



Project Data Sheet

Project 42007-018

Project Name Small Business Finance Project

Project Number 42007-018

Country / Economy Uzbekistan

Project Status Closed

Project Type / Modality of Assistance Loan
Technical Assistance

Loan 3405-UZB: Small Business Finance Project

Source of Funding / Amount Ordinary capital resources US\$ 100.00 million
TA 9128-UZB: Strengthening Participating Financial Institutions

Financial Sector Development Partnership Special Fund US\$ 500,000.00

Strategic Agendas Environmentally sustainable growth
Inclusive economic growth

Drivers of Change Gender Equity and Mainstreaming
Governance and capacity development
Knowledge solutions
Partnerships
Private sector development

Sector / Subsector **Finance** / Small and medium enterprise finance and leasing

Gender Effective gender mainstreaming

Description The project will support participating financial institutions (PFIs) to provide loans to small businesses. The TA will help PFIs strengthen credit underwriting to improve rural outreach, and enhance financial literacy of their small business clients.

Project Rationale and Linkage to Country/Regional Strategy	<p>Favorable hydrocarbon revenues and substantial public investments supported a strong gross domestic product (GDP) growth at an annual average rate of 8% during 2000-2015. The GDP per capita increased from \$558 to \$2,036 and the poverty rate decreased from 27% to 14% during the same period. An industry-focused growth strategy resulted in an increase in the industry sector's share of GDP from 14% in 2000 to 24% in 2015, while the agriculture sector's share of GDP decreased from 30% to 17% during the same period. However, the strong GDP growth failed to effectively absorb the country's growing workforce. While the unemployment rate remained low at 5.2% in 2015, the number of Uzbek migrants doubled to 2 million during 2000-2015. The ongoing recession in the Russian Federation, which hosts over 90% of Uzbek migrant workers, has led to an increase of returning migrants, posing challenges to absorb them into the economy. Small businesses effectively generate employment and income, and are critical for Uzbekistan's inclusive growth.</p> <p>The financial system is dominated by banks, which control 94% of finance sector assets. Eight state-owned banks control 75% of banking assets and provide the bulk of credit to state-owned entities. During 2011-2015, bank credit to small businesses substantially increased from 4.5% to 7.1% of GDP, reflecting a compound annual growth rate (CAGR) of 34.1%. However, lending to small businesses still represents less than one-third of overall bank credit, which is insufficient given their economic significance. Eighty percent of small businesses are still being funded by family and friends and informal resources. Access to finance remains a key constraint for private business growth.</p>
Impact	Improved contribution of small businesses to inclusive economic growth and employment

Project Outcome

Description of Outcome	Increased sustainable provision of PFIs' financing to small businesses
Progress Toward Outcome	Project implementation is on track. Utilization of credit lines by PFIs is now improved significantly.

Implementation Progress

Description of Project Outputs	Expanded capacity of the PFIs for financing small businesses
Status of Implementation Progress (Outputs, Activities, and Issues)	OngoingOngoingOngoingOngoingOngoing
Geographical Location	Nation-wide

Safeguard Categories

Environment	FI
Involuntary Resettlement	FI-C
Indigenous Peoples	FI-C

Summary of Environmental and Social Aspects

Environmental Aspects	Safeguards due diligence for environment, indigenous people, and involuntary settlement were carried out during fact-finding. PFIs' environmental and social management systems (ESMS) were reviewed and capacity development needs identified. ADB engaged a TA consultant to assist PFIs and train their staff on ESMS implementation. Annual environmental and social reports were submitted to Ministry of Finance (the executing agency) and ADB timely, and disclosed on ADB website.
Involuntary Resettlement	No impact is expected
Indigenous Peoples	No impact is expected

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation	Consultation with private sector is conducted during review missions. Team also conducts regular quarterly discussions with government agencies and PFIs on project progress.
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Business Opportunities

Consulting Services	Consulting services will include the engagement of (i) Agriculture Finance and Rural Banking Experts, (ii) Credit Scoring Experts, and a (iii) Small Business Banking Expert through a firm. An Environmental and Social Management System Specialist (international), and a Monitoring and Evaluation expert (national) will be hired individually.
Procurement	A capacity building technical assistance (\$500,000) financed by Financial Sector Development Partnership Special Fund, will strengthen the PFIs' capabilities to lend to small businesses on a commercially sustainable basis. The TA will (i) strengthen PFIs' credit underwriting policies and procedures, (ii) develop a credit-scoring and loan origination system facilitated by mobile devices for small business loans, (iii) improve rural outreach by establishing mobile loan processing, and (iv) strengthen PFIs' financial literacy programs for their small business clients.
Responsible ADB Officer	Kuchkarov, Adhamjon
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Uzbekistan Resident Mission
Executing Agencies	<i>Ministry of Finance</i>

Timetable

Concept Clearance	03 Mar 2016
Fact Finding	22 Feb 2016 to 04 Mar 2016
MRM	09 May 2016
Approval	30 Jun 2016
Last Review Mission	-
Last PDS Update	07 May 2020

Loan 3405-UZB

Milestones

Approval	Signing Date	Effectivity Date	Closing			
			Original	Revised	Actual	
30 Jun 2016	03 Mar 2017	29 May 2017	30 Jun 2022	-	05 Aug 2022	
Financing Plan			Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost		133.30	Cumulative Contract Awards			
ADB		100.00	25 Aug 2022	99.99	0.00	100%
Counterpart		33.30	Cumulative Disbursements			
Cofinancing		0.00	25 Aug 2022	99.99	0.00	100%
Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	-	Satisfactory	-	Partly satisfactory

TA 9128-UZB

Milestones

Approval	Signing Date	Effectivity Date	Closing					
			Original	Revised	Actual			
30 Jun 2016	21 Jul 2016	21 Jul 2016	31 Dec 2019	31 Dec 2020	01 Mar 2021			
Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart		Project Sponsor	Others	Total	Date	Amount
		Gov	Beneficiaries					
500,000.00	0.00	0.00	0.00	0.00	0.00	500,000.00	25 Aug 2022	362,289.31

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	-	Satisfactory	-	Partly satisfactory

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