

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Uzbekistan	Project Title:	Second Small Business and Entrepreneurship Development Project
Lending/Financing Modality:	Financial intermediation loan	Department/ Division:	Central and West Asia Department Public Management, Financial Sector, and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed Second Small Business and Entrepreneurship Development Project supports the National Welfare Improvement Strategy and ADB's Country Partnership Strategy (CPS), 2012–2016 for achieving inclusive growth by fostering a modernized and diversified economy, while ensuring the creation of equitable economic opportunity.^a The state programs (i) focus on the development of a vibrant small business sector and improvement of an access to formal financial services for the poor and women, especially in rural areas; and (ii) enhance women's role in governance and improve the business environment. The government targets to narrow urban–rural disparities in living standards through rural development, housing, and job generation. The proposed project aims to promote an increased access to longer term finance by rural and women's small businesses.

B. Poverty Targeting

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

The project is a general intervention. It will address poverty by helping women and rural citizen strengthen their entrepreneurial skills, expand economic opportunities and income-generating activities. To help small businesses to grow, develop, expand, and compete, the project aims to enable PFIs to lend at least 70% of new loans to rural small businesses and at least 40% - to women's small businesses. A linked TA will improve (i) access to training and other business development services for women's small businesses and rural small businesses; and (ii) capacity of PFIs to lend to women's small businesses and rural small businesses.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Small businesses in rural areas struggle because of the limited reach of financial services. In rural areas, income-generating opportunities are limited and women's economic participation is low. Of Uzbekistan's population of 30.8 million, 49.2% live in rural areas. Low income earners in Uzbekistan accounted for 27.5% of the population in 2001: 30.5% rural and 22.5% urban. The indicator declined to 17.5% in 2011.^b Small businesses contribute more than 60% of gross regional product in 9 of 14 regions, the highest contribution being 80% in Syrdarya. Agriculture and forestry are the biggest employers, with 48.3% of employed women and 51.7% of employed men. Increasing income-generating opportunities and the economic participation of women depends on enhancing their business skills, financial literacy, business registration, and confidence in their entrepreneurial abilities. There are two groups of potential primary beneficiaries. The first group includes women's small businesses and rural small businesses whose operation or expansion is constrained by poor access to finance and other informal restrictions. The project will help these entrepreneurs to build productive enterprises in profitable sectors, operate to scale, access finance, and benefit from economic opportunities. The second group is participating financial institutions (PFIs). Financial services and delivery mechanisms provided by banks and leasing companies do not meet the needs of women's small businesses and rural small businesses. The PFIs will benefit from increased access to capital and strengthened institutional capacity, which will help them to develop financial services that better meet demand from women's small businesses and rural small businesses.

2. Impact channels and expected systemic changes. The project will help the poor and socially excluded improve their access to affordable finance and strengthen their entrepreneurial capacity. This will allow them to build viable businesses, create economic opportunities and income-generating activities, and mitigate their vulnerability to external shocks. The project will help develop gender-sensitive financial products for women's small businesses.

3. Focus of (and resources allocated in) the PPTA or due diligence. International and national consultants will be engaged for the S-PPTA to prepare the project design. The project has potential impact on poverty reduction and S-PPTA will explore ways to maximize this impact.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?

Small business development is crucial to improving economic opportunities for women. Most women entrepreneurs are engaged in retail sales (39.5%), handicrafts (38.0%), services (37.2%), and/or food production, turning out sweets, bakery goods, and other confectionery products (49.4%).^c Women have low access to financial services (microfinance accounts opened for women are about 35% of all accounts and about 10% of banks' loan portfolio). No consensus definition exists for what constitutes a "women's business"—specifically whether it includes private enterprises legally registered to female owners, enterprises managed by women or employing primarily women, or self-employed women engaged in various business activities including farming.

2. Does the proposed project or program have the potential to make a contribution 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 During PPTA a gender action plan for the project and the selected participating financial institutions will be prepared.

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 main stakeholders of the project include participating financial institutions (PFIs) and rural and women's small businesses. PFIs will onlend medium and long term funds to qualified small businesses. Rural and women's small businesses will increase their access to medium and long-term funds to expand their businesses and improve economic opportunities.

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? Consultations will be conducted with the poor, vulnerable and excluded groups to assess their training needs for business plan management and financial literacy. S-PPTA will explore if relevant training programs can be designed for these groups and be delivered during project implementation. During the S-PPTA, a project participation plan and a stakeholder communication strategy will be prepared to ensure involvement of these groups of population.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? The Business Women's Association and Women's Committee of Uzbekistan with their regional offices will be involved during project preparation to assess the training needs of women's small businesses and constraints in their access to finance.

Information generation and sharing Consultation Collaboration Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No The project is expected to enhance access to microfinance by the poor and excluded people. To address this, the project aims to strengthen capacity of PFIs in risk assessment and management and in the development of new financial products so that they can lend more to these target groups.

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

<p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p style="text-align: center;">V. OTHER SOCIAL ISSUES AND RISKS</p> <p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>The project will not have any adverse social issues and risks. The project aims to improve access to finance by rural and women's small businesses and strengthen their entrepreneurial capacity. The project components will comply with applicable labor laws and core labor standards including prohibition of child labor as defined in national legislation in the project subprojects.</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? The project design will closely follow the International Labor Organization's methodologies and ensure compliance with the core labor standards.</p>
<p style="text-align: center;">VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</p> <p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA 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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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 PPTA or due diligence? A gender national consultant is envisaged under S-PPTA to conduct gender analysis.</p>

^a Government of Uzbekistan. 2011. *Presidential Decree No. PP: 1474 On Further Strengthening Micro, Small, and Medium Enterprises Development*. Tashkent; Government of Uzbekistan. 2010. *Presidential Resolution No. 1438 On Priority Areas for Further Reforms and Sustainability Improvement of the Country's Finance and Banking System in 2011–2015 and Achieving High International Ratings*. Tashkent.

^b Government of Uzbekistan, State Committee on Statistics. 2013. *Statistical Review of the Republic of Uzbekistan*. Tashkent.

^c State Committee of the Republic of Uzbekistan on Statistics. 2012. *Women and Men of Uzbekistan. 2007–2010 Statistical Bulletin*. Tashkent.