans, if gaps are identified.
7. Examine whether there are complaints from the public or local communities regarding the subproject company's environmental and social performance.
8. State any risk control or mitigation measures to be taken by the subproject, such as conditions, loan covenants or monitoring and reporting requirements.

**D. Other Subproject Specific Issues, if any****E. Conclusion and Recommendations****F. Attachments:** All the relevant completed checklists.

## SUGGESTED SITE INSPECTION MONITORING CHECKLIST FOR CATEGORY B SUBPROJECTS DURING IMPLEMENTATION

*(To be completed by PFI staff)*

### Visual Inspection Procedures

Obtain a site map or make a sketch to mark details.

Take photos, if permitted.

Walk over as much of the site as possible, including boundaries, to note adjacent activities.

Note any odors, smoke or dust emissions, standing water, etc.

**Project Name:**

**District:**

**Date/time of Visit:**

**PFI staff:**

### 1. Location

Locate site on local map or indicate area (e.g. for farming)

### 2. Current activity and site history

Who is the site contact (name, position, contact information)?

What is the area of the site to be used for project activities?

What were previous uses of the site (give dates if possible)?

### 3. Environmental Siting

Are there sensitive sites nearby (check against the Environmental Exclusion list)?

Does the site experience flooding, waterlogging or landslides? Are there signs of erosion?

Does the site experience extreme temperatures or droughts?

Will the proposed site affect transportation or public utilities?

### 4. Pesticide Situation

Are pesticides stored and disposed in safe manner?

Are applicators aware of, and practicing safe spraying and handling precautions

For what pests and diseases are pesticides used and have alternative pest management approaches being tried

Do applicators use proper safety precautions during spraying of pesticides

Are farmers and farm assistants trained in proper pesticide use, storage and disposal

Are there any environmental issues relating to pesticide use?

### 5. Licenses, Permits and Clearances: Check against the list in the due diligence briefing note

What environmental or other (e.g., health, forestry) authorities have jurisdiction over the site?

Are the required licenses and permits available for inspection?

### 6. Recommended Mitigation Measures:

Confirm proposed mitigation measures (Referring to Appendix 3 on Mitigation measures or ZVOS recommendations)

Any non-compliance

Provide additional recommendations for satisfactory compliance

**7. Implementation of the Monitoring plan:** Referring to Appendix 3 or ZVOS recommendations.

Is the monitoring plan implemented?

Provide additional recommendations for satisfactory compliance.

## PFI's ANNUAL ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT

(To be submitted by PFIs to RRA)

1. Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes. The PFI is required to submit the annual performance report to RRA.

<b>Name of the Financial Institution</b>		
<b>Completed by (name):</b>		
<b>Position in organization:</b>		<b>Date:</b>

### A. Portfolio Information

<b>Report Covering Period:</b>	
<b>From:</b>	<b>To:</b>

2. For the reporting period, please provide the following information about your portfolio where applicable:

### B. Business Lines

Product line	Description	Total exposure outstanding for most recent FY end (US\$)	Average loan (or transaction) size (US\$)
Microfinance	Loans or other financial products for individuals		
Small business	Loans or other financial products for individuals		



<b>Long term: Transactions with tenor greater than 12 months</b>			
Microfinance	Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions less than \$50,000		
Small business	Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions less than \$300,000		
<b>Other</b>			
Other (if applicable)	Please describe		

### **C. Exposure by Horticulture Sectors**

3. Please provide an indicative percentage of total Innovation to horticulture modernization loan portfolio per subcomponents:

<b>Industrial Sector</b>	<b>% of Innovation to horticulture modernization loan portfolio</b>
For purchasing of fruit seedlings, vegetable seeds for greenhouses, vegetable, melon and legume seeds and system installation of drip irrigation systems.	
Purchase specialized equipment and attachments and cold rooms, greenhouses and processing equipment, processing and packaging	
Purchasing of cold storages, energy-efficient greenhouses and processing and packaging equipment	

Industrial Sector	% of Innovation to horticulture modernization loan portfolio

{Note: Please attach environmental and social audit or due diligence reports and environmental and social monitoring reports for each Project Company, if available}

4. If engaged in long-term small business finance, please provide information on all loans with: (i) tenor longer than 12 months; and (ii) maximum \$5000,000 loan size.

Name of Subproject	Type of loan SME/trade finance)	Tenor of loan (months)	Value of exposure (US\$)	Industry Sector*	Safeguard category			Any outstanding environmental and IR and IP issues during reporting period and actions taken to address the issues	Subproject using ADB funds  (yes/no)
					Env	IR	IP		

\*Please use the sectors listed in the earlier table or any standard classification.

Note: Env = Environment, IR = Involuntary Resettlement, IP = Indigenous Peoples.

#### D. Environmental and Social Management System (ESMS)

5. **REQUIREMENT:** (1) FOR EXISTING SUBPROJECTS: ATTACHMENTS OF MONITORING REPORTS OR REPORT ON DISCHARGE PERMITS; AND  
(2) FOR NEWLY APPROVED SUBPROJECTS: ATTACHMENTS OF ZVOS APPROVAL.

Policies & Processes	Yes/No	
Has your organization developed and implemented an ESMS?		If yes, please attach a copy of the ESMS to this report.
If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by your organization during the reporting		If yes, please provide a copy of the updates including dates and reasons for the same.

period?		
Has senior management signed off on the updated policy/procedure?		If yes, please provide the date and internal communication indicating the same.
Has your organization appointed staff tasked to implement the ESMS?		If yes, please provide information on number of staff and qualification (experience and education background) to implement the ESMS.
Please give details of any transactions rejected due to environmental and/or social concerns.		
Please state any difficulties and/or constraints related to the implementation of the ESMS.		
Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable ADB's requirements.		
Please give details of any material social and environmental issues associated with clients during the reporting period.		
In case the existing ESMS is not fully functional, what is the action plan being implemented by your organization?		Please provide information or cite recommendations made by ADB's review mission to improve the ESMS and its implementation.
<b>Capacity</b>	<b>Yes/No</b>	
Please provide the name and contact information of the Environmental/Social Officer or Coordinator who has the overall responsibility for the implementation of the ESMS.		Please describe the training or learning activities the Environmental/Social Officer or Coordinator attended during the year.
Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation.		Please describe the training provided to the ESMS persons and other team members during the year.
What was the budget allocated to the ESMS and its implementation during the		Please provide budget details including staff costs and training as

year?		well as any actual costs.
<b>Monitoring</b>	<b>Yes/No</b>	
Do you receive environmental and social monitoring reports from subproject companies that you finance?		If yes, please describe and provide supporting documents including any social and environmental considerations if applicable.
Do you check for ongoing compliance of your subproject companies with national regulation and any other requirements?		If yes, please describe the process including any social and environmental considerations if applicable.
Please describe how you monitor the subproject company and their subproject's social and environmental performance.		Please describe and provide supporting documents such as environmental and social monitoring reports and please provide information on the number of subprojects where a field visit was conducted by staff to review aspects including social and environmental issues.
Do you require the subproject owner to submit to you evidence of compliance with required environmental and social approvals and permits for the subprojects.		If yes, please describe how these are recorded as part subproject monitoring reports.
<p>Please provide details of any accidents/litigation/complaints/regulatory notices and fines:</p> <ul style="list-style-type: none"> <li>- Any incidents of non-compliance with the applicable Environmental and Social Requirements</li> <li>- Covenants/conditionalities imposed by the Financial Institution to the subproject company as a result of any non-compliance</li> </ul>		
<b>Reporting</b>	<b>Yes/No</b>	
Is there an internal process to report on social and environmental issues to senior management?		If yes, please explain the process, reporting format and frequency and actions taken if any.
Do you prepare any social and		If yes, please provide copies of

environmental reports: - For other multilateral agencies - Other stakeholders - E&S reporting in the Report Sustainability reports		these reports.
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<b>Activities on ADB's Prohibited Investment Activities List</b>	
If any, please indicate the dollar percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in ADB's Prohibited Investment Activities List (Refer to page 122 of SPS).	%
If the percentage is not zero, please explain these exposures and any steps that have been taken to reduce such exposure.	

#### **E. Category "B" Subprojects Using ADB Funds**

6. Please provide information about all new subprojects using ADB loan funding approved during this reporting period.

Name of Subproject Company:	
Subproject location:	
Horticulture sector:	
Value of exposure (US\$ ):	
Was any environmental and social due diligence undertaken by your organization?	If yes, provide information on due diligence activities, such as desk review of safeguard documents, and field visit, and by whom.
Any environmental assessment report or audit reports reviewed by your organization?	If yes, please provide the names of documents reviewed.
What were the main environmental issues	

associated with this subproject that were identified through due diligence conducted by your organization, and how were the issues dealt with (i.e., outcome of due diligence)?	
Did you discuss with the subproject owner the applicable environmental and social safeguard requirements and their implementation?	
Does the subproject comply with applicable government requirements?	
Does the subproject comply with applicable ADB safeguard requirements?	
Have there been any recorded incidents of non-compliance or requests for corrective actions?	If yes, please describe these and provide information on the corrective actions and if these have been complied with.
Have there been any grievances or complaints lodged on the subproject by any affected person or concerned stakeholder?	If yes, please provide information.

## ANNUAL SAFEGUARD MONITORING REPORT

Project Number: {XXXXXX}  
{Reporting period: Month Year}

{Full Country Name}: {Project Title}  
{(Financed by the <source of funding>)}

Prepared by {author(s)}

{Firm name}

{City, country}

For {Executing agency}  
{Implementing agency}

Endorsed by: (staff name of IA/PIU) and signature, submission date

## **Table of Contents**

### **Part I Introduction**

- Short description of the program
- Summary of activities and project progress during the previous 6 months (number of sub-loans, types of sub-loans' activities, results of categorization, verification by RRA and by ADB (if any), site monitoring and audit by PFIs and by RRA, implementation of reporting requirements... (*Tabular format is recommended*)
- Project organization and environmental management team, including organizational relationships with PFIs, sub-borrowers etc.

### **Part II Environmental issues**

- Summarize the previous 6 months of environmental issues faced by the PFIs, and faced by the sub-borrowers.
- Provide explanations of any instances in which environmental standards or guidelines were exceeded or environmental incidences happened. Typically, this will cover:
  - noise and vibrations,
  - water quality,
  - air quality,
  - flora and fauna monitoring,
  - Accidences or incidences
  - Environmental complaints or inspections
- Recommendations are required to show how any exceedances or will be prevented in the future.

### **Part III: Compliance with ADB's Social Protection Requirements and ADB's Prohibited Investment Activities List**

- Provide assessment on these two sets of requirements.
- Provide summary of actions taken to ensure compliance or corrective actions taken in case of non-compliance.

### **Part IV: ESMS operations (for PFIs which are financing B-category subprojects)**

- In this part, provide summary taken from Section B in Annex 12 of the Toolkit with regard to assessment of the ESMS effectiveness on: policies and procedure, institutional capacity, monitoring, and reporting.
- Specific data on the following activities is recommended
  - Site inspections and audits – to summarize the number and type of site visits.
  - Noncompliance case – to summarize the details, including the number of notices given out by the PFIs or by the local government to the sub-borrowers, how and how many issues covered.
  - Corrective action plans – to report on timeliness of preparation and completion.
  - Consultation and complaints – to report on any consultations undertaken and list any complaints received and how they were handled or resolved.

### **Part V: Conclusion and action plan**



- Conclusions.
- Summary of actions taken during the previous reporting period.
- Action plan for the next reporting period.

PFI	Issues	Actions required	Responsibility	Time

### **Annexes**

- Annual ESMS performance reports by PFIs.
- Photographs.

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Approved  
By the Decision of the  
Board of Directors of  
OJSC Hamkorbank



24 June, 2014



**Environmental and Social Management  
System of the Open Joint Stock  
Commercial bank  
HamkorBank**

Appendix 10

«ПОСТАВЛЕНО НА УЧЕТ»  
№ 84  
дата 06.03.2014  
юридическое управление  
ОАКБ «Ипак Йуди»  
Алиевский, И.О.  
подпись [подпись]



«УТВЕРЖДЕН»  
Правления ОАКБ «Ипак Йуди»  
Председатель Правления  
[подпись] Рахимбеков Р.Р.  
06 марта 2014  
Протокол №

**Руководство по управлению экологическими и социальными рисками для реализации Проекта «Развитие малого бизнеса и микрофинансирования» Азиатского Банка Развития**

## NUMBER OF REGIONAL BRANCHES BY PFI

№ №	REGIONAL BRANCH								
		ASB	UPSB	IYP	DVB	TRB	IPB	HKB	NBU
1.	TASHKENT city	5	17	7	7	4	11	5	17
2.	Karakalpakista n Republic	1	3	-		1	1	1	5
3.	Tashkent	1	6	1		1	8	3	8
4.	Samarqand	2	2	1		1	2	2	8
5.	Namangan	1	1	1		1	1	1	7
6.	Djizzak	1	-	-		1	1	1	3
7.	Andijan	3	3	1		Her	2	8	7
8.	Qashqadaryo	2	1	2		2	2	1	5
9.	Fergana	3	3	-		1	2	4	8
10.	Khorezm	1	1	-		1	2	1	7
11.	Surkhandariyo	1	2	-		1	1	2	4
12.	Sirdarya	1	1	-		1	1	1	1
13.	Navoi	2	1	1		1	2	1	5
14.	Bukhoro	2	3	-		1	2	1	8
	TOTAL	26	44	14	7	17	38	32	93

**Appendix 12:  
 UZB Annual Country Safeguards Review Mission  
 Summary Findings and Recommendations  
 for Horticulture Value Chain Development Project  
 (20 November 2017)**

**A. Background**

1. The Horticulture Value Chain Development Project is categorized as “FI” for environmental safeguards. There is no involuntary acquisition of land or any related resettlement impacts on subprojects, which have IR category “FI” - treated as C. The Project has eight (8) participating financial institutions (PFIs), namely Asaka Bank, Davr Bank, Hamkorbank, Ipak Yuli Bank, Ipoteka Bank, National Bank of Uzbekistan (NBU), Turon Bank, and Uzpromstroybank. The Project was declared effective on 27 April 2017 and disbursement commenced in May 2017.

2. On 20 November 2017, the Mission held a review meeting with the Project Management Office (PMO), of the Rural Restructuring Agency (RRA), and seven (7) PFIs, namely Davr Bank, Hamkorbank, Ipak Yuli Bank, Ipoteka Bank, National Bank of Uzbekistan (NBU), Turon Bank, and Uzpromstroybank, to review the project safeguards performance and compliance with covenants and safeguards requirements as set out in the loan and project agreements. Asaka Bank representative was not present at the review meeting, but provided relevant information on 25 November 2017 as requested by the Mission.

3. This review serves as an assessment of the PFIs’ safeguard implementation capacity both related to the current project and the proposed additional financing to L3471-UZB.<sup>24</sup>

**B. Mission Findings**

4. **RRA Organizational Structure and Staffing for Safeguard Management:** The PMO was set up under the existing organization of RRA. The PMO is provided with staff and operational costs and is responsible for monitoring the project implementation, including training, capacity development, and providing technical support to PFIs. To enhance capacity of the RRA, an environmental specialist was recruited in October 2017 for the PMO, in addition to the RRA environmental specialist who is working on all RRA projects. The monitoring and evaluation specialist is responsible for monitoring PFIs’ training, assisting PFIs in ESMS establishment and operations and PFIs performance.

5. As of date, the PMO has reviewed 117 subloan applications, of which 116 belong to Category B, and one is of Category C. RRA reviewed PFIs’ liquidation documents and quarterly reports, and conducted field checks before submitting to ADB for processing. ADB has already reviewed and endorsed 24 subprojects from 116 Category B subprojects (i.e., 3 subprojects from each PFI) as samples for PFIs to follow in subloan appraisal. Each PFI submits to RRA, liquidation documents and quarterly reports.

6. Reporting: During the project implementation, PFIs are expected to submit to RRA the following documents: (i) quarterly progress report; (ii) annual reports on safeguards compliance. Based on the reports from PFIs, RRA will submit to ADB the Annual Safeguards Monitoring Report, the first of which is due in Quarter 1 2018.

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<sup>24</sup> All PFIs, except Hamkor Bank, have expressed interest to participate in the proposed additional financing.

## 7. Implementation and effectiveness of the PFIs-established ESMSs:

- **Davr Bank:** ESMS was established and in operation. PFI assigned ESMS Manager and ESMS Coordinator. ESMS orientation trainings were conducted for relevant staff to comply with applicable environmental laws and regulations of the Government and ADB's SPS (2009). The bank has financed three Category B subprojects using screening checklists, reviewed and endorsed by ADB. Due diligence reports were prepared and sent to RRA. ESMS Coordinator conducts quarterly monitoring using monitoring checklists. First annual EMR will be submitted to RRA by the end of 2017.
- **Ipak Yuli Bank:** ESMS was established and in operation. PFI assigned ESMS Manager and ESMS Coordinator. The ESMS coordinator has been replaced by a new staff who will need training. Total 8 Category B subprojects are financed. Liquidation documents for 7 subprojects were submitted. No monitoring has been done yet. The main problem is the lack of environmental knowledge to independently determine the all environmental risks and appropriate mitigation measures during screening of the subprojects. To improve effectivity and efficiency of ESMS performance, the Mission recommended that the PFI prepare a reference manual for the loan officers consisting of main environmental risk factors to be considered during the screening and monitoring of subprojects.
- **Turon Bank:** ESMS was established and in operation. PFI assigned ESMS Manager and ESMS Coordinator. The ESMS coordinator has been replaced by a new staff who will need training. PFI uses its ESMS for subproject screening, credit appraisal and approval, supervision and monitoring of subproject implementation. The ESMS manager coordinates work of ESMS coordinators, checks assessments undertaken by them, finalize classification of subprojects, and, if the subproject is sound, endorse to the credit committee for approval. The total number of financed subprojects is 9, three of which have been submitted for liquidation. No field monitoring has been conducted yet as it is still at the early stage. The main issue is the limited internal capacity for screening of subprojects and categorizing subprojects.
- **Hamkorbank:** ESMS was established and in operation. PFI assigned ESMS Manager and ESMS Coordinator. PFI has experience in using its ESMS as an overall management system to meet Uzbekistan's national laws and regulations and ADB's SPS. PFI financed 12 subprojects of category B, 8 of which has had liquidation documents and quarterly reports submitted to RRA. Screening checklists are filled up by the credit officers. Capacity building trainings are conducted quarterly for all credit officers of branches due to high staff turnover. The subproject monitoring is undertaken on a monthly basis.
- **Ipoteka Bank:** PFI has in place an ESMS as part of its overall management system to meet Uzbekistan's national laws and regulations and ADB's SPS. PFI assigned ESMS Manager and ESMS Coordinator. Total number of financed subprojects is 20. ESMS manager conducts monitoring after subborrowers get delivery and installation of equipment, then undertake quarterly monitoring with branch officers and visiting clients in the regions. No field monitoring has been done yet as it is still at the early stage. The main issue is the limited internal capacity for screening of subprojects and categorizing sub-projects.
- **Uzpromstroybank:** PFI has in place an ESMS, with the ESMS manager based at central level. PFI assigned ESMS Manager and ESMS Coordinator. PFI uses its ESMS for subproject screening at the branch level, which is then, validated at the central level,

followed by credit appraisal and approval, supervision and monitoring of subproject implementation. PFI financed 10 subprojects, 3 of which have had liquidation documents submitted to RRA and the documentation process for liquidating 7 subprojects are on-going. No field monitoring of implementation has been done yet as it is still at the early stage. Monitoring will be conducted after commencement of construction activities. Quarterly reports are not yet due.

- **National Bank of Uzbekistan (NBU):** PFI maintains two ESMS's (one for the Rural Housing Program, and the other for Horticulture Value Chain Development Project). PFI assigned ESMS Manager and ESMS Coordinator. However, the Coordinator has been replaced by a new staff who needs training. PFI uses its ESMS for subproject screening at branches and forward subloan documents to ESMS manager for validation, followed by credit appraisal and approval, supervision and monitoring of subproject implementation. Total number of financed subprojects is 26. Site inspection and monitoring are expected to be performed for the subprojects by the Credit Officers of branch offices.
- **Asaka Bank:** ESMS was established and in operation. PFI assigned ESMS Manager and ESMS Coordinator. Total number of financed subprojects is 37. ESMS manager conducts monitoring of delivery and installation of equipment, then conducts quarterly monitoring going to branches and visiting clients in the regions. No field monitoring has been done yet as it is still at the early stage. The main issue is the limited internal capacity for screening of subprojects and categorizing subprojects.

### C. Conclusions and Recommendations

8. All PFIs, except Darv bank and Hamkorbank, need to strengthen their internal staff resources and capacity in implementing ESMS, given their high staff turnover. Training programs at the head office and branch level need to be in place to ensure seamless ESMS implementation. To address these issues, RRA will recruit a national consulting firm in early 2018 to provide technical support in horticulture subloan appraisal, monitoring, and ESMS training and implementation, to all PFIs participating in both ongoing and additional financing projects.

9. Addendum from 2018 due diligence: The 2017 annual safeguards monitoring report was prepared by RRA's PMO in January 2018 (forwarded to SDES). Consistent with this report, CWER's review missions in October 2017 and February 2018 found no issue requiring corrective actions, and compliances on both social and environmental safeguards were observed. PFIs have systems in place to screen out both ENV and IR impacts. As of date, all subprojects are maintained in Category C for IR, B or C for environment. For the overall subloan portfolio, the Mission requested the PMO to develop a monitoring plan and reflect it in the action plan of the annual safeguard monitoring report. The PMO, through the ESMS managers of the PFIs, was requested to continue ensuring full safeguard compliance by subborrowers. CWER will discuss with the Government the practicality of requiring land use permits/rights related to the additional financing subprojects during the inception mission.