



RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF THE

PROSPEROUS VILLAGES PROJECT

APPROVED ON NOVEMBER 14, 2019

TO THE

REPUBLIC OF UZBEKISTAN

SOCIAL SUSTAINABILITY AND INCLUSION GLOBAL PRACTICE

EUROPE AND CENTRAL ASIA REGION

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## ABBREVIATIONS AND ACRONYMS

AIIB	Asian Infrastructure Investment Bank
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
GoU	Government of Uzbekistan
MDU	Mahalla Development Unit
MoEI	Ministry of Economy and Industry
MoEDPR	Ministry of Economic Development and Poverty Reduction
MoF	Ministry of Finance
MPC	Mahalla Citizens Assembly Project Committee
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementation Unit
POM	Project Operations Manual
PVP	Prosperous Village Project
Qishloq	Rural Village
RIDP	Rural Infrastructure Development Project
RPF	Resettlement Policy Framework



## BASIC DATA

### Product Information

Project ID P168233	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 14-Nov-2019	Current Closing Date 31-Dec-2024

### Organizations

Borrower Ministry of Finance	Responsible Agency Ministry of Economic Development and Poverty Reduction
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### Project Development Objective (PDO)

Original PDO

To (i) improve the quality of basic infrastructure and (ii) strengthen participatory local governance processes in Selected Qishloqs.

### Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-65020	14-Nov-2019	17-Jan-2020	26-Jun-2020	31-Dec-2024	100.00	0	100.00

### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Project Status

1. **Progress towards achieving the Project Development Objective (PDO) is satisfactory.** The project was approved by the World Bank (WB) Board of Executive Directors and the Asian Infrastructure Investment Bank (AIIB) Board of Executive Directors (cofinancing it in the amount of US\$82 million) on November 14, 2019 and December 12, 2019, respectively. The WB Financing Agreement was signed on January 17, 2020, while the AIIB Loan Agreement was signed on May 28, 2020. The WB and AIIB declared the project effective on June 26, 2020. Project ratings for implementation progress and project management, monitoring and evaluation, and capacity building were recently downgraded to moderately satisfactory due to the lag between project signing and project start-up and first disbursement.
2. **Project start-up has been hampered by the COVID-19 pandemic and changes within key Government of Uzbekistan (GoU) counterpart agencies.** The COVID-19 pandemic reduced the capacity of GoU counterparts to carry out project-related tasks due to the need to prioritize emergency response measures, staff being out sick, and the shift to home-based working arrangements. Prior to the onset of the pandemic in February 2020, new ministers were appointed to lead the Ministry of Economy and Industry (MoEI), the implementing agency for the project, and the Ministry of Finance (MoF). Shortly thereafter, the MoEI was restructured into the Ministry of Economic Development and Poverty Reduction (MoEDPR), and a new team of deputy ministers was appointed to develop the new strategy and workplan for the MoEDPR. These changes resulted in the loss of institutional memory as senior staff involved in project preparation moved on to new assignments. Furthermore, a new set of authorizations were required for the newly appointed ministers to take actions, such as for the Minister of Finance to sign the AIIB Loan Agreement.
3. **Project implementation is expected to commence on the ground in October 2020.** The Government decision (Presidential Resolution) on project implementation, which is a prerequisite for project implementation, is expected to be issued by mid-September. Thirty-eight of 47 Project Implementation Unit (PIU) staff operating at the central and regional levels have been recruited, and recruitment is underway for the remaining nine staff. Procurement for two key consulting services packages is progressing (albeit with delays), and the PIU is adapting project launch and training events for virtual formats due to COVID-19-related restrictions and safety requirements.

### B. Rationale for Restructuring

4. **The MoF, in a letter dated August 13, 2020, requested to change the name of the project from Prosperous Villages to the Rural Infrastructure Development project (RIDP).** The MoF submitted the same formal request to the AIIB on August 21, 2020. The project was originally named "Prosperous Villages" as it was designed to support the state program of the same name - *Obod Qishloq* - piloted in 2018 and 2019, by expanding the program's geographic coverage and introducing processes to strengthen community participation, with a focus on the inclusion of the poor and vulnerable within communities, in local development planning, decision-making and oversight that would over time be mainstreamed through the state program. The PVP design also included specific measures to mitigate the risk of the use of forced labor and of illegal demolitions of businesses and residences, for which several such incidents were reported under the *Obod Qishloq* state program in 2018 and early 2019, and targeted communications activities to ensure



stakeholders at all levels were able to differentiate between the rules and procedures applicable under the PVP vis-à-vis those applicable under the *Obod Qishloq* state program.

5. The rationale for the name change provided by the MoEDPR during the August 2020 implementation support mission is based on the following:
  - a. Government has suspended implementation of the *Obod Qishloq* state program in 2020 due to the need to reallocate state budget resources to support the COVID-19 response. A decision has not yet been taken as to whether the *Obod Qishloq* state program will resume in 2021. The MoEDPR and other state agencies are therefore concerned that the continuation of the *Obod Qishloq* state program through the PVP in a subset of regions and districts would create confusion and generate complaints from local stakeholders in the regions and districts not covered by the PVP.
  - b. Government will continue to finance rural infrastructure through a state investment program into which the RIDP is incorporated.
6. **The GoU has reaffirmed its commitment to the PVP's principles of community-driven decision-making, outreach to and inclusion of the poor and vulnerable, gender equity, and transparency and accountability even though these people-centered aspects are not reflected in the new project name.** These principles will be implemented through the RIDP as described in the POM, approved by the WB, and adopted by the MoEDPR on May 18, 2020.
7. **The MoEDPR also confirmed the RIDP's relevance to the upcoming medium-term poverty reduction strategy, which aims to safeguard and build the country's human capital in the near- and medium-term.** The RIDP's investments in improving the quality of basic infrastructure and services will support human capital development in rural areas where the quality of services is relatively poor and/or access is limited. Also important are the RIDP's processes for community-driven decision-making, and outreach to women, and the poor and vulnerable members of the community, to ensure that they influence decision-making and benefit from Government investments.

## II. DESCRIPTION OF PROPOSED CHANGES

8. **The primary proposed change is to the project name.** There are no proposed changes to the Project's Development Objectives, components and cost, safeguards policies, or other key design features. The Financing Agreement will be amended to reflect the new project name and countersigned by the Recipient's authorized representative. In addition, the POM, Environmental and Social Management Framework (ESMF), and Resettlement Policy Framework will be revised to incorporate the new project name and recent WB guidance on COVID-19 safety standards for community mobilization and construction activities, and disclosed publicly after receiving WB no objection.
9. **There are two further proposed changes to be reflected in the Financing Agreement, which were not requested in the official letter, but agreed upon with the counterparts during the last mission.** These are:
  - a. Updating the name of the implementing agency from MoEI to MoEDPR, and
  - b. Using the term Mahalla Development Unit (MDU) instead of Mahalla Citizens Assembly Project Committee (MPC) to refer to the representative body to be established in all participating *qishloqs* to lead the participatory rural appraisal and *qishloq* development planning processes. Both MDU and MPC refer to informal, project-based bodies that do not have a formal legal standing, and are not referenced in legal documents aside from the PAD and Financing Agreement. The MoEDPR expressed



its preference to use the term MDU when drafting the POM in order to avoid any potential confusion with the Mahalla Citizens Assembly or other local committees.

### III. SUMMARY OF CHANGES

	Changed	Not Changed
Other Change(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓



**The World Bank**

Rural Infrastructure Development Project (P168233)

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#### IV. DETAILED CHANGE(S)