

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Government of Uzbekistan's strategic agenda for agriculture and business development is supported by (i) the Asian Development Bank (ADB), which has provided six financial intermediation loans and six capacity building technical assistance projects since 1996, and has made an equity investment in Ipak Yuli Bank; (ii) the World Bank, which has extended financial intermediary loans to small businesses, equity investment, and financial infrastructure improvement, and more recently to horticulture development; (iii) the United Nations Development Programme (UNDP), which has supported agriculture value chain development; (iv) German development cooperation through Kreditanstalt für Wiederaufbau and Deutsche Gesellschaft für Internationale Zusammenarbeit, which have provided credit lines and financial literacy program for small businesses; and (v) the European Union. There are several bilateral arrangements that also support the government's agriculture and business development agenda, with particular focus on rural enterprise development in the agriculture sector, including with Japan International Cooperation Agency, Korean International Cooperation Agency, and United States Agency for International Development.

2. The World Bank's 2012–2015 Country Partnership Strategy for Uzbekistan identified opportunities for the agriculture sector and to bring higher growth and greater value addition to the economy. As a direct outcome, the World Bank has been implementing projects such as (i) Rural Enterprise Restructuring Project, and subsequent Rural Enterprise Restructuring Project II (\$107.9 million), providing financial support to improve irrigation and drainage on 95,500 ha, and credit to 503 farmers and food-processing enterprises for machinery, poultry, fishery, tree crops, and processing; (ii) Horticulture Development Project (\$150.0 million); (iv) South Karakalpakstan Water Resource Management Improvement Project (\$260.8 million); and (v) Fergana Valley Water Resources Management Project Phase I (\$65.5 million). In addition, the Global Environment Facility approved a grant under the administration of the World Bank to support the Sustainable Agriculture and Climate Change Mitigation Project (\$12.7 million), to introduce renewable energy and energy-efficient technologies to agribusinesses and farms, and to strengthen capacity for improving degraded irrigated land and water conservation in selected regions. This grant will complement the ongoing second phase of the Rural Enterprise Support Project.

3. The International Fund for Agriculture Development is implementing a \$30.0 million Horticulture Development Project.

4. UNDP, in cooperation with the Chamber of Commerce and Industry of Uzbekistan, is implementing the Business Forum Project (Phase III) to (i) introduce the online mechanisms for public review of legislation and business registration, and (ii) establish business facilitation centers throughout the country. UNDP's Aid for Trade (Phase III) promotes exports from small- and medium-sized enterprises, the creation of an electronic trade platform, and the creation and maintenance of agro-processing value chains. The UNDP Central Asian Multi-Country Programme on Climate Risk Management provides support and capacity development to the Ministry of Emergency Situations and other national stakeholders, to reduce the risk of occurrence of climate change-related natural disasters and integrate climate risk management in the development of Uzbekistan's strategies and plans.

5. The United States Agency for International Development and the European Union have provided support to develop the innovative and commercially viable horticulture sector, not only

through traditional, on-farm work but also by taking advantage of off-farm opportunities and engaging women in agriculture value chains. The European Bank for Reconstruction and Development was involved in improving the competitiveness of small enterprises in Uzbekistan through its Business Advisory Services and the Enterprise Growth Program.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
ADB	Rural Enterprise Development Project	1996–2000	50.0
ADB	Small and Medium Enterprise Development Project	2000–2005	50.0
ADB	Small and Microfinance Development Project	2002–2007	20.0
ADB	Second Small and Microfinance Development Project	2010–2013	50.0
ADB	Small Business and Entrepreneurship Project	2013–2015	50.0
ADB	Small Business and Entrepreneurship Project II	2016–2020	100.0
ADB	Institutional Strengthening of National Bank of Uzbekistan	1996–2000	0.8
ADB	Grain Productivity Improvement	2004–2009	26.0
ADB	Ak Altin Agricultural Development Project	2002–2010	36.0
ADB	Developing Prudential Regulation and Supervision of Savings and Credit Unions	2003–2007	0.4
ADB	Capacity Building for Microfinance Development	2010–2011	0.6
ADB	Improving Rural and Women's Small Businesses Access to Finance	2014–2015	0.5
ADB	Land Improvement Project	2009–2015	60.2
ADB	Amu Bukhara Irrigation System Rehabilitation Project	2014–2020	380.0
ADB	Multitranches Financing Facility: Housing for Integrated Rural Development Program	2011–2015	500.0
ADB	Equity Investment in Joint-Stock Commercial Bank Ipak Yuli	2013–current	6.0
EBRD	Business Advisory Services and the Enterprise Growth Program	1998–2011	10.7
EU	Sustainable Development in Rural Areas	2016–2019	10.0
EU	Sustainable Development in Rural Areas of Uzbekistan	2015–2019	10.5
GIZ	National Financial Literacy Project	2015–2017	0.7
IFAD	Horticulture Development Project	2013–2017	30.0
IFC	Central Asia Agri-Finance Project	2014–2018	—
IFC	Agribusiness Standards in Europe and Central Asia	2013–current	—
IFC	Micro and Small Enterprise Support to Hamkorbank (\$3 million senior loan, \$2 million in equity and quasi-equity)	2012–current	5.0
IFC	Financial Infrastructure Advisory Services Project	2009–2018	2.0
KfW	Micro, Small, and Medium-Sized Enterprise Finance Project	1996–2008	32.3
UNDP	Business Forum of Uzbekistan (Phase III)	2014–2017	1.2
UNDP	Aid for Trade	2014–2018	1.3
UNDP	Inclusive Employment and Social Partnership Project	2011–2014	1.2
USAID	Agriculture Value Chain Development	2015–2018	10.0
World Bank	Rural Enterprise Support Program II	2008–2015	108.0
World Bank	Sustainable Agriculture and Climate Change Mitigation	2013–2016	120.6
World Bank	Horticulture Development Project	2015–2021	183.1

— = not available, ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, EU = European Union, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, KfW = Kreditanstalt für Wiederaufbau, UNDP = United Nations Development Programme, USAID = United States Agency for International Development.

Source: ADB.

B. Institutional Arrangements and Processes for Development Coordination

6. During the project preparation, ADB consulted with development partners supporting the agriculture sector and small business development in Uzbekistan. The Interagency Council on Cooperation and the Department on Coordination and Control of Purposeful Utilization of Humanitarian Aid and Technical Assistance Funds, under the Ministry of Finance Development, coordinate assistance. The Ministry of Economy and the Ministry of Foreign Economic Relations, Investments, and Trade also coordinate and monitor financial assistance from development partners and the implementation of foreign-assisted projects.

C. Achievements and Issues

7. The proposed project leverages lessons from previous financial intermediation loans and projects in the agriculture, natural resources, and rural development sector. Knowledge from ADB-financed Small Business Finance Project has also been relevant in formulating implementation arrangements to maximize time and resource efficiency.¹ The financial intermediation loans also provided the following lessons, which have been considered in the project design: (i) providing participating financial institutions (PFIs) with longer-term funds for onlending to small businesses is relevant in the horticulture sector in the establishment of fruit orchards, which may take several years to mature; (ii) strengthening PFIs' capacity for lending, rural outreach, and risk management is important to ensure long-term sustainability; and (iii) extensively engaging with female-run businesses will improve women's entrepreneurial capacity. This proposed project offers a refined and streamlined process following ADB practices and mirroring that used in past and ongoing financial intermediation loan projects financed by ADB and other development partners. To implement this, PFIs will have to strengthen their capacity to manage sub-lending, but this is achievable with the technical and advisory support of the project management office in the Rural Restructuring Agency which is fully resourced, experienced, and capable.

D. Summary and Recommendations

8. The ADB intervention will contribute to Uzbekistan's development vision of becoming an industrialized upper-middle-income country by 2030.² Small businesses are the critical drivers for inclusive growth and job creation. The project will help improve access to longer-term credit by farmers and enterprises engaged in the horticulture value chain and will strengthen the capacity of selected PFIs to effectively deliver financial services. The government has established a mechanism to coordinate development partners that will help oversee the efficient utilization of external aid. The project complements support from other development partners as a result of close cooperation and shared information, including consultations during review missions and discussions with the Uzbekistan Resident Mission.

¹ ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan for Small Business Finance Project in Republic of Uzbekistan*. Manila.

² Government of Uzbekistan. 2015. *Presidential Decree No. 4707: On the measures for structural reforms, modernization and diversification of production in 2015–2019*. Tashkent.