

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Uzbekistan	Project Title:	Economic Management Improvement Program
Lending/Financing Modality:	Policy-based Loan	Department/Division:	Central and West Asia Department / Public Management, Financial Sector, and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy
<p>Uzbekistan is undertaking a set of reforms in priority areas articulated in its national development strategy for 2017–2021: (i) governance and public administration; (ii) rule of law and judicial system; (iii) economic development and liberalization; (iv) social development; and (v) security, tolerance, and foreign policy. The reforms in social-economic development pursue the medium-term sustained and inclusive growth concomitant with the measures towards the liberalization of foreign exchange and external trade. Prior to government transition and institutional changes preceding the reforms in 2017, the country experienced stable economic growth with average GDP growth of 8.1% per annum during 2010–2016 despite many economic shocks. These shocks included the financial crisis in 2007–2009, drastic price decline of export commodities in 2011–2014, and spillover effect of the GDP contraction of the Russian Federation in 2014–2015. The sustained growth was broadly inclusive leading to the increase of gross national income per capita from \$1,340 to \$2,160, reduction of national poverty rate from 17.7% to 12.8%, and contraction of Gini coefficient from 0.30 to 0.28 in 2010–2015.</p> <p>Reflecting the national development priorities, ADB fully supports Uzbekistan through its core operations designed under its Country Operations Business Plan (COBP), 2018–2020. The COBP is premised on the continued strategic focus—the country’s transformation into a modern industrial and service economy through sustained and inclusive growth, poverty reduction, and expanded regional cooperation of the Country Partnership Strategy (CPS), 2012–2016, which in turn reflected the social-economic targets articulated in Welfare Improvement Strategy II (the national poverty reduction strategy) for 2013–2015. In addition, in response to the country’s need for sustaining stable economic growth during the reforms, the COBP integrated the key drivers of change, including private sector development; governance; knowledge management; gender equity; and climate change and the environment into the operational assistance.</p>
B. Poverty Targeting
<input checked="" type="checkbox"/> General Intervention <input type="checkbox"/> Individual or Household (TI-H) <input type="checkbox"/> Geographic (TI-G) <input type="checkbox"/> Non-Income MDGs (TI-M1, M2, etc)
<p>The Program will aim to enhance fiscal space for the government to sustain macroeconomic stability and growth during the initial phase of the medium-term reforms through improvements of: (i) funding public and private activities; (ii) fiscal and financial management; and (iii) management of state-owned enterprises and private sector participation. These outcomes do not have direct impact on poverty reduction, which makes the Program classified as a general intervention. However, successful implementation of the policy actions under the proposed program will facilitate higher productive public investment and higher budget allocations for the social programs. Thus, it is expected that the program will have significant indirect benefits for the poor and vulnerable sections of the population.</p>
C. Poverty and Social Analysis
<p>Key issues and potential beneficiaries. Uzbekistan is the leading country in Central Asia in terms of economic expansion with GDP growth of 7.8% (2016) and the long-term priority of doubling its 2015 GDP size by 2030. The government priority for the initial decade of country’s independence (1991–2001) was to improve and sustain the social welfare and stability. The focus gradually shifted towards economic and social development (2001–2011), and economic modernization and diversification (2011–present). The robust and sustained growth was associated with the government’s macroeconomic management and sustained investments in industry and infrastructure. Monetary and fiscal policy measures aimed to ensure macroeconomic stability and sustain economic expansion. As the key driver of GDP growth, the annual investments in fixed capital gradually increased from 22.8% (2011) to 24.8% of GDP (2016), primarily due to the implementation of industrial policy that comprised two key state programs: (i) modernization of industry, and (ii) development of infrastructure.</p> <p>Although the continuous growth was broadly inclusive, yet, the impact of economic growth on poverty reduction was modest—the poverty elasticity to GDP per capita growth was low (0.5) indicating that while GDP per capita expanded at 1.0%, share of population under the national poverty line declined by merely 0.5%. Income from labor activities and small businesses (SBs) remain, presumably, the key drivers of poverty reduction and rapid growth of the real per capita income. Share of labor income in population’s income structure increased from 69.4% (2011) to 72.8%</p>

(2015). In addition to the periodic nominal increases of wages, remittances of migrant workers contributed to the earnings from employment in population's income—the annual amount of remittances from the Russian Federation as the key employer of migrant workers averaged \$3,942 million during 2010–2015, reaching its peak of \$5,842 million in 2013. Income generated through SBs steadily increased its share in income composition from 49.0% (2011) to 52.4% (2015) resulting from the expansion of SBs' shares in the economy reaching 77.9% (2015) from 74.3% (2010) of employment, and increasing the share in GDP from 52.5% (2010) to 56.5% (2015). Thus, the government took many steps to facilitate conducive business environment for the SBs. Uzbekistan enhanced its position in the Ease of Business Ranking by World Bank (WB) from 150 out of 183 economies (2010) to 87 out of 189 (2015). The improvements were acute in business start-up procedures. The government made starting a business easier by: (i) reducing the minimum capital requirement, eliminating a procedure and reducing the cost of registration (2012); (ii) introducing an online facility for name reservation and eliminating the fee to open a bank account for SBs (2013); and (iii) eliminating the requirements to have signature samples notarized before opening a bank account (2014).

As the continuum of improving the business environment, liberalizing and diversifying the economy, in 2017 the government has implemented the key reform measure—foreign exchange unification and price adjustments of utilities supplied by state-owned enterprises. These market reforms propelled the official Consumer Price Index (CPI) from 5.7% (2016) to projected 11.5% (2017). Price hikes of food (7.6%) and non-food (8.6%) products remain drastic as of Q3 2017. To mitigate the adverse impact of market liberalization reforms on vulnerable households, the government initiated social programs—special funds have been established to (i) stabilize foodstuff prices in the domestic market, and (ii) provide the unemployed—estimated official unemployment rate is 5.0% as of 2017—with temporary jobs in public works. In addition, as the social protection in the midst of reforms the government announced average 15.0% increase of wages, stipends, and retirement payments from December 2017. In view of contracted fiscal space associated with increased public expenditure, the proposed budget support targets the lowest income quintile of population—12.8% (2015) of population is below the national poverty line—during 2018–2020. The national poverty line is estimated using the cost of a food basket that guarantees a minimum calorie intake of 2,100 kilocalories per person per day. However, all these initiatives require adequate fiscal space to facilitate implementation of these initiatives without risking fiscal sustainability.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?
In Uzbekistan, women represent 49.8% of over 32 million people and participate in employment (45.7% of total employed)—women labor dominates in education (75.6%) and healthcare (76.5%). Equally balanced representation of women is primarily ensured by the Constitution of the Republic of Uzbekistan that articulates principles of nondiscrimination and equal rights for women and men. In addition, Article 6 of the Labor Code of Uzbekistan declares the prohibition of discrimination in labor relations. Uzbekistan Welfare Improvement Strategies for 2008–2010 and 2012–2015 proposed target indicators for achieving gender equality in selected priority sectors. Improving the status of women and their economic empowerment are among the Government priorities. In terms of institutional support, the national machinery for gender equality is the Women's Committee of Uzbekistan, chaired by the Deputy Prime Minister of the Republic of Uzbekistan. The Women's Committee has a wide network of its branches all over the country, at all levels. In fact, in every territorial administrative body of the country, there is a mandatory position of a deputy head occupied by the chairpersons of regional and district women's committees. Uzbekistan has acceded to more than 60 international treaties on human rights, including Beijing Declaration and Platform for Action, Convention on the Elimination of Discrimination against Women (CEDAW), achieved significant progress in the MDGs and as part of the international community, signed up for the SDGs. In line with CEDAW's requirements, the government approved successive national action plans (NAP) to respond the issues raised by CEDAW Committee. The gender impact of the proposed Program will be examined carefully so that some gender elements could be incorporated in the program design.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?
 Yes No

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No

4. Indicate the intended gender mainstreaming category:
 GEN (gender equity theme) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. The project stakeholders would include the Ministry of Finance, Central Bank, selected State-owned Enterprises and State Committee on Statistics.</p> <p>2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? Not applicable.</p> <p>3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? <input checked="" type="checkbox"/> Information generation and sharing (M) <input type="checkbox"/> Consultation (M) <input type="checkbox"/> Collaboration (N) <input type="checkbox"/> Partnership (N)</p> <p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design? <input checked="" type="checkbox"/> Creating decent jobs and employment (Medium) <input type="checkbox"/> Adhering to core labor standards <input checked="" type="checkbox"/> Labor retrenchment (Low) <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? The selected program outputs, especially the focus on improved access to credit will facilitate creation of additional jobs.</p>
VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence? Staff consultants will be used to carry out these analyses.</p>

ADB = Asian Development Bank, GDP = gross domestic product, CPS = Country Partnership Strategy, PPTA = project preparatory technical assistance, SB = small business

Source: Asian Development Bank.