

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The ongoing Horticulture Value Chain Development Project is helping to increase outreach of participating financial institutions (PFIs) to horticulture farmers and entrepreneurs in all 12 regions of Uzbekistan and the Republic of Karakalpakstan. The project was approved on 25 November 2016 and became effective on 28 April 2017. The Rural Restructuring Agency (RRA) is the executing agency. Total project cost is estimated at \$240.98 million.¹ The Asian Development Bank (ADB) financed a concessional loan of \$154 million equivalent (SDR111.585 million) from its ordinary capital resources. Subborrowers contributed \$50.33 million as equity contribution for subprojects, and the government contributed \$36.65 million through exemption of taxes and duties for imported goods (\$30.55 million) and interest charges during implementation (\$6.10 million).

2. Eight PFIs participated in the project—Asaka Bank, Davr Bank, Hamkorbank, Ipak Yuli Bank, Ipoteka Bank, National Bank of Uzbekistan, Turon Bank, and Uzpromstroybank. Of the total loan proceeds of \$154 million, \$151 million was allocated to the credit line and \$3 million to the RRA for project management and implementation support. The credit line allocation by PFI is in Table 1.

Table 1: Credit Line Allocation by Participating Financial Institution
(as of February 2018)

PFI	Credit Line Allocation	
	SDR	\$ Equivalent ^a
Asaka Bank	33,624,896	46,406,520
Davr Bank	2,173,734	3,000,000
Hamkorbank	3,622,890	5,000,000
Ipak Yuli Bank	7,245,779	10,000,000
Ipoteka Bank	7,970,357	11,000,000
NBU	36,658,896	50,593,480
Turon Bank	7,245,779	10,000,000
Uzpromstroybank	10,868,669	15,000,000
Total	109,411,000	151,000,000

NBU = National Bank of Uzbekistan, PFI = participating financial institution, SDR = special drawing right.

^a Since SDR is the base currency, dollar equivalents may vary because of the exchange rate. However, the total of \$151 million is maintained for ease of cross-reference with the approved project documents.

Source: Asian Development Bank.

B. Performance of the Project

3. **Delivery of expected outputs.** The project results for the first 12 months of implementation indicate very positive achievements in relation to the output indicators set in the project design and monitoring framework. While it is too early to assess the outcome and impact, it is highly likely that the outcome indicators will be achieved before the loan closing date of 30 June 2022 since most subprojects have started operating. As of February 2018, financing commitments made under the project covered 124 subprojects for a total subloan value of \$130.2

¹ Total project cost at Asian Development Bank (ADB) Board approval date was \$215 million. The increase to \$240.98 million is due to the adjusted increase in government and subborrower contributions after the government's approval of the project feasibility study on 2 March 2017. ADB issued an internal approval memo to reflect this change in the project financing plan on 6 July 2017.

million. The breakdown of the number and value of subprojects by category and by region is in Table 2.

Table 2: Breakdown of Subprojects by Region
(as of February 2018)

Region	Processing of											
	Refrigerated Storage		Intensive Orchard		Horticultural Products		Greenhouse Complex		Others		Total	
	No	Value (\$ m)	No	Value (\$ m)	No	Value (\$ m)	No	Value (\$ m)	No	Value (\$ m)	No	Value (\$ m)
Karakalpakstan	3	0.705					2	1.119			5	1.823
Andijan	4	1.353	1	0.691	4	1.327	3	3.807			12	7.177
Bukhara	3	0.522			1	1.100	9	6.969			13	8.590
Jizzah	1	0.250	1	5.000	1	0.780	2	1.178			5	7.208
Kashkadarya	3	2.333					1	0.564			4	2.897
Navoi							5	4.488			5	4.488
Namangan	3	0.756			1	1.992	1	0.960			5	3.708
Samarkand	5	3.152	4	8.116	4	5.457	5	3.326			18	20.051
Sirdarya	2	1.631					5	12.568			7	14.199
Surkhandarya	9	1.986			4	13.342	2	2.260	1	0.210	16	17.798
Tashkent	3	1.618	2	3.376	5	6.734	6	10.100	1	5.500	17	27.329
Fergana	5	1.950			1	3.400	2	3.703			8	9.052
Khorezm	2	0.755			2	1.268	5	3.850			9	5.872
Total*	43	17.010	8	17.183	23	35.399	48	54.892	2	5.710	124	130.195

m = million, No = number.

* Totals may not add precisely because of rounding.

Source: Rural Restructuring Agency.

4. The establishment of modern energy- and water-saving greenhouses accounts for 38.7% of the number and 42.2% of the total value of subloans, processing of horticultural products accounts for 18.5% of the number and 27.6% of the value of subloans, and refrigerated storage accounts for 35.4% of the number and 13.1% of the value of subloans. There is a broad distribution across all regions. The largest concentration in terms of subproject numbers is in Samarkand (18 subprojects), Tashkent (17 subprojects), and Surkhandarya (16 subprojects). In subloan value terms, Tashkent (\$27.3 million), Samarkand (\$20.0 million), and Surkhandarya (\$17.8 million) are the largest regions. Overall, the average subloan size is \$1.046 million. By region, average loan sizes vary from \$0.365 million in Karakalpakstan to \$2.028 million in Sirdarya. By subproject category, average subloan sizes range from \$0.400 million for refrigerated storage to \$1.732 million for intensive orchard establishment.

5. The breakdown of the number and value of subprojects by category and by PFI is in Table 3. Of the eight PFIs, Asaka Bank (37 subprojects and subloan value of \$46.733 million) and the National Bank of Uzbekistan (32 subprojects and subloan value of \$40.894 million) account for the largest share of subprojects by number (55.6%) and value (67.3%). As of December 2017, a preliminary estimate indicates that the project has helped to establish 2,753 hectares (ha) of intensive orchards and 109 ha of water- and energy-saving greenhouses; increased refrigerated storage capacity by 39,150 tons, post-harvest processing capacity by 7,224 tons, and packaging material manufacture of 12 million square meters; and procured 171 units of agricultural machinery. Participation in the project has enabled Davr Bank to begin lending in the horticulture subsector and the remaining seven PFIs to expand lending in horticulture, in some cases significantly. Across all eight PFIs, the share of horticulture lending in the PFIs' total portfolio increased from 0.2% at the end of 2015 to 1.1% at the end of 2017.

Table 3: Breakdown of Subprojects by Participating Financial Institution
(as of February 2018)

PFI	Processing of											
	Refrigerated Storage		Intensive Orchard		Horticultural Products		Greenhouse Complex		Other		Total	
	No	Value (\$ m)	No	Value (\$ m)	No	Value (\$ m)	No	Value (\$ m)	No	Value (\$ m)		
Asaka Bank	13	5.578	3	7.124	5	7.136	16	26.895			37	46.734
Davr Bank					1	1.383	1	0.335			2	1.718
Hamkor-bank	3	0.532	1	0.691	1	0.250	3	1.142			8	2.615
Ipak Yuli Bank	3	1.319	1	2.691	1	0.595	3	5.196			8	9.800
Ipoteka Bank	8	2.526	1	0.993	4	1.881	6	4.931			19	10.831
NBU	10	5.441	2	5.686	7	19.141	12	10.416	1	0.210	32	40.894
Turon Bank	2	0.284		0	2	3.712	2	1.004	1	5.500	7	10.000
Uzpromstr-oybank	4	1.329		0	2	1.300	5	4.974		0	11	7.604
Total*	43	17.010	8	17.184	23	35.399	48	54.892	2	5.710	124	130.195

m = million, NBU = National Bank of Uzbekistan, No = number, PFI = participating financial institution.

* Totals may not add precisely because of rounding.

Source: Rural Restructuring Agency.

6. **Implementation progress.** Implementation progress is rated *highly satisfactory*. As of February 2018, cumulative disbursement was \$151.7 million, accounting for 98.5% of total loan proceeds (\$154.0 million) while cumulative liquidated subloans (an equivalent of contract awards) were \$82.1 million, accounting for 63.0% of total loan proceeds, both against 22.0% of project implementation time elapsed. Of \$151.7 million released from the ongoing Horticulture Value Chain Development Project, \$151.4 million was to PFIs for subloan financing and \$0.3 million was to the RRA for project management and implementation. Out of \$151.4 million, \$130.2 million was disbursed to subborrowers to finance 124 subprojects. The balance of \$21.2 million has been fully committed to eligible subprojects appraised by PFIs and is currently undergoing the finalization of subloan release.

7. **Compliance with safeguard policy requirements.** ADB carried out due diligence on PFIs' implementation of environmental and social management systems (ESMSs) and concluded that compliance with safeguard policy requirements is *satisfactory*. All PFIs have prepared and implemented ESMSs in accordance with ADB's Safeguard Policy Statement (2009) requirements.² To sustain compliance with all safeguard aspects until the end of the project, PFIs are required to strengthen their internal staff resources and capacity in implementing ESMSs, given their high staff turnover. In particular, training programs at the head office and branch level need to be in place to ensure seamless ESMS implementation. To facilitate this, ADB has requested the RRA to recruit a national consulting firm by the first quarter of 2018 to provide technical support in horticulture subloan appraisal, monitoring, and ESMS training and implementation to all PFIs participating in both the ongoing and additional financing projects.

8. **Management of risks.** The implementation of the project is not threatened by major unmitigable risks. The RRA's project management office is properly staffed and capable of undertaking project implementation, management, and monitoring functions. The RRA's screening of PFIs' advance requests, demand projections, and individual subloan applications will, to a certain extent, minimize PFIs' portfolio at risk. Moreover, all PFIs have appointed appropriate personnel to undertake activities related to subloan financing, safeguards, and social

² Financial Intermediary: Environmental and Social Management System Arrangement (accessible from the list of linked documents in Appendix 2 of the additional financing report and recommendation of the President).

and gender development aspects. Management of credit risks is practiced in accordance with standard prudential regulations of the Central Bank of Uzbekistan and international banking conventions set by the Bank for International Settlement.

9. **Project performance rating.** Since April 2017 when the project became effective, it has been rated *on track* in its project performance rating.

C. Conclusion

10. The project is performing well, and the proposed additional financing loan to scale up ongoing project activities will add significant value to further developing the horticulture subsector of Uzbekistan.