

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Uzbekistan	Project Title:	Horticulture Value Chain Development Project
Lending/Financing Modality:	Financial intermediation loan	Department/ Division:	Central and West Asia Department Environment, Natural Resources, and Agriculture Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>The proposed Horticulture Value Chain 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. Another state program of farm size optimization (specifically targeting horticulture sector) announced by the Cabinet of Ministers in December 2015 address inequities in rural employment and to bring more unemployed people into the workforce as registered farmers. The proposed project aims to promote an increased access to longer term finance by horticulture farm owners and/or operators and businesses.</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 project is a general intervention. It will address poverty by helping women and rural population involved in horticulture sector strengthen their entrepreneurial skills, expand economic opportunities and income-generating activities. In doing so, the project aims to enable participating financial institutions (PFIs) to extend new loans to farm owners and/or operators and small businesses in the horticulture sector which have potential to create jobs and improve rural livelihoods, and at least 30%—to women operators and women-led small businesses.</p>
<p>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries. Small farm sizes bear risks of inability to attract credit because of issues with levels of fluctuating profitability, available cash flow, lack of suitable levels of security and collateral to access finance as well as inefficiencies of scale. Although bank credit outside the capital city represents about 65% of total credit, universal access to finance for private individuals and small businesses in rural areas is constrained by weak rural branch networks and limited mobile banking services. Also, most available bank loans carry a short tenure of up to one (1) year, which do not match farm cash flows generated by the typical multiyear agricultural product cycles. Farmers and small businesses have limited business sophistication and skills, which impede their growth, with surveys indicating that they lack access to information on market opportunities, suppliers, competitors, technology, and banking products. Low financial literacy of small businesses and low-income households, many of which are led by women, limit their access to financial services and their ability to invest and grow. 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, access to financial services. There are two groups of potential primary beneficiaries. The first group includes farm owners and/or operators and small horticulture businesses whose operation or expansion</p>

is constrained by poor access to finance and other informal restrictions. The project will help these farmers and entrepreneurs to build productive enterprises in profitable sectors, operate to scale, access finance, and benefit from economic opportunities. The second group of beneficiaries is the PFIs, which will benefit from increased access to long-term funding sources and strengthened institutional capacity. This will in turn help them to develop financial services that better meet demand from the above clientele.

2. Impact channels and expected systemic changes. The project will help the horticulture farm owners and/or operators and businesses 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-led businesses in the horticulture sector.

3. Focus of (and resources allocated in) the PPTA or due diligence. International and national consultants have been engaged under TA8567-UZB: Innovation for Agriculture Modernization to prepare the project design. The project has potential impact on poverty reduction and the TA consultant team 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?

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). The project design will examine further the key gender issues in the horticulture sector.

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 PFIs, horticulture farm owners and/or operators and businesses. PFIs will on-lend medium and long term funds to qualified subborrowers. Horticulture farm owners and/or operators and 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. The TA consultants will explore if relevant training programs can be designed for these groups and be delivered during project implementation. 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? These are being examined by the TA consultants.

M Information generation and sharing M Consultation M Collaboration M 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

These are being examined by the TA consultants.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI (C)

<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<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 (C)</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 will comply with applicable labor laws and core labor standards including prohibition of child labor as defined in national legislation.</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 has been engaged under TA-8567-UZB to conduct social and 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.