## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

<table>
<thead>
<tr>
<th>Country:</th>
<th>Republic of Uzbekistan</th>
<th>Project Title:</th>
<th>COVID-19 Active Response and Expenditure Support (CARES) Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending/Financing Modality:</td>
<td>Countercyclical Support Facility and COVID-19 Pandemic Response Option (policy-based loan)</td>
<td>Department/Division:</td>
<td>Central and West Asia Department/Public Management, Finance, and Trade Division</td>
</tr>
</tbody>
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### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

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

Uzbekistan has been undertaking structural reforms since 2017 under its national development strategy, 2017–2021 on (i) public governance and administration; (ii) rule of law; (iii) economic development and liberalization; and (iv) social development. Uzbekistan has strong economic fundamentals with an average gross domestic product (GDP) growth over 6.8% during 2010-2019, driven by (i) industry and services, (ii) investment and private consumption, (iii) remittance inflows, (iv) private sector development, and (v) export demand and high commodity prices. The growth has been broadly inclusive with national poverty rate falling from 25.8% in 2005 to 11.4% in 2018, reflecting rising share of small and medium-sized enterprises (SMEs), remittance inflows, public wage increases, and targeted social safety nets. The Gini coefficient has fallen from 0.30 in 2011 to 0.26 in 2016. In 2020, the coronavirus disease (COVID-19) as a global health crisis has interrupted Uzbekistan’s growth with closure of businesses due to quarantine and social distancing measures, restrictions on travel, disruptions in global trade and supply chains and decline in commodity demand due to global recession. The GDP growth is projected to fall sharply to 1.5% in 2020 (from an earlier pre-COVID-19 forecast of 6%) and overall fiscal deficit to increase to 5.6% of GDP from an earlier estimate of 2.7% of GDP. The government established the Anti-Crisis Fund (ACF) of SUM10 trillion to carry out the anti-crisis measures. The government plans to borrow $1 billion from the international financial institutions (Asian Development Bank [ADB], World Bank and the International Monetary Fund) for the ACF. ADB’s proposed CARES Program of $500 million will help government implement the measures to mitigate the impact of COVID-19 pandemic. ADB supports Uzbekistan under its country operations business plan, 2020–2022 and its country partnership strategy, 2019–2023. The program is aligned with ADB’s objective of reducing economic and social disparities. The country operations business plan is aligned with operational priorities of ADB’s Strategy 2030 on (i) addressing poverty and reducing inequality, (ii) accelerating progress in gender equality, (iii) strengthening governance and (iv) fostering regional cooperation and integration.

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. **Key poverty and social issues.** The COVID-19 pandemic will directly impact the well-being of citizens and communities. Although Uzbekistan’s health care system provides universal health insurance coverage, the loss of employment and out-of-pocket health expenditures represent significant vulnerability. About 26% households at the bottom quantile of income distribution could face risks of impoverishment from catastrophic health expenditures. Economic downturn, triggered by the fall in trade and investment, remittance flows, tourism and domestic business disruptions will reduce incomes and increase unemployment. With contractions in merchandise exports, current account deficit is projected to widen to 9.6% of GDP (from earlier forecast of 4.7% of GDP). Trade disruptions will affect all sectors. As of 2019, 2.5 million of the working-age population are migrant workers. Net remittance inflows were $5.11 billion in 2018 — $3.96 billion from the Russian Federation and $320 million from Kazakhstan. Based on the household budget surveys, remittances accounted for 7% of household income among the bottom 40% of the income distribution in 2013. The remittances are projected to decline by 40% in 2020 compared to 2019. Fall in remittances and higher unemployment will the share of people living in poverty by 8.7% from 7.4%, forecasted before the pandemic based on the poverty line for lower-middle-income countries ($3.2 per person per day in PPP terms). This is equivalent to an additional 448,000 people falling into poverty. The slowdown, quarantine measures, trade restrictions and tourism will shake SMEs, accounting for 78% of formal and informal employment in 2018. The layoffs by SMEs carry the risk of large-scale unemployment, leading to lower incomes and even social distress. The unemployment is projected to increase from 9.4% in 2019 to 16.5% in 2020. Formal sector employment growth will contract by 4% in 2020 from a growth of 1.8% in 2019.

2. **Beneficiaries.** Low-income households and entrepreneurs (SMEs) are direct potential beneficiaries. The general population will also benefit with less severe economic downturn achieved with countercyclical measures.

3. **Impact channels.** The proposed program will help the government carry out the anti-crisis measures. Health-related measures (SUM1 trillion) against the spread of COVID-19 will include set up of medical facilities, purchase of medical supplies and equipment, and salary supplements for medical employees. Stabilization measures (SUM8.3 trillion) will include fiscal and monetary interventions such as tax incentives, deferments of loan repayments.
for affected businesses, and increased funding for the public works in the regions. Social protection measures (SUM0.7 trillion) include safety nets for low-income households.

4. **Other social and poverty issues.** The pandemic will disproportionately affect the households with informal jobs and remittance incomes. Economic disparities and limited regional job opportunities have pushed the workforce into informal jobs and work abroad. The share of remittances in the household income depends on the scarcity of regional jobs, ranging from 23.2% in Khorezm to 5.1% in Navoi in 2018. In 2018, informal sector accounted for 54% of total employment (ILO, 2018), including seasonal and temporary workers and it is highest in agriculture (80% of workers) and industry (60%). In the first quarter of 2020, unemployment rate was highest in Samarkand and Fergana regions, which are leading in informal employment. In 2018, the youth unemployment rate (18%) was double the overall unemployment rate (9.3%) and share of 15–24-year old youth with permanent jobs was 49%, about 10% lower than other workers. The youth unemployment has tripled in Tashkent region during the pandemic. SME support and public works under the program will help maintain employment.

5. **Design features.** SME support will strengthen the private sector in the medium-term. Improved health care facilities and diagnostic capacity will help contain the pandemic and avert the health-related impact. Support for businesses and public works projects will ensure continuity of and access to critical public goods and services.

### C. Poverty Impact Analysis for Policy-Based Lending

1. **Impact channels of the policy reform(s).** The program will help reduce the health-related and economic challenges during the COVID-19 pandemic by supporting the government’s countercyclical measures.

2. **Impacts of policy reform(s) on vulnerable groups.** The program will help moderate the impact of the COVID-19 pandemic on low-income households.

3. **Systemic changes expected from policy reform(s).** The program will help (i) improve the health care system; (ii) expand social safety nets; (iii) strengthen businesses; and (iv) enhance the fiscal stability. ADB’s technical assistance will strengthen (i) outcome-based budgeting for countercyclical expenditures, (ii) optimization of social transfers, (iii) public investment management in critical sectors such as health, (iv) the intergovernmental fiscal transfer system to meet the local governments’ enhanced role in service delivery, (v) risk-based banking supervision and (vi) expansion of banking services for businesses affected by the pandemic.

### II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and project activities.** The main stakeholder of the program (the government agencies and development partners concerned) were consulted to identify the impacts of the pandemic and harmonize ADB’s assistance with government’s needs and those of the development partners. Direct beneficiaries under the government’s anti-crisis measures will be identified and targeted by the concerned government agencies.

2. **Civil society organizations.** The program does not anticipate the participation of civil society.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA).

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<thead>
<tr>
<th>Information gathering and sharing</th>
<th>Consultation</th>
<th>Collaboration</th>
<th>Partnership</th>
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4. Participation plan Yes ☒ No. Given the scope of the program, no participation plan has been developed.

### III. GENDER AND DEVELOPMENT

**Gender mainstreaming category:** effective gender mainstreaming

**A. Key issues.** In 2017, Uzbekistan was ranked 59th out of 189 countries in gender inequality index (0.274), reflecting gender-based inequalities in reproductive health, empowerment, and economic activity. The labor force participation rate was low for females (53%) compared to males (78%) in 2018. With women representing over 80% of the overall health sector workforce, they are at higher risk of infection during the COVID-19 pandemic. Women constitute about 70% of the education sector and will be impacted with closures of educational institutions during the pandemic. The closure of businesses has negative impact on women, who own and/or manage 43% of SMEs as of 2017 and constitute about 23% SME employees. Low income households, especially women-headed households raising children, are likely to face impoverishment due to loss of jobs. Uzbekistan’s social protection system has benefitted women more because of higher number of women pensioners and programs targeting women. Social benefit transfers to families and children accounted for 5% of state budget in 2020, placing Uzbekistan among high-income countries for the scope of its social protection system.

**B. Key actions.** The program will ensure delivery of the targeted number of COVID-19 related medical equipment as well as proper-sized personal protective gear, including gender-responsive packages for female health workers to the identified medical facilities. Sector specific tax incentives and loan repayment deferments will be provided to the SMEs. An additional SUM500 billion will be provided to the State Fund for Support of Entrepreneurship to provide guarantees and compensation of interest expenses for SMEs. At least 40% of SMEs that are women-owned and/or managed will benefit from these incentives and funds. The small-scale public works in the regions funded by the ACF will target employment of low-income households. Number of low-income households receiving childcare and social benefits will be increased by at least 10% in 2020 with priority given to single mothers, divorced women and widows. A total of 843,000 low-income households will benefit from the expanded benefits. The government will...
utilize the *mahalla* (neighborhood) level sex-disaggregated registries and the Unified Social Registry of Social Protection for identification of low-income households and distribution of these benefits. At least 50% of temporary disability benefits, provided to quarantined parents and individuals caring for children, will be given to women. Salaries of 1.04 million schoolteachers, of whom 70% of women are continued to be paid. These interventions will reduce the poverty risks for women, children, and low-income households.

Gender action plan ☒ Other actions or measures ☒ No action or measure

The gender monitoring matrix (GMM) and the design and monitoring framework (DMF) will include gender actions.

### IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

<table>
<thead>
<tr>
<th>A. Involuntary Resettlement</th>
<th>Safeguard Category: ☐ A ☒ B ☒ C ☐ FI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Key impacts. Not applicable.</td>
<td>☐ Resettlement plan ☒ Resettlement framework ☒ Environmental and social management system arrangement</td>
</tr>
<tr>
<td>2. Strategy to address the impacts. Not applicable.</td>
<td>☒ Combined resettlement and indigenous peoples plan planning framework</td>
</tr>
<tr>
<td>3. Plan or other Actions.</td>
<td>☒ Combined resettlement framework and indigenous peoples planning framework</td>
</tr>
<tr>
<td>☒ Social impact matrix ☒ No action</td>
<td></td>
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</tbody>
</table>

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<thead>
<tr>
<th>B. Indigenous Peoples</th>
<th>Safeguard Category: ☐ A ☒ B ☒ C ☐ FI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Key impacts. Not applicable. Is broad community support triggered? ☒ Yes ☒ No</td>
<td>☒ Indigenous peoples plan planning framework</td>
</tr>
<tr>
<td>2. Strategy to address the impacts. Not applicable.</td>
<td>☒ Combined resettlement plan and indigenous peoples plan planning framework</td>
</tr>
<tr>
<td>3. Plan or other actions.</td>
<td>☒ Combined resettlement framework and indigenous peoples planning framework</td>
</tr>
<tr>
<td>☒ Social impact matrix ☒ No action</td>
<td></td>
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### V. ADDRESSING OTHER SOCIAL RISKS

#### A. Risks in the Labor Market
1. Relevance of the project for the country’s or region’s or sector’s labor market, indicated as high (H), medium (M), and low or not significant (L). [H] Underemployment [H] Retrenchment [L] Underemployment [L] Core labor standards
2. Labor market impact. The program help maintain and create jobs by supporting businesses and public works.

#### B. Affordability

The program will have no effect on affordability. The government’s anti-crisis measures include tight monetary policy to contain inflation and checks on price hikes in basic food and essential services to ensure affordability.

#### C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): ☐ Communicable diseases ☒ Human trafficking ☒ Others (please specify)
2. Risks to people in project area. Not applicable. The health-related measures under the program will help contain COVID-19 and prevent community spread. Thus, the program reduces risks in communicable diseases.

#### VI. MONITORING AND EVALUATION

1. Targets and indicators. The program’s scope and design have no specific indicators targeting the poor. Targets for addressing the gender are included DMF and GMM.
2. Required human resources. TA’s budget and gender specialists will monitor program implementation, gender and social targets. The Ministry of Finance will submit quarterly reports on the program, including use of ACF.
3. Monitoring tools. Government’s existing sex-disaggregated databases for social sector beneficiaries and other databases from agencies will be used to monitor gender indicators in DMF and GMM.

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