

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Macroeconomic			
Macroeconomic downturn leads to a decline in consumer demand for nonstaple foods	Low	The pattern of consumer demand for food products reflects a shift in preference toward supermarket shopping and higher quality products. Increased supply of horticulture products emanating from the ALCs will ensure a constant flow of high-quality products at lower, more stable prices that will maintain demand.	Ministry of Economy
Horticulture exports may be constrained by competition from neighboring countries and failure to improve product quality. This may reduce demand for the services of the ALCs.	Substantial	Government policy and strong institutional and financial support for the promotion of the horticulture sector, especially exports. Uzbekistan has a comparative advantage in many fruit and vegetable products. The increased volume and improved quality of products generated by the ALCs will help to maintain and increase competitiveness of Uzbek products.	Ministry of Economy and Ministry of Agriculture
Continuing general constraints on doing business in Uzbekistan	Moderate	Government policy supports private sector development as reflected in recent initiatives such as foreign exchange liberalization, and the strategy for government to reduce its involvement in commercial activity.	Ministry of Economy
Governance			
Weak governance and corruption in Uzbekistan increase the costs of doing business and constrain business development.	Moderate	Good governance is a government objective defined in its development strategy for 2016–2020. The government has restricted the unnecessary checking and monitoring of small businesses by government agencies. Corruption risk is mitigated through annual independent assessment of efficiency of the management board of ALCs' management company and its internal control systems aligned with the national Code of Corporate Governance.	Ministry of Economy, and ALCs' management company
Regulatory			
Reintroduction of foreign exchange controls may adversely affect servicing the ADB foreign currency debt from ALCs' earnings in local currency.	Substantial	Government liberalized currency conversion in September 2017. ALC management company will recruit risk management staff as part of its financial management action plan.	ALC management company

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Business			
Farmers, traders, and agro-enterprises may be unwilling to abandon existing low-cost marketing channels in favor of improved but more expensive facilities offered by ALCs.	Substantial	Project management will undertake intensive promotion of the ALC concept and the advantages of access to multiple services in a single location.	ALC management company and project management office
Failure of producers and processors to embrace the need to provide better quality product of international standard will constrain access to new, more sophisticated, and higher-value markets, including increasingly quality-conscious Uzbek consumers.	Low	Government policy and strong institutional and financial support for the promotion of the horticulture sector, especially exports. Access to modern storage and processing technologies within the ALCs will facilitate an increase in post-harvest efficiency and improvements in product quality and availability.	ALC management company and project management office
Availability and quality of transport infrastructure to cope with the expected increase in the volume of exports promoted by the ALCs.	Moderate	Improvement of transport logistics is specifically addressed in Presidential Resolution UP-5388 of 29 March 2018 which supports investment in infrastructure development as part of the horticulture cluster initiative.	ALC management company
Procurement			
Procurement may be delayed because of government review procedures.	Moderate	RRA has significant experience in procurement procedures of the government and ADB and development partners. The project management and supervision consultants will assist in the preparation of procurement documentation and responses during the government review process.	Project management office
Overall	Moderate		

ADB = Asian Development Bank, ALC = agro-logistic center, RRA = Rural Restructuring Agency.
Source: Asian Development Bank.