



Initial Poverty and Social Analysis

Project Number: 42007-020
May 2021

Uzbekistan: Small and Medium-Sized Enterprises Development Program (Subprogram 1)

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 19 April 2021)

Currency unit	–	sum (SUM)
SUM1.00	=	\$0.0000950974
\$1.00	=	SUM10,515.54

ABBREVIATIONS

ADB	–	Asian Development Bank
-----	---	------------------------

NOTE

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

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Uzbekistan	Project Title:	Small and Medium-Sized Enterprises Development Program
Lending/Financing Modality:	Policy-Based Lending	Department/Division:	Central and West Asia Department/Public Management, Financial Sector and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>The proposed program supports the Government of Uzbekistan’s development objectives by strengthening the ecosystem for small and medium-sized enterprises (SMEs) for them to continue increasing their contribution to diversified economic growth and employment, particularly value-added jobs. The proposed program builds on ADB’s past support for SMEs which included five loans, attached technical assistance (TA), and an equity investment in Ipak Yuli Bank.</p> <p>The Government’s Strategy for Actions for 2017–2021 and its follow-on roadmap recognize the central role of SMEs in fostering the ongoing transition toward a market economy. Development and liberalization of the economy is aimed at creating conditions conducive to entrepreneurship, accelerating socio-economic progress and equalizing wealth distribution across regions, districts and cities in Uzbekistan.</p> <p>The Asian Development Bank (ADB)’s country partnership strategy for Uzbekistan, 2019–2023 recognizes that a robust private sector is critical for achieving the government’s goal of improving the quality of people’s lives—driving sustained economic growth and creating quality jobs. The proposed program is line with ADB’s Strategy 2030, a key priority under which is to “help facilitate quality job creation, including by small and medium-sized enterprises and inclusive businesses.”¹ Operational priorities supported are: (i) addressing remaining poverty and reducing inequalities; (ii) accelerating progress in gender equality; (iii) building climate resilience and enhancing environmental sustainability; and (iv) strengthening governance and institutional capacity. It is included in ADB’s lending program for 2021 under the country operations business plan for Uzbekistan, 2021–2023.</p>
<p>B. Poverty Targeting</p> <p><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> <p>The program is targeted towards developing a sound and resilient ecosystem for SME development to enable them to create quality and sustainable jobs. It will have a nationwide direct impact on job creation, formalizing and diversifying the economy, inclusive growth, and hence on poverty reduction.</p>
<p>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries.</p> <p>Key issues pertain to a weak enabling environment i.e., (i) lack of access to diversified finance to support the different phases of SME development i.e., start-up, growth and, expansion; (ii) continuing reliance by banks on collateral-based lending; (iii) institutional barriers such as property registration being allowed either jointly or under the husband’s name, disproportionately impacting access to women owned and/or managed businesses; (iv) low level of financial literacy of SMEs handicapping them from presenting credible business plans; (v) institutional barriers such as permits, regulations and non-streamlined SME support services of government agencies that increase the cost of doing business; (vi) low digitalization which deprives SMEs of opportunities to become more productive and competitive; and (vii) lack of quality human capital needed to strengthen the competitive and innovative power of enterprises.</p> <p>The potential primary beneficiaries include (i) the population because the outcome of the program will contribute to national economic growth and diversified higher value-added jobs; (ii) market participants, i.e., financial institutions, entrepreneurs, SMEs, and individuals including women who will have improved access to various forms of finance and digitalization infrastructure; and (iii) regulatory agencies. The poor and the socially excluded will benefit from the program indirectly.</p> <p>2. Impact channels and expected systemic changes.</p>

¹ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

These would include (i) long-term and alternative funding sources, (ii) transparent, expeditious and efficient government support services, (iii) expanded role of digitalization infrastructure on SME operations, (iv) trade facilitation and export diversification, and (v) market-based skills

3. Focus of (and resources allocated in) the transaction TA or due diligence.

The focus of (and resources allocated to) the due diligence is to identify policy measures to support the development of a robust SME ecosystem. Key areas targeted are: (i) diversification of formal bank and non-bank financing instruments; (ii) reducing institutional and administrative costs of doing business; (iii) improving trade facilitation and digitalization environment; and (iv) aligning skills development with market needs. Due diligence will be carried out by the project processing team of the Public Management, Financial Sector, and Trade Division of ADB's Central and West Asia Department.

4. Specific analysis for policy-based lending.

The program will benefit all SMEs through interlinked, cross-sectoral reforms to improve the enabling environment for SME development. These reforms will (i) help upgrade SMEs productivity and competitiveness to increase further their contribution to GDP and create high value added and diversified jobs, reduce regional inequalities and address poverty, and (ii) increase their resilience to future economic shocks.

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?

Banks' continuing reliance on collateral-based lending instead of on cash flows and property registration jointly or under the husband's name, disproportionately impacting access to finance for women-owned/ managed businesses.² Despite a 25% expansion in access to bank credit, the share of loans to women's small businesses shrank from 11.6% in 2018 to 8.1% in 2019. Low level of financial literacy impedes preparation of financial and related documents required by banks for loan approval. Low level of familiarity with administrative processes within government prevents them accessing information that could be useful for growing their businesses including training and networking opportunities, and government financial support schemes. As digitalization assumes more importance in SME operations, women's literacy level in this field has to be upgraded as well to fully maximize the benefits to their business. Women have been worst affected by COVID-19 pandemic as they comprise 54% of the workers in catering and trade SMEs, and 46% in agriculture.

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

III. PARTICIPATION AND EMPOWERMENT

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 potential initial stakeholders will be (i) government agencies, i.e. Small Business and Entrepreneurship Development Agency, State (Guarantees) Fund, Ministry of Finance, Ministry of Economic Development and Poverty Reduction, Ministry of Agriculture, Ministry of Innovation, Ministry for Development of Information Technologies and Communications, Public Service Agency, Ministry of Employment and Labor Relations, the Central Bank of Uzbekistan; (ii) SMEs; (iii) banks and non-bank institutions (especially micro credit organizations); and (iv) relevant industry organizations including the Chamber of Commerce and Industry of Uzbekistan, business associations, non-bank associations.

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 overall program design automatically involves engaging with the poor and vulnerable because nearly 91% of small businesses in Uzbekistan are still microenterprises, often owned by the low-income section of the population.

² There is no legal definition of "women's small businesses" in Uzbekistan. The Central Bank of Uzbekistan defines them for reporting purposes as businesses either managed or owned by women or with women accounting for at least half of employees.

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?

Key CSOs include the [Chamber of Commerce and Industry of Uzbekistan](#); [National Association of Micro-finance Organizations and Credit Unions](#); [Business Women's Association](#) "Tadbirkor Ayol". These are being consulted, albeit remotely due to COVID-19 travel restriction, to ensure participative project design.

Information generation and sharing (M) Consultation (M) Collaboration Partnership

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? Yes No

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

2. What action plan is required to address involuntary resettlement as part of the transaction TA or 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

3. Will the project require broad community support of affected indigenous communities? Yes No

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or 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 Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS 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?

SMEs participating in the State Fund's credit guarantee scheme could be required to be screened for and report on core labor standards in their operations and creating decent jobs, preferably high value-added jobs particularly for women.

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 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 participation plan during the transaction TA or due diligence?

Preparation of the Consultant & Participation plan will be part of the consultants' assignment, while poverty, social and/or gender analyses will be carried out by the processing team.

Source: Asian Development Bank.