



Initial Poverty and Social Analysis

June 2019

Republic of Uzbekistan: Financial Markets Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 11 June 2019)

Currency unit	–	SUM
SUM\$1.00	=	\$0.000117
\$1.00	=	SUM8518.68

ABBREVIATIONS

ADB	–	Asian Development Bank
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars, unless otherwise stated.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Uzbekistan	Project Title:	Financial Markets Development 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

The proposed program supports the Government of Uzbekistan's development objectives under the Roadmap of Reforms for 2019–2021, specifically the development and deepening of financial markets. The government's Strategy on Actions for Further Development of Uzbekistan (2017–2021) and its follow-on road map recognize the central role played by banking and capital markets in fostering the ongoing transition toward a market economy.^a The introduction of market-based financial instruments will mobilize private sector financing to alleviate the infrastructure deficit, lower the costs of financing business development needs, and broaden access to finance. This will help maintain high rates of economic growth as the state's economic contribution is gradually reduced. The development and liberalization of the economy are aimed at creating conditions conducive to entrepreneurship, accelerating socioeconomic progress, and equalizing wealth distribution across regions, districts, and cities in Uzbekistan.

The draft country partnership strategy, 2019–2023 of the Asian Development Bank (ADB) for Uzbekistan recognizes that a robust private sector is needed to achieve the government's goal of improving the quality of people's lives.^b It therefore identifies private sector investment as a strategic area for ADB support—as a key driver of economic growth and employment generation in the course of Uzbekistan's economic transition. The proposed program is line with ADB's Strategy 2030, which prioritizes the development of the finance sector and capital markets to support the development of the private sector.^c It is included in ADB's lending program for 2020 under the draft country operations business plan, 2020–2022 for Uzbekistan (anticipated for approval in the third quarter of 2019).

B. Poverty Targeting

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)

The target is to tackle the issues in the country's finance sector and the constraints on the development of a capital market. The intervention will have a broad and nationwide direct impact on inclusive growth, and an indirect impact on poverty reduction.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The potential primary beneficiaries include (i) the government because the outcome of the program will contribute to national economic growth; (ii) market participants, i.e., public and private corporations, financial institutions, and individuals; and (iii) regulatory agencies. The poor and the socially excluded will benefit from the program indirectly.

2. Impact channels and expected systemic changes. These would include (i) finance sector stability, (ii) long-term funding sources, and (iii) diversified and efficient investment channels.

3. Focus of (and resources allocated to) the transaction technical assistance or due diligence. The focus of (and resources allocated to) the transaction technical assistance (TA) and due diligence is to identify policy measures to support the development of a robust financial market system in Uzbekistan. Targeted are two core areas: (i) improvements to legal and regulatory structures, and (ii) development of the securities market. The TA's due diligence will be carried out by the project processing team of the Public Management, Financial Sector and Trade Division of ADB's Central West Asia Department.

4. Specific analysis for policy-based lending. The program will benefit all citizens through the development of an efficient capital market that will ensure an optimal allocation of capital. By enhancing the availability of capital and optimizing its cost, it is expected that private sector investment will increase and help finance infrastructure, spur economic growth, and create jobs. The intervention will have a broad and nationwide direct impact on inclusive growth, and an indirect impact on poverty reduction.

II. GENDER AND DEVELOPMENT

<p>1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? The program has no key gender issues because the development of the capital market empowers all individuals with equal rights to access the market, financial resources, and opportunities. It does not minimize the benefits to women. The processing team will further consider these aspects while designing the program.</p> <p>2. Does the proposed program have the potential to contribute 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p>
III. PARTICIPATION AND EMPOWERMENT
<p>1. Who are the main stakeholders of the program, including beneficiaries and negatively affected people, and how will they participate in the program design? The potential initial stakeholders will be (i) government agencies, i.e., Ministry of Finance, Capital Markets Development Agency, and the Central Bank of Uzbekistan; and (ii) market participants such as financial institutions, as well as public and private corporations. A consultant and participation plan as well as a stakeholder analysis will be prepared during the program design.</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 program design require participation of the poor and excluded? A consultant and participation plan as well as a stakeholder analysis will be prepared during the program design.</p> <p>3. What are the key, active, and relevant civil society organizations in the program area? What is the level of civil society organization participation in the program design? <input type="checkbox"/> Information generation and sharing <input checked="" type="checkbox"/> Consultation (M) <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership Civil society representatives will participate in two workshops that will be held for broad consultation on the design of the program.</p> <p>4. Are there issues during the program design for which the participation of the poor and excluded is important? What are they and how should 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 program 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 transaction TA 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 program 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 that 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 program require broad community support for 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 transaction TA 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 program design? – Not applicable. <input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p>

<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 _____ 2. How are these additional social issues and risks going to be addressed in the program design? – Not applicable.
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks? Are the relevant specialists identified? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No No key poverty, social, or gender issues are manifest at this early stage. The processing team will consider these aspects while designing the program.
2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analyses, and a participation plan during the transaction TA or due diligence? Preparation of the consultant and participation plan will be part of the consultants' assignment, while poverty, social and/or gender analyses will be carried out by the processing team.

^a Presidential Decree No. UP-4947, dated 7 February 2017; and Presidential Decree No. UP-5614, dated 8 January 2019.

^b ADB. Forthcoming. *Country Partnership Strategy: Uzbekistan, 2019–2023—Supporting Economic Transformation*. Manila.

^c ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

Source: Asian Development Bank.