



Initial Poverty and Social Analysis

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Uzbekistan: Korzinka COVID-19 Food Retail Supply Chain Support Project

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ESMS	–	environmental and social management system

NOTE

- (i) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Uzbekistan	Project Title:	Korzinka COVID-19 Food Retail Supply Chain Support
Lending/Financing Modality:	General Corporate Finance	Department/Division	Private Sector Operations Department/ Office of the Director General

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The proposed three-year senior loan of \$12 million (in local currency equivalent) to Anglesey Food Foreign Enterprise LLC ('Korzinka') will support increased working capital and operational expenditure needs related to COVID-19. The transaction is consistent with operational priorities of ADB's Strategy 2030,^a which targets (i) efforts to promote food security, agricultural productivity and to enhance food safety, as well as (ii) development of inclusive and sustainable businesses, including environmental and social sustainability and gender inclusiveness of business operations. Uzbekistan embarked on radical reforms since 2017 to improve lives of its citizens and to create enabling environment for the private sector. The project contributes to ADB's country partnership strategy, 2019-2023 for Uzbekistan,^b which supports private sector development. This includes ensuring that businesses are able to sustain their operations and pursue development in the face of COVID-19 challenges.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The investment will support increased working capital and operational expenditure needs of Korzinka, allowing Korzinka to (i) secure jobs and livelihoods of its existing employees in the face of COVID-19 challenges; (ii) pursue further expansion of its operations and, thus, generating new job opportunities (iii) increase support to and resilience of its supply chain, particular smallholder farmers; (iv) increase level of hygiene in Uzbekistan's retail sector; and (v) strengthen women's role in management functions and supply chain.

C. Poverty and Social Analysis

1 **Key issues and potential beneficiaries.** Uzbekistan's economic growth over the past decade has been steadily translating into visible reductions in the share of households living below the poverty line (from estimated 25.8% in 2005 to 11% in 2019)^c. With the improved economics of households, the demand for food and household products has been growing rapidly. However, the prevalence of severe or moderate food insecurity in Uzbekistan has increased by 3 million people, from 3.5 in 2016 to 6.5 million people in 2020 (11% to 20% of the total population)^d. The COVID-19 crisis has led to substantial supply disruptions in the country as some regional trading partners of Uzbekistan, such as Russia, Kazakhstan, Ukraine have restricted or suspended the export of several staple food items^e. These disruptions have impacted Korzinka and increased risk of COVID-related supply shocks in Korzinka's operations, leading to increased likelihood of supply chain disruptions, and as a result, to increased food insecurity for an estimated 10% of the population of the country that Korzinka serves.

2. **Impact channels and expected systemic changes.** The project is expected to have the following impacts: (i) enhance food security in Uzbekistan by supporting inventory buffers for critical food items. The project will also support food safety and access to nutritious food in the country as Korzinka supports a shift of supply chains away from traditional unhygienic bazaars (food markets); (ii) support economic recovery from COVID-related disruptions by supporting suppliers including struggling local farms with essential liquidity through shorter payable days; (iii) sustain livelihoods and jobs of the company and farm workers.

3. **Focus of the transaction due diligence.** ADB's due diligence will focus on Korzinka's existing management of environmental and social risks and its environmental and social performance. This will include review of existing systems and procedures used to identify and manage environmental and social risks and impacts. ADB will work with Korzinka to ensure it has an Environmental and Social Management System (ESMS) and necessary resources in place to meet safeguard requirements of ADB and applicable legislation. The project will also require assessment of gender mainstreaming practices and opportunities as part of the transaction.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Uzbekistan exhibits persistent gender disparities in key labor market areas, with a low rate (52%) of female labor force participation, compared to 78% for men.^f In 2019, Uzbekistan secured key laws protecting women in the workplace by way of forbidding discrimination. The Government and the Parliament's Commission for the Protection of Gender Equality of Women approved two gender-related laws on (i) Guarantees of equal rights and opportunities

for men and women; (ii) Protection of Women from Harassment and Violence. Uzbek women entrepreneurs are mostly involved in low-return service entrepreneurship and mainly as micro and small enterprises.⁹ In 2019, only 11.9% and 14% of formal businesses in Uzbekistan were estimated to be majority-owned and minority owned by women, respectively.^h Women-led businesses in Uzbekistan are disadvantaged compared to men-led businesses when supplying to large companies and are thereafter less present in key agri-business value chains. Other challenges for women-led businesses include limited access to markets, limited knowledge of marketing and exporting, and limited use of advanced equipment, among others.ⁱ

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 access to and use of opportunities, services, resources, assets, and participation in decision-making? Yes No

The project has strong potential to enhance gender equality results at the corporate level and in support of women's economic participation in the staple foods' value chains. Gender due diligence will look at gender design features that would enhance women's participation in leadership and managerial positions, consolidate gender equality features in corporate policies – particularly from an anti-sexual harassment perspective, promote gender inclusivity in work conditions, and promote women's participation as economic agents in relevant food and agro-production value chains.

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) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. The expected beneficiaries of the project are Korzinka and its employees, Korzinka's suppliers, and the population Korzinka is serving.
2. Who are the key, active, and relevant CSOs in the project area? Korzinka's operations cover several regions of the country. The nature of ADB's investment (general corporate finance) does not envisage engagement with specific CSOs.
3. Are there issues during project design for which participation of the poor and vulnerable is important?
 Yes No If yes, what are these issues?
4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues? Korzinka's stakeholder engagement, customer relations and grievance redress mechanisms provides for opportunities to account for views and concerns of communities and local CSOs.
5. What level of CSO participation is planned during the project design?
 Information generation and sharing Consultation Collaboration Partnership

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

Proceeds from the proposed ADB loan facility will not be used to fund any construction or expansion of physical assets which involve activities that include permanent or temporary land acquisition, any retrofits, rehabilitation or expansion projects. The project is not expected to result in involuntary resettlement impacts. However, given Korzinka's growth ambitions, due diligence will explore possibilities to enhance its current management system to screen for risks of involuntary resettlement in future.

2. What action plan is required to address involuntary resettlement as part of the transaction due diligence process?

Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No
2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No
- Proceeds from the proposed ADB loan facility will not be used to fund any construction or expansion of physical assets which involve activities that include permanent or temporary land acquisition or any activities that may directly or indirectly affect indigenous peoples or vulnerable ethnic minorities.
3. Will the project require broad community support of affected indigenous communities? Yes No
The project will not result to commercial development of the cultural resources and knowledge of Indigenous Peoples, physical displacement from traditional or customary lands, and commercial development of natural resources within customary lands.
4. What action plan is required to address risks to indigenous peoples as part of the transaction due diligence process?
 Indigenous peoples plan Indigenous peoples planning framework Social impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?
 Creating decent jobs and employment (L) Adhering to core labor standards (L) Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS (L) Increase in human trafficking Affordability
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____
2. How are these additional social issues and risks going to be addressed in the project design? Korzinka will be required to comply with national labor laws and implement its ESMS which will set out measures to comply with the internationally recognized core labor standards, pursuant to ADB's Social Protection Strategy (2001).

VI. TRANSACTION DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction due diligence contain key information needed to be gathered during transaction 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?
 Yes No
2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction due diligence? ADB will work closely with Korzinka during due diligence process, review provided documentation and engage in discussions with relevant Korzinka specialist.

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

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

^c ADB. 2021. Basic 2021 Statistics. Manila.

^d Food and Agriculture Organisation. 2021. The state of food and security and nutrition in the world.

^e Eurasianet.2020. Food security in the time of coronavirus: a Eurasianet briefing.

^f World Bank Database, [Labor force participation rate – Uzbekistan](#). (last accessed September 23, 2021)

^g ADB. 2018. [Uzbekistan Country Gender Assessment: Update](#). Manila. 2018.

^h UNDP. 2017. [Women Entrepreneurs in Uzbekistan: Challenges and Opportunities Policy Brief](#). Tashkent. 2017.

ⁱ A2F Consulting for European Bank for Reconstruction and Development. 2020. [Gender in Agribusiness Supply Chains in Uzbekistan and Turkey](#). Rockville. 2020.