

Small Business Initiative

Finance and Advice for SMEs in Uzbekistan

Small Business Impact Fund

1 January – 31 December 2018

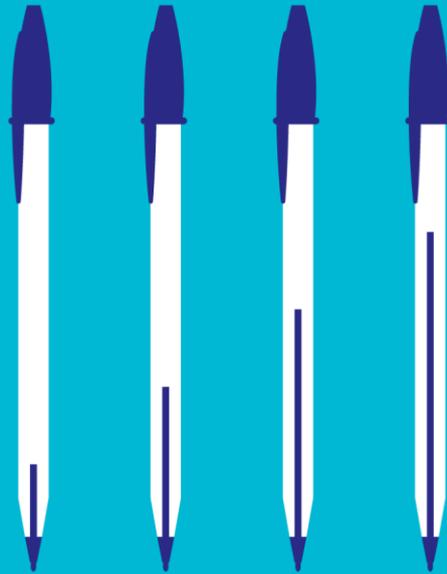


Table of Contents

1 Glossary of Terms, Abbreviations and Acronyms3

2 Description4

3 Executive Summary4

4 Economic and business environment.....5

5 Activities and results during the reporting period6

5.1 Small business investment..... 6

5.1.1 Financing through financial institutions6

5.1.2 Co-financing with financial institutions7

5.1.3 Direct financing for small businesses8

5.2 Small business advice 8

5.2.1 Projects with local consultants9

5.2.2 Projects with international advisers12

5.2.3 Market and sector development activities13

5.3 Policy dialogue..... 16

6 Lessons learned.....16

7 Communications and donor visibility17

8 Conclusion and next steps.....17

9 Annexes19

9.1 Results framework – progress to date 19

9.2 Example of donor visibility 21

1 Glossary of Terms, Abbreviations and Acronyms

Abbreviation	Description
B2B	Business-to-Business
DFP	Direct Financing Framework
EBRD	European Bank for Reconstruction and Development
FLRC	First Loss Risk Cover
GYCB	Grow Your Consulting Business
ICT	Information and Communications Technology
IFRS	International financial reporting standards
MDA	Market development activity
MFI	Microfinance institutions
MoU	Memorandum of Understanding
NBU	National Bank of Uzbekistan
OECD DAC	The Organisation for Economic Co-operation and Development's Development Assistance Committee
PFI	Partner financial institution
RSF	Risk Sharing Framework
SBI	Small Business Initiative
SBIF	Small Business Impact Fund
SDA	Sector Development Activities
SME	Small and medium-sized enterprises
SSF	EBRD Shareholder Special Fund
TC	Technical co-operation

2 Description

Title of the Programme	Finance and Advice for small and medium-sized enterprises (SMEs) in Uzbekistan
Programme value	EUR 4,250,000
Funded by	Small Business Impact Fund (SBIF)
Start date and end date of the reporting period	January – December 2018
Target countries	Uzbekistan
Final beneficiaries / target group	SMEs

3 Executive Summary

This report provides an update on implementation of the Small Business Initiative (SBI) in Uzbekistan from 1 January to 31 December 2018. In December 2017, the European Bank for Reconstruction and Development (EBRD or the Bank) launched a five-year programme (the Programme) to strengthen the role of small and medium-sized enterprises (SMEs) in the economy of Uzbekistan by enhancing their competitiveness and innovation, following approval by the EBRD's Small Business Impact Fund (SBIF).

The Programme has a core set of activities, designed to support the growth of SMEs through a combination of targeted investment, advisory services and skills training, as well as policy dialogue to improve the business environment. In particular, the Programme comprises the following set of activities:

- Supporting EBRD transactions with partner financial institutions (PFIs) to help enhance institutional capacity through implementation of sound banking principles, a comprehensive risk management framework and best practice corporate governance structures.
- Providing direct finance via the Direct Financing Framework (DFF) or the Risk Sharing Framework (RSF) where EBRD financing is additional to that provided by local banks.
- Offering advisory services to SMEs via local consultants and international advisers as well as a range of activities intended to embed knowledge and skills more widely within the consultancy market and the SME sector. This is complementary with and additional to the previously approved funding for advisory work in Uzbekistan (December 2017), which has been combined under this umbrella Programme.
- Providing technical assistance to improve the business environment for SMEs by enabling public-private dialogue through supporting initiatives, for instance, financial sector reform.

On financing, to date, the EBRD signed USD 127 million of credit lines with five Uzbek PFIs, of which over 60 per cent has been disbursed by PFIs to SMEs. Two RSF framework facilities with Hamkor Bank were signed during the reporting period, for total amount of USD 15 million. Two SME direct financing transactions were signed during the reporting period for total amount of EUR 2.1 million.

On the advisory support, the EBRD has made a rapid start in Uzbekistan since its re-engagement in 2017. Highlights include the launch of the SBI in Tashkent, Fergana, Navoi, Nukus, Karshi and Termez as well as signing a MoU with the Chamber of Commerce and Industry on joint work to improve competitiveness of SMEs in the context of the Bank’s Small Business Initiative. In 2018 the EBRD started 27 projects with local consultants and 3 projects with international advisers, reaching 30 unique SMEs. Over 50 consultants were trained through the custom-tailored trainings.

On the policy, the Bank is currently implementing a technical co-operation (TC) project to prepare a mapping of the institutional and legal frameworks for SMEs and to identify key challenges they face. Based on the results of this study, the Bank plans to formulate reform proposals aimed at improving the business environment for SMEs. The Bank would also aim to provide technical assistance for their implementation.

Table 1: Key results in Uzbekistan during the reporting period January – December 2018

- USD 127 million in credit lines provided to 5 partner banks in Uzbekistan
- USD 96 million disbursed to partner banks
- 2 RSF framework agreements with a total value of USD15 million signed
- 2 direct financing transactions signed (total EBRD finance of EUR 2 million)
- 30 advisory projects started, of which 27 with local consultants and 3 with international advisers
- More than 10 sector and market development activities were undertaken

4 Economic and business environment

Economic growth in Uzbekistan has lessened in 2017 and 2018. GDP growth slowed from the officially reported rate of 7.8 per cent in 2016 to 5.3 per cent in 2017 and 5.1 per cent in 2018, reflecting improved data accuracy and also some slowing of private consumption and a widening foreign trade deficit. Exports contracted by 3.2 per cent year-on-year in US dollar terms in the first eleven months of 2018, whereas imports surged by 36.8 per cent, facilitated by trade liberalisation policies. Fixed investment rose by 20.4 per cent in 2017 and 31 per cent year-on-year in the first three quarter of 2018. Remittances from Russia continued to increase in the first two quarters of 2018 following a marked recovery in 2017.

Inflation has continued to accelerate. Average inflation rose from 8.0 per cent in 2016 to 12.5 per cent in 2017. In 2018 average inflation reached 17.8 per cent. Inflation is expected to remain in double digits in 2019 because of further price liberalisation and the resulting adjustment in relative prices. Credit growth reached 51.4 per cent year-on-year at the end of 2018. In response to rising inflationary pressures, the Central Bank increased the policy rate from 14.0 per cent, where it had been since June 2017, to 16.0 per cent in September 2018.

Fiscal and external positions remain strong. Uzbekistan’s consolidated budget deficit is estimated to have remained below 1 per cent of GDP in 2017. However, the augmented fiscal deficit (including off-budget funds, primarily the Fund for Reconstruction and Development) increased substantially from 0.6 per cent of GDP in 2016 to 3.3 per cent of GDP in 2017 as a result of measures taken to stabilise the economy during the currency liberalisation and implementation of reforms. Public debt is relatively low, and stood at about 25 per cent of GDP as of the second quarter of 2018. The balance of payments, published in June 2018 by the central bank for the first time, shows a USD 3 billion current account deficit in the first three quarters of 2018 although the growing trade deficit was partially offset by remittances inflows. Net international reserves stood at USD 27.1 billion as of December 2018.

Real GDP growth is projected to slightly moderate in the short term, reaching 4.5 per cent in 2019 due to a further slow-down in private consumption and falling net exports. Increased investment, supported by structural reforms and the improved business environment, will likely underpin growth. Public infrastructure spending is also expected to continue.

5 Activities and results during the reporting period

5.1 Small business investment

The objective of small business investment activities is to increase SME access to finance through three channels: (i) financing through financial institutions for on-lending to SMEs, or indirect financing (5.1.1), (ii) EBRD co-financing with local partner financial institutions (PFIs) and microfinance institutions (MFIs) for loans to SMEs (5.1.2), and (iii) where and when required, EBRD direct financing to SMEs in the form of long-term or working capital loans, quasi-equity or equity, guarantees (5.1.3). Through all three channels, the EBRD will seek to maximise its financing in local currency to match the financing needs of SMEs. Donor funding is essential to leverage SME finance via channels mentioned above.

5.1.1 Financing through financial institutions

Through the first channel, the EBRD is providing financing to partner financial institutions (PFIs) for on-lending to eligible SMEs and provides technical assistance to partner banks to further develop their capacity to serve the SME sector in a sustainable manner. Following the approval of the *Approach to Activities in Uzbekistan* by the EBRD in March 2017, the Bank signed a Memorandum of Understanding (MoU) with the Uzbek Government confirming short-term priorities for re-engagement in the country, while the new EBRD Country Strategy was being developed. Under the *Approach*, the Bank concentrated, among other themes, on indirect financing of SMEs through credit lines to local banks. The EBRD carefully analysed Uzbekistan's banking sector, made assessments of credit and integrity profiles of potential clients, as well as their capacity to efficiently utilise potential credit lines of the EBRD, and developed an engagement plan with Uzbek financial institutions. A shallow financial system and limited access to finance for SMEs and the private sector in the country were identified as constraints in the new EBRD Country Strategy for Uzbekistan adopted in September 2018. Effective instruments to support SMEs across regions, including credit lines and advisory, enhancing lending capacity and strengthening the banking sector, have been proposed among the measures to address the constraint.

To date, the EBRD signed USD 127 million of credit lines with five Uzbek PFIs, of which over 60 per cent has been disbursed by PFIs to SMEs as presented in Table 2 below.

Table 2: Summary of credit lines signed with Uzbek PFIs

PFI	EBRD Loan (USD)	Signing Date	EBRD Loan Disbursed (USD)	# sub loans	Reporting period
National Bank of Uzbekistan (NBU)	35,000,000	08/11/2017	35,000,000	83	31/12/2018
	35,000,000	09/10/2018	20,000,000		
Ipoteka Bank	10,000,000	20/12/2017	10,000,000	57	30/09/2018
	15,000,000	27/07/2018	15,000,000		
Hamkorbank	20,000,000	21/12/2017	10,000,000	38	30/09/2018
Ipak Yuli	10,000,000	15/10/2018	5,000,000	n/a	n/a
Davr Bank	5,000,000	01/08/2018	1,000,000	n/a	n/a
Total	127,000,000		96,000,000	178	

As part of this engagement with the financial sector in the country, the Financial Institutions Development Programme was designed. It is a EUR 5 million technical co-operation (TC) programme with an estimated life span of five years, designed to assist Uzbek PFIs to enhance their institutional capacities in implementation of sound banking principles, a comprehensive risk management framework and best practice corporate governance structures. This TC programme also fosters the development of tailored lending activities to SMEs in Uzbekistan. To date, EUR 4 million of donor funds has been raised for the TC programme: EUR 1 million from SBIF, EUR 1 million from Korea, and EUR 2 million from the EBRD Shareholder Special Fund (SSF).

Following a competitive procurement process, Kazakhstan-based KPMG Tax and Advisory LLC was selected as the consultant to implement the TC programme which was launched in April 2018. The consultant is engaged under a framework contract and individual consultancy contracts are devised for provision of TC to individual PFIs. This implementation structure allows the creation of bespoke scopes of work and budgets reflecting individual needs of PFIs. One more contract under the framework was signed with the consultant, which allows the provision of programme-wide activities (PFI diagnostic studies, centralised programme training, communication and visibility measures etc.). To date, an initial gap analysis has been conducted for four PFIs including one leasing company (Uzbek Leasing), a state-owned bank (the National Bank of Uzbekistan, NBU) and two private banks (Ipak Yuli Bank and Davr Bank). Based on the findings and the respective recommendations, a tailored TC assignment to develop sustainable SME lending operations at the largest state-owned bank, the NBU, was designed and launched in December 2018. Scopes of work have also been agreed for three additional TC assignments - with Uzbek Leasing as well as Ipak Yuli Bank and Davr Bank. It is expected that the consultant will commence activities with these institutions by end of the first quarter of 2019. A programme of centralised trainings and seminars is also being designed.

5.1.2 Co-financing with financial institutions

The EBRD works together with local banks and shares the risks of financing local companies under the Risk Sharing Framework (RSF). By engaging in this way, local partner banks are able to expand access to long-term financing for local companies as well as benefit from training to expand and manage their SME portfolios. It also assists partner financial institutions to better manage their capital and risk.

Two RSF framework facilities with Hamkor Bank were signed during the reporting period, for total amount of USD 15 million.

Table 3: Summary of credit lines signed with Uzbek PFIs

RSF Frameworks	Sector	EBRD finance	Signing
RSF Funded Hamkor	Risk participation Framework	USD 10m	8-Oct-2018
RSF Unfunded Hamkor	Risk Participation Framework	USD 5m	8-Oct-2018

The team has been working on launching the RSF with an additional PFI. In addition, during the reporting period the EBRD has been closely working on building the RSF transactions pipeline for 2019. Several projects in hospitality management, dairy, store equipment and medical supplies production, and transport services industries are under preparation for signing in 2019.

5.1.3 Direct financing for small businesses

Recognising that many SMEs that are on their growth path still face challenges while trying to access finance from PFIs, the EBRD continues providing direct finance to small and medium businesses under the Direct Financing Framework (DFF). Such finance is offered in situations where the EBRD financing is additional to that provided by local banks. Moreover, the EBRD direct financing is targeted to support emerging SME leaders to improve their corporate governance standards, become more bankable and ultimately reach new markets.

Two DFF transactions were signed during the reporting period under the Programme for total amount of EUR 2.1 million. ABN MB, a family-run patisserie and café business also benefitted from first loss risk cover. With EBRD financing, ABN MB plans to launch a new, innovative jam production line, acquire freezers to be installed across Tashkent to develop its ice cream business, and expand its Bon! cafe chain.

Table 4. Direct financing signings in Uzbekistan over reporting period

Project	Signing date	EBRD Loan (EUR)	Notes
DFF – ABN MB (see Annex 9.2)	Dec 2018	1,765,000	<ul style="list-style-type: none"> 10% First loss risk cover from the SBIF An international advisory intervention (funded by the SSF) started in 2017 and continued throughout 2018, it was followed by a SBIF-funded project on automatisisation of management accounting system, delivered by a local consultant
Khiva Malika hotel	Dec 2018	300,000	<ul style="list-style-type: none"> Benefited from a project under the Accounting Improvement Programme (AIP) funded by the SBIF <p>The project was signed under the EBRD’s Cultural Heritage Framework</p>
	Total	2,065,000	

The team has been working on building the SME DFF transactions pipeline for 2019. A project in agricultural processing and production is under preparation for signing in 2019.

5.2 Small business advice

Small business advice activities provide SMEs with access to know-how to promote growth and to develop the SME support infrastructure on a sustainable basis. In the first year of this Programme’s

operations, one third of the target number of SMEs have been reached, illustrating the strong uptake for advisory services on the market.

5.2.1 Projects with local consultants

The EBRD provides SMEs with access to know-how by engaging both international advisers and local consultants. Projects are tailored to the clients' business needs with the aim of fostering their growth. The EBRD currently has a network of over 17 newly-approved local consultants in Uzbekistan, while the consultancy market review conducted in 2018 resulted in over 30 responses from practicing consultancy companies. The consultants can offer SMEs external advice and knowhow in a wide range of areas, such as marketing, strategy, and quality management. Clients always share a significant part of the cost of each project to ensure their commitment as well as ensure greater leverage of donor funds.

2018 was the first full year of the EBRD's SME advisory programme in Uzbekistan, after the successful launch of activities in late 2017. In the initial months the focus was on building up efficient business processes to ensure timely processing of applications, initiating projects and disbursing subsidies, or grants to advisory clients, the local SMEs. This also required close coordination with the authorities and local banks regarding setting up accounts and disbursing grant funds to clients (given the history of significant constraints in the past). By the second quarter of 2018 the required business processes were in place and the roll-out of SME advisory activities started.

As a result, the EBRD started 27 projects with local consultants in 2018 under the Programme. Given the EBRD's still limited regional/rural presence, the majority of these projects (19 out of 27) are located in the capital city of Tashkent, with only around one third in regional centres and rural areas. The project clients operate in a wide range of industries, such as food and beverages, apparel and footwear, travel and tourism, etc. In terms of objectives, projects on improvement of financial management and reporting, Information and Communications Technology (ICT) solutions and quality management solutions account for more than three quarters of the total number.

Table 5. Summary of projects with local consultants from January to December 2018

Indicator	Uzbekistan
Number of projects started	27
Number of projects started outside capitals	8
Number of projects started with new consultants	27
Total amount of EBRD commitment (EUR)	226,184
Total amount of client contributions (EUR)	80,620
Number of projects completed	18

Case study 1: EBRD supports a dairy company in Uzbekistan



Company: Milk Soft LLC is a dynamic, up and coming dairy company in Tashkent. The company runs state-of-the-art equipment from Germany and Italy, which allows production of up to 15 types of products e.g. sour-milk, cottage cheese and cheese groups with various degrees of fat content, under the “Sof Sut” brand. The production capacity of the equipment is 60 tonnes per day. Milk Soft is owned by two local entrepreneurs and currently employs 37 people.

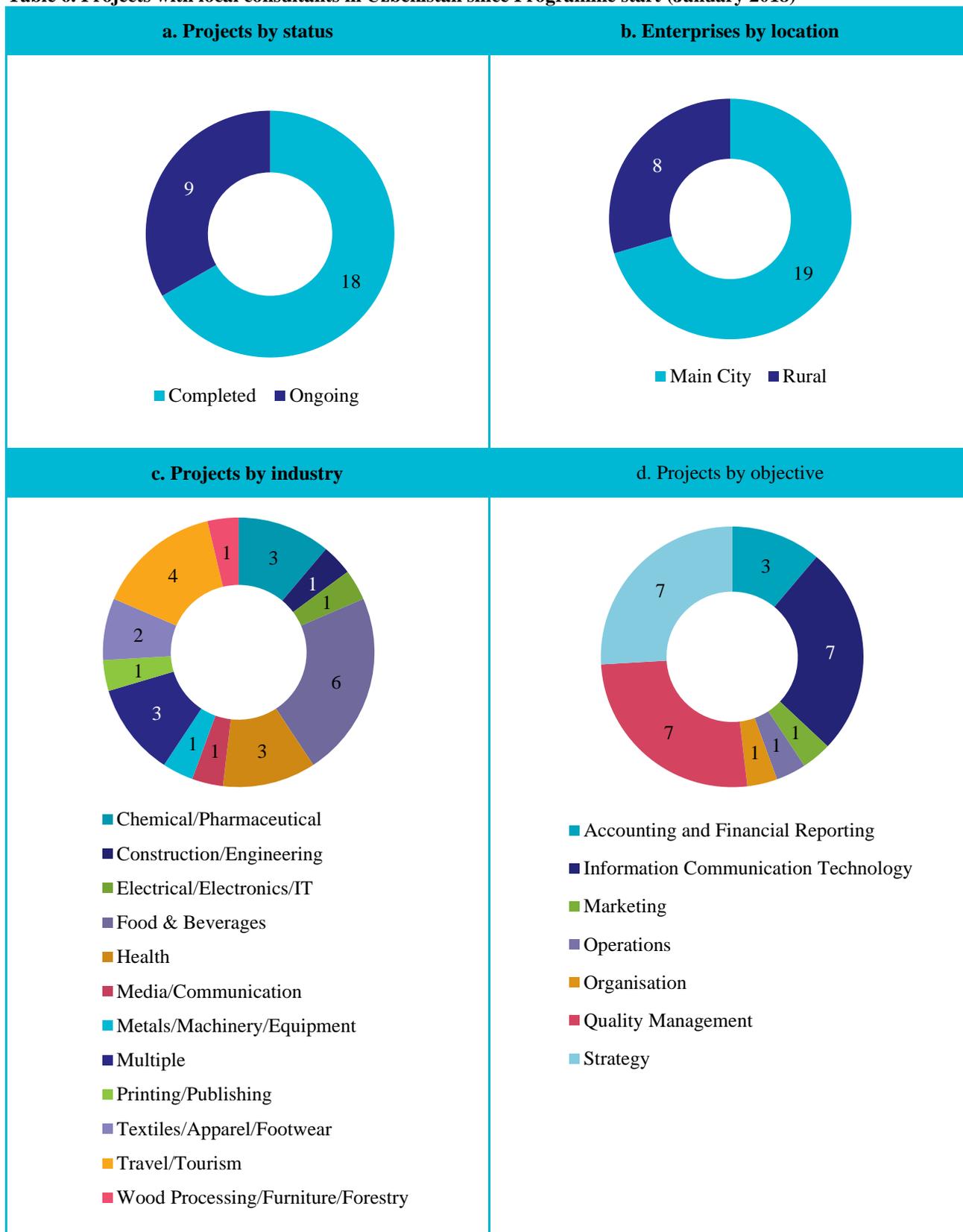


Milk Soft focuses mainly on Business-to-Business (B2B) sales; at the initial stage of its activity, the sales were made to various retail and fast food outlets - coffee shops, cafes, and pastry shops. Since then direct sales to one of the largest supermarket chains (Makro supermarkets) have been established and the volume of delivery now exceeds 20 tonnes per month. The company is also considering its own chain of branded shops around Tashkent in 2019.

Project: The EBRD has supported Milk Soft in the development and implementation of an integrated management system using the international standards ISO 9001, OHSAS 18001, ISO 22000. The advisory project commenced in June 2018 and included the diagnostics of the operations of the company, training of the senior management and managers of processes, elaboration and establishment of the strategy of the company and business objectives. With its priority on the quality of products and implementation of highest international standards of food and health safety, the company aims to become the market leader in anticipation of increased competition from global players in the Uzbek market.

Milk Soft is also a potential client for EBRD financing. The company has plans to establish a network of its own milk collection points across the country, which would require up to USD 2 million in investments.

Table 6. Projects with local consultants in Uzbekistan since Programme start (January 2018)



5.2.2 *Projects with international advisers*

SMEs looking to compete on the global market may benefit most from an international industry adviser who can share best practices and provide strategic assessments of every aspect of the enterprise. With a global database of over 1,800 international industry experts, the EBRD can provide SMEs in Uzbekistan with access to external know-how in a wide range of industries and advisory areas. The main focus is on stimulating growth, where possible optimising value chains through business linkages and local supplier development, with the goal of establishing champion SMEs within their sector. Projects can include a Business Matching Visit, which is an opportunity to learn about international best practice first-hand and create partnerships and business linkages in other countries.

In 2018 the “Blue Ribbon” initiative was rolled out in Uzbekistan. The first Uzbek enterprise to join the initiative was Agromir Juice LLC in August 2018. Agromir happens to also be the EBRD’s first banking private sector client after re-engagement in Uzbekistan in early 2017. In essence, the Blue Ribbon offers an enhanced combination of the Bank’s advice, technical assistance and financing to a carefully identified and selected group of SMEs.

Three international advisory projects were also started in 2018 under the Programme, in addition to three pilot projects started in the second half of 2017 under the funding from the EBRD’s SSF.

Table 7. Projects with international advisers – during the reporting period

Indicator	Uzbekistan
Number of projects started	3
Total amount of EBRD commitment (EUR)	180,000
Total amount of client contributions (EUR)	19,200

Case study 2: The EBRD offers advisory support and finance to a producer of chocolate, pastries, ice cream, macarons



Company: Mirzo-Bobur LLC (MB) is one of the companies of ABN-MB Group, with a turnover of EUR 2.9 million in 2017 and more than 200 employees. The enterprise is recognised as a key supplier of high quality range of ice cream, pastries and dough as well as beer and chocolate, being an innovative player in the local market. Initially, these products were sold primarily through its own chain of BON! coffee houses, however, with the support of the project that started in 2018, the company began developing its product sales to consumers via local supermarket chains. Moreover, with the EBRD’s advisory support, the company started analysing the market and the first performance results and also signed their first contracts with the buyers/customers.



Project: The EBRD’s advisory team has provided the necessary expertise through selection of top specialists to assist the enterprise with its technological upgrades in the production of bakery and pastry products, which has fuelled the company’s revenue growth. With the EBRD support, the company has also begun working on redefining operational principles and enterprise infrastructure that will need to be adapted and integrated into the bakery and pastry business.

The EBRD has contributed with key financial recommendations regarding the business objectives of the enterprise, after evaluating the various opportunities for development that ABN MB could benefit from. As a result, ABN MB signed a USD 2 million loan with the EBRD to finance the expansion of the Bon! Coffee chain, confectionary and pastry production, warehouse renovation, among other business objectives.

Table 8. Projects with international advisers in Uzbekistan since the Programme start



5.2.3 Market and sector development activities

Through market development activities (MDAs), the Programme is supporting the professionalisation of the consulting industry and building the capacity of business associations to improve business skills and establish a sustainable support infrastructure for the SME sector. For this purpose, the EBRD has developed the Grow Your Consulting Business (GYCB) series, which is a set of training courses that shares essential skills, resources and techniques for effective consulting as well as for running a successful consulting business. In addition, sector development

activities build demand and disseminate sector best practices to create a demonstration effect in the market.

The EBRD has made a rapid start in Uzbekistan since its re-engagement in 2017. Highlights include the launch of the SBI in Tashkent, Fergana, Navoi, Nukus, Karshi and Termez as well as signing a MoU with the Chamber of Commerce and Industry. The main focus was on the dissemination of the information about the programme among the general public, and more specifically, among local SMEs, via 10 marketing and consultancy business support activities including one sector development activity focused on the ICT sector. The EBRD is actively promoting its SME business development products across the regions of Uzbekistan and has participated in five regional conferences organised by the government of Uzbekistan to raise the awareness of local business owners of the Bank’s activity in Uzbekistan. All in all, more than 500 SMEs, business associations and representatives of local authorities were reached, and over 50 consultants were trained through the custom-tailored trainings, reaching almost 50% of the Programme’s target in its first year of operations.

Table 9. List of events held in 2018

No	Name of event	Number of participants	Audience	Date	Venue
1.	Market research of the SME sector in Fergana valley	n/a	SMEs	June-July	Fergana Valley
2.	ISO Training Workshop	500	SMEs, consulting companies	18 October	Tashkent
3.	GYCB: Management Consulting Essentials	24	Consultants	15-20 February	Tashkent
4.	GYCB: Managing a Consulting Business	21	Consultants	21-23 June	Tashkent
5.	GYCB: Marketing and Selling Consulting Services training course	23	Consultants	8-11 October	Tashkent
6.	Roundtable “Review of Challenges for SMEs and Recommendations to Address”	10	Ministries, agencies and quasi-governmental organisations	5 December	Tashkent
7.	Technical assistance to support the capacity building of Chamber of Commerce and Industry (CCI) of Uzbekistan	n/a	n/a	April-July	Uzbekistan
8.	First Meeting of Stakeholders’ Working Group within Integrated Cultural Heritage Framework	15-20	Representatives of ministries, CCI, Crafts Association, Association of Private Tourist Agencies of Uzbekistan etc.	11 December	Tashkent
9.	Series of communications and visibility include the following:				

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	Seminar "Mechanisms of cooperation of the EBRD and small and medium business"	200+	SMEs, local authorities (Karakalpakstan, Khorezm)	19 February	Nukus
	Seminar "Mechanisms of cooperation of the EBRD and small and medium business"	200+	SMEs, local authorities (Surkhandarya, Kashkadarya)	11-12-July	Termez, Karshi
	Open discussion: "Business in the era of changes - risks, opportunities and role of consulting"	60	Local Consultants, SMEs, IFIs	01 March	Tashkent
	Interview to "Norma.uz" - Information and Legal portal	-	Local audience	16 March	Link to interview: https://www.norma.uz/nashi_obzori/konsultanty_pomogut
	Master class on Kaidzen	50	Entrepreneurs, managers of industrial business and services	29 May	Tashkent
	Cultural Heritage Workshop in Khiva	Approximately 90	SMEs, local authorities	17-18 September	Khiva
	Session on "Opportunities and challenges for business: access to finance and tax changes" within the Global Entrepreneurship Week	100+	Government officials, SMEs, young entrepreneurs	16 November	Tashkent

Table 10. Number of market and sector development activities held

Indicator	Uzbekistan
Number of market and sector development activities held	10
Number of participants	500
Total amount of donor contribution (EUR)	102,554

Case Study 3. Helping local consultants to enhance consulting competencies



In 2018 the EBRD organised three training courses for consultants. The “Marketing and Selling Consulting Services” training was delivered to 23 local consultants who learned how to develop the understanding of markets for consulting services and to identify specific needs. Moreover, they became familiarised with the best practices in marketing as well as selling consulting services and were provided with marketing tools and practical sales techniques specific to the consultancy industry.



Another course “Managing Consulting Essentials” was organised for the second time following the success of the first training and at the request of the local consultants. This five-day training reached 24 consultants and provided the overall guidance to management consulting profession for local management consultants. Specific objectives were to familiarise participants with the essentials of management consulting profession, help them to master management consulting competencies and assist to design their own management consulting cycle. The “Managing a Consulting

Business” course was attended by 21 participants and its primary objective was to provide tools and techniques for effectively managing a consulting business.

All of these three trainings were aimed at building the capacity of the consultants in Uzbekistan in order to improve the quality of business advice they deliver to local MSMEs.

Results: More than 50 consultants attended the trainings and approximately a third of them were pre-qualified for the EBRD projects. The feedback provided by the consultants was very positive while the interest in future EBRD training courses remains stable.

5.3 Policy dialogue

The objective of the EBRD’s small business policy interventions is to support improvements in the business environment for SMEs.

The Bank is currently implementing a TC project to prepare a mapping of the institutional and legal frameworks for SMEs and identify key challenges they face. This will be done through desktop research, interviews with national and international stakeholders and a survey of local SMEs. Based on the results of this study, the Bank plans to formulate reform proposals aimed at improving the business environment for SMEs. The Bank would also aim to provide technical assistance for implementation.

6 Lessons learned

On *financing through financial institutions*, a good uptake was achieved in 2018 in terms of a number and volume of credit lines signed with Uzbek PFIs. This is based on the EBRD’s substantial preparatory work and mobilisation efforts but would not have been possible without a proactive engagement from the national stakeholders. The TC programme will be an important pillar to help improve PFI capacities for effective SME lending. However, as the Programme has just recently started, it is too early to assess its results.

On *co-financing with financial institutions*, the Risk Sharing Framework (RSF) has just recently started, with two framework agreements signed with PFIs. A SME pipeline is being built through cross-reference and joint screenings of perspective SME clients with focus on regions of Uzbekistan.

On the *capacity-building side for partner banks*, a series of trainings for respective credit officers is required to improve the professional skills and understanding of the EBRD financial modelling specifics.

On *direct financing*, a combination of the Bank's advisory and financing products offered to SMEs contribute towards their long-term growth as well as create a demonstration effect to the private sector for further replication across the industries.

On *advice*, since the majority of SMEs assisted to date are based in or around the capital city of Tashkent, more resources and efforts will be required going forward to expand advisory support to SMEs in other regions of the country, including in rural areas. All advisory projects are only evaluated a year after completion as per the Organisation for Economic Co-operation and Development Assistance Committee (OECD DAC) Criteria of Efficiency, Effectiveness, Relevance and Impact). No projects have been evaluated to date.

As this Programme progresses, the EBRD will continue to assess all the outcomes and lessons learned and expects to have more substantial conclusions once all the implemented projects are evaluated.

7 Communications and donor visibility

In 2018, focus was given to the dissemination of information about the EBRD's advisory programme among the general public, and more specifically among the local SMEs. A series of visibility and outreach activities and events were conducted resulting in increased recognition of the advisory products, leading to a growing number of inquiries and applications by SMEs. In addition a video was produced on a DFF client, ABN MB, which has been promoted on the EBRD's social media accounts; to see the video please follow this link:

<https://www.youtube.com/watch?v=ITBDE34yyWk>

Donor funding from the SBIF was mentioned on all printed materials which were distributed at various events. The main beneficiaries of the EBRD communications and visibility in Uzbekistan were SMEs, local consultants, local partners and stakeholders (local authorities, Chamber of Commerce and Industry, commercial banks) and the media.

This focus on high visibility and outreach will continue, as a number of important MDAs and Sector Development Activities (SDAs) are lined up to increase awareness and generate demand for advisory services. The team will also make wider use of the social media to promote advisory activities and to raise donor visibility.

An example of donor visibility is provided in Annex 9.2.

8 Conclusion and next steps

On *financing through financial institutions*, the EBRD will continue to proactively engage with Uzbek financial intermediaries. Support and monitoring activities will continue in relation to financing facilities already extended to PFIs whilst opportunities for cooperation with new financial intermediaries will be further explored. The Financial Institutions Development Programme will enter its active phase and bespoke consultancy services will be designed and provided to PFIs participating in the Programmes, complemented by a range of activities for a broader sector.

On *RSF and DFF financing*, the operational planning for 2019 includes eight pipeline projects in Manufacturing & Services, Agribusiness, Transport and Property and Tourism sectors. The team will focus on progressing these transactions.

On *advice*, in 2019 the EBRD plans to start 36 local consultancy and four international advisory projects with eligible SMEs. The team will continue to encourage the interest in and demand for advisory services by keeping a good pace of conducting various market and sector development activities, as well as building the capacity of local consultants by offering three specialised training courses.

Following the opening of a regional EBRD office in Andijan (planned for mid-year 2019), regional outreach will be stepped up, increasing the opportunities for SMEs to access EBRD services.

On *policy*, based on the results of the ongoing TC project, the Bank plans to formulate reform proposals aimed at improving the business environment for SMEs. The Bank would also aim to provide technical assistance for their implementation.

9 Annexes

9.1 Results framework – progress to date

Specific objective	Outputs	Target	Result (31 Dec 2018)
Strengthened role of SMEs in economy through enhancing their competitiveness and innovation	Number of SMEs supported with EBRD business advice	up to 90	30
	Number of participants in trainings for local consultants	140	68
	Outcomes*	Target	Result (31 Dec 2018)
	% of enterprises receiving advice achieving increases in turnover one year after completion of advisory projects	50%	N/A
	Number of jobs created in SMEs supported with EBRD business advice within 1 year of project completion	400	N/A
	% of SMEs supported with EBRD advice that access finance (from EBRD or elsewhere) within 1 year from completion of the advisory project	10%	N/A
	% of SMEs supported with business advice having used external advice independently within 1 year of completion	10%	N/A
	Total contribution to project costs by assisted SMEs	EUR 370,000	EUR 99,820
	Evidence of innovation (in product, process, marketing and organisation) by SMEs supported through finance or business advice by EBRD	to be monitored	2
	Evidence of enhanced corporate governance practices by SMEs supported through finance or business advice by EBRD	to be monitored	2
Improved access to finance for SMEs through enhancing capacity and	Outputs**	Target	Result (31 Dec 2018)
	SME lending tailored training provided by the consultant on time and according to agreed curriculum/coverage	2 PFIs	In progress
	SME lending centralised training provided by the consultant on time and according to agreed curriculum/coverage	up to 2 trainings	Under preparation

Small Business Impact Fund

innovation of partner financial institutions	Report prepared by consultant and presented as targeted on time and of good quality	Recommendations (organisational restructuring and risk management systems and procedures) submitted for up to 2 PFIs	Ongoing
	Outcomes**	Target	Result (31 Dec 2018)
	SME lending capacity of the PFI improved	2 PFIs	In progress
	New financing service/instrument/product for SME lending introduced/expanded or followed on	2 PFIs	In progress
	Organisational restructuring completed as targeted	2 PFIs	In progress
	Tailored training/capacity-building/work-based learning programmes developed and implemented	2 PFIs	In progress
Increased access to finance for SMEs	Outputs	Target	Result (31 Dec 2018)
	Number of SMEs financed through EBRD direct and co-financed SME operations	18-25	2
	Number of SMEs benefiting from first loss under this Programme (subset of the above indicator)	6-8	1
	Outcomes	Target	Result (31 Dec 2018)
Percent of all directly supported SMEs located in regions (outside capital and main cities)	20%	50%	
Improved business environment for SMEs through enhancing institutional framework and support infrastructure	Outputs	Target	Result (31 Dec 2018)
	Number of policy actions targeted to strengthen SME support institutions and improve business environment	2-4	0
	Number of EBRD consultants trained by EBRD (incl. in specific areas)	up to 50	69
	Outcomes	Target	Result (31 Dec 2018)
	Evidence of successful introduction/implementation of relevant regulatory/legal frameworks (e.g. VC regulation, creditor or property rights, etc.)	up to 2	0
*outcome indicators for advisory services will only be available as projects are evaluated. This takes place one year after project completion. **additional specific outputs and outcomes will be set for each PFI transaction separately as they are prepared and approved, and will be reported upon in the context of the report on the overall programme.			

9.2 Example of donor visibility

A screenshot of the EBRD video clip posting on Twitter (on ABN-MB project)



EBRD Press Release

<https://www.ebrd.com/news/2018/ebd-provides-funds-for-msme-support-in-uzbekistan-.html>

EBRD provides funds for MSME support in Uzbekistan

By [Anton Usov](#)

01 Aug 2018



DAVR Bank to receive US\$ 5 million credit line for on-lending to small businesses

- **US\$ 5 million loan to DAVR Bank to support small businesses in Uzbekistan**
- **Sub-loans will be available in local currency and will offer longer maturities**

Strengthening its support for the private sector in [Uzbekistan](#), the EBRD is providing a synthetic local currency loan of up to US\$ 5 million to DAVR Bank. This is the first EBRD loan to the bank aimed at expanding access to finance for local micro, small and medium-sized enterprises (MSMEs).

The loan agreement was signed in Tashkent today during a visit by EBRD President Suma Chakrabarti, who said: “Following a new stage of our engagement with Uzbekistan, our Bank has identified several key areas and SME funding is one of them. Today’s signing shows our firm commitment to provide further support to this significant sector of the country’s economy”.

The EBRD loan will allow DAVR bank, a privately owned financial institution in Uzbekistan established in 2001, to further develop its small-business lending practices, expand its client base and offer loans with longer maturities to firms around the country.

DAVR bank will receive technical assistance supported by the [Republic of Korea](#) under the Financial Institutions Development Programme in Uzbekistan to strengthen its institutional capacity through the development of SME lending practices and the improvement of risk management.

Between 1992 and 2010, the EBRD invested €894 million in Uzbekistan in 54 projects. Following its re-engagement after significant changes in the country, by the end of 2017 the Bank had signed its first six new operations in Uzbekistan since 2010 for a total of over €153 million.