



Uzbekistan: Microfinance Sector Development Program

Project Name	Microfinance Sector Development Program				
Project Number	56363-001				
Country / Economy	Uzbekistan				
Project Status	Active				
Project Type / Modality of Assistance	Technical Assistance				
Source of Funding / Amount	<table border="1"> <tr> <td>TA 10087-UZB: Microfinance Sector Development Program</td> <td></td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 225,000.00</td> </tr> </table>	TA 10087-UZB: Microfinance Sector Development Program		Technical Assistance Special Fund	US\$ 225,000.00
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Technical Assistance Special Fund	US\$ 225,000.00				
Strategic Agendas	Inclusive economic growth				
Drivers of Change	<ul style="list-style-type: none"> Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships Private sector development 				
Sector / Subsector	Public sector management / Public expenditure and fiscal management				
Gender Equity and Mainstreaming	Some gender elements				
Description	The SS-KSTA will provide important knowledge input and background diagnostics for the conceptualization of a Microfinance Sector Development Program and input for a project concept paper. ADB will aim to assist and advise on the further development of a market-based microfinance sector, by supporting the improvement of access to finance through both the commercial banking and the MFO sector. This is expected to support the development of the private sector as well as commercialize the SOBs to finance MSE on a sustainable basis and by doing so deepen and broaden financial intermediation and reach out to microentrepreneurs including women and rural. The TA will look for ways to increase access to finance by i) identifying further reforms across both the banking and microfinance sector the market to enable greater access to finance, (ii) identify capacity building requirements for the market to both downscale the banks to do more with MSE as well as upgrading the capacity of corporate governance for MFOs and (iii) develop a business plan to establish an apex body to support sustainable funding models for the microfinance sector.				
Project Rationale and Linkage to Country/Regional Strategy	Micro and Small Enterprises (MSE) are a key driver to the Uzbekistan economy, representing 56% contribution to GDP and 75% of total employment in the country. Despite their importance to the economy the sector remains largely unbanked and underserved with an estimated credit gap of \$6 billion today (Source IFC 2020). The MSE finance market is heavily state-owned bank? (SOB) -led, but these banks lack the specialist skills and products away from the government programs to undertake MSE financing sustainably. They also have low approval rates, a lack of customized delivery models for MSE as well as high collateral requirements (130%+). The large-scale rollout of heavily subsidized social lending programs by the Uzbekistan Government from 2016 onwards has also had a heavily distortionary effect, creating perverse incentives among borrowers and disincentivized commercial financing. Aside from the Banks, the Microfinance Organizations (MFOs) sector is small given the size of the market, with total loans outstanding across 80 institutions at \$150 million only. This is due to their high-cost funding model that is difficult to scale up, coupled with poor governance across the sector leading to a lack of investor interest. Recent reforms for the sector include the approval of a new Non-Bank Financial Institution (NBFI) law, but this failed to address many of the underlying barriers needed to create a healthy MSE finance sector.				
Impact	Impact the TA is Aligned with Contribution of microenterprises to the gross domestic product of Uzbekistan, which is aligned with the objectives of the government to promote entrepreneurship and create jobs, increased.				

Project Outcome	
Description of Outcome	Microfinance sector strengthened
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Review of the policy, regulatory, and legal frameworks for microfinance sector development carried out
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Nation-wide

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Responsible ADB Officer	McCartney, Andrew C.
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	Ministry of Finance

Timetable	
Concept Clearance	-
Fact Finding	08 Dec 2022 to 08 Dec 2022
MRM	-
Approval	27 Dec 2022
Last Review Mission	-
Last PDS Update	03 Jan 2023

TA 10087-UZB

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
225,000.00	0.00	0.00	0.00	0.00	0.00	225,000.00	-	0.00

Project Page	https://www.adb.org/projects/56363-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=56363-001
Date Generated	04 January 2023

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