

Republic of Uzbekistan

Horticultural Support Project

Mid-Term Review report

Type of mission	Mid-Term Review
Project Name	Horticultural Support Project
Country	Republic of Uzbekistan
Country programme manager	Mohamed Abdelgadir
Name of Project Director	Nodir Gafurov
Date of mission (month/year)	November/ 2017
Project Area:	Surkhandarya region
Days in the field	4
Field sites visited	Termez city; Denov, Jarkurgan, Sariosiyo and Uzun districts
Mission composition	Mr. Mohamed Abdelgadir, IFAD Country Programme Manager, Near East, North Africa and Europe Division; Ms. Anara Jumabayeva, Team Leader/Senior Economist/Project Management; Ms. Olga Tomilova, Rural Finance Specialist; Ms. Stefania Gnoato, Rural Sociologist; Mr. Samvel Ghazaryan, Irrigation and Rural Infrastructure Engineer; Mr. Viorel Leahu, Horticultural Value Chain Specialist; Mr. Thomas Burns, Tissue Laboratory Specialist; Mr. Anvar Mankulov, Procurement Specialist; Mr. Moez Makhlouf, Financial Management Specialist; and Mr. Abdurazak Khujabekov, IFAD Country Presence in Uzbekistan

Abbreviations and acronyms

AOS	Annual Outcome Survey
AWPB	Annual Work Plan and Budget
CBU	Central Bank of Uzbekistan
EFA	Economic and Financial Analysis
FA	Financing Agreement
FS	Feasibility Study
Ha	Hectare
HPM	Horticulture Production and Marketing
HSP	Horticulture Support Project
IC	International Consultant
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IIDN	Improved Irrigation and Drainage Network(s)
M&E	Monitoring and Evaluation
MAWR	Ministry of Agriculture and Water Resources
MIS	Monitoring Information System
MOF	Ministry of Finance
MTR	Mid Term Review
O&M	Operation and Maintenance
ORMS	Operational Results Management System (IFAD)
PAR	Portfolio at Risk
PFI	Participating Financial Institution
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PMU	Project Management Unit
RIMS	Results and Impact Management System (IFAD)
RRA	Rural Restructuring Agency
SDR	Special Drawing Rights
SLA	Subsidiary Loan Agreement
TORs	Terms of Reference
USAID	United States Agency for International Development
US\$	United States Dollar
UZS	Uzbekistan Som (local currency)
VAT	Value Added Tax
WB	World Bank

A. Project Overview (auto-generated by the system)

B. Overall Assessment

C. Mission Objectives and Key Conclusions

Background and main objective of the mission

An IFAD mission¹ visited the Republic of Uzbekistan (RoU) from 20 to 30 November 2017 to undertake a Mid-term Review (MTR) of and provide support to the Horticultural Support Project (HSP or Project, IFAD Loan No. I-869-UZ, IFAD Grant No. I-C-1359-UZ and Trust Loan No. ESP-9-UZ). So far, there were two supervision and implementation support missions in 2015 and 2016. The objective of MTR was to assess continued Project relevance, effectiveness in achieving the objectives, effectiveness of the Project's targeting and gender mainstreaming strategy, efficiency in Project implementation, beneficiaries' perception about Project, impact on food security and incomes of Project beneficiaries in Surkhandarya region. In addition, the mission: (i) provided implementation support to improve project performance; and (ii) provided guidance for the resolution of outstanding implementation issues and obtained agreement on further steps. The mission was coincided with the negotiations for the Agriculture Diversification and Modernization Project held during 21-25 November.

The mission's activities in Uzbekistan included meetings with: the management and staff of the Ministry of Agriculture and Water Resources (MAWR), the Rural Restructuring Agency (RRA), the HSP Project Management Unit (PMU), the Regional Project Implementation Unit (PIU), participating financial institutions (PFIs) and training service providers. The mission in two groups conducted field visits to Surkhandarya region during 23-26 where the mission had discussions with regional and district administrations, all seven PFIs' regional branches, regional division of the Horticulture Research Institute named after Mirzayev, horticultural processors and other agro-enterprises, and with private and dehqan farmers. Specifically, visits were made to 12 beneficiaries in four districts.

The mission reviewed the implementation progress and identified bottlenecks, as well as discussed opportunities and activities to be undertaken for the efficient and effective Project implementation. This Aide-mémoire reflects the mission's main findings and recommendations, and documents the major agreements reached with concerned authorities as discussed at the wrap-up meeting on 30 November 2017 with Mr. Nasriddin Najimov, General Director of RRA, and Mr. Nodir Gafurov, Project Manager and his staff.

The mission expresses its sincere appreciation for the cooperation and hospitality extended by Government authorities and RRA.

¹ Mission composition: Mr. Mohamed Abdelgadir, IFAD Country Programme Manager, Near East, North Africa and Europe Division; Ms. Anara Jumabayeva, Team Leader/Senior Economist/Project Management; Ms. Olga Tomilova, Rural Finance Specialist; Ms. Stefania Gnoato, Rural Sociologist; Mr. Samvel Ghazaryan, Irrigation and Rural Infrastructure Engineer; Mr. Viorel Leahu, Horticultural Value Chain Specialist; Mr. Thomas Burns, Tissue Laboratory Specialist; Mr. Anvar Mamkulov, Procurement Specialist; Mr. Moez Makhlof, Financial Management Specialist; and Mr. Abdurazak Khujabekov, IFAD Country Presence in Uzbekistan.

Key mission agreements and Conclusions

Remark. At Project start-up, it was agreed between the Project management and IFAD that supervision missions would be guided by the Feasibility Study (FS), not by the Project Design Report (PDR) when evaluating Project. FS is an obligatory document that needs to be prepared for every state investment and guides implementation. According to the national procedures, a President's Decree with attached FS has been issued for HSP. FS is in line with the conditions of the Financing Agreement (FA) - the supreme legally binding document - however it does not fully reflect those stipulated in PDR. In accordance with the national procedures, FS supersedes PDR, thus Project follows these national legal documents – the Project Implementation Manual (PIM) and FS – rather than PDR, and as such the document is to be used as appraisal benchmark and implementation guidelines. Besides, IFAD has provided non-objection to both PIM and FS.

Project is in its fourth year of implementation and its disbursement rate, for two Loans and Grant, is 74%. As of 30 November 2017, IFAD Grant disbursement amounts to ca. SDR 0.207 million accounting for 32% disbursement rate, while for IFAD Loan disbursements amount for SDR 3.789 million yielding almost a 61% disbursement rate. Trust Loan disbursements account for Euro 7.520 million amounting to a 89% disbursement rate. The overall disbursement performance of Project is rated as **satisfactory (5)**.

HSP implementation is on good track, and the following activities have been implemented so far (from Project start-up): 1) provision of about 60 training sessions to 2,215 beneficiaries (337 women); 2) participation of agribusinesses in 3 fairs - the WorldFood Azerbaijan, AgroFood fair in Kazakhstan and RigaFood in Latvia; 3) provision of 311 loans amounting to about US\$11.82 million; and 4) initiation of rehabilitation works on 9 out of 10 selected irrigation systems covering around 15,470 ha with an estimated 17,880 beneficiaries, including 488 farmers and 17,392 *dehkan* farmers (with an area of 3,297 ha). The beneficiaries visited expressed overall satisfaction with Project and stated increase in incomes, which confirms by the outcome survey recently undertaken by Project. As of today, about 1,000 full-time jobs have been created by the Project.

In spite of a good disbursement rating, delivering the outputs and positive results in the field, some important activities agreed during the last supervision, specifically related to implementation of Component 2, M&E, Gender have been partially implemented (see in Section B). In view of the above Project's overall performance remains **moderately satisfactory (4)**.

For the effective implementation of the Project, the following key actions need to be undertaken (as detailed further throughout the Aide-memoire):

Actions	Responsibility	Deadline	Status
Submit a formal request to IFAD for reallocation of Project funds between categories (released funds of around US\$2.7m from Categories I. Works, II. Vehicles, Equipment and Materials, IV. Training, and VII. Unallocated to V. Rural Finance). 50% of additional credit line to be allocated to female beneficiaries	MOF	Jan/2018	Agreed
Meet with all borrowers of dollar-denominated loans and prepare a list of those who are in need of loan term extension; submit respective requests to banks and follow up to ensure the new repayment schedules are offered that meet borrowers' repayment capacities and cash flows.	Project Manager	Jan/2018	Agreed
Start works for "Sufiyan" and "Khatib-2" canals, contractor "Okdare Bunedkor Kuruvchi Service".	HSP Manager, RRA Engineer, Supervisor	Jan/2018	Agreed
Submission of 2018 AWPB, including physical targets and expected outputs, to IFAD for no objection	Project Manager	Dec/2017	Agreed

Project Modification. Due to a significant change in US\$/UZS exchange rate during the contracts execution it is estimated that some US\$1.7 million would be released from the total allocated funds for IIDN Component. Given the short available time before the HSP completion to proceed with new irrigation investments, and the fact that the actual command area of improved irrigation networks is already 15,470 ha thus significantly exceeding the planned output indicator of 6,000 ha, it is

recommended to reallocate these funds for Component 2, Rural Finance activities. Component 2 has reached 311 beneficiaries instead of 400 per the modified Logframe (78% achievement) and significantly underperformed in terms of reaching female beneficiaries: by number, it reached only 17% of women, and by loan volume, only 12% instead of 30% for each. It is estimated that the proposed modifications in the amount of about US\$2.7 million (including unallocated funds) would allow reaching the target in terms of the number of borrowers and female loan beneficiaries given that at least 50% of the provided loans would be directed to them.

To increase women's participation in Component 2, it is also proposed to:

- (a) Expand the scope of activities for which loans would be extended to include working capital loans in addition to investment loans (for example, for purchasing inputs and fertilizer for horticultural activities, land cultivation and other pre- and post-harvest activities, hiring full-time and seasonal labour, etc.).
- (b) To the extent possible, maintain the same loan conditions as before (loans in local currency at 9% p.a. with 1-2 years of grace period and terms of up to 5-6 years).
- (c) Require PFIs to offer a flexible repayment schedules to borrowers matched to agricultural and household cash flows (seasonal repayment schedules).
- (d) Provide clarification to PFIs and local *hokimiyats* emphasizing that loan guarantors are acceptable in the same way as hard collateral, and that loans may be provided to women as individuals.

D. Overview and Project Progress

Component 1: Support to Horticultural Production and Marketing

The component continues to lag behind the schedule: as of November 2017, only 13% were disbursed from the total funding of US\$1.973 allocated to the component. Significant progress is expected during 2018 linked to the restart of the in vitro laboratory investments and the higher pace of training and technical activities.

Sub-component 1.1: Upgrading of Nurseries

Following an unsuccessful tender to procure the in-vitro laboratory equipment, an international consultant (IC) was hired to review the laboratory equipment list and greenhouse requirements, and develop a business plan for the operation of the laboratory.

An Action Plan was agreed to and signed by the RRA and the Mirzayev Institute to define responsibilities for staff appointments, procurements and the hiring of consulting services.

Tenders were called based on the list of equipment items recommended by IC. Only one bidder was in a position to tender on all items. Final awarding of the tender is pending with the expected approval in December 2017. Supply of the tendered items, as stipulated in the contract, is within 90 days.

Following installation, a comprehensive training by an IC is required for the laboratory staff. To build linkages with the private sector contributing to Project sustainability, a workshop has to be organized at lab completion to promote the development and use of in vitro propagated rootstocks amongst leading agrifirms and nurseries.

As Subcomponent has been effectively delayed by three years, the first commercial sales of rootstocks are expected by the end of 2019, past the expected HSP completion date. Subject to a professional management of the laboratory, the facility will be able to produce annually planting material for at least 300 ha, as envisioned at HSP design.

Actions	Responsibility	Deadline	Status
Hire a consultant to develop and deliver a training course for the laboratory staff on basic plant tissue culture techniques	Project Manager	June/2018	Agreed
Hire a consultant to develop and deliver a training course for the Denov laboratory staff on advanced plant tissue culture techniques. Organise a workshop with participation of international consultant to promote the development and use of <i>in vitro</i> propagated rootstocks	Project Manager, HPM Coordinator	Oct/2018	Agreed

Sub component 1.2 Modernization of Agrifirms

Contrary to the synergetic approach envisioned by the HSP design documents, the training and technical assistance programme for agrifirms and farmers (Subcomponents 1.2 and 1.3) lags behind the progress achieved under Components 2 and 3, leading to missed opportunities to make better informed investment decisions by the HSP loan beneficiaries or to make better use of the rehabilitated irrigation infrastructure. At the same time, it is never too late to adopt improved production practices and technologies, and the HSP-financed increased capacity of cold storages and processing operations has increased the demand for quality horticultural products in Surkhandarya region. Mission recommends expanding the training programme to the maximum extent possible, including transferring over the funds not used in the previous years.

In 2017 Project supported participation of 6 companies at two international fairs. Mission recommends RRA to collect sales data from all participants (including those from previous years) at the end of the marketing season, and to develop an article about the value of participating in such events.

In November 2017 HSP hosted the first assignment of an IC on open-field vegetable production. The assignment consisted of 6 training sessions for around 190 growers and field visits to around 30 growers. It is recommended for the HSP to follow this model for all future assignments of ICs.

Some activities planned for 2017 had to be delayed by one year due to lengthily preparation of TORs and obtaining IFAD's no objection. HSP plans for use of ICs and organization of international study tours in 2018 are sound. Mission recommends RRA to develop TORs for ICs and timely submit it to IFAD for no objection.

Actions	Responsibility	Deadline	Status
Develop an article about the value of participating in fairs	M&E Specialist	March/2018	Agreed
Submit TORs for international consultants for IFAD's no objection	Project Manager	March/2018	Agreed

Sub component 1.3 Modernization of Horticultural Production

In 2017 HSP has sub-contracted a consortium of 3 companies to develop training materials for 4 topics and to deliver training seminars in 7 locations. A season-long approach agreed with the previous mission was not adopted because of the constraints imposed by FS.

For the 2017 training programme, HSP has adopted a proactive approach, clearly communicating to the consultants, *hokimyats*, and women committees about the need to additional efforts to reach women-owned operations, resulting in a rate of 26% women participation.

Mission has reviewed HSP plans for the 2018 in-country training programme and considers the proposed topics to be in line with the needs of the horticultural sector in the region and has provided recommendations for specific topics to be added to draft TORs.

Actions	Responsibility	Deadline	Status
Submission of TORs for local training for IFAD's no objection	Project Manager	Dec/2017	Agreed
Use of proactive approach toward women participation at training events	Project Manager		Agreed

Component 2. Rural Finance

HSP funding for Component 2 has been fully disbursed, including US\$11.821 million from the Project funding and US\$4.775 million from beneficiaries' contributions. The targets have been fully met with respect to amounts and at the level of 92% with respect to the number (311 beneficiaries versus 349 planned).

There are 7 participating financial institutions (PFI) (all of them banks) taking part in the component implementation. Most of the disbursements – 45% of the total were made by Mikrokreditbank, followed by Qishloq Qurilish Bank and Hamkor Bank with 18% and 12% of the total disbursed amount respectively. In terms of the number of borrowers, the leader again is Mikrokreditbank with 41% of all borrowers, followed by Halq Bank and Hamkorbank – with 21% and 18% of borrowers reached, respectively.

Women borrowers represent 17% in terms of number (lower than in 2016 when this figure was 19%) and 12% by loan volume versus 17% in 2016 and 21% in 2015.

In terms of purpose, loans were provided for greenhouses, orchards and vineyards, purchase of agricultural equipment, processing and packaging equipment, and cold storage facilities. Loan amounts ranged from less than US\$3,000 to US\$498,000. The average loan amounts by subcomponents ranged from US\$13,100 to US\$59,230 to US\$229,167 for Subcomponents 1 (16 loans), 2 (93) and 3 (202), respectively.

The loan repayment has been reportedly 100%, though field visits indicate that there may be delays in repayment of dollar-denominated loans due to the new official exchange rate, which is 2-3 times higher than in 2015 and 2016 when the loans were issued. As a result, repayment amounts doubled or tripled in local currency, making it potentially difficult for borrowers to repay. Several beneficiaries applied to PFIs requesting loan restructuring.

RRA has not been collecting IFAD-recommended key indicators for PFIs and has been neglecting certain provisions of SLA in which they are required to collect information on PFIs' eligibility criteria (annually), audited statements and auditors' reports including auditors' conclusions on the IFAD-funded credit line performance, and PFIs' quarterly narrative reports on the status of Project implementation. While audit reports were collected in the past – e.g. for 2015 (though without above-mentioned auditors' conclusions), RRA has never verified whether PFIs still meet the eligibility criteria, despite repeated recommendations and a specific requirement in the SLA.

A new staff person hired would be required to study relevant parts of key Project documents (e.g. mission reports, IFAD's manuals, SLAs etc.).

Implementation of the previous mission's recommendations. Out of 7 recommendations, 1 was fully implemented and 6 were partially implemented:

Agreed action	Responsibility	Agreed date	Status
Ensure consistent use of the checklist for <u>all</u> Sub-Loan Evaluations Forms; eliminate pre-filled checklists; ensure accuracy of data in Sub-Loan Evaluations Forms (at central office)	Project Manager	Immediate	Partially done. The quality of some applications analysis has not improved; and since all funds have been disbursed, there is no possibility to improve the loan analysis
Establish monitoring systems both at the headquarters and regional office, ensuring documented evidence of monitoring activities	Project Manager	Immediate and ongoing	Partially done. Monitoring plans and lists of beneficiaries visited are in place. The regional office has prepared summaries with key information on all loans and photos of beneficiaries. Yet there is still no reflection of beneficiaries' issues and the project staff's response to them; client success stories have not been collected
Collect all missing data and reports from PFIs: quarterly reports per SLAs, IFAD-recommended indicators etc.; provide specific guidance to PFIs on the reporting formats, including instructions how to fill them in	Project Manager	Immediate and ongoing	Partially done. Numbers have been collected, but text is missing (findings and recommendation)
Use monitoring reports as management	Project Manager	Ongoing	Partially done. Underperformance in the

Agreed action	Responsibility	Agreed date	Status
tools – identify areas of underperformance and take action to ensure implementation. Pay special attention to the underperformance on gender targeting			area of gender targeting has been addressed, but no progress is observed
Require submission of audit reports by PFIs with auditors' conclusions on the project, in accordance with the SLA; ensure through follow-up that specific provisions are included in banks' auditors' terms of reference	Project Manager	Immediate	Partially done. All auditors reports have been submitted, but only 2 of them reflect HSP funding
Work with PFIs to ensure that they offer clients a choice of repayment schedules options, including schedules matching agricultural business cash flows	Project Manager	Ongoing	Partially done. A letter was sent to banks with a respective request but regular follow-up is required
Exclude the assessment of beneficiaries' contribution from the scope of PMU audit	Project Manager	Immediate	Done. Respective changes were introduced in the auditors' terms of reference for 2016, 2017 and 2018

The following key actions have been agreed:

Actions	Responsibility	Deadline	Status
Meet with all borrowers of dollar-denominated loans and prepare a list of those who are in need of loan term extension; submit respective requests to banks and follow up to ensure the new repayment schedules are offered that meet borrowers' repayment capacities and cash flows.	Project Manager	Jan/2018	Agreed
Collect all missing data and reports from PFIs as required in SLA and PIM (quarterly narrative reports, IFAD-recommended indicators, eligibility criteria, audits etc.).	Project Manager	Jan/2018 and ongoing	Agreed
Improve monitoring systems: develop written sampling technique guidance and apply it for all monitoring activities; expand documented evidence of monitoring activities to include narrative description of issues faced by borrowers, their needs in technical capacity building and any requests and suggestions; collect client success stories.	Project Manager	March/2018 and ongoing	Agreed

Component 3. Improved Irrigation and Drainage Network (IIDN)

The objective of the Improved Irrigation and Drainage Network (IIDN) Component is to finance investments in public irrigation and drainage infrastructure that complement support to beneficiaries under Components 1 and 2 of so that they are more likely to achieve the full economic potential of their commercial engagement in fruit and vegetable production. Due to SDR/US\$ exchange rate fluctuation the actual funds available for the IIDN Component as of 30 November 2017 is about US\$4.55 million, including approximately US\$3.31 million from IFAD Loan, some US\$0.6 million from beneficiaries' contribution and some US\$0.64 million by Government contribution.

The status of actions agreed during the 2016 Supervision mission is presented below:

Agreed action	Responsibility	Agreed date	Status
Bids advertisement for civil works implementation (Package III)	Project Manager	July 2016	Done
Bids advertisement for civil works implementation (Packages I and II)	Project Manager	Oct 2016	Done
Bids advertisement for civil works implementation (Packages IV)	Project Manager	Dec 2016	Done
Development of reporting mechanisms and formats for 20% contribution to be implemented by beneficiary institutions.	Project Manager	July 2016	In progress

Achievements: The disbursement of IFAD funds under Civil Works category is 9.99%. Contracts for all the planned services and works under IIDN Component totalling to about US\$1.6 million² (VAT excluded) have been already committed with anticipated completion by end of 2018. However, given such a low disbursement rate, the overall rating assigned to Component is moderately satisfactory (4). In general, the quality of technical supervision needs to be strengthened.

² For nine contracts based on the planned exchange rate of US\$1.0 = UZS3,010, and for the last contract US\$1.0 = UZS8,150.

One contract (“Chilmirob” canal - Lot 1) has been formally completed so far. Works under 8 contracts are on-going though no activities are initiated under 2 contracts yet (“Sufiyan” and “Khatib-2” canals, contractor “Okdare Bunedkor Kuruvchi Service”). The last contract (“Sherobod” canal) was re-tendered and currently at bid evaluation stage. The anticipated award of contract and start of works is by mid December 2017.

Component’s investments are valued at UZ\$7.59 billion (VAT excluded) or about US\$1.3 billion³ equivalent and to be financed by IFAD Loan. As of 20 November 2017, the actual payment to the contractors was about UZ\$3.00 billion, or some 39.5% of the total value of the contracts. The cost of consultancy contracts for development of detailed engineering designs including the “author supervision” (UZ\$797.64 million, equivalent to about US\$0.28 million), and site supervisors (US\$40,800) are also paid from IFAD Loan. The number of reported benefitting households under these contracts is about 17,880, including 488 farmers and 17,392 *dehkans* with a command area of about 3,297 ha, mostly for household plots under horticultural production.

Due to a significant change in US\$/UZ\$ exchange rate during the contracts execution it is estimated that some US\$1.7 million would be released from the total allocated funds for IIDN Component. Given the short available time before the HSP completion to proceed with new irrigation investments, and the fact that the actual command area of improved irrigation networks is already 15,470 ha thus significantly exceeding the planned output indicator of 6,000 ha, it was recommended to reallocate these funds for Component 2, Rural Finance activities.

Component design requires a beneficiary contribution of 20% of investment costs. Beneficiaries’ contribution is in progress and still significantly low than minimum requirements. The average contribution so far is about 7.4% varying from as low as 2% to up to 13.5%. It was reported that most of works are still on-going, and the contribution will increase during the preparation for 2018 irrigation season.

Actions	Responsibility	Deadline	Status
Start works for “Sufiyan” and “Khatib-2” canals, contractor “Okdare Bunedkor Kuruvchi Service”	RRA Management	Jan/2018	Agreed
In case of changes of design solution formal variation orders to be issued and approved prior to proceeding with works	RRA Engineer, HSP Manager, Supervisor	Dec/2018	Agreed
Formal recording of justification for links between Component 2 and 3	HSP Manager	March/2018	Agreed
Award contract HSP/NCB/CW-10 UZ and initiate works	HSP Manager, RRA Engineer	Dec/2017	Agreed
Reallocate the released amount of about US\$1.7 million from Component 3 to Component 2	IFAD, RRA management	Jan/2018	Agreed

E. Project implementation

i. Effectiveness and Development Focus

Development Effectiveness

Effectiveness **Rating: 5**

Justification of rating

Although the M&E system started to produce relevant outcome information only in 2017, HSP is on course to meet its development objective of increasing the incomes and assets of smallholder farmers, processors and service providers within the horticultural sector:

- Fruits and vegetables of Surkhandarya continue to be in demand;
- Multiple cold storages and processing facilities were established increasing demand for farmers’ products, thus establishing linkages within value chains;
- The vast majority of loan beneficiaries – farmers and processors - report healthy margins;

³ The significant changes in US\$/UZ\$ exchange rate during the contracts effectiveness are taken into account.

- Farmers actively participate in the training activities and report significant rates of adoption of improved practices and technologies and expansion of areas under horticultural crops.

Log-Frame Analysis & Main Issues of Effectiveness

The increase in incomes and assets of smallholder farmers, processors and service providers will be quantified by the Project completion survey, while multiple Logframe indicators point to good progress in achieving Project development objective:

- Project will likely reach a double number of households, primarily due to the larger footprint of the Improved Irrigation and Drainage Network activities;
- The number of jobs created so far by the loan beneficiaries is at 65% of appraisal target, while collection of data on the job creation by other Project components hasn't yet been initiated;
- The total number of people trained is at 79% of appraisal target, and more than 50% of those interviewed during the Annual Outcome Survey have reported adoption of improved inputs, practices and/or technologies;
- The entire Project allocation for the Rural Finance Component was disbursed;
- The irrigation systems were already rehabilitated on 893 ha, which represents 15% of the appraisal target of 6000 ha, 9108 ha are under construction/rehabilitation and another 5469 ha are in process of tendering or mobilization (all works are expected to be completed in 2018).

Establishment of the in vitro micropropagation laboratory was delayed because of high costs offered by bidders during the tender for the laboratory equipment and greenhouse. An international consultant was hired to review specifications and help the Institute to develop a business plan. Currently the updated list of equipment is under tendering, and completion of the laboratory fit out is expected by mid-2018. The first commercial sales of rootstocks are expected in the end of 2019, after HSP project completion. This delay will not have a significant impact on reaching Project development objectives because virus-free rootstocks are available from other Uzbek nurseries, including the Tashkent office of the Institute.

The depreciation of the local currency in September 2017 could have a negative impact on the US\$-denominated incomes and assets of smallholders and processors that sell their produce on the local market, as less of those selling on export markets (where prices are typically denominated in hard currency).

Development Focus

Targeting and Outreach

Rating: 4

Justification of rating

As of November 2017, cumulative quantitative data under Rural Finance Component indicate services and resources are being channelled to the intended target groups with 65% (202 out of 311) of all Project credit beneficiaries being small-scale farmers (including *dehkans*), with over 1000 new jobs created. Qualitative data collected during field visits show a good uptake of Project services with interventions meeting the target groups' needs through income generation and asset building. There is a decrease in the rating from last year supervision due to: the lack of a clear and operationalized targeting strategy and mechanisms; the limited quantitative information available for determining the target groups met by Project thus far; and the low outreach to women (cumulative 17.5%).

Main issues

Project target groups are: (i) small-scale, private sector, actual or potential horticulture producers operating up to a maximum of 6 hectares, with special provision for those, including *dehkan* farmers, operating less than 2 hectares; (ii) horticulture-related small-scale market services providers; and (iii) the rural unemployed. The Project targeting strategy envisaged at design intended to apply geographic and self-targeting, being interventions essentially demand-driven. Specific beneficiary selection criteria was detailed for each component in PDR, with exception of Rural Finance Component beneficiaries' selection criteria which was to be included in the Subsidiary Loan

Agreements (SLA), signed with the banks. To date, Project has reached 25% of the overall beneficiary target of 35640 individuals and 11000 households.

Mission reviewed existing Project documents and concluded the following: i) selection criteria for activities under Subcomponents 1.2 and 1.3 in PIM does not include thresholds and scoring methods as reported in PDR; ii) SLAs for Component 2 do not refer to any borrower selection criteria but only to PFI's (in line with PDR); iii) selection criteria for investments under Component 3 are duly reflected in PIM, however the main criteria ("They shall have a direct relationship to horticultural activities to be financed under the first and/or second component with an indication and confirmation of the relevant producers and processing plants") is not yet verifiable under the current M&E system. Mission recommends that, in the event of a reallocation of funds to Rural Finance Component, SLAs, PIM and Investment Guidelines be revisited to include beneficiaries' selection criteria.

Given the above-mentioned deficiencies in targeting, Mission emphasizes the need to intensify the use of the monitoring tools available to provide quantitative feedback on targeting. In particular: the need to insert in the M&E system the number of primary target group (farmers and small producers) supported by agro-firms; integrate outreach data related to Components 1 and 3 to ascertain the level of targeting and guide future activities; carry out a profiling of *dehkans* and small producers and other project beneficiaries based on the 2018 AOS.

During the field visits, it was noted that local authorities (e.g. district *hokimiyats*) involved in awareness and dissemination of Project activities, and selection of beneficiaries in support of regional PMU staff lack guiding documented information on Project implementation and select beneficiaries based on wealth (collateral and extra business) rather than need. Mission recommends PMU to proactively fulfil this gap of documented information and guidance on targeting.

The lessons emerging from the Project targeting assessment have been captured under the 'Lesson Learnt' section.

Actions	Responsibility	Deadline	Status
Borrower's selection criteria Future SLAs, PIM, Investment Guidelines to include beneficiaries' selection criteria (including gender ratio of 50%)	RRA/Banks	At the time of SLA preparation	Proposed
Ensure targeting quality through monitoring Integrate outreach data related to Components 1 and 3 Carry out a profiling of <i>dehkans</i> and other project beneficiaries based on the 2018 AOS	PMU/M&E Specialist	Immediately After AOS	Agreed
Improve selection of beneficiaries and activities follow-up at district level Provide district-level authorities with documented information and guidance on beneficiary selection and Project implementation	PMU	Immediately	Agreed

Gender equality & women's participation Rating: 3

Justification of rating

Mission re-confirms last year rating of Project development focus on gender equality and women's participation as **moderately unsatisfactory**. This is owed to the lack of a Gender Specialist within PMU, the absence of a clear gender strategy and gender targeting mechanisms for implementation of activities. In particular, despite some recent efforts in increasing women participation in (horticulture) training activities, women's outreach in credit and training activities remain low, representing respectively 17 and 18% of total beneficiaries.

Main issues

At mid-term, Project is falling short of targeting the minimum quota of 30% women, within the primary target group, as envisaged at design. HSP has been lacking the support of a gender strategy and a Gender Specialist in PMU since start-up. No formal trainings have been conducted to date, despite the multiple and continuous recommendations made by IFAD supervisions in the past, advocating for more effective engagement of women in all Project activities.

Field visits confirmed Project's relevance in contributing to expanding women access to capital and knowledge through credit and training support. Women were enthusiastic about the support received and their economic empowerment derived particularly from greenhouse investments. Those who received a loan in 2016 are already making a net profit from vegetable production and are able to invest in e.g. a new home for the household, greenhouse expansion, etc., and benefit from improved diet variety, through consumption of fresh vegetable, as opposed to canned vegetable, all year round.

As a consequence of the weaknesses identified in the targeting, Project is found lacking implementing operational measures to ensure gender-equitable participation. The minimum 30% quota is missing from most implementation documentation, most importantly SLA and FS. This is further exacerbated by the lack of capacities and resources at the level district entities in particular those representing women interests in Project implementation. Although PMU staff is becoming increasingly aware on the need to improve women participation, as demonstrated by the higher achievements under the 2017 horticulture training (25%, up from 3% in 2016 and 10% in 2015), under the above circumstances gender targeting happens erratically and unsystematically.

Current lending activities under Subcomponent 2.3 are only allowed for women *dehkan*-owners. Drawing from an analysis of Project data undertaken during Mission, the ratio of women-owned *dehkans* in Project area is only 17%. This points to the need to revise the lending terms and practices used by the banks participating in Project in order to ensure improvements in women small-producers outreach, currently 17% (53 out of 311). This issue was discussed with bank representatives in the regional branches who expressed their readiness in accepting also loans provision to women as natural persons with e.g. a third-party guarantor instead of hard collateral. In the event Project will support more credit activities, Mission recommends SLAs be revised to clearly reflect these eligibility conditions and the 50% ratio of lending to women.

Although Project design did not focus specifically on strengthening women's agency and their decision-making role in the community through the allocation of resources, in view of the need to increase women participation, Mission recommends training on gender issues (empowerment, leadership, equality, etc.) to be included in 2018 AWPB for beneficiaries and *hokimyats* Women Committees staff. Similarly, training of women beneficiaries in horticulture and business practices has to be continued through 2018.

The emerging lessons on gender have been captured under the 'Lesson Learnt' section.

Actions	Responsibility	Deadline	Status
Increase women participation ratio to at least 30% Future SLAs to increase support to women beneficiaries through appropriate selection criteria (e.g. inclusion of 50% ratio, women as natural persons; third-party guarantor)	PMU/Banks	During SLA preparation	Agreed
Include women training in horticulture and business practices in 2018 AWPB	PMU	Dec/2017	Agreed
Increase Project sustainability Include training on gender issues for beneficiaries and women committees staff in 2018 AWPB to be financed from IFAD Grant	PMU	Reallocation proposal	Agreed

Adaptation to Climate Change

Rating: 4

Justification of rating

HSP has provided opportunities to diversify from widely planted cotton/wheat to growing fruits and vegetables, thus increasing beneficiaries' resilience to climate change. Moreover, Project, through its Component 3, is rehabilitating estimated 15,470 ha of irrigated lands, including shaping and lining of sections of canals, cross regulators, distribution boxes, intakes, outlets, measuring devices, flood protection, etc. - leading to more efficient and sustainable use of water. Component 1 will contribute to this goal by providing training on water-saving technologies, fertilisation based on crop needs, safe use of pesticides, efficient cold chain. However, Project could do even more by applying innovative approaches to technical solutions for irrigation networks.

Main issues

The engineering designs requirements and technical solutions are standardized in national technical specifications and applied for rehabilitation of irrigation and drainage systems. Accordingly, the existing design standards with no innovative approach have been considered under the IIDN. Furthermore, if existing standard technical solutions were not used, it would be impossible to obtain approval from the state expertise commissions. However, it is the Mission opinion that even with the mostly rehabilitative nature of investments, some innovation to improve water management and canal operation (such as introduction of long crested weirs, improved gate structures, flow control and monitoring structures, etc.) could be introduced. In spite of approval by expertise, the mission however noted some inadequate design solutions for rehabilitation of structure and canal sections. Particularly: (i) for improvement of cross-regulators, distribution boxes and outlets only partial rehabilitation is considered while some of them require complete reconstruction; and (ii) rehabilitation of destroyed canal sections are minimized, while there is an obvious need for more improvement. The impression is that the designer was aiming to minimize the investment cost, without considering the actual need for improvement. However, such improved water saving management would increase beneficiaries' resilience to climate change. Nevertheless, it is likely too late to make adjustments in the already started works, but some proposed feasible actions are listed in Section B, Component 3.

ii. Sustainability and Scaling-up

Partnership-building Rating: 4

Justification of rating

Project has established and maintained partnerships that were explicitly incorporated in PDR, such as:

- With Mirzayev Institute under Component 1.1;
- With the financial institutions for implementation of Component 2;
- With the AIS and WCAs for implementation of Component 3;
- With regional authorities (*hokimyats*) for Project support across all components.

At the same time, Project failed to go beyond these, although opportunities exist and were identified by IFAD supervisions, such as:

- Coordination and information exchange with GIZ Horticultural Project in Surkhandarya and USAID Agricultural Value Chain Activity could enhance activities under Component 1;
- Donor- and Government-funded initiatives to support a more active involvement of women in business.

Human and Social Capital and empowerment Rating: 4

Justification of rating

Project has a strong focus on building the capacities of women and men collectively and individually, mostly through technical training in horticulture practices along with credit for horticulture investments. Over the last year, Project has responded to an increased demand for training also by beneficiaries not receiving support under Rural Finance Component, showing the relevance of Project capacity building activities. However, Mission noticed training is often carried out after 1 or 2 years from completion of the investment. This lapse of time should be avoided as it may compromise the sustainability of the investment. Despite the recent improved focus on female beneficiaries training, Mission recommends that further efforts be directed to training women (both beneficiaries and district-level women committees) on gender issues.

Actions	Responsibility	Deadline	Status
Improve training schedule Ensure better synchronization of training and investment roll-out plans	Project Manager	Immediately	Agreed

Quality of beneficiary participation **Rating: 4**

Justification of rating

The decrease in the rating from last year supervision is due to the significantly low beneficiary contribution under the irrigation component (currently 7.4% vs. the required 20%) and the limited participation of women in Project. Overall, the demand-driven approach of Project ensures a positive participation from beneficiary groups as demonstrated under credit lending activities and training. Being at mid-term, it is nonetheless important for Project to continue building awareness among beneficiaries on the importance of expressing their concerns, priorities and interests regarding Project positive and negative social impacts, while fostering better community representation among the decision-making bodies in particular for women.

Actions	Responsibility	Deadline	Status
Continue building beneficiaries awareness	PMU		Agreed
Foster better community representation among decision-makers (esp. for women)	PMU		Agreed

Responsiveness of service providers **Rating: 5**

Justification of rating

The key service providers engaged by Project – trainers, financial institutions, individual site supervisors and irrigation rehabilitation contractors – generally offer services of good quality; they are delivered on time and within budgets.

RRA uses standardized templates for tenders and contracts that are fit for their purpose and help service providers understand the requirements and quality control procedures.

Main issues

For financial institutions, the target to reach 30% women-borrowers has not been met, although better communication of selection criteria by RRA could have significantly improved the situation. During the mission, a meeting was held in Termez with all the banks to discuss the issue, recommendations were provided on how the target could be achieved.

Poor quality of some works at some sites under Component 3 identified during the mission were communicated to RRA with the recommendation to undertake corrective actions and prevent reoccurrence.

The currency depreciation that occurred in September 2017 could have a negative impact on the performance of service providers with already signed large contracts denominated in UZS, such as the irrigation rehabilitation contractors. It is necessary for the RRA to increase the frequency and quality of site monitoring to prevent underperformance.

Environment and natural resource management **Rating: 5**

Justification of rating

All project activities do not cause any negative impact on the environment. Moreover, more sustainable use of available natural resources (water and cold chain) further coupled by training and sensitization activities, would be supporting the measures proposed by the Second National Communication (SNC) of the Republic of Uzbekistan to the UNFCCC, thus enhancing climate change adaptation capacity by Project beneficiaries.

Exit Strategy **Rating: 4**

Justification of rating

Rural Finance has the most realistic exit strategy:

- Loan beneficiaries made investments in operations that are reported as generally profitable, and some are already planning to extend their operations;

- Commercial banks got engaged into lending to horticulture (a new sector for them in Surkhandarya) and the good PAR performance indicates their good opportunities in this sector after Project completion.

The *in vitro* laboratory has to operate as a commercial operator to achieve its objectives. The business plan and the intensive training programme planned for 2018 would be built upon a sound foundation for sustainable operations of the laboratory.

The sustainability of the irrigation networks is linked with their Governmental funding, which goes beyond HSP resources.

Main issues

- It is good practice for in the agricultural sector to adapt their products and lending conditions to the particular needs of the sector. So far, only few of the HSP participating banks offer repayment schedules based on the seasonality of cash flow of their customers. Mission has drawn the attention of the banks to the win-win situation created by the seasonal schedules. It is recommended to the RRA to continue encouraging the banks to adopt this approach.
- Lack of a clear champion within Mirzayev Institute has hampered the establishment of the *in vitro* laboratory. The creation of the laboratory team following the signing of the Action Plan between RRA and the Institute is expected to lead to the emergence of such a champion. Organization of an workshop with the leading nurseries and farmers from Surkhandarya is expected to result in creation of commercial linkages (first customers), although it could also go further toward establishment of private-public partnerships.

Potential for Scaling-Up

Rating: 5

Justification of rating

HSP is the first IFAD project in the country; it's good performance has resulted in the Government of Uzbekistan interest to apply the model for other regions and value chains, leading to: (i) Dairy Value Chains Development Programme (2015 - 2021); and (ii) Agriculture Diversification and Modernization Project (2018-2024).

HSP supports the Governmental policy of gradual transitioning from cotton to horticultural crops in selected regions. Following HSP lead, the Government and such development partners as ADP and World Bank have initiated a series of horticulture development projects in the country, with significantly larger budgets but using the similar approach: technical assistance combined with rural finance along the horticulture value chain.

iii. Project Management

Quality of Project Management

Rating: 4

Justification of rating

All of the envisaged elements of Project Management continue to be in place and functioning. Project Manager takes responsibilities including but not limited to project management, financial management, accounting, etc. The planning, budgeting and reporting process follow the established system of implementing IFAD projects, including the preparation of Annual Work Plan and Budgets (AWPBs). The staff is recruited in line with PIM and with TORs approved by IFAD. Largely, the specialists have relevant experience and qualifications. Salary and DSA rates and employment conditions are regulated by a number of MOF decrees. However, a number of simple actions related to the issues on monitoring and evaluation, reporting, gender, targeting and knowledge management have to be addressed and improved.

Main issues

After experiencing a high staff turnover during 2015-2016, PMU seems to be settled and well staffed. Last supervision Mission proposed setting up a solid information management system that would store and catalogue all documentation. Furthermore, it was suggested developing detailed written instructions and guidelines for key positions (on key requirements, formats, reporting cycle, etc.) that would faster integrate the newcomer into the job. Such systems would have supported smooth transition during the change of staff while also limiting the interruption to Project caused by this replacement. Regrettably, this recommendation has not been implemented.

Like before, Mission continues recommending to undertaking specialized courses for Project Manager, Chief Accountant and Procurement Specialist on project management, financial management and procurement respectively in the ILO Training Centre in Turin.

Actions	Responsibility	Deadline	Status
Develop detailed written instructions and guidelines for key positions (on key requirements, formats, reporting cycle, etc.)	Project Manager	Feb/2018	Proposed
Establish a centralized library of key project documents, including mission reports and recommendations, IFAD Decision Tools for Rural Finance, project targets etc. and communicate to all staff; ensure staff awareness and understanding	Project Manager	Feb/2018 and ongoing	Proposed

Knowledge Management

Rating: 4

Justification of rating

HSP should develop a knowledge management plan and approach. Mission's field visits confirmed that multiple Project beneficiaries have achieved significant successes and are willing to share with others; HSP staff are aware of these successes, but don't systemically document and share them within the organization, with other stakeholders or with the public. Project misses important knowledge management opportunities by not drawing on M&E data and lessons learned for development of Annual Progress Reports and AWPBs. Significant improvements were achieved in the M&E area in 2017; the AOS was carried out; HSP section on RRA web has been created and functioning.

Main issues

The lack of progress in knowledge management area is related to the lack of a focal point. Considering the existing organizational set-up, the improved M&E system would provide a foundation for development of the knowledge management system, starting with development of several success stories to be published in Surkhandarya mass media and RRA website. The HSP Project Manager needs to encourage the M&E Specialist to play a coordination role and provide required resources.

Value for Money

Rating: 5

Justification of rating

HSP implements its activities within the budgets indicated in FS and PDR. Government closely monitors the coherence of Project plans and actuals. As was mentioned in Section on Effectiveness, Project would likely reach a double number of households (thanks to Component 3), thus reducing the cost to input ratio by half. The vast majority of loan beneficiaries, farmers and processors, report healthy margins, thus reaching Project targets at the outcome level. According to M&E system, HSP is on course to meet its development objective of increasing the incomes and assets of smallholder farmers, processors and service providers within the sector. A review of EFA confirms the validity of assumptions made and models developed at design stage for assessing viability of Project interventions.

Main issues

A general review of the actual construction cost reveals that average per hectare investment cost is about US\$76. Recent experience from other countries in the region shows that this investment would be hardly enough for rehabilitation/maintenance works of existing structures, while for improvement and modernization of open canal systems at least US\$1200 per ha would be required. The cost for development of engineering designs and supervision of works is about 10% and 1.4% of the investment cost respectively. Impression is that the designer was aiming at minimizing the investment cost as much as possible, without considering the actual need for improvement. A general observation is that Component 3 is actually implementing maintenance works rather than improvement of the current infrastructure conditions.

Coherence btw. AWPB and implementation

Rating: 4

Justification of rating

Actual disbursements under all Project components in 2017 are much lower than forecasted in 2017 AWPB mainly due to the depreciation of UZS against the US\$, but the overall Project disbursement ratio is high and above the standard required level.

AWPB Review

The IFAD Loan and Grant budget is viewed by the Government as part of the national budget. AWPB consists of several sections that are prepared by the respective Component Specialists and consolidated by the Project Manager and Chief Accountant in line with FS and the available Project funds by the end of a year and submitted to IFAD for no objection. IFAD provided its non-objection to the 2017 AWPB in January 2017. So far, the payments on 2017 AWPB are US\$1,372 million yielding a payment rate of 25%. This low rate is due to the delay in implementation of the laboratory and to the appreciation of the US\$ against the UZS between the moment when the contracts were signed (US\$1 was UZS3,000) and the date of payments (US\$1 is UZS8,000). However, this rate differs from one component to another, and is 11% for Component 1 (Support to Horticultural Production and Marketing), 48% for Component 2 (Rural Finance) and 23% for Component 3 (Improved Irrigation and Drainage Networks)

Performance of M&E System

Rating: 4

Justification of rating

The performance of the M&E system is upgraded from last year's supervision to moderately satisfactory. While the M&E system still reports largely on progress at the level of physical targets and managers are still making limited use of M&E information for planning and/or decision-making, improvements are shown in the implementation of most previous supervision recommendations (see reference below), the increased efforts deployed by Project staff to address the need of improving reporting on outcome and impact (e.g. Annual Outcome Survey) and improvement of monitoring activities under Component 2.

M&E system Review

Project has developed an adequate plan for monitoring of output indicators, with appropriate data disaggregation by gender, but it needs to improve monitoring of outcomes and impact. Adequate staff capacity is in place following the recruitment of a new M&E Specialist in January 2017. The newly required Operational Results Management System (ORMS), which will replace the old RIMS has been adopted by Project. As per the new ORMS system requirements, Project will have to send an annual report to IFAD on the progress towards the Logframe indicators. The baseline survey was completed in April 2016, and although it includes a wealth of data, it misses several key indicators. RRA has conducted the first Annual Outcomes Survey (AOS) covering 100 beneficiaries (including 25 beneficiaries of Component 2) and 100 non-beneficiaries as a control group.

Most of actions agreed during the previous supervision mission have been completed. The main duties and responsibilities for key staff positions have been developed. Project followed up with the banks to ensure their submission of quarterly reports. All M&E indicators have been finalized and approved, and baseline study data incorporated in Project M&E Plan. Data collection and reporting sheets have been adopted for each component. The M&E unit has also played a catalyst role in ensuring better inclusion of gender objectives in 2017 AWPB resulting in the recent increase of women participation in training activities.

Monitoring activities under Component 2 have improved. There are plans in place for visiting borrowers and lists of borrowers visited indicating borrowers' names, as well as dates and places of visits. At the regional office, there is summary information on each loan with photos of the borrowers' businesses.

While progress on monitoring activities is commendable, further improvements in this area are necessary. So far, the project has not collected beneficiaries' success stories (although with loan

summaries and borrowers' photos in place this would be easy to do). The missing information represent challenges encountered by borrowers or actions taken in response.

Actions	Responsibility	Deadline	Status
Capturing Success stories Establish the procedure for identifying, analyzing and dissemination of Project success stories	M&E Specialist	Jan/ 2018	Proposed
Review of Annual Outcome Survey (AOS) 2017 AOS results to be analysed and inserted in the system and shared with component leads to guide the next work-plan. In 2018 AOS the ratio between women and men in both beneficiaries and non-beneficiaries samples has to correspond to the actual ratio of Project beneficiaries	M&E Specialist	Dec/2017	Proposed
Improve Reporting Quality Regularly report on the number of primary target group (farmers and <i>dehkan</i> producers) supported by agrifirms. Revise the formats of the AWPB and Annual Progress Report reflecting planned activities/progress following Logframe structure of outputs and outcomes	M&E Specialist	Dec/2017	Agreed

Requirements of SECAP⁴

Rating: 5

Justification of rating

HSP design was developed in 2011, thus no SECAP is available. Instead, an Environmental and Social Review Note (ESRN) was prepared at that time, which did not envisage any major issues. Project follows the recommendations of ESRN.

SECAP Review

As per recommendations of ESRN, all engineering designs have been reviewed and approved by the State Committee on Environmental Protection in Surkhandarya oblast in line with the requirements of Uzbekistan legislation. No major comment has been provided for the designs under the consideration. Given the small scale and mainly rehabilitation nature of Component interventions, no negative environmental impacts have been reported or observed in the visited sites.

iv. Financial Management and Execution

Disbursement Rate

Acceptable Disbursement Rate

Rating: 5 auto-calculated

Justification of rating

Project is in its fourth year of implementation and its disbursement rate, for the two Loans and the Grant, is 74%. There have not been any extensions.

Main issues

From last supervision Mission on June 2016, only one WA (n° 10) has been processed under IFAD Loan for an amount of US\$0.415 million (SDR0.296 million), yielding a disbursement rate of 61%. As for IFAD Grant, only one WA (n° 3) has been processed for an amount of US\$0.056 million (SDR0.041 million), yielding a disbursement rate of 32%. Four WAs (n° 13 to 16) have been processed under Trust Loan for a total amount of US\$1.550 million (Euro1.400 million), yielding a disbursement rate of 89%. Mission noted that the last WA on Trust Loan was disbursed by IFAD on 24 March 2017 and on Grant on 21 November 2016. *The mission recommends submitting two WA by 15 December 2017; one for Trust Loan and one for Grant, to respect Letter to the Borrower, which requires submitting at least one WA every 90 days.*

Flow of funds and disbursement arrangements. Disbursements from Project bank accounts are subject to a sufficient level of review and processing to ensure an acceptable level of control. All payments on Loans/Grant, are made using bank transfers, no cash payments are allowed.

⁴ Social, Environmental and Climate Assessment Procedures (SECAP)

The commitments as of 30 November, 2017 is US\$19.623 million against US\$19.101 million as of 31 May 2016 and represent 71% of the total Project cost. Due to the appreciation of US\$ against UZS, the commitments under Component 2 decreased from US\$17.901 million on 31 May 2016 to US\$16.597 million on 30 November 2017, because the contracts with the PFIs were signed in UZS.

The actual expenditures as of 30 November, 2017 is US\$19.069 million (US\$14.401 million in May 2016). It represents 69% of the total funds allocated for Project and 97% of the total commitments.

From IFAD Loan, which totals about US\$9.338 million, the actual expenditures are US\$5.066 million (54%) and from Trust Loan, which totals Euro8.460 million, the expenditures are US\$8.418 million (Euro7.500 million; 89%). However, the actual expenditures on Grant totals US\$0.261 million (27%). The actual expenditures on the MAWR (Government contribution) are low and represent only 25% (US\$0.382m) of the planned amount (US\$1.515m) and the beneficiaries' contribution is estimated to US\$4.942 million (102%). The expenditures by category on Loans and Grant are presented in the FM Appendix.

Forecasts of payments. On the basis of the allocated amounts, the payments as of 30 November, 2017, the commitments not paid and the planned activities, a forecast statement of the payments on IFAD Loan and Grant and on Trust Loan was established (FM Appendix). It appears from these statements that the available amount on IFAD Loan is SDR1.783 million (US\$ 2.496) and on Trust Loan is Euro0.514 million (US\$0.607m), which should be reallocated. The available amount on IFAD Grant is SDR0.312 million (US\$0.436m) that has to be planned to new activities under category III (Technical assistance).

Actions	Responsibility	Deadline	Status
Submit two WAs, one for Trust Loan and one for Grant	Project manager	December 2017	Agreed

Fiduciary Aspects

Quality of financial management **Rating: 4**

Justification of rating

Project Financial Management follows the IFAD guidelines. There seems to be an adequate procurement capacity. Recommendations of the previous supervision mission have been largely performed. The current procurement review has revealed no major violations. However, there are some minor issues have been noted.

Main issues

Project cost. The initial Project cost is estimated at US\$27.796 million. However, due to the appreciation of the US\$ against the SDR and Euros, **Loans and Grant proceeds in US\$ could be reduced by US\$2.269 million.** On the basis of the disbursements already done to date and the current exchange rate, the balance amount is US\$5.404 million and not US\$7.673 million as was previously estimated. Also, the initial counterpart contribution (US\$1.515m) seems to be overestimated, especially after the appreciation of the US\$ against UZS. *Therefore, the total Project cost needs to be revised.*

Organization and Staffing. Duties of the FM-Unit staff are described in the respective TORs. This Unit had acquired experience in managing Project, but *the staff require specialized training on IFAD financial management and disbursement procedures*, in order to improve its capacity.

Budgeting (AWPB). As of 30 November 2017, the payments on AWPB 2017 are US\$1,372 million yielding a payment rate of 25%. This low rate is due to the delay in implementation of the laboratory-related activities and to the appreciation of the US\$ against the UZS between the moment when the contracts were signed (US\$1 was UZS3,000) and the date of payments (US\$1 is UZS8,000). *The mission reminds that the AWPB for the FY 2018 has to be submitted to IFAD for no objection before 31 October 2017.*

Accounting. The Project transactions are recorded in the accounting software 1-C. This system is not able to generate Project financial statements to meet IFAD requirements, the SOEs, WAs, nor transaction listings for each expenditure category or financing source these are attributed to. These operations are conducted manually, outside the accounting system using Excel, making them vulnerable to errors and inaccuracies. In October 2017, RRA hired a consulting firm to resolve these issues by February 2018.

Financial Reporting and Monitoring. Interim Financial Reports (IFR) are prepared in Excel sheet from information extracted from the accounting system. However, the financial reports do not include commitments by category, component, and subcomponent. PMU submits to IFAD IFRs semi-annually and annual audited financial statements. However, according to Letter to the Borrower, Project will produce and submit IFRs on a quarterly basis.

Internal controls & Internal Audit. Mission notes that there is a sufficient level of segregation of duties and authorization with regards to transactions, through several controls mechanisms and the payments from Project bank accounts are subject to a high level of several controls. However, there is no separate Financial Management Manual (FMM). *The mission recommends completing PIM by adding a Financial Management and disbursement part.*

Use of SOE and adequacy of supporting documentation. Mission examined, on a sample basis, 21 transactions, claimed under SOE on IFAD Loan from WA 10, IFAD Grant from WA 3 and Trust Loan from WA 13 to 16, for a total amount of US\$0.6 million. Overall, Mission found the supporting documents are adequate and easily retrievable. The main finding is that Project paid a supplier for office suppliers the total amount of the invoice before delivering goods.

PFIs' obligation. Only some PFIs' send to RRA financial reports, but not on a regular periodic frequency and not according to the required format. During the Mission, PFIs' submitted their annual audit report as requested. *Mission recommends that PMU requests PFIs' to respect their commitments to furnish the requested reports.*

Actions	Responsibility	Deadline	Status
Submit Financial Management Manual to IFAD for no objection	Project Manager	Feb/2018	Agreed
To train FM staff on IFAD financial management and disbursement procedures	FM-Unit staff	March/2018	Agreed
Submit Interim financial reports to IFAD every quarter including 6 monthly cash forecasts	Chief Accountant		Agreed
Submission of 2018 AWPB, including physical targets and expected outputs, to IFAD for no objection	Project Manager	Dec/2017	Proposed
Avoid paying suppliers before they deliver goods	Project Manager		Proposed
Submit PFIs' financial report on periodical basis	Project Manager/ PFIs	June/2018 and continuous	Agreed
Submit PFIs' audit reports with a disclosure of the amounts of IFAD/STF funds channelled through them	Project Manager/ PFIs	June/2018 and continuous	Agreed
Reallocate the available amounts by category of IFAD Loan and Trust Loan	Project Manager/ IFAD		Agreed

Quality and timeliness of audit **Rating: 4**

Justification of rating

The auditor has submitted, on time, its audit report for the FY 2016. The auditor's opinion is unqualified on Project financial statement for the fiscal year 2016, on SOEs and on the designated accounts. The auditor also provided a management letter and no matters that could be deemed as material weaknesses have been revealed. It is noted that Project financial statements are not generated automatically by the accounting system, but produced in Excel sheet.

For Rural Finance Component, it is intended that PFIs would submit their institutional audited financial statements with a disclosure of the amounts of IFAD/STF funds channelled through them. PMU has

received audited financial statements from all PFIs, but with majority without the IFAD disclosure. *Mission recommends that PFIs be reminded to comply with this requirement next year.*

Counterpart funds **Rating: 5**

Justification of rating

Government continues providing sufficient contribution through tax exemption and by covering Project staff's social insurance. Beneficiary contributions have also been appropriately disclosed, though they are significantly low for irrigation rehabilitation than the minimum requirements mainly due to the reason that rehabilitation works have just started.

Main issues

As of 30 November 2017, US\$0.382 million represents 25% of the total allocated counterpart amount that has been paid from the MAWR budget. Despite, MAWR respects its commitments; this rate (25%) is too low compared to the overall Project payment rate (71%). This is due to the significant depreciation of UZS against US\$ (US\$1 was UZS1,700 at the design and US\$1 is now UZS8,000), and could be also due to an overestimation of the counterpart contribution in the total Project cost, because only civil works are submitted for tax exemption. *A revision of this contribution is recommended.*

Compliance with loan covenants **Rating: 5**

Justification of rating

Project is largely in compliance with the Loan covenants. The details with regards to the status of implementation and compliance with Project FA covenants can be found in Annex 6 of Supervision Report.

Procurement Review

Procurement **Rating: 4**

Justification of rating

Project procurement follows the IFAD guidelines as reflected in Project Procurement Manual (PPM). There seems to be an adequate procurement capacity. Recommendations of the previous supervision mission have been largely performed. The current procurement review has revealed no major violations. However, some minor issues have been noted.

Procurement Review

Recommendations of the previous IFAD mission (May 2016) have been largely performed:

Agreed action	Responsibility	Agreed date	Status
Improve skills and knowledge of Procurement Specialist through training courses	Project Manager Procurement Specialist	ASAP	Done and Continuous
Adjust PP for 2016 in line with requirements and submit to IFAD for no objection	Procurement Specialist	June 2016	Done
Adapting PPM taking into account the latest LTB amendment and submit to IFAD for no objection	Procurement Specialist	August 2016	Done
Ensure publication of GPN on the UNDB	Procurement Specialist	June 2016	Done
Create a log database of appropriate companies (goods/works)	Procurement Specialist	ASAP	Done
Make payments for development of designs for rehabilitation of irrigation systems	Project and Financial Manager	ASAP	Done and in progress
Select an international consultant to upgrade laboratory	Procurement Specialist	June 2016	Done

PMU prepares an annual procurement plan (PP) and submits it to IFAD for no objection. Since 2014 until November 2017, PMU concluded 36 contracts for a total amount of US\$1,818,000. The current review covered 20 contracts for a total amount of US\$1,153,000. (May 2016-Nov 2017).

There seems to be an adequate procurement capacity. The Procurement Specialist has been working since 2015, has sufficient proficiency in procurement (ADB, JICA, IFAD) and he has participated in a number of workshops on procurement.

The used template for Procurement Plan (PP) is in conformity with the requirements. It is observed that some procurements are not stated in PP; ID numbers of packages still differ from the procurements held; LTB thresholds do not always taken into account; there are several types of procurement in one package. The PPM has been applied in line with the IFAD guidelines. The recommendations regarding further changes to the Letter to the Borrower (LTB) have been implemented. According to the IFAD rules it is impossible to increase the procurement thresholds. General Procurement Notice (GPN) has been published on the UNDB website.

Performance of the document filing and registration system is assessed as satisfactory, except for absence of some acceptance acts. The database of eligible companies is available. The recommendations were provided on improving the record keeping system and active use of database.

Mission reviewed the tender process and related documents for all 20 contracts concluded since the last supervision. No major violations were observed. The findings for all reviewed procurements are of the same nature. It was noted: i) application of the IFAD's prior review procedures, instead of post review as specified in PP; ii) delay in distribution of bid documents and IFB; iii) delay in execution of two contracts for civil works. The measures necessary to address these issues have been discussed with the procurement staff. More details are provided in Technical Note.

Actions	Responsibility	Deadline	Status
Improve the skill and knowledge level of procurement specialist through training courses including the ITC ILO (Italy, Turin)	Project Manager and Procurement Specialist		Proposed
Adjust the PP for 2017 in line with requirements, and submit to IFAD for no objection	Project Manager and Procurement Specialist	Dec/2017	Agreed
Undertake actions in order to ensure the timely implementation of construction works (№ HSP/NCB/CW-06 and CW-07), through negotiations/communication with the contractor.	Project Manager and Procurement Specialist	Jan/2018	Agreed
Implementation of the provided recommendations on using the suppliers database, file system and other	Procurement Specialist	Dec/2017 and continuous	Agreed

v. Key SIS Indicators

1: Overall implementation performance Rating: **auto-calculated**

2: Likelihood of achieving the development objective Rating: **auto-calculated**

F. Project Modification

Modifications	
Reallocation among categories	Yes <input checked="" type="checkbox"/>
<p>Due to a significant change in US\$/UZS exchange rate during the contracts execution it is estimated that some US\$1.7 million would be released from the total allocated funds for IIDN Component. Given the short available time before the HSP completion to proceed with new irrigation investments, and the fact that the actual command area of improved irrigation networks is already 15,470 ha thus significantly exceeding the planned output indicator of 6,000 ha, it is recommended to reallocate these funds for Component 2, Rural Finance activities. Component 2 has reached 311 beneficiaries instead of 400 per the modified Logframe (78% achievement) and significantly underperformed in terms of reaching female beneficiaries: by number, it reached only 17% of women, and by loan volume, only 12% instead of 30% for each. It is estimated that the proposed modifications in the amount of about US\$2.7 million (including unallocated funds) would allow reaching the target in terms of the number of borrowers and female loan beneficiaries given that at least 50% of the provided loans would be directed to them.</p> <p>To increase women's participation in Component 2, it is also proposed to:</p> <ul style="list-style-type: none"> (a) Expand the scope of activities for which loans would be extended to include working capital loans in addition to investment loans (for example, for purchasing inputs and fertilizer for horticultural activities, land cultivation and other pre- and post-harvest activities, hiring full-time and seasonal labour, etc.). (b) To the extent possible, maintain the same loan conditions as before (loans in local currency at 9% p.a. with 1-2 years of grace period and terms of up to 5-6 years). (c) Require PFIs to offer a flexible repayment schedules to borrowers matched to agricultural and household cash flows (seasonal repayment schedules). <p>Provide clarification to PFIs and local <i>hokimiyats</i> emphasizing that loan guarantors are acceptable in the same way as hard collateral, and that loans may be provided to women as natural persons.</p>	
Extension of Project Completion Date	Yes <input type="checkbox"/>
<p>"[Click here to insert justification]" <i>If yes, mandatory section, strictly observe max. 800 characters with spaces</i> <i>Justification: Relate other request is relevant (i.e. additional financing, etc.)</i></p>	
Logical framework	Yes <input type="checkbox"/>
<p>"[Click here to insert justification]" <i>If yes, mandatory section, strictly observe max. 800 characters with spaces</i> <i>Justification: Describe the elements of the Log-frame that need changes (indicators and targets)</i></p>	
Additional financing	Yes <input type="checkbox"/>
<p>"[Click here to insert justification]" <i>If yes, mandatory section, strictly observe max. 800 characters with spaces</i> <i>Justification: provide information on the amount requested and the rationale. Relate to relevant requests</i></p>	

<i>for extension, cancellation and/or reallocation requests.</i>								
Project area						Yes	<input type="checkbox"/>	
<p>"[Click here to insert justification]"</p> <p><i>If yes, mandatory section, strictly observe max. 800 characters with spaces</i></p> <p><i>Justification: provide information on reasons for changes in the project area and new location (GPS coordinates desirables).</i></p>								
Cancellation				full	<input type="checkbox"/>	partial	<input type="checkbox"/>	
<p>"[Click here to insert justification]"</p> <p><i>If yes, mandatory section, strictly observe max. 800 characters with spaces</i></p> <p><i>Justification: Describe reasons for project cancellation and indications of reallocation if known. Relate to financing gap, second phases, or additional financing requests if relevant.</i></p>								
Environmental and social category (SECAP)		new:	A	<input type="checkbox"/>	B	<input type="checkbox"/>	C	<input type="checkbox"/>
<p>"[Click here to insert justification]"</p> <p><i>If yes, mandatory section, strictly observe max. 800 characters with spaces</i></p> <p><i>Justification: Describe reasons for changing to a new environmental and social category.</i></p>								
Climate Risk Classification (SECAP)		new:	high	<input type="checkbox"/>	medium	<input type="checkbox"/>	low	<input type="checkbox"/>
<p>"[Click here to insert justification]"</p> <p><i>If yes, mandatory section, strictly observe max. 800 characters with spaces</i></p> <p><i>Justification: Describe reasons for changing to a new climate risk classification.</i></p>								

G. Lessons Learned

Ensure synergies and complementarities between components at design

Applicability *choose one option:*

Project	<input checked="" type="checkbox"/>	Country	<input type="checkbox"/>	Region	<input type="checkbox"/>	Multiple-region	<input type="checkbox"/>
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Project implementation performance suffered from poor integration of components and sub-components. In particular, the design did not provide a description of how each components/sub-components outputs/outcomes would be integrated into other components. Overall poor integration places constraints on monitoring as well as achieving target and securing efficiency gains.

Improve project targeting and secure better gender targeting

Applicability *choose one option:*

Project	<input checked="" type="checkbox"/>	Country	<input type="checkbox"/>	Region	<input type="checkbox"/>	Multiple-region	<input type="checkbox"/>
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Key project targets and beneficiary selection criteria (e.g. gender ratio, income thresholds, agriculture-specific loan features such as cash flow-based loan analysis and seasonal repayment schedules) have to be included in SLAs as well as in the Project Implementation Manual and Investment Guidelines for all project activities.

The presence of a gender targeting awareness and strategy in the design document, at the level of RRA and PFIs is key to meeting gender targets. As no such awareness and strategy exists for the project, the implementation of gender targets has been sub-optimal.

Ensure timely setting up of the M&E system and its quality overtime

Applicability *choose one option:*

Project	<input checked="" type="checkbox"/>	Country	<input type="checkbox"/>	Region	<input type="checkbox"/>	Multiple-region	<input type="checkbox"/>
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More attention needs to be paid to the M&E system to be established by the project at the start-up phase, especially for organizations that partner IFAD for the first time. In the case of HSP, if the M&E procedures and templates would have been developed at start-up, the systems would truly inform project decisions and the attitude of staff toward M&E duties would be more positive. Poorly executed M&E functions and a negative attitude of Governmental officials and project leading staff toward technical assistance activities create a self-reinforcing loop. Although there may be a lot of improvements following training events or participation at fairs, if

data is not collected properly, decision makers would continue to think about these activities as a waste of money.

Improve sustainability through building the capacities of all stakeholders

Applicability *choose one option:*

Project	<input checked="" type="checkbox"/>	Country	<input type="checkbox"/>	Region	<input type="checkbox"/>	Multiple-region	<input type="checkbox"/>
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Provision of capacity building for all service providers, project staff and institutions is necessary to ensure successful project implementation and sustainability of outcomes. For example, PFIs would be required to apply agriculture-specific loan analysis and procedures to mitigate and manage risks both at the level of borrowers' businesses and PFIs' loan portfolios.

IFAD to provide more implementation support and follow-up

Applicability *choose one option:*

Project	<input checked="" type="checkbox"/>	Country	<input type="checkbox"/>	Region	<input type="checkbox"/>	Multiple-region	<input type="checkbox"/>
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IFAD should exercise regular follow-up to ensure the Agreed Actions are implemented according to the agreed timeline.

Provision of demonstration orchards

Applicability *choose one option:*

Project	<input type="checkbox"/>	Country	<input checked="" type="checkbox"/>	Region	<input type="checkbox"/>	Multiple-region	<input type="checkbox"/>
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In support of farmers in use of a project's outputs, in this case fruit trees, it is essential that demonstration plots be setup to provide examples of good horticultural practices in addition to act as a focal point for farmer education, problem solving and general communications.

H. Logical Framework

Results	Indicators					
	Name	C.I	Baseline	Mid-Term	Actual	End Target
Goal: Improved living standards of the rural population in the Project area.	Increase in value of household asset ownership for the 11,000 targeted households participating in project	-	38,888 USD	-		46,665 USD
Development Objective Rise in profitability and strengthen material and technical base of small producers, as well as processing enterprises and service providers working in the horticultural sector	Increase in incomes of population participating in the Project	-	6370 USD/HH 1070 USD/ per capita	-		7644 USD/ HH 1284 USD / per capita
	No of jobs created	2.2.1	0		1013	1500
Outcome 1. Operation of the profitable horticultural sector in the Project's area using modern crop cultivation technology, as well as improved entrance to the local and international markets.	Number of households reporting adoption of new/improved inputs, technologies or practices	1.2.3	0	300	65% of training and loan beneficiaries (extrapolated to 1640 HH)	720
	Percentage of households reporting an increase in production	1.2.4	0	20%	59% of training and loan beneficiaries report medium & large increases due to project	30%
	Number of supported rural enterprises reporting an increase in profit	2.2.2	0	12		15
Output 1.1 Central Nursery supported and endowed with capacity to propagate modern varieties and rootstock for sales to Agro-firms and beneficiaries.	Number of hectares under seedlings procured by processing and farm enterprises and beneficiaries from the Central Nursery	-	0	0	0	600
Output 1.2 Agro-firms identified and strengthened for providing services to small horticulture clients, contract farming, technology transfer, produce handling and marketing support.	Number of rural enterprises accessing business development services	2.1.1	0	15	16	15
Output 1.3 Training in modern farming practice, professional skills and entrepreneurship provided.	Number of persons trained in income-generating activities or business management (30% women)	2.1.2	0	400	210, including 66 women (31%)	600
	Number of persons trained in production practices and/or technologies (30% women)	1.1.4	0	1,400	2005, including 271 women (14%)	2,200
Outcome 2. Increased investments by producers, processing enterprises and service providers into the horticultural sector	Percentage of people reporting using rural financial services	1.2.5	0%	-		80%
Output 2.1. Establishment of Refinancing Fund for PFIs for on-lending to horticultural value chain participants	Number of persons in rural areas accessing financial services	1.1.5	0	-	313	400
Outcome 3. Increase in efficiency of rural producers' activities	Percentage of persons/households reporting reduced water	1.2.3	-	15%		50%

Results	Indicators					
	Name	C.I	Baseline	Mid-Term	Actual	End Target
through improvement of irrigation system.	shortage vis-à-vis production needs					
Output 3.1 Construction of facilities in rural area in order to apply modern irrigation practice and technique at the farm level.	Number of hectares of farmland under water-related infrastructure constructed/rehabilitated	1.1.2	-	2,000	893	6,000

Appendix 1: Physical progress measured against AWP&B

Progress report - MTR	Unit	Annual			Cumulative			Sum of actuals of previous years	Remarks
		AWP&B	Actual	% of AWPB	Appraisal	Actual	% of Appraisal		
Total Outreach									
Individuals/household members receiving project services	Male	15 552	4 740	30%	35 640	9 024	25%	4 284	Sum of beneficiaries under Components 1 and 3. Component 2 not included because it is expected that beneficiaries are already covered under 1&3. HH size & M/F ratio from Baseline Study.
Individuals/household members receiving project services	Female	14 928	4 550	30%	34 210	8 661	25%	4 111	
Households receiving project services	Number	4 800	1 463	30%	11 000	2 785	25%	1 322	
Component 1. Support to Horticultural Production and Marketing									
Total number of people trained	Number	800	893	112%	2 800	2 215	79%	1 322	
Total number of people trained	Male	560	659	118%	1 960	1 878	96%	1 219	
Total number of people trained	Female	240	234	98%	840	337	40%	103	
People trained in income generating activities and business management	Number	200	210	105%	600	210	35%	0	
People trained in income generating activities and business management	Male	140	144	103%	420	144	34%	0	
People trained in income generating activities and business management	Female	60	66	110%	180	66	37%	0	
People trained in crop production practices and technologies	Number	600	683	114%	2 200	2 005	91%	1 322	
People trained in crop production practices and technologies	Male	420	515	123%	1 540	1 734	113%	1 219	
People trained in crop production practices and technologies	Female	180	168	93%	660	271	41%	103	
Component 2. Rural Finance									
Financial institutions participating in the project	Number	2	2	100%	7	7	100%	7	

Active borrowers (individuals)	Male				89	143	161%	143	
Active borrowers (individuals)	Female				36	36	100%	36	
Active borrowers (enterprises)	Male	3	2	67%	53	116	219%	114	
Active borrowers (enterprises)	Female				24	16	67%	16	
Enterprises accessing facilitated financial services	Number	3	2	67%	77	132	171%	130	
Value of gross loan portfolio (indiv)	USD				2 449 789	2 514 619	103%	2 514 619	
Value of gross loan portfolio (enterprises)	USD	237 000	135 886	57%	9 482 412	9 306 599	98%	9 170 713	
Component 3. Improved Irrigation Network									
Land under irrigation schemes constructed/rehabilitated	Ha	2937	893	30%	6000	893	15%	-	
Land under irrigation schemes in process of construction	Ha		9108						
Land under irrigation schemes in process of contracting or mobilization	Ha		5469						

Appendix 2: Financial: Actual financial performance by financier; by component and disbursements by category

Table 2A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursement (USD '000)	Balance	% disbursement (2) / (1)
IFAD Loan	9 338	5 413	3 925	58%
IFAD Grant	973	307	666	32%
Trust Loan	11 107	8 572	2 535	77%
Government	1 515	382	1 133	25%
Beneficiaries	4 863	4 942	-79	102%
Total	27 796	19 616	8 180	71%

Table 2B: Financial performance by financier by component (USD '000)

Component	IFAD Loan			Trust Loan			IFAD Grant			Government			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1 Support horticultural production & marketing	0	0		716	155	22%	677	99	15%	120	3	3%	460	0		1 973	257	13%
2 Rural Finance	4 043	3 617	89%	10 237	8 205	80%	50	0		0	0		3 570	4 775	134%	17 900	16 597	93%
3 Improvement irrigation & drainage networks	3 667	874	24%	0	0		0	0		900	129	14%	833	167	20%	5 400	1 170	22%
4 Project Management	1 628	576	35%	154	57	37%	246	162	66%	495	250	51%	0	0		2 523	1 045	41%
Total	9 338	5 066	54%	11 107	8 418	76%	973	261	27%	1 515	382	25%	4 863	4 942	102%	27 796	19 069	69%

Table 2C-a: IFAD grant disbursements (SDR, as at 30-11-2017)

Category	Allocation (1)	Disbursement (2)	WA pending (3)	Balance (4) = (1) - (2) - (3)	% disbursement (2)/(1)
Authorized allocation	0	129	0	-129	100%
Technical assistance	645	77	0	568	12%
Total	645	207	0	438	32%

Table 2C-b: IFAD loan disbursements (SDR, as at 30-11-2017)

Category	Allocation (1)	Disbursement (2)	WA pending (3)	Balance (4) = (1) - (2) - (3)	% disbursement (2)/(1)
Authorized allocation	0	647	0	-647	100%
I. Works including Design & Supervision	2 360	236	0	2 124	10%
V. Rural Finance	2 620	2 576	0	44	98%
VI. Recurrent Cost	960	330	0	630	34%
VII. Unallocated	250	0	0	250	0%
Total	6 190	3 789	0	2 401	61%

Table 2C-c: Trust loan disbursements (Euro, as at 30-11-2017)

Category	Allocation (1)	Disbursement (2)	WA pending (3)	Balance (4) = (1) - (2) - (3)	% disbursement (2)/(1)
Authorized allocation	0	1 000	0	-1 000	100%
II. Vehicles, Equipment and Materials	475	120	0	355	25%
IV. Training	230	35	0	195	15%
V. Rural Finance					
b) Credit line for farmers	4 840	3 985	0	855	82%
c) Credit line for small producers	2 480	2 380	0	100	96%
VII. Unallocated	435	0	0	435	0%
Total	8 460	7 520	0	940	89%

Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B.6	Opening of the Special Account	Upon Effectiveness	Complied with	Special Account with Ipak Yuli
Section E.1.a	The RRA has been officially appointed for Project management	Disbursement condition	Complied with	
Section E.1.b	A Project Manager and a Chief Accountant, with qualifications and experience acceptable to the Fund, have been appointed	Disbursement condition	Complied with	
Schedule 3.1	Cabinet of Ministers shall adopt a resolution to allow the importing of highly productive new varieties of plants and rootstock including varieties and rootstock not yet listed in the Official Catalogue of Authorized Planting Materials	One year after Effectiveness	N/A	The Project has not started this activity, so no need for the resolution yet
Schedule 3.2	Borrower/Recipient shall ensure that all Subsidiary Loans shall be disbursed from and repaid to a dedicated RRA Subsidiary Loan Account operated by the RRA	Disbursement condition for credit lines	Complied with	
Schedule 3.3	At all times during the Project Implementation Period the Borrower/Recipient shall ensure that all civil works, equipment and services imported for the purposes of the Project shall be exempted from any custom duties or taxes	Continuous	Complied with	A Government resolution has been issued
Section 4.08	Use of IFAD Loan proceeds	IFAD Loan proceeds to be used exclusively to finance Eligible Expenditures	Complied with	
Section 7.01	Annual Work Plans and Budgets and Procurement Plans to be submitted to Fund	No later than 60 days before beginning of each Fiscal Year	Partly Complied with	AWPB submitted to IFAD in January 2017
Section B.8	Availability of Loan Proceeds and Counterpart Funds	Continuous	Complied with	
Section 7.05	Procurement of goods, civil works and services in accordance with Schedule 4	Continuous	Complied with	
Section 8.02	Monitoring, establishment of information management system	Continuous	Partly Complied with	This area requires improvements
Section 8.03	Progress Reports to be submitted to IFAD on a six-monthly basis	No later than six weeks after the end of each six-month period	Complied with	
Section 8.03	A Mid-Term Review to be carried out jointly by Borrower and IFAD	No later than 36 months after the Effective Date	Complied with	
Section 9.02	Submission of Financial Statements	Within 4 months after the end of each fiscal year	Complied with	Part of annual reports
Section 9.03	Audit Reports on project accounts of each year to be submitted to Fund	Within 6 months after the end of each fiscal year	Complied with	

Appendix 4: Technical Background Analysis

Technical notes have been prepared for each component and placed on Project file due to large volume.

Appendix 5: Mission Preparation and Planning, TORs, Schedules, People met.

List of people met

	Name	Position	Institution
1.	Mr. Nodir Gafurov	HSP Manager	RRA
2.	Mr. Sherzod Rajametov	HSP Horticulture Specialist	RRA
3.	Mr. Sherzod Ibragimov	HSP M&E Specialist	RRA
4.	Mr. Nasriddin Utayev	Engineer	RRA
5.	Mr. Nasrullo Tilabov	Head of Field Office	RRA
6.	Mr. Shakir Sakiev	Field Office Engineer	RRA
7.	Mr. Oibek Astanov	Field Financial Specialist	RRA
8.	Mr. Abdugami Kuzimuratov	Director	"Bandikhan" Experimental Unit
9.	Mr. Vakhob Abdukhakimov	Representative of contractor	"Turon" (HSP/NCB/CW-08)
10.	Mr. Shokir Mingniyazov	Supervisor	HSP/NCB/CW-08
11.	Mr. Nigmat Yergashev	Representative of contractor	"Fakhridin" (HSP/NCB/CW-02)
12.	Mr. Kholmukhamat Imamov	Supervisor	HSP/NCB/CW-01; 02; 03 and 04
13.	Mr. Ilash Rahimov	Representative of contractor	"Okdare Bunedkor Kuruvchi Service" ((HSP/NCB/CW-03; 04; 05; 06 and 07)
14.	Mr. Sakhil Rafshanov	Representative of contractor	"Bunedkor Omadli Dilshod" (HSP/NCB/CW-09)
15.	Mr. Magit Mukhiddinov	Chairman	WCA "Chilim Guzar"
16.	Mr. Shamrat Jumayev	Farmer	Kumkurgon-2 canal area
17.	Mr. A.Bozorov	Deputy head of Surkhandarya branch	Central Bank of Uzbekistan
18.	Field representatives of 6 participating banks		
19.	Mr. A.Rakhmatov	First deputy governor	Khokimiyat of Djarkurgan district
20.	Mrs. D.Haydarkulova	Deputy governor on women's issues	Khokimiyat of Djarkurgan district
21.	Mr. Parda Husanov	Dekhan farmer (veg greenhouse)	
22.	Mrs. Nodira Choriyeva	Dekhan farmer (veg greenhouse)	
23.	Mr. Mahmud Manguberdi	Cold storage	"Manguberdi Mahmud Trans" LLC
24.	Mr. D.Allaberdiev	First deputy governor	Khokimiyat of Denau district
25.	Mrs. N.Toshqulova	Deputy governor on women's issues	Khokimiyat of Denau district
26.	Mr. U.Daminov	Cold storage	"Stall Pluys services" LLC
27.	Mr. Elbek Sadullayev	Cold storage	"Sadullayev Elbek" LLC
28.	Mr. Diyor Ravon	Production of plastic boxes	"Ravon Diyor" LLC
29.	Mr. E. Hasanov	First deputy governor	Khokimiyat of Sariosiyo district
30.	Mrs. Z. Esanova	Deputy governor on women's issues	Khokimiyat of Sariosiyo district
31.	Mr. Ergash Tursunov	Dekhan farmer (lemon greenhouse)	
32.	Mrs. Manzura Hamroqulova	Dekhan farmer (lemon greenhouse)	
33.	Mrs. D. Safarova	Deputy governor on women's issues	Khokimiyat of Uzun district
34.	Mr. Sardor Umid Yusuf	Cold storage	"Sardor Umid Yusuf" LLC
35.	Mrs. M.Ziyayeva	Cold storage	"Nozik Sanoat Qurilish" PE
36.	Mrs. A.Ahmedov	Cold storage	"Dashnobod Ahmed Umid Charos" farmer
37.	Mr. Dj.Tashkulov	Deputy director	Turon Bank
38.	Mr. O.Kim	Deputy Chairman of the Board	Turon Bank
39.	Mr. I.Mamadjanov	Chief of Department of coordinating and monitoring investment activity	IPOTEKA BANK
40.	Mr. Z.Akhmedov	Deputy Chairman of the Board	Mikrocreditbank
41.	Mr. A.Mardanov	Deputy director	Mikrocreditbank