



Initial Poverty and Social Analysis

Project Number: 53332-001
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UZB: Hamkorbank Expanding Access to Credit for Micro, Small and Medium-Sized Enterprise and Agriculture Borrowers Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 22 January 2021)

Currency unit	–	sum (SUM)
SUM1.00	=	\$0.000095
\$1.00	=	SUM10,522.79

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
ESMS	–	environmental and social management plan
HMK	-	JSCB Hamkorbank
MSME	-	micro, small and medium-sized enterprise

NOTES

- (i) The fiscal year (FY) of JSCB Hamkorbank ends on 31 December.
- (ii) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Uzbekistan"/>	Project Title:	<input type="text" value="Hamkorbank Expanding Access to Credit for Micro, Small and Medium-Sized Enterprise and Agriculture Borrowers Project"/>
Lending/Financing Modality:	<input type="text" value="Loan"/>	Department/Division:	<input type="text" value="Private Sector Operations Department
Private Sector Financial Institutions Division"/>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy Asian Development Bank (ADB) intends to provide SUM200 billion (~\$20 million) senior loan to JSCB Hamkorbank (HMK) to expand its onlending to micro, small, and medium-sized enterprises (MSME) and agriculture borrowers. 80% of ADB's loan proceeds will be on-lent to borrowers outside of Tashkent. The transaction will have a focus on lending to Women MSMEs as shown in the Design and Monitoring Framework (DMF). The proposed project is consistent with ADB's country partnership strategy in supporting private sector development and reducing economic and social disparities in the development of the finance sector through financial inclusion in rural areas and small and medium-sized enterprises (SME) finance with gender-empowerment focus.^a</p>
<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.) The proposed project will strengthen HMK's financial services to MSMEs and farmers. These borrowers are considered poor or vulnerable and use the small amount of loans to support their business activities and improve their standard of living.</p>
<p>C. Poverty and Social Analysis 1. Key issues and potential beneficiaries. Access to finance remains to be a challenge for MSMEs in Uzbekistan, especially in rural and semi-urban areas outside Tashkent where entrepreneurs borrower funds through informal and formal sources. A significant majority of these entrepreneurs reportedly rely on informal channels for credit. In 2017, only 2% of the population 15 years and above access credit from a formal financial institution as opposed to 13% who borrowed money from family and friends, of which only 1% borrowed to start, operate, and expand a farm or business.^b MSMEs are constrained in accessing finance through formal channels primarily due to the high cost of banking services, stringent loan conditions, and their lack of financial literacy.^c The proposed project will sustain and expand the operations of HMK in providing access to financing to MSMEs and farmers, especially during the time of economic downturn due to the coronavirus disease (COVID-19) pandemic. 2. Impact channels and expected systemic changes. The proposed project will contribute to achieving financial inclusion and address the needs of MSMEs and farmers on access to credit, particularly those from the poor and vulnerable groups. MSMEs plays a vital role in job creation and poverty reduction in Uzbekistan. The decrease in the poverty rate (from 25.8% in 2005 to 11.4% in 2018)^d was attributed to the accelerated growth of the MSME sector from 2010 to 2018 because of several government-initiated programs that supported the sector (footnote c). 3. Focus of (and resources allocated in) the transaction TA or due diligence. The current and future portfolio of HMK's onlending to MSMEs and agriculture borrowers will be reviewed. HMK has existing loan arrangements with ADB, including establishing an environmental and social management system (ESMS) and its integration into HMK's loan approval process. Due diligence will look into HMK's process of screening against the ADB's prohibited investment activities list, categorizing environmental and social risk and impacts of every subloan transaction, and evaluating borrowers' compliance with applicable national laws, including labor laws.</p>
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? Significant gender disparities in property ownership, gender segregation in labor markets, and underrepresentation of women in high-level decision-making positions in all sectors remain to be a challenge in Uzbekistan. The participation of women in the finance and insurance sectors (37.3%) is lower than the average for female participation in the workplace sector-wide (49.5%) in 2016.^e Only 25.9% of registered companies in Uzbekistan in 2019 has some women ownership.^f Women are mostly engaged in micro-business because of poor skills in finance and management, cultural barriers, and lack of access to finance.^g</p> <p>2. Does the proposed project or 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No A gender action plan will be prepared and is likely to include measures to enhance women MSMEs' access to financing and career development of HMK's women staff.</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 The proposed project is not anticipated to cause adverse impacts on women and girls.</p>

<p>4. Indicate the intended gender mainstreaming category:</p> <p><input type="checkbox"/> GEN (gender equity) <input checked="" type="checkbox"/> EGM (effective gender mainstreaming)</p> <p><input type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)</p>
<p>III. PARTICIPATION AND EMPOWERMENT</p>
<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 key stakeholders of the proposed project comprise HMK and its MSME and agricultural borrowers. HMK's response to the needs of the MSME and agricultural borrowers in establishing and sustaining business activities will be the primary consideration in the project 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 project design require participation of the poor and excluded? The majority of HMK's borrowers are considered poor and vulnerable. Due diligence will review the consultation and engagement activities of HMK to its borrowers, set out in the ESMS.</p> <p>3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?</p> <p><input checked="" type="checkbox"/> (L) Information generation and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>4. Are there issues during project design for which 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 The review on HMK's ESMS implementation will encompass the execution of grievance redress mechanism and engagement activities with borrowers, including the poor and vulnerable.</p>
<p>IV. SOCIAL SAFEGUARDS</p>
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</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 Consistent with the existing loan arrangements, HMK is expected not to use ADB proceeds on subloans involving involuntary resettlement impacts. Due diligence will review the screening process of HMK in assessing the impacts of potential borrower's business activities on involuntary resettlement.</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)</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 Due diligence will verify that the existing operation of HMK and subloan activities do not impact any distinct and vulnerable Indigenous Peoples communities, as defined in the ADB Safeguard Policy Statement (SPS).</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not applicable.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> (L) Creating decent jobs and employment <input checked="" type="checkbox"/> (L) Adhering to core labor standards <input checked="" type="checkbox"/> (L) Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><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? Due diligence will confirm HMK's compliance with national labor laws and core labor standards. The impact of COVID-19 on HMK's operations and its workforce as well as corresponding mitigating measures or planned actions will also be assessed.</p>
<p>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<p>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 process 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</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 transaction TA or due diligence?

ADB HQ staff will conduct virtual due diligence in coordination with the staff and consultant of ADB's Uzbekistan Resident Mission to assess poverty, social, and gender concerns relevant to the proposed project.

- ^a Asian Development Bank (ADB). 2019. *Country Partnership Strategy: Uzbekistan, 2019–2023—Supporting Economic Transformation*. Manila.
- ^b World Bank. *Global Findex Database 2017* (accessed 29 November 2020).
- ^c Tadjibaeva, D. 2019. *Small and Medium-Sized Enterprise Finance in Uzbekistan: Challenges and Opportunities*. ADBI Working Paper Series. No. 997. Tokyo: Asian Development Bank Institute.
- ^d ADB. 2020. *Basic Statistics 2020*. Manila.
- ^e State Committee on Statistics. *Gender Statistics of Uzbekistan* (accessed 28 January 2021).
- ^f World Bank. 2019. *Enterprise Surveys*. Washington, DC.
- ^g ADB. 2018. *Uzbekistan Country Gender Assessment Update, December 2018*. Manila.

Source: Asian Development Bank