

Ex-Ante Evaluation

April 03, 2026

Japan International Cooperation Agency

1. Name of the Project

- (1). Country: Republic of Uzbekistan (Uzbekistan)
- (2). Project: Project to promote financial inclusion for micro, small and medium-sized enterprises especially youth and women-led
- (3). Borrower: Joint-Stock Innovation Commercial Bank Ipak Yuli (IYB)
- (4). L/A Signing Date: December 15, 2025

2. Background and Necessity of the Project

(1) Current Status and Challenges of the MSME sector in Uzbekistan

In Uzbekistan, micro, small, and medium-sized enterprises (MSMEs) account for approximately 86% of all businesses and approximately 74% of the working population, playing an important role. MSMEs account for approximately 30% of exports and around 51% of GDP, making promotion of MSMEs indispensable for the growth of the country's economy (Asia Small and Medium-Sized Enterprise Monitor, 2024).

The country has the largest population in Central Asia with 35 million people, and it's growing quickly. About as much as 60% of the population aged under 30 is making creating jobs for young people a big challenge in the country. The Country Assistance Policy for Uzbekistan (Ministry of Foreign Affairs of Japan, 2024) states that the gender gap in the labor force is significant. Women make up a much smaller percentage of the workforce than they do in other Central Asian countries. The gender gap in the labor force participation rate (LFPR) is almost twice as big as those in neighboring countries like Kazakhstan, Armenia, and Azerbaijan. This gender imbalance is another challenge for the country. The IMF Article IV (2024) says that limited access to finance is one of the barriers to promotion of MSMEs, including those led by young people and women. International development financial institutions have implemented support programs for MSMEs, including those led by young people and women, in order to improve youth unemployment rates, to promote entrepreneurship, and to encourage women's participation in the labor force and employment. However, despite these efforts, the country's MSME financing gap remains at approximately 16% of GDP, while the financing gap for women-owned MSMEs (WMSMEs) is equivalent to about 1% of GDP (IFC MSME Finance Gap, 2025).

Under these circumstances, the Uzbek government has announced several policies to support micro, small, and medium-sized enterprises (MSMEs) based on the "New Uzbekistan Development Strategy for 2022–2026" and "Uzbekistan 2030." To reduce gender inequality, the government is actively promoting initiatives to overcome gender imbalances, such as removing restrictions on women's employment in specific sectors, prohibiting wage

inequality, and launching educational support programs. Additionally, financial assistance, including loans, is being provided under the “Women’s Entrepreneurship Support” initiative. For young people, the “Youth Entrepreneurship Support” initiative has been announced to expand employment and educational support (Asia Small and Medium-Sized Enterprise Monitor, 2024).

Furthermore, state-owned banks, which operate inefficiently, hold a very high market share in the country (accounting for approximately 70% of the banking sector’s total assets), making financial sector reform a critical challenge. State-owned banks provide preferential loans, have a structure that makes it difficult to generate profits, and have a high rate of non-performing loans, leading to government bailouts and other forms of loss compensation. By supporting the activities of private commercial banks, this initiative is expected to strengthen their lending capacity and improve financial access for private enterprises, thereby creating a healthy competitive environment. This is expected to contribute to enhancing the overall governance and business models of the country’s financial sector and, ultimately, to improving private enterprises’ access to financial services (World Bank Financial Sector Reform Project). Furthermore, this project is aligned with the country’s “Nationally Determined Contribution (NDC)” under the Paris Agreement, which aims to reduce greenhouse gas emissions by 35% by 2030 compared to 2010 levels (UPDATE NATIONALLY DETERMINED CONTRIBUTION 2021).

(2) Japan’s and JICA’s Policy Cooperation Policy and Operations in Uzbekistan

Japan’s Country Assistance Policy for the Republic of Uzbekistan (September 2022) prioritizes promoting sustainable economic growth and reduction of inequality as guiding principles and sets out “sustainable economic growth and industrial diversification” as priority issues. JICA has supported the development of the MSME sector and the private sector in Uzbekistan through initiatives such as the “Support Project for Micro, Small, and Medium-sized Enterprises” (Private Sector Investment Finance) and the “Project for Capacity Development of Business Persons and Networking through Uzbekistan-Japan Center for Human Resource Development (Phase2)” (Technical Cooperation). However, a significant funding gap for MSMEs and WMSMEs still tolerates. JICA explores cooperation with this project by encouraging the IYB workforce to participate in business educational courses and other training programs supported by the ongoing “Project for Capacity Development of Business Persons and Networking through Uzbekistan-Japan Center for Human Resource Development (Phase2)”. Furthermore, as mentioned above, the Government of Uzbekistan is advancing the following initiatives in the financial sector with support from international financial institutions: (1) the privatization and reform of state-owned banks, and (2) the promotion of private financial institutions. Thus far, JICA has supported the privatization and reform of state-owned banks through human resource development for relevant institutions, such as the “COVID-19 Crisis Response Emergency Support Loan” (ODA loan) and “Industrial Human Resources Development.” Furthermore, through the “Horticultural Value Chain Promotion Project” (ODA loan), JICA has cooperated

to improve the lending capacity of financial institutions. Through this loan to IYB, a private bank in Uzbekistan, JICA aims to strengthen cooperation in this sector from the perspective of point (2), which is expected to create synergies with previous JICA projects and support provided by international financial institutions. Given the strong demand for capital and the massive funding gap following the transition to a market economy, supporting improved access to finance through private enterprises is expected to contribute to the country's economic reform.

Furthermore, the Country Analysis Paper on Uzbekistan (2023) points out that the dynamism of the private sector is being hindered and that the shift toward industries with comparative advantages based on market principles is lagging. These activities contribute to the key objective of "strengthening the international competitiveness of industries." This project aims to promote MSMEs through loans to IYB. It also contributes to the private sector development goals of the JICA Global Agenda (Thematic Project Strategy), specifically "improving the external environment for private enterprise growth, as well as improving access to finance and market access."

3. Project Description

(1) Project Overview

① Project Objectives

This project aims to contribute to sustainable economic growth in Uzbekistan by providing loans to IYB, a private commercial bank, thereby improving financial access for MSMEs, including young and female entrepreneurs.

② Project Details

Through long-term loans to IYB, the project promotes lending by IYB to MSMEs, primarily those led by young people and women.

③ Project Beneficiaries (Target Group)

MSMEs in Uzbekistan, primarily those led by young people and women.

(2) Estimated Project Cost: US\$65 million (of which US\$25 million is a JICA loan).

(3) Schedule (Cooperation Period): December 2025 - December 2028

(4) Project Implementation Structure:

Borrower: Joint Stock Innovation Commercial Bank Ipak Yuli

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(5) Environmental and Social Considerations, Cross-sectional Issues, and Gender Classification

1) Environmental and Social Considerations

① Category Classification: C

② Basis for Categorization: Based on the "Japan International Cooperation Agency (JICA) Guidelines for Environmental and Social Considerations" (announced in January 2022), this project's undesirable impact on the environment and society is judged to be minimal.

2) Cross-cutting Issues: None.

3) Gender Classification: GI(S) (Project requiring gender mainstreaming needs assessment and analysis)

<Reason for Classification> In Uzbekistan, the government is advancing initiatives to eliminate gender inequality, such as amending labor laws to ensure equal pay for men and women and removing restrictions on women’s employment. Although the gender gap is improving, gender inequality in the labor market, and there remains a significant challenge: the funding gap for women-owned MSMEs (WMSMEs) amounts to approximately 1% of GDP (about \$1.3 billion). In response, this project has set an operational performance indicator requiring that at least 30% of JICA’s loan amount be allocated to WMSMEs, whereas currently only 28% of IYB’s MSME loans are directed toward WMSMEs. This target was agreed in the loan agreement. This project is eligible for 2X Challenge.

(5). Other Special Notes: This is a bank loan with no particular security concerns.

4. Target Outcomes

(1) Quantitative Impact

① Operational Performance Indicators (All figures represent the bank as a whole)

[Overall]

Indicator Name	Baseline (2024)	Target (as of September 2027) (1 year and 9 months after the L/A signing)
The Number of MSME Borrower	12,381	16,095
(Out of MSME financing) The number of Youth-MSME	4,285	5,571
(Out of MSME financing) The number of WMSME	3,965	5,155
Loan amount to MSMEs	3,398,706 million	4,418,318 million
(Out of MSME financing) Loan amount to Youth-MSME	1,060,264 million	1,378,344 million
(Out of MSME financing) Loan amount to WMSME	952,094 million	1,325,495 million

[JICA Loans Only]

Indicator Name	Baseline (2024)	Target (as of September 2027) (1 year and 9 months after the L/A signing)
The Number of MSME Borrower	-	550
(Out of MSME financing) The number of Youth-MSME	-	220

(Out of MSME financing) The number of WMSME	-	330
Loan amount to MSMEs	-	316,250 million
(Out of MSME financing) Loan amount to Youth-MSME	-	63,250 million
(Out of MSME financing) Loan amount to WMSME	-	94,875 million

Internal Rate of Return: Not calculated because subprojects have not been identified in advance.

(2) Qualitative Effects

Supporting the business sustainability and growth of MSMEs that have received loans from IYB, improving the standard of living for young people and women, maintaining and increasing employment, improving access to financial services.

(3) As this is a bank loan project, EIRR (Economic Internal Rate of Return) and FIRR (Financial Internal Rate of Return) are not calculated.

5. External Factors and Risk Control

Nothing in particular.

6. Lessons Learned from Past Project

It was reported that the situation in Ukraine impacted the real economy and caused changes to the borrower's funding plans, resulting in a prolonged period before the initial loan disbursement. And an extension of the availability period was needed. According to IYB's financial projections based on the economic outlook, the MSME lending business is expected to continue expanding. It was confirmed that there is sufficient demand for funding to implement this project, as funding equivalent to approximately US\$150 million in outstanding MSME loans (of which approximately US\$47 million is for youth MSMEs and approximately US\$42 million is for women-led MSMEs) will be required by the end of the availability period.

7. Evaluation Results

This project improves financial access and contributes to gender equality by promoting lending to MSMEs, including young and female entrepreneurs. And this project is aligned with Japan's policies, the JCAP, and the JGA. Furthermore, it contributes to SDG Goal 8 (Decent Work and Economic Growth), Goal 5 (Gender Equality), and Goal 17 (Partnerships). So, it is highly meaningful support through overseas investment and lending.

8. Plan for Future Evaluation

- (1). Indicators to be used: As described in Section 4.
- (2). Future Evaluation Schedule: 1 year and 9 months after signing the L/A.

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