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AGRICULTURAL LINKAGES PROJECT (AGLINKS UZBEKISTAN)

QUARTERLY REPORT (Q2 FY 2009)

JAN 2009 – MAR 2009

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AGRICULTURAL LINKAGES PROJECT

(AGLINKS)

Q2 FY 2009 QUARTERLY REPORT

JAN 2009 – MAR 2009

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ACRONYMS

ADB	Asian Development Bank
BDS	Business Development Services
BEO	Bureau Environmental Officer
CE	Categorical Exclusion
CIS	Commonwealth of Independent States
CNFA	Citizens Network for Foreign Affairs
CPS	Crop Protection Services
DAI	Development Alternative Inc.
Dekhan	backyard farm
DPP	Dynamic Planning Process
EU	European Union
FtF	Farmer-to-Farmer
FY	Fiscal Year
G&A	General and Administrative
GOU	Government of Uzbekistan
ha	hectare (10,000 square meters, 100 meters by 100 meters, 2.47 acres)
HACCP	Hazard Analysis and Critical Control Points
HO	Home Office
HPLC	High Performance Liquid Chromatograph
IEE	Initial Environmental Examination
IKS	Islohotkonsaltservis, Ltd. (local consulting firm)
ISO	International Organization for Standardization
JSC	Joint Stock Company
Kholhoz	collective farm (during Soviet era)
LLC	Limited Liability Company
LOP	Life of Project
LSP	Local Service Provider
MAWR	Ministry of Agriculture and Water Resources of Uzbekistan
M&E	Monitoring and Evaluation
MERIT	Ministry of External Economic Relations, Investment and Trade of Uzbekistan
MOU	Memorandum of Understanding
NDC	Negative Determination with Conditions
NGO	Non-Governmental Organization
Oblast	province
ODC	Other Direct Costs
OH	Overhead
PD	Positive Determination
PERSUAP	Pesticide Evaluation Report and Safe Use Action Plan
Pudrats	Family-based agricultural production units
Rayon	district
SDC	Swiss Agency for Development and Cooperation
SEAF	Small Enterprise Assistance Fund
Shirkat	production cooperative (Uzbek)
SME	Small and Medium size Enterprises
Sovhoz	state farm enterprise (during Soviet era)
TA	Technical Assistance
TCN	Third Country National
TQSA	Temporary Quarters Subsistence Allowance
TTCC	Tashkent Testing and Certification Center

Tumani	rayon (district) in Uzbek
UNDP	United Nations Development Program
USG	United States Government
USAID	US Agency for International Development
VAT	Value Added Tax
Viloyat	Oblast (province) in Uzbek
WUA	Water User's Association
WUASP	Water User's Association Support Project

This report covers the second complete quarter of the re-sized AgLinks Project which began operations in Uzbekistan in September 2008. The make-up of the team was changed this quarter with the departure of the deputy director and his replacement with a new hire. AgLinks began to explore options to co-locate and co-operate with the new Farmer-to-Farmer (FtF) implementing partner, CNFA. Finally, the team began exploring options for cost-share procurement that did not entail leasing.

A. ADMINISTRATION

Major actions undertaken this quarter include continuing dialogue with the Government of Uzbekistan on official project status, hiring of replacement personnel, and potential office sharing with the FtF program.

A.1. Legal Status.

The project legal status as a “Resident Representation of DAI” and not a “USAID Project” was the subject of renewed efforts to rectify this situation during the quarter. USAID Uzbekistan received written feedback from the Cabinet of Ministers on the proposed Memorandum of Understanding (MOU) between the two governments as represented by their respective ministerial level entities (USAID and Ministry of Agriculture and Water Resources, respectively). Project staff, in collaboration with USAID, met with ministry counterparts to discuss the recommendations and drafted a revised MOU. The revised MOU was reviewed by USAID, edited and approved as a formal response. The project translated the USAID-approved MOU into Russian and the resultant documents were re-submitted to the Cabinet of Ministers accompanied by a Diplomatic Note prepared by the US Embassy in Uzbekistan. By the end of the quarter no formal response had yet been received regarding this second submission of the MOU. The project will continue to engage the GOU, in collaboration with USAID, to clarify the status of the AgLinks activity in Uzbekistan.

A.2. Personnel.

Home Office (HO). A new Director for the Economic Growth (EG) Sector was named and began work this quarter at the DAI Home Office. Gary Kilmer is a long-time DAI staffer with extensive field and Home Office experience with DAI. The AgLinks activity is located within the Economic Growth Sector at DAI and the HO AgLinks backstop team of Heather Dale, Ravi Nayak and Rachel Chapman report to the EG Director. Mr. Kilmer has taken a keen interest in AgLinks having worked on several similar projects in Eastern Europe.

Field Office. The field office staff underwent another significant change during this quarter with the departure of the Deputy Director, Sharof Mashrabi, who had won the US green card lottery. Mr. Mashrabi was the remaining technical staffer from the time of the launch event in June 2008. The field team began a new recruitment this quarter and was extremely pleased with the quality of applicants, mostly due to the imminent closure of the USAID Water User’s Association Support Project (WUASP) project. This new recruitment resulted in hiring Asror Nazirov, former head of the WUASP project in Uzbekistan. Mr. Nazirov began work with AgLinks in Mid-February.

With Mr. Nazirov on-board the renewed team proceeded to complete the planned technical staff by launching a third and final recruitment. The resulting hire from this recruitment is targeted to begin work in mid-April 2009. With the final recruitment completed the AgLinks staff configuration will consist of a Director, one Senior Technical Specialist, three Junior Specialists, one Financial and Administrative Officer, a Receptionist, two Drivers, and a part-time Information Technology specialist (see AgLinks organizational chart in Annex A).

A.3. Office.

The Director of the USAID Almaty Economic Growth team, John Irons, along with a representative of CNFA, Davit Kirvalidze, visited the AgLinks offices at the end of the first week of March. Discussions included the possibility of AgLinks hosting CNFA staff to implement the Farmer-to-Farmer (FtF) program in Uzbekistan. AgLinks staff are very receptive to this idea because of the potential synergies between the two programs and feel that 1 to 2 CNFA staffers could certainly be accommodated in the existing AgLinks office, even with the addition of the third technical specialist.

A.4. Banking.

The reconfiguration of ABN Amro to Royal Bank of Scotland (RBS) accounts was completed this quarter. Monthly salary payments for local staff have been delayed by several days as RBS accumulates the required cash in local currency even with a week's written advance notice. Project staff engaged the bank about the latter's need for increased lead time to mobilize local cash.

A.5. Leasing.

The project informed Business Leasing of the need for their increased financial participation in any leases sponsored by AgLinks, per conversations held during the first week of March with USAID staff. Business Leasing did not formally respond to this new information and AgLinks has begun exploring alternatives to leasing to implement cost-share procurements. The most likely alternative is direct cost-share participation by capital equipment recipients without a financing intermediary, as discussed with USAID in early March.

A.6. Issue(s).

AgLinks, along with USAID, will continue to monitor progress in obtaining "project" status from the Government of Uzbekistan. At the end of the quarter no new information was available, although we were told the submitted second MOU version is under review and comment by members of the Cabinet of Ministers. AgLinks will continue to monitor this action.

The conversion of ABN Amro to RBS in Uzbekistan has had little impact on the project aside from increased delays in accessing local currency in sufficient quantities to meet monthly payroll. To-date these delays have not exceeded more than a few days and will continue to be monitored.

The team launched the third technical recruitment and will review and interview applicants with the goal of completing this final hire by mid-April.

B. TECHNICAL

AgLinks support activities focused on establishing demonstration plots, trainings and sales opportunities as the project sought to enhance farm options in the 2009 season.

B.1. AgriFirms.

Training - Fruit Tree Pruning. Pruning seeks to maximize the amount of fruit bearing wood to structural wood on fruit trees. By allowing more sunlight to reach fruit bearing wood the tree can produce more and better quality fruit in a given season. AgLinks staff procured fruit tree training materials from the University of California at Davis which were adapted to Uzbek conditions. These materials included training films and PowerPoint presentations. A two-day training was organized in February with AgLinks technical staff and a local expert that consisted of both classroom and field instruction.



Classroom Training on Tree Pruning
Quvasoy District – February 2009

Demonstration Plots - Grapes. A terms of reference was competitively bid and awarded to install three grape demonstration plots with trellises in different locations. These demonstration plots will be used throughout the project to provide grape farmers with hands-on training locales to experience productivity enhancing techniques and technologies. The targeted areas for the one hectare demonstration plots were two in Samarkand Province and one in Namangan Province. A farmer from the Water Users Association in Pungon within Pop District (Namangan Province) volunteered his land for the demo plot. In Samarkand Province, farmers of two different AgriFirms provided one hectare plots for installation of the trellises. Over 95% of the trellises were fully installed in the three demonstration plots by the end of the quarter. The first instance of using these trellising systems as training aids will be in April as support to the scheduled grape production best practices training.



Completed Trellising of Demo Plot
Pungon District – Samarkand Province

Trellises serve to raise grape vines from the ground which has multiple benefits on plant productivity. Raising plants along with proper pruning provides more sunlight to reach the plant and produce fruit. Plants above the ground also are not subject to excessive water damage from heavy rains. Raised plants also allow for the creation of a canopy to increase output due to greater sun exposure and quality by non-contamination from the soil.

Stone Fruit Cold Store. The cold storage proposals advanced this quarter with site visits to existing and potential locales for cold store installation. Existing sites were visited to ascertain the technical, electrical and environmental aspects of installing cooler systems. Additional visits were made to potential sites to determine the appropriateness of the proposed installation locales. The three targeted agrifirms for cold store installation are Muyan, Bekhizor (Ferghana Province) and Istiqlol (Samarkand Province). Technical specifications were designed and refined throughout the quarter based upon the additional information gathered. Procurement will proceed early next quarter after receiving the final cost estimates and seeking formal technical approval for this activity.



Visited Cold

Store – Interior View

Samarkand Province

Improved Irrigation Infrastructure. Continued ground-truthing of the need for a pipeline extension in the Samarkand WUA (“Hojabuston Suv Tarmogi”) resulted in information that led the team to discontinue this idea. The total number of farmers to benefit from this extension were insufficient to justify the level of investment required.

B.2. Producers.

Producer activities were combined with AgriFirm activities to achieve economies of scope in grape trellising and fruit tree pruning. Hence, agrifirm and WUA farmers were trained in similar or joint sessions. A fruit tree nursery study was also completed and renewed efforts to engage Shredder Institute were undertaken.



Installed Trellises
Hojabuston WUA – Payarik District

Grapes. The grape demo plots described above were installed in both agrifirm and WUA farmer locales. A total of just over 1500 trellises were produced, delivered and installed during this quarter for three demonstration plots averaging around 500 trellises per plot. The wire used on the trellises to support the grape vines totaled just under 29,000 meters.

Stone Fruits. The focus of stone fruit activities this quarter was pruning training which was also described in the agrifirms section of this report. A total of 22 people attended this training including both farm owners and field workers. The field portion of the training took place in farmer's fields and comprised three-quarters of the time devoted to training. Farmers and their field workers were very receptive to the new pruning techniques. The new methods introduced have been labeled as the "American Method". The pruned trees will be closely monitored in the coming spring season to note the change in quality and quantity of fruit produced.



Field Training on Tree Pruning
Quvasoy District – February 2009

Nursery. The nursery survey was implemented during the latter part of February 2009 and a final report received in early March. The report recommendations included the need for training of both public and private nursery workers plus a re-doubling of efforts to engage Shreder Institute staff. The report concluded that the fruit tree nursery market in Uzbekistan is comprised of three categories of actors; Shreder Institute, private nurseries and resellers. The latter are not growers and only buy and sell. There is also a need to bring attention to the possibility of plum pox infestation in stone fruits. This virus is already present in Italy and neighboring Afghanistan and can decimate a stone fruit industry. The report further noted the need to focus on breeding true-to-type varieties in both the public (Shreder) and private nursery systems. The team began implementation of these recommendations by renewing efforts to engage Shreder staff at their Tashkent head office and provincial field offices by inviting their staff to attend and participate in AgLinks trainings.

B.3. Private Sector.

AgLinks staff continued efforts to identify potential markets within the region for Uzbek agricultural produce. During this quarter the team co-sponsored AgLinks client attendance at ProdExpo in Moscow and GulFood in Dubai. In each case the clients were responsible for their own lodging and per diem costs while the project paid for transportation, registration and other travel related costs. Of these two shows, ProdExpo, like Ingredients during the last quarter, led to the most interest in Uzbek produce. ProdExpo is organized by country pavilions rather than commodity. Given this experience the project will continue to focus future marketing efforts on the Russian market.

Market Identification and Development. Team members attended ProdExpo (Moscow) and GulFood (Dubai) with clients during the quarter. ProdExpo was attended by Siyob Sahovat (Tony Green brand) and Green World agroprocessors, as well as Istiqlol Meva Sabzavot agrifirm representatives. By the end of the quarter two of these three clients reported to AgLinks that they were in negotiations to finalize supply contracts with buyers identified during ProdExpo. The Dubai show was not as well attended as previous years, was more interesting for processors than fresh fruit and vegetable producers and was dominated this year by sellers over buyers, partially due to the global economic downturn. In a follow-up visit to Russia after the Ingredients trade show from last quarter, BERAD Group of Companies provided AgLinks with a copy of the Ingredients-related contract valued at \$1.4 million to supply dried vegetables (onions, cabbage, potato, beets, and carrots) and spices (red and hot peppers, dill, parsley, and barberry).

Processing Equipment. Given anticipated budget shortfalls the project will continue to focus on local processing solutions at the small to medium scale levels. Most of the funds budgeted for cost-share procurement will remain focused on cold storage at the agrifirm level rather than to support processing equipment. Agroprocessor clients (BERAD, Green World, Siyob Sahovat and AgroMir) will continue to receive support from AgLinks to identify market outlets.

B.4. Public Sector.

Public sector support efforts this quarter were focused on refining and placing the order for the High Performance Liquid Chromatograph (HPLC) for the Tashkent Center for Testing and Certification (TCTC). Laboratory standards via ISO 17025 are of keen interest to the TCTC but less so to the private agroprocessors because of the latter's basic testing facilities. The draft PERSUAP was completed, reviewed at the country level and submitted to USAID for formal comment and eventual approval. Finally, the team re-engaged with Shreder Institute to determine how best to cooperate on points of common interest.

Training on ISO 17025. Private agroprocessors remained less interested in ISO 17025 training as their internal labs are not presently seeking this type of certification. The TCTC remains interested and AgLinks has continued discussions with this laboratory to determine the best means to implement ISO 17025.

Enhance Lab Capacity of TCTC. AgLinks and TCTC finalized the technical specification for procuring the necessary equipment to provide organic contaminant testing in food. An order was placed this quarter to procure a HPLC to detect pesticide residues, mycotoxins and melamine among others. Smaller support equipment (ex., timer, sonic bath, water purifier, etc.) along with reagents and calibration standards were also ordered to assure the HPLC would be fully functional upon installation. The TCTC has made good on its part of the cost-share by providing proof to AgLinks of their order of the Atomic Absorption Spectrophotometer (AAS) to detect non-organic contaminants. Expected delivery of the HPLC is now sometime in the middle to latter part of the next quarter.

Accreditation of TCTC Lab. Continued discussions with the TCTC regarding accreditation have led to the lab seeking an internal review from UZSTANDART as a

first step in the accreditation process. AgLinks continues to insist that accreditation must be obtained from an independent third party and TCTC shares this view. TCTC and AgLinks agreed a pre-audit inspection outlining necessary actions to optimize chances of ISO 17025 accreditation must be undertaken before seeking the third party review. AgLinks has informed TCTC the project is prepared to support them in implementing improvements identified by a pre-audit review. ISO 17025 is the main international standard used by calibration and testing laboratories.

PERSUAP. The draft PERSUAP was completed by the consultant, reviewed and edited by project staff and clarifications and corrections requested of the report author. A final version of the PERSUAP was ready by the end of this quarter and submitted to USAID for review and comment. Final and formal approval of the PERSUAP is expected early next quarter.

Nursery. AgLinks has re-engaged with Shreder Institute and the initial response from Shreder management has been encouraging. Project staff now believe we will be able to establish a working relationship with Shreder that is mutually beneficial. Additional outreach to Shreder will be made in April and throughout the next quarter.

B.5. Issue(s).

AgLinks addressed the import duty issue with the HPLC by discussing this with TCTC staff. TCTC has agreed to handle the import clearance process for the HPLC which allows AgLinks to avoid incurring any non-billable import duties.

C. ENVIRONMENTAL COMPLIANCE

The project has made an excellent start on full compliance with environmental recommendations outlined in the Initial Environmental Examination (IEE) for the AgLinks project. The project completed the draft PERSUAP this quarter and submitted it to USAID for formal approval along with the appropriate Positive Determination Approval Sheet. Preliminary planning for mitigation and monitoring activities, based upon the draft PERSUAP recommendations, were begun this quarter to assure the project can impact the 2009 growing season once the PERSUAP is formally approved.

C.1. IEE.

The project's Initial Environmental Examination dates from 27 March 2007 and land, water and human health were all identified as potentially impacted areas. Environmental actions recommended included Categorical Exclusion (CE), Negative Determination with Conditions (NDC) and Positive Determination (PD). Project activities included under CE include education, technical assistance and training programs, analyses, studies, research, workshops and meetings, as well as document and information transfers.

Project activities involving market-driven production and linking agribusinesses are classified as NDC. In this situation the project has responsibility to assess possible environmental impacts and define monitoring and mitigation activities, if appropriate. Market driven production includes extension services to farmers; contracting for equipment from producer groups, cooperatives and production companies; and, aggregate purchases of seeds, agrochemicals and packing and packaging materials. Linking agribusiness activities include cold storage, post-harvest handling and packing practices, and product quality improvement. A PD was made on project activities that involve the aggregate purchase, assisted procurement, and/or use of agrochemicals, including pesticides and fertilizers. The PD requires completion of an approved Pesticide Evaluation Report and Safe Use Action Plan (PERSUAP). The project focus on stone fruits and grapes, along with stated Uzbek farmer concerns, requires AgLinks to become involved in the proper use of agrochemicals.

C.2. PERSUAP.

The PERSUAP required by the IEE prior to project implementation of PD classified activities was initiated in the first quarter of FY 2009 with field work in Uzbekistan during December 2008. The draft PERSUAP was produced this quarter which was then edited and commented on by project staff. The final PERSUAP draft and accompanying Positive Determination Approval Sheet were submitted to USAID by the end of this quarter. The draft PERSUAP provides recommendations for Aglinks targeted crops of stone fruits (especially apricots, peaches, plums and cherries) and grapes, targets of opportunity (including tomato, onion, melons, cucurbits and pomegranate) plus additional crops requested by USAID or anticipated under future programs (ex., wheat, rice and cotton).

The draft PERSUAP approved a total of 41 agricultural chemicals for use in Uzbekistan; 25 of the 56 requested plus 16 additional suggestions, including 3 herbicides, 1 nematicide and 2 fumigants, to compensate for the 31 disallowed products (14 fungicides and 17 insecticides). Among the rejected pesticides, 19 did not have an

active EPA registration, 6 did not have active EPA registration for AgLinks target crops and 6 were disallowed as being too hazardous to those applying them or to the environment. The use of PERSUAP approved pesticides will not have significant adverse environmental or human health impacts if all pesticide safe use regulations are followed and pesticide users of EPA Restricted Use Product (RUP) active ingredients receive special safety training.

C.3. Mitigation and Monitoring.

Per the IEE, affected project activities with Positive Determination cannot begin until the PERSUAP is prepared by the project and approved by the Bureau Environmental Officer (BEO). Hence, no activities were undertaken this quarter that require PD level environmental monitoring and mitigation. Once the PERSUAP is fully approved, expected next quarter, the project will commence activities and implement appropriate mitigation and monitoring efforts. Based upon the draft PERSUAP the project has begun to identify local specialists in pest identification, pesticide handling and safety, and suppliers of safety equipment in anticipation of final PERSUAP approval. The specialists and equipment will be engaged to provide mitigation trainings and materials once the PERSUAP is formally approved.

C.4. Issues.

No major issues this quarter as the PERSUAP process continues to proceed under as planned with approval expected in time to impact the 2009 growing season. The project anticipates final USAID approval of the PERSUAP early next quarter which will provide guidance on the appropriate mitigation and monitoring actions to undertake during the 2009 growing season.

D. FINANCE

The project is in reasonable financial status with a balance of \$1.107 million in remaining obligated funds at the end of this reporting quarter (through the March 2009 invoice). With an estimated monthly running cost of around \$75,000 (assuming no technical activities other than local staff and only domestic travel) the project can weather an uncertain funding environment in both the short and medium term with sufficient funds to maintain critical technical activities.

D.1. Disbursements.

Disbursements this quarter are presented in Table 1 by three major line items (Labor, Fee and Other Direct Costs) and further developed by sub-line items. The Labor line item was low in January because the December local salaries that would normally be billed in the subsequent month were paid before the end of 2008. Salaries were lower in March due to the departure of previous project deputy for the US in February and before his replacement completed a full month's work. The Labor line item should stabilize around \$20,000 per month beginning next quarter. Fee, Fringe, Overhead (OH) and General and Administrative (G&A) are all contractually fixed percentages of other sub-line items.

LINE ITEM	SUB LINE ITEM	Jan-09	Feb-09	Mar-09	TOTAL
LABOR	LABOR	13,532	20,387	15,408	235,312
FEE	FEE	3,465	6,367	7,048	72,818
ODC	Indirect FRINGE	5,481	5,048	4,729	81,301
	Indirect OH	9,060	12,120	9,595	150,866
	SUB-CONTRACTS	0	27,094	23,422	90,302
	ICA Labor	0	6,600	0	12,900
	ICA ODC	0	637	0	3,152
	PROCUREMENT	0	307	416	720
	TRAVEL	1,761	5,910	88	75,346
	ALLOWANCES	18,373	3,871	13,197	157,418
	WORKSHOPS	0	0	0	22,233
	G&A	5,026	9,202	10,199	105,500
ODC	7,033	19,559	45,550	333,115	
TOTAL		63,731	117,102	129,652	1,340,982

Table 1 : Line Item Disbursements for 2nd Quarter FY 2009

The local Sub-Contracts item had significant billings in February and March reflecting the fruit tree nursery survey (implemented by Oasis) and grape trellis production and installation (UNICON-S). All three deliverables under the nursery survey subcontract were completed this quarter while the final deliverable payment remains for the trellis work and will be paid early next quarter. The Independent Consultant Agreement (ICA) line items indicate the second payment against the PERSUAP deliverable resulting from the submission of the draft report. Subsequent PERSUAP payments will be made upon submission of a revised draft, integrating project comments, and a final version, reflecting USAID and peer review comments. These final two payments should take place during the next quarter.

Procurement actions were minor and reflected a printer table and filing cabinet in February and March, respectively. Travels costs included domestic trips to Samarkand, the Ferghana Valley and Urgench, the latter required for a technical staffer (Ulugbek Bekchanov) to obtain a three year exit visa from his home province to travel internationally. With the exit visa obtained he accompanied project clients to international food expos in Moscow (ProdExpo) and Dubai (GulFood) during this quarter. In addition to normal monthly Allowances billings, this quarter reflects shipping of the COP household effects from Bishkek to Tashkent (billed in January) and quarterly residence rental (March). The ODC charges in February reflect costs affiliated with client travel to ProdExpo and GulFood (airfares and visas) while March is significantly higher due to the first billing for the fruit tree tools and testers, quarterly office rent payment and registration fees for two AgLinks technical staff to attend the post-harvest technology training in Turkey.

D.2. Commitments.

Present outstanding payments against existing approved technical activities from local contracts include the balance on the PERSUAP contract (8,500), the trellis production (8,500) and the grape best practices training (35,000). Commitments from technically approved home office procurements include the balance of the tools and testers (roughly 45,000) and the High Performance Liquid Chromatograph (estimated 80,000).

Early this quarter the project received a request from USAID to prepare a lowest cost estimate for monthly billings by the project under a scenario of no technical activities other than existing staff costs. The project lowest cost estimate was approximately \$73,500 per month. Of course, this request reflects uncertainty about future project funding and the project began to scale-back commitments. For example, efforts to finance tractors and processing equipment have been put on hold at present in favor of a focus on cold storage systems.

D.3. Obligations.

The project remains sufficiently funded for Fiscal Year 2009 assuming the average monthly recurrent costs and reduced technical activities. The table below presents a broader look at the project financial status with the invoices submitted this quarter. The remaining obligated funds at the end of March 2009 are \$1,107,018 (2,448,000 – 1,340,982). Budgeted monies left to obligate remain \$2,666,572 (5,114,572 – 2,448,000) with roughly one-quarter of the budget expended to-date and just over two years left in the life of project.

Obligated = 2,448,000	LOP Budget	Invoices 1-16				Total Invoiced To-Date	% of CLIN Expended	LOP Budget Balance
		Sep 07 to Dec 08	17 <i>Jan-09</i>	18 <i>Feb-09</i>	19 <i>Mar-09</i>			
LABOR	820,984	185,984	13,532	20,387	15,408	235,312	29%	585,672
ODC	4,015,491	788,575	46,734	90,348	107,196	1,032,852	26%	2,982,639
FEE	278,097	55,937	3,465	6,367	7,048	72,818	26%	205,279
TOTAL	5,114,572	1,030,496	63,731	117,102	129,652	1,340,982	26%	3,773,591

Table 2 : Invoiced Amounts To-Date

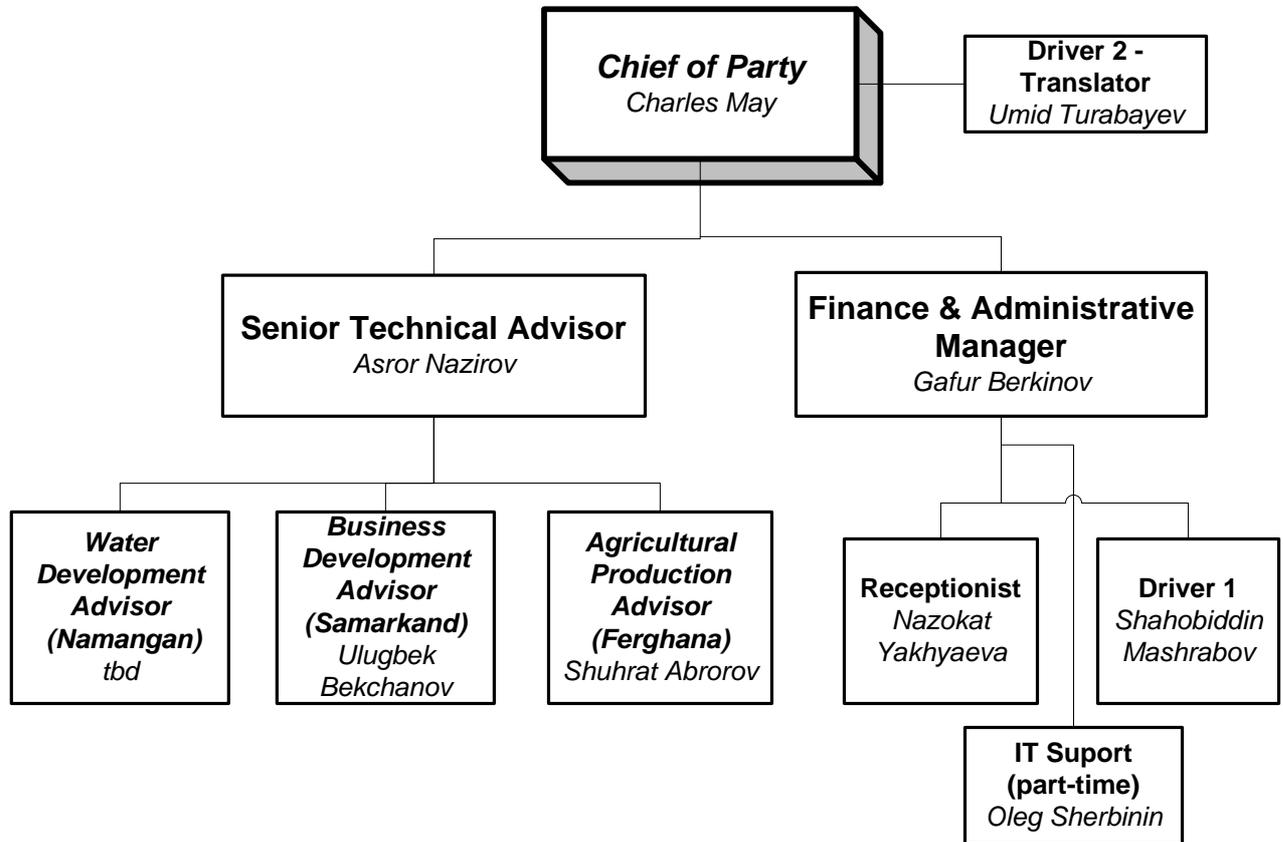
D.4. Issue(s).

The major financial issues remain the uncertainty regarding future obligations of funds to the project and the “non-project” status of AgLinks Uzbekistan. In the present environment the project must decide whether to continue with planned activities in FY 2009 or reduce the pace of activities to conserve funds until FY 2010 funds may become available. This decision must be tempered by the need to perform actions prior to and during the 2009 agricultural growing season to achieve impact.

Meeting with the AgLinks Uzbekistan staff on 8th March in Tashkent, the Director of the USAID Almaty Economic Growth team informed the project to expect a funding shortfall of \$1.5 million. A \$1.5 million funding shortfall would reduce the remaining funds to obligate from \$2.6 to \$1.1 million resulting in total LOP remaining funds of \$2.2 million (\$1.1 million obligated, but not disbursed, plus \$1.1 million to obligate). During this next quarter USAID and DAI must jointly decide on a strategy and orderly process to deal with this shortfall. Options include early project closing, staff downsizing, activity reduction and all manner of cost savings.

The “non-project” status continues to have implications for the project’s planned cost-share procurement program for testing equipment (HPLC, sugar, moisture, etc.), cold storage systems and other capital expenditures. The issue is the present legal status of DAI as a “resident representative office” and not a “project” does not afford duty-free importation of goods (including reference materials) to Uzbekistan. Purchasing capital equipment will induce large duties that are not billable by implementing partners to USAID Projects.

AgLinks Uzbekistan Project Structure



ANNEX B : Uzbekistan PERSUAP Pesticide Recommendations (draft)

Uzbekistan PERSUAP Pesticide Recommendations

No.	TYPE	ACTIVE INGREDIENT	STATUS	NOTE_1	NOTE_2
1	Fumigant	Aluminum phosphide	Add. Suggest	RUP-Special Safety Training Required	
2	Fumigant	Magnesium phosphide	Add. Suggest	RUP-Special Safety Training Required	
3	Fungicide	Carboxin	ACCEPTED		
4	Fungicide	Copper sulfate (basic)	ACCEPTED	RUP-Special Safety Training Required	
5	Fungicide	Propamocarb hydrochloride	ACCEPTED		
6	Fungicide	Propiconazole	ACCEPTED		
7	Fungicide	Tebuconazole	ACCEPTED		
8	Fungicide	Thiophanate-methyl	ACCEPTED		
9	Fungicide	Thiram	ACCEPTED		
10	Fungicide	Triadimefon	ACCEPTED		
11	Fungicide	Triticonazole	ACCEPTED		
12	Fungicide	Copper ammonium complex	Add. Suggest		
13	Fungicide	Copper octanoate	Add. Suggest		
14	Fungicide	Cymoxanil	Add. Suggest		
15	Fungicide	Mancozeb	Add. Suggest		
16	Fungicide	Sulfur	Add. Suggest		
17	Fungicide	Bordeaux mixture	REJECTED	no active EPA registration	
18	Fungicide	Bromuconazole	REJECTED	no active EPA registration for intended use	
19	Fungicide	Bronopol	REJECTED	no active EPA registration for intended use	
20	Fungicide	Calcium hydroxide	REJECTED	no active EPA registration for intended use	
21	Fungicide	Copper sulfate (anhydrous)	REJECTED	no active EPA registration	
22	Fungicide	Diniconazole	REJECTED	no active EPA registration	
23	Fungicide	Epoxiconazole	REJECTED	no active EPA registration	
24	Fungicide	Ferrous-sulfate	REJECTED	no active EPA registration	
25	Fungicide	Flutriafol	REJECTED	no active EPA registration	
26	Fungicide	Guazatine	REJECTED	no active EPA registration	
27	Fungicide	Oxadixyl	REJECTED	no active EPA registration	
28	Fungicide	Penconazole	REJECTED	no active EPA registration	
29	Fungicide	Pencycuron	REJECTED	no active EPA registration	
30	Fungicide	Triforine	REJECTED	no active EPA registration	
31	Herbicide	Bentazon sodium salt	Add. Suggest		
32	Herbicide	Fluazifop-P-butyl	Add. Suggest		
33	Herbicide	Pendimethalin	Add. Suggest		
34	Insecticide	Acetamiprid	ACCEPTED	RUP-Special Safety Training Required	
35	Insecticide	Avermectin	ACCEPTED	RUP-Special Safety Training Required	
36	Insecticide	Bifenthrin	ACCEPTED	RUP-Special Safety Training Required	
37	Insecticide	Buprofezin	ACCEPTED		
38	Insecticide	Chlorpyrifos	ACCEPTED	RUP-Special Safety Training Required	
39	Insecticide	Cyhalothrin, gamma	ACCEPTED	RUP-Special Safety Training Required	
40	Insecticide	Cyhalothrin, lambda	ACCEPTED	RUP-Special Safety Training Required	
41	Insecticide	Cypermethrin, beta	ACCEPTED	RUP-Special Safety Training Required	
42	Insecticide	Dimethoate	ACCEPTED		
43	Insecticide	Etoxazole	ACCEPTED		

Uzbekistan PERSUAP Pesticide Recommendations

No.	TYPE	ACTIVE INGREDIENT	STATUS	NOTE_1	NOTE_2
44	Insecticide	Hexythiazox	ACCEPTED		
45	Insecticide	Imidacloprid	ACCEPTED	RUP-Special Safety Training Required	
46	Insecticide	Indoxacarb	ACCEPTED		
47	Insecticide	Malathion	ACCEPTED		
48	Insecticide	Pyriproxyfen	ACCEPTED		
49	Insecticide	Thiacloprid	ACCEPTED		
50	Insecticide	Azadirachtin	Add. Suggest		
51	Insecticide	Bacillus thuringiensis (berliner), subsp. Kurstaki, strain EG2371	Add. Suggest		
52	Insecticide	Mineral oil, a petroleum derivative	Add. Suggest		
53	Insecticide	Potash soap	Add. Suggest		
54	Insecticide	Spinosad	Add. Suggest		
55	Insecticide	Acephate	REJECTED	too toxic for use	banned in EU, qualified for PIC notification
56	Insecticide	Amitraz	REJECTED	no active EPA registration for intended use	
57	Insecticide	Bromopropylate	REJECTED	no active EPA registration	
58	Insecticide	Carbosulfan	REJECTED	no active EPA registration	
59	Insecticide	Cypermethrin	REJECTED	no active EPA registration	
60	Insecticide	Cypermethrin, zeta	REJECTED	too toxic for use	WHO 1b
61	Insecticide	Deltamethrin	REJECTED	too toxic for use	all registered products in UZB are EPA toxicity Class I
62	Insecticide	Diazinon	REJECTED	too toxic for use	banned in EU as plant protection product
63	Insecticide	Fenpropathrin	REJECTED	too toxic for use	banned in EU, WHO Acute Hazard list
64	Insecticide	Fenvalerate	REJECTED	no active EPA registration for intended use	
65	Insecticide	Fipronil	REJECTED	no active EPA registration for intended use	
66	Insecticide	Flubenzimine	REJECTED	no active EPA registration	
67	Insecticide	Hexylthiofos	REJECTED	no active EPA registration	
68	Insecticide	Phosalone	REJECTED	no active EPA registration	
69	Insecticide	Propargite	REJECTED	too toxic for use	all registered products in UZB are EPA toxicity Class I
70	Insecticide	Teflubenzuron	REJECTED	no active EPA registration	
71	Insecticide	Triazophos	REJECTED	no active EPA registration	
72	Nematicide	Dazomet	Add. Suggest		
	Fungicide	28	ACCEPTED	25	
	Insecticide	38	REJECTED	31	
	Herbicide	3	Add. Suggest	16	
	Fumigant	2	TOTAL	72	
	Nematicide	1			
	TOTAL	72	RUP-Special S	11	

ANNEX C: Monthly Reports for January and February 2009

USAID AgLinks Project

Monthly Report #03- January 2009

Contract #EDH-I-00-05-00004

TO #EDH-I-07-05-00004-00

January 2009 saw the selection of a new senior technical specialist who will begin work in time to assure overlap with the departing team member. Significant time and effort was expended this month to obtain customs clearance of reference materials to be used in pruning and best agronomic practices trainings in subsequent months. Technical staff travelled to their home provinces and obtained exit visas to attend trade shows outside the region. The draft PERSUAP was submitted for review at the end of the month. AgLinks agro-processor client, BERAD, signed a contract worth \$1.4 million for dried spices and vegetables that was a direct result of AgLinks assistance (UZB-07 and 08) to attend the Moscow Ingredients trade show. The project's financial status remains good with only 45% of obligated funds expended after submission of the January 2009 invoice.

ADMINISTRATION. Applicants for the senior technical specialist recruitment numbered 40 which were reduced to 12 by a vetting process based on objective criteria. These 12 were reviewed by a four person panel which resulted in 4 finalists for interviews. The panel unanimously selected Asror Nazirov of the Water Users Association (WUA) Support Project. Once Asror joins AgLinks in mid-February the reconstituted team will recruit the fourth and final technical (junior) position. The second consignment of technical reference materials arrived from the University of California at Davis regarding pruning, storage, pesticides and handling for stone fruits and grapes. The shipment was still in Customs almost three weeks after delivery and the project administrative staff continue working to gain release of this reference material. Local technical staff travelling outside of the CIS states for trade shows (ex., GulFood in Dubai in February) travelled to their respective home provinces (Andijan and Khorezm) to obtain exit visas. Both obtained exit visas valid for two years.

TECHNICAL. The technical team continues to implement activities to support the targeted client groups based upon the approved FY 2009 work plan :

AGRIFIRMS. AgLinks technical staff worked with the 5 targeted AgriFirms to complete their leasing requests to be submitted to Business Leasing for consideration. AgriFirms are most interested in tractors and related equipment plus cold storage capacity. By the end of January AgLinks staff had vetted, sought amplification and made additions obtained from AgriFirm management and accountants to submit 2 lease applications to Business Leasing for consideration. Three more applications were under review by AgLinks staff by the end of the month. Both Business Leasing and the AgriFirms are seeking higher than expected cost participation by AgLinks in the lease program because of the impact of the global financial crisis on lending and balance sheets.

PRODUCERS. Terms of reference (TOR) were developed for three related activities targeted to producers. The fruit tree nursery survey is designed to provide information on available root stock to improve the quality of new and existing orchards. The trellis construction is targeted to provide the technical and material input for grape demonstration plots on targeted farmers' fields. The grape production best practices training will follow identification of root stock sources and installation of the demo plot trellises. The demo plots will be used for the agronomic trainings. A fourth TOR was under design to obtain an independent professional survey of WUA needs in light of the information gained on the Samarkand irrigation pipeline extension. January field trips found potential beneficiaries to be much smaller than originally intended and has been

cancelled. Additional WUA support possibilities will be identified through the WUA survey.

PRIVATE SECTOR. AgLinks private sector partner (BERAD) attended the Moscow Ingredients exhibition with AgLinks assistance in November, announced a potential offer in December, and signed a contract with a Russian firm equivalent to \$1.4 million in January. The contract covers the supply of dried spices (red pepper, hot pepper, dill, parsley and barberry) and vegetables (onions, cabbage, beats, carrots, and potatoes). Additional field visits to project clients in the provinces has led to increased contact with more processors and the AgLinks team began working with two more firms in January, in addition to the two identified in the FY 2009 work plan. AgLinks has added Green World and Siyob Sahovat (Toni Green brand) to make a total of 4 agro-processor clients.



Attending Ingredients – Moscow – Nov. 2008 (BERAD staff in background) (Photo : DAI)

PUBLIC SECTOR. The team completed the technical specifications for the analytical laboratory equipment (HPLC – High Performance Liquid Chromatograph) for the Tashkent Center for Testing and Certification (TCTC) and received technical approval from USAID. The technical specifications, approval, and suggested suppliers were provided to DAI Home Office for procurement. The PERSUAP consultant’s draft report was submitted for review by the AgLinks technical staff at the very end of the month. The team will review the draft report and submit suggestions to the consultant in February before submitting a final version to USAID.

FINANCIAL. The January 2009 invoice value (#17 in italics in the table below) is an estimate and the final figures, once submitted, may vary slightly. The estimated January invoice value is significantly lower than the two previous months because no December 2008 local labor and related fringe (ex., social fund) costs were billed in January because these were paid and booked in late December. After the submission of the January 2009 invoice a total of 45% of obligated funds will have been expended.

Obligated = 2,448,000	LOP Budget	Invoices 1-14: Sep 07 to Oct 08	15 Nov-08	16 Dec-08	17 Jan-09	Total Invoiced To-Date	% of CLIN Expended	LOP Budget Balance
LABOR	820,984	147,502	15,061	23,420	<i>13,024</i>	199,008	24%	621,976
ODC	4,015,491	640,258	74,265	76,334	<i>46,330</i>	837,188	21%	3,178,303
FEE	278,097	45,196	5,136	5,736	<i>3,413</i>	59,481	21%	218,616
TOTAL	5,114,572	832,957	94,462	105,490	62,767	1,095,677	21%	4,018,895

NEXT MONTH. The following major activities are anticipated for February 2009 :

- 1st week – review tenders for nursery, vineyard best practices and trellises
- 2nd week – attend ProdExpo in Moscow; review WUA survey tenders
- 3rd week – nursery survey begins; Ferghana pruning; review draft PERSUAP
- 4th week – attend GulFood in Dubai; nursery survey continues; trellises completed

USAID AgLinks Project
Monthly Report #04- February 2009

Contract #EDH-I-00-05-00004
TO #EDH-I-07-05-00004-00

AgLinks bid, reviewed and signed two local service contracts in February 2009; one for grape trellis installation on farmer demonstration plots and a survey of fruit tree nurseries to inform future activities to improve root stock. A third technical activity to provide grape production best practices was bid but not signed as the project discussed expanding the training to cover additional client groups. The team re-drafted the English version of the draft project MOU after receiving feedback from the Cabinet of Ministers. The revised version was commented, edited and cleared prior to sending for Russian translation. Team members also met with representatives of the Social Initiatives Support Fund (SISF) which continues to seek collaborative activities with AgLinks. Another visit to the AgLinks offices this month was from a local firm specializing in the provision of laser leveling equipment.

ADMINISTRATION. Asror Nazirov began work on the project in mid-February and replaces Sharof Mashrabi as Senior Technical Specialist. The latter moved to the US with his family in February after winning the green card lottery. Asror brings project management expertise and experience working with water users associations under USAID's Water User Association Support Project (WUASP) which closes at the end of March 2009. The second consignment of technical reference materials from the University of California at Davis was cleared from Customs and delivered to the project office.

TECHNICAL. The technical team continues to implement activities to support the targeted client groups based upon the approved FY 2009 work plan :

AGRIFIRMS. AgLinks technical staff implemented a fruit tree pruning training for stone fruit producers in Quvasoy District of Ferghana Region during February. Farmers were introduced to a new method of pruning that involved insights from tree management principles used in California's Central Valley. This training drew upon materials procured and shipped from California including a training film (see photo at right from the Quvasoy training). A total of 22 farmers from two AgriFirms, Quvasoy Bekhizor and Muyan Sohobkor, participated in the training which consisted of a half day of classroom and one and a half days of hands-on field work.



Pruning film during Quvasoy training

PRODUCERS. Grape trellis construction began and some installation on demonstration fields was completed by the end of the month. Roughly two-thirds of the trellises were constructed in February with the remainder expected to be completed in early March. Trellis installation will begin in March and finish by early April as the weather warms with
DAI, Inc.

February 2009

the goal of completed demonstration plots to support the scheduled grape trainings. The grape production best practices training was bid but not signed by the end of February because additional interest in this training required an expansion of the originally anticipated trainings to include Parkent District. This contract will be negotiated and signed next month. A fourth TOR to perform a WUA needs assessment was cancelled. The fruit tree nursery assessment was implemented during February with a verbal de-briefing from the technical team by month's end. A final report will be available in March.



Trellises ready for shipment to farm (Payarik District)

PRIVATE SECTOR. Representatives from all four client agro-processors, along with AgLinks staffers, attended the GulFood exposition during February. The consensus of the attendees was this exposition is best targeted to processed products with only small representation for fresh fruit producers. Follow-up contacts will focus on buyers of processed products.

PUBLIC SECTOR. DAI's Home Office (HO) began procurement of the analytical laboratory equipment (HPLC – High Performance Liquid Chromatograph) for the Tashkent Center for Testing and Certification (TCTC). AgLinks and TCTC began to explore ways to import the equipment once procured in case the project will not have a signed MOU by the shipment's arrival. The PERSUAP consultant's draft report was reviewed, edited and comments submitted to the consultant for drafting the final version. A final edited and revised version of the PERSUAP will be available by the end of March.

FINANCIAL. The February invoice contains payments against the first deliverables on two local subcontracts; the fruit tree nursery survey (UZB-06) and the grape trellis work (UZB-15) for a total of roughly \$27,000. Payment was almost made in February for the 2nd deliverable of the PERSUAP report (UZB-05) for around \$7,200. After submission of the February 2009 invoice a total of 50% of obligated funds will have been expended.

Obligated = 2,448,000	LOP Budget	Invoices 1-15 Sep 07 to Nov 08	16 Dec-08	17 Jan-09	18 Feb-09	Total Invoiced To-Date	% of CLIN Expended	LOP Budget Balance
LABOR	820,984	162,564	23,420	13,532	20,387	219,903	27%	601,080
ODC	4,015,491	714,523	76,334	46,734	90,348	927,939	23%	3,087,552
FEE	278,097	50,333	5,736	3,465	6,367	65,901	24%	212,196
TOTAL	5,114,572	927,420	105,490	63,731	117,102	1,213,743	24%	3,900,829

NEXT MONTH. The following major activities are anticipated for March 2009 :

- 1st week – review nursery report & design action plan; launch technical recruit
- 2nd week – review revised PERSUAP; develop activities; oversee trellis install
- 3rd week – design Grape Pest & Disease workshop; attend UZB AgroWorld Expo
- 4th week – complete & sign Grape Best Practices contract