Report Number: ICRR0024698

1. Project Data

Project ID P166447	**Project Name** UZ-Strengthening Social Protection
Country Uzbekistan	**Practice Area(Lead)** Social Protection & Jobs

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-64460	31-Dec-2024	29,627,132.57
Bank Approval Date	**Closing Date (Actual)**	
01-Jul-2019	31-Dec-2024	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	30,000,000.00	0.00
Actual	29,627,132.57	0.00

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2. Project Objectives and Components

a. Objectives

The objective of the project was to improve inclusion of poor and vulnerable people in the social assistance system and labor market, including those affected by the economic reforms in Uzbekistan (Financing Agreement, July 19, 2019, p. 5).

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?
No

c. Will a split evaluation be undertaken?
No

d. Components

Component 1: Modernizing the Social Safety Net (Appraisal: US$5 million; Actual: US$4.2 million)

The aim of Component 1 was to improve the effectiveness of key social interventions by better identifying the poor and the vulnerable and providing timely and predictable benefits to address their needs. It initially aimed to achieve this aim through two subcomponents:

1) enhancing and rolling out the single registry (SR) in three phases: Phase 1 involved piloting the system in Syrdarya region and creating a rollout plan; Phase 2 would have expanded the registry nationwide for family allowance beneficiaries; and Phase 3 would have enhanced it to include additional social programs. The registry was planned to be initially managed by the Pensions Fund under the Ministry of Finance but could be transferred to a new social assistance agency if the Government decided to create one.

2) improving the effectiveness of the social benefits by designing, implementing, and assessing a pilot cash benefit program in the Syrdarya region to test mechanisms to better reach the poorest and provide adequate support.

After the first restructuring both subcomponents were dropped, and component 1 changed focus to supporting enrolling of low-income families through digitalization and supporting the Ministry of Economy and Finance to improve its implementation capacity.

Component 2: Improving the Effectiveness of Active Labor Market Programs (Appraisal: US$41 million; Actual: US$22 million; Cancellation: US$20 million)

The aim of Component 2 was to support a larger number of jobseekers access formal job opportunities through improved effectiveness of the public employment services (Employment Support Centers or ESCs) and expand Active Labor Market Programs (ALMPs) targeted to vulnerable jobseekers, particularly women, youth, people with disabilities, the poorest 20 percent of the population, and those with low and obsolete skills affected by the reforms. It aimed to achieve this objective through four subcomponents:

1) enhancing the capacity of Employment Support Centers (ESC) to implement job intermediation services,

2) financial support to promote employment through three forms of subsidies (i.e., subsidies to cover part of the cost to starts a new business for vulnerable unemployed registered individuals with the ESC, wage subsidies for employers who hire socially vulnerable jobseekers above the minimum reserved number of quotas, and reimbursement to the employers for the professional training fees of new hired who are recruited based on the referral of the ESCs).

3) financing the development and implementation of entrepreneurship skills training, and

4) developing and implementing an integrated Labor Market Information System (LMIS).

After the first restructuring, the last subcomponent (4) is now focused on improving the Employment Support System by supporting ESC through monocenters. With the second restructuring, all three subsidies were dropped because they were unable to be implemented and US$ 20 million were thus cancelled.

Component 3. Project Monitoring and Management (Appraisal: US$4 million; Actual: US$3.6 million)

The last component's objective was to support the Government in monitoring labor market intervention and managing the overall IDA project through strengthening monitoring and evaluation and project management.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

The project was approved on July 1, 2019, with a total IDA credit of US$50 million distributed across the above three components and became effective on November 18, 2019.

A first Level 2 restructuring on January 19, 2024, reallocated US$13 million within Component 2 from employment subsidies to monocenter development for ESC support, with US$8 million designated for training equipment procurement and US$5 million for technical assistance and capacity building, while three new employment subsidies were introduced (subsidies for home-based work employment, subsidies for household agricultural plots, and wage subsidies for hiring jobseekers with disabilities).

A second Level 2 restructuring on December 21, 2024, cancelled US$20 million in unused funds due to lack of progress on critical activities. The cancellation comprised US$9.7 million from uncompleted monocenters procurement, US$2.94 million from the subsidies that did not materialize, US$6.66 million from technical consultancies that were either not submitted or cancelled, US$125,059 from PIU operating costs, and US$384,781 from other costs. This reduced the total IDA commitment to US$30 million, with revised component allocations of US$4.26 million for Component 1 (reduced by US$741,361), US$22.10 million for Component 2 (reduced by US$18.90 million), and US$3.64 million for Component 3 (reduced by US$356,349).

The project closed on December 31, 2024, as originally planned, and the total actual cost was US$29.6 million.

3. Relevance of Objectives

Rationale

In 2018, following economic reforms that began in 2017, the Government of Uzbekistan decided to improve its social protection system to support populations affected by the transition toward a market economy. Despite important progress in poverty reduction—with the official poverty rate decreasing from 27.5 percent in 2001 to 12.7 percent in 2017— nearly 4 million people still lived below the national poverty line, representing one of the largest concentrations of poor people in the Europe and Central Asia region. The social protection system was transitioning from its Soviet-era structure, but social protection expenditures

had declined from 11.6 percent of GDP in 2012 to 5.9 percent in 2018, with social assistance programs experiencing declining budgets and limited coverage. Almost half of the population and one-third of the poor remained outside social protection coverage. Additionally, employment and training services were fragmented and under-resourced, with Employment Support Centers operating with outdated infrastructure and weak linkages to employers. Given high unemployment levels and job losses from the closure of state-owned enterprises (SOE), the Government requested the World Bank support to establish a unified social protection registry-the Single Registry (SR) and strengthen social assistance and employment measures.

The project was closely aligned with national policies issued as part of Uzbekistan's reform agenda. Specifically, it supported activities under the National Action Strategy (NAS) on Five Priority Development Areas of the Republic of Uzbekistan 2017-2021, particularly the priority area No. 4 on social development, which emphasized social protection for vulnerable groups, job creation, and social security. The project directly supported the Government's plan to strengthen the social protection system through three key measures. The first measure was to introduce a modern social benefit system to support low-income families through well-targeted, adequate, and timely allowances. The second measure was to enhance the provision of Active Labor Market Programs to support unemployed individuals and those affected by economic reforms through temporary employment opportunities, skills development, and modernized job matching functions at employment centers. The third measure was to establish proper institutional arrangements and operational tools to select and register beneficiaries of safety net and labor market programs through a centralized unified registry.

The project objectives were fully aligned with the Performance and Learning Review (PLR) of the Country Partnership Framework (CPF) for Uzbekistan for FY16-FY20 (Report No. 126078-UZ; June 26, 2018). The PLR focused on supporting the Government to implement structural reforms launched in 2016 at three levels: (a) supporting implementation of key measures to transition toward a full market economy; (b) reforming state institutions; and (c) complementing economic reforms with measures to invest in human capital and support potentially affected populations during the transition process. The project directly supported achievement of objectives under Focus Area 3 'Investing in People' of the PLR, specifically: (a) improving access to quality education and health, and (b) building effective social safety nets. This alignment was critical given that the economic transition required simultaneous institutional reforms and social protection measures to ensure that vulnerable populations will not be left behind during the transition to a market economy. Given the full alignment with the CPF, the NAS, and the PLR, the relevance of objectives is thus rated high.

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1
Objective

Improve the inclusion of poor and vulnerable people in the social assistance system, including those affected by the economic reforms in Uzbekistan.

Rationale

The theory of change held that implementing activities to modernize the social safety net such as rolling out a single registry, conducting outreach, improving targeting rules, reducing errors and fraud, and reforming benefit structures—would produce outputs including more poor applicants registered in the social registry, reduced error and fraud cases, and reduced eligibility determination time. These outputs would contribute to greater coverage of poor families supported by social benefits, plausibly leading to improved inclusion of poor and vulnerable people in the social assistance system.

The project identified seven intermediate outcomes expected to contribute to this objective: 1) the number of households registered in the social registry; 2) the share of social benefit applicants satisfied with the application process; 3) the number of officials trained in registry use; 4) the average processing time between application and eligibility decision; 5) the number of social assistance reports published regularly; 6) the share of complaints received and recorded that were addressed in the registry; and 7) the number of tablets provided to female makhalla activists for working with the registry system. Achievement of these intermediate outcomes was expected to translate into the ultimate outcome of improved inclusion of poor and vulnerable people in social assistance. These intermediate indicators were either achieved or surpassed according to the ICR (p. 35).

The original outcome indicator for the objective was "the share of people in the poorest quintile receiving social benefits for low-income families," with a baseline of 31% and an end target of 37%. However, after the first restructuring in January 2024, the project dropped key activities designed to support this outcome. These included the Syrdarya pilot cash program assessment (which would have tested mechanisms for reaching the poorest), testing targeting methods to reduce errors, consolidating family allowances into benefits for low-income families, and expanding the registry with advanced fraud prevention and inspection management features.

The dropped activities were directly designed to achieve the project development objective of improving the inclusion of poor and vulnerable people in the social assistance system. Instead, the first restructuring allowed the project to focus on strengthening the digitalization of enrollment for family allowances through makhalla activities, including equipping makhallas with tablets to enroll beneficiaries and conducting outreach activities to promote the work of makhalla workers. Following the first restructuring, the original outcome indicator was changed to the "share of applications received for social benefits through makhalla activities" with a baseline of 0% and an end target of 40%.

Critical Assumptions: The theory of change relied on several critical assumptions. First, it assumed that poor and vulnerable families would trust the makhalla-based system and have the capability to navigate the application process. Second, it assumed that digitalization through makhallas would accurately identify and register poor households, and that administrative efficiency improvements would translate directly into better

coverage of the poorest populations. Third, the causal logic assumed that process improvements—such as faster processing times, higher satisfaction, and better-trained officials—would automatically lead to improved inclusion of the poor, even though the project abandoned the pilot designed to test mechanisms for reaching the poorest two quintiles. Fourth, the shift from measuring coverage of the poorest quintile to measuring

applications through makhallas assumed these administrative metrics would serve as adequate proxies for poverty inclusion outcomes.

The project development objective indicator after restructuring was not directly aligned with the stated objective. Receiving applications through makhallas did not directly ensure that the poor and vulnerable were the ones enrolled in the social assistance system. Unless the makhallas knew how to target the poor and vulnerable, or the verification process assessed that those enrolled by the makhallas were indeed poor and vulnerable, there was no direct evidence that most enrollees were from the intended target population. The ICR did not provide any evidence that the makhallas were trained in targeting the poor and there were no surveys or data collected to show that those enrolled were poor and vulnerable households.

The first objective to improve the inclusion of poor and vulnerable people in the social assistance system was being measured by the share of applications for social benefits received through makhallas (PDO indicator). The ICR indicated that the share of enrollment through makhallas was 24.4% against a target of 40%. The ICR notes that this suboptimal achievement resulted from the delayed start of the makhalla activities. However, the ICR noted that providing tablets for makhalla workers facilitated proactive registration, achieving 7 million households (vs. 5 million target), with registrants receiving 12% VAT reductions and employment protections.

Given the overall underperformance in achieving the stated objective and the weak correlation between the objective and the PDO indicator, the achievement of Objective 1 is rated as modest.

Rating
Modest

OBJECTIVE 2
Objective
Improve the inclusion of poor and vulnerable people, including those affected by the economic reforms in Uzbekistan, in the labor markets

Rationale
The theory of change held that implementing activities to improve active labor market programs, including introducing employment support centers for job intermediation, introducing entrepreneurship support training, purchasing equipment for monocenters to support skills development, and training MELR and ESC staff on advanced profiling and job matching techniques would produce the following outputs: 1) increased numbers of vulnerable jobseekers participating in subsidized programs; 2) vulnerable jobseekers with improved business management skills and opened start-ups; 3) vulnerable jobseekers with improved job-ready skills trained in monocenters; and 4) more vulnerable jobseekers registered and profiled by ESCs. These outputs would contribute to increased proportions of vulnerable jobseekers in jobs 6 or 12 months after program participation, increased numbers of monocenter graduates with employment at least 6 months after completion, and increased numbers of vulnerable jobseekers who find jobs due to ESC intermediation services, plausibly leading to improved inclusion of poor and vulnerable people in the labor market, including those affected by economic reforms in Uzbekistan.

The project identified 14 intermediate outcomes across its labor market activities to track progress toward this objective. Of these 14 intermediate indicators, 9 were surpassed and 5 slightly fell short or were not achieved (ICR p. 35)**.** Achievement of these intermediate outcomes was expected to translate into the ultimate outcome of improved labor market inclusion of poor and vulnerable people.

The original outcome indicators included employment subsidy beneficiaries with jobs 6 and 12 months after program completion (PDO indicators 2 and 3, with targets of 75% and 57.4% respectively), vulnerable jobseekers finding jobs through ESC intermediation services (PDO indicator 4, baseline 40%, target 45%), entrepreneurship training beneficiaries with operational businesses 12 months after training (PDO indicator 5, target 30%), and monocenter graduates employed at least 6 months after course completion (PDO indicator 6, target 70%). However, after the first restructuring, the project dropped the Labor Market Information System component to focus on ESCs and monocenters. The three original employment subsidies under entrepreneurship support training were replaced with different subsidies deemed more relevant to the evolving context. A second restructuring occurred just before project closure when activities related to the revised subsidies were never implemented.

Critical Assumptions: The theory of change relied on several critical assumptions. It assumed vulnerable jobseekers would participate in ESC services, training programs, and subsidized employment schemes. It assumed monocenters could effectively provide job-ready skills training that matched labor market demands. It assumed entrepreneurship training would enable viable business start-ups among vulnerable populations. It assumed ESC staff could be effectively trained in advanced profiling and job matching techniques and that these techniques would lead to better employment outcomes. Finally, it assumed that employers would hire monocenter graduates and ESC-referred candidates, and that these placements would be sustained beyond 6-12 months.

In terms of outcomes indicators achieved, the share of vulnerable jobseekers finding jobs through ESC intermediation reached 57.6% (exceeding the 45% target from a 40% baseline), the share of entrepreneurship training beneficiaries with operational businesses 12 months after training reached 33% (surpassing the 30% target), and monocenter graduates with employment at least 6 months after course completion reached 82% (significantly exceeding the 70% target). However, two PDO indicators related to employment subsidies—beneficiaries with jobs 6 months after program completion (59.7% vs. 75% target) and 12 months after completion (data unavailable vs. 57.4% target)—were marked as "no longer relevant" because the planned employment subsidies were never fully implemented due to government decisions to finance these through state budgets and implementation delays, according to the ICR.

The above showed the results were mixed. Disaggregated data by gender were not reported for all indicators. The ICR does report the share of female vulnerable beneficiaries who found a job through ESC intermediation services and the data suggested that the project surpassed the target (52.9 % vs 35%). The first two indicators were not achieved because subsidies were never implemented due to government decisions to fund home-based work subsidies through the Ministry of Employment and Poverty Reduction (MEPR). In addition, implementation delays due to adopting legislation and finalizing the Subsidies Financial Manual were also reasons that the new subsidies were not implemented, according to the ICR report. Based on this mixed performance, this objective is rated as modest.

Rating

Modest

OVERALL EFFICACY

Rationale

The two objectives (to improve the inclusion of poor and vulnerable people in the social assistance system, including those affected by the economic reforms in Uzbekistan; and to improve the inclusion of poor and vulnerable people, including those affected by the economic reforms in Uzbekistan, in the labor markets) were partly achieved and rated as modest. Overall efficacy is therefore rated Modest.

Overall Efficacy Rating	Primary Reason
Modest	Low achievement

5. Efficiency

Economic and Financial Analysis

The PAD's economic analysis (pp. 26-27) focused on Components 1 and 2, using L2CU 2018 household data and administrative data from MELR on existing employment programs to project the project's impacts on poverty reduction and labor market outcomes.

Component 1: Social Safety Net Modernization

The economic analysis of the PAD demonstrated that modernizing the social safety net through a unified social registry and objective targeting system would substantially improve cost-efficiency while expanding coverage to the poorest. The analysis showed that simulating an overall coverage target of 10 percent would achieve a cost-efficiency ratio of 1.65—representing a 14 percent improvement over the baseline—while increasing coverage of the poorest quintile from 31 percent to 60 percent. Importantly, the benefits from reducing transfers to non-poor households would outweigh the component's total cost within one year, with annual benefits estimated to be 15 to 35 times higher than total costs. The PAD noted that overall efficiency would likely be even higher when accounting for decreased administrative costs from unified registries and automated procedures, as well as longer-term spillovers from interlinking social assistance and employment databases—factors not captured in the simulations due to data limitations.

Component 2: Active Labor Market Programs

For the employment support component, the PAD projected substantial returns across three subcomponents. Investments in employment centers' capacity (Subcomponent 2.1) were expected to increase placement rates through better job matching, individualized counseling, and faster placement. At the individual level, net earnings were estimated at US$1,000 to US$1,300 per person over five years. The benefit-cost ratios under various scenarios ranged from 68 to 196, reflecting the high leverage of investing in employment center staff skills that would benefit all jobseekers using their services. Employment subsidies and entrepreneurship training (Subcomponents 2.2 and 2.3) were projected to generate net earnings gains of US$600 to US$1,500 per

individual over five years. The benefit-cost ratios for these interventions ranged from 2.2 for entrepreneurship training to 10.5 for training subsidies. Additionally, these activities were expected to reduce youth unemployment by 0.5 to 3.4 percent through net job creation.

The ICR noted that a complete ex-post comparison with appraisal estimates was not possible due to significant changes in project design, particularly the discontinuation of employment subsidies. However, an alternative analysis in the ICR focused on monocenters—an activity introduced during implementation that was not part of the original design—demonstrated strong cost-efficiency. With an investment of approximately US$13.4 million, monocenters trained an average of 67,000 students annually over three years (2022-2024), with employment rates six months after completion increasing from 67.8 percent in 2022 to 82.9 percent in 2024. Nearly 70 percent of employed graduates earned monthly incomes exceeding the consumer basket cost, with 35 percent earning between UZS 8-20 million per month. The ICR noted that these outcomes indicate that monocenters were a cost-efficient instrument for skills development and employment support. A quick benefit-cost ratio (with several assumptions) by the ICRR reviewer also showed that component 2 achieved US$49-US$232 in benefits for every $1 spent.

For Component 1, assessing efficiency is challenging due to the lack of data on whether the poorest households were reached. With only enrollment numbers available and no information on targeting accuracy or inclusion/exclusion errors, it is not possible to determine whether the system efficiently delivered benefits to the intended beneficiaries.

In terms of implementation efficiency, the project faced constraints despite achieving reasonable value for money within its adjusted scope. Of the originally approved US$50 million loan, US$20 million was cancelled at the government's request due to delays and underutilization and the lack of progress with several critical project activities, with US$29.6 million ultimately disbursed from the revised US$30 million envelope. Several factors undermined efficient implementation: data protection rules prevented third-party vendor hiring for the LMIS, causing delays and redesigning; inter-agency procurement requirements created repeated delays for packages over US$150,000; and delays in adopting legislation and finalizing the Subsidies Financing Manual postponed employment subsidy launches. Once launched, demand for Bank-financed subsidies was lower than expected due to competing state budget financing and expanded free training access. Nevertheless, the ICR concluded that the project demonstrated reasonable cost-effectiveness within its adjusted scope, though efficiency was not as high as originally projected given the discontinuation of key activities (employment subsidies) and the inability to measure improvements in social assistance targeting accuracy as originally intended.

Based on the above, the project’s efficiency is rated modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)

Appraisal	0	0 ☐ Not Applicable
ICR Estimate	0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objectives was rated high in view of full alignment with the CPF and PLR at project closing and with the Uzbekistan NAS. Efficacy was rated modest, as the stated objectives were partly achieved. Efficiency was also rated modest, largely due to low implementation efficiency. These findings are consistent with a moderately unsatisfactory outcome rating.

a. Outcome Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

The ICR rated the overall risk to development outcome as low. The project benefits from strong government commitment, with NASP continuing to operate the single registry and MEPR sustaining monocenter operations, supported by adequate fiscal capacity and a follow-up World Bank-supported project (P504420) according to the ICR. However, if Uzbekistan faces fiscal pressures from slower growth or state-owned enterprises restructuring, budget allocations for social protection could be constrained.

Ongoing reforms and labor market conditions currently support outcomes, but economic downturns could weaken demand for monocenter graduates or overwhelm the social assistance system. Global shocks affecting remittance flows from Russia and Kazakhstan could increase demand beyond system capacity, while technological changes could make training curricula obsolete without regular updates.

Technical and design factors can also introduce some risks. The project underwent major design changes—dropping the Syrdarya pilot, employment subsidies, and LMIS—suggesting misalignment with the operating environment. Most critically, there is no evidence that the makhalla-based enrollment system effectively reaches the poorest populations, creating a risk that poverty reduction objectives may not be sustained.

Stakeholder support is mixed: monocenters show strong demand and high employment rates (82.9%), but insufficient evidence exists on beneficiary trust in the social assistance system, reflected in the 24.4% enrollment rate versus the 40% target. The project demonstrated mixed adaptability—monocenters proved responsive, but employment subsidies failed to launch, and uncertainty remains about the integration of entrepreneurship training. Additionally, limited evidence exists on the functionality of governance mechanisms (complaint systems, fraud reduction), creating risk that system quality could deteriorate.

In summary, core infrastructure faces some risks of discontinuation, but other risks exist regarding effectiveness in achieving poverty reduction outcomes due to undemonstrated targeting, governance and continuing changes, and incomplete integration of key activities.

8. Assessment of Bank Performance

a. Quality-at-Entry

According to the ICR, the World Bank worked closely with the Government of Uzbekistan to design the project, drawing on evidence from other operations and adapting to the government's evolving needs during economic reforms. The project was strategically relevant, addressing gaps in social protection and labor market support during SOE restructuring and price liberalization. The Bank's expertise in targeting the poor and labor information system positioned it well to support this operation.

According to the PAD (pp. 23- 24) The project would be implemented by the Ministry of Employment and Labor Relations (MELR). There was no central ministry in Uzbekistan responsible for social protection policies—labor market programs were under MELR while social assistance was administered by the Ministry of Finance, which was also responsible for pension administration. A Presidential Decree issued in April 2019 established that the single registry would be institutionally located in the Pensions Fund within the Ministry of Finance. Implementation of Component 1 would require strong coordination between MELR and the Pensions Fund, while Components 2 and 3 would be implemented directly by MELR. The ministry would establish a Project Implementation Unit (PIU) within its administrative structure, reporting to the First Deputy Minister. The PIU would comprise at least 10 staff including a coordinator, labor and social specialists, M&E official, financial management specialist, procurement specialist, IT specialist, and safeguards specialists, responsible for technical, monitoring, fiduciary, and safeguards aspects across all three components. This was MELR's first World Bank-financed project.

However, there were some shortcomings in the design for a first-time IDA client that did not have experience with World Bank-supported projects. The project might have been too complex from the start, which then necessitated restructuring. Some stakeholders were not familiar with World Bank procedures—procurement requirements or the time processes would take and so decided to turn to UNICEF given their simpler and faster procedures. The PAD rated the overall risk as substantial and Institutional capacity risk as high and included capacity-building measures, but the design underestimated institutional vulnerabilities and the learning curve.

For a first-time borrower, the World Bank might have started with a simpler design or provided substantial complementary analytical and advisory support before launching lending operations. The preparation period may have been too short to adequately assess what the government could realistically implement. The risk assessment also missed key challenges: data protection rules that would force dropping the LMIS, and misalignment between planned subsidies and government priorities, both requiring major restructuring.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

According to the ICR, the World Bank team provided strong proactive supervision throughout implementation. The team conducted regular support missions and submitted 10 ISRs that addressed delays and monitored fiduciary and ESF aspects. The team maintained frequent communication through weekly PIU meetings and regular meetings with NASP and MEPR, using multiple channels including in-person discussions, written follow-ups, virtual meetings, and official letters to stakeholders. Critical issues were consistently escalated to the Global Practice and Country Management Unit and MEPR management in a timely manner. The ICR highlighted that implementation support was critical for timely design revisions and helped facilitate development of the single registry and monocenters. The team remained active and responsive, helping navigate complex procurement and technical challenges throughout the project.

The ICR noted that issues arose with finalizing the restructuring after the November 2022 midterm review—it took a year for the government to confirm new subsidies, which affected the timeline. Although not explicitly mentioned in the ICR, the COVID-19 pandemic and its aftermath likely contributed to implementation delays and complicated government decision-making during the critical 2020-2022 period when key restructuring decisions were needed. Additionally, despite intensive supervision, the project required substantial restructuring that dropped key components (LMIS, original subsidies, Syrdarya pilot), suggesting some challenges were not fully resolved through supervision.

After two restructurings, the project lost components that the World Bank typically holds important: rigorous targeting of the poorest (the Syrdarya pilot was dropped) and a good management information system (LMIS was abandoned due to data protection issues that could have been identified during preparation).

Overall, while the World Bank stayed engaged with the client and undertook strong communication, more could have been done to address capacity gaps for a first-time client and to accelerate critical decisions not to cancel critical activities. The quality of supervision is thus rated moderately satisfactory.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The Theory of Change was sound and adequately reflected in the Results Framework. The TOC documented two separate results chains showing how activities would lead to outputs and ultimately to outcomes for social assistance inclusion and labor market inclusion. The Results Framework translated this

logic into measurable indicators at both PDO and intermediate levels, establishing clear linkages between project activities, outputs, and intended outcomes.

The objectives were clearly specified. The first objective was to improve the inclusion of poor and vulnerable people in the social assistance system. The second objective aimed to improve labor market inclusion of poor and vulnerable people, including those affected by economic reforms.

Initially, indicators encompassed all outcomes of the PDO statement. For Component 1, the original PDO indicator measured the share of people in the poorest quintile receiving social benefits, directly capturing poverty inclusion. For Component 2, five PDO indicators measured employment outcomes across different interventions—subsidies, ESC intermediation, entrepreneurship training, and monocenter graduates. However, after the first restructuring, Component 1's indicator changed to measure applications through makhallas rather than coverage of the poorest quintile, weakening the direct link between the indicator and the poverty inclusion objective. The subsidies activities were also dropped from Component 2, rendering the indicators linked to these subsidies' outcomes irrelevant.

The intermediate results indicators were adequate. Component 1 had seven intermediate indicators tracking household registration, applicant satisfaction, official training, processing time, report publication, complaint resolution, and tablet provision—capturing the pathway from system modernization to improved access and service delivery. Component 2 had 14 intermediate indicators across labor market activities, tracking jobseeker participation, training completion, and ESC capacity. These intermediate indicators appropriately measured the outputs and processes expected to contribute to employment outcomes.

The indicators were specific, measurable, achievable, relevant, and time-bound. Each indicator had clear definitions, measurement units, and realistic targets based on regional comparators and system capacity. Baselines were available for all indicators, drawn from the L2CU 2018 household survey and administrative data systems in MELR and MEF. Targets were established at appraisal with timeframes tied to project closing.

The proposed data collection methods were appropriate. The design drew on established information systems at NASP and MEPR for administrative data, supplemented by planned external assessments including subsidy tracer studies, beneficiary surveys conducted by external firms, process evaluations, a targeting assessment based on the Syrdarya pilot, and an impact evaluation of employment subsidies. The combination of administrative data and evaluation studies would enable monitoring of outputs and assessment of outcomes and attribution. However, actual implementation of planned evaluations was limited—the Syrdarya pilot was dropped, one round of beneficiary assessment was cancelled, and the final results evaluation wasn't completed, limiting the ability to assess attribution as originally designed.

Baselines were adequately established. The first PDO indicator used L2CU 2018 household survey data, which was available at appraisal. Other indicators relied on administrative systems that were operational or would be established early in implementation. The design didn't identify significant timing risks for baseline establishment.

The M&E design and arrangements were well-embedded institutionally in theory, with data to be drawn from established systems at NASP and MEPR and consolidated by the PIU. The Bank proposed M&E capacity support to strengthen monitoring. However, as noted in the ICR and the regional task team response, the design relied heavily on MEPR cooperation and data reporting, which created vulnerability.

During implementation, this reliance led to challenges when inter-agency coordination proved difficult during implementation and caused delays in receiving M&E data.

b. M&E Implementation

M&E implementation had considerable shortcomings, mainly around data delays and reliability. The ICR reported that from March to November 2024, MEPR and the PIU often provided data late and with accuracy issues, making it difficult to track progress. The PIU repeatedly adjusted data after submitting it to the World Bank, which necessitated the World Bank to verify information using additional sources like consultancy reports. Internal bureaucracy also slowed approvals for tenders, procurement, and fund disbursements. The Bank consistently offered support to strengthen M&E and hire a dedicated specialist, but the MEPR declined this support. Implementation was further affected when one round of the beneficiary assessment was cancelled due to loan cancellation, and the final results evaluation was not completed, limiting the ability to measure overall impact or verify that beneficiaries classified as vulnerable were from the poorest households. These issues prevented effective real-time adjustments.

c. M&E Utilization

According to the ICR, M&E data informed project decisions and the first restructuring, especially around reallocating funds for employment subsidies. Based on evaluation findings showing subsidies and entrepreneurship training were not working as planned, the MEPR asked to shift funds to monocenters instead—an evidence-based decision to focus resources where they would have more impact. The M&E data also helped guide administrative decisions during implementation, though it could not confirm whether the project effectively reached the poorest populations as originally intended.

Given the above findings, notably the significant shortcomings in timely M&E implementation and the challenges in utilization which affected M&E effectiveness, overall M&E quality is rated Modest.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

According to the ICR, "The environmental and social performance of the project has been rated as Moderately Satisfactory throughout the project implementation period. The project has adhered to the Environmental and Social Framework (ESF) standards relevant to its scope and activities" (ICR, p. 15), and the Overall ESS Performance is recorded as Moderately Satisfactory in the Operations Portal.

Environmental performance was rated Satisfactory, with no significant adverse impacts anticipated or reported (ICR, p. 15). Project activities focused on system development, capacity building, and support programs rather than physical work. Environmental management included systems for managing packaging waste from monocenter equipment, with centers maintaining active waste disposal contracts. The project

incorporated environmental sustainability elements, including procuring equipment for training in green skills such as electric vehicle maintenance and solar panel installation, and providing occupational health and safety training for monocenter staff.

Social performance was rated Satisfactory (ICR, p. 16). Project Labor Management Procedures and Stakeholder Engagement Plan were adopted and successfully implemented. A Social Development Specialist position was established. Grievance mechanisms included a Telegram-bot, project website, phone number, and direct reporting during field supervisions, though no grievances were reported. ESF documents were disclosed on the implementing agency's website in English, Uzbek, and Russian. The PIU organized 28 public hearings at project sites with 1,286 participants, approximately 40 percent female. Overall safeguards compliance was adequate throughout implementation.

Note: The ICR did not explain the difference in ratings between the Moderately Satisfactory rating for overall environmental and social performance noted in the first paragraph (as also recorded in the Operations Portal) and the satisfactory ratings for both environmental performance and social performance in subsequent paragraphs.

b. Fiduciary Compliance

According to the ICR, the procurement performance of the project implementing agency (PIA) began and ended as moderately satisfactory. The moderately unsatisfactory rating for most of the project implementation period was explained by the ICR as follows: “The main reasons for the Moderately Unsatisfactory rating included progress delays in the procurement implementation and in updating of the procurement packages in STEP” (ICR, p.16). As for financial management, the ICR (p.17) stated “FM performance was rated as either Satisfactory or Moderately Satisfactory…”.The project’s planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements have to date (a) correctly and completely recorded all transactions and balances relating to the project; (b) facilitated the preparation of regular, and generally timely, and reliable financial reports/statements; (c) safeguarded the project’s assets; and (d) been subject to auditing arrangements acceptable to the World Bank and therefore provided reasonable assurance that the proceeds of the loan were used for the intended purposes.”

c. Unintended impacts (Positive or Negative)

None reported

d. Other

The ICR (p.13) reported that (i) the procurement of tablets for makhalla activists enhanced grassroots-level engagement and increased accessibility to SR; and that (ii) the reallocation of funds for monocenters equipment strengthened the national vocational training infrastructure.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The ICR (pp. 18-19) offered several lessons and recommendations, including the following lessons re-stated or combined by the Reviewer.

- **Bundling Skills Training with Employment Services**: Combining skills training with employment support services creates better outcomes than single interventions. The project showed that improved capacity of ESCs and enhanced active labor market program opportunities (mainly training provided through monocenters) led to vulnerable job seekers finding jobs through ESCs and high monocenter graduate employment.
- **Market-Responsive Training:** Skills training responding to labor market demand generates sustainable employment and strong beneficiary interest. The project showed that monocenters offering market-relevant training had demand exceeding capacity, achieved high graduate employment with most earning above the consumer basket cost, and proved cost-efficient
- **Client Ownership and Regulatory Readiness**: Strong client ownership of technical assistance and comprehensive regulatory frameworks established before project initiation facilitate smooth implementation. The project's experience demonstrated that activities without genuine client buy-in faced late-stage cancellations, and employment subsidies and information systems lacking established regulatory frameworks for payouts and data protection experienced significant implementation bottlenecks and delays.
- **Design Flexibility and Procurement Planning**: Greater flexibility in expenditure categories and early continuous dialogue about procurement methods enable adaptive management and practical implementation aligned with World Bank procedures. The project's experience demonstrated that rigid expenditure categories necessitated formal restructuring for program adjustments, and insufficient early dialogue about procurement methods and implementation modalities led to designs that proved difficult to implement under World Bank procedures.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provided a clear overview of the project experience and was generally candid about implementation challenges. It explained the progression of social protection and labor market interventions, including the major restructurings that significantly altered the project's scope. The analysis was adequate, though some areas—particularly around demonstrating whether the poorest households were reached had gaps. The ICR properly acknowledged uncertainties, such as the integration of entrepreneurship training into monocenter programs. Beyond project results, the ICR presented evidence on monocenter effectiveness, though data reliability issues and the cancellation of planned assessments limited the depth of the analysis. Lessons were derived from project experience. The ICR was succinct and followed established guidelines. However, some inconsistencies were noted, for instance, a front-page rating did not match the rating presented in the text. Overall, the quality of the ICR is rated as substantial.

a. Quality of ICR Rating

Substantial