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COUNTRY PARTNERSHIP FRAMEWORK

FOR THE

REPUBLIC OF UZBEKISTAN

FOR THE PERIOD FY2022–FY2026

May 24, 2022

**Central Asia Country Management Unit
Europe and Central Asia
The International Finance Corporation
Middle East, Central Asia, Turkey, Afghanistan, and Pakistan
The Multilateral Investment Guarantee Agency**

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The date of the last Performance and Learning Review for the Country Partnership Framework with Uzbekistan for the period FY2016–FY2021 was June 26, 2018.

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Currency Unit = Uzbekistan Sum (UZS)

US\$1 = UZS 11,260

(as of April 26, 2022)

FISCAL YEAR

January 1 to December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	JMP	Joint Monitoring Program
ASA	Advisory Services and Analytics	KfW	<i>Kreditanstalt für Wiederaufbau</i>
CBU	Central Bank of Uzbekistan	MIGA	Multilateral Investment Guarantee Agency
CCGT	Combined Cycle Gas Turbine		
CLR	Completion and Learning Review	MOF	Ministry of Finance
CORS	Continuous Operating Reference Stations	MOH	Ministry of Health
CPF	Country Partnership Framework	MRPRC	Modernization of Real Property Registration and Cadastre
DPO	Development Policy Operation		
EBRD	European Bank for Reconstruction and Development	NDS	National Development Strategy
FDI	Foreign Direct Investment	NSDI	National Spatial Data Infrastructure
GDP	Gross Domestic Product	PDO	Project Development Objective
GRID	Green, Resilient, and Inclusive Development	PISA	Program for International Student Assessment
HEMIS	Higher Education Management Information System	PLR	Performance and Learning Review
HS	Human Development	PPP	Public-Private Partnership
HLO	High-Level Objective	RAS	Reimbursable Advisory Service
IBRD	International Bank for Reconstruction and Development	SCD	Systematic Country Diagnostic
ICR	Implementation Completion and Results Report	SDG	Sustainable Development Goals
IDA	International Development Association	SISQE	State Inspectorate for Supervision of Quality of Education
IFC	International Finance Corporation	SMEs	Small and Medium Enterprises
IFI	International Financial Institution	SOCB	State-Owned Commercial Bank
ILO	International Labour Organization	SOE	State-Owned Enterprise
IPF	Investment Project Financing	TA	Technical Assistance
ISR	Implementation Status and Results Report	TIMSS	Trends in Mathematics and Science Study
		UN	United Nations
		WBG	World Bank Group
		WTO	World Trade Organization

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FY2022–FY2026 COUNTRY PARTNERSHIP FRAMEWORK FOR THE
REPUBLIC OF UZBEKISTAN

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I. INTRODUCTION

1. This Country Partnership Framework (CPF) will support Uzbekistan as it implements the next phase of reforms in its transition toward an inclusive and sustainable market economy. The CPF covers fiscal years 2022–26 and is aligned with the Uzbekistan National Development Strategy (NDS) for 2022–26. The previous CPF, for FY2016–20, was discussed by the World Bank Board of Executive Directors on June 16, 2016 (Report 105771-UZ) and extended to FY2021 by the Performance and Learning Review (PLR) of June 26, 2018 (Report No. 126078-UZ).

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

2.1 Social and Political Context

2. **In late 2016, Shavkat Mirziyoyev was elected to Uzbekistan’s presidency following the death in office of Uzbekistan’s first president, Islam Karimov.** A few months into his appointment, the president announced the 2017–21 NDS, a plan radically to open and transform Uzbekistan’s economy, society, and public institutions and bring 26 years of a closed, statist model to an end. Since then, Uzbekistan’s reforms have proceeded with a breadth and speed that have exceeded the pace of many earlier transition economies at a similar stage of the process. Recognizing the limitations posed by the old economic model, the focus of economic reforms has been on deep structural changes to build a competitive, market-led, and inclusive private sector economy. There is also an emphasis on reducing the role of the state in economic production and refocusing the state’s role as an effective public investor and enabler of the private sector. The focus of social and political reforms has been on restoring previously curtailed personal freedoms and establishing Uzbekistan as a champion of regional political, economic, and people-to-people integration. The reform agenda has also been people focused, helping to generate public support for the new course.

3. **A more open and competitive economy has emerged, but the transition is still at an early stage.** Despite the early accomplishments, the transition has only started, and its success is not guaranteed. Both the market transition and the structural transformation of Uzbekistan’s economy are still at an early stage. But as a latecomer, Uzbekistan can draw from a wealth of lessons learned from the successes and failures of other transitions elsewhere in the world.

4. **For the next phase of Uzbekistan’s transition, the government has committed to reducing the poverty rate by half by 2026 and enabling Uzbekistan to become an upper-middle-income country by 2030.** Following the reelection of Shavkat Mirziyoyev for a second term as president in October 2021, his government program continues to focus on reducing state participation in the economy and supporting the private sector. Other priorities include investment in digital infrastructure and improving social services.

5. **Uzbekistan’s determination to reform will be tested by lingering pandemic risks and the fallout from the Ukraine crisis.** Though the COVID-19 pandemic continues to generate significant uncertainty, the pace of reforms has persisted, and Uzbekistan’s economy and public finances have not been as sharply affected by the pandemic as other countries in the region. As the pandemic abates, the main policy challenge will be to address lingering deeper structural constraints, such as missing factor markets and the dominance of public enterprises in the economy. Addressing these challenges carries risks that require careful management, such as the influence of vested interests and the need for more public transparency, accountability, and engagement to sustain the public support for reforms that has persisted since 2017.

Moreover, the unfolding war in Ukraine and the Russian Federation’s economic crisis will have global and regional spillovers with a negative impact on Uzbekistan’s economic growth and poverty reduction efforts that may negatively affect the pace of market reforms.

2.2 Recent Economic Developments

6. **Uzbekistan has weathered the pandemic relatively well, but poverty, employment, and exports had not yet recovered to pre-pandemic levels by 2021.** Official preliminary statistics indicate that the economy grew by 7.4 percent in 2021, a strong rebound from 1.9 percent growth in 2020. The lifting of lockdown restrictions has supported strong growth in manufacturing and services, each of which contracted in 2020, while agriculture and construction were growing in 2020. A robust recovery in public and private investments and consumption and partially recovering trading partner demand have also supported the rebound. Expanded social assistance, a public sector wage increase, and the resumption of remittances helped support growth in 2021. After falling steadily for over two decades, the poverty rate is projected at about 0.7 percentage points higher in 2020 solely because of the economic impacts of COVID. As a result, about 250,000 people fell into poverty. The official unemployment rate was estimated at 10.5 percent in 2020 and 9.4 percent at the end of 2021, which is higher than the pre-pandemic level of 9.0 percent at the end of 2019. Strong fiscal buffers that were accumulated before the pandemic helped support a sizable anti-crisis response of about 4 percent of gross domestic product (GDP) in 2020 and a further 2 percent in 2021. The program initially emphasized expanded health care services, social protection, and financial support for small and medium businesses. Most temporary loans to and tax deferrals for business have now been withdrawn and remain in place only in sectors of the economy that are still affected, such as tourism, which continues to face significant challenges because of global travel disruptions. Expansions in social safety nets and health spending remain in place, with employment not yet at pre-crisis levels and as the government accelerates its vaccination campaign. The fiscal deficit increased to 6 percent of GDP in 2021 from 4.5 percent of GDP in 2020. Lower policy-based lending and higher tax revenues from a rebounding economy in 2021 offset higher budget spending on social support, health, and public infrastructure. The deficit was financed through an increase in public debt.

7. **Russia’s economic crisis and the global and regional spillovers from the war in Ukraine will have a negative impact on Uzbekistan’s economic growth.** Economic growth in 2022 is projected to moderate to 3.6 percent, relative to pre-crisis forecasts of 5.9 percent. The largest impacts will be from a severe slowdown in private consumption and investment growth due to a sharp drop in remittances and weaker demand for Uzbekistan’s textile and food exports in Russia. In addition to being Uzbekistan’s largest trading and investment partner, Russia is also the destination for between two and three million Uzbek migrant workers, whose livelihoods are at risk from the large projected contraction in the Russian economy. In addition, Uzbekistan’s households are likely to see sharply higher prices of several basic food staples—such as sugar, cooking oil, and wheat—that are imported in large quantities for local consumption. While the economy is still expected to grow, the potential displacement of migrant workers and food and fuel inflation will have a disproportionately negative impact on many of Uzbekistan’s poorest households (see [Section 2.3](#)). To protect the poorest households, the government is developing an anti-crisis plan to increase social safety net assistance and support firms—particularly food importers—in finding alternatives to disrupted supply chains. Increased gold, copper, and natural gas exports are expected to partially offset falls in remittances and support an anticipated fiscal expansion arising from anti-crisis spending.

8. **The Central Bank of Uzbekistan (CBU) has taken comprehensive measures to liberalize current account transactions, ensure financial stability, and lower inflation but the economy is facing renewed inflationary risks.** Since the unification of Uzbekistan’s dual exchange rates in 2017, further measures have been enacted to liberalize access to foreign exchange for current account transactions and improve

exchange rate market infrastructure. Differentials between the official and bazaar exchange rate markets have remained under 1 percent since unification in 2017, and access to foreign exchange is no longer considered a major issue in both current and capital account transactions. Consumer price inflation has steadily fallen since the peak of 20 percent in January 2018 to 10 percent in December 2021. Declining inflation allowed the CBU to lower the official policy rate during the COVID-19 pandemic from 16 percent to 14 percent. In February 2022, inflation fell to single digits for the first time since the start of the reforms in 2017. It has since picked up again because of higher food and import prices following the war in Ukraine. In response to growing inflation risks and a sharply depreciating exchange rate, the CBU increased the policy rate to 17 percent in March 2022. New banking and central banking laws and the adoption of new frameworks for inflation targeting and financial sector development have helped the CBU improve the effectiveness of monetary policy and reduce financial sector distortions from state-directed bank lending. The CBU remains committed to its price stability mandate and its inflation target of 5 percent by the end of 2023, but the buildup in domestic supply bottlenecks, external inflationary risks, and utility tariff adjustments may test the CBU's inflation-targeting framework.

9. **The current account deficit will remain elevated over the medium-term as a result of the war in Ukraine.** Total exports, which grew by 10 percent in 2021, have not yet recovered to pre-pandemic levels as regional demand for Uzbek goods, especially from Kazakhstan and Russia (for instance, in ferrous metals, textiles, and fruits and vegetables), had not yet recovered in 2021 from the decline suffered in 2020 because of the pandemic. A government decision to reduce gold export volumes by 29 percent (despite a good global market price) was offset by increased remittances inflows in 2021, so the estimated current account deficit narrowed to 3.8 percent of GDP in 2021 from 5 percent of GDP in 2020. The increased inflows of personal remittances (at 11.7 percent of GDP in 2021) helped offset the negative trade balance in 2021. Imports grew by 20.4 percent in 2021 because of higher private consumption and a rebound in the demand for capital goods. Prior to the war in Ukraine, the current account deficit had been projected to fall steadily to 3 percent of GDP by 2025. This adjustment is now likely to be delayed, and the current account deficit is expected to remain high because of lower remittance inflows and disruptions to export markets. Disruptions to financial and foreign investment markets may also mean that Uzbekistan is forced to rely more on external financing from development partners and the use of its reserves. The crisis has also reaffirmed the importance of reforms to improve the investment environment. Despite improvements in recent years, FDI inflows remain constrained by the inefficient and heavily controlled factor markets and the gradual pace of the reforms in reducing state ownership and monopolies over FDI-attractive sectors, such as telecommunications, banking, chemicals, and aviation.

10. **Despite these challenges, structural reforms enacted since 2017 and effective economic management have helped underpin a strong macroeconomic environment for the next phase of reforms.** Notwithstanding the COVID-19 pandemic Uzbekistan has maintained economic growth and continued with wide-ranging reforms to create the conditions for strong private sector-led growth, job creation, and poverty reduction. Measures to liberalize trade, exchange rates, domestic prices, financial sector activity, and the tax system have supported Uzbekistan's continued growth and the reduction of resource misallocations in the economy. Simultaneously, a strong emphasis on agricultural reforms and improvements in the social assistance system have helped support an inclusive reform process by increasing incomes in rural areas, which were heavily burdened under the old economic model. Although public spending has increased considerably since the start of the reforms in 2017, leading to a sharp increase in public debt from about 20 percent in 2018 to about 42 percent of GDP in 2022, Uzbekistan remains at low risk of debt distress and continues to have strong fiscal and external buffers. Gross international reserves, for example, remain at about 56 percent of GDP. To maintain effective macroeconomic conditions, limits on new external debt were introduced to reduce external risks and prioritize debt financing. Further, fiscal rules are also being considered to help prioritize public spending

and increase value for money, while preserving buffers for what is likely to be a more complex and costly phase of structural adjustment in the economy.

Table 1. Uzbekistan - Selected Macroeconomic Indicators

Indicator	2019	2020	2021e	2022f	2023f	2024f
GDP, at constant market prices	5.7	1.9	7.4	3.6	5.3	5.5
• Private consumption	5.3	0.1	7.1	0.6	2.9	3.2
• Government consumption	5.7	1.4	1.1	15.8	2.5	4.5
• Gross fixed capital investment	38.1	-4.4	5.2	-0.4	7.1	7.2
• Exports, goods and services	16.2	-20.0	4.8	13.1	13.8	15.1
• Imports, goods and services	13.3	-15.0	5.8	1.0	8.9	11.1
GDP, at constant factor prices	5.7	1.9	7.4	3.6	5.3	5.5
• Agriculture	3.1	2.9	4.0	3.7	3.6	3.9
• Industry and construction	8.3	2.5	8.3	3.9	6.4	6.7
• Services	5.6	0.9	9.2	3.3	5.8	5.9
Inflation (consumer price inflation)	14.5	12.9	10.8	11.9	10.6	9.0
Current account balance (% of GDP)	-5.8	-5.0	-6.6	-10.2	-7.1	-5.7
Fiscal balance (% of GDP)	-3.9	-4.5	-6.2	-4.0	-2.9	-2.5
Public debt (% of GDP)	29.7	39.0	38.1	42.0	42.1	40.3
Primary fiscal balance (% of GDP)	-3.4	-3.4	-5.0	-2.8	-1.7	-1.3
Greenhouse gas emissions growth (k _t CO ₂ e)	0.4	-3.3	3.6	2.0	2.8	3.0
Energy-related greenhouse gas emissions (% of total)	51.1	48.6	49.8	50.2	50.9	51.7

Annual percent change unless indicated otherwise

Source: Data of World Bank Macroeconomics, Trade, and Investment Global Practice.

Note: e = estimate; f = forecast.

11. **Government policies must be responsive to a highly uncertain medium-term external outlook.** Unlike other countries in the region, Uzbekistan’s relatively less systemic dependence on the Russian economy and its hedged portfolio of commodity exports that are likely to increase sharply in value, offer more policy space to protect those most vulnerable to the unfolding crisis, especially migrant workers returning from Russia. Though the Russian market will continue to be important to Uzbekistan’s economy, the crisis reinforces the need to reduce single market exposures through more integration with global trade and investment markets. Key areas covered by this CPF and identified in the Systematic Country Diagnostic (SCD)¹ include building more diversified and reliable trade and logistical connections with the world, improving access to global trade by accelerating Uzbekistan’s accession to the World Trade Organization (WTO), and the need to improve trade facilitation arrangements and lower trade and transit costs with other Central Asian economies.

2.3 Poverty Profile

12. **Poverty has fallen slowly but consistently over the past two decades.** Based on the official national definition of the low-income population, the poverty rate fell from nearly 28 percent in 2000 to 11 percent in 2019. A new and more ambitious poverty measure was introduced in 2020, according to which the

¹ World Bank. 2022. [“Toward a Prosperous and Inclusive Future : The Second Systematic Country Diagnostic for Uzbekistan”](#)

poverty rate stood at about 16.5 percent of the population, about 5.7 million people, in 2021. The announcement of the new poverty measure was paired with a government commitment to reduce the number of people living in poverty by half by 2026. Nonmonetary measures of well-being have also steadily improved over the past decade. Life expectancy rose by more than two years between 2009 and 2018, driven in part by a 39 percent decline in maternal mortality and a 17 percent decline in infant mortality. Access to primary and secondary education is universal, and between 2009 and 2018, the number of higher education institutions grew 88 percent (with enrollment up by 54 percent). The proportion of households served by safely managed drinking water rose from 67 percent to 87 percent between 2000 and 2019, and access to basic sanitation facilities has been universal for more than a decade.

13. **More rapid poverty reduction would reverse a decade-long slowing trend.** Among countries in Uzbekistan’s peer group, the number of people living in poverty typically falls by about 3.3 percent for each percent increase in per capita GDP. By contrast, poverty fell by less than half that rate in Uzbekistan between 2009 and 2014 (a 1.5 percent decline for each percent increase in per capita GDP), slowing even further, to a mere 1.1 percent from 2015 to 2019. Thus, although the most basic needs are often met, economic growth has steadily lost its effectiveness in reducing poverty.

14. **The underperforming labor market is a crucial weak link in delivering more inclusive growth.** In 2017, the labor share amounted to only 41 percent of national income, well below both the regional average of 55 percent and the global average of about 52 percent. Although incomes consistently rose between 2015 and 2019, the growth rate was far below that of the per capita GDP, and income growth was even slower among the poor. According to official survey data, median income grew by about 1.4 percent a year between 2015 and 2019, compared with 4.8 percent annual growth in GDP per capita, after accounting for inflation. But, among the poorest 20 percent of the distribution, income grew by about half the typical pace over the same period (0.74 percent a year).

15. **Long-term income and consumption inequality has been moderate and stable.** The Gini coefficient stood at 0.330 in 2021, suggesting that inequality was similar relative to 2003, when it was last measured at 0.350 in a comparable survey design. Between 43 percent and 38 percent of total income has remained concentrated among the richest quintile and between 5 percent and 9 percent in the poorest quintile. In contrast to other countries in the Europe and Central Asia region, both measures suggest modest and stable long-term inequality trends.

16. **The COVID-19 pandemic has affected millions of lives.** By November 2021, more than 1,300 lives had been lost to the pandemic and more than 190,000 COVID-19 cases had been recorded in Uzbekistan. The economic impacts have also been severe. After lockdowns began in April 2020, less than half of the respondents to World Bank surveys² reported that a household member was working. Job losses led to a steep decline in labor income, the population’s principal source of revenue. As migration abroad also came to an abrupt halt, tens of thousands of families were left without the remittance income they typically rely on. However, the situation was clearly on a path to recovery by late 2020, and in 2021, the economic situation steadily improved. New requests for social assistance quickly fell in the new year, reported mental health improved, and the number of labor migrants abroad had surged above pre-pandemic levels by the fall of 2021.

17. **The ramifications of the severe recession unfolding in Russia and other countries in the region are severe for poverty reduction.** In 2021, more than 15 percent of households had at least one member working abroad, nearly 80 percent of whom were living in Russia.. In the absence of further social

² World Bank. 2021. “Listening to the Citizens of Uzbekistan.”

protection measures, the expected reduction in remittance transfers in 2022 could lead to a significant increase in poverty because falling remittance income is expected to disproportionately affect poor and vulnerable households. Russia and Ukraine are also among the world's largest grain exporters, and higher food price inflation is expected to be especially costly for poor and vulnerable households, which typically spend a much higher share of their budgets on food than do other households. The return of displaced migrant workers to Uzbekistan could also create other social pressures that will require monitoring and targeted support. Addressing these risks is likely to require a further ambitious expansion to an already growing monetary and nonmonetary social protection system, but Uzbekistan's strong buffers could absorb these temporary expansions to protect the poorest households from the worst of the ongoing crisis.

2.4 Main Development Challenges

18. **Uzbekistan has embarked on an ambitious transition from a planned economy to a market economy, with the well-being and prosperity of its people at the center.** Since 2017, breaking from policies of statism and relative isolation, the government of President Mirziyoyev and the population have embraced a new era of openness and international engagement. Early reforms quickly liberalized most prices, removed heavy-handed regulations on businesses and trade, increased transparency, and relaxed policies that limited personal choice and economic freedom. Improved policies, including a significant overhaul of tax policy, social contributions, licensing, and trading restrictions, and initial reforms among state-owned enterprises (SOEs) have strengthened the regulatory environment for private sector growth. Financial sector reforms have started to remove market distortions and strengthen legal frameworks. Energy sector reforms have also started to introduce competitive market principles in sector governance, management, and operations, attracting private investment to renewable energy. Market reforms to liberalize agriculture have moved quickly, with the abolishment of systematic child labor and coercive labor practices in cotton picking, the liberalization of horticultural exports, and the elimination of farmgate production and price controls on cotton and wheat. The reform agenda has also been people-focused, with programs to cushion the vulnerable against the potential costs of reform and to accelerate poverty reduction, thereby helping generate public support.

19. **As the Central Asia country with the largest population, and the only one to border all four other countries, Uzbekistan is an important regional actor and a market with growing influence.** Limited transport connectivity with neighboring countries and international economic growth poles have traditionally been a major constraint to job creation and trade growth in key sectors, such as horticulture and agribusiness, handicrafts, and mining. The quality of Uzbekistan's digital connectivity to neighbors and to global internet peers while improving, is still. A constrain to economic growth across many sectors. Since 2017 the government made significant efforts to improve Uzbekistan's relationships with its neighbors ,to support joint initiatives and investment and to sponsor ambitious joint regional connectivity projects. The importance of regional connectivity for double-landlocked Uzbekistan has been made more evident by the current trade, financial and logistics challenges with Russia and Afghanistan.

20. **Despite the rapid changes of the last five years, it is imperative now to deepen reforms to guarantee a successful transition.** The prioritization and sequence of reforms in Uzbekistan have been

similar to the case among early reformers in Eastern Europe and East Asia.³ The authorities first liberalized prices and trade, alongside regulatory changes, to strengthen financial markets and the transparency of public finance. However, in Uzbekistan, the breadth of the economic and social reforms has sometimes been emphasized more than the depth and quality of implementation or the clear links to results. Progress has moved more slowly in areas that require more fundamental restructuring, most notably reducing the state’s economic footprint and control over factors of production. To guarantee the success of the transition in Uzbekistan, it is imperative to accelerate these reforms. The new NDS for 2022–26 (see [Section 3.1](#)) commits to reducing the state’s footprint in the economy, creating the conditions for improved access by the private sector to factors such as land and capital, and improving the investment climate and business environment. However, lingering pandemic risks and the yet-to-be fully assessed ramifications of the war in Ukraine will provide a challenge to these aspirations, at least in the short term (Box 1).

Box 1. Impact of the war on Ukraine and Sanctions on Russia on Uzbekistan's Structural Transformation

The war in Ukraine will have an enduring impact on Uzbekistan’s economy, society, and institutions. The significant decline in economic activity in Russia is already leading to short-term economic and social consequences in Uzbekistan, including a sharp slowdown in growth, a drop in remittances, higher fuel and food prices, disruptions in trade and supply chains, and heightened uncertainties among millions of migrant workers and their families. But there are also likely to be enduring structural changes that will affect Uzbekistan, creating risks to the country’s economic and social transformation but offering opportunities to accelerate the reorientation toward global markets (see [Sections 2.2](#) and [2.3](#) on transmission channels and the impact on poverty).

More rapid structural reforms could help absorb the potential return of large numbers of migrant workers from Russia. Over the last two decades, Uzbekistan’s economy has not created enough jobs to cater to new labor market entrants. In recent years, about 600,000 new labor market entrants have been competing for fewer than 200,000 mostly contractual and seasonal jobs. As the SCD highlights, although there has been good progress in liberalizing trade and prices, the slow pace of deeper structural reforms to reduce the state’s dominance in the economy—and its ownership and control over resource allocations—and improve the environment for fair competition is holding back the emergence of a strong private sector that can create more and better-paying jobs. With prospects growing that large numbers of migrant workers may return to Uzbekistan, accelerating the structural reform agenda has become even more critical.

Investments in strengthening the social protection system leave Uzbekistan well prepared to manage the social impact of the crisis, but slower progress with other reforms to reduce spending obligations is raising fiscal pressures. Since 2017, Uzbekistan has invested significantly in renewing the systems and social contracts aimed at protecting the vulnerable. Large expansions of social assistance spending, including to respond to the pandemic, have led to measurable improvements in coverage and levels of protection. At the same time, these spending increases have occurred in addition to—rather than in place of—the large levels of public spending on production in sectors of the economy that could be entirely private sector led. Besides job creation, accelerating progress in removing the state from these sectors is critical to long-term fiscal sustainability.

³ World Bank. 2021. *Assessing Uzbekistan’s Transition: Country Economic Memorandum*. The authorities have proceeded most resolutely in liberalizing prices, providing enterprises with access to foreign currency, liberalizing external trade, and unifying the exchange rate. They have taken more time in reorganizing the structure of government finances and revamping the government’s role in the economy. In terms of the pace of transition, Uzbekistan’s record has been mixed, but appropriate, given that reforms are dependent on experience with markets and prices, initial conditions, and institutional strength. In several comparators such as Estonia, Poland, and Russia the first year of transition was dedicated to market liberalization, small privatization, the building of essential market institutions (including in financial sector development), and controls on medium and large SOEs to forestall asset stripping. During years 2–3, the authorities further developed market institutions and started medium and large privatization. During year 4, medium and large privatization continued, and best practices in corporate governance were introduced for the remaining SOEs. Based on this timeline, Uzbekistan’s transition proceeded in line with comparators in terms of market and trade liberalization, small privatization, and the building of essential market institutions. However, the medium and large privatization of both SOEs and state-owned commercial banks (SOCBs) has barely begun five years after the onset of the transition; the same is true of the introduction of best practice in corporate governance.

The economic collapse of Uzbekistan’s largest trading and investment partner is creating significant short-term challenges, but it also represents an opportunity to build a more resilient and diverse open economy. Uzbekistan’s strong historical links with the Russian economy mean that it is heavily reliant on Russia for trade, project financing, and investment. Access to the Russian market—especially the growing demand for Uzbekistan’s food, textiles, and tourism exports—has been an important driver of the reform success in Uzbekistan’s transformation in horticulture, cotton, and tourism. But it has also reduced the incentives for Uzbekistan to accelerate global trade and supply chain integration, modernize regulations and standards, and manage systemic risk exposures that have now materialized. Key reforms such as Uzbekistan’s accession to the WTO, which had stalled for decades before 2017, have become even more important as the country seeks alternative markets and investors to support structural transformation. Accelerating regional and global integration also eases domestic social risks by expanding access to new labor markets for Uzbekistan’s migrant worker population.

2.5 Main SCD Findings

21. **Achieving Uzbekistan’s 2030 ambitions will require the acceleration of an already bold reform agenda: more private sector–led, inclusive, and sustainable growth is essential to the success of Uzbekistan’s transition.** To reach upper middle-income status by 2030, Uzbekistan’s average annual real GDP growth will need to be close to 10 percent. Reducing the poverty rate by half will require more rapid job creation and less exclusion from economic opportunity, especially among youth, women, and people with disabilities. Increasing the pace and quality of job creation will critically depend on a different role for the state in the economy and the reallocation of resources within the economy to more productive and sustainable uses. The SCD concludes that, attaining meaningful progress toward upper-middle-income status by 2030, while cutting poverty in half, will require progress along four development pathways to accelerate economic growth and the creation of more and better jobs (Table 1).

Table 2. Four Development Pathways - Priorities of the SCD

A strong private sector response	Encouraging the emergence of a vibrant private sector is essential to the economic growth and employment ambitions of the government and stakeholders. So far, the government’s reform policies have not succeeded in generating sufficient private sector growth and job creation. Firms remain constrained by centrally controlled factor markets and limited freedom. Uzbekistan’s areas of comparative advantage are dominated by SOEs that are shielded from private sector competition. More room for private sector market entry and competition is needed.
An enabling state	More rapid job creation and more equitable growth require a more capable state that can support inclusive and competitive market-led growth. This calls for the state to end its control over production and resources. Competition is low because of an uneven playing field between the state and the private sector. Regulations often support the state rather than the market. This results in lower productivity and comes at a high cost to business and job growth. Citizens, the media, and civil society are limited in the means available to them to shape economic policy. At this core, addressing these challenges will require a state that plays less the role of a producer and competitor to private enterprises and more the role of an enabler in the market economy.
Investment in people	The country’s future prosperity depends on its people. Large gaps persist in Uzbekistan’s human capital development and the inclusiveness of economic growth. Health care and education systems require modernization to ensure that the country’s workers are ready for the more productive economy that will emerge. Labor markets and safety nets continue to exclude large segments of the population, and other barriers limit the equality of opportunity needed for more inclusive growth.
A sustainable and resilient future	An enduring transition requires greener growth. Much of Uzbekistan’s economic potential is lost because of the inefficient use of natural resources. Water and energy are used wastefully, and the neglect of land management threatens livelihoods and future sources of growth. A focus on green growth can propel Uzbekistan toward a more sustainable future while creating new jobs in emerging high-skilled fields. Reforms are incomplete without a clear strategy to support such a sustainable and resilient structural transformation.

Source: World Bank. 2022. [“Toward a Prosperous and Inclusive Future : The Second Systematic Country Diagnostic for Uzbekistan”](#)

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

3.1 Government Program and Medium-Term Strategy

22. The government's new national development strategy for 2022–26 is built around the achievement of its ambitious development goals.⁴ Box 2 provides an overview of the new strategy.

Box 2. Uzbekistan NDS for 2022–26

Overarching goals: Achieving upper-middle-income status (US\$4,000 per capita) by 2030 and reducing poverty by half by 2026

- (a) **Building a 'people's state' through the enhancement of human dignity and the further development of a free civil society**, including actions to strengthen public accountability, community-led development, and public oversight of state functions; to make public administration more digital, efficient, and citizen centric; and to strengthen parliamentary oversight of government operations
- (b) **Making justice and the rule of law the most foundational and necessary conditions for development**, including actions to protect property rights, ensure the rule of law and constitutional legitimacy, establish strong judicial controls, increase access to impartial justice, and establish a more effective and citizen-centric system of law enforcement to maintain public order
- (c) **Developing the national economy and ensuring high-growth rates**, including actions to improve the investment climate and business environment, reduce the footprint of the state in the economy, improve agricultural and livestock productivity, attract greater private investment, strengthen outward and export orientation in the economy, increase the sustainability of energy and water resource use, and provide effective enabling infrastructure to support economic development in all regions
- (d) **Developing inclusive social policy and human capital development**, including actions to increase vocational education coverage; increase access to high-quality preschool coverage; increase the quality and remuneration of teachers; increase higher education enrollment rapidly to 50 percent, including through an expansion of high-quality higher educational institutions; strengthen links between industrial enterprises and scientific institutions; expand social safety nets among the population; improve the quality of health services (including high-technology services); improve the value for money of public health spending and strengthen partnerships with private health service providers; improve pharmaceutical regulations; and promote healthier lifestyles
- (e) **Supporting cultural and spiritual development and fundamental transformation in this area**, including actions to transform and popularize reading and libraries, strengthen interethnic and religious tolerance, expand public investments in supporting cultural and artistic talent activities, and improve infrastructure in major cultural sites
- (f) **Addressing global issues at the national level, including actions to mitigate existing ecological issues**, such as protecting the environment and improving the environmental sustainability of urban areas; establishing effective mechanisms to counteract extremism and terrorism; introducing integrity standards for public servants; increasing the efficiency of corruption prevention factors; ensuring safe, organized, and legal labor migration; and strengthening people-to-people links with Uzbekistan's diaspora
- (g) **Strengthening the security and defense capacity of the country and conducting an open, pragmatic, and active foreign policy**, including actions to strengthen the defense capability and improve the preparedness and responsiveness of civil defense systems; improve regional cooperation on security, trade, water, energy, transport and connectivity, and cultural and humanitarian issues; further develop relations with traditional partners; accede to the WTO and deepen integration with the Eurasian Economic Community;

⁴ The strategy was adopted by presidential resolution on January 29, 2022.

increase international awareness of Uzbekistan; enhance foreign policy and trade legislation; and improve the performance of Uzbekistan’s representational offices abroad.

3.2 Proposed World Bank Group Country Partnership Framework

23. **This CPF for FY2022–26 supports Uzbekistan as it implements the next phase of reforms in the transition toward an inclusive and sustainable market economy.** It selectively supports the aspirations of the government, as detailed in the national strategy for 2022–26 and the achievement of the twin goals of upper-middle-income status and poverty reduction by 2030. It builds on the dialogue associated with the previous CPF and the expanded portfolio of initiatives being implemented that is focused on a sustainable transition toward a market economy, the reform of selected state institutions, citizen engagement, and investment in people. However, this CPF ventures more ambitiously into new areas of support for the aspirations of the government on the green agenda, which includes environmental sustainability, greater efficiency in the use of natural resources, and the transition to a low-carbon economy.

3.2.1 Key Lessons Learned and Implications for the CPF

24. **The Completion and Learning Review (CLR) confirms that the role of the World Bank Group (WBG) as lead strategic adviser, coupled with the capacity to respond flexibly and strategically to rapidly evolving country circumstances and client demands, was critical to help advance the reform process.** The WBG plans to support the Government of Uzbekistan during the next, more complex phase of reforms with high-quality advice and strategic financing while maintaining flexibility in addressing emerging priorities or changing circumstances such as the fallout from the war in Ukraine. In a dynamic reform environment, this approach will continue to be underpinned by a strong analytical base from core advisory services and analytics (ASAs) to facilitate informed decision-making on complex reforms that take time to implement. This will be complemented by just-in-time technical assistance (TA) to evaluate government proposals and planned actions as well as review important presidential resolutions and laws before approval and through feedback mechanisms, such as the Listening to Citizens of Uzbekistan Program.⁵ Maintaining a strong WBG expert presence in Tashkent and regular high-level engagements by senior management will also facilitate an effective dialogue on critical reforms as the government’s adviser.

25. **A series of high-visibility Development Policy Operations (DPOs) served as an important anchor for the WBG’s support for Uzbekistan’s ambitious and, at times, incessant drive to transform its economy and society.** DPOs have played an important role in securing and establishing the most important reforms since 2017 and have helped cement the World Bank’s status as a lead reform adviser to the government. The World Bank will continue to use development policy financing, complemented by relevant investment and TA lending, to anchor country dialogue and help advance critical reforms and, most importantly, to create the space for reformers in the government to pitch bold policies to the leadership and build political consensus. The more complex and deeper reforms of the next phase of the transition will require a more programmatic and medium-term approach. The World Bank will explore with the clients the use of programmatic DPOs, including, where feasible, sectoral DPOs. In areas with a history of self-standing investment, such as human capital or irrigation, new activities financed by the World Bank will need to be embedded in a solid programmatic approach. However, while a strong commitment to reforms is not lacking in Uzbekistan, a steady state—where most of the political decisions to dismantle the old system

⁵ Listening to the Citizen of Uzbekistan is a collaborative survey led by the World Bank and the Uzbekistan Development Strategy Center, and financed by the United Kingdom government, to regularly monitor how reforms impact the daily lives of people. See www.worldbank.org/l2cu

have been completed, leaving space to a more technocratic approach to building and strengthening an effective transition—has not yet fully emerged. It therefore makes good sense to retain a degree of political economy opportunism while exploring the move to a more medium-term reform horizon within the context of WBG operations under the next CPF.

26. **Another important lesson that emerged from the CLR is that, particularly in a rapidly evolving institutional and reform environment, close WBG collaboration and alignment with other development partners are indispensable elements of success.** Important reform outcomes in energy—for example, unbundling vertically integrated energy sector SOEs and expanding the renewable energy agenda with private sector participation—were the product of WBG teams collaborating closely together and in partnership with other international financial institutions (IFIs) and bilateral partners under a country platform approach to help the government develop a strategic sequence of sector reforms and attract private sector investment.⁶ The government is currently pursuing a revamping of the country platform after the pandemic challenged the regular coordination of development partners. This offers renewed opportunities to prioritize key development issues and mobilize development financiers in the most constructive way, including nontraditional donors and the private sector. Important upstream analytical and TA work in different sectors by the World Bank has created the conditions for advancing the private sector agenda with the support of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). IFC and others in the World Bank are currently working jointly on reforming the chemicals and aviation sectors. New avenues for joint WBG collaboration are to be systematically explored to offer synergies and products in support of the government’s market-creating reforms. This would also include effectively combining World Bank loans and MIGA-backed private commercial lending in ways that have been used across various sectors in other countries. Starting in January 2022, MIGA is offering its credit enhancement coverage in Uzbekistan, which will complement MIGA’s offer of political risk insurance already used in the country for large-scale public-private partnership (PPP) projects. This coverage may also be considered for eligible sub-sovereign projects and certain SOEs, which will be prioritized in close consultation with the World Bank and IFC.

27. **The previous CPF, as modified by the PLR, catered to the needs of the initial phase of the transition and focused on creating the conditions for the transformation toward a market economy.** It is now evident—as reflected in the SCD and the new 2022-2026 NDS—that the shift to a competitive and inclusive market economy needs to be supported by a long-term green transition strategy, including the improved management of natural resources and climate mitigation and adaptation. Without such a strategy, the country’s growth may not be sustainable, natural capital will be quickly depleted, and the country may lock itself into choices and technologies that make it uncompetitive. The CPF includes a new ambitious green growth focus.

3.2.2 Selectivity Principles

28. **Several factors will contribute to selectivity during the CPF period.** The next phase of the transition should emphasize reform depth over breadth. A rapid expansion of the portfolio in recent years has resulted in a more constrained environment for new International Bank for Reconstruction and Development (IBRD)-financed operations. Core knowledge and international best practice for key reforms are more readily available, and expansions in other development partner engagements in Uzbekistan allow opportunities for the WBG and the government to focus WBG support more strategically. Nonetheless, the government’s approach to reforms—setting ambitious goals and launching multiple initiatives to achieve

⁶ A country platform pilot program to help the government prioritize the key development issues and engage with development financiers in the most effective way was launched during the annual World Bank meetings in October 2019. Despite good progress in energy and transport, regular country platform engagements were reduced during the pandemic.

them—is embedded within the local context and political economy of the reform process and will continue to put pressure on the WBG for rapid and just-in-time assistance on multiple issues.

29. **Within this context and given the desire to develop more selective criteria for the evolution of new CPF programs, four main criteria are used to facilitate decisions about the CPF programming.** The WBG will pursue activities that (a) are prioritized SCD reform objectives that have the greatest potential to leverage systemic reform outcomes or help ensure reform irreversibility, such as establishing competitive and efficient capital markets; (b) draw on the WBG’s area of comparative advantage relative to other partners, including building on previous support where institutional strengthening needs to be consolidated or expanded, or as determined under the country platform and other donor coordination mechanisms; (c) are the outcome of a One WBG Approach and leverage partnerships for enhanced impact; and (d) contribute to corporate priorities and International Development Association (IDA) commitments. These criteria were applied during CPF consultations leading to the identification of CPF objectives and programming.

30. **In agreement with the Government of Uzbekistan, the proposed CPF will maintain a good degree of continuity with the previous CPF as modified during the PLR** with the intention of capitalizing reforms well under way, accelerating key structural transformations that lagged during the previous partnership cycle, and giving increased attention to greening the transition. The completion of the implementation of key reforms launched with the support of the WBG during the previous CPF include ongoing reforms in energy and agriculture that, under the proposed CPF, will be supported mainly by a large, active portfolio and by exploring new opportunities for private sector investment as One World Bank Group. This approach will be complemented by selected additional financing to expand or deepen successful World Bank activities rather than by expanding to new areas of investment in these sectors where there is good complementarity with other development partners. Priority is also given to advancing reforms that proceeded slowly during the previous CPF and are critical in terms of impact on the transition and difficulty to reverse. For example, the CPF focus on modernizing and privatizing SOEs and establishing deeper and more efficient capital markets will require continuing the upstream work by the World Bank through TA and development financing to enable IFC’s and MIGA’s efforts to support increasing the private sector share in the economy, including through the privatization process. A programmatic filter will be pursued in sectors in which the World Bank has a history of financing self-standing investment projects, but the overall vision or reform effort is deficient. For example, new investments in human capital and irrigation will be contingent on a programmatic approach anchored in a long-term reform vision. Strong analytics and a solid donor coordination platform will guide new investment decisions in greening the transition, a new emphasis of the proposed CPF.

3.2.3 Knowledge Gaps

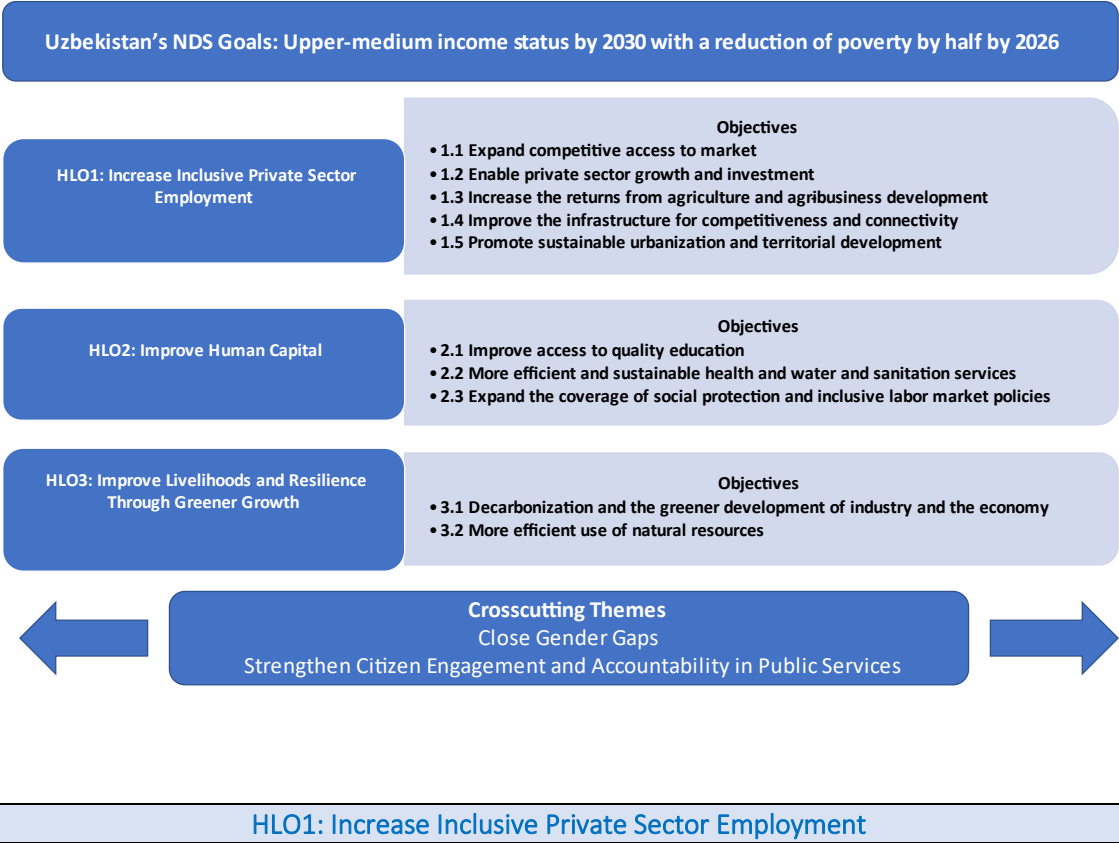
31. **The SCD attests to the rapid increase in data openness and accessibility following reforms in 2017, and more investment is under way to fill remaining gaps.** The limitations that remain largely relate to gaps in Uzbekistan’s national statistical system. The CPF includes plans to help close these gaps with a project being prepared that is aimed at modernizing the national statistical service. Knowledge gaps identified in the SCD preparation process that are relevant to potential WBG analytical programs are summarized in Annex 9 . [Section 3.3](#) describes how some of these knowledge gaps will be addressed through the WBG program.

3.3 Higher-Level Outcomes and Objectives Supported by the World Bank Group Program

32. **The proposed CPF will focus on 10 CPF objectives that will underpin 3 high-level objectives (HLOs) necessary to accelerate Uzbekistan’s transition toward an inclusive and sustainable market economy and achieve its 2030 aspirations:** increase private sector employment (HLO1), improve human capital (HLO2),

and improve livelihoods and resilience through greener growth (HLO3). While the objectives under HLOs 1 and 2 represent continuity with the previous CPF, those under HLO3 reflect the CPF main strategic shift responding to the government’s new focus on greening the economic transition. The CPF is aligned with the SCD priorities and the NDS for 2022–26. In addition, it is aligned with the World Bank’s Green, Resilient, and Inclusive Development (GRID) agenda and key Sustainable Development Goals (SDGs). Closing gender disparities and strengthening citizen participation and accountability for public services are cross-cutting objectives of the proposed CPF. Figure 1 depicts the proposed CPF logical framework. Further details on the CPF intervention logic are provided in Annex 7.

Figure 1. CPF Logical Framework



33. Despite the progress in advancing the transition to a market economy in the last five years, not enough quality jobs have been created in Uzbekistan to keep pace with demographic growth and fulfill the poverty reduction and shared prosperity aspirations of the government and stakeholders. These jobs need to be created through the greater and more dynamic participation of the private sector in the economy. Private sector participation is still being curtailed by the dominant role of the state in the economy, the lack of equitable access to the factors of production, and the deficiencies in the business environment and in competition. The rate of new firm creation is among the lowest in Uzbekistan compared with regional and income-group peers, and private firms are disproportionately small. The banking sector is dominated by SOCBs, while other sources of financing in the economy (such as nonbanking financial services, debt, and capital markets) are either nascent or not yet developed. The share of services, an engine of prosperity in most advanced economies, was marginally lower in 2021 than it was at independence, below all other Europe and Central Asia countries, and among the lowest in the world.

34. **The next phase of the transition offers the opportunity to transform permanently the role of the state in the economy, from a monopolistic producer to an enabler of private sector growth and economic and social inclusion.** This will mean a significant reduction in the number of SOEs and SOCBs, more effective governance, and the exposure of public and private sector entities to more market competition. This will require that the market and growth potential of capital and land be unblocked. These are factors that are still mostly under the direct or indirect control of the state in terms of access and the allocation and closing of infrastructure gaps. These gaps have been caused by market distortions and public investments that are misaligned with the needs of businesses and people. In place of the state-led model, reforms to embolden private sector–led growth hold particular promise in areas of urgent priority such as the green transition and in rapidly increasing productivity in agriculture. More room for private sector market entry and competition is also needed in sectors such as banking, energy, telecommunication, chemicals, transport, and aviation, where considerable private sector investment interest is constrained by the state’s dominance. Uzbekistan also needs to boost economies of agglomeration in cities to develop favorable conditions to allow market forces to foster the most productive uses of resources. More effective support for private sector development that focuses on firm growth and productivity and enhanced policies that favor investment and trade and promote global integration and a level playing field in investment are also necessary to ensure a stronger private sector response.

35. **The CPF will build on the WBG’s comparative advantage to create better conditions for more and better private sector jobs through the following:** expand competitive access to markets (objective 1.1); enable private sector growth and investment (objective 1.2); increase the returns from agriculture and agri-business development (objective 1.3); improve the infrastructure for competitiveness and connectivity (objective 1.4); and promote sustainable urbanization and territorial development (objective 1.5).

Objective 1.1. Expand competitive access to market

Key constraints to the achievement of HLO1 addressed by Objective 1.1
<ul style="list-style-type: none"> • The dominant role of the state in the economy crowds out the private sector. • Private entrepreneurship is largely constrained by the market power of SOEs, supported by high levels of preferential access to factors of production, including capital.

36. **The implementation of the new national development strategy offers opportunities to accelerate the reform of the state’s role in the economy and reduce the state’s footprint.** In 2020, the president approved an SOE reform action plan aimed at keeping 71 strategic enterprises in state ownership (out of about 2,800 SOEs), promptly privatize about 600 other SOEs, and restructure another 500 SOEs for subsequent privatization. The remaining SOEs will be merged, transformed into public institutions, or liquidated. The privatization of the 1,100 SOEs is a priority for the government under the NDS for 2022–26. A March 2022 decree sought to accelerate this process. Improving the governance of those enterprises that remain under state ownership is another important priority. This will require the introduction of hard budget constraints and an effort to ensure that the risks associated with the banking system’s exposure to the constraints is substantially reduced and appropriately managed. Additionally, because SOCBs have largely operated as public sector development agencies serving SOEs and priority sectors, much of the population and private firms lack access to suitable financial services. However, important reforms have been launched since 2019, including with World Bank support, while new laws have been passed on the CBU and on banks and banking that provide a robust legal basis for developing a modern banking regulatory and supervisory framework. In 2020, the country adopted the Banking Sector Reform Strategy 2020–25. The strategy’s implementation road map includes actions to advance the privatization and restructuring of SOCBs, micro- and macro-prudential oversight of the financial sector, the development of an ecosystem of nonbank financial providers, and the adoption of a comprehensive strategy for financial inclusion.

37. **SOE and SOCB reforms should also be seen in the context of emerging fiscal constraints.** Since 2017, economic policy has shifted toward greater openness and global market orientation. This has led to profound changes in the fiscal strategy that is traditionally focused on building strong buffers to support the government's broader objectives of economic self-sufficiency, industrial diversification, and the localization of production. The level and composition of public spending have changed through the reorientation of capital spending toward reform priority areas and through a large increase in social sector outlays. These changes in fiscal policy have played an important role in supporting the broader reform objectives of the 2017–21 NDS. Yet, the slower progress in reforms to streamline SOE operations, increase competition in the economy, and curtail state-directed financing activities has lowered the effectiveness of fiscal policy changes. This is particularly so in the context of smaller fiscal buffers because of the emergence of a structural deficit with the change in strategy and, more recently, the response to the COVID-19 crisis. Several opportunities exist now to strengthen fiscal discipline in the environment of post-COVID fiscal constraints and the impact of fiscal policy in achieving stronger reform outcomes with the acceleration of SOE and SOCB modernization and privatization. This is particularly important considering the emerging economic and social risks associated with the fallout of the war in Ukraine that may generate additional fiscal pressure.

38. **Through objective 1.1, the WBG will help expand the economic space for private sector participation by supporting government efforts to accelerate SOE and SOCB modernization and eventual privatization, creating a neutral and more competitive business environment.** This objective represents continuity with the previous CPF aim of strengthening the access to finance and financial services in the private sector and enhancing corporate governance and the financial sustainability of SOEs. The new CPF is expected to continue to use DPOs, together with just-in-time ASAs, to enable the reform and privatization of SOEs and SOCBs and support the development of a modern regulatory and supervisory environment in the financial sector. An institutional capacity-building project, including potential additional financing, will continue to provide knowledge and TA for the restructuring and privatization of SOEs. This will be complemented by ongoing sector-specific Investment Project Financing (IPF) aimed at modernizing public utilities in key sectors, such as energy, gas, transport, water and sanitation, and irrigation. A Reimbursable Advisory Service (RAS) is supporting the restructuring and modernization of the aviation sector.

39. **New opportunities for reform and private sector involvement will be explored through the CPF in areas where considerable private sector investment interest is constrained by the state's dominance, such as in transport, aviation, chemicals, and telecommunication.** IFC in close collaboration with the World Bank and MIGA will continue to facilitate an efficient and transparent process of supporting increased private sector participation in the economy through the privatization of selected SOEs by providing pre-privatization advisory and potential post-privatization financing in the financial and chemical sectors. A World Bank–financed finance sector reform TA project being prepared will provide additional support for the CBU and the Ministry of Finance (MOF) to implement the 2030 Banking Sector Strategy and facilitate the transformation and eventual privatization of the largest SOCBs. IFC is keen to support selected privatization in the financial sector through advisory and investment initiatives, and the CBU has expressed its commitment to reduce drastically the share of the state in the banking sector. In close coordination with the World Bank and the IFC, MIGA guarantees might also be offered to facilitate initial broad privatization efforts among state banks via its Non-Honoring of Financial Obligations guarantees for state banks. IFC will facilitate the development of a commercially sustainable microfinance industry, digital finance infrastructure, and a viable housing finance market. Building on the successful offshore local-currency-denominated Samarkand bond issue, IFC will work to support local capital market development through onshore local currency bond issues. Following the currency liberalization, and because domestic banks lack access to long-term local currency resources, IFC is committed to supporting the local currency lending of partner banks. It will undertake a diagnostic exercise to help create a conducive ecosystem for private

equity and venture capital funds as well as for information technology start-ups. IFC will also continue to partner with select banking and nonbanking institutions to help increase access to credit in the private sector, including microenterprises and small and medium enterprises (SMEs), through long-term finance and short-term trade finance lines and help improve their operational efficiency, enhance risk management and corporate governance structures, and develop new financial products through advisory services. Microenterprises and SMEs are playing an increasingly important role in Uzbekistan’s economy, although, with a relatively low ratio of bank credit to GDP (44.1 percent in 2021), microenterprises and SMEs are still underserved and require more financing than is currently available. Opportunities for MIGA guarantees might also arise on the back of and in coordination with the World Bank and IFC, to accelerate financial deepening via political risk insurance products, including capital optimization guarantees, and credit enhancement guarantees for eligible state banks.

Objective 1.2. Enable private sector growth and investment

Key constraints to the achievement of HLO1 addressed by objective 1.2
<ul style="list-style-type: none"> • There is a need to curtail state discretion in favor of impartial, transparent, and rules-based governance. • The regulatory and institutional environment for business, although improving, is still deficient. • Perceptions on the effectiveness of pro-competition policies in Uzbekistan fall behind the perceptions in regional peers. • An ambitious PPP agenda: however, PPP operational and institutional frameworks are at a nascent stage of development. • There is low firm capacity, innovation, and productivity.

40. **More rapid job creation requires a state that can support inclusive and competitive market-led growth.** As lessons from other transitions show, markets alone cannot guarantee an enduring, sustainable, and equitable transition. Though the competition environment is improving in Uzbekistan, regulations often support the state and SOEs rather than the market. Uzbekistan needs better legal and regulatory policies that establish fair rules that are well enforced and simple to follow. It also needs strong institutions to enforce these policies. This means curtailing the use of state discretion in favor of impartial, transparent, and rules-based governance. In areas where the state remains an economic producer, it also means a commitment to maintaining market discipline and competitive neutrality. Moreover, the entry of new firms remains well below regional averages and lower than predicted by the income per capita in Uzbekistan. Postentry firm performance has also been sluggish. Formal private firms stay small as they age. Formal private sector labor productivity has been falling during the past 10 years, revealing lackluster achievements in other areas, such as insufficient trade exposure (on both the export side and the import side), low innovation intensity (in terms of inputs and outputs), and weak capabilities among firms. The unresponsive performance of the private sector reflects a distorted operating environment, which impedes resource allocation toward firms with higher productivity and growth potential. The country is actively embarking on an ambitious PPP agenda. However, despite notable legislative and institutional progress since 2018, PPP operational and institutional frameworks are at a nascent stage of development. While recent legislation and regulations to enable PPPs have supported the creation of a solid multi-sectoral PPP pipeline, a void exists in the overall institutional preparedness and capability to undertake ongoing and future work in developing the PPP framework and pipeline.

41. **Under this CPF objective, the WBG aims to strengthen regulatory and institutional capacity to ensure that regulations and their implementation create a competitive environment for the private sector.** Additionally, the WBG will aim to accelerate private sector growth by facilitating private investment in Uzbekistan, including by supporting strong PPP practices and strengthening the capacity of firms to innovate and grow. IFC will continue to help the government create an environment conducive for private investment, for example, in the fertilizer sector, by removing barriers to the operations of a competitive market, simplifying construction permit procedures, and improving investment policy and regulations. The World Bank DPO program will continue to complement these efforts through targeted policy actions to strengthen the business and investment climate. Sector-wide reforms in key sectors such as agriculture, energy, gas, and transport, supported by the World Bank's ongoing program, have strengthened market institutions and regulations and will continue to enhance the business environment under the new CPF. This upstream work has already helped create the conditions for more private sector participation, notably, in power generation, including with the support of IFC and MIGA. The WBG will engage in policy dialogue with the government to establish opportunities for private investors and other service providers in infrastructure and other largely government-led sectors in a structured and incremental manner that builds solid government capacity to manage PPPs. For example, IFC will continue to provide transaction advisory services related to PPP in regulated areas such as energy, as well as in the health sector, and will undertake a diagnostic exercise to help create a conducive ecosystem for private equity and venture capital funds and for information technology start-ups. Additionally, the World Bank will continue to provide knowledge and TA with an emphasis on the practical aspects of project screening, selection, transaction preparation, and execution expertise applicable to PPP transactions. The World Bank will aim to support entrepreneurship and to enhance entrepreneurship skills among youth and women, particularly in rural areas. Furthermore, the World Bank will help Uzbekistan develop and implement a market-oriented national innovation system. IFC and the World Bank will collaborate to reform capacity development programs for firms .

Objective 1.3. Increase the returns from agriculture and agri-business development

Key constraints to the achievement of HLO1 addressed by objective 1.3
<ul style="list-style-type: none">• The potential of Uzbekistan’s agriculture sector to add value, productivity, and jobs is high through the removal of remaining market and institutional constraints and more efficient land allocation.• Second-generation agricultural reforms need to focus on factor market efficiency and public institutions to accelerate growth in agriculture in general and horticulture and livestock in particular.

42. **Uzbekistan’s agriculture and agribusiness have the potential to accelerate job creation and increase productivity and value addition through the removal of remaining market and institutional constraints and more efficient land allocation.** The state-led agricultural system was one of the root causes of Uzbekistan’s slow structural transformation. However, since 2017, a series of reforms, supported by the World Bank, in partnership with the European Union and other partners, has started to unlock the dynamism of Uzbekistan’s agriculture by removing formal restrictions on horticulture exports and eliminating state production targets and the mandatory procurement of cotton and wheat. This process has been accompanied by the historical elimination of the systematic use of forced and child labor in cotton picking that had infamously characterized Uzbekistan’s cotton industry for decades.⁷ As a consequence, an international ban on Uzbek cotton and textile exports was lifted in March 2022.⁸ A pre-pandemic substantive increase in horticulture exports and a shift toward higher-value private sector cotton production of yarn and textiles are some of the early results of this transformation. The World Bank estimates that the agri-food sector may continue to significantly raise the number of jobs and the quality of employment if the shift of irrigated farmland away from cotton and wheat production to more labor-intensive and more profitable horticulture continues and accelerates, and this is complemented by an increase in cotton and wheat yields and overall farm productivity.⁹

43. **Second-generation agricultural reforms now need to focus on factoring market efficiency and public institutions to accelerate growth in agriculture in general and in horticulture and livestock in particular.** This was confirmed by the Strategy for 2030 Agricultural Development and livestock subsector development strategies. Farmland tenure insecurity and the lack of a formal land rental market remain significant challenges in the medium to long term. In addition, the lack of a fully functioning financial sector and the resultant narrow availability of tailored financial products with collateral requirements suitable for farmers and exporters are among the most significant short-term factors limiting the generation of quick and inclusive wins in the agriculture sector. Human capital in agriculture and technology generation and adoption also remain low because of significant underinvestment in agricultural research and development and extension and advisory services that have been proven globally to drive long-term agricultural growth. Many anticompetitive regulations persist, including monopsony restrictions on the sales of cotton and other products (now assigned to private clusters rather than the state). Uzbekistan’s agriculture sector is also already being affected by climate change. A business-as-usual approach could affect livelihoods and result in losses and missed opportunities. Further risks to the reforms and to food security that need to be monitored and managed may emerge if the Ukraine war and economic crisis in Russia are prolonged.

⁷ See ILO (International Labour Organization). 2022. “Uzbek Cotton Is Free from Systemic Child Labour and Forced Labour.” *Forced and Child Labour: News*, March 1, 2022. The World Bank mobilized a Multi-Donor Trust Fund in 2015—the governments of Switzerland and the United States and the European Union provided funds in 2019 and the government of Germany subsequently—to finance third-party monitoring and other TA to mitigate the risks of child and forced labor in cotton picking.

⁸ Cotton Campaign. 2022. “Cotton Campaign–Government of Uzbekistan Joint Statement on Ending the Call for a Global Boycott of Uzbek Cotton.” Global Labor Justice–International Labor Rights Forum, Washington, DC, March 10, 2022. <https://www.cottoncampaign.org/news/cotton-campaign-government-of-uzbekistan-joint-statement-on-ending-the-call-for-a-global-boycott-of-uzbek-cotton>.

⁹ World Bank. 2020. *Uzbekistan: Agri-Food Job Diagnostic*. Washington, DC: World Bank.

44. **The WBG has been helping create the conditions for agriculture modernization and private sector participation and has a clear comparative advantage in advancing this agenda during the next CPF period.** Following the maximizing finance for development approach, the first phase of World Bank engagement started in 2017 with a policy dialogue through DPOs and the Country Private Sector Diagnostic. The focus was on removing the policy constraints on investment and export at scale. The second phase has focused on support for the initial reforms aimed at developing horticulture value chains and improving livestock productivity and access to markets with World Bank financing. IFC developed and tested a private sector–led cotton farming and ginning cluster model. The proposed CPF will support the third phase of the WBG’s intervention, engaging with the public and private sectors—farmers, agribusinesses, and value chain actors—to enhance private sector solutions in line with the 2030 agriculture modernization and transformation and livestock subsector development strategies, both of which have been developed with substantive World Bank knowledge sharing and TA. The WBG will help the country address significant market constraints (such as in agriculture land access and tenure) and institutional constraints (such as in agricultural research and development and extension and advisory services) that still need to be removed to increase resource efficiency and productivity in agriculture. Additionally, the World Bank (largely relying on the existing portfolio complemented by some additional financing under this CPF) plans to focus on diversification (toward horticulture and livestock) and value addition, sustainable and climate-smart agricultural and livestock production, inclusive and competitive food value chains, and food safety. This will involve the One Health approach to human, animal, and environmental safety. It will also support the expansion of rural and agriculture and food business enterprise activity and job creation, with a focus on poorer regions and attention to women entrepreneurs. IFC will continue to assess investment opportunities in the agribusiness sector even though, currently, the number of potential eligible private sector partners is limited. In the cotton and textile sectors, it will continue to support the development of export markets through financing and advisory services to improve labor, productivity, and farming practices. Furthermore, IFC will continue to support a sustainable cotton farming, ginning, and textile cluster model implemented through global investors. MIGA will look for potential opportunities in the agriculture sector, in coordination with the World Bank and IFC.

Objective 1.4. Improve the infrastructure for competitiveness and connectivity

Key constraints to the achievement of HLO1 addressed by objective 1.4
<ul style="list-style-type: none"> • Key infrastructure gaps—despite progress in recent years—continue to limit private sector growth and job creation and to establish spatial inequities and environmental challenges.

45. **More productive infrastructure is especially crucial for Uzbekistan’s private sector.** Despite progress, aging energy and transport infrastructure continue to cause significant production disruptions, increase costs among exporters, and pose a threat to sustainability. Despite ongoing public sector investments in digital infrastructure, the slow pace of private investment is limiting the potential of Uzbekistan’s underdeveloped and historically neglected services sector, especially in rural and remote areas. This clearly illustrates the need for improvements in the legal and regulatory framework to create a conducive environment for attracting private investment. These challenges consistently emerge in surveys among the most binding constraints on the private sector. Addressing them would improve private sector productivity while opening opportunities to replace aging technologies with cleaner, more efficient, and more sustainable infrastructure. Addressing the infrastructure gaps also offers the opportunity to enable the participation of private investors and other service providers in infrastructure in a manner that builds a solid government capacity to manage PPPs.

46. **The WBG will help Uzbekistan address key infrastructure gaps that continue to limit private sector growth and job creation and to establish spatial inequities and environmental challenges.** In the pursuit of

this objective, the CPF will support (a) private sector mobilization to complement the public capital investment program and to strengthen service delivery and (b) the replacement of aging infrastructure with cleaner and more sustainable infrastructure.

- **Energy sector.** A country platform approach in the sector has been successful in coordinating and prioritizing IFI support to address the inadequate operational and financial performance of energy SOEs and remove infrastructure bottlenecks. The WBG, in coordination with the Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD), has supported the consolidation of energy sector oversight functions under a sector ministry, the unbundling of the vertically integrated power and oil and gas utilities, and the preparation of electricity and gas sector reform implementation plans. The World Bank has also provided support to upstream legal, regulatory, technical, and institutional development by creating an enabling environment for renewable energy deployment and providing risk mitigation instruments and capacity building on battery storage and distributed renewable energy solutions. In addition, through country platform coordination in the sector, the World Bank has invested in the modernization of the electric grid and in energy efficiency. IFC and the World Bank helped the Government of Uzbekistan advance the country's clean energy transition by supporting initiatives in solar deployment and PPP promotion, including through the first PPP, independent power project, and grid-scale renewable energy project in Uzbekistan, the Navoi 100 MW Solar Independent Power Project (Scaling Solar 1). They will continue to support the clean energy transition under the new CPF (see objective 3.1) with the ongoing Scaling Solar 2 (commercial 440 MW at a record low tariff of US\$0.018/kWh in July 2021), Scaling Solar 3, and Scaling Wind. IFC is also assisting the government in increasing the efficiency of gas-fired power plants through the Syrdarya combined cycle gas turbine (CCGT) and Talimarjan PPP projects. MIGA guarantees are also offered in support of the Syrdarya 1.5 GW CCGT power plant to be implemented by ACWA Power, financed by commercial bank loans, in coordination with EBRD, as senior lender. Under the new CPF, the WBG's support for energy sector reforms will build on past engagements and will focus on (a) the next wave of institutional, market, and SOE reforms (transition from the current single buyer to a competitive wholesale electricity market structure and commercialize SOEs, including energy enterprises, and so on); (b) sector financial and operational efficiency (loss reduction, subsidy and tariff reforms and sector financial sustainability, utility commercialization, and so on); (c) clean energy transition and energy sector decarbonization (see objective 3.1); and (d) regional integration (regional interconnections, regional energy hubs and markets, regional hydrogen economy, and so on). The large, active IPF portfolio (focused on the modernization of the transmission subsector and energy efficiency) and ongoing and planned ASAs will support this engagement for most of the CPF period. Additional lending opportunities, including, potentially, in strengthening distribution in partnership with ADB, will be explored by the PLR for the later years of the CPF. IFC will continue to cooperate closely with the World Bank to support the reform of the energy sector and attract private investment in generation. MIGA will remain open to exploring opportunities in the energy sector, thereby complementing its current exposure in energy generation and facilitating private sector investments within the PPP framework.
- **Transport sector.** The World Bank is supporting the preparation of a national transport master plan that will help in formulating priority investments in the transport sector and defining priority policy and institutional reforms to improve efficiency and governance and provide a framework for potential future World Bank support. It is also supporting the reform of the aviation sector through the second phase of a RAS, which might lead to investments in aviation and logistics, in particular to connect underserved areas of the country and enhance tourism. IFC is ready to support the government in the concession of the airports. Ongoing ASA work is helping identify PPP opportunities in the road sector. While the World Bank is providing technical input for informed decisions on the reform of the railway

sector and public utilities, IFC will work to assist the government in attracting private sector investment in the development of railway rolling stock. A new ASA on urban mobility will identify a pipeline of priority investments and policy actions, with a focus on new technologies to improve mobility, while reducing global and localized emissions in the transport sector. Two interlinked ASAs focusing on regional connectivity within Central Asia, with neighboring regions, and globally and on decarbonizing transport connectivity are paving the way for potential World Bank financial support to link Uzbekistan with regional corridors to enhance trade, economic development, and job creation. IFC would consider improving the country’s connectivity through investments, support for privatization, the facilitation of PPPs, and the development of advisory services, including to increase private sector participation in railway rolling stock and in Tashkent City urban transportation improvement. MIGA will continue to explore opportunities in the transport sector and to facilitate private sector investment and will coordinate closely with the World Bank and IFC.

- Digital sector.** The WBG team supported the preparation of the government’s long-term Digital Uzbekistan 2030 Strategy and prepared technical notes and reports in various digital development areas, including the detailed telecommunication reform road map. These documents present as critical the transformation of the state-dominated model of the telecommunication sector to a model based on the private sector. Such a transformation is crucial to long-term digital modernization in Uzbekistan and is necessary to attract private investment to cover infrastructure needs, particularly in rural and remote areas. While some of the recommendations on telecommunication sector development have been adopted, the development of an open and competitive telecommunication market and the creation of a more conducive policy environment for private sector investment to ensure meaningful digital connectivity for the population continue to be important areas of dialogue, engagement, and TA under this CPF. The importance of an open and competitive telecommunications market and a digital ecosystem that links small and medium-size businesses, as well as workers, to the regional and global digital economy has been made more evident by the pandemic and the current trade and logistics disruptions from Afghanistan and Russia. The CPF will also support (under a new investment project) the development of digitalization, including exploring options to enhance digital skills; facilitate access to digital jobs and entrepreneurship; strengthen the inclusion of youth and women through e-commerce, freelancing, and other online opportunities; expand digital infrastructure to remote areas while applying greener and more resilient approaches and promoting private sector involvement; and enhance the environment for data and information management. The World Bank will also promote digital connectivity. IFC will continue working closely with the World Bank to help transition the information and communication technology sector from predominant state control to private ownership by attracting new investments. It has offered to assist the government in (a) exploring strategic options for restructuring or divesting SOEs; (b) structuring tenders for the sale of SOEs, evaluating bids, and negotiating with winning sponsors; (c) bringing strategic investors to the market; and (d) mobilizing financing for operations. Strong political will to adhere to these reforms will be key in their implementation.

Objective 1.5. Promote sustainable urbanization and territorial development

Key constraints to the achievement of HLO1 addressed by objective 1.5
<ul style="list-style-type: none"> Uzbekistan is not leveraging the potential of cities to achieve market-led economic growth. The sprawling model of urban growth in many Uzbek cities is a result of inefficient land markets and inadequate urban planning systems. Urban planning is failing to provide solutions to the challenges of urban growth, lacks transparency and enforcement, and is unsupported by adequate institutional capacity.

47. **Urbanization presents a development opportunity for Uzbekistan.** As Uzbekistan urbanizes and its cities grow, the country can reap substantial development benefits. A large share of the population is still dispersed across small towns and rural areas. It is likely that further concentration in bigger cities will create, over time, opportunities for advancing private sector–led growth, innovation, productivity, jobs, and well-being. But this process requires favorable conditions, such as a boost in the economies of agglomeration, that would allow market forces to urge resources toward the most productive uses. To shift to a more compact and sustainable model of growth, Uzbekistan needs to reform key systems that shape cities. Land reform is a top priority. Almost all land—both rural and urban—is owned by the state and cannot be easily sold or transferred. Land allocation and tenure decisions are made by government authorities rather than market mechanisms. This negatively affects the transfer of land rights and increases the insecurity of land tenure, constraining the emergence of a functioning real property and land market. As a result, land is rarely acceptable as collateral in bank financing. The absence of a market for urban or agricultural land is among the most frequent concerns cited by domestic and foreign investors. Land reforms, including urban land privatization, have been undertaken and are ongoing in Uzbekistan. Their completion is critical to ensuring that urban land can be reallocated for optimal use without barriers. In addition, urban planning is failing to provide solutions to the challenges of urban growth because it follows the central planning approach, lacks transparency and enforcement, and remains unsupported by adequate institutional capacity. The adoption of a national urbanization strategy—rooted in the unbiased analysis of accurate data and the real situation on the ground and offering a vision of the qualities that cities should possess and offer—is needed in setting clear policy priorities and coordinating the various branches and levels of government. Sustainable urban development must come to rely on strengthening subnational governments and their capacity, including financial capacity.

48. **The CPF will support sustainable urbanization and strengthen territorial development to help create the conditions for a stronger contribution by cities to private sector–led growth and the overall well-being of the population.** The World Bank is one of the few development partners actively supporting sustainable urbanization on a national scale. The CPF will advance the strengthening of urban planning and finance investment in urban development to enable Uzbekistan to reap economic and development benefits from sustainable urbanization. The World Bank program will expand its support for the development of medium-size cities in Uzbekistan and promote effective urban planning and financing in the delivery of quality urban services to improve economic opportunities (for example, sustainable tourism) and the quality of life. Subsequently, the CPF will consider the feasibility of assistance on urban agglomeration and regional development. It will also provide strategic TA to advance the adoption of a national urbanization strategy, frame the key principles of effective and sustainable urbanization, and finance pilot projects in various urban areas to advance implementation. Additionally, the World Bank will continue to help advance reforms and investment to foster the emergence of a functioning real property and land market, without which it is impossible to imagine a successful and inclusive transition to a market economy in Uzbekistan. The World Bank program is supporting the government in developing a holistic road map in land reform. Meanwhile, learning from the experiences of other transition economies, especially on complex policy issues such as land reform, the government has implemented measures to strengthen public sector transparency, for example, the introduction of an electronic auction system for the sale of government land and assets and mechanisms to limit the discretionary powers of local administrators on land access and tenure in rural areas. Under the new CPF, the implementation of the land reform road map will be supported by a solid ASA and just-in-time TA program, a portfolio aimed at modernizing agriculture and sustainable urbanization, the ongoing modernization of real property registration and the cadaster, and, potentially, new lending to enhance land administration systems.

HLO2: Improve Human Capital.

49. **Investing in human capital has been vital in transitions that generated high and sustained economic growth.** Despite progress in the last decade, even before COVID-19, the human capital index of Uzbekistan underscored multiple challenges in human capital outcomes. To become more prosperous and benefit from a more complex economy, the government and stakeholders will need to close these gaps. This will require investing in people through high-quality education, effective health care, and strong social protection. For people to benefit from the structural transformation and a more complex economy, Uzbekistan will need to improve human capital to increase economic opportunities for all and translate growth into equitably rising incomes. Building on the track record of the previous CPF, the current CPF will support this HLO by improving access to quality of education (objective 2.1), promoting more efficient and sustainable health and water and sanitation services (objective 2.2), and expanding the coverage of social protection and inclusive labor market policies (objective 2.3).

Objective 2.1. Improve access to quality education

Key constraints to the achievement of HLO2 addressed by objective 2.1

- Uzbekistan risks missing the contribution to its ambitious economic transformation by a demographic dividend unless it strengthens education outcomes and human capital.
- The poor quality of the basic skills young people acquire during their school years in Uzbekistan is the main reason why they are about 40 percent less productive in adulthood than they could have been if they had received higher-quality education.

50. **Uzbekistan stands at the crossroads of an economic and demographic transition.** In 2016, it launched an era of ambitious economic modernization. It is also experiencing a demographic dividend that offers an opportunity for the government's ambitious plans of economic transformation. The working-age population has increased by around 50 percent since 2000, from 14 million to more than 22 million. The population ages 0–9 years is about 1.3 million, which means that Uzbekistan will have a significantly larger share of youth in the next decades. Improving education and training with the aim of enhancing the skills of the young population and aligning them within the new economic trend can boost Uzbekistan's competitiveness and help it reap the benefits of the demographic dividend.

51. **However, measured by the World Bank human capital index 2021, the quality of the basic skills young people attain during their school years in Uzbekistan will make them about 40 percent less productive when they reach adulthood than they could have been if they had received higher-quality education.** The most pressing gaps in the education system include poor access to preschool education and to tertiary institutions and the poor quality of primary and secondary instruction. The expected years of schooling is 12, but, factoring in what children actually learn, reduces this to about 9 years. It has been estimated that the pandemic has resulted in a learning loss equivalent to two years of schooling among children, which erodes the potential productivity of the future labor force. The availability of skilled labor is one of the most important constraints faced by firms in Uzbekistan, but participation in higher education, while growing, remains low, thus reducing the supply of skilled labor.

52. **The WBG will continue to support the development of human capital through quality education in Uzbekistan.** The previous CPF identified public service delivery in education as a priority area for investment and quality improvement. This remains an important objective in the new CPF, with a focus on closing the COVID-19 learning gap in the shorter term and aligning education outcomes to the needs of the new economic model under a longer-term programmatic approach. The World Bank is already helping expand access and quality in preprimary and tertiary education with ongoing operations that could be scaled up

with additional financing. Based on recent analytical work, the World Bank has initiated a dialogue to support the Ministry of Public Education in the design of a new project, Transforming Public Education for Economic Growth.¹⁰ The goal is to improve the quality of primary and secondary education to maximize the impact of ongoing investments in expanding access to preprimary education and ensure that efforts to increase the coverage of higher education are boosted by more qualified entrants. IFC will assess PPP opportunities in the education sector. The approach will support the government in meeting the growing needs of the new education infrastructure and will help raise access to education services across the country. The mobilization of private investment in the education sector will contribute to growing the number of students with access to quality preschool and school education. MIGA will continue to explore opportunities to support private sector mobilization through PPPs in education, particularly at the tertiary level.

Objective 2.2. More efficient and sustainable health and water and sanitation services

Key constraints to the achievement of HLO2 addressed by the CPF
<ul style="list-style-type: none"> • While they are improving, Uzbekistan’s health indicators, particularly those related to avoidable mortality, lag the most successful transition countries in its peer group. • However, Uzbekistan lacks a clear strategic vision and a realistic action plan to restructure the health sector. • Low access and deteriorating water and sanitation services are a constraint on economic and social development.

53. **While public health in Uzbekistan is building from a track record of progress, large gaps remain, particularly in avoidable deaths, and this continues to have a negative effect on human capital and productivity.** While Uzbekistan had some remarkable achievements in summary indicators of public health, they still leave the country behind almost all other countries in the region. Life expectancy trails the regional average by more than four years. The risk of maternal mortality is twice the regional average, and the probability of dying from noncommunicable diseases is higher than the regional average and the average among Uzbekistan’s income peers. Both the underuse and low quality of care contribute to high avoidable mortality. Progress toward universal health coverage goals has been slow, and COVID-19 has exposed a siloed, low-quality system with high financial risks to the state and the population. The limited integration of health services across the various levels of care and the high out-of-pocket payments are degrading health system efficiency and financial risk protection. More efficient, equitable, and sustainable public financing to ensure the quality of care and better integration across the levels of care is needed to support the health sector in achieving development objectives.

54. **Low access and deteriorating water services are a constraint on economic and social development.** Water supply and sewerage infrastructure, largely constructed during the Soviet central planning era, has generally exhausted its useful life and requires extensive rehabilitation and renewal. Public expenditure, while rising substantially in recent years, has not kept pace with requirements in asset replacement, maintenance, and system expansion. Water supply and sewerage infrastructure has therefore deteriorated substantially in many areas. These infrastructure issues, combined with institutional capacity constraints, have resulted in a stagnation or decline in water service quality, which is acutely affecting rural areas, district towns, and small and medium-size cities, where most of the population resides. Poor water, sanitation, and hygiene conditions have significant direct and indirect economic, fiscal, health, and overall welfare implications. Inadequate and unequal access to water supply and sewerage is estimated to cost the country US\$635 million a year (or 1.3 percent of GDP).¹¹ These are the coping costs (monetary and time) to secure drinking water—the high costs associated with adverse health impacts (costs to individuals

¹⁰ World Bank. 2021. “Education Excellence toward Human Capital and Growth in Uzbekistan.”

¹¹ World Bank. 2020. *Water Services and Institutional Support Project, Project Appraisal Document*.

and communities and costs to public health systems), low labor productivity, and lost workdays—that place a large burden on households that depend on daily wages. Such impacts are most prevalent in rural areas, district towns, and peri-urban areas. Women and school-age children, who are responsible for collecting water for consumption, bear these burdens the most. Moreover, beyond the economic impacts, the decline of water services is becoming a source of social tension and discontent, particularly within a context of broader economic development, rising socioeconomic aspirations, and increased citizen engagement and demand for improved public services.

55. **Improving health services is an important objective of the WBG in the effort to boost household productivity and health.** The World Bank’s current investment portfolio includes the Emergency Medical Services Project and the Emergency COVID-19 Project, which aim to improve access to high-quality critical care capacity in emergency care hospitals, as well as service delivery reforms to ensure inclusive access to quality health care. In addition, IFC has conducted a transaction advisory to structure PPP and attract private investment to modernize the provision of hemodialysis services, with technical support from the World Bank. IFC helped the government implement this first-ever PPP in the health sector of Uzbekistan for the delivery of dialysis services in three regions, including two remote regions. Uzbekistan needs a clear strategic vision and an ambitious but realistic action plan to restructure the health sector. Thus, going forward, the CPF emphasizes helping the government achieve this vision to modernize and optimize health care services in the post-COVID environment. To this end, the World Bank team, in partnership with other development partners, such as ADB, *Kreditanstalt für Wiederaufbau* (KfW), and the World Health Organization, is providing TA to the Ministry of Health (MOH) to support the establishment of (a) a clear, coherent, and efficient strategic vision; (b) the definition of relevant but realistic policy goals; and (c) the development of a detailed data-driven and evidence-informed action plan to implement the strategic vision. The provision of key technical inputs and global experiences for the government’s development of the 2030 Health Strategy will be the main deliverable under this objective during the first stage of the new CPF. Additional investment financing will be contingent on the government commitment to implement the 2030 Health Strategy and the World Bank’s comparative advantage in the sector. IFC will continue to assist the government in attracting private investors to the health sector through transaction advisory projects to structure PPPs and attract private investments in a multifunctional hospital and four radiotherapy centers for cancer treatment. Bringing in private investment in the construction of a new state-of-the-art multi-profile hospital will help upgrade the country’s public hospitals to provide access to lower-income patients to modern hospital facilities and improve clinical outcomes. This will be the first hospital infrastructure PPP in Uzbekistan. IFC will also help attract one or several qualified private operator(s) who will introduce private sector participation through a competitive selection process to construct, finance, equip, and operate new radiotherapy centers; hire and train medical staff to provide improved quality services; and deliver efficient, high-quality contemporary radiotherapy services to cancer patients in densely populated regions in Uzbekistan. Opportunities for MIGA engagement will be explored, in coordination with the World Bank and IFC, particularly in relation to the development of health infrastructure PPP investments, where MIGA guarantees could be offered to facilitate private sector mobilization.

56. **Increased access to and improvement of the quality and sustainability of water supply and sanitation services in underserved areas will also be an important area of CPF engagement, building on the active ongoing portfolio.** The World Bank aims to help improve water supply and sanitation services by expanding coverage in underserved, low-income areas. This would result in significant productivity gains at the household level by freeing time, reducing the incidence of waterborne diseases, and avoiding the costs associated with scarce service delivery. This would directly support the government’s commitment to achieving universal and equitable access by 2030. To help upgrade deteriorating municipal infrastructure, IFC will explore engagement opportunities with select municipalities through investments and the

facilitation of PPPs in water and wastewater management and urban transport. A strong central and municipal government leadership and long-term vision toward increasing private sector participation in local infrastructure will be key. Opportunities for MIGA engagement will be explored, in coordination with the World Bank and IFC, in relation to the development of water and sanitation infrastructure PPP investments, whereby MIGA guarantees could be offered to facilitate private sector mobilization.

Objective 2.3. Expand the coverage of social protection and inclusive labor market policies

Key constraints to the achievement of HLO2 addressed by the CPF
<ul style="list-style-type: none">• Advancing the modernization of social protection, including safety nets, pensions, and labor promotion programs, could reduce poverty and vulnerability while creating jobs for unemployed, discouraged, or furloughed workers and helping realize the country's full economic potential.

57. **Transitions have often been cut short in countries that have failed to protect the vulnerable and equitably share the benefits of reform.** Proactive social protection policies are consequential tools for reducing poverty, promoting inclusion, and protecting people against shocks, including lowering the risks of the negative impacts of reform. Social policy is an important part of Uzbekistan's development strategy. The government is striving to reduce poverty and income inequality significantly, especially by expanding safety nets and investing in active labor market programs. Social safety net programs have been constrained for years by low spending, fragmented delivery, and the inadequate coverage of the most vulnerable. Active labor market programs are crucial to helping people adjust to the new labor market realities. Another priority area is the establishment of social insurance programs. This is an integral part of a social protection system. In Uzbekistan, advancing the modernization of social protection, including safety nets, pensions, and labor promotion programs, could reduce poverty and vulnerability while creating jobs for unemployed, discouraged, or furloughed workers and helping realize the country's full economic potential.

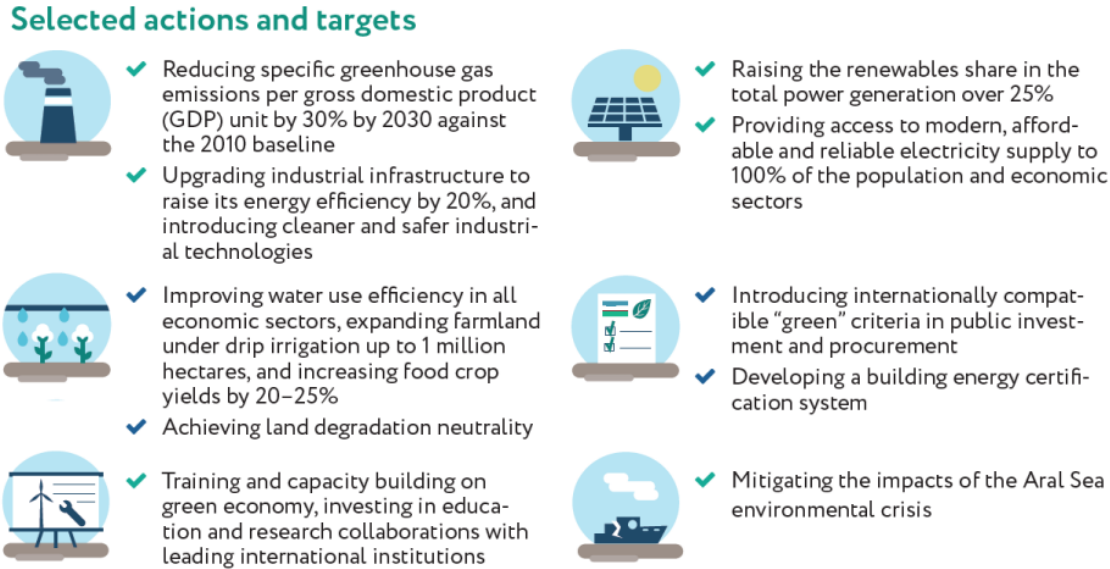
58. **The CPF will deepen the support for improving poverty-targeted social benefits and strengthening inclusive labor market policies while introducing programs to expand access to job opportunities among youth and the most vulnerable.** In partnership with the United Nations Children's Fund, the World Bank has been supporting the enhancement and national rollout of a single registry of social benefits through which policy makers will be able to assess the impact and efficiency of social support. A single registry is also an essential instrument in the consolidation of social protection programs and the enhancement of the associated delivery systems. Together with ILO and other partners, the World Bank has supported the development of the 2022–30 National Strategy for Social Protection, which is expected to be adopted in the first half of 2022. The World Bank has also provided TA for the 2021 adoption of a new poverty line based on modern practices that is expected to improve the adequacy of social protection for the poor and vulnerable. These measures have already strengthened the readiness of the system to mitigate the risks of privatization and the green transition. TA will continue to be provided to mitigate the social impacts of the energy reform and the labor impacts of the SOE reform and to advance the implementation of the Convention on the Rights of Persons with Disabilities. The CPF will support the implementation of the national poverty reduction strategy by continuing to help strengthen poverty measurement, targeting, and the evaluation of poverty and social support programs. Through the ongoing Strengthening Social Protection System Project, the World Bank will help improve the effectiveness of social benefits and support the implementation of the new social protection strategy. It will support the access of job seekers to formal job opportunities through the strengthening of public employment services and the expansion of active labor market and entrepreneurship programs targeted on youth and vulnerable job seekers. The ongoing ASA Building Entrepreneurial Mindset and Skills in Uzbekistan (P172867) is meant to deepen the understanding of the effectiveness of existing interventions supporting entrepreneurship, with a focus on women entrepreneurs, through the collection of primary data and reviews of existing administrative data.

Additionally, the CPF will support the development, implementation, and evaluation of innovative youth employment measures to facilitate the school-to-work transition and upskilling programs to align more closely the workforce and employer demands for digital, specialized, and transversal skills and prepare the workforce for the green and digital transition through both ASAs and investment (a project is in preparation). Careful monitoring of the potential social consequences of the war in Ukraine (drop in remittances, price inflation, and the potential return of migrant workers from Russia) will allow the World Bank to advise the Government of Uzbekistan on measures to mitigate the impact and identify options to adapt the World Bank program accordingly.

HLO 3: Improved Livelihoods and Resilience through Greener Growth.

59. **A more sustainable economic growth model is critical to building resilience and to protecting livelihoods, particularly among the poor in rural areas, from the impact of natural resource depletion and the effects of climate change.** Uzbekistan is rich in natural resources and highly reliant on these resources both for economic growth and as a source of household income, particularly rural households, accounting for almost 80 percent of the poor in the country. But, despite the importance of natural resources to Uzbekistan, they are not being managed efficiently. Uzbekistan is among the countries in the world that are most dependent on water and gas, and it is highly sensitive to climate change. The country is also one of the world's most unsustainable and inefficient users of water and energy. Driven primarily by inefficient management in agriculture, water withdrawal rates in this sector exceed 90 percent of the total renewable resource in the country. Uzbekistan's energy intensity per unit of GDP is also among the highest in the world. Widespread land degradation had caused losses equivalent to 4 percent of GDP when last measured in 2016. Failure to address the inefficient management of natural resources in the face of a changing climate raises severe risks in the country's agricultural sector, on which the rural population is highly dependent. Uzbekistan is particularly exposed to climate change, which acts as a threat multiplier and is expected to increase the exposure to risks of natural disasters, especially droughts, floods, and landslides. Vulnerable groups, such as the poor, are disproportionately affected by natural hazards and climate variability. As the world's fifth most intensive greenhouse gas emitter, Uzbekistan needs to develop a long-term approach to the establishment of a carbon-neutral economy. The global policy environment is shifting rapidly in favor of climate action. Uzbekistan is exploring rapid structural, spatial, and social transformation policies and investment choices today that can substantially shape the development trajectory. Coupling the country's economic transition with a green transition, that is, a growth model that makes sustainable and efficient use of natural and energy resources, minimizes pollution, addresses climate change and environmental impacts, and strengthens resilience to natural disasters and climate change, makes sense. By undertaking a green transition, the government and stakeholders can leverage the country's natural capital to deliver growth and jobs while improving sustainability, resilience, and inclusion. The Government of Uzbekistan has indicated that shifting to a greener growth model is a priority in the next stage of the transition in the country.

Figure 2. Uzbekistan’s 2019–30 Green Economy Transition Strategy: Selected Actions and Targets



Source: Resolution of the President of the Republic of Uzbekistan dated 04.10.2019 No. PP-4477. Schematic representation from Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan, The World Bank, and the United Nations Development Programme, 2022. “Uzbekistan: Choosing an Innovative and Green Future Note”.

60. **An explicit aim to support a greener growth model represents the main strategic shift of this CPF.** Given the early stage of transition, the FY2016–21 CPF and country dialogue were more focused on creating the conditions for the transition to a market economy and greater inclusion rather than environmental sustainability and climate change. The partnership between Uzbekistan and the World Bank has produced important results that have advanced the green agenda and established the basis for a more ambitious leap forward toward a sustainable transition. For example, from FY2016 to FY2020, the climate-related share of the World Bank’s portfolio increased from 0 percent to 36 percent. The Government of Uzbekistan has recognized the importance of supporting a more sustainable and climate-friendly growth approach. Recently, it made great strides in setting environmental sustainability priorities as outlined in the 2019–30 Strategy on Transition to a Green Economy. This includes commitments to bring the share of renewables in power generation up to 25 percent by 2030 and to reduce specific greenhouse gas emissions per unit of GDP by 35 percent by 2030 from the level of 2010 (instead of the 10 percent according to the original nationally determined contribution). To respond to an increased demand by the authorities for support in articulating and implementing these strategies, this CPF will help establish the basis for a long-term green transition strategy to improve livelihoods and resilience. The CPF will support this process through a rich ASA program and enabling investments in a low-carbon economy (objective 3.1) and more efficient natural resource management (objective 3.2). HLO3 and objectives 3.1 and 3.2 are consistent with the GRID corporate approach.

Objective 3.1. Decarbonization and the greener development of industry and the economy

Key constraints to the achievement of HLO3 addressed by the CPF
<ul style="list-style-type: none">• Uzbekistan is one of the most emission-intensive economies in the world.• The emission-intensive growth model is unsustainable, and the country faces transition risks from a global policy environment that is shifting rapidly in favor of action to address climate change.• Uzbekistan is particularly exposed to climate change, which acts as a threat multiplier and is expected to increase the risk of exposure to natural disasters.

61. **Emissions intensity is more than twice the level in Uzbekistan relative to its Central Asian peers, more than six times the global average, and 18 times the average in the Europe and Central Asia region.** This is despite the sharp, steady fall in emissions intensity in Uzbekistan over the last two decades, as economic growth and the structural transformation of the economy have accelerated. Fossil fuel subsidies are still significant in Uzbekistan and represent major disincentives for efficient resource allocation. Besides the unsustainability of this emission-intensive growth model, the global policy environment is shifting rapidly in favor of action to address climate change. In the short term, as the European Union considers the adoption of carbon border adjustment taxes, industrial and energy production, which remains carbon-intensive in Uzbekistan, may face some barriers in key export markets. The value of Uzbekistan’s primary export commodities could be sharply reduced, and this would have significant fiscal and financial implications. The government recognizes these challenges and has identified green growth and decarbonization as priorities for the next phase of the transition, which is reflected in the new NDS for 2022–26.

62. **The WBG will support policy options, analysis, and investments to underpin a greener and more carbon-friendly growth model.** This CPF is aligned with the WBG Climate Change Action Plan. The World Bank has launched a green growth programmatic TA that is supporting a comprehensive review of the links among the economy, climate change, and the green transition and of the policy, legal, institutional, and sectoral options in the effort to decarbonize and adapt. The World Bank will support a few deep-dive assessments based on the government’s six green growth policy priorities and the development of a long-term decarbonization plan for the overall economy that is informed by ongoing work on energy sector decarbonization. The World Bank is implementing a TA activity funded by the Korea Green Growth Trust Fund to promote the circular economy in Uzbekistan as a pathway to green growth. The TA selected the agriculture-food value chain for a deep dive to assess circular economy actions to improve natural resource efficiency and reduce agriculture and food waste, pollution, and greenhouse gas emissions. This rich program of TA and analytical engagements is establishing the basis for a full Country Climate and Development Report in FY2023. During the CPF, the DPO program is expected to support policy and regulatory options to underpin a greener, more carbon-friendly growth model, including exploring the use of fiscal policies that steer consumer behavior and investment decisions to resilient and low-emission alternatives. The World Bank is coordinating with development financiers on this agenda and is working closely with the United Nations Development Programme and *Agence Française de Développement* to help the government develop a country platform approach for green growth that would lead to coordination and selectivity in international assistance, including further World Bank–financed investment.

63. **The WBG has been actively supporting the transformation of the electricity sector under the previous CPF, including the shift toward more renewable energy options, in partnership with the private sector.** Since 2017, Uzbekistan has accelerated key energy reforms (see paragraph 46). Important steps have been taken to develop renewable energy resources with private sector participation. In April 2020, the government approved a 2020–30 generation expansion plan, which includes the development of solar and wind power to increase the share of renewables in the power generation capacity mix from 0.2 percent

to 25.0 percent over 2019–30, a significant development. The new CPF will continue to support new private tenders on solar and wind to increase the share of renewable energy in the power mix and contribute to the country’s clean energy transition. In addition, the World Bank will support the modernization of the transmission sector, including absorbing more renewable energy, and the strengthening of industrial and building energy efficiency. A recent investment operation, the Modernizing Uzbekistan National Innovation System Project, will encourage innovation and the adoption of new green technologies. It is expected that the CPF will also consider supporting other carbon-reducing activities, such as the reduction of technical losses in electricity distribution and gas and methane losses, leaks, and flaring; a switch to cleaner fuel alternatives for decentralized heating; the adoption of a new electricity tariff methodology and gradual tariff adjustments toward full cost recovery in the medium term while protecting vulnerable customers; carbon-pricing; smart and sustainable mining; and e-transport and sustainable transport. IFC is seeking to mobilize greater private sector engagement to fight climate change with a key focus on catalyzing renewable energy markets, strengthening energy efficiency at the industry level, pioneering sustainable agribusiness practices, and greening the financial sector in the country. The IFC program will continue to help attract private investors in the design, financing, building, and operation of independent solar and wind power projects. Uzbekistan aims to develop 5 GW of solar and 3 GW of wind power by 2026. The government also hopes to adopt new technologies such as short-duration battery energy storage to extend the reach of clean energy. The advisory service for JSCB Uzbek Industrial and Construction Bank (Uzpromstroybank UzPSB) is helping the client bank establish the functions of a green bank. MIGA will coordinate closely with the World Bank and IFC in search of potential opportunities to facilitate private sector investments through political risk insurance to assist the country’s green transition.

Objective 3.2. More efficient use of natural resources

Key constraints to the achievement of HLO3 addressed by the CPF
<ul style="list-style-type: none"> • Much of Uzbekistan’s economic potential is lost because of the inefficient use of natural resources. • This wasted wealth could play a critical role in supporting households in rural areas, where some of the poorest people in the country live.

64. **Much of Uzbekistan’s economic potential is lost because of the inefficient use of natural resources.** The SCD argues that despite the importance of natural resources to Uzbekistan, they are not being managed efficiently. Water and energy are used wastefully, and the neglect of land management threatens livelihoods and future sources of growth. The value of renewable sources of natural capital fell by 7 percent between 2010 and 2018, and the country rates as one of the world’s most unsustainable users of water. Natural resources are particularly critical as a source of household income in rural areas. While much of Uzbekistan’s natural capital derives from fossil fuels and minerals, the country also has significant wealth in cropland and pastureland. This wealth plays a critical role in supporting households in rural areas, where some of the poorest people in the country live. However, agricultural land productivity ranks well below the average among lower-middle-income countries. Recent estimates of energy usage and environmental degradation suggest that adjusted net savings in Uzbekistan have been negative since 2012.

65. **Under this objective, the CPF will support Uzbekistan in addressing the inefficient use of natural resources to reduce the losses in economic and livelihood potential and support the shift toward a greener growth model.** Improving the efficient use of natural resources will also help enhance institutional capacity and the resilience of infrastructure to natural and climate disasters.

66. **The CPF will aim at restoring degraded landscapes and increasing the resilience of ecosystems and people in transboundary areas.** A new regional investment initiative will support the implementation of the 2030 Forest Strategy and will focus on landscape restoration and reforestation through diversification

(toward agroforestry), value addition in key forest value chains (such as ecotourism), and job creation with a green-wager program. It will also support the expansion of rural forest SMEs, with a focus on transboundary regions and attention to women entrepreneurs.

67. **The CPF will support the achievement of efficiency gains in agriculture (crops and livestock), water and irrigation, and energy and promote sustainable urbanization for resilient and efficient cities.** In agriculture, the CPF will support the adoption of climate-smart livestock and crop technologies to increase agriculture's resilience to climate change and reduce its environmental footprint. Building on ongoing water resource investments in two regions, the World Bank will pursue a new ambitious long-term multiphase irrigation and drainage reform program to address sector issues comprehensively, including water efficiency management, with potential positive spillovers for the southern Aral Sea. The World Bank will also support a nationwide program of policies and investment for improved energy efficiency in buildings. (Buildings are responsible for about 50 percent of the total final energy consumption in Uzbekistan and have significant energy efficiency potential.) The World Bank will provide TA to help in the sustainable development of mineral extraction in Uzbekistan. IFC is seeking to mobilize greater private sector engagement to expand renewable energy markets, strengthen energy efficiency at the industry level, pioneer sustainable agribusiness practices, and green the financial sector in the country. MIGA will coordinate closely with the World Bank and IFC in search of potential opportunities to facilitate private sector investments through political risk insurance; strengthen environmental resilience; and achieve efficiency gains in agriculture, water, irrigation, and energy efficiency.

68. **The CPF will also help strengthen water and weather forecasting, warning capacities, and regional collaboration.** Through various regional grant and TA programs, the World Bank is supporting the Center of Hydrometeorological Services (Uzhydromet) to increase its observations, as well as regional collaboration to better forecast transboundary weather, climate, and water events. This process may also lead to opportunities to support the response readiness of the Ministry of Emergency Situations. The Government of Uzbekistan has expressed interest in improving disaster risk financing by protecting the national budget, ensuring liquidity for disaster response and recovery, and enabling and strengthening the catastrophe insurance market. The World Bank team will continue to work with the government to identify opportunities for improving disaster risk financing in terms of developing a national disaster risk financing strategy and implementing specific priority financing mechanisms.

Cross-cutting theme: close gender gaps

69. **Eliminating gender disparities and providing economic opportunities for vulnerable groups are critical to achieving the CPF outcomes.** The SCD documents the large gender imbalances that exist in access to services, economic opportunities, and voice and agency. Groups such as woman-headed households and persons with disabilities are highly vulnerable to social and economic exclusion. The risks of gender-based violence and human trafficking persist. Recent reforms in Uzbekistan have included improvements in laws and regulations (supported by the World Bank DPO program) that can enhance gender equality.¹² Despite these reforms that eliminate legal and regulatory barriers to gender equality, Uzbekistan continues to lag on key gender equality indicators, such as labor force participation and gender pay gaps, that have also been affected by the COVID-19 pandemic. Violence against women and girls has increased significantly

¹² In 2019, Uzbekistan passed two laws furthering gender equality. First, the law on gender equality guarantees equal opportunities for women and men, nondiscrimination on the basis of sex in employment, equal access to public services, participation in state affairs, and economic opportunity. The second law, the law to protect women from violence, establishes a legal basis for police complaints about gender-based violence, opening the door for the systematic protection of victims. In addition, changes to the labor code in December 2021 included the addition of equal work for equal pay, the prohibition of discrimination in hiring and firing, and the expansion of regular and parental leave provisions for both men and women.

during the COVID-19 crisis. The discrepancy between the progress in gender equality legislation and policies and gender outcomes can be attributed, in part, to the regressive gender norms that are prevalent among men and women. Supporting the implementation of recent policy and regulatory reforms that guarantee nondiscrimination on the basis of sex in employment, electoral candidacy, and access to state resources; expanding and improving programs that promote economic and job opportunities for women and vulnerable groups; shifting norms and incentives in favor of gender equality; requiring equal pay for equal work; and strengthening systems for and issuing, enforcing, and monitoring protection orders for survivors of gender-based violence will ensure that all citizens benefit from Uzbekistan’s reforms and economic growth.

70. **The CPF will pursue these goals across all CPF activities and monitor the CPF outcomes through gender-disaggregated indicators.** However, the CPF will also pursue some gender-specific activities. The ongoing Japan Social Development Fund–financed Enhancing Economic Opportunities for Rural Women Pilot Project will assist the government in developing and delivering a package of financial and nonfinancial services that enable women in low-income households in rural areas to overcome the range of constraints they face in establishing or expanding economic activities in communities. Planned support includes an exploration of the interest of the Government of Uzbekistan in a national women’s economic program that would provide financial and nonfinancial support for enhanced livelihoods and safe migration opportunities. This program would complement the ongoing Rural Enterprise Development Program that includes activities to improve the entrepreneurship and digital skills of rural women. In partnership with the United Nations Population Fund, the World Bank will continue to work to strengthen the implementation of legislation against gender-based violence and of support services. As part of its engagement in the third-party monitoring of cotton picking, the WBG, in partnership with ILO, is supporting the piloting of tools and approaches based on the IFC-ILO Better Work Program to improve working conditions in cotton and textile clusters, especially among women.

Cross-cutting theme: strengthen citizen engagement and accountability in public services

71. **Increasing the responsiveness and transparency of the public sector to the needs of citizens is essential to achieving more inclusive growth.** Many channels of communication between citizens and government officials have been created since 2017, representing a strong break with historical approaches in the country. The channels include grievance and redress mechanisms, virtual office receptions with public officials, an online regulatory consultation platform for public feedback, and measures to increase citizen involvement in local budgeting processes. The transition, however, needs more transparent, accountable, and evidence-based policy making and greater voice among citizens, the media, and civil society. The World Bank’s portfolio in Uzbekistan has reached 100 percent compliance with corporate citizen engagement requirements in all projects with a citizen engagement–oriented design and including beneficiary feedback indicators. However, further improvements are needed at the project level to engage citizens throughout the project cycle and to integrate project-level activities with country-level citizen engagement systems. The World Bank will continue to support citizen engagement during the CPF FY2022–26. Annex 10 assesses the progress and remaining gaps in citizen engagement and describes the approach the World Bank will pursue to strengthen citizen engagement under the CPF.

72. **The CPF contributions to the strengthening of public governance and accountability will focus on some areas of comparative advantage for the World Bank, in coordination with other development partners.** To strengthen accountability in public services, a priority of the CPF will be support for evidence-based policy making, complemented by communication and citizen engagement. An important tool in achieving this goal under the CPF will be the United Kingdom–financed and World Bank–executed Effective Governance for Economic Development Program, which will embed evidence-informed processes into

policy reform and implementation by (a) generating better data and evidence, (b) using the results for policy design and implementation, (c) improving coordination within the government to implement policies, and (d) engaging more effectively with citizens. The recently approved program to strengthen the statistical system of Uzbekistan will modernize the national statistical system and build capacity for evidence-based policy implementation and assessment. Various initiatives of the World Bank public finance management work will contribute to enhancing transparency and accountability in public service delivery (paragraphs 77-78). The World Bank will also complete an institutional review of justice sector financial management and budget systems. This activity will fill a knowledge gap in data for financial, budget, and public investment cost-benefit analyses in the justice sector to support ongoing justice sector institutional reform efforts. In partnership with the National Anti-Corruption Agency, the World Bank will strengthen the country's capacity to carry out corruption risk assessments in state institutions, including the use of government registries and administrative data to manage corruption risks, detect corruption, and build integrity in the public service. It will also provide TA to help strengthen the capacity to recover the proceeds of corruption by increasing the expertise in tracing, freezing, seizing, and confiscating assets.

3.4 Implementing the CPF

73. **Financial envelope.** Uzbekistan is expected to continue to access IDA resources on blend credit terms under IDA20, in amounts exceeding IDA19 country allocations.¹³ Projected IDA resources are indicative only. Actual IDA20 allocations will depend on the overall IDA commitment authority and changes in the variables affecting Uzbekistan's performance-based allocations relative to other IDA countries (such as population, gross national income per capita, country policy and institutional assessments, and portfolio performance). The actual volume of IBRD resources available to Uzbekistan during the CPF period will depend on IBRD financial capacity, global macroeconomic and financial developments, and demand from other IBRD borrowers, in addition to demand for financing from Uzbekistan. Based on preliminary estimates of client demand, it is expected that the World Bank could mobilize about US\$500 million in IDA and an additional US\$200–300 in IBRD resources on average annually during the CPF period.

74. **CPF implementation.** While there was substantial improvement in program implementation over the FY2016–21 CPF period, implementation challenges remain and require systemic solutions. Following the PLR in mid-2018, the government adopted more streamlined processing in investment projects. In 2019, procedures were established for the selection, monitoring, and implementation of investment projects financed from various sources, including IFIs. A new Agency for International Cooperation and Development was created in March 2021 under the Ministry of Investments and Foreign Trade to strengthen the implementation framework of externally financed investments. Despite these efforts, Uzbekistan still has one of the lengthiest approval procedures for IPFs in the Europe and Central Asia region. Additionally, frequent institutional changes within government implementing agencies, accompanied by frequent reappointments of heads of implementing agencies that triggered reshuffling in project implementation units, have affected the implementation pace of all IFI-funded projects in Uzbekistan.

75. **To maximize the impact of the WBG's programs in the country and help align government processes with the best international practices, the CPF will pursue the following:** (a) a more efficient planning dialogue with the MOF, the Ministry of Investments and Foreign Trade, and the Agency for International Cooperation and Development to identify early priority projects to be supported by the World Bank and include them in the government priority list; (b) an early identification of adequate resources (including budget resources, preparations, and retroactive financing mechanisms) to prepare new projects,

¹³ On a preliminary basis, the IDA20 country allocation is SDR 1,118 million. In addition Uzbekistan could consider eligible IDA windows on applicable terms, including accessing the concessional Shorter Maturity Loans that will be offered in IDA20 through the Scale-Up Window.

including the delivery of feasibility studies for loan negotiations, as required by national legislation; (c) the development of clear procedures for processing any changes or other adjustments in project design and loan agreements, including the clarity of roles and procedures and standardization in documents; and (d) enhancements in the capacity of implementing agencies despite high turnover by providing operational capacity training in procurement, financial management, safeguards, and monitoring and evaluation. The new CPF will advance dialogue on and knowledge of MIGA products to ensure that stakeholders have a clear understanding of how to integrate all WBG tools in pursuit of their policy objectives.

76. **One World Bank Group.** Effectively supporting Uzbekistan’s ambitious development agenda and transition to a market economy requires a One World Bank Group Approach. And with foreign investor appetite currently impacted by heightened uncertainties, the full range of WBG financial products can play an even more important role to support the development of innovative financial products and reduce risks for private investors, such as by blending IFC’s commercially oriented funding with World Bank’s risk-sharing solutions. The full suite of instruments by the WBG should be made available to develop commercial market instruments that respond to market-led demand and help correct market failures that are common in early-stage transition economies. Engaging upstream through the World Bank ASA and IFC advisory will help the government establish the appropriate sectoral policies and regulatory frameworks in critical sectors for private investment. The World Bank and IFC will collaborate in fostering a better business environment, including through process simplification and digitalization, financial market development, PPP regulations and practices, firm competitiveness, and integration in global value chains IFC is focusing its strategy on increasing the private sector share in the economy by supporting the privatization process; enhancing corporate governance; continuing the transformation of the cotton sector; deepening and diversifying the financial sector, including the development of the microfinance sector and capital markets; and developing an enabling environment for PPPs in support of infrastructure development. IFC can help address multiple needs in the country’s diverse economy, including helping in establishing the policy and market fundamentals to enable private sector–driven solutions for sustainable and more decarbonized development. MIGA will continue to explore opportunities to use political risk insurance guarantees in promoting cross-border investment in critical and emerging sectors. These efforts will be central to crowding in private finance in each of the CPF objectives.

77. **Public financial management.** Many foundational elements of the public finance management system are functioning at a satisfactory level, allowing the government to achieve its fiscal and budgetary objectives. However, there is significant scope for improvement. Areas identified include the introduction of multiyear budgeting; process enhancement; the clarity of roles; stronger capacity in public investment management, particularly with respect to strategic planning; ensuring of value for money and service provision; modern public internal control systems (with modern internal control and internal audit frameworks); more information on the financial position and performance of the government and service delivery (performance-based budgeting and accrual accounting); the capture and publication of information on all assets bought with public funds; more informative and detailed budget execution reports in line with the 2014 *Government Finance Statistics Manual* and whole-of-government financial statements using International Public Sector Accounting Standards as a reference; enhancement of the (financial) independence and professionalization of the Chamber of Accounts (the country’s supreme audit institution); and further enhancements of Parliamentary scrutiny of budget proposals and execution. Most of the areas identified for improvement are included in the recently adopted Public Finance Management Reform Strategy 2020–24. The government is working to improve fiscal risk management and transparency; implement a medium-term budget; strengthen fiscal rules and accountability, including by introducing a parliamentary appropriations system; and reform intergovernmental relations. Many of the planned reforms reflect good practices previously followed by leading transition countries during the initial phase of their public finance management reforms.

78. **Procurement systems.** The government has made substantial and consistent efforts since 2017 to improve public procurement systems and bring them closer to international standards. The applicable Public Procurement Law (adopted in July 2021) provides a legal framework more aligned with good international practice. The main challenge for the government is to ensure practical implementation of the law, along with the development of the country-tailored public procurement development strategy for the next five years to ensure the sustainability of reform work. The MOF is now implementing an EBRD-financed project to launch an integrated public procurement web portal (a full-fledged single-window e-procurement system). The portal is expected to improve the performance and transparency of the entire public procurement system significantly. Building on the reforms already implemented, the next phase of the procurement reforms offers an opportunity to (a) introduce more comprehensive monitoring and evaluation tools for measuring the effectiveness of the public procurement system with strengthened system openness, integrity, public oversight, and citizen engagement; (b) improve the public procurement system to make it more open to competition and more transparent, along with better anti-corruption measures, all of which will facilitate private business participation; (c) continue institutional and human capacity building by targeting the professionalization of the public procurement function; and (d) incorporate sustainable and green procurement into the public procurement system by applying the best international practice in this area.

IV. MANAGING THE RISKS TO THE CPF PROGRAM

79. **The overall risk to the CPF program is assessed as medium`.** Political and governance risks are assessed as substantial considering the more complex reforms of the next phase of the transition towards a market economy. The institutional capacity for implementation remains a challenge that also justifies a substantial risk rating. The fallout from the war in Ukraine and economic sanction on Russia may increase the political and fiscal cost of planned reforms and hinder private sector development

80. **Political economy constraints and vested interests may slow or derail the reform effort.** The main risks associated with the next phase of reforms that may negatively affect the WBG program are poorly understood political economy constraints and the influence of vested interests that may slow or reverse the reform progress. The CPF plan is to mitigate these risks by continuing to strengthen the data and capacity for evidence-based policy making. But that may not be sufficient. Developing a better understanding of political economy constraints to reforms is also needed. Evidence on these challenges is underdeveloped in Uzbekistan. Developing a better understanding of the challenges at the local, sectoral, and national levels may strengthen the WBG's ability to deliver advisory and operational work that responds to such constraints. In addition, continuing to expand public transparency, accountability, and citizen engagement is necessary to mitigate the risks of decreasing public support for reforms. The CPF is addressing this risk under the cross-cutting activities (described in paragraphs 71-72) that are aimed at strengthening citizen engagement and accountability in public services.

81. **Despite progress, the institutional capacity of implementing agencies and cumbersome administrative processes continue to pose risks the smooth implementation of the WBG program in Uzbekistan.** Deficient cross-institutional coordination, frequent institutional reorganizations and staff turnover, as described in paragraph 74, are the systemic risks that the CPF will attempt to mitigate through the activities described in paragraph 75, .

82. **The risks of the fallout from the war in Ukraine are still being assessed given the level of uncertainty.** The impact of that war and the economic sanctions on Russia (and of other regional hot spots, for instance, Afghanistan) pose a clear threat to Uzbekistan's reform momentum and to the development of private sector solutions and, consequently, to the WBG program under this CPF. Maintaining a good degree of

flexibility in programming and the capacity to respond to changing circumstances are the only mitigating factor under WBG control. Scheduling an early PLR will help assess, adapt to, and mitigate the risks to the program and CPF objectives.

Table 3. CPF Risk Assessment

Risk Category	Rating (L, M, S, H)
1. Political and Governance	S
2. Macroeconomic	M
3. Sector Strategies and Policies	M
4. Technical Design of Project or Program	M
5. Institutional Capacity for Implementation and Sustainability	S
6. Fiduciary	M
7. Environmental and Social	M
8. Stakeholders	M
9. Other	M
OVERALL	M

Note: H = High; L = Low; M = Medium; S = Substantial.

Annexes

Annex 1. CPF Results Matrix

Annex 2. Completion and Learning Report

Annex 3. Selected Indicators of World Bank Portfolio Performance and Management

Annex 4. Operations Portfolio (IDA/IBRD and Grants)

Annex 5. Statement of IFC's Held and Disbursed Portfolio

Annex 6. MIGA's Guarantee Portfolio

Annex 7. CPF Detailed Logical Framework

Annex 8. Indicative World Bank-financed program

Annex 9. SCD Identified Knowledge Gaps

Annex 10. Citizen Engagement

Annex 1: CPF Results Matrix

High-Level Outcome 1 (HLO 1) - Increase Inclusive Private Sector Employment		
<p>More and better private sector jobs are needed for Uzbekistan to fulfill its 2030 twin ambitions of reaching upper-middle-income status while reducing poverty by half. For this to happen, the transformation of the role of the state in the economy from producer (and unfair competitor of the private sector) to enabler of private sector growth needs to accelerate. HLO1 represents continuity with two of the CPF FY2016–21 focus areas: Sustainable Transformation Toward a Market Economy and Reform of Selected State Institutions and Citizens Engagement, putting more emphasis, in this new phase of Uzbekistan’s transition, on reducing the state’s footprint and transforming its role in the economy.</p>		
High-Level Outcome Indicators (for monitoring purpose only)	Data Source	Current Value¹⁴
<ol style="list-style-type: none"> 1. The share of private sector employment in total employment 2. The private sector employment to working age population ratio among women 3. The private sector employment (or education) to population ratio among youth (age 15-29) 4. The private sector employment to working age population ratio among persons with disabilities. 	Household Budget Survey	<ol style="list-style-type: none"> 1. 58% (2021) 2. 14% (2021) 3. 26% (2021) 4. 3% (2021)
<p>Rationale</p> <p>Not enough quality jobs are created in Uzbekistan to respond to its demographic growth and fulfill its poverty reduction and shared prosperity aspirations. These jobs need to come from a higher and more dynamic participation of the private sector to the economy. The creation of more private sector jobs is still curtailed by the dominant role of the state, lack of and unequal access to factors of production, and deficient business and competition environments.</p> <p>WBG Engagement</p> <p>The CPF will build on the WBG’s comparative advantage to create better conditions for more and better private sector jobs through the following: expand competitive access to markets (objective 1.1); enable private sector growth and investment (objective 1.2); increase the returns from agriculture and agribusiness development (objective 1.3); improve the infrastructure for competitiveness and connectivity (objective 1.4); and promote sustainable urbanization and territorial development (objective 1.5).</p> <p>Lessons Learned, New Knowledge, and Knowledge Gaps</p> <p>Despite the rapid changes of the last five years, the transition has only just started, and its outcome is not guaranteed. The prioritization and order of reforms in Uzbekistan has been very similar to the first reformers in Eastern Europe and East Asia. The authorities first liberalized prices and trade alongside regulatory changes to strengthen financial markets and the transparency of public finances. However, areas that require more fundamental restructuring—most notably to reduce the state’s economic footprint and control over factors of production—have moved more slowly. To guarantee the success of the transition in Uzbekistan it is imperative to accelerate these reforms. In Uzbekistan, as in many countries in transition, one of the key bottlenecks to reform are political economy constraints. However, evidence on these challenges is underdeveloped in Uzbekistan. Developing a better understanding of the</p>		

¹⁴ CPFs track the trajectories of HLO indicators but do not formulate target values.

challenges at the national, local, and sectoral levels may strengthen the WBG's ability to deliver advisory and operational work that is affected by and must respond to such constraints.

SDGs Associated

SDG 1 - End poverty in all its forms everywhere; SDG 2 - End hunger, achieve food security and improved nutrition, and promote sustainable agriculture; SDG 8 - Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all; and SDG 10 - Reduce income inequality within and among countries.

CPF Objective 1.1: Expand Competitive Access to Market

In the context of post-COVID-19 fiscal constraints, the WBG will help expand the economic space for private sector participation, by supporting the government's efforts to accelerate SOEs and SOCBs modernization, competitiveness, and their eventual privatization, creating a neutral and more competitive business environment for private sector participation. This objective is linked to FY2016–21 CPF Objectives: 1.1 "Enhanced economic growth and transition toward a market economy," 1.2: "Improved regulatory requirements for business," and 2.1 "Enhanced corporate governance and strengthened financial sustainability of SOEs."

Rationale for the CPF Objective and WBG Engagement

- The dominant role of the state in the economy crowds out the private sector.
- Private entrepreneurship is largely constrained by SOEs' market power, supported by high levels of preferential access to factors of production, including capital.
- Under the previous CPF the WBG has provided extensive TA and lessons learned that now can be capitalized to advance this agenda.

Lessons Learned, New Knowledge, Knowledge Gaps

- International best practice with SOE/SOCB modernization and privatization from other transitions are delivered by TA under the Institutional Capacity Building Project and IFC advisory.
- However, SOE performance, productivity, and management practices all remain critical knowledge gaps in Uzbekistan. Although SOEs play an especially critical role in Uzbekistan's reform agenda, basic information on issues such as revenue, debt, and employment is not available. In addition to basic productivity assessments and analysis focused on SOE reform, management practices are an important avenue to investigate, combined with an analysis of key channels through which management quality can be improved.

WBG Ongoing and Planned Support

The WBG will support with TA, analysis, and development financing the government's efforts to accelerate SOEs and SOCBs modernization and their eventual privatization. As a corollary, WBG efforts under this objective are also expected to help address post-pandemic macroeconomic challenges by helping rationalize and maximize the impact of fiscal policy on reforms outcomes. The new CPF plans to continue to use DPOs, complemented by TA under the Institutional Capacity Building Project and the Financial Sector Reform Project (under preparation) and just-in-time ASAs to enable the reform and privatization of SOEs/SOCBs and support the development of a modern regulatory and supervisory environment in the financial sector. IFC, in close collaboration with the World Bank and MIGA, will continue to facilitate an efficient and transparent process of increasing private sector participation in the economy, through privatization of select SOEs by providing pre-privatization advisory and potential post-privatization financing in the financial and chemical sectors. Opportunities for MIGA guarantees may also arise on the back of and in coordination with the World Bank and IFC, to accelerate financial deepening

either via its political risk insurance products, including its capital optimization guarantees, and its credit enhancement guarantees for eligible state banks. New WBG opportunities for reform and private sector involvement will be explored during the CPF period where considerable private sector investment interest is constrained by the state’s dominance, such as in the transport, aviation, chemicals, and telecommunication sectors. See details about WBG ongoing and planned support under paragraph 39 of the main CPF text.

Key Risks and Mitigation

Vested interests may slow or arrest the reform and privatization process. The CPF will mitigate this risk by strengthening the understanding of political economy bottlenecks and continuing to provide analytical evidence of SOEs inefficiencies and market distortions. The World Bank will continue to strengthen state asset management unit in MOF, including by providing selected TA and piloting demonstrative privatizations and providing the MOF/CBU with targeted TA to support the privatization of SOCBs, and IFC will support pre-privatization of SOCBs.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>1. Number of SOEs privatized with the World Bank assistance (more than 50 percent of shares divested) <i>Baseline: 0 (2022)</i> <i>Target: 6 (2026)</i> <i>Source: Project Reports, including Implementation Status and Results Report (ISR), of the Institutional Capacity Building Project</i></p> <p>2. Improved governance in SOEs remaining in state hands, as measured by number of SOEs with independent Board members hired under the enhanced policy and by the qualified recruitment company <i>Baseline: 0 (2022)</i> <i>Target: 30 (2026)</i> <i>Source: SAMA Reports, Project Reports, including ISR, of the Institutional Capacity Building Project</i></p> <p>3. Number of SOCBs privatized (with more than 50 percent of shares divested) <i>Baseline: 0 (2022)</i> <i>Target: 3 (2026)</i></p>	<p>1. Number of SOCBs put for privatization <i>Baseline: 3 (2022)</i> <i>Target: 4 (2024)</i> <i>Source: MOF, SAMA</i></p> <p>2. Share of preferential loans in total credit portfolio of SOCBs (percentage) (preferential loans include local currency loans, which are provided by SOCBs below CBU policy rates) <i>Baseline: 44 (2022)</i> <i>Target: 40 (2024)</i> <i>Source: CBU</i></p> <p>3. Value of the Statistical Performance Indicators (CP) <i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: Statistical Performance Indicators</i></p>	<p>Ongoing Financing</p> <ul style="list-style-type: none"> • Transparent and Inclusive DPO-3 (P171751) • Accelerating Uzbekistan's Transition DPO-4 (P176353) • Institutional Capacity Building Project (P168180) <p>Financing Pipeline</p> <ul style="list-style-type: none"> • Financial Sector Reform Project (P173619) • DPO Program • Institutional Capacity Building Project AF - TBC • Railway Reform and Logistics Improvement IPF - TBC <p>Ongoing ASA</p> <ul style="list-style-type: none"> • Uzbekistan Bank Resolution and Financial Integrity FIRST TA (P175485) • Support for Preparation of Energy Sector Strategy (P168487) • Support Uzbekistan Gas Sector Reforms (P172414) • Support to Aviation Sector Reform RAS Phase 2 (P171028) <p>Pipeline ASA</p> <p>Energy</p> <ul style="list-style-type: none"> • Utility transformation/commercial. • Subsidies reform

<p><i>Source: MOF, CBU, SAMA, State Registry on legal entities</i></p> <p>4. Number of SOCBs, slated to remain in public ownership, where majority Board members are independent <i>Baseline: 0 (2022)</i> <i>Target: 4 (2026)</i> <i>Source: CBU</i></p> <p>5. Share of SOCBs (percentage) with at least 15 percent of women on the Board (G) <i>Baseline: 17 (2022)</i> <i>Target: 45 (2026)</i> <i>Source: CBU</i></p> <p>6. Percentage of small business loans to total loans <i>Baseline: 36 (2021)</i> <i>Target: 45 (2026)</i> <i>Source: CBU.</i></p>		<p>SOEs and SOCBs</p> <ul style="list-style-type: none"> • Integrated State-Owned Enterprises Framework Assessment • SOE Database (as feed into SOE Global Database) • TA on bank regulation and supervision (FinSAC) • TA on bank resolution, deposit insurance and AML/CFT framework (FIRST) <p>Transport</p> <ul style="list-style-type: none"> • Railway Sector Modernization TA <p>IFC Program</p> <ul style="list-style-type: none"> • Ipoteka Bank Transformation (#602352) • Uzpromstroybank Institutional Capacity Advisory (#604138) • Turon Bank Diagnostic Assessment (#606445) • Uzbekistan Fertilizers (#605537) • UzChemPrivatize (#606626) • UzPSB Debt (#43561) • TBC Uz Equity (#41848) • GTFP Ipak Yuli (#42515) • Ipak Yuli (#45442) • Ipoteka Loan (#45287) • Hamkor Loan (\$42232) • ECA ABL Market Assessment (#605029) • Mortgage Market Development in Uzbekistan (#606114) • Digital Microfinance in Uzbekistan (#605657) • Uzb PE and VC (#606805)
<p>CPF Objective 1.2: Enable Private Sector Growth and Investment</p>		
<p>The WBG will support the strengthening of the regulatory and competition environment for private sector growth; enhance private sector investment opportunities, including through PPPs; and strengthen entrepreneurship and firms’ capacity. This objective is linked to the FY2016–21 CPF objective 1.2: “Improved regulatory requirements for business” and to FY2016–21 CPF objective 1.3: “Strengthened access to finance and financial services for the private sector.”</p>		
<p>Rationale for the CPF Objective and WBG Engagement</p> <ul style="list-style-type: none"> • There is a need to curtail state discretion in favor of impartial, transparent, and rules-based governance. • The regulatory and institutional environment for business, although improving, is still deficient. 		

- Perceptions on the effectiveness of pro-competition policies fall behind regional peers.
- Ambitious PPP agenda, however, the PPP operational and institutional frameworks are at a nascent stage of development.
- There is low firm capacity, innovation, and productivity

Lessons Learned and New Knowledge

Although summary measures of Uzbekistan’s investment climate and openness to foreign direct investment suggest moderately positive performance, these co-exist with what is still a heavily public sector–led investment model and continued slow growth in FDI (and integration into value chains). Further analytical work identifying sources of entry barriers and market distortions, assessing binding constraints to firms, and quantifying potential impact of policy reforms through investment climate diagnostic tools is needed to better understand firms’ growth constraints. Analysis should ensure that investment climate interventions are supported by diagnostic and analytical instruments, applied research, and strong knowledge of good practices and reform experiences.

WBG Ongoing and Planned Support

WBG TA and analysis will continue to help the Government of Uzbekistan create an environment conducive to attracting private investments, by removing barriers to competition, simplifying permits procedures, and improving investment policy and regulations. The World Bank DPO program will continue to complement these efforts with targeted policy actions to strengthen the business and investment climates. Sector-wide reforms in key sectors have already strengthened market institution and regulations and will continue to enhance the business environment under the new CPF. This upstream work has already helped create the conditions for more private sector participation, notably in power generation, including with the support of IFC and MIGA. The WBG will engage in further policy dialogue with the government to open opportunities for private investors and other service providers in infrastructure and other largely government-led sectors in a structured and incremental manner that builds solid government capacity to manage PPPs and will selectively support the implementation of demonstrative and strategic PPP investment. Finally, the WBG will support activities aimed at developing entrepreneurship and firms’ capacity development, with emphasis on youth and women, particularly in rural areas, and develop and implement a market-oriented National Innovation System to strengthen firms’ capacity to innovate. IFC and the World Bank will collaborate to reform firm development programs to modernize and rationalize them to better tailor and segment support to increase firms’ capabilities. Refer to paragraph 41 of the main CPF text for further details on WBG ongoing and planned support.

Key Risks and Mitigation

Complex and overlapping regulations for business and weak institutional capacity will be mitigated by sustained TA efforts by the WBG.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>1. Market organization and competition policy index*</p> <p><i>Baseline: 4.0 (2022)</i> <i>Target: 5.0 (2026)</i> <i>Source: Bertelsmann Transformation Index.</i></p> <p>2. Coverage of electronic tax services (percentage)</p> <p><i>Baseline: 60 (2022)</i></p>	<p>1. Increased Investment in knowledge-based start-ups (US\$, millions)</p> <p><i>Baseline: 0 (2022)</i> <i>Target: 4 (2026)</i> <i>Source: Project Reports, including ISR, of the Modernizing Uzbekistan’s Innovation System Project.</i></p>	<p>Ongoing Financing</p> <ul style="list-style-type: none"> • Accelerating Uzbekistan's Transition DPO-4 (P176353) • Sector IPF projects modernizing public utilities • Modernizing Uzbekistan’s Innovation System Project (P170206) • Tax Administration Reform Project (P173001) • Institutional Capacity-Building Project (P168180) • Navoi Scaling Solar Independent Power Project (P170598; Guarantee)

<p><i>Target: 90 (2026)</i> <i>Source: State Tax Committee, Tax Administration Project outcomes and results.</i></p> <p>3. Amount of private sector investment in renewable energy projects enabled (US\$, millions) <i>Baseline: 100 (2022)</i> <i>Target: 900 (2026)</i> <i>Source: Ministry of Energy.</i></p> <p>4. Number of completed PPP transactions supported by IFC <i>Baseline: 1 (2022)</i> <i>Target: 4 (2026)</i> <i>Source: IFC.</i></p>	<p>2. Days to obtain operating license per Enterprise Survey <i>Baseline: 16 (2019)</i> <i>Target: 14 (2026)</i> <i>Source: World Bank Enterprise Survey.</i></p> <p>3. Number of PPPs developed for the market under the Project Preparation Facility supported by the WBG <i>Baseline: 0 (2022)</i> <i>Target: 3 (2024)</i> <i>Source: Project Reports, including ISR, of the Institutional Capacity-Building Project.</i></p> <p>4. The value of the Statistical Performance Indicators (CP) <i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: SPI.</i></p>	<ul style="list-style-type: none"> • Ferghana Valley Enterprise Development (P166305) <p>Financing Pipeline</p> <ul style="list-style-type: none"> • DPO Program • Financial Sector Reform Project (P173619) • Second Rural Enterprise Development Project (P176017) • Scaling Solar 2 Independent Power Producer (P174322; Guarantee) • Scaling Solar 3 Independent Power Producer (Guarantee) • New sector IPF projects modernizing public utilities • Firms Capacity Support Project- TBC <p>Ongoing ASA</p> <ul style="list-style-type: none"> • Advancing Sustainable Uzbek PPP Agenda and Investments (P173510) • Support to Aviation Sector Reforms RAS Phase 2 (P171028) • PPPs and Sustainable Financing in Transport Sector (P171027) <p>ASA Pipeline</p> <ul style="list-style-type: none"> • Public Expenditure Review of subsidies and SME support programs • Assessment of entrepreneurship landscape • Justice sector PER • Tax and Custom administration reform support • Anti-corruption capacity-building support <p>IFC Program</p> <ul style="list-style-type: none"> • Uzbekistan IC – Fertilizer Sector Growth (#604235) • Zarafshon Wind (#44364) • Solar 2 (#44759) • Solar 2 (#604324) • Solar 3 (#605287) • UzSchools PPP (#606631) • Uzbekistan Dialysis PPP (#603031) • Hospital Consolidation PPP (#605108) • Radiotherapy PPP (#605109)
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CPF Objective 1.3: Increase the returns from agriculture and agri-business development		
<p>The WBG will continue to support the transformation to a market-led agricultural model considering the importance of the sector for Uzbekistan’s economic future and the still considerable potential for job creation despite global trends. This objective is linked to FY2016–21 CPF objective 1.2: “improved regulatory requirement for business” and objective 1.4: “Improved diversification of agriculture production.” This CPF will put more emphasis on active policies to support firm growth and their productivity, with special attention to agribusiness and women-led business.</p>		
<p>Rationale for the CPF Objective and WBG Engagement</p> <ul style="list-style-type: none"> • Uzbekistan’s agriculture sector has high potential to add value, productivity, and jobs through the removal of remaining market and institutional constraints and more efficient land allocation. • Second-generation agricultural reforms need to focus on factor market efficiency and public institutions to accelerate growth in agriculture in general and horticulture and livestock in particular. 		
<p>Lessons Learned, New Knowledge, and Knowledge Gaps</p> <p>There are no major information gaps owing to a rich ASA program during the past CPF. It is important to maintain the capacity to provide just-in-time knowledge to support the implementation of the agriculture modernization strategy.</p>		
<p>WBG Ongoing and Planned Support</p> <p>The WBG will engage with the public and private sectors to support private sector solutions in line with the 2030 agriculture modernization and transformation and livestock subsector development strategies, both developed with substantive WBG knowledge sharing and TA. Specifically, the WBG will help the country address significant market (such as agriculture land access and tenure) and institutional (such as agricultural research and development and extension/advisory services) constraints that still need to be removed to increase resource efficiency and productivity in agriculture, diversification of production for enhanced export potential, and private sector investment opportunity in agribusiness. Paragraph 44 of the main CPF text provides further details on WBG ongoing and planned support.</p>		
<p>Key Risks and Mitigation</p> <ul style="list-style-type: none"> • Local administrators may continue to selectively grant access to irrigated land. The CPF will mitigate this risk by supporting an overall reform of land management and administration. • Lack of seeds, soil, and water quality information may limit productivity. The Agriculture Modernization Project is addressing this gap and helping develop decentralized labs to support farmers. • Global supply chain and trade disruptions could be deepened and prolonged because of the war in Ukraine and economic recession in Russia. These are likely to affect food security (increase of input prices and availability/prices of food imports) and export markets. 		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>1. Agribusinesses that have established and maintained productive partnerships with farmers in horticulture and livestock value chains <i>Baseline: 0 (2022)</i></p>	<p>1. Share of horticulture in total arable land area (percentage) <i>Baseline: 22 (2022)</i> <i>Target: 30 (2026)</i></p>	<p>Ongoing Financing</p> <ul style="list-style-type: none"> • Ferghana Valley Rural Enterprise Development (P166305) • Horticulture Development Project (P133703) • Agriculture Modernization Project (P158372)

<p><i>Target: 30 (2026)</i> <i>Source: ISRs and Implementation Completion and Results Reports (ICRs) from projects P166305, P133703, P158372, and P153613.</i></p> <p>2. Number of farmers (gender disaggregated) and agribusinesses participating in horticulture and livestock value chains through cooperatives and productive partnerships (G) <i>Baseline: 0 (2022)</i> <i>Target: 3,000 of which 1,500 are women (2026)</i> <i>Source: ISRs and ICRs from projects P166305, P133703, P158372, and P153613.</i></p> <p>3. Livestock Productivity: Milk (liters of milk/cow/day) <i>Baseline: 12(2022) (average for the country)</i> <i>Target: 17 (2026) (average for the beneficiaries of the World Bank–financed project)</i> Meat (carcass (market live) weight (kg)) <i>Baseline: 425 (2022) (average for the country)</i> <i>Target: 674 (2026) (average for the beneficiaries of the World Bank–financed project)</i> <i>Source: Project Reports, including ISRs, of the Second Livestock Subsector Development Project.</i></p> <p>4. Reduction in average greenhouse gas emission intensity among project beneficiaries (percentage) (CC) <i>Baseline: 0 (2022)</i> <i>Target: 20 (2026)</i> <i>Source: Project Reports, including ISRs, of the Second Livestock Subsector Development Project.</i></p>	<p><i>Source: State Statistics Committee of Uzbekistan.</i></p> <p>2. Farmers reached through IFC Advisory Services (direct and indirect) (G) <i>Baseline: 43,579 (2022)</i> <i>Target: 50,000 (2026)</i> <i>Source: IFC project documents.</i></p> <p>3. Value of the Statistical Performance Indicators (CP) <i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: SPI.</i></p>	<ul style="list-style-type: none"> • Livestock Sector Development Project (P153613) • Second Rural Enterprise Development Project (P176017) <p>Financing Pipeline</p> <ul style="list-style-type: none"> • DPO Program • Second Livestock Sector Development Project (P177825) • Firms Capability Support Project (TBC) <p>Ongoing ASA</p> <ul style="list-style-type: none"> • Support to Agriculture Strategy's Implementation (P177735) • Support Program for Socially, Environmentally, and Financial Sustainable Production of Cotton in the Republic of Uzbekistan Multi-Donor Trust Fund (TF072657) <p>ASA Pipeline</p> <ul style="list-style-type: none"> • Just-in-time notes on agricultural reforms • Reform of agricultural land market (with Land GP) • Review of implementation of the Agricultural Strategy and the Livestock Subsector Strategy • Impact assessment of key public agricultural and livestock services • Transitioning to climate-smart agriculture and livestock <p>IFC Program (IS Projects)</p> <ul style="list-style-type: none"> • Indorama Cotton (#42352) <p>IFC Program (AS Projects)</p> <ul style="list-style-type: none"> • New Uzbekistan Sustainable Cotton (#601530)
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CPF Objective 1.4: Improve the Infrastructure for Competitiveness and Connectivity		
<p>The WBG will help Uzbekistan address key infrastructure gaps that—despite progress in recent years—continue to limit private sector growth and job creation and create spatial inequities and environmental challenges. In the pursuit of this objective, the CPF will support (a) private sector mobilization, both to complement the public capital investment program and strengthen service delivery and (b) the replacement of aging infrastructure with cleaner and more sustainable one. The proposed CPF objective builds on CPF FY2016–21 objectives 1.5: “Improved efficiency of infrastructure service delivery” and 2.2: “Increased access, efficiency and reliability of power supply and heating services.”</p>		
Rationale for the CPF Objective and WBG Engagement		
<p>Key infrastructure gaps—despite progress in recent years—continue to limit private sector growth and job creation and create spatial inequities and environmental challenges. These challenges consistently emerge in surveys as among the most binding constraints to the private sector. Addressing them would improve private sector productivity, while opening opportunities to replace aging technologies with cleaner, more efficient, and more sustainable infrastructure.</p>		
Lessons Learned, New Knowledge, and Knowledge Gaps		
<p>An assessment of spatial dimensions of economic growth is needed to understand where to prioritize public investment in infrastructure. The uneven geographic distribution of welfare in Uzbekistan highlights the importance of a better understanding of the monetary and nonmonetary returns to public investments at the local level. Finally, such a comprehensive assessment of investment options should also be evaluated against the returns to further facilitating internal migration opportunities. A national transport master plan will help formulate priority investments in the transport sector, as well as define priority policy and institutional reforms, to improve efficiency and governance.</p>		
WBG Ongoing and Planned Support		
<p>The WBG program will help Uzbekistan address key infrastructure gaps, with a mix of advisory and investment programs, aimed at strengthening the regulation and governance of infrastructure sectors, mobilize private investment, and improve the environmental footprint of the sector. The focus will be on energy, transport, digital, and local-level infrastructure. For the details of ongoing and planned support, refer to paragraph 46 in the main CPF text.</p>		
Key Risks and Mitigation		
<p>The pace of sector reforms may be affected by the same political economy and vested interest risks identified under objective 1.1. The CPF will adopt the same mitigation approach. Weak implementing capacity—particularly at the local level—negatively affects the pace of implementation and could potentially increase fiduciary and safeguards risks. The CPF will mitigate these risks with a robust and proactive program aimed at building procurement, public finance management, and implementation capacity in implementing agencies. Finally, a dependency from Russia on the import of specialized machinery, particularly in power generation, may affect the pace of planned investments.</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>1. Additional generation capacity to be installed by private sector with WBG support (Mw, Renewable Energy) <i>Baseline: 100 (2022)</i> <i>Target: 1,000 (2026)</i></p>	<p>1. Regional road asset management system in place and used to prepare road maintenance programs (Yes/No) <i>Baseline: No (2022)</i> <i>Target: Yes (2026)</i></p>	<p>Ongoing Financing</p> <ul style="list-style-type: none"> Electricity Sector Transformation and Resilient Transmission (P171683) Navoi Scaling Solar Independent Power Project (P170598; Guarantee)

<p><i>Source: Ministry of Energy.</i></p> <p>2. Capacity of the national power transmission system (Kilovolt-Ampere, KVA) <i>Baseline: 0 (2022)</i> <i>Target: 2,000,000 (2026)</i> <i>Source: Project Reports, including ISR, of the Electricity Sector Transformation and Resilient Transmission project (P171683).</i></p> <p>3. Average travel time reduction on typical 10 km of inter-urban sections of project roads (percentage) <i>Baseline: 0 percent (2022)</i> <i>Target: 15 (2026)</i> <i>Source: Project Reports, including ISRs, of the Regional Roads Development Project).</i></p> <p>4. Individuals using the Internet (Percentage) (G) <i>Baseline: 71 (2020) (M71, W70)</i> <i>Target: 85 (2026) (M85, W75)</i> <i>Source: International Telecommunication Union data.</i></p>	<p><i>Source: Project Reports, including ISRs, of the Regional Roads Development Project).</i></p> <p>2. At least two transport infrastructure PPP projects contracted <i>Baseline: No (2022)</i> <i>Target: Yes (2026)</i> <i>Source: Government Legislation.</i></p> <p>3. Percentage of sampled male and female respondents who report improvements in the quality of basic rural infrastructure (G) <i>Baseline: 63.8 (65.1 female) (2022)</i> <i>Target: 76.5 (78.1 female) (2026)</i> <i>Source: Rural Infrastructure Development Project Baseline and End line Monitoring Surveys.</i></p> <p>4. The value of the Statistical Performance Indicators (CP) <i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: SPI.</i></p>	<ul style="list-style-type: none"> • Rural Infrastructure Development Project (P168233) <p>Financing Pipeline</p> <ul style="list-style-type: none"> • Digital Economy project (P166615) • Scaling Solar 2-3, Scaling Wind (Guarantees) • Rural Infrastructure Development Project-2 - TBC <p>And potentially some of the following:</p> <ul style="list-style-type: none"> • Railway Reform and Logistics Improvement IPF • Trade Regional MPA M-41 Regional Corridor in Uzbekistan • Regional Airports Modernization and Air Connectivity • Urban mobility and urban transport reform in Tashkent and Secondary Cities <p>Ongoing ASA</p> <ul style="list-style-type: none"> • Improving Regional Digital Connectivity in Central Asia and Afghanistan (P170668) • State and Peacebuilding Fund: Strengthening Inclusive Infrastructure and Service Delivery in Uzbekistan (TF0B1925) • Uzbekistan: Enhancing Infrastructure Quality, Sustainability, and Community Participation in Uzbekistan's Rural Infrastructure Development Project (TF0B6433) • Support to Aviation Sector Reform RAS Phase 2 (P178021) • Social and Economic Impacts of Road Traffic Injuries (RTI) in CA Countries (P174749 - TF0B3690) • Central Asia Connectivity Routes ASA (P175425 - TF0B5794) • Innovative Solutions for Urban Mobility in Almaty and Tashkent (P176262 - TF0B5109) • Decarbonizing Transport Connectivity in Central Asia ASA (P178311 - TF0B7499) • National Transport Master Plan (under P146334)
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<p>CPF Objective 1.5: Promote Sustainable Urbanization and Territorial Development</p>		
<p>The WBG will help advance reforms and investment for the creation of a functioning real property and land market, without which it is impossible to imagine a successful and inclusive transition to market economy in Uzbekistan. Additionally, the CPF will support the strengthening of urban planning and finance investment in cities to enable Uzbekistan to reap economic and development benefits from sustainable urbanization.</p>		
<p>Rationale for the CPF Objective and WBG Engagement</p> <ul style="list-style-type: none"> • Uzbekistan is not leveraging cities’ potential to achieve market-led economic growth. • The sprawling model of urban growth of many cities of Uzbekistan’s is a result of inefficient land markets and an inadequate urban planning systems. 		

- Urban planning is failing to provide solutions to challenges of urban growth, lacks transparency and enforcement, and remains unsupported by adequate institutional capacity.

Lessons Learned, New Knowledge, and Knowledge Gaps

A recent urbanization review concludes that urbanization presents a development opportunity for Uzbekistan. As Uzbekistan urbanizes, and its cities grow, the country can reap substantial development benefits like many countries have in the past. But to do so, Uzbekistan needs to reform key systems that shape cities. Land reforms are top priorities. Almost all land—both rural and urban—is state-owned and cannot be easily sold or transferred. In addition, urban planning is failing to provide solutions to the challenges of urban growth as it stays rooted in the central planning approach, lacks transparency and enforcement, and remains unsupported by adequate institutional capacity.

WBG Ongoing and Planned Support

As a requirement to accelerate the transition to market economy, the CPF program will support the government of Uzbekistan develop a holistic road map for land reform to support the transition to a market economy. The implementation of this road map will be supported by a solid ASA and just-in-time TA program, the portfolio of modernizing agriculture and sustainable urbanization, and the ongoing Modernization of Real Property Registration and Cadaster (and potentially new lending to enhance land administration systems). The CPF will also support sustainable urbanization and territorial development to help create the condition for a stronger contribution by cities to private sector-led growth and overall citizens well-being. The World Bank is one of the few development partners actively supporting sustainable urbanization on a national scale. The World Bank program will expand the support for the development of medium-size cities in Uzbekistan, promoting effective urban planning and financing the delivery of quality urban services to improve economic opportunities (for example sustainable tourism) and quality of life. It will also provide strategic TA to advance the adoption of a National Urbanization Strategy, to frame the key principles of effective and sustainable urbanization and finance pilots in different urban areas to advance its implementation. For more details of the ongoing and planned WBG support under this objective, refer to paragraph 48 of the main CPF text.

Key Risks and Mitigation

Land and urbanization reforms require a strategic view, strong ownership, and political support in addition to capacity to coordinate multiple agencies, or they are deemed to fail. The CPF is working to assist the Government of Uzbekistan develop reform road maps based on international good practice and to implement demonstrative pilots to build evidence and consensus for these reforms.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
1. Number of organizations-data providers and members of the National Spatial Data Infrastructure (NSDI) Portal <i>Baseline: 0 (2022)</i> <i>Target: 100 (2026)</i> <i>Source: Cadastral Agency.</i>	1. Registration of properties in the country on the platform created under the MRPRC project <i>Baseline: (2022) 235,000</i> <i>Target: (2024) 7,500,000</i> <i>Source: Cadastral Agency IISRPC¹⁵ database.</i>	Ongoing Financing <ul style="list-style-type: none"> • Modernization of Real Property Registration and Cadastre (MRPRC) Project (P151746) • Medium-Size Cities Integrated Urban Development Project (P162929)

¹⁵ IISRPC -Integrated Information System for Real Property Registration and Cadastre implemented under MRPRC

<p>2. Number of users of the Geodetic network composed of Continuous Operating Reference Stations (CORS) operated by CA <i>Baseline: 0 (2022)</i> <i>Target: 1,000 per month (2026)</i> <i>Source: Cadastral Agency.</i></p> <p>3. People in urban areas provided with access to improved public spaces (within 15 min walking distance from their place of residence) and improved pedestrian walkways (within 5 min walking distance) (G). <i>Baseline: 0 (2022)</i> <i>Target: 100,000, of which 50,000 are women (2026)</i> <i>Source: Surveys under urban development projects.</i></p> <p>4. Square kilometers of new or rehabilitated urban public spaces, of which now accessible to persons with disabilities (Cross-cutting objective of citizen participation) <i>Baseline: (2022)</i> <i>Target: 70 (2026)</i> <i>Source: Project Reports, including ISRs, from Medium-Size Cities Integrated Urban Development Project.</i></p> <p>5. Gap between male and female land ownership as percentage of adult population (percentage points) (G) <i>Baseline: 54 (77 men/23 women) (2020)</i> <i>Target: 48 (74 men/26 women) (2026)</i> <i>Source: State Statistics Committee of Uzbekistan.</i></p>	<p>2. The Land Code revised to introduce international standards on land governance tenure and land registration <i>Baseline: Land Code (1998, with amendments)</i> <i>Target: The New Land Code adopted and effective (2024)</i> <i>Source: Legislative acts of Uzbekistan.</i></p> <p>3. Adoption of the National Urbanization Strategy (policy) and advances in its implementation conformed through official progress reviews. <i>Baseline: (2022) draft concept of urbanization strategy developed by the government</i> <i>Target: (2026) National Urbanization Strategy adopted, and at least one implementation progress update published.</i> <i>Source: Government Legislation.</i></p> <p>4. Percentage of households in targeted rural villages with representatives (male/female) who participate in planning, decision-making, or subproject monitoring (CP and G) <i>Baseline: 9 (of which 34 percent represented by women) (2022)</i> <i>Target: 60 (of which 60 percent represented by women) (2026)</i></p>	<p>Financing Pipeline</p> <ul style="list-style-type: none"> • State Land Management and Infrastructures for Cadastre and Registration Project • Urban Agglomeration or Tourism Development - TBC <p>Ongoing ASA</p> <ul style="list-style-type: none"> • Urbanization Spatial Analysis (P174520) • Land Policy Support for Uzbekistan (P178003) • Innovative Solutions for Urban Mobility in Almaty and Tashkent (P176262 - TF0B5109) • Strengthening Urban Resilience in Tashkent (P172790) <p>ASA Pipeline</p> <ul style="list-style-type: none"> • Assessment of bottlenecks in access and greater utilization of nonagricultural lands • Sustainable cities and the green transition • Regional economic development and tourism (including cross-border corridors) • Land access, ownership and management: gender gaps assessment and road map for action • Support development of Disaster Risk Financing strategy for Uzbekistan and institutional capacity building
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	<p><i>Source: Rural Infrastructure Development Project.</i></p> <p>7. Value of the Statistical Performance Indicators (CP)</p> <p><i>Baseline: 54.9 (2021)</i></p> <p><i>Target: 72 (2026)</i></p> <p><i>Source: SPI.</i></p>	
<p>High-Level Outcome 2 (HLO 2) - Improve Human Capital</p>		
<p>Investing in human capital has been vital in transitions that generated high and sustained economic growth. Despite progress in last decade, even before COVID-19, the human capital index of Uzbekistan had underscored multiple challenges in human capital outcomes. To become more prosperous and benefit from a more complex economy, Uzbekistan will need to close these gaps. This will require investing in people through high-quality education, effective health care, and strong social protection. The previous CPF did not use HLOs, but Focus Area 3 was aimed at Investing in People. As such, the proposed HLO is a continuation and deepening of the previous CPF contribution to strengthening human capital in Uzbekistan.</p>		
High-Level Outcome Indicators	Data Source	Current Value
<p>1. Human capital index</p> <p>2. Number of girls and boys enrolled in preschools</p> <p>3. Share of women enrolled in higher education</p> <p>4. Maternal mortality rate (per 100,000 live births)</p>	<p>1. World Bank</p> <p>2. State Statistics Committee</p> <p>3. State Statistics Committee</p> <p>4. State Statistics Committee</p>	<p>1. 62% (2020)</p> <p>2. 623,000 boys; 573,400 girls (2021)</p> <p>3. 45.4 (2020/2021)</p> <p>4. 14.4 (2021)</p>
<p>WBG Engagement</p> <p>In pre-COVID-19 times, the World Bank provided substantial support to the government’s human development (HD) reforms agenda and is currently implementing projects in all key HD sectors. Under the new CPF, the World Bank will continue supporting human capital development and protection, deepening its engagement to help (a) close the COVID-19 learning gap and align education outcomes to the need of the new economic model; (b) strengthen poverty measurement, support the implementation of the new social protection strategy, and strengthen the effectiveness of employment/self-employment services; and (c) support the development by the government of a clearer strategic vision and an ambitious but realistic action plan to modernize and optimize health care services. IFC aims to provide a transaction advisory on radiotherapy and multi-profile hospital PPP projects to assist the Government of Uzbekistan to attract private investors for service improvement and will assess PPP opportunities in the education sector. Opportunities for MIGA engagement will be explored in coordination with the World Bank and IFC, particularly in relation to the development of social infrastructure PPP investments, where MIGA guarantees could be offered to facilitate private sector mobilization.</p>		
<p>Lessons Learned, New Knowledge, and Knowledge Gaps</p> <p>To bear transformative results, well-meaning and targeted sector investments to advance human capital, particularly in health and education, require a clear long-term strategic vision and an ambitious but realistic action plan. This is quite relevant in Uzbekistan where, at times, pressure to achieve short-term results is not matched by a well-sequenced strategic framework and lacks cross-institutional coordination. The CPF will aim at helping the Government of Uzbekistan—in partnership with the relevant international partners—develop this strategic view, based on evidence and best practice. A programmatic filter</p>		

will be pursued in human capital development sectors where the World Bank has a history of financing self-standing investment projects, but the overall vision or reform effort is deficient.

SDGs Associated

SDG 1 - End poverty in all its forms everywhere; SDG 3 - Ensure healthy lives and promote well-being for all at all ages; SDG 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; SDG 5 - Achieve gender equality and empower all women and girls; SDG 6 - Ensure availability and sustainable management of water and sanitation for all; SDG 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; and SDG 10 - Reduce income inequality within and among countries.

CPF Objective 2.1: Improve Access to Quality Education

The CPF for FY2016–21 identified public service delivery in education as a priority area for investment aimed at improving access to quality education. This remains an important objective for the new CPF with a focus on closing the COVID-19 learning gap in the shorter term and aligning education outcomes to the need of the new economic model in the longer term.

Rationale for the CPF Objective and WBG Engagement

- Uzbekistan risks missing the contribution of its demographic dividend to its ambitious economic transformation unless it strengthens education outcomes and human capital.
- The quality of the basic skills young people attain during their school years in Uzbekistan is the main factor explaining why they are about 40 percent less productive when they reach adulthood as they could be if they received a better-quality education.

Lessons Learned, New Knowledge, and Knowledge Gaps

There are insufficient evidence and measures of the quality of education in Uzbekistan. The SCD proposes more systematic and standardized assessment of teaching quality, the education curriculum, and student performance. In addition, more rigorous monitoring of the impact of educational reform could improve their performance. Finally, analysis of cost-effectiveness and focused analysis on educational subsystems that may require improvement, such as particular subjects, regions, or levels of education are currently missing. The CPF will aim at supporting the Government of Uzbekistan close some of these knowledge gaps.

WBG Ongoing and Planned Support

The World Bank is already helping to expand access and quality in preprimary and tertiary education with ongoing operations that could be scaled up with additional financing. Based on the recent analytical work on Education Excellence Toward Human Capital and Growth in Uzbekistan, the World Bank has initiated dialogue to support the Ministry of Public Education in the design of a new project to improve the quality of primary and secondary education. IFC will assess PPP opportunities in the education sector to support the government in meeting the growing needs for the new education infrastructure and help increase access to education services to the population across the country. Mobilization of the private investment in the education sector will contribute to the increased number of students with access to quality preschool and school education. MIGA would consider supporting private sector mobilization via PPPs in education, particularly at the tertiary level. More details about the WBG ongoing and planned support are provided in paragraph 52 of the main CPF text.

Key Risks and Mitigation		
Sector institutional capacity is the main risk to the achievement of this objective. The CPF will mitigate it with punctual just-in-time TA support on critical reform bottleneck issues and with a close engagement with the counterpart.		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>1. Number of new children aged 3-7 enrolled in better equipped preschools supported by the World Bank (G) <i>Baseline: 0 (2021)</i> <i>End target: 1,080,000, of which 540,000 are girls (2026)</i> <i>Source: Ministry of Preschool Education.</i></p> <p>2. General secondary education quality measurement system is established. <i>Baseline: A system to measure general secondary education quality under a systematic approach does not exist (2022)</i> <i>Target: Systematic measurements of general secondary education quality produced by the new quality assessment system are used to inform policies (2026)</i> <i>Source: Reports of State Inspectorate for Supervision of Quality of Education (SISQE)</i></p> <p>3. Value of the index of labor market relevance of higher education as perceived by students, civil society, and firms (percentage) <i>Baseline: 58.4 (2022)</i> <i>Target: 70.1 (2026)</i> <i>Source: Ministry of Higher and Secondary Specialized Education.</i></p>	<p>1. Preschool education quality measurement system is established. <i>Baseline: A system to measure preschool education quality does not exist (2022)</i> <i>Target: A system to objectively monitor and report on preschool education quality in public and private preschools in Uzbekistan is established (2025)</i> <i>Source: Reported by SISQE and verified by an independent agency.</i></p> <p>2. First time participation in Program for International Student Assessment (PISA). <i>Baseline: No (2021)</i> <i>Target: Yes (2022)</i> <i>Source: Organization for Economic Cooperation and Development</i></p> <p>3. First time participation in Trends in Mathematics and Science Study (TIMSS). <i>Baseline: No (2021)</i> <i>Target: Yes (2023)</i> <i>Source: The International Association for the Evaluation of Educational Achievement</i></p> <p>4. Higher Education Management Information System (HEMIS) is</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Modernizing Higher Education Project (P128516) • Promoting Early Childhood Development Project (P165737) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • Secondary Education Modernization (P177805) <p>ASA Pipeline</p> <ul style="list-style-type: none"> • Strengthening education-to-work pathways <p>IFC Program (AS Pipeline):</p> <ul style="list-style-type: none"> • UzSchools PPP (#606631)

	<p>operational in all public universities and is used for internal quality assessments by public higher education institutions.</p> <p><i>Baseline: No (2022)</i> <i>Target: Yes (2024)</i> <i>Source: Ministry of Higher and Secondary Specialized Education</i></p> <p>5. Value of the Statistical Performance Indicators (CP)</p> <p><i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: SPI.</i></p>	
<p>CPF Objective 2.2: More efficient and sustainable health and water and sanitation services</p>		
<p>In continuation with the previous CPF, improving health services remains an important objective for the WBG, with however increased emphasis on helping the government develop a clear strategic vision and an ambitious but realistic action plan to modernize and optimize health care service in the post-COVID-19 environment. Increased access to and improvement of the quality of water supply and sanitation services in underserved, low-income areas will also remain an important area of CPF engagement supported by the ongoing portfolio to boost household productivity and health.</p>		
<p>Rationale for the CPF Objective and WBG Engagement</p>		
<ul style="list-style-type: none"> • While improving, Uzbekistan’s health indicators—particularly those related to avoidable mortality—still lag the most successful transition countries in its peer group. • Low access and deteriorating water and sanitation services are a constraint to economic and social development. 		
<p>Lessons Learned, New Knowledge, and Knowledge Gaps</p>		
<p>Both underuse and low quality of care contribute to high avoidable mortality. Progress toward universal health coverage goals has been slow, and COVID-19 has exposed a siloed, low-quality system with high financial risks to the state and the population. However, Uzbekistan lacks a clear strategic vision and a realistic action plan to restructure the health sector, and new investments will require a programmatic approach based on the development of the strategic vision. The health sector is able to attract private investment through well-prepared PPPs, as demonstrated during the last CPF. The capacity to manage private sector involvement needs to be strengthened.</p>		
<p>Inadequate and unequal access to water supply and sewerage is estimated to cost the country an estimated US\$635 million per year. These are the coping costs (monetary and time) to secure drinking water; the high costs associated with adverse health impacts (costs to individuals and communities, as well as costs to public health systems); low labor productivity; and lost workdays, which place a high burden on households depending on daily wages. Such impacts are most prevalent in rural areas, district towns, and peri-urban areas.</p>		

WBG Ongoing and Planned Support

The World Bank’s current investment portfolio includes the Emergency Medical Services Project and the Emergency COVID-19 Project, which aim to improve access to high-quality critical care capacity in emergency care hospitals, as well as services delivery reforms to ensure inclusive access to quality health care. In addition, IFC conducted a transaction advisory to structure the first-ever PPP in health sector and attract private investment to modernize provision of hemodialysis services, in three regions of Uzbekistan, including two remote ones, with technical support from the World Bank. The World Bank team, in partnership with other development partners, such as ADB, KfW, and the World Health Organization, is providing TA to the MOH to support the elaboration of the 2030 Health Strategy, the main deliverable under this objective during the first half of the new CPF period. Additional investment financing will be contingent on the government commitment to implement the 2030 Health Strategy and World Bank comparative advantage in the sector. IFC will continue to assist the Government of Uzbekistan to attract private investors to the health sector in Uzbekistan through transaction advisory projects to structure PPPs and attract private investments and management, for example, for a multifunctional hospital and four radiotherapy centers for cancer treatment. Opportunities for MIGA engagement will be explored in coordination with the World Bank and IFC, particularly in relation to the development of health infrastructure PPP investments, where MIGA guarantees could be offered to facilitate private sector mobilization. More details about ongoing and planned WBG support are described in paragraphs 55-56 of the main CPF text.

The World Bank also plans to help improve water supply and sanitation services by expanding coverage in underserved, low-income areas to help upgrade the deteriorating municipal infrastructure. IFC will explore engagement opportunities with select municipalities through investments and facilitation of PPPs in the areas of water and wastewater management (and urban transport). Opportunities for MIGA engagement will be explored in coordination with the World Bank and IFC, in relation to the development of water and sanitation infrastructure PPP investments, where MIGA guarantees could be offered to facilitate private sector mobilization.

Key Risks and Mitigation

The absence of a clear long-term strategic vision and an ambitious but realistic action plan to reform the health sector limits investment opportunities to targeted and specific interventions that have limited impact on citizen well-being. The CPF is supporting the development of the 2030 Health Sector Strategy, and any further investment will be conditioned to its adoption and implementation.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>1. Level of out-of-pocket expenditures as percent of current health expenditure (percentage) <i>Baseline: 58 (2022)</i> <i>Target: 51 t (2026)</i> <i>Source: MOH.</i></p> <p>2. Average national response time to ambulance calls (minutes) <i>Baseline: 22 (2022)</i> <i>Target: 18 (2026)</i></p>	<p>1. Approval and implementation of the National Health Strategy 2030 <i>Baseline: Not approved (2022)</i> <i>Target: Approved, and at least 30 percent of recommendations have an approved implementation plan and budget (2026)</i> <i>Source: MOH.</i></p>	<p>Ongoing Financing</p> <ul style="list-style-type: none"> • Uzbekistan Emergency COVID-19 Project (P173827) • Emergency Medical Services Project (P159544) • Water Services and Institutional Support (P162263) <p>Financing Pipeline</p> <ul style="list-style-type: none"> • Health Strategy 2030 implementation support project • Improve operational, financial and managerial efficiency of water supply and sewerage service and scale up metering

<p><i>Source: MOH.</i></p> <p>3. Number of people receiving access to improved services in education and healthcare (G) <i>Baseline: 0 (2022)</i> <i>Target: 40,400, of which 20,200 are women (2026)</i> <i>Source: IFC.</i></p> <p>4. People provided with access to improved water sources (G) <i>Baseline: 0 (2022)</i> <i>Target: 65,000, of which 32,500 are women (2026)</i> <i>Source: Project reports, including ISRs, for Water Service and Institutional Support Project.</i></p> <p>5. People provided with access to improved water sanitation services (G) <i>Baseline: 0 (2022)</i> <i>Target: 175,000, of which 87,500 are women (2026)</i> <i>Source: Project reports, including ISRs, for Water Services and Institutional Support Project.</i></p>	<p>2. Value of the Statistical Performance Indicators (CP) <i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: SPI.</i></p>	<p>Ongoing ASA</p> <ul style="list-style-type: none"> Uzbekistan Health Financing and Sustainability (P174370) <p>ASA Pipeline</p> <ul style="list-style-type: none"> Health Strategy 2030 implementation support Health financing reform support Strengthening MOH capacity in private sector regulation Review of water permitting/ rights/ withdrawal norms Strategy and road map for service cost recovery, sector financing and phasing out of subsidies <p>IFC Program (AS Projects)</p> <ul style="list-style-type: none"> Hospital Consolidation PPP (#605108) Radiotherapy PPP (#605109) Namangan WWTP Legal and Bankability Assessment (#606392)
<p>CPF Objective 2.3: Expand the coverage of social protection and inclusive labor market policies</p>		
<p>The proposed CPF will deepen the engagement to develop effective and well-targeted social safety nets and strengthen inclusive labor market policies. These are critical for the preservation of human capital and consensus for reforms in a country still in transition from state-controlled to market economy.</p>		
<p>Rationale for the CPF Objective and WBG Engagement</p> <ul style="list-style-type: none"> Transitions have often been cut short in countries that have failed to protect the vulnerable and equitably share the benefits of reform. Advancing the modernization of social protection, including safety nets, pensions, and labor promotion programs, could reduce poverty and vulnerability, while finding jobs for unemployed, discouraged, or furloughed workers, to help realize the country’s full economic potential. <p>Lessons Learned and New Knowledge</p> <p>There is insufficient evidence on the drivers of unemployment, modest job creation, and disincentive to employment in Uzbekistan. The SCD recommends to (a) conduct in-depth labor market analysis to identify and propose policies to address the disincentives and barriers to formal work (potentially including labor regulations, labor taxation, social protection design, and other barriers); (b) more effectively integrate firm-level data and statistics on job openings and</p>		

turnover into labor market analysis; and (c) expand the collection of timely, accurate data on labor market supply and demand that can support reforms and active labor market policies.

WBG Ongoing and Planned Support

The CPF will deepen the support to improve poverty-targeted social benefits and strengthen inclusive labor market policies, introducing programs to expand access to job opportunities for youth and the most vulnerable. In partnership with the United Nations (UN) agencies, the World Bank has been supporting the enhancement and national rollout of a single registry of social benefits and the development of the 2022–2030 National Strategy for Social Protection which is expected to be adopted in the first half of 2022. The World Bank has also provided TA for the adoption of a new poverty line based on modern practices that is expected to improve the adequacy of social protection for poor and vulnerable citizens. Through the ongoing Strengthening Social Protection System Project, the World Bank will continue to support improving the effectiveness of social benefits and the implementation of the new social protection strategy. It will further support the development, implementation, and evaluation of innovative youth employment measures to facilitate the school-to-work transition and of upskilling programs to better align the workforce to employers' demand for digital, specialized, and transversal skills and prepare it for the green and digital transition, with both investment and ASAs. TA will also be provided to mitigate the social impacts of the energy reform and the labor impacts of the SOE reform and implement the Convention on the Rights of Persons with Disabilities. The World Bank will carefully monitor the evolution of the Ukraine crisis and potential social consequences in Uzbekistan via reduced remittances, price inflation, and potential return of migrant workers from Russia to support the government mitigate impact. Paragraph 58 of the main CPF text provides more details about the WBG ongoing and planned support.

Key Risks and Mitigation.

The safety net may be overwhelmed by the sudden return from Russia and Ukraine of migrant workers losing income because of the conflict. The CPF will help the Government of Uzbekistan analyze the issue and implement corrective measures to address this challenge.

CPF Objective Indicators	Supplementary Progress Indicators	World Bank Program
<p>1. Share of households in the poorest quintile receiving Low-income family allowances (percentage) (G). <i>Baseline: 25 (2022)</i> <i>Target: 35 (2026)</i> <i>Source: Household Budget Survey.</i></p> <p>2. Number of registered unemployed participating in employment promotion programs (employment subsidies, training, apprenticeships, and internships) (G) <i>Baseline: 110,422 (August 2021)</i> <i>Target: 300,000, of which 150,000 are women (2026)</i> <i>Source: Ministry of Employment and Labor Relations.</i></p>	<p>1. Number of social benefits administered through the Single Registry <i>Baseline: 2 (2022)</i> <i>Target: 6 (2026)</i> <i>Source: MOF.</i></p> <p>2. Number of families registered in the Single Registry <i>Baseline: 1.5 million (December 2021)</i> <i>Target: 2.5 million (TBC)</i> <i>Source: MOF/Pension Fund.</i></p>	<p>Ongoing Financing</p> <ul style="list-style-type: none"> Strengthening Social Protection (P166447) Accelerating Uzbekistan's Transition DPO-4 (P176353) Strengthening the Statistical System of Uzbekistan (P173450) <p>Financing Pipeline</p> <ul style="list-style-type: none"> Youth Activation/ Employment Project (P177879) <p>Ongoing ASA</p> <ul style="list-style-type: none"> Building entrepreneurial mindset and skills in Uzbekistan (P172867) Road map and building blocks toward the implementation of CRPD in Uzbekistan (P178352)

	<p>3. Value of the Statistical Performance Indicators (CP) <i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: SPI.</i></p>	<ul style="list-style-type: none"> Supporting women’s labor market participation and access to income-generating activities in Central Asia (P178326) Listening to the Citizens of Uzbekistan and Poverty and Equity program for Central Asia (P174603) <p>ASA Pipeline</p> <ul style="list-style-type: none"> Support to implementation and monitoring of Poverty reduction Strategy Migration support services Reforms for gender equality E-commerce for poverty reduction Spatial misallocation analysis and distributional impact of fiscal policy Support to upcoming Pension Reform agenda
<p>High-Level Outcome 3 (HLO 3) - Improve Livelihoods and Resilience through Greener Growth</p>		
<p>A growth model that disregards the environment and climate constraints is no longer sustainable in Uzbekistan. The country needs a path that will protect the livelihood of its citizens, particularly the most vulnerable, by increasing the efficiency and sustainability of its natural resources and its lower carbon intensity to ensure that the benefits of the transition are durable and inclusive for all its citizens. HLO3 is recognizing environmental sustainability and climate resilience strategic importance for the transition in Uzbekistan and represents the main shift of focus between the previous and current CPF, responding to SCD findings and government demand. The previous CPF—responding to the needs of the initial phase of the transition—focused more on creating the conditions for the transformation toward a market economy. HLO3 and objectives 3.1 and 3.2 are consistent with the GRID corporate approach.</p>		
<p>High-Level Outcome Indicators <i>(for monitoring purpose only)</i></p>	<p>Data Source</p>	<p>Current Value*</p>
<ol style="list-style-type: none"> Efficiency: water productivity Sustainability: <ol style="list-style-type: none"> greenhouse gas emissions per capita (percentage change) Degraded land as percentage of total land area Resilience: food security index Inclusion: Households using safely managed drinking water services (% of households) 	<ol style="list-style-type: none"> FAO, as tracked by SDG 6.4.1. Sustainability: <ol style="list-style-type: none"> Climate Analysis Indicators Tool Climate Data Explorer via Climate Watch UN SDG Database (15.3.1) The Economist Intelligence Unit Joint Monitoring Program (JMP) Database 	<ol style="list-style-type: none"> 42 USD/m³ (2018) a) 7.04 tCO_{2e} per capita (2018) b) 29% (2015) Score 53.8 (global ranking 78th) (2021) 58.83% (2020) <p>*CPFs track the trajectories of HLO indicators but do not formulate target values.</p>
<p>Rationale</p>		

Uzbekistan is among the most water- and gas-dependent countries in the world and is highly sensitive to climate change. Despite this, the country is also one of the world's most unsustainable and inefficient users of water and energy. Driven primarily by inefficient management in agriculture, water withdrawal rates in this sector exceed 90 percent of the total renewable resource. Uzbekistan's energy intensity per unit of GDP is also among the highest in the world. Widespread land degradation caused losses equivalent to 4 percent of GDP when last measured in 2016. Failure to address the inefficient management of natural resources in the face of a changing climate raises severe risks to the country's agricultural sector, on which Uzbekistan's rural population is highly dependent. Uzbekistan is particularly exposed to climate change that acts as a threat multiplier and is expected to increase risk exposure to natural disasters, especially to droughts, floods, and landslides. Vulnerable groups, such as the poor, are disproportionately affected by natural hazards and climate variability. As the world's fifth most intensive greenhouse gas emitter Uzbekistan also needs to develop a long-term approach to a carbon-neutral economy.

WBG Engagement

The Government of Uzbekistan has recognized the importance of supporting a more sustainable and climate-friendly growth approach. Recently, it made great strides in setting environmental sustainability priorities as outlined in the 2019–2030 Strategy on Transition to a Green Economy and the commitments to bring up to 25 percent the share of renewables in generation by 2030 and reduce specific greenhouse gas emissions per unit of GDP by 35 percent by 2030 from the level of 2010 (instead of 10 percent according to the original nationally determined contribution). To respond to an increased demand by the authorities to further articulate and implement these strategies, this CPF will help set the basis for a long-term green transition strategy to improve livelihoods and resilience. The CPF will support this process through a rich ASAs program and enabling investments to support the decarbonization and greener development of industry and the economy (objective 3.1) and more efficient natural resources (objective 3.2).

SDGs Associated

SDG 6 - Ensure availability and sustainable management of water and sanitation for all; SDG 7 - Ensure access to affordable, reliable, sustainable and modern energy for all; SDG 11 - Make cities and human settlements inclusive, safe, resilient, and sustainable; SDG 12 - Ensure sustainable consumption and production patterns; SDG 13 - Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy; SDG 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

CPF Objective 3.1: Decarbonization and the greener development of industry and the economy

While over FY2016 to FY2020, the climate co-benefits of the IBRD and IDA portfolio increased from 0 percent to 36 percent, this is a new CPF objective, highlighting the increased focus of the government on decarbonizing one of the most greenhouse gas emission-intensive economies in the world. The WBG will support policy options and investments to underpin a greener and more carbon-friendly growth model.

Rationale for the CPF Objective and WBG Engagement

- Uzbekistan is one of the most emission-intensive economies in the world.
- Uzbekistan is particularly exposed to climate change that acts as a threat multiplier and is expected to increase risk exposure to natural disasters.

Lessons Learned, New Knowledge, and Knowledge Gaps

This emission-intensive growth model is unsustainable, but in addition, the country faces transition risks from a global policy environment that is shifting rapidly in favor of action to address climate change and risks losing access to these markets.

WBG Ongoing and Planned Support

The WBG will support policy options, analysis, and investments (particularly in energy efficiency and renewable energy) to underpin a greener and more carbon-friendly growth model. The World Bank has launched a Green Growth Programmatic TA that is supporting a comprehensive review of the economy, climate change, and green transition links and of policy, legal, institutional, and sectoral options to decarbonize and adapt. The World Bank will also support few Deep Dive Assessments based on the government’s six green growth policy priorities and the development of a Long-Term Decarbonization Plan for the overall economy that is informed by ongoing work on energy sector decarbonization. This rich TA and analytical engagement are setting the basis for a full Country Climate and Development Report in FY2023. In March 2020, the World Bank also launched a TA activity funded by the Korea Green Growth Trust Fund promoting Circular Economy in Uzbekistan, as a pathway to Green Growth. The TA selected the agriculture-food value chain for a deep dive to assess circular economy actions for improving natural resource efficiency and reducing agriculture and food waste, pollution, and greenhouse gas emissions. During the CPF, the DPO program is expected to support policy and regulatory options to underpin a greener more carbon-friendly growth model, including fiscal policies that steer consumer behavior and investment decisions to resilient and low-emission decisions. IFC aims at mobilizing greater private sector engagement to fight climate change with key focus in catalyzing renewable energy markets, strengthening energy efficiency at the industry level, pioneering sustainable agribusiness practices, and greening the financial sector in the country. IFC’s program will continue to help attract private investors to design, finance, build, and operate solar and wind independent power projects. Uzbekistan aims to develop 5 GW of solar and 3 GW of wind power by 2026. The government also hopes to adopt new technologies, such as short-duration battery energy storage, to further the reach of clean energy. The advisory service for JSCB Uzbek Industrial and Construction Bank (Uzpromstroybank UzPSB) is helping the client bank to establish functions of a ‘green bank’. MIGA will coordinate closely with the World Bank and IFC in search of potential opportunities to facilitate private sector investments via political risk insurance and not honoring credit guarantees to assist the country’s green transition. Paragraphs 62-63 of the main CPF text provide more details about the WBG ongoing and planned support.

Key Risks and Mitigation

To sustain the political commitment for a decarbonization agenda in a country so dependent on natural gas, it will be important for the CPF to bring evidence and pilot initiatives to demonstrate that Uzbekistan is able to attract green investment and create green jobs. Also, continuing strengthening the safety net will help manage the risks of a green transition. The World Bank is coordinating with the donors and IFIs community on this agenda and is working closely with the United Nations Development Programme and *Agence Française de Développement* to help the government develop a country platform approach for green growth that would lead to coordination and selectivity in international assistance and better mitigation of risks.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>1. Share of renewable energy supported by WBG in power generation mix (percentage) <i>Baseline: 0.007 (2022)</i> <i>Target: 5 (2026)</i> <i>Source: Ministry of Energy.</i></p> <p>2. Grid integration and connectivity of large-scale renewable energy enabled (MW) <i>Baseline: 100 (2022)</i></p>	<p>1. Circular Economy Action Plan in Agri-food Value Chain adopted <i>Baseline: 0 (2022)</i> <i>Target: 1 (2024)</i> <i>Source: Government Legislation.</i></p> <p>2. Long-term Decarbonization Strategy adopted</p>	<p>Ongoing Financing</p> <ul style="list-style-type: none"> • Energy Efficiency for Industrial Enterprises Project - Phase 3 (P118737) • District Heating Energy Efficiency Project (P146206) <p>Financing Pipeline</p> <ul style="list-style-type: none"> • Clean Energy for Buildings in Uzbekistan (P176060) • Scaling Solar 2 Independent Power Producer (P174322; Guarantee)

<p><i>Target: 1,200 (2026)</i> <i>Source: Ministry of Energy of Uzbekistan.</i></p> <p>3. CO2 emission reduction in industrial enterprises and in public buildings (metric ton)</p> <p><i>Baseline: 0 (2022)</i> <i>Target: 4,614,000 (2026)</i> <i>Source: Ministry of Energy, Reports, including ISRs, from projects P118737, P146206, and P176060.</i></p>	<p><i>Baseline: 0 (2022)</i> <i>Target: 1 (2024)</i> <i>Source: Government legislation.</i></p> <p>3. Value of the Statistical Performance Indicators (CP)</p> <p><i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: SPI.</i></p>	<ul style="list-style-type: none"> • Scaling Solar 3 Independent Power Producer (Guarantee) <p>And some of the following:</p> <ul style="list-style-type: none"> • DPO Program with Climate/Green Growth PAs • Green financing • Greener Railways for Connectivity and Trade Regional MPA (P177764) <p>Ongoing ASA</p> <ul style="list-style-type: none"> • Green Growth P-ASA Opportunities and Challenges (P178522), including long-term decarbonization strategy • Support for Preparation of Energy Sector Strategy (P168487), including study on decarbonization • Support Uzbekistan Gas Sector Reforms (P172414) • Innovative Solutions for Urban Mobility in Almaty and Tashkent • (P176262 - TF0B5109) • Decarbonizing Transport Connectivity in Central Asia ASA (P178311) <p>ASA Pipeline</p> <p>Energy</p> <ul style="list-style-type: none"> • Decarbonization studies • Hydrogen economy <p>Environment and Natural Resources</p> <ul style="list-style-type: none"> • Circular Economy in Agro-value chains TA (FY2022) • Green Growth P-ASA (FY2023) • Country Climate and Development Report (FY2023) • Air Pollution Report (FY2024) <p>Transport</p> <ul style="list-style-type: none"> • Railway sector modernization TA • Urban Transport Reform in Secondary Cities TA <p>IFC Program</p> <ul style="list-style-type: none"> • Zarafshon Wind (#44364) • Solar 2 (#44759)
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		<ul style="list-style-type: none"> • Solar 2 (#604324) • Solar 3 (#605287) • Uzbek Industrial and Construction Bank (Uzpromstroybank)
<p>CPF Objective 3.2: More efficient use of natural resources</p>		
<p>Under this objective, the CPF will support Uzbekistan address the inefficient use of its natural resources to reduce the losses to its economic and livelihood potential and support the shift toward a greener growth model. Improving the efficient use of natural resources will also help improve institutional capacity and the resilience of infrastructure to natural and climate disasters.</p>		
<p>Rationale for the CPF Objective and WBG Engagement</p>		
<ul style="list-style-type: none"> • Much of Uzbekistan’s economic potential is lost because of the inefficient use of natural resources. • This (wasted) wealth plays a critical role in supporting households in rural areas, where some of the poorest people in the country live. 		
<p>Lessons Learned, New Knowledge, and Knowledge Gaps</p>		
<p>The CPF plans to provide TA and analysis to fill some knowledge gaps in sustainable mineral extraction, given the interest of the government to advance mining (for example, copper) and the potential for additional water storage complemented by the dam safety TA.</p>		
<p>WBG Ongoing and Planned Support</p>		
<p>The CPF will aim at restoring degraded landscapes and increasing the resilience of ecosystems and people in transboundary areas. A new regional investment initiative will support the implementation of the 2030 Forest Strategy and will focus on landscape restoration and reforestation, diversification (toward agroforestry), value addition in key forest value chains (such as ecotourism), and job creation with a green-wager program. It will also support the expansion of rural forest SMEs, with a focus on transboundary regions and attention to women entrepreneurs. An active portfolio of projects, with important undisbursed volumes, will support the achievement of efficiency gains in agriculture (crops and livestock), water/irrigation, and energy and promote sustainable urbanization for resilient and efficient cities. A new ambitious long-term multiphase irrigation and drainage reform program will comprehensively address sector issues, including water efficiency management, with potential positive spill overs for the southern Aral Sea. The World Bank will also support a nationwide program of policies and investment for improved energy efficiency in buildings. IFC aims at mobilizing greater private sector engagement to expand renewable energy markets, strengthening energy efficiency at the industry level, pioneering sustainable agribusiness practices, and greening the financial sector in the country. MIGA will coordinate closely with the World Bank and IFC in search of potential opportunities to facilitate private sector investments via political risk insurance and not honoring credit guarantees to strengthen environmental resilience and achieve efficiency gains in agriculture, water, irrigation, and energy efficiency. More details about ongoing and planned WBG support are described in paragraphs 67-68 of the main CPF text.</p>		
<p>Key Risks and Mitigation</p>		
<p>Institutional capacity and fragmentation. To mitigate these risks, the World Bank is working with the United Nations Development Programme and <i>Agence Française de Développement</i> to create a country platform approach to green growth, including strengthening institutional cooperation on the efficient use of natural resources.</p>		

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>1. Land area under sustainable landscape management practices (ha) <i>Baseline: 0 (2022)</i> <i>Target: 280,000 (2026)</i> <i>Source: Resiland Project Reports, including ISRs.</i></p> <p>2. People benefitting from landscape management practices (G) <i>Baseline: 0 (2022)</i> <i>Target: 500,000 (2026)</i> <i>Source: Resiland Project Reports, including ISRs.</i></p> <p>3. Area/people provided with new/improved irrigation or drainage services (ha and number) (G) <i>Baseline: 40,000 ha/20,000 persons (2022)</i> <i>Target: 160,000 ha/80,000 persons (2026)</i> <i>Source: Reports, including ISRs, from Fergana Valley Water Resource Management Project and National Irrigation and Energy Efficiency Improvement Project.</i></p> <p>4. Energy savings in industrial enterprises, district heating, and public buildings (MWh) <i>Baseline: 0 (2022)</i> <i>Target: 9,761,944 (2026)</i> <i>Source: Reports, including ISRs, from projects P118737, P146206, and P176060.</i></p> <p>5. Average interruption frequency per year in transmission network (minutes) <i>Baseline: 59 (2022)</i> <i>Target: 53 (2026)</i> <i>Source: SAIFI.</i></p>	<p>Value of the Statistical Performance Indicators (CP) <i>Baseline: 54.9 (2021)</i> <i>Target: 72 (2026)</i> <i>Source: SPI.</i></p>	<p>Ongoing Financing</p> <ul style="list-style-type: none"> • South Karakalpakstan Water Resources Management Improvement Project (P127764) • Fergana Valley Water Resource Management Project - Phase II (P149610) • Mid-Size Cities Integrated Urban Development Project (P162929) • Energy Efficiency for Industrial Enterprises Project - Phase 3 (P118737) • District Heating Energy Efficiency Project (P146206) <p>Financing Pipeline</p> <ul style="list-style-type: none"> • Resilient Landscapes Restoration Project (Regional) (P174135) • Clean Energy for Buildings in Uzbekistan (P176060) • National Irrigation and Energy Efficiency Improvement <p>Ongoing ASA</p> <ul style="list-style-type: none"> • Green Growth P-ASA Opportunities and Challenges • Sustainable Urban and Regional Development (P159268) • Realizing an Inclusive Green Growth Transition (P177108) • Uzbekistan Urbanization Trends Spatial Analysis (P174520) • The Value of Landscape Restoration Uzbekistan to Reduce Sand and Dust Storm from the Aral Seabed • Uzbekistan Forest Policy Note <p>ASA Pipeline</p> <ul style="list-style-type: none"> • Value of Ecosystem Services in Changing Climate ASA • Sustainable Mineral Extraction • Irrigation management and reforms • Improved water management of the Southern Aral Sea • Potential for water storage

		• Dam Safety and Improved Regulatory Aspects
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Note:

CP	Citizen Participation
G	Gender-related indicators
CC	Climate change-related indicators

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

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MULTILATERAL INVESTMENT GUARANTEE AGENCY

**COMPLETION AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP FRAMEWORK**

**FOR
UZBEKISTAN
FOR THE PERIOD FY16-FY21**

**Central Asia Country Management Unit (ECCCA)
Europe and Central Asia**

**The International Finance Corporation
Europe and Central Asia**

The Multilateral Investment Guarantee Agency

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Date of the Country Partnership Framework for Uzbekistan - May 19, 2016 (Report 105771-UZ)
 Date of the Performance and Learning Review for Uzbekistan - June 26, 2018 (Report 126078-UZ)

GOVERNMENT FISCAL YEAR: January 1 to December 31

CURRENCY EQUIVALENTS

Currency Unit = Uzbekistan Som (UZS)

US\$ 1 = UZS 11,327 (March 18, 2022)

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	MSME	Micro, Small and Medium Enterprises
ASA	Advisory Services and Analytics	MUTS	Modernization and Upgrade of Transmission Substations
CBU	Central Bank of Uzbekistan	NDS	National Development Strategy
CE	Citizen Engagement	NEGU	National Electricity Grid of Uzbekistan
CPF	Country Partnership Framework	PER	Public Expenditure Review
CPSD	Country Private Sector Diagnostic	PEFA	Public Expenditure & Financial Accountability
CSO	Civil Society Organizations	PFM	Public Finance Management
DPO	Development Policy Operation	PHC	Primary Health Care
EBRD	European Bank for Reconstruction and Development	PIU	Project Implementation Unit
ECA	Europe and Central Asia	PLR	Performance and Learning Review
ECCE	Early Childhood Care and Education	PPL	Public Procurement Law
EU	European Union	PPP	Public-Private Partnerships
GCF	Green Climate Fund	RAS	Reimbursable Advisory Services
GIZ	German Technical Cooperation	REFCA	Regional Engagement Framework for Central Asia
GoU	Government of Uzbekistan	RIDP	Rural Infrastructure Development Project
HDP	Horticulture Development Project	SCD	Systematic Country Diagnostic
ICT	Information & Communication Technology	SDC	Swiss Agency for Development and Cooperation
IDA	International Development Association	SME	Small and Medium Enterprise
IFC	International Finance Corporation	SOBs	State-owned Banks
IFIs	International Financial Institutions	SOEs	State-owned Enterprises
IFRS	International Financial Reporting Standards	TA	Technical Assistance
ILO	International Labor Organization	TF	Trust Fund
IMF	International Monetary Fund	TPM	Third Party Monitoring
IPF	Investment Project Financing	UFRD	Uzbekistan Fund for Reconstruction and Development
IPP	Independent Power Producer	UN	United Nations
IsDB	Islamic Development Bank	UNDP	United Nations Development Program
JICA	Japan International Cooperation Agency	USAID	United States Agency for International Development
L2CU	Listening to the Citizens of Uzbekistan	UZS	Uzbekistan Som
LSDP	Livestock Sector Development Project	WBG	World Bank Group
LTF	Long-Term Finance	WSS	Water Supply and Sanitation
MCA	Mahalla Citizens' Assembly		

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UZBEKISTAN FY2016-2021 COMPLETION AND LEARNING REVIEW

I. INTRODUCTION

1. **This Completion and Learning Review (CLR) assesses the implementation and achievements of the FY16-21 World Bank Group (WBG) Country Partnership Framework (CPF) for Uzbekistan.** The CPF was discussed by the Board of Executive Directors on June 16, 2016 (Report № 105771-UZ) and updated through the Performance and Learning Review (PLR) on June 26, 2018 (Report № 126078-UZ). This review (a) assesses the extent to which the CPF was successful in achieving the stated objectives, (b) evaluates the CPF design and program implementation, and (c) describes lessons learned that will inform the design of the new FY22-26 WBG CPF for Uzbekistan. This review also discusses how well the CPF was aligned with the WBG's twin goals of ending extreme poverty and promoting shared prosperity in a sustainable manner.

2. **The Overall CPF outcome is rated as *Satisfactory*.** This rating is based on an assessment of the program's achievements in the areas of the WBG's engagement and self-evaluation of the CPF Results Matrix, revised through the PLR. The CPF comprehensively supported the ambitious government's reforms agenda expressed in the Uzbekistan National Development Strategy (NDS) for 2017-2021.

3. **The Overall WBG performance in designing and implementing the CPF is rated as *Superior*.** The program design was well aligned with the country's development goals and supported by a mix of interventions and instruments. Program implementation was flexible, and the PLR introduced an important strategic shift, enabling the WBG to effectively respond to historical changes in the client's economic and social development priorities. The CPF program was also able to timely respond to the demand for assistance to address the COVID-19 pandemic, in close coordination and collaboration with other development partners. Total actual IBRD and IDA delivery reached US\$5.1 billion (more than a three-fold increase compared to the previous FY10-15 CPS period), while the IFC's portfolio was well diversified, and cumulative long-term finance (LTF) commitments over FY16-21 have reached US\$347.5 million (up from US\$19.6 million over the previous period of FY10-15).

II. PROGRESS TOWARD CPF DEVELOPMENT OUTCOMES

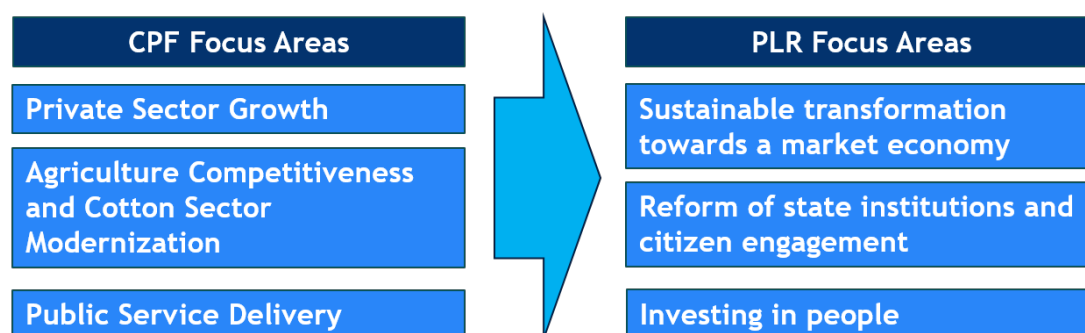
4. **Since the 1990s, the government was too present in many areas, and its role throughout the economy lacked adequate effectiveness, efficiency, and support for inclusive and sustained growth.** Prior to 2017, the state planned and led the distribution of resources and outputs among state-owned enterprises (SOEs) through the government budget and overbearing regulation. The economy was closed and with no competition. The development model was dominated by heavy industry, abundant use of natural resources and physical capital, and a neglectful attitude toward the employment and development of human capital. In agriculture, farmers have operated under a centrally planned state production system that sets out targets for cotton and wheat. More than 70 percent of arable land was allocated for these labor-intensive products that generate lower profits and have much lower labor productivity than most horticulture products. Abundant resources were misallocated, and labor mobility was restricted through strict internal residential registration system called "*propiska*." Prior to 2017, the authorities administratively set the official exchange rate with foreign currencies. The system resulted in a dual exchange rate regime where the official rate coexisted with the unofficial black-market rate. Differences between the rates were high, alimending distortions in the economy, with a substantially overappreciated official rate, and a large black market for foreign currencies.

5. **The CPF period coincided with ambitious transformations in Uzbekistan.** In late 2016, the GoU went through its first leadership change since the country's independence in 1991, and the new government launched three major shifts: from central planning to a market economy; from state to private ownership; and from isolation to regional economic integration. The first phase of reforms

produced positive outcomes, including improvements in the lives of citizens, increased incomes through agricultural reforms, rising wages, stronger private consumption growth, and greater opportunities for entrepreneurship.

6. **Adjustments to the CPF were made via the PLR in mid-2018 to respond to the significant changes in the country context and the new reforms agenda.** The PLR marked a strategic shift for CPF implementation to respond to the new government commitment to a faster, deeper, and broader program of social and economic reform by aligning the CPF with the Uzbekistan NDS 2017-2021. Figure 1 presents the modified focus areas. The CPF after the adjustments aimed to support key market and structural reforms, including macro-fiscal stability, building modern fiscal institutions (tax and public financial management systems) and a market-based financial system, trade liberalization, and SOE reforms. It planned to support creation of markets through policies that would facilitate private-sector activity by fostering competition, domestic and foreign investment. To mitigate the impact of reforms on the population, it was focused on protecting vulnerable groups through enhanced social safety nets, and improved labor regulation to facilitate the mobility of workers from low to high-efficiency sectors and to promote formal job creation.

Figure 1. CPF and PLR Focus Areas



7. **The economic reform agenda was complemented by ambitious social and political reforms, most notably the end of forced and child labor.** Since 2015, the World Bank has partnered with the International Labor Organization (ILO) to conduct third party monitoring (TPM) of the cotton harvest. ILO’s report for 2020 concluded that “systematic child labor is no longer used, and systematic forced labor did not occur during the 2020 cotton harvest.” Some provinces had no cases of forced labor for the first time in a decade. The nation-wide share of forced pickers declined from 13 percent in 2017 to 4 percent in 2020¹⁶ among the estimated two million cotton pickers (i.e., around one in eight working-age people).

8. **Although the COVID-19 pandemic delivered a sharp blow to past economic gains, the government decisively resolved to continue reforms.** Restrictions on mobility and economic activity coupled with weaker external demand and lower remittance inflows reduced real GDP growth to 1.7 percent in 2020 from 5.5 percent on average in 2018 and 2019 (broad-based and leading to decline in poverty). Although this represents a significant drop, Uzbekistan was one of the few countries in Europe and Central Asia (ECA) to experience modest economic growth in the first year of the pandemic. This was mainly due to the rapid and sizable anti-crisis support provided by the GoU, which prioritized saving lives, preserving livelihoods, and sustaining reform momentum.

9. **Country program adjustments were made in mid-2020 to sustain Uzbekistan’s ambitious reforms in the context of a new COVID-19 pandemic normal.** While some investment project

¹⁶ https://www.ilo.org/washington/news/WCMS_767753/lang--en/index.htm

financing (IPF) operations in the pipeline have been adjusted to strengthen resilience and improve recovery prospects, several ongoing projects have been able to re-prioritize project activities without formal restructuring to better respond to the priorities of the WBG Approach Paper, *“Saving Lives, Scaling-up Impact, and Getting Back on Track”*.

10. Overall CPF development outcome is rated as *Satisfactory*. Of the 12 CPF objectives, six were achieved, five were mostly achieved, and one was partially achieved. In cases where project-specific targets were partially achieved, the cause was pandemic-related implementation delays. The rating also reflects implementation of transformative programs with exceptional development impacts, which are not explicitly captured by the indicators of the CPF results matrix but represent indirect pathways toward most of the CPF objectives, particularly under Focus Area 1. They include engagements that allowed to: i) end systematic use of forced labor in the cotton sector; ii) remove restrictions banning employers from hiring workers without propiska¹⁷; iii) end the government quota system for cotton and transferring cotton production to private vertically integrated clusters; iv) stop the practice of direct on-lending of the resources of the Uzbekistan Fund for Reconstruction and Development (UFRD), a sovereign wealth fund, through SOBs; v) unbundle vertical gas and electricity SOEs; and vi) competitively tender and procure a first Public Private Partnership (PPP), independent power producer (IPP) and grid-scale renewable energy (RE) project in Uzbekistan. These and other reforms were supported by the whole array of the WBG products, and most reforms were included in the program of Development Policy Operations (DPOs) described in Annex 8.

Focus Area 1. Sustainable transformation toward a market economy

11. Focus Area 1 supported objectives to i) enhance economic growth and transition toward a market economy, ii) improve regulatory requirements for business, iii) strengthen access to finance and financial services for the private sector, iv) improve diversification of agriculture production, and v) improve efficiency of infrastructure service delivery. Two objectives were achieved, and three were mostly achieved. Overall, the results of this focus area are rated as **Satisfactory** considering that the efforts by the WBG under this focus area directly supported the achievement of exceptional development outcomes that significantly accelerated the transformation toward a market economy¹⁸. In addition, the weight of this focus area in the overall CPF outcome is 50 percent given the importance of its five objectives and the high number of indicators (12 out of 27).

Objective 1.1: Enhanced economic growth and transition toward a market economy.

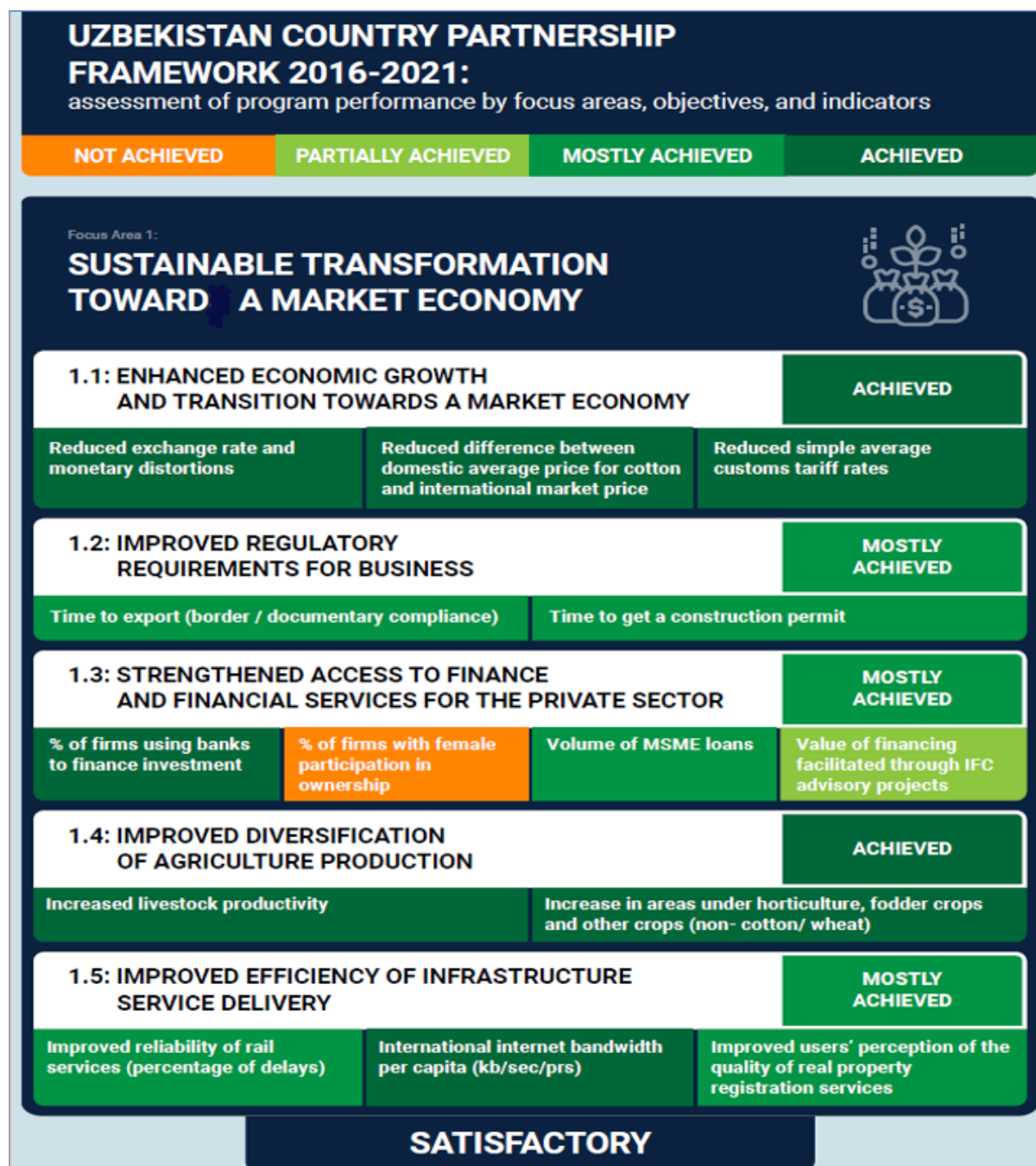
12. The WBG has supported Uzbekistan in the implementation of structural reforms since the GoU launched its economic and social reform program in 2017. Since then, several important reforms, supported by the World Bank’s DPOs and complemented by a broad set of WBG financial and analytical services, have been enacted to unify and liberalize the foreign exchange market, remove onerous licensing and regulatory restrictions on private businesses, remove export barriers and reduce trade tariffs, overhaul the tax system to make it more equitable and efficient, liberalize internal migration controls, and remove almost all product market price and trading restrictions. These reforms contributed to several notable results prior to the onset of the pandemic, including record increases in horticultural exports, domestic firm creation, personal taxpayer registrations, and a large reversal in agricultural growth after years of stagnation. Substantial progress has been achieved on non-tariff barriers, including the elimination of foreign exchange surrender and advance prepayment requirements, and the removal of most export inspection processes. WTO membership negotiations

¹⁷ Not having the proper propiska was a legal offence carrying administrative and criminal penalties and ground for the denial of all public services, including health and school enrolment. Employers could not offer employment to people without registration permits.

¹⁸ Uzbekistan was recognized by Economist as the country of the year in 2019 - <https://www.economist.com/leaders/2019/12/21/which-nation-improved-the-most-in-2019>

resumed in mid-2020, 15 years after the last formal meeting of the accession working party on the country's accession. The reforms also helped partially buffer Uzbekistan's economy from the COVID-19 crisis: it was one of the few countries in the ECA region to grow in 2020. Importantly, accompanying reforms to expand social safety nets and strengthen rural incomes helped buffer adjustment costs for those most vulnerable to the transition. According to the 2021 Listening to the Citizens of Uzbekistan (L2CU) survey, the reform program continues to enjoy significant popular support, with very few respondents believing the country is not following the right track for reforms¹⁹.

Figure 2. Achievement of objectives under Focus Area 1



Objective 1.2: Improved regulatory requirements for business.

¹⁹ <https://thedocs.worldbank.org/en/doc/c705e28720492e4af5d637a701a28f8e-0080062021/original/L2CU-COVID-19-Rev2020-Cleared-ENG.pdf>

13. Since 2017, the GoU has taken significant steps to create a more conducive regulatory environment for private sector development, including reforms affecting market entry/exit, competition, trade, and other areas. To make domestic producers more competitive, the government reduced import tariffs for about 8,000 out of 10,800 items. In addition, zero-rate excise and duties were applied to 3,550 and 1,122 items, respectively. Simultaneously, an electronic application and payment system for multiple import and export certificates was introduced, which expedited issuing permits for trade activities. In addition, customs procedures were simplified and export permits for most goods were removed. In 2020, the GoU streamlined²⁰ licenses and permits to reduce the compliance burden for inspections of businesses by excluding activities with no risk to human health or society and transferring activities with a low-risk level to alternative methods of regulation.

14. CPF indicators for time to cross the border and pay taxes are insufficient due to the discontinuation of the Doing Business index and the impact of the pandemic on cross-border trade and tax payments. The CLR team looked for other evidence of improvements in regulatory requirements for businesses. The 2020 BTI Transformation Index reports that perceptions on the state of market competition in Uzbekistan have improved since 2016 as the result of the reforms to improve the business environment²¹. More specifically, progress has been made in the following areas: i) getting electricity is easier because there are new strict deadlines for connection procedures; ii) access to credit information has improved because the credit bureau expanded its data; iii) access to credit is enhanced because secured creditors are granted priority over other claims; iv) paying taxes is simplified because the employer-withheld employee-paid personal pension fund was abolished; v) taxes are lower because the corporate income and interest income tax rates were reduced; vi) enforcing contracts is easier because of the stricter rules on adjournments; and vii) resolving insolvency is easier because rules for creditors to commence reorganization proceedings were established, and creditors have the right to request financial information. These reforms contributed to increases in new business registrations and the tax base. They were aligned with the recommendations of the World Bank provided through ASAs. A *Doing Business Reform Memorandum* (2018) provided extensive recommendations across all aspects, including: i) streamlining the time to obtain an electricity connection by reducing the time to perform the external works; ii) encouraging the collection and distribution of credit information data from retailers, telecommunication companies and utility companies; iii) revising the court economic procedure rules to improve the flow of cases through stricter rules on time standards and adjournments. An *Investment Climate Reform Note* (2018) proposed various strategies to promote export competitiveness and diversification and implementation of Single Window system for trade. In the same vein, *the Country Private Sector Diagnostic* (CPSD) advocated for the GoU to address competition bottlenecks and distortions stemming from preferential terms for big players. During the CPF consultation²² meetings held in 2021-22, business owners emphasized improvements in the general business environment, pointing to significant time and cost reductions introduced by electronic documentation, better water supply, and faster and stable internet speed.

Objective 1.3: Strengthened access to finance and financial services for the private sector.

15. Uzbekistan' private sector benefited from improved access to finance over the last several years. The ratio of credit to GDP increased from 36.5 percent at end-2017, to 48 percent at end-2020, and the overall bank lending portfolio increased 2.5 times. Loans to small businesses grew to 27.6 percent of total outstanding bank loans in 2020—compared to 16 percent in 2017. This followed the

²⁰ Presidential Decree #UP60-44 adopted in August 2020 significantly reduced the number of activities requiring a license and permit

²¹ <https://bit.ly/3Gkm6q0>

²² <https://www.worldbank.org/en/country/uzbekistan/brief/cpf-consultations>

credit boom in 2018 after the economic liberalization, which was primarily funded by state and foreign banks, and international financial institutions (IFIs).

16. In 2017, the GoU started work on the transformation of systemic state-owned banks (SOBs) with a view to privatizing them. The GoU's commitment to reforming the banking system is supported by the national Banking Sector Reform Strategy, which was developed with the World Bank's support²³ and approved in May 2020. The strategy envisages a broad range of reforms in the banking sector, and calls for adherence to market practices, increased lending to the private sector, and attracting foreign investors. It sets out a roadmap for the institutional transformation and eventual privatization of at least six of the thirteen SOBs. The IFC's leading advisor role has helped open the banking sector up to the participation of strategic investors.²⁴ In 2001, a large Eastern European bank, OTP Bank, participated in the privatization of Ipoteka bank. Following its successful advisory work on the Ipoteka Bank transformation in 2020, IFC committed the equivalent of US\$35 million in UZS as a convertible loan to help the bank finance businesses, including women owned MSMEs. IFC is progressing with similar advisory services to the second largest SOB, UzPSB, to provide long-term financing to help the bank serve the needs of MSMEs.

17. With the support of the World Bank, several other key reforms have been undertaken in the financial sector, including the Law on Banks and Banking, the cleanup of SOB balance sheets from large SOE loans, ending the practice of direct on-lending from the UFRD through SOBs²⁵, and the gradual improvement of the banking sector regulatory and supervisory framework²⁶. In addition, measures were taken to wind down preferential lending by introducing interest rate subsidy mechanisms where needed. Currently, preferential loans account for 52 percent of total SOB lending, down from 64 and 77 percent in 2019 and 2018, respectively. All directed lending programs for low-income households, small producers, and entrepreneurs have been concentrated in three SOBs expected to remain public.

18. In the CPF period, IFC pioneered providing local currency finance for MSMEs through its partner banks in Uzbekistan.²⁷ In May 2018, on the London Stock Exchange, IFC issued its inaugural Samarkand bond, denominated in UZS, raising UZS80 billion (the equivalent of US\$10 million) to expand lending for MSMEs in Uzbekistan. This was the first-ever UZS-denominated transaction issued in international markets. Since then, Samarkand bonds totaling US\$178.3 million have been issued. The proceeds of the bonds were used to fund the IFC's loans to Ipak Yuli Bank and Ipoteka Bank, as well as several of Hamkorbank's swap operations.²⁸ IFC was the first IFI to provide local banks with a risk-management tool to hedge their currency exposures through cross-currency swaps.²⁹ Although one of the indicators under this objective was not achieved (percent of firms with female participation in ownership), the level of achievement of other target indicators as well as impact of the above WBG advisory services on the access to finance justify the overall rating of Mostly Achieved.

Objective 1.4: Improved diversification of agriculture production.

²³ Support was provided through Financial Sector TA (P169450)

²⁴ IFC projects Ipoteka Bank Transformation (602352), Uzpromstroybank Institutional Capacity Advisory (604138), ECA Banking Risk Management Project (604324), Turon Bank Diagnostic Assessment (606445), IP Senior Loan (38405).

²⁵ The recommendations under TA on Financial Sector (P169450) were followed by two Presidential documents - the cleanup of SOBs balance sheets from large UFRD funded SOE loans (Resolution #4487) and stopping the UFRD direct lending to banks (Decree UP5877).

²⁶ Through a dedicated FinSAC TA since 2019 (series of annual TA activities), including P143745.

²⁷ IFC project IP Senior Loan (38405).

²⁸ IFC projects Ipak Yuli Loan (39320), IP Senior Loan (38405), Hamkor SWAP (41329, 42276).

²⁹ IFC projects Ipak Yuli SWAP (43248), Hamkor SWAP (41329, 42276, 42692, 43922).

19. The WBG contributed to a greater diversification of agricultural production in Uzbekistan by supporting reforms via a series of DPOs and investments. The DPO-1 helped reduce land area allocated for the mandatory production of cotton and wheat which made more land available for horticulture, while the DPO-2 removed mandatory pre-payment and minimum export price requirements for horticultural exports. The DPO-3 helped abolish the state quota system for cotton, and the DPO-4 did the same for wheat. In 2017, the World Bank started the Livestock Sector Development Project (LSDP) with US\$150 million of IDA-IBRD funds, and in 2018 it added US\$500 million of the IBRD funds to the Horticulture Development Project (HDP). The results of agricultural diversification have been impressive. First, the area under horticulture and fodder production increased from 584,000 ha in 2015 to 872,822 ha by 2020 (excluding immature fruit orchards). This increase was driven by the reduction in the growing area for cotton, and to a lesser extent wheat. It was also driven by the GoU's policy priority to create job opportunities in the agri-food sector that are economically viable, sustainable and contribute to rural household income³⁰. Second, the area under the newly established fruit orchards more than doubled from 52,100 ha in 2015 to 114,000 ha in 2020. These orchards create a strong foundation for future long-term agricultural growth. Third, the export of horticulture products almost doubled from US\$570 million in 2017 to US\$1,200 million in 2019. Fourth, high-value-processed and ready textile products increased as a share of total cotton exports. The export of textile and garment products increased from US\$855 million in 2015 to US\$1,627 million in 2019, while the export of cotton lint (the raw material) decreased from US\$736 million to US\$282 million in the same period. Fifth, livestock productivity grew, providing more income to smallholders, who largely own cattle in Uzbekistan.

20. The WBG assisted the GoU in transferring cotton production to private vertically integrated clusters. In May 2021, following multi-year advisory work on introducing sustainable cotton farming in the country, IFC committed US\$60 million in a long-term loan to Indorama Agro, to help it finance the development of about 50,000 ha of farmland in the Syrdarya and Qashqadarya regions, while also supporting independent farmers through contract farming.³¹ Agricultural diversification helped many workers benefit from the shift in production of low-value cotton to the production of high-value (and more labor intensive) horticulture and textile products, which offer wage workers and farmers better earning opportunities. Since 2017, horticulture value chain investments have helped create productive and inclusive jobs in greenhouses, intensive orchards, storage, processing, and packaging facilities. The HDP alone helped create more than 34,000 new jobs, with 13,000 for women. More jobs have also been created in the livestock subsector, where the LSDP is estimated to have helped create 7,000 new jobs, including 1,700 jobs for women. The project supported the procurement of live animals (for milk) and cattle and small ruminants (for meat), and farm machinery and processing lines. This helped farmers access improved technologies, which in turn helped them increase productivity and income. More diverse agricultural production supported the food processing industry, where employment increased from 86,000 in 2016 to 107,000 in 2019 (27 percent).³² Average wages and productivity in food processing are higher than in primary agriculture, so job creation is a sign of successful structural transformation in agriculture. As a result, agriculture was the main sector supporting economic growth during the pandemic, demonstrating growth of 3 percent in 2020.

Objective 1.5: Improved efficiency of infrastructure service delivery.

21. The World Bank has worked to develop railways and roads to improve transport connectivity between the main part of Uzbekistan and the Ferghana Valley, Uzbekistan's most fertile and densely

³⁰ Agrifood Job Diagnostic ASA (P171263) <https://imagebank2.worldbank.org/Search/32435036>

³¹ IFC projects Indorama Cotton (42352), New Uzbekistan Sustainable Cotton (601530).

³² Uzbekistan Agri-Food Job Diagnostic (WB 2020).

populated area, with about 30 percent of the country's population. In addition, the development of strong transport corridors for the Ferghana Valley is a part of a broader vision of regional development based on new routes linking Central Asia to Europe, South, and East Asia. The World Bank's first railway project, Pap-Angren Railways Project, managed to reduce freight and passenger costs. The passenger cost indicator declined from US\$15 in 2015 to US\$10 in 2019 (33 percent). Freight costs also decreased substantially³³. The railway reliability for freight transportation, measured by the number of trips delayed by more than one day as per the schedule, improved from the baseline of 95 percent to 10 percent at the project completion. Although the end-project target was 5 percent, railways will achieve it once a permanent, automated signaling system is installed.

22. In the road sector, under the Regional Roads Development Project, 270 km of the total 622 km of local and rural roads have been rehabilitated, contributing to improved local and intra-regional connectivity for five districts in the Tashkent region and 145 villages in the Ferghana Valley, where poor-quality roads had undermined access to economic opportunities, jobs, education, and social services. The improved roads have contributed to the increased welfare of 420,000 households totaling 2.3 million beneficiaries in project areas. This is particularly significant in the Ferghana Valley where three oblasts have the lowest income per capita in the country per the 2019 Household Budget Survey. From the car owners' point of view, primary benefits are a reduction of vehicle operating costs and time savings.

23. Since 2018, the GoU has made progress in improving the quality and access to Internet connectivity. In 2018 alone, the international Internet bandwidth increased ten times (from 110 Gbps to 1200 Gbps)³⁴. The telecommunications market has experienced continuing price decreases for international Internet access (around US\$2.8/Mbps in 2021³⁵ compared to US\$91.5 in 2016³⁶), decreases in retail prices for mobile-broadband basket (US\$2.95 in 2020 compared to US\$30 in 2016)³⁷, and accelerated deployment of fiber optic infrastructure across the country (from 17,900 km in 2016 to 68,600 km³⁸ in 2020). The WBG supported the preparation of the Government's long-term Digital Uzbekistan 2030 Strategy, prepared several reports on various digital development areas, including the detailed Telecom Reform Roadmap. Some of the WBG recommendations on telecom sector development were already reflected in various Government decisions, including i) initiation of SOE reform agenda, which also envisages the privatization of SOE mobile operators; ii) simplification of the licensing regime and procedures for issuance of network construction permits to telecom operators; and iii) gradual decrease of the tax burden on mobile operators. However, reforms are yet to materialize in some key areas, including liberalizing the international gateway, unbundling Uzbektelecom into separate wholesale and retail entities, and strengthening the sector regulator.

Focus Area 2. Reform of state institutions and citizen engagement (CE)

24. Focus Area 2 supported objectives to: i) enhance corporate governance and strengthen the financial sustainability of SOEs, ii) increase access, efficiency and reliability of power supply and heating services, iii) improve access to and quality of water supply and sanitation services, and iv) strengthen citizen participation in the oversight of public service delivery. Two objectives were

³³ Specifically, the end-project value for transporting of: i) oil and oil products was US\$1,057 per tank, half of the baseline; ii) fertilizer was US\$368, one sixth of the baseline; and iii) automobiles was US\$568 per wagon, a reduction of 42 percent relative to the baseline.

³⁴ <https://mitc.uz/ru/pages/communication>

³⁵ <https://uztelecom.uz/ru/novosti/novosti/ocherednoe-snizhenie-cen-na-internet-kanal-dlya-operatorov-i-provayderov>

³⁶ <https://mitc.uz/ru/pages/communication>

³⁷ <https://www.itu.int/en/ITU-D/Statistics/Dashboards/Pages/IPB.aspx>

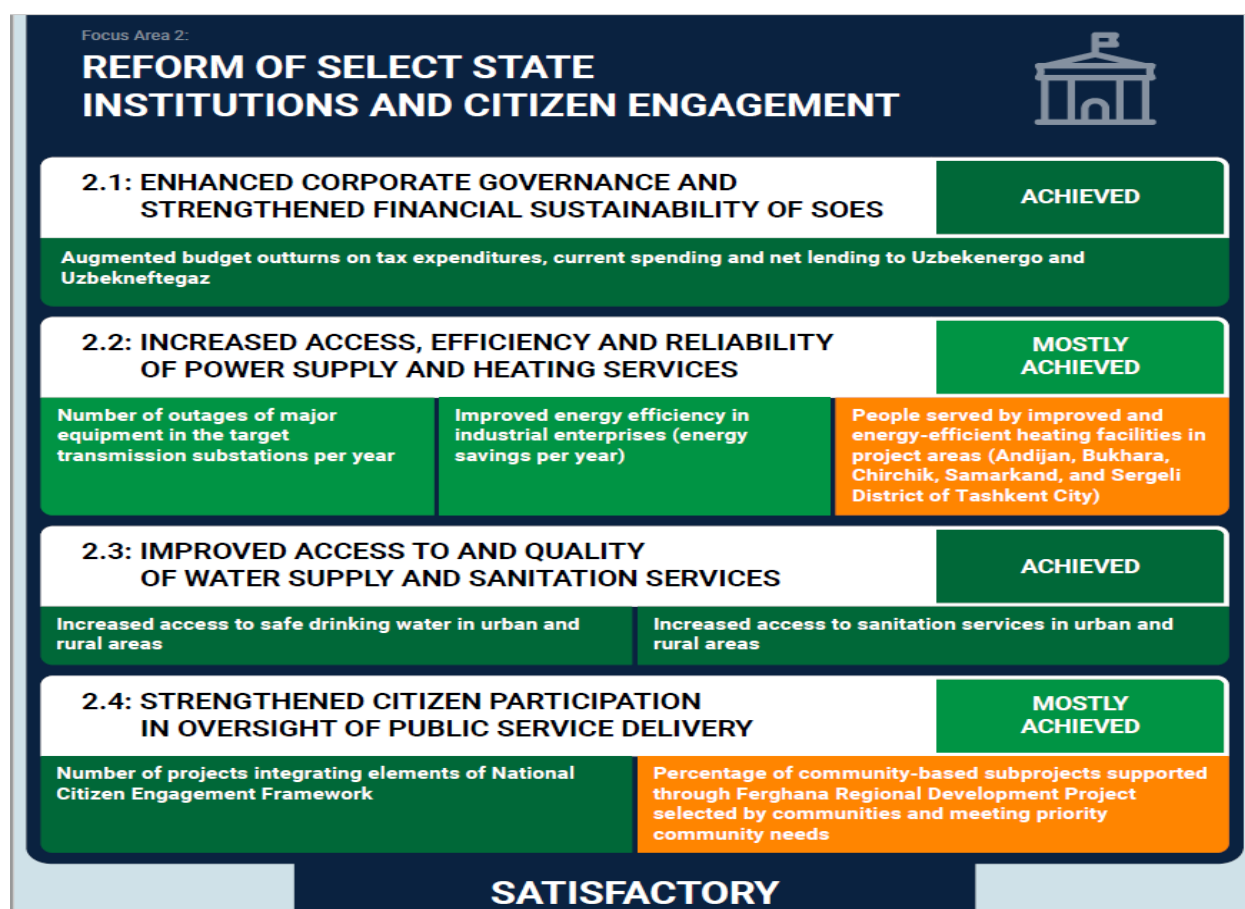
³⁸ <https://mitc.uz/ru/pages/communication>

achieved, and the remaining two were mostly achieved (COVID-19 affected the achievement of the two indicators supported by infrastructure projects). Importantly, the weight of the objective 2.1 (enhanced corporate governance and strengthened financial sustainability of SOEs) in this focus area is considered greater than 30 percent given its cross-cutting nature and impact on the market reforms. Therefore, the overall results of this focus area are rated as **Satisfactory**.

Objective 2.1: Enhanced corporate governance and strengthened financial sustainability of SOEs.

25. Since 2017, the GoU, with the support of the World Bank and other development partners, has taken important initial steps to reduce the role of SOEs in Uzbekistan’s economy. An example is legislation for strategic SOE reform and privatization, which aims to centralize and strengthen corporate governance, the financial transparency of large SOEs, and address institutional weaknesses. Other measures included: i) reducing the number of unitary enterprises by corporatizing SOEs and converting them to joint stock companies; ii) updating the corporate governance code and introducing it to the 60 largest SOEs; iii) mandating transition to the International Financial Reporting Standards (IFRS) Standards for largest entities in Uzbekistan; and iv) establishing individual websites for each SOE to host important information, including board and management composition, quarterly and annual financial information, and key performance indicator reports. The top 32 SOEs in the country are to be restructured to improve their financial sustainability and corporate governance³⁹.

Figure 3. Achievement of objectives under Focus Area 2



³⁹ Decree of the President of Uzbekistan YII-6096 dated October 27, 2020.

26. Under their transformational engagements with IFC, two large SOBs– Ipoteka Bank and UzPSB– have made institutional changes to improve their corporate governance frameworks. For both banks, the GoU issued separate resolutions containing detailed, time-bound transformation plans with specific deadlines for various operational and corporate governance milestones aligned with the IFC’s requirements. As a result, in 2020, Ipoteka Bank became the first SOB in the country to be governed by a supervisory board with a majority of independent directors, including foreign directors. Other SOBs have since followed this positive example and improved their corporate governance through attracting independent directors to their supervisory boards.

27. As part of the broader SOE reform, the GoU initiated a comprehensive transformation of the chemicals industry to reduce the state footprint and create a thriving and globally competitive private sector. The GoU and IFC signed a cooperation agreement, establishing IFC as the lead advisor supporting institutional and policy reforms in the chemicals sector, including the privatization of two fertilizer plants (FerganaAzot and Dehkanabad Potash), and the transformation of the largest chemical complex in the country, NavoiAzot.⁴⁰ IFC’s earlier engagement in the chemicals sector–through the CPSD, the Energy Efficiency Roadmap development for the Fertilizer Sector,⁴¹ and investment in Indorama Kokand Fertilizers and Chemicals⁴²– have shaped and strengthened the GoU’s commitment to reform the chemical industry, which is fundamental to the development of value-added manufacturing and agricultural sectors in the country.

Objective 2.2: Increased access, efficiency and reliability of power supply and heating services.

28. With the WBG support, the GoU has initiated ambitious energy sector reforms that envisage introducing competitive market principles based on key considerations such as i) improving service quality and reliability, ii) leveraging private investment financing, iii) enhancing operational and financial sustainability, iv) improving transparency and accountability, v) unbundling Uzbekenergo (UE) toward a wholesale electricity market model, and vi) adopting good international practices. The sector oversight functions have been consolidated under the new Ministry of Energy, and the decisions were made to unbundle the vertically integrated SOEs (UE and Uzbekneftegaz) into separate companies; adopt a new electricity tariff methodology; establish a separate tariff commission setting out a path for tariffs to be adjusted to full cost recovery levels on a regular and systematic basis⁴³.

29. The GoU has taken initial measures to develop RE through adoption of new RE and PPP laws and RE transmission grid code; establishment of PPP Development Agency; and approval of the Electricity Sector Development Concept, including a 2020-2030 Generation Expansion Plan informed by the World Bank-led Least Cost Generation Expansion exercise for the development of about 15 GW of net generation capacity by 2030, including 5,000 MW solar and 3,000 MW wind power. To this end, the WBG has supported the competitive tendering and procurement of the first PPP, IPP and grid-scale RE/solar energy project in Uzbekistan, Nur Navoi Scaling Solar IPP (100MW) through the World Bank’s TA and Guarantees and IFC Advisory and Investment⁴⁴. Building on this success, deployment of

⁴⁰ IFC project Uzbekistan Fertilizers (605537).

⁴¹ IFC Project Resource efficiency in ECA region (577207).

⁴² IFC Project Indorama Kokand Fertilizers and Chemicals (39112).

⁴³ Tariff adjustments in 2018 and 2019 collectively brought the weighted-average tariff for electricity from 70 percent at the beginning of 2018 to 92 percent of cost recovery level in 2019, allowing more cash for the sector.

⁴⁴ The Project was approved in September 2020, and the Solar PV plant was commissioned in August 2021.

additional 900 MW solar capacity is underway through the WBG support to further diversify the power mix, strengthen supply security, and support GoU efforts in power sector decarbonization and clean energy transition.⁴⁵

30. To improve the power supply reliability, the GoU, with the WBG support, has initiated the development of transmission expansion and rehabilitation plans to improve grid reliability, facilitate grid integration of new large-scale RE, and strengthen regional connectivity by 2030. An energy sector digitalization strategy was also developed and adopted by the GoU in May 2019, to introduce modern digital solutions, such as supervisory control and data acquisition (SCADA), energy management systems (EMS), and remote terminal units (RTUs) for transmission system operations. Other new solutions include advanced metering infrastructure, modernization of telecommunication systems with new optical ground wire, and the integration of enterprise resource planning. These updates will also contribute to the corporate transformation and commercialization of newly unbundled utilities.

31. In 2018, the World Bank began the Modernization and Upgrade of Transmission Substations (MUTS) project to support the rehabilitation of 22 transmission substations with modern equipment and control and protection devices compatible with the planned SCADA/EMS/RTU modernization. Building on the needs and lessons learned from the MUTS project implementation, the World Bank approved in June 2021 the Electricity Sector Transformation and Resilient Transmission project to strengthen the performance of the National Electricity Grid of Uzbekistan (NEGU) and improve the capacity and reliability of the power transmission system to integrate large scale RE sources through digitalization and transmission grid rehabilitation.

32. The GoU has achieved success in improving the efficiency of energy supply and heating services. The Energy Efficiency Facilities for Industrial Enterprises Project is exceeding its performance targets in terms of energy savings, CO2 emissions reduced, amount of funds leveraged, and the number of MSMEs supported. Building on this experience, the World Bank is currently discussing with the GoU the operationalization of the Energy Efficiency Fund. The District Heating Energy Efficiency Project is making progress toward improving the efficiency and quality of heating and hot water services in selected cities. Meanwhile, financing for the GoU and apartment owners for in-building and in-apartment systems for the selected facilities is progressing slower than expected.

Objective 2.3: Improved access to and quality of water supply and sanitation services.

33. The Government demonstrated its strong commitment to the improvement of water supply and sanitation (WSS) services through governance reform, institutional strengthening and investments in rehabilitation, replacement, and expansion of WSS systems. In 2016, the fragmented service providers were merged into 14 provincial utilities “Suvokovas” to improve service delivery by leveraging economies of scale, improving sector performance, and promoting financial sustainability.⁴⁶ In 2017, the Ministry of Housing and Communal Services was created to establish modern regulatory procedures, and build a framework for long-term planning, investments, and sustainable operations and maintenance. Access to improved water supply was provided to 537,000 people following the completion of the World Bank’s Syrdarya Water Supply Project as well as Alat and Karakul Water Supply Project in 2021. Access to wastewater services was secured for 585,000 people following the completion of Bukhara and Samarkand Sewerage Project in 2021. These results exceeded the targets of the respective projects, and the overall coverage reported in the results framework could have been higher. However, the Water Services and Institutional Support Project

⁴⁵ IFC projects Uzbekistan Solar (602154), Navoi Scaling Solar (42525; P170598), Scaling Solar 2 (604324; P174322).

⁴⁶ In early 2021, they were transformed into the regional LLC “Suvta’minot” (regional branches of JSC “UzSuvta’minot”).

(approved in March 2020) has suffered from the COVID-19 restrictions that delayed the completion of feasibility studies that are necessary for the Government to start implementation.

Objective 2.4: Strengthened citizen participation in oversight of public service delivery.

34. Since 2017, the GoU has adopted measures and established new institutions to increase CE in local decision making and service delivery.⁴⁷ The shift toward an open dialogue with the population, along with increased role of media and civil society, has helped establish channels for public feedback, particularly regarding service delivery. L2CU data shows that citizens broadly support these initiatives and use them to engage with the state and participate in local decision making.⁴⁸ The BTI governance index for Uzbekistan increased from 1.95 in 2016 to 3.58 in 2020. Recent reforms have strengthened the role of Mahalla Citizens' Assemblies (MCAs), which serve as local self-governing bodies, in public service provision, including identifying poor households and vulnerable groups eligible for social assistance programs. A nationally representative survey of MCA chairpersons conducted from August to November 2020 showed that 72 percent of MCA chairpersons processed applications for assistance as part of the GoU's COVID-19 response. To strengthen the accountability, first direct elections for MCA chairpersons and advisors were held in May 2019. Challenges remain, however. Additional efforts are needed to make MCAs more inclusive, transparent, and accountable. As of 2019, only 12 percent of MCA chairpersons were women. MCA office holders do not receive training in basic facilitation and outreach skills, referral pathways, or professional norms (e.g., confidentiality and non-disclosure of information) needed to effectively work with vulnerable groups.

35. Seizing on the entry points and opportunities created by the above mentioned GoU reforms and initiatives, the Bank developed a Strategy for CE in Service Delivery in Uzbekistan, to support the development of genuine CE in service delivery and the design and implementation of CE mechanisms in the priority World Bank-financed projects. Six ongoing and planned operations have introduced the CE mechanisms. Through the Rural Infrastructure Development Project (RIDP), for example, citizens in participating communities prioritize and select project investments in basic infrastructure and services following a series of participatory rural appraisal exercises that culminate in the production of village development plans. Social audits monitor the performance of project implementers, including representatives of regional and district administrations. The COVID-19 pandemic has caused delays in reaching the target of having 75 percent of RIDP sub-projects selected by communities to meet their priority needs. There was an increased focus on CE in the projects and ASAs addressing the climate change agenda. The Global Disruptive TECH Challenge: Restoring Landscapes in the Aral Sea and the Climate Change Conference held in 2019 in Tashkent were excellent examples of CE.

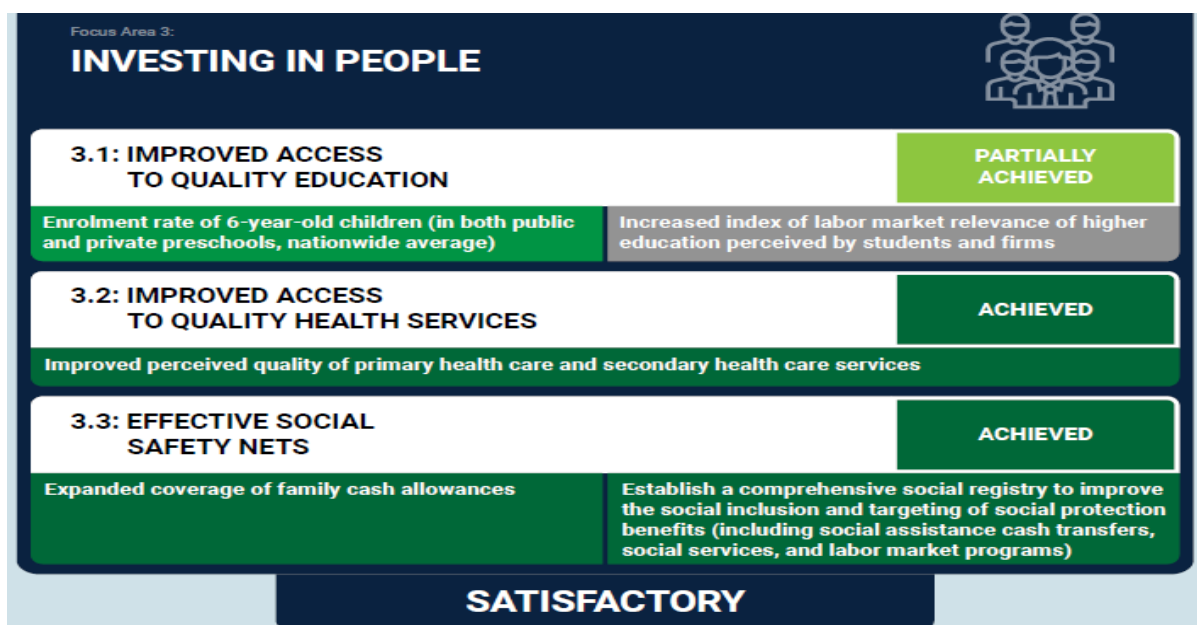
Focus Area 3. Investing in people

36. Focus Area 3 supported objectives to: i) improve access to quality education, ii) improve access to quality health services, and iii) build effective social safety nets. Two objectives were achieved and the third was partially achieved. Overall, the results of this focus area are rated as **Satisfactory**.

Figure 4. Achievement of objectives under Focus Area 3

⁴⁷ These include the introduction of Public and Virtual Receptions to solicit citizen feedback, and the 2018 Law on Public Control for citizen oversight. The law gives MCAs, NGOs, and the media the right to oversee the performance of government bodies and officials.

⁴⁸ L2CU data from September 2018 to May 2019 showed that 91% of rural/peri-urban households and 87% of urban households had submitted complaints through the People's Reception or another government mechanism. In addition, 62% of rural/peri-urban and 55% of urban households reported that they had participated in consultations about development/infrastructure.



Objective 3.1: Improved access to quality education

37. In 2012, early childhood care and education (ECCE) enrollment was at 23 percent, low by international standards. In rural areas, the rate was only 8.5 percent driven by both limited supply and low demand. Through the World Bank's Improving Pre-primary and General Secondary Education Project, access to quality ECCE for children aged 3-6 was increased through a nationwide rollout of the half-day model of ECCE in rural pre-primary institutions. This included training for half-day teachers focused on child-centered, interactive, and play-based approaches, and equipment and furniture for rural pre-primary institutions. As of September 2019, enrollment in early childhood care and education for children aged 3-6 in rural areas had increased from the baseline of 8.5 percent to 28.3 percent, which exceeded the target of 15 percent. The project supported the establishment of libraries within rural pre-primary centers, equipped with early reading materials, and the distribution of high-quality early reading materials and storybooks directly to families in remote areas who could not enroll their children in the pre-primary centers. As a result, the GoU transitioned from a model oriented around basic childcare to a more effective model prioritizing school readiness.

38. The World Bank's ongoing Modernizing Higher Education Project supports the GoU in improving laboratories and research systems to help better prepare higher education graduates to contribute to scientific progress to increase economic growth. To improve the quality of teaching and academic research, the project funding supported two types of laboratories: basic teaching laboratories, and advanced scientific research laboratories. To date, 54 basic teaching laboratories have been delivered to higher education institutions and incorporated in revised academic programs.

Objective 3.2: Improved access to quality health services.

39. The quality and efficiency of the health sector in Uzbekistan has substantial room for improvement. The Health Sector Improvement Project supported by the World Bank helped improve access and service quality by providing 748 medical facilities with modern medical equipment. Introduction of 22 new treatment standards for non-communicable diseases and protocol training improved the capacity of health personnel and service quality. Within the project framework, 3,067 doctors completed a 10-month general practitioner training. Furthermore 14,824 medical doctors and 50,018 nurses completed continuous professional development courses. The quality of primary health care (PHC) and secondary health care services in intervention areas was measured, including an assessment of infrastructure and waiting times for doctors. For PHC, the baseline value of satisfaction of patients was 85.5 percent and reached 90.7 percent at the project's completion, which exceeded

the target of 90 percent. Satisfaction with the secondary health care rose as well, from 69.5 percent in 2011 to 86.7 percent in 2019, against a target of 85 percent.

40. In December 2020, the GoU successfully closed the first PPP project in healthcare⁴⁹, competitively won by Nephroplus, one of Asia's largest and fastest-growing dialysis companies. The project resulted in reduced public spending on dialysis and substantial value through increased dialysis capacity and quality of care in line with international standards. IFC, as a transaction advisor, assisted the GoU in designing and tendering the PPP that will deliver dialysis care to over 1,000 patients in Tashkent, the Republic of Karakalpakstan, and in the Khorezm region. The WBG advised the GoU in updating dialysis standards in line with international levels and developing a procedure for selecting and referring patients to dialysis in accordance with transparent selection criteria based on clinical and social conditions. Following the success of this first healthcare PPP, the MoF and the Ministry of Health signed two new advisory agreements with IFC for a project to finance, construct, equip, and maintain a new multidisciplinary hospital, and for a separate project to finance, construct, equip medical centers, and train their staff to provide radiotherapy services to cancer patients in three regions of Uzbekistan.⁵⁰

Objective 3.3: Effective social safety nets.

41. The GoU launched a comprehensive reform in all spheres of social protection, including social assistance, labor market, social insurance, and social care services. In 2020, it launched the development of the National Social Protection Strategy aimed at bringing more coherence to the fragmented social protection sector. The launch of a single registry (piloted in 2019 and rolled-out in 2020) has improved transparency in the allocation of low-income allowances. The increased coverage for low-income family allowances, anti-poverty social assistance programs, and the national roll out of the single registry are important milestones in establishing an effective safety net system. Introduction of active labor market measures helped expand policies to better integrate people in the evolving labor market.

III. WORLD BANK GROUP PERFORMANCE

42. The WBG performance in designing and implementing the FY16-21 CPF is rated as Superior. The CPF incorporated lessons learned from the implementation of the FY12-15 CPS program. The original CPF was aimed at supporting gradual economic reforms and was adjusted through PLR to respond strategically to a more ambitious development agenda reflected in the GoU's NDS 2017-2021. CPF implementation provided a flexible response to Uzbekistan's development objectives based on the WBG activities that delivered the highest impact on the twin goals. The WBG's engagement integrated financial, knowledge, and convening services in a tailored package of development solutions, including a series of transformational DPOs (Annex 8).

CPF design

43. The CPF was designed to offer a flexible and strategic response to Uzbekistan's development objectives. It remained a valid and effective framework for collaboration and engagement between the GoU and the WBG throughout FY16-21. The CPF was informed by the medium-term development plan outlined in the 2015 Cabinet Ministers Program of Action and subsequently (at PLR stage) by the NDS 2017-2021. The strategy has five pillars: i) enhancing state and public institution, ii) securing the rule of law and reforming the judicial system, iii) promoting economic development, iv) fostering social

⁴⁹ IFC projects Uzbekistan Dialysis PPP (603031), Uzbekistan Dialysis PPP post-transaction advisory (606206).

⁵⁰ IFC projects Uzbek Radiotherapy PPP (605109), Uzbek Hospital Consolidation PPP (605108).

development, and v) ensuring personal and public security through inter-ethnic and religious tolerance and constructive foreign policy. The WBG provided substantial support to pillars i, iii, and iv.

44. The strategic program of the CPF was selective and aimed to leverage IDA resources with trust funds (TF) and IFC investments. The set of priority areas with potential for significant short, medium, and longer-term impact on the twin goals were identified in the Systematic Country Diagnostic (SCD)⁵¹. While direct and indirect job creation potential along with opportunity to address longstanding structural problems in the economy were criteria for selecting the WBG interventions, the PLR also limited the new investment lending to improvements in the existing portfolio and to progress of reforms necessary for investment projects to produce the intended benefits. In addition, the CPF acknowledged that while traditional “brick-and-mortar projects” were essential for achieving development impact, the full benefits of investment in infrastructure and public service delivery would not be realized unless key institutional and economic governance issues are also given high priority. As a result, IPFs approved during the CPF period had substantial institutional and capacity building components while the series of DPOs had prior actions linked to institutional reforms. An interest of other development partners in co-financing of projects was also embedded in the selection criteria. Unlike the FY12-15 CPF, the FY16-21 CPF envisaged more joint ASAs with development partners and IFC investments and advisory.

45. Risks were adequately identified and addressed by an effective mitigation strategy. Key risks to the CPF program assessed as *Substantial* included political and governance, macroeconomic, institutional capacity for implementation and sustainability, and environment and social. Political risks that had the potential to reverse or delay reforms were mitigated through the GoU’s commitment to the reform agenda, continuous consultations with all stakeholders, and awareness raising on key policy measures. The WBG’s policy dialogue and participation in these consultations also contributed to reducing this risk. Significant budgetary support and implementation of sound policy minimized the negative impact of macroeconomic uncertainties on economic growth. The WBG adjusted the focus of the program during the COVID-19 pandemic to help offset the fiscal cost of COVID-19 crisis prevention measures. Institutional capacity constraints were mitigated in a systemic manner by intensive capacity building by the WBG, provision of project preparation grants, and the establishment of dedicated departments in key ministries to interact with IFIs. Fiduciary risk was adequately assessed as *High* because of weak fiduciary capacity and cumbersome regulatory framework for financial management (FM) and procurement. The World Bank conducted a Public Expenditure and Financial Accountability assessment and supported the GoU in developing a public financial management strategy, and a public procurement law to improve the legislative and regulatory framework. Environmental risk was inherent in the gap between the GoU laws and the WBG safeguards and requirements but was mitigated by enhancing the capacity of implementing agencies to assess and resolve environmental risks. Social risks were related to forced labor practices in agriculture and were effectively addressed by implementation of the third-party monitoring and feedback mechanisms.

46. Key lessons learned from the previous CPS were incorporated in the CPF. The FY10-15 CPS CLR recommended a focus, among other things, on access to information and statistical data and the alignment of GoU’s and the World Bank’s project preparation cycles. With the WBG support, the GoU took steps to strengthen the transparency of the transition process in several areas. These included measures to introduce a transparent electronic auction system for government sales of land and assets, increase fiscal, debt and data transparency, seek public consultations of regulations and laws, and adopt transparent and competitive bidding processes for public investment projects. Selected non-core analytical work filled gaps in government data and supported informed decision making and

⁵¹ The SCD priority areas: (a) strengthening allocative efficiency and competition by removing market distortions; (b) establishing a high-quality regulatory environment; (c) promoting reallocation of land toward more productive uses; (d) modernizing public infrastructure; (e) addressing labor market weaknesses; (f) mitigating spatial inequities in access to social services; (g) promoting efficient and sustainable use of energy and natural resources; (h) widening access to pre-primary and tertiary education and ensuring access to quality health care, (i) addressing remaining inefficiencies in social protection, and (j) making public administration more transparent and accountable.

high-level reform advisory support, the most notable example being the L2CU⁵² survey. Better synchronization of the government clearance processes with the IFIs' project processing cycle was ensured after the adoption of the Presidential Decree #3857 preceded by a series of consultations with multilateral development institutions.

Program implementation

47. The PLR introduced timely modifications and adjustments to the CPF. To adjust to the significant changes in the country context, the WBG program was realigned, and CPF implementation period was extended by one year to better capture the impact of the GoU's reform program. Notably, the PLR Sustainable Transformation Toward a Market Economy focus area encompassed two original CPF pillars focused on the private sector growth and agriculture competitiveness to include broader market reforms. The previous focus area related to public service delivery became part of the broader Reform of State Institutions and CE focus area to address the need for deeper institutional reforms and support to CE. The PLR also introduced the Investing in People focus area to support the establishment of a social protection system and investments in health and education. The PLR also paved the way for the two new WB instruments that had not been previously utilized – Project-Based Guarantee (energy sector) and Reimbursable Advisory Services (RAS) in the aviation sector. These changes reflected learning and adaptation as the WBG adjusted its program, learning from the mid-term lessons of the CPF, and the strategic focus to better respond to the GoU's bold reform program.

48. During the CPF period, the World Bank delivered an effective package of financing products that supported the achievement of the CPF objectives. New IBRD and IDA commitments over the CPF period totaled US\$5.1 billion (of which IDA commitments amounted to US\$2.9 billion) for 27 projects, a three-fold increase over the previous CPS period (US\$1.4 billion for 10 projects). While in FY16 there were only two projects approved for US\$62.2 million, FY21 was completed with the delivery of seven projects for US\$1.1 billion. The largest share of US\$2.9 billion was delivered in investment lending, while US\$1.7 billion was approved for DPOs. During CPF preparation, the World Bank's portfolio consisted of 15 projects for a net commitment of US\$1.9 billion. As of end-FY21, the active portfolio comprised 27 projects, including one DPO and one guarantee operation, totaling US\$4.8 billion. The Bank also used TFs to support and supplement key aspects of the program with financing from the European Commission-ECA World Bank Partnership Program, the Energy Sector Management Assistance Program, the Global Facility for Disaster Reduction and Recovery, the ECA Capacity Development Facility, and other funds. IFC committed US\$347.5 million in LTF (on own account + mobilization) between FY16 and FY21, an increase over the previous five-year period (US\$19.6 million between FY10 and FY15). Over the CPF period, annual IFC LTF commitments increased more than five-fold - from US\$40 million in FY16 to US\$215.9 in FY21. In FY21, MIGA provided guarantees for the construction and operation of a 1,500 MW greenfield combined-cycle gas turbine (CCGT) power plant in the Syrdarya region⁵³. The project's main benefits are expected to stem from increased consumer access, by adding generation capacity via a modern, efficient, and reliable plant, given existing electricity shortfalls reflecting aging infrastructure and the low efficiency rates of existing plants. In addition, the project is intended to help the operationalization and development of the broader energy reform plan, by contributing 9 percent of the required additional capacity by 2030.

49. The CPF period spanned three IDA cycles: IDA17 (FY16-17), IDA18 (FY18-20), and the first year of the two-year IDA19 cycle (FY21). The country absorbed all its allocated IDA resources. The IDA special themes of jobs and economic transformation, gender, climate change, and governance are salient for Uzbekistan, and key new investments were made in agriculture, water, energy, rural infrastructure, urban development, innovation, education, healthcare, social protection, and jobs. The

⁵² Survey collects high-frequency household data focused on wellbeing, views on ongoing reforms, risks, and household resilience.

⁵³ ACWA Power Syrdarya (14688)

IDA's Scale Up Window provided a scope for financing (US\$425 million) transformational operations in the water and agriculture sectors with a strong development impact. In addition, to assist the GoU to respond to urgent COVID-19 related needs, in April 2020, the World Bank provided access to the IDA19 Crisis Response Window for a US\$95 million IDA emergency COVID-19 project (augmented with a US\$4.3 million Pandemic Emergency Facility grant).

50. Portfolio performance has improved due to closer cooperation with the GoU. The CPF indicated that effectiveness delays and cumbersome government procedures could be major issues for implementing the World Bank program. Major operational challenges, such as clearance by the Inter-Ministerial Bidding Committee for procurements over US\$5 million, price verification, and registration of contracts were effectively addressed through regular country portfolio reviews and discussion of issues in high-level meetings between the GoU and the Bank's leadership. Following the PLR exercise in mid-2018, the GoU adopted the Presidential Resolution 3857, introducing a more streamlined process for investment projects. Regular interaction with the WBG governor offices on project implementation issues addressed bottlenecks and timely process restructuring, where necessary. As a result, the disbursement ratio increased from 6.7 percent in FY18 to 13.7 percent in FY21. Outcomes of high-level meetings were reflected in the roadmap for the implementation of agreements to support reforms through investment projects and technical assistance (TA). These roadmaps essentially guided the World Bank pipeline, allowing the country to fully utilize its IDA17 and IDA18 country allocations, and helped strategize the advisory work.

51. Collaboration between the World Bank, IFC and MIGA was strong across the WBG's operational, analytical, and policy engagements. It included: i) public expenditure reviews (PERs) of budget SOE spending⁵⁴; ii) analytical reports⁵⁵ of institutional and regulatory reforms of the electricity and gas sectors, which underpinned WBG operations in the sector; iii) implementation support for the agriculture projects to further deepen the agricultural reform program; iv) implementation support for the Institutional Capacity Building Project⁵⁶ to improve fiscal transparency and risk management, and support the SOE reform process; v) analytical work on CE, including the L2CU survey⁵⁷ which provided support to improve CE platforms; vi) several IFC advisory programs in the financial sector to support effective PPP development⁵⁸; vii) WBG CPSD for Uzbekistan⁵⁹, which underpinned the World Bank's engagement and supported the private-sector focused reforms to maximize financing for development and private sector-led operations by IFC investment and MIGA guarantees; and viii) DPOs jointly developed with IFC.

52. IFC's activities in Uzbekistan have been transformational and in support of the WBG strategy described in the CPF and the PLR. IFC has refocused its strategy to support the reform processes in the country and, as illustrated by the examples provided throughout this document, played a catalytic role in: i) the transformation of the banking sector and enhancing financial inclusion; ii) reducing the state footprint in the cotton sector and eliminating child and forced labor in cotton production; iii) creating an environment to enable PPPs and spearheading competitive PPPs in the energy and health sectors; iv) catalyzing private sector investments in energy generation and developing the country's

⁵⁴ Public Expenditure Review–1 (P168168) and Public Expenditure Review–2 (P173140)

⁵⁵ P168487, P156670, P163155, P157270

⁵⁶ Institutional Capacity Building Project (P168180)

⁵⁷ <https://www.worldbank.org/en/country/uzbekistan/brief/l2cu>

⁵⁸ such as 604138 - Uzpromstroybank Institutional Capacity Advisory, and 569389 - Uzbekistan FM Infrastructure

⁵⁹ https://www.ifc.org/wps/wcm/connect/bac596d6-322f-4e78-9368-bd3bf32c18ae/UZB+CPSD+Launch+Presentation_English.pdf?MOD=AJPERES&CVID=mA4w5R5

first RE generation IPP; and v) initiating long-needed reforms in the country's dilapidated and inefficient chemicals sector. Due to external shocks (the COVID-19 pandemic), weak governance, lack of institutional capacity and coordination, and resistance to reforms, the GoU has been slow in implementing its privatization program, progressing with tariff reforms, establishing adequate land use rights, and reforming the country's transportation and ICT sectors. Slow progress in these areas constrained private sector confidence and the attraction of sustainable foreign direct investments in the country. IFC will continue to explore new avenues for joint IFC/World Bank collaboration and will engage key stakeholders, including the GoU, private sector, and key development partners in a focused policy dialogue to address remaining constraints to increased private sector participation.

53. **The World Bank has established close partnerships with multilateral and bilateral development partners active in Uzbekistan (ADB, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development (EBRD), European Investment Bank, European Union (EU), ILO, Islamic Development Bank (IsDB), Japan International Cooperation Agency (JICA), United Nations (UN), United Kingdom, Japan, Korea, and Switzerland).** The collaboration was enhanced through coordinated TA and joint or parallel financing of investment operations in agriculture, rural infrastructure, urban development, energy, transport, water supply and sanitation, water resource management, and broader SOE reform agenda items. In some sectors, country platforms helped maximize the impact of donor assistance, for example, in the energy sector where an integrated approach to sector reforms and modernization was well coordinated under government leadership. In addition, despite turbulent global financial sector conditions, Uzbekistan remains a country of active interest to private sector investors, particularly in the energy sector, where the WBG plays a leading role along with ADB and EBRD in supporting increased private sector participation through demonstrative projects such as the Scaling Up Solar initiative. The WBG's high-profile engagement in TPM, which was complemented by modernization in the agricultural sector, has contributed to the elimination of systematic forced labor and child labor. The WBG also convened regular discussions and roundtables that brought together government officials, donors and development partners, the ILO, CSOs, and cotton industry representatives. These achievements would not have been possible without the sustained involvement of development partners (EU, German Technical Cooperation (GIZ), United States Agency for International Development (USAID), and Swiss Agency for Development and Cooperation (SDC)) and civil society activists in this effort.

54. **The partnership under CPF played a key role in helping the GoU to respond to challenges imposed by the COVID-19 pandemic.** To coordinate partner assistance in shoring up the government's health, social, and economic policy response to the crisis, a socio-economic task force, led by the WBG and UNDP, was established at the request of the GoU. In coordination with development partners, the World Bank approved (in April 2020) a US\$95 million IDA emergency COVID-19 project (augmented with a US\$4.3 million Pandemic Emergency Facility grant) to shore up health and safety net systems, and a US\$200 million supplementary DPO to overcome a short-term cash crunch following unprecedented health and social expenditure demands. These operations supported essential COVID-19-related health procurements, expanded low-income family allowances, and streamlined unemployment benefits. Adjustments to the Emergency Medical Services project also supported additional emergency medical equipment procurement. Through this coordination platform, the World Bank also ensured that the FY21 pipeline remained focused on reform areas with strong demand for the WBG knowledge and high relevance for economic recovery and transition. The pipeline operations were adjusted during the preparation to strengthen resilience, improve recovery prospects, and provide support to macroeconomic reforms. Under IDA19, about US\$0.6 billion was front-loaded from FY22 to FY21 to directly support the response to the COVID-19 pandemic. Through the Korea TF for Economic and Peace-Building Transitions grant, the World Bank launched an automated Short Message Service notification and data collection platform to communicate public health information on COVID-19. It helped over 100,000 people make vaccine appointments and provided reminders using a targeted messaging system. The WBG's TA was timely to conduct the analysis of the socio-economic impacts of COVID-19, the first ever Country Profile on Disability

Inclusion, L2CU modules on the role of village leaders in the COVID-19 response and in local governance practices.

55. CPF saw an increase in the volume and range of ASA work. The delivery of ASAs by the World Bank increased from four tasks in FY16 to nine tasks in FY21. Through a mix of analytical and operational tools, the Bank provided extensive support to strengthen the GoU's ability to make well-informed decisions while implementing important structural reforms. It included a program of core analytics including a successful series of PERs (2019, 2020, and another scheduled for 2022), CPSD (2019), and two complete SCDs. A poverty assessment supporting the development of an inclusion strategy was completed in 2021. Non-core analytical work filled gaps in government data and supported informed decision making. Notable examples are the World Bank's L2CU survey (high-frequency household data focused on wellbeing, and views on reforms, risks, and household resilience) and high-level reform advisory support through reform roadmaps. Importantly, it is the just-in-time support that has had the highest impact. Just-in-time support has played a critical role in advancing major reforms—or in stopping poorly conceived reforms or potential reform reversals—on several occasions. Examples include efforts to advance major agricultural reforms, development of an appropriate tariff model for water supply and sanitation service, the abolishment of propiska, and social mitigation measures to protect vulnerable households from large product price and utility tariff liberalization reforms. It helped the GoU officials provide better informed views to senior decision makers, reduce information uncertainties, highlight poverty and social costs, and help counter internal political resistance from vested interests that benefit from the status quo. TF resources were deployed to produce sector-level analytical work or TA in areas such as ending forced/child labor in agriculture, tax reform, trade liberalization, and poverty reduction.

56. The World Bank completed the first-ever RAS engagement in the country and deployed global TFs to produce sector-level analytical work and TA. The RAS helped the GoU modernize the country's aviation sector and transform it from a centrally planned to a market-based industry to facilitate tourism growth and improve services. The work was closely coordinated with the IFC's PPP transaction advisory team, specifically on completing the assessment of options for private sector participation in Uzbek airports under the PPP scheme. Recognizing the successful outcome of the RAS, the GoU requested the World Bank to continue its support and signed the second RAS in the sector in January 2020. The Bank also mobilized TFs to produce ASAs in strategic areas such as ending forced/child labor in agriculture, tax reform, trade liberalization, and poverty reduction. The global TF resources were used to design and implement inclusive community mobilization activities, support the implementation of the village head modules of the L2CU ASA, and to reduce the risks of human trafficking overseas.

57. The quality of supervision was adequate with reasonable risk management across the portfolio. The quality of supervision for seven of the eight operations over the CPF period was rated as Moderately Satisfactory and higher by the IEG. Six operations,⁶⁰ which were approved before the CPF and were active at the time of this CLR, received additional financing during the CPF period, disbursed more than 72 percent of their net commitments, and had Moderately Satisfactory and Satisfactory ratings in June 2021. Regular portfolio reviews and dialogue with line ministries and central government led to restructurings that addressed the implementation challenges. Six out of 33 project restructurings (FY16-FY21) were approved by the Regional Vice President with the rest decided by the country director. Those were processed to: i) adjust the results framework, ii) extend the implementation period, iii) cancel and reallocate funds to allow for re-commitment of IDA resources, and iv) change implementation arrangements. The submission and filing of implementation status and results reports (ISRs) and implementation completion and results reports (ICRs) was done in a timely manner. Proactive portfolio management drove a decrease in the number of problem projects from

⁶⁰ P112719, P118197, P118737, P127764, P133703, P146334

eight (FY16) to two (FY21) and reduced the commitments at risk from 63.5 percent to 3.9 percent with an increase in the proactivity indicator from 25 percent to 100 percent over the same period.

58. The World Bank portfolio embedded considerations of gender, climate and CE. During the CPF period, attention to the gender mainstreaming agenda increased, reflecting the priority to tackle gender inequalities (Annex 10). Out of 20 projects approved and validated by the WBG Gender Group between FY17 and FY21, 13 operations (65 percent) were gender tagged (with monitoring of gender indicators in ISRs). DPO-3 supported a new law to address gender-based violence (GBV). As a result, referral pathways for GBV survivors were adopted and disseminated throughout the country. Gender aspects and data were also the focus of the L2CU survey. For example, over 87 percent of respondents supported the enforcement of quotas to ensure gender balance in private sector and government employment and among elected government officials. The climate-related share of the IBRD and IDA portfolio increased from zero percent in FY16 to 36 percent in FY20. A separate results indicator was introduced in DPO-3 to expand the area with adopted climate-smart farm technologies. In addition, climate vulnerable groups were identified as target groups to receive low-income family allowances during the COVID-19 crisis. Significant progress was achieved with regards to CE. Assessments of ISRs between FY17 and FY20 revealed that 100 percent of operations had citizen-oriented design and at least one feedback indicator in their results frameworks (Annex 9).

59. Procurement. Adoption of the new World Bank Procurement Regulations for IPF Borrowers in 2016 brought modern tailored procurement approaches that emphasize choice, quality, and value for public spending, while enabling adaptation to country contexts. This had a direct positive affect on the Bank operation and positively impacted the GoU procurement system. The GoU applied some of the World Bank's core procurement principles, including transparency, value for money, and no allowance of fraud and corruption, while revising its own public procurement law⁶¹. For each project (PCN after July 1, 2016), the borrower prepared the procurement strategy to determine the most appropriate procurement approach to reach the development objective. To resolve procurement bottlenecks, the World Bank focused on i) continuous capacity building and hands-on support to the new procurement staff and new implementing agencies, ii) introducing a mandatory requirement to develop the contract management plans for large-value and critical contracts, and iii) coordination among development partners to facilitate experience sharing and develop common approaches in resolving procurement issues by using digital tools, such as Systematic Tracking of Exchanges in Procurement, to monitor and hasten the procurement process. A new public procurement law (PPL), prepared with the World Bank's support, was adopted on June 22, 2021. It provides a legal framework that follows good international practices and includes a broad description of permissible procurement methods and their procedural requirements. The WBG also provided TA and capacity building to help establish a unified and efficient e-procurement system.

60. Regional projects. The country's reform momentum has also created new opportunities for regional cooperation in Central Asia in the energy, transport, and water sectors, and strengthening the economic connectivity. Uzbekistan's commitment to regional cooperation is changing the regional landscape. GOU's social and economic transformation is creating regional opportunities for improving energy, transport, water, digital and economic connectivity. In response to this window of opportunity, the WBG has prepared the Regional Engagement Framework for Central Asia (REFCA), the first medium-term planning document prepared at the regional level in Central Asia. Among the operations included in the REFCA was the Climate Adaptation and Mitigation Program for Aral Sea Basin. The project was implemented in Uzbekistan and Tajikistan during the CPF period, and additional financing through the Green Climate Fund (GCF) was approved in FY21. The GoU implemented US\$14 million out of US\$38 million parent project and will implement US\$9 million out of US\$19 million GCF additional financing.

⁶¹ <https://cis-legislation.com/document.fwx?rgn=131924>

61. Financial Management. In the reporting period, the performance of FM ranged mostly from Satisfactory to Moderately Satisfactory. Compliance with financial reporting and auditing requirements was generally timely, except for very few delays caused by the nationwide COVID-19 restrictions and lockdown. The audits of the project financial statements by the independent audit firms did not reveal significant control issues and/or deviations from the project procedures. However, during the CPF period, audited entity financial statements were usually submitted to the Bank with significant delays and auditors issued ‘disclaimers of opinion’ on entity financial statements prepared in accordance with the IFRS Standards. These issues were caused by insufficient capacity of some agencies to comply with the IFRS Standards and were addressed through joint work with counterparts to introduce amendments to relevant regulations and closing the gaps in consultations with the external auditors. The project implementation units (PIU) have participated in FM and disbursement workshops, which were organized by the World Bank and contributed to continuous capacity building and development.

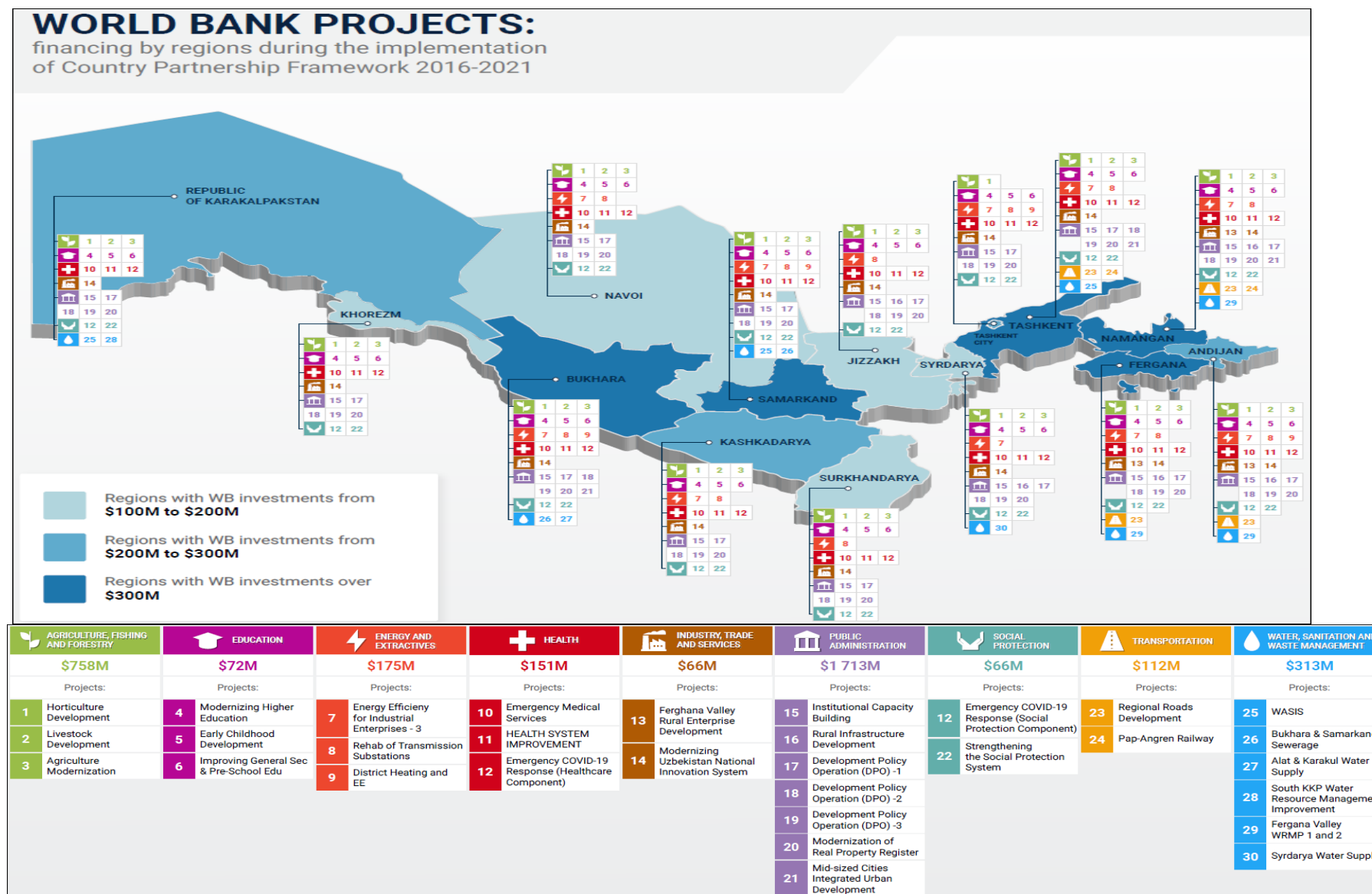
62. Environmental and Social Framework (ESF) and Safeguards. The safeguard policies applied to most of the operations as they were approved before the ESF roll-out. All new IPFs with concept note meetings on or after October 1, 2018, applied the ESF. The safeguard policies will run in parallel to the ESF for about seven years. During the CPF period i) the portfolio was generally compliant with safeguard policies; ii) project risk ratings ranged from A (significant) to C (low) in terms of safeguard risks and from Substantial to Moderate in terms of Environmental and Social Risk Classification; and iii) the World Bank provided oversight, supervision, follow-up, and capacity building support to borrowers, PIUs and other stakeholders.

IV. ALIGNMENT WITH CORPORATE GOALS

63. The WBG program under the CPF fostered the twin goals of ending extreme poverty and promoting shared prosperity. During the CPF period, the GoU, with increasing openness, acknowledged the need for a systematic approach to poverty reduction and increased incomes for citizens. The PLR oriented the CPF toward helping the GoU deeper understand the poverty dynamics and the key characteristics of poor and vulnerable households. In addition, the WBG program was designed to assist with the design and implementation of effective safety nets to protect the poorest and most vulnerable.

64. The institution contributed to poverty reduction and shared prosperity through targeted and timely interventions. The engagement in poor regions has increased over the CPF period. Many elements of the World Bank’s engagement under all focus areas benefited especially remote regions with a high share of poor people. Three oblasts in the Ferghana Valley and Karakalpakstan received more than US\$1 billion of the World Bank investments (one third of the financing during the CPF) through investment operations in nine sectors (**Figure 5**). Karakalpakstan, Namangan, and Ferghana oblasts had the lowest income per capita in the country per the 2019 Household Budget Survey – UZ\$3.3 million (US\$333), UZ\$3.4 million (US\$343), and UZ\$3.7 million (US\$373), respectively. A substantial share of the financing through IPF (close to 40 percent) in these regions was to support the GoU’s efforts to increase access to finance for small and medium agricultural producers. Using the upper middle-income country poverty line of \$5.50 per day, the poverty rate in Uzbekistan fell from 32 percent in 2016 to 25 percent in 2019. The Republic of Karakalpakstan and Fergana valley were leading this trend of poverty reduction, with poverty headcount rates nearly halved from 40 percent to around 20 percent in the same period. Agricultural productivity among the poor, measured by household agriculture income per worker, increased by 37 percent from 2016 to 2019 in real terms in Karakalpakstan, while the share of non-agricultural employments increased from 75 percent to 81 percent in Fergana Valley.

Figure 5. World Bank Projects financed during the FY16-21 CPF



V. LESSONS LEARNED, FINDINGS AND RECOMMENDATIONS

65. **Several factors played critical roles in ensuring the WBG’s exemplary responsiveness to a rapidly changing reform environment.** First, strong core ASAs coupled with many just-in-time analytical notes allowed engagement in policy dialogue in key sectors (Annex 6). Second, a rapid expansion of expert presence on the ground (international staff in energy, agriculture, water, macroeconomic development, and financial sectors moved to Tashkent in 2018-2019) ensured continuous dialogue on critical reforms agenda. Third, periodic high-level visits and meetings⁶² helped fine tune programs and reinforce ownership of reforms. Lastly, a series of DPOs served as an important anchor for the WBG’s support to Uzbekistan’s ambitious drive to transform its economy and society. They have played an important role in securing and bedding down the most important reforms since 2017 and have helped to cement the WBG’s status as a lead reform adviser to the government.

66. **The flexibility of the World Bank’s approach to providing analysis and advice has been critical to the reform process and maintaining this flexibility in the future will be important.** The flexibility was not just embedded in the CPF program, it was driven by an important strategic shift in the WBG focus in response to the government’s new emphasis on transformation toward market economy, development of human capital, and reform of state institutions. The timeliness and capacity to make these fundamental changes in the CPF objectives, and to allocate resources, including through staff decentralization, to implement the adjusted program, was also at the core of the success of the CPF. The World Bank provided knowledge assistance in several ways through: “core knowledge” products, such as PERs; dedicated analytical projects, such as the L2CU; RAS, such as support to aviation sector reform; operational engagements, such as the DPO and agriculture sector reform projects; and “just-in-time” support at critical points when urgent assistance has been needed, including the Reform Roadmap, analysis of energy tariff options, feedback on government proposals for social assistance or pension reforms, and feedback on important presidential resolutions and laws prior to approval. This creates a wide variety of knowledge products that suit different needs, and it is important that these options remain available to Uzbekistan. Some reforms take time and need deeper and more time-consuming analytical work. Other reforms need urgent assistance as windows of opportunity open. In other circumstances, such as when important reforms are at risk of being reversed, just-in-time support can play a critical role in providing government officials with key points that help strengthen the case to maintain the reform momentum.

67. **The use of standalone DPOs proved to be an agile approach to supporting a dynamic and fast-evolving reform program, while anchoring a strong and programmatic broader reform policy engagement.** With major reforms occurring across the breadth of the economy and society, the pace and sequence of reforms has tended to vary across different areas, depending on the level of administrative capacity, the availability of TA and expertise, and the level of political support. Reform opportunities in these still early stages of Uzbekistan’s transition are shaped by internal political dynamics that are often hard to anticipate. The emergence of these opportunities creates unanticipated windows for the World Bank and other development partners to help advance important reforms, but this requires greater operational agility—of the kind provided by standalone DPOs. The core objective of each of the DPOs continues to be sustaining an inclusive market transition, and each DPO has maintained a sustained and sequenced reform engagement in sectors that are critical to this objective, such as agriculture, energy, SOE reforms, fiscal transparency, and social protection reforms. Through this approach, the DPOs have helped anchor the World Bank’s broader country engagements in a strong and programmatic policy dialogue centered on key transitional issues. Going forward, as the country enters a more mature and complex phase of reforms, the World Bank should explore with counterparts the use of a programmatic approach to DPOs, striking the right

⁶² Managing Director visited Uzbekistan in 2018 and Regional Vice President had several meetings with the President and Prime Minister of the country in 2018-2019.

balance between the ability to respond to the internal political dynamics and opportunity to better anchor long term and sequential transformations.

68. **The results of successful complex engagements, such as the cotton multi donor trust fund (MDTF), depend on multiple factors.** A long-term engagement with adequate funding and high-level WBG and donor attention to the issue are important. No less important is a multi-sector approach that leverages the comparative strengths of social sustainability and inclusion (addressing TPM, labor rights, CE, and vulnerable groups); agriculture and food (addressing the root causes of forced labor through agriculture reforms); and macro, trade, and investment global practices (integrating relevant prior actions into DPOs, such as the reduction of the land allocated for cotton growing). Lastly, partnering with ILO, which was able to engage in areas that are challenging for the WBG, such as working directly with human rights organizations, was critical. This engagement and reforms have enabled the WBG and partners to engage on a much broader inclusion agenda, including human trafficking, CE, and efforts to make the transition into higher levels of the agriculture value chain inclusive for women and vulnerable groups.

69. **An important lesson is that the previous FY10-15 CPS did not consider that a sustainable transformation toward market economy needs to be supported by a long-term green transition strategy, including climate mitigation and adaptation.** Without such a strategy, the country's growth may not be sustainable, natural capital will be quickly depleted, and the country may lock itself into technologies and choices that make it not competitive, and part of its citizens can be left behind. Despite the damage brought by the COVID-19 pandemic, the exceptional crisis response offers a unique opportunity for a "reset" that addresses past policy deficiencies and chronic investment gaps.

70. **Some of the CPF objectives were not sufficiently supported by indicators, which will be an important lesson for the next CPF.** There is a need to select indicators that better measure the achievement of the objectives and collect more robust evidence during the CPF implementation. It is important not only to report on progress at the end of the CPF, but also to monitor progress during the CPF implementation to course correct when necessary. In line with the new country engagement guidance, such evidence may include quantitative indicators, qualitative indicators, or other relevant and verifiable evidence.

71. **There was substantial improvement in program implementation over the CPF period, but implementation challenges remain and require joint efforts in a systemic manner.** Following the PLR in mid-2018, the GoU adopted Presidential Resolution 3857, introducing more streamlined processing of investment projects. In 2019, Presidential Decree 5717 introduced the 2020-2022 investment program and established procedures for the selection, monitoring, and implementation of investment projects financed from various sources, including IFIs. Despite these efforts, Uzbekistan still has one of the lengthiest approval procedures for IPFs in the ECA region.⁶³ To maximize the impact of the WBGs' programs in the country, the following should be pursued: i) allocation of adequate resources (budget resources, preparation advances, and retroactive financing mechanisms) to prepare projects ahead of the investment cycle, ii) development of a clear procedure for processing the changes/adjustments on the government side with clear lead time requirements, roles and standardized documents, and iii) enhancing the capacity of implementing agencies through establishing an adequate remuneration and incentive system and focused capacity building in procurement for staff and procurement committees.

⁶³ It takes up to eight months to prepare and clear all required project documents (including the Feasibility Studies), and another three months are needed for adoption of Government decision on the project that authorizes to sign the legal agreements.

Annex A. Achievement of CPF Objectives by Focus Areas

Focus Area	Objective	Status
1. Sustainable transformation toward a market economy	1.1: Enhanced economic growth and transition toward a market economy	Achieved
	1.2: Improved regulatory requirements for business	Mostly Achieved
	1.3: Strengthened access to finance and financial services for the private sector	Mostly Achieved
	1.4: Improved diversification of agriculture production	Achieved
	1.5: Improved efficiency of infrastructure service delivery	Mostly Achieved
FA 1 Rating		Satisfactory
2. Reform of select state institutions and citizen engagement	2.1: Enhanced corporate governance and strengthened financial sustainability of SOEs	Achieved
	2.2: Increased access, efficiency and reliability of power supply and heating services	Mostly Achieved
	2.3: Improved access to and quality of water supply and sanitation services	Achieved
	2.4: Strengthened citizen participation in oversight of public service delivery	Mostly Achieved
FA 2 Rating		Satisfactory
3. Investing in people	3.1: Improved access to quality education	Partially Achieved
	3.2: Improved access to quality health services	Achieved
	3.3: Effective social safety nets	Achieved
FA 3 Rating		Satisfactory
OVERALL CPF Rating		SATISFACTORY

Annex B. Uzbekistan FY16-21 CPF Results Matrix Evaluation

Objective	Overall Rating	Indicator	Baseline/ target	Status at CLR	Lessons Learned and Suggestions for the New CPF	Bank Program instruments
Focus Area 1: Sustainable transformation toward a market economy						
1.1: Enhanced economic growth and transition toward a market economy	Achieved	Indicator 1: Reduced exchange rate and monetary distortions	<i>Baseline:</i> 25% surrender requirement on foreign exchange from export earnings (September 2017) <i>Target:</i> None (June 2019)	Achieved Requirement was removed by the government in 2018	<u>Lessons and Recommendations:</u> Uzbekistan’s dual trading platforms (the official and “bazaar” markets) meant that a large part of the economy had already adjusted to true market pricing before the changes in 2017. This proved fortuitous in reducing large adjustment costs on citizens. Financial market distortions have taken longer to address, especially interest rate management. Looking back, there could have been more sequencing between foreign exchange and domestic monetary policy reforms.	<u>Lending:</u> <ul style="list-style-type: none"> • DPO-1: Uzbekistan Reforms for a Sustainable Transformation Toward a Market Economy (P166019) • DPO-2: Sustaining Market Reforms in Uzbekistan (P173948) <u>ASA:</u> <ul style="list-style-type: none"> • Financial Sector TA (P165372) • Strengthening Banking Regulations (P167070) • Technical and Analytical Support to Uzbekistan in the Transition to a Market Economy (P167074) • PER – 1 (P168168) • Investment Climate Reform (P168184) • From Plan to Market 2.0 (mini-CEM) (P175578) • Preparation of Strategy for Statistics (P171222) • Uzbekistan Mid-Term Debt Management Strategy (P169650) • Trade Diagnostics (P161493) • FX Convertibility (P163859) • Growth Diagnostics (P163063) • Uzbekistan PEFA assessment and PFM strategy advice (P167783) • Improving Public Procurement Performance (P149381) • Support for Strengthening Public Procurement System (P164760) • Sustainable Procurement Capacity Building (P166184)

		<p>Indicator 2: Reduced difference between domestic average price for cotton and international market price</p>	<p><i>Baseline:</i> More than 20% (September 2017)</p> <p><i>Target:</i> Less than 10% (June 2019)</p>	<p>Achieved</p> <p>In 2019, domestic farmgate price of cotton was about 4% below the export parity price.</p>	<p><u>Lessons and Recommendations:</u></p> <ul style="list-style-type: none"> - Gradual reforms of politically sensitive cotton and wheat subsectors with achieving critical milestones are more politically acceptable in Uzbekistan than big-bang reforms. - Even politically sensitive reforms can be accelerated by high-quality analytical work and DPO engagement. - Continue supporting cotton sector reforms, which are not completed yet, with the focus on: <ul style="list-style-type: none"> (i) creation of competitive market for raw cotton; (ii) the use of fiscal incentives for cotton production to replace crop placement system; (iii) reform of the state financing of cotton (and wheat) production; (iv) strengthening of economic, environmental & social sustainability of cotton value chains to increase their export competitiveness; and (v) increasing the share of high-value-processed and ready textile products in total cotton export. 	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • DPO-1: Uzbekistan Reforms for a Sustainable Transformation Toward a Market Economy (P166019) <p><u>ASA:</u></p> <ul style="list-style-type: none"> • Support to Agriculture Modernization (P162303) • TPM in Cotton Sector (P156962) • Poverty Reduction (P174391) • FX Convertibility (P163859) • Labor Modernization - Cotton Harvest (P159083) • Trade Policy and Facilitation (P167877) • Uzbekistan PEFA assessment and PFM strategy advice (P167783) • Improving Public Procurement Performance (P149381) • Support for Strengthening Public Procurement System (P164760) • Support for Creation of Sustainable Procurement Capacity Building (P166184) • Tax Reform Support (P168210)
		<p>Indicator 3: Reduced simple average customs tariff rates</p>	<p><i>Baseline:</i> 15.3% (September 2017)</p> <p><i>Target:</i> 8.0% (June 2019)</p>	<p>Achieved</p> <p>In June 2019, the simple average customs tariff was 3.5%. It was then increased to 8.0% following some revisions but remains below 8.0% (7.5% in 2020).</p>	<p><u>Lessons:</u></p> <ul style="list-style-type: none"> - Rate adjustments should have been better sequenced with the Government's WTO accession process and specifically its market access negotiation strategy. - Tariffs are not just about trade but revenue, too. The Bank's tax reform support should have been extended to customs tariff policy from the start to ensure that any revenue impact was appropriately assessed by authorities as part of its overall revenue strategy. 	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • DPO-1: Uzbekistan Reforms for a Sustainable Transformation Toward a Market Economy (P166019) <p><u>ASA:</u></p> <ul style="list-style-type: none"> • Trade Policy and Facilitation (P167877) • Tax Reform Support (P168210) <p><u>IFC:</u> CPSD</p>

						Key Partners: IMF, ADB, EBRD, EU, JICA, USAID, SDC, GIZ
1.2: Improved regulatory requirements for business	Mostly Achieved	Indicator 1: Time to export (border / documentary compliance)	<i>Baseline:</i> 112/ 174 hours (DB 2016) <i>Target:</i> 45/67 hours (DB 2020)	Mostly Achieved Due to discontinuation of the DB index and the impact of the pandemic on external trade in 2020-21, alternative indicators for the pre-pandemic period were used. Although the average border crossing time for road cargo increased from 5.9 hours in 2016 to 7.9 hours in 2019, the average border crossing clearance time for rail dropped from 15.8 hours in 2016 to 14 hours in 2019. (<i>Source:</i> 2019 CAREC Corridor Performance Measurement and Monitoring). In addition, the feedback from SCD and CPF consultations confirmed the improvement of the overall business environment.	<u>Lessons and Recommendations:</u> The progress is achieved when systemic engagement of the World Bank is supported by the strong policy work of IFC to help improve regulatory requirements for business.	<u>Lending:</u> <ul style="list-style-type: none"> • DPO-1: Uzbekistan Reforms for a Sustainable Transformation Toward a Market Economy (P166019) <u>ASA:</u> <ul style="list-style-type: none"> • Investment Climate Reform Dialogue in Uzbekistan (P163426) • Investment Climate and Competition Reform (P164631) • Uzbekistan Investment Climate Reform (P168184) • ASA on Trade Policy and Facilitation (P167877) • Improving the environment for doing business (P170359) <u>IFC:</u> <ul style="list-style-type: none"> • CPSD • Uzbekistan Investment Climate Fertilizer Sector Growth #604235
		Indicator 2: Time to get a construction permit	<i>Baseline:</i> 258 days (DB 2016) <i>Target:</i> 100 days (DB 2020)	Mostly Achieved Due to discontinuation of the DB index and the impact of pandemic on construction industry in 2020-21, the team used the Enterprise Survey data. The 2019 survey shows that the procedure takes 38 days – much lower than in ECA (86 days).		<u>ASA:</u> <ul style="list-style-type: none"> • Investment Climate Reform Dialogue in Uzbekistan (P163426) • Uzbekistan Investment Climate and Competition Reform (P164631) • Uzbekistan Investment Climate Reform (P168184) • ASA on Trade Policy and Facilitation (P167877) • Improving the environment for doing business (P170359) <u>IFC:</u> <ul style="list-style-type: none"> • CPSD
						<u>Key Partners:</u> EBRD, EU, UNDP

<p>1.3: Strengthened access to finance and financial services for the private sector</p>	<p>Mostly Achieved</p>	<p>Indicator 1: % of firms using banks to finance investment</p>	<p><i>Baseline:</i> 16.1% (2013 – to be updated in 2017 Enterprise Survey data) <i>Target:</i> 25% (2020)</p>	<p>Achieved In 2019, the share of firms using banks to finance investment increased to 26.2%, according to the Enterprise Survey data⁶⁴.</p>	<p><u>Lessons and Recommendations:</u></p> <p>- This achievement materialized on the back of the banking sector credit boom in 2018-2019, mostly supported by state funding. The still weak corporate governance and risk management (credit underwriting) practices in banks, especially SOBs, can cast shadow on this achievement (in terms of increased credit risk and NPLs in future).</p> <p>- Regulatory and supervisory framework of the Central Bank should be improved. Areas such as quality of credit reporting, insolvency framework, and financial accounting of borrowers need to be improved for competitive intermediation and efficient credit allocation.</p> <p>- According to the 2019 World Bank Enterprise Survey, 22.2% of firms in Uzbekistan had access to a bank loan or credit. This is 5% lower than the average for lower-middle income economies (27.6%) and 10% lower than the average for Eastern Europe and Central Asia (37.6%). At the same time, less than 6% of firms cite access to finance as a major constraint, compared with 25.7% in lower-middle income countries, and 17% in ECA. While this could be a sign of financial sector efficiency, it could also reveal that MSMEs lack awareness and familiarity with banking products and have distrust toward the financial sector. According to the survey, mid-sized firms</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • DPO-1: Uzbekistan Reforms for a Sustainable Transformation Toward a Market Economy (P166019) • DPO-3: Supporting a Transparent and Inclusive Market Transition (P171751) <p><u>IBRD Guarantee:</u></p> <ul style="list-style-type: none"> • Nur Navoi Scaling Solar (P170598) <p><u>ASA:</u></p> <ul style="list-style-type: none"> • FIRST: Financial Sector Reform (P169450) • Technical and Analytical Support in the Transition to a Market Economy (P167074) • Investment Climate Reform Dialogue (P163426) • Investment Climate and Competition Reform (P164631) • Investment Climate Reform (P168184) • Trade Policy and Facilitation (P167877) • Improving the environment for doing business in (P170359) • Bank Resolution and Financial Integrity FIRST TA (P175485) • Financial Sector TA (P165372) • Upgrading Financial Sector Oversight (P169473) • Strengthening Banking Regulations (P167070) • Financial Sector Policy and Oversight (P171849) • PER – 1 (P168168) <p><u>IFC:</u></p> <ul style="list-style-type: none"> • Ipoteka Bank (602358)
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⁶⁴ <https://www.enterprisesurveys.org/en/data/exploreconomies/2019/uzbekistan#finance>

					<p>have the largest need for finance and are more likely to be credit constrained compared with small and large firms. Banks still provide a limited range of credit products to MSMEs with high collateral requirements.</p>	<ul style="list-style-type: none"> • Davr Bank and Ipak Yuli Bank • Hamkorbank (52968) • UZBEK LEASING (5832) • Ipoteka Bank Transformation (602352) • UzPSB Transformation • Electronic and Digital Financial Services in Azerbaijan & CA • CA Finance Inclusion Project • ECA Banking RM (604324)
		<p>Indicator 2: % of firms with female participation in ownership</p>	<p><i>Baseline:</i> 29.2% (2013 – to be updated in 2017 from 2016 Enterprise Survey data)</p> <p><i>Target:</i> 31% (2020)</p>	<p>Not Achieved</p> <p>In 2019, the share of firms with female participation in ownership was 25.9%, according to the Enterprise Survey data. However, according to the Government’s official statistics on the women ownership in business, in 2020 the share was at 24.1%, which is higher than in 2018 (21.9%).</p>	<p><u>Lessons and Recommendations:</u></p> <p>The indicator can be reconsidered in future as it may not be fully reflective of the equitable access to finance for women (Global Findex database can be used instead).</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • HDP (P133703) • Livestock Development Project (P153613) • Ferghana Valley Rural Enterprise Development Project (P166305) • Energy Efficiency Facility for Industrial Enterprises – (P165054) <p><u>ASA:</u></p> <ul style="list-style-type: none"> • FIRST: Financial Sector Reform (P169450) • Technical and Analytical Support in the Transition to a Market Economy (P167074) • Investment Climate Reform Dialogue (P163426) • Investment Climate and Competition Reform (P164631) • Investment Climate Reform (P168184) • Trade Policy and Facilitation (P167877) • Improving the environment for doing business (P170359) <p><u>IFC:</u></p> <ul style="list-style-type: none"> • Microfinance and digital finance • CA Finance Inclusion Project

		<p>Indicator 3: Volume of MSME loans</p>	<p><i>Baseline:</i> 27,600 MSME loans, facilitating US\$ 480 million (2017)</p> <p><i>Target:</i> 117,000 MSME loans, facilitating US\$ 976 million (2021)</p>	<p>Mostly Achieved⁶⁵ Although the number of MSME loans was below the target (28,153, of which 26,388 from IFC), the volume of loans provided through the Bank operations (HDP and LSDP) and IFC exceeded the target – US\$1,173 million.</p>	<p><u>Lessons and Recommendations:</u></p> <p>- The Government retains substantial influence on the operational activities of the SOBs. Further strengthening of corporate governance is key for the success of the transformation and privatization process.</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • DPO-1: Uzbekistan Reforms for a Sustainable Transformation Toward a Market Economy (P166019) • HDP (P133703) • LSDP (P153613) • Ferghana Valley Rural Enterprise Development Project (P166305) <p><u>ASA:</u></p> <ul style="list-style-type: none"> • FIRST: Financial Sector Reform (P169450) • Support in the Transition to a Market Economy (P167074) • Investment Climate Reform Dialogue (P163426) • Investment Climate and Competition Reform (P164631) • Investment Climate Reform (P168184) • Trade Policy & Facilitation (P167877) • Improving the environment for doing business (P170359) <p><u>IFC:</u></p> <ul style="list-style-type: none"> • Hamkor Bank (52968) • Uzbek Leasing (5832)
		<p>Indicator 4: Value of financing facilitated through the IFC advisory projects⁶⁶</p>	<p><i>Baseline:</i> US\$404.4 million (2017)</p> <p><i>Target:</i> US\$517 million (2021)</p>	<p>Partially Achieved Value of financing facilitated through IFC advisory projects: US\$484.3 million (FY2020) The main reason was that commercial banks' lending had</p>	<p><u>Lessons and Recommendations:</u></p> <p>Continue supporting banking sector transformation and financial market development through: (i) support to the transformation and privatization of</p>	<p><u>IFC:</u></p> <ul style="list-style-type: none"> • Central Asia Agri Finance Project (599521) • Ipoteka Bank Transformation (602352)

⁶⁵ For the respective period, access to finance in the private sector, notably for MSMEs, has improved. The share of credit to GDP increased from 36.5% at end-2017 to 48% at end-2020, and the overall bank lending portfolio increased 2.5 times in size. Loans to small businesses grew to 27.6% of total outstanding bank loans in 2020—compared to 16% in 2017. For the indicator 3, the progress is measured by two variables, the number of loans provided to MSMEs, and total volume of such loans. Each variable provides a metric of the availability of financing for MSMEs and, thus, is an important measure of the access to finance. While the target on the number of loans has not been achieved, that on the volume of MSME loans has been exceeded. This is explained by the relatively larger average size of the loans provided through the World Bank operations as compared to those issued by the IFC's financial institution clients.

⁶⁶ The Value of Financing Facilitated is a standard indicator for Advisory projects designed to measure development impact of IFC's interventions. This indicator measures the investment or financing that the client was able to receive as a result of the Advisory Services provided. This indicator is usually included at the impact level, as it shows the results of financing obtained by the client and can be directly attributed to IFC's intervention. Here, this indicator measures the volume of MSME financing, unlocked over the CPF period through the dedicated IFC interventions (Projects # 599521 - Central Asia Agri Finance Project; 602352 - Ipoteka Bank Transformation; 604138 - Uzpromstroybank Institutional Capacity Advisory, and 569389 - Uzbekistan FM Infrastructure), and which would not be otherwise available (due to such roadblocks as lack of technical expertise, low institutional capacity, regulatory barriers, etc.) The indicator includes

				been affected by the COVID-19 pandemic in 2020.	SOBs and corporate governance improvement; (ii) development of microfinance and digital finance services; (iii) development of housing finance market; (iv) improving access to finance for MSMEs and women entrepreneurs; (v) development of green finance; and (vi) building the CBU's capacity to design and implement efficient macroprudential policies.	<ul style="list-style-type: none"> Uzpromstroybank Institutional Capacity Advisory (604138) Uzbekistan FM Infrastructure (569389)
						<u>Key Partners:</u> EBRD, ADB, IMF
1.4: Improved diversification of agriculture production	Achieved	Indicator 1: Increased livestock productivity	<i>Baseline:</i> 0% (2015) <i>Target:</i> 15% (2021)	Achieved Livestock productivity reported by the beneficiaries under LSDP increased by 194% (milk) and 375% (meat).		<u>Lending:</u> <ul style="list-style-type: none"> LSDP (P153613) <u>ASA:</u> <ul style="list-style-type: none"> Agri-Food Job Diagnostic (P171263)
		Indicator 2: Increase in areas under horticulture, fodder crops and other crops (non-cotton/ wheat)	<i>Baseline:</i> 584,000 ha (2015) <i>Target:</i> 800,000 ha (2020)	Achieved As of 2020, total cropland area devoted to horticulture and fodder production (less cotton and wheat growing areas) was 872,822 hectares. (<i>Source:</i> Resolution of the Cabinet of Ministers of Uzbekistan #121 dated March 4, 2021 ⁶⁷)	<u>Lessons and Recommendations:</u> <ul style="list-style-type: none"> When agricultural diversification is supported through the reforms of public policy and expenditures (e.g., through DPOs), it can deliver quick results. In addition to supporting private investments in value chains emphasized in the past, more attention of policy makers is needed to public programs for integrating smallholders into agrifood value chains and delivering to them agricultural services for raising productivity. 	<u>Lending:</u> <ul style="list-style-type: none"> DPO2 Sustaining Market Reforms in Uzbekistan (P168280) HDP (P133703) Ferghana Valley Rural Enterprise Development Project (P166305) South Karakalpakstan Water Resource Management Improvement Project (P127764) Ferghana Valley Water Resource Management Project 2 (P149610) <u>ASA:</u> <ul style="list-style-type: none"> Agriculture Modernization Strategy TA (P158342) Agri-Food Job Diagnostic (P171263) Support to Agricultural Modernization (P174492) TPM in Cotton Sector (P156962)

IFC's investment operations (e.g., the MSME-focused \$35 million loan to Ipoteka Bank disbursed following the preparatory advisory work) as well as non-IFC-funded loans provided by client FIs once these roadblocks have been removed with IFC's support.

⁶⁷ <https://lex.uz/ru/docs/5323652>

						<ul style="list-style-type: none"> • Labor modernization - Cotton Harvest (P159083) • PER (P168168) • Regional Irrigation Efficiency Study (P129682) <p><u>IFC:</u> Sustainable Cotton #601530 Indorama Agro</p>
						<p><u>Key Partners:</u> ADB, AFD, EU, FAO, CGIAR, GIZ, IFAD, IsDB, JICA, SDC, UNDP, USAID</p>
1.5: Improved efficiency of infrastructure service delivery	Mostly Achieved	Indicator 1: Improved reliability of rail services (percentage of delays)	<i>Baseline:</i> 95% (2015) <i>Target:</i> 5% (2019)	Mostly Achieved The reliability of rail services improved significantly with the actual value at 10%. Although it is 5% lower than the target value, it is the highest reliability indicator for rail services nationwide. <i>Source:</i> (ICR P146328)		<p><u>Lending:</u></p> <ul style="list-style-type: none"> • Pap-Angren Railway Project (P146328) <p><u>ASA:</u></p> <ul style="list-style-type: none"> • Transport Sector Strategy (P168374) • National Transport Masterplan and Sustainable Financing of Infrastructure (P175892) • PPPs and Sustainable Financing in Transport Sector (P171027)
		Indicator 2: International internet bandwidth per capita (kb/sec/prs)	<i>Baseline:</i> 2.1 Kbps (2016) <i>Target:</i> 40 Kbps (2021)	Achieved Actual value is 42.4 kbps based on the TeleGeography 2020 data. Target has been achieved thanks to the Government's heavy investment to the sector's infrastructure.	<p><u>Lessons and Recommendations:</u></p> <ul style="list-style-type: none"> - There is a need to continue the dialogue by: a) a phased approach with focus on improving the legal framework front-loaded in the 1st phase and agreeing with the Government on telecom sector reforms under the Bank project; and b) building a coalition of development partners to speak with one voice in advocacy for telecom sector reforms. 	<p><u>ASA:</u></p> <ul style="list-style-type: none"> • Preparation studies for Digital CASA-Uzbekistan (P168615) <p><u>IFC:</u> Uzbekistan Digital Infrastructure Reform #605098 Uzbekistan Airports PPP #603678</p>
		Indicator 3: Improved users' perception of the quality of real property	<i>Baseline:</i> 0% (2017) <i>Target:</i> 10% (2021)	Mostly Achieved The methodology of the user perception survey was revised in 2022 to encompass factors and activities within MRPRC	<p><u>Lessons and Recommendations:</u></p> <p>Successful nationwide institutional and operational reorganization and digitalization of land and cadastre</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • Modernization of Real Property Registration and Cadastre Project (P151746)

		registration services		outreach. The baseline as of 2018 was 82.46%, and the actual per the 2021 survey was 88.3% (5.8% increase).	services requires time and resources to enable digital transformation of the infrastructures and behavioral change of the staff and the clients.	<ul style="list-style-type: none"> • Mid-Sized Cities Integrated Urban Development (P162929) <u>Grant:</u> <ul style="list-style-type: none"> • Support to the Land Administration & Geospatial Modernization (P161618) <u>ASA:</u> <ul style="list-style-type: none"> • Sustainable Urban & Regional Development Program (P159268) • Strengthening Urban Resilience in Tashkent (P172790)
						<u>Key Partners:</u> ADB, EIB, EBRD, IsDB, Korean Exim Bank, UNDP
Focus Area 2: Reform of select state institutions and citizen engagement						
2.1: Enhanced corporate governance and strengthened financial sustainability of SOEs	Achieved	Indicator 1: Augmented budget outturns on tax expenditures, current spending and net lending to Uzbekenergo and Uzbekneftegaz	<p><i>Baseline:</i> 1.2% of GDP and no IFRS compliant financial statements have been published (December 2017 – 2017 budget)</p> <p><i>Target:</i> less than 0.6% of GDP and IFRS-compliant financial statements have been published for 2015 and 2016 (December 2018 - 2018 budget)</p>	<p>Achieved</p> <p>After the adoption of the President Resolution # 4611, top 21 SOEs are mandated to apply IFRS to their 2020 financial reporting.</p> <p>IFRS-complaint financial statements for 2015 and 2016 for UE were prepared, submitted to the Bank and published.</p> <p>Uzbekneftegas also completed the preparation of IFRS-based financial statements in 2020.</p> <p>Total budget expenditure (0.05% of GDP/UZS190.5 bn) and net lending (0.05% of GDP/UZS190.5 bn) to UE was UZS381 bn, or 0.1% of GDP (2018). No budget expenditure and lending to Uzbek-neftegaz in 2018.</p>	<p><u>Lessons and Recommendations:</u></p> <p>-The requirement to convert to IFRS proved to be challenging, considering the scale of the transformation and limited capacities of the entities affected.</p> <p>-Continue supporting the Government in the area of SOE reforms, by focusing on the Corporate Governance and Financial Reporting area (best practices, standards, principles, etc.) including at the entity level.</p> <p>-World Bank financing support shall be accompanied by capacity building and institutional development activities.</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • DPO-1: Uzbekistan Reforms for a Sustainable Transformation Toward a Market Economy (P166019) • Institutional Capacity Building Project (P168180) • Modernization & Upgrade of Transmission Substations (P156584) <p><u>ASA:</u></p> <ul style="list-style-type: none"> • Improvement of Corporate Governance (P165740) • SOE Governance Roundtable (P154748) • Development Note on Energy Subsidies in Uzbekistan (P153801) • Support for Preparation of Energy Strategy (P168487) • Small & Medium Hydropower Development Program (P167165) • Support Uzbekistan Gas Sector Reforms (P172414) • Uzbekistan PEFA assessment and PFM strategy advice (P167783) • Public Expenditure Review – 1 (P168168)

						<u>Key Partners:</u> ADB, EBRD, JICA, AFD
2.2: Increased access, efficiency and reliability of power supply and heating services	Mostly Achieved	Indicator 1: Number of outages of major equipment in the target transmission substations per year	<i>Baseline:</i> 103 times (2017) <i>Target:</i> 10 times (2024)	Mostly Achieved 36 (2021) 55 (2020) *Target to be achieved upon the project completion by end-2022.	<u>Lessons and Recommendations:</u> Expansion and modernization of power system should be aligned across the supply chain.	<u>Lending:</u> <ul style="list-style-type: none"> • Modernization & Upgrade of Transmission Substations (P156584) <u>ASA:</u> <ul style="list-style-type: none"> • Planning Study for Power Sector (P157270)
		Indicator 2: Improved energy efficiency in industrial enterprises (energy savings per year)	<i>Baseline:</i> 0 GWh <i>Target:</i> 613 GWh (2023)	Mostly Achieved 2019 value is 258 GWh. *Target is expected to be achieved in 2023 (by project closing).		<u>Lending:</u> <ul style="list-style-type: none"> • Energy Efficiency Facility for Industrial Enterprises 3 (P165054) <u>Guarantee:</u> <ul style="list-style-type: none"> • Nur Navoi Scaling Solar (P170598) <u>ASA:</u> <ul style="list-style-type: none"> • Power System Dispatch & RE Integration (P163155) • Deploying Energy Efficiency in Public Buildings • Industrial Energy Efficiency Program (P156670) • Support for Preparation of Energy Strategy (P168487) <u>IFC:</u> <ul style="list-style-type: none"> • Nur Navoi Scaling Solar • Scaling Solar 2 • Syrdarya CCGT PPP #604288 • Talimarjan CCGT PPP #604416 • Enabling environment for the energy sector #605222 • Infrastructure Upstream #605934 <u>MIGA:</u> <ul style="list-style-type: none"> • MIGA guarantees in Acwa CCGT gas-power plant in Syrdarya (14688)
		Indicator 3: People served by improved and energy-efficient heating facilities in project areas	<i>Baseline:</i> 0 (2017) <i>Target:</i> 240,000 people (2024)	Not Achieved Main investments were contracted in 2021. Planned upgrade of heating systems will commence after the winter season.		<u>Lending:</u> <ul style="list-style-type: none"> • District Heating Energy Efficiency (P146206) <u>ASA:</u> <ul style="list-style-type: none"> • Urban Heating Strategy for Uzbekistan (P166543)

		(Andijan, Bukhara, Chirchik, Samarkand, and Sergeli Rayon of Tashkent)		*Target is expected to be achieved by Dec 2024 (project closing)		
						<u>Key Partners:</u> ADB, EBRD, EU/EIB, JICA, USAID, Korean Government
2.3: Improved access to and quality of water supply and sanitation services	Achieved	Indicator 1: Increased access to safe drinking water in urban and rural areas	<i>Baseline:</i> 1.3 mln people (2016) <i>Target:</i> 2 mln people (2020)	Achieved Actual value was 1.84 ⁶⁸ mln people in 2021, and the pandemic delayed implementation of Water Services and Institutional Support Project		<u>Lending:</u> <ul style="list-style-type: none"> • Syrdarya Water Supply Project (P111760) • Bukhara & Samarkand Sewerage Project (P112719) • Alat & Karakul Water Supply Project (P118197) • Water Services and Institutional Support Project (P162263)
		Indicator 2: Increased access to sanitation services in urban and rural areas	<i>Baseline:</i> 0.55 mln people (2016) <i>Target:</i> 1.15 mln people (2020)	Achieved Actual value was 1.14 mln people ⁶⁹ in 2021, and the pandemic delayed implementation of P162263		<u>Lending:</u> <ul style="list-style-type: none"> • Bukhara & Samarkand Sewerage Project (P112719) • Water Services and Institutional Support Project (P162263) <u>ASA:</u> <ul style="list-style-type: none"> • PER - 2 (P173140)
						<u>Key Partners:</u> ADB, EIB, EBRD, AFD, IsDB, OPEC, Saudi Development Fund, SDC
2.4: Strengthened citizen participation in oversight of public service delivery	Achieved	Indicator 1: Number of projects integrating elements of National Citizen Engagement Framework	<i>Baseline:</i> 0 (2017) <i>Target:</i> 4 (2021)	Achieved Six investment operations indicated in the Bank Instruments section have been prepared with integration of CE elements in the project design and preparation processes. The "Approach Paper: A Strategy	<u>Lessons and Recommendations:</u> - Continued policy dialogue with Government is needed to identify the CE mechanisms that can be replicated and scaled up through the GoU state programs.	<u>Lending:</u> <ul style="list-style-type: none"> • Enhancing Economic Opportunities for Rural Women Project (P171760) • RIDP (P168233) • Ferghana Valley Rural Enterprise Development Project (P166305) • Mid-Sized Cities Integrated Urban Development Project (P162929)

⁶⁸ Syrdarya Water Supply Project: after ICR additional 60,000 population connected within contracts 5 and 9 as part of State-financed program. Total population number with access is 210,000+60,000 = **270,000 people (0.27 mln)**. Alat and Karakul Water Supply Project: The population of Alat and Karakul districts - **267,700 people** (0.27 mln) - benefitted from water supply system built under the Project. Thus, the baseline increased from 1.3 mln to 1.84 mln

⁶⁹ Bukhara Samarkand Wastewater Project financed the rehabilitation of Samarkand wastewater treatment plant (for the residents of Bukhara, Samarkand, and Kagan) with capacity of 135,000 m³/day to serve over 1.3 mln people.

				for CE in Service Delivery in Uzbekistan,” assessed the RIDP as “meeting all quality criteria in terms of CE,” (p. 57).	- The design of projects targeting vulnerable and underserved groups should incorporate strong CE mechanisms with focus on identification of target beneficiaries, a sound beneficiary feedback mechanism, community participatory monitoring, and consultations with CSOs.	<ul style="list-style-type: none"> • Strengthening Social Protection Project (P166447) • Water Services and Institutional Support Project (P162263) <u>ASA:</u> <ul style="list-style-type: none"> • Support to Development of National CE Framework (P166817) • L2CU (P166383) • TPM in Cotton Sector (P156962) • Reducing the risk of human trafficking (P173363) • Poverty Reduction (P174391)
		Indicator 2: Percentage of community-based sub-projects supported through Ferghana Regional Development Project selected by communities and meeting priority community needs	<i>Baseline: 0% (2017)</i> <i>Target: 75% (2021)</i>	Not achieved No sub-projects have been implemented yet under RIDP – the operation became effective in 2020 only and was affected by COVID-19.	<u>Lessons and Recommendations:</u> - The production of village development plans from which community-based sub-projects are selected for financing, have unfolded relatively smoothly. However, moving from sub-project identification to implementation is challenging due to the need to reconcile community priorities with national, regional, and district government investment plans, budget allocations, and technical requirements prepared in a top-down manner. - Continued policy dialogue with the GoU is needed to explore the possibility of delegating decision-making and resources for small-scale investments that are not technically challenging.	<u>Lending:</u> <ul style="list-style-type: none"> • Fergana Rural Enterprise Development Project (P166305) • RIDP (P168233) <u>ASA:</u> <ul style="list-style-type: none"> • Support to Development of National CE Framework P166817) • L2CU (P166383) • Poverty Reduction in Uzbekistan (P174391) • Preparation of the National Strategy for Development of Statistics (P171222)
						<u>Key Partners:</u> Development Strategy Center, Federation of Trade Unions, USAID, EU, GIZ, SDC
Focus Area 3: Investing in people						
3.1: Improved access to quality education	Partially Achieved	Indicator 1: Enrolment rate of 6-year-old children (in both	<i>Baseline: 27.3% (school year 2017/2018)</i>	Mostly Achieved As of Dec-2020, 72% of 6-year-old children are enrolled in preschool education and have	<u>Lessons and Recommendations:</u> - Global knowledge and international good practices are critical for addressing	<u>Lending:</u> <ul style="list-style-type: none"> • Early Childhood Development Project (P147074) <u>Grant</u>

		public and diagnostic preschools, nationwide average)	<i>Target: 100% (school year 2021/2022)</i>	access to a preparedness program. The target shall be updated in 2022 per the GoU Resolution # 132 of March 9, 2020, which envisages 100% enrollment of 6-year-old children by 2024/2025.	challenges faced in Uzbekistan’s education system. Existing evidence demonstrates that high-quality ECD interventions have significant and long-lasting social and economic benefits for children, their families, and society at large. - Expansion of access does not need to be done to the detriment of quality. Over the longer term, high-quality ECD interventions are linked with significant outcomes for the individual beneficiary, including higher student achievement, educational attainment, post-school productivity, and income.	<ul style="list-style-type: none"> Improving General School and Pre-school Education Project (GPE-funded) (P144856) <u>ASA:</u> <ul style="list-style-type: none"> Education Sector Analysis (P166234)
		Indicator 2: Increased index of labor market relevance of higher education perceived by students and firms	<i>Baseline: 0</i> <i>Target: 20%</i>	Not verified In 2019, the baseline has been established at 58.4%. Two more surveys planned by February 2023. *Expected to be achieved by February 2023.	<u>Lessons and recommendations:</u> - Increased higher education enrollment is a strategic direction as it displays the highest average private rates of return compared to other levels of education. - To address low enrolment rate, admission policies and practices should be revised to ensure greater equity and facilitate expanding higher education enrollment outside of Tashkent.	<u>Lending:</u> <ul style="list-style-type: none"> Modernizing Higher Education Project (P128516) <u>Grant</u> <ul style="list-style-type: none"> Improving Preprimary & Secondary Education Project (P144856) <u>ASA:</u> <ul style="list-style-type: none"> Education Analysis (P166234) Education Excellence Toward Human Capital (P174517) PER - 2 (P173140)
						<u>Key Partners:</u> ADB, British Council, European Training Foundation, EU, GIZ, IsDB, KfW, UNESCO, UNICEF
3.2: Improved access to quality health services	Achieved	Indicator 1: Improved perceived quality of primary health care and secondary health care services	<i>Baseline: 85.5% (primary healthcare) and 69.5% (secondary healthcare)</i> <i>Target: 90% (primary healthcare) and 85% (secondary healthcare)</i>	Achieved 90.7% for PHC and 86.7% for secondary health care services (per ICR Report No: ICR00004995 of Aug-2020).	<u>Lessons and Recommendations:</u> - Failure to implement a successful pilot of case-based financing in hospitals shows that such complex reforms require thorough preparation and fulfillment of all preconditions, including adequate equipment, conducive legal environment, support of stakeholders,	<u>Lending:</u> <ul style="list-style-type: none"> Health System Improvement Project (P113349) Emergency Medical Services Project (P159544) Emergency COVID-19 Response Project (P173827) and AF <u>ASA:</u> <ul style="list-style-type: none"> Uzbekistan Health (P171388)

					and also trained staff and adequate in-country technical capacity at all levels.	<ul style="list-style-type: none"> • Health Financing and Sustainability (P174370) • PER – 2 (P173140) <p><u>IFC:</u></p> <ul style="list-style-type: none"> • Dialysis Project PPPs • Hospital Consolidation PPP • Radiotherapy PPP
						<u>Key Partners:</u> ADB, EU, GIZ, IsDB, KfW, UNESCO, UNICEF
3.3: Effective social safety nets	Achieved	Indicator 1: Expanded coverage of family cash allowances	<p><i>Baseline:</i> Budget includes funding for cash allowances to 435,500 families with minor children (below age 13) and financial support for low-income families. (March 2017)</p> <p><i>Target:</i> 2019 Budget includes funding for cash allowances to 500,000 families with minor children and financial support for low-income families (2019)</p>	<p>Achieved</p> <p>As of end-2020, the budget allocations were made to cover 531,765 households.</p> <p>Budget for three types of low-income family allowances has been expanded to cover around 1,200,000 households, partly as a response to COVID-19 pandemic and economic crisis it provoked. The budget for low-income family allowances in 2021 is covering the same 1,200,000 households.</p>	<p><u>Lessons and Recommendations:</u></p> <p>- Further support to social assistance is needed, including in the area of monitoring financial allocations to targeted programs, as the pandemic recovery progresses.</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • Emergency COVID-19 Response Project (P173827) • DPO-1: Uzbekistan Reforms for a Sustainable Transformation Toward a Market Economy (P166019) • DPO-2: Sustaining Market Reforms in Uzbekistan(P173948) • DPO-3: Supporting a Transparent and Inclusive Market Transition (P171751)
		Indicator 2: Establish a comprehensive social registry to improve the social inclusion and targeting of social protection benefits (incl. social assistance cash transfers, social services, and labor market programs)	<p><i>Baseline:</i> 0 cases (2017)</p> <p><i>Target:</i> 1,300,000 cases (2021)</p>	<p>Achieved</p> <p>The Single Registry has been piloted in Syrdarya between October 2019 and August 2020 and gradually rolled out until December 2020. As of January 2021, more than 1,900,000 families are in the Registry.</p>	<p><u>Lessons and Recommendations</u></p> <p>- Establishment of a coordination mechanism in the context when multiple agencies are involved in beneficiary selection processes is crucial to ensure that any technical, design or implementation issues adversely affecting population are timely addressed.</p> <p>- There is a need to improve the linkages between the Social Registry and the employment services (with IT</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> • Strengthening Social Protection Systems Project (P166447) • DPO-2: Sustaining Market Reforms in Uzbekistan(P173948) <p><u>ASA:</u></p> <ul style="list-style-type: none"> • Supporting Strengthening Social Protection (P166665) • Modernizing Administration of Social Assistance (P153562) • Understanding Youth Aspirations and Firms Demand (P170588) • Poverty reduction (P174391) • L2CU (P171949)

					linkages to the Labor Market Information System).	
						Key Partners: UNICEF, ILO, UNDP, UNFPA, ADB, GIZ

Annex C. CLR Lending Program: Envisaged and Actual

CPF Lending Program FY16-21 (Planned) (US\$ million)				CPF CLR FY16-21 Lending Program (Actual) (US\$ million)			
FY16	IBRD	IDA	Notes	FY16	IBRD	IDA	Other
Modernizing Higher Education		42.2		Modernizing Higher Education		42.2	
Modernization of Real Property and Cadastre		20		Modernization of Real Property and Cadastre		20	
Total FY16		62.2		Total FY16	0	62.2	0
FY17				FY17			
Ferghana Valley Water Resource Management-2		211		Ferghana Valley Water Resource Management-2		144.9	
Modernization and Upgrade of Transmission Substations	185			Modernization and Upgrade of Transmission Substations	92	58	
Livestock Development Project		150		Livestock Development Project	30	120	
District Heating Energy Efficiency		140	Deliv. in FY18				
Navoi-Kanimech Railway Project	115		Dropped				
Electricity Distribution Networks Rehabilitation	155		Dropped				
Total FY17	455	501		Total FY17	122	322.9	0
FY18				FY18 (including FY18 PLR adjustments)			
Energy Efficiency for Indust. Enterprises-3		100		AF for Energy Efficiency for Indust. Enterprises	200		
Emergency Health Services Improvement		55		Emergency Medical Services		100 ⁷⁰	
Agriculture Modernization	200		Deliv. in FY20	District Heating Energy Efficiency		140	
Jobs & Skills for Modern Economy		100	Deliv. in FY20	AF for Horticulture Development	500		
Reconstruction of Sewerage Networks of Nukus and Takhiatash		50	Deliv. in FY20	Transition to Market Economy DPO-1		500	
Renewable Energy (wind/solar)	100		Dropped				
Total FY18	300	305		Total FY18	700	740	0
FY19				FY19 (including FY18 PLR adjustments)			
Integrated Urban Development	100			Mid-Size Cities Integrated Urban Development	100		
Vocational Education Project		50	Dropped	Promoting Early Childhood Development		59.5	
Rural Development Project		112		Ferghana Valley Rural Enterprise Development	200		

⁷⁰ This allocation includes \$45 million cancelled from the Health System Improvement project (P113349).

CPF Lending Program FY16-21 (Planned) (US\$ million)				CPF CLR FY16-21 Lending Program (Actual) (US\$ million)			
Energy Efficiency - Phase 4		100	Merged with Phase 3 & delivered in FY18	Sustaining Market Reforms in Uzbekistan DPO-2	500		
Roads Development Project Phase 2	200		Dropped	Institutional Building TA		33	
Total FY19	300	262		Total FY19	800	92.5	0
FY20				FY20 (including FY18 PLR adjustments)			
Roads Development Project Phase 3	200		Dropped	Strengthening Social Protection System		50	
Water Supply and Sanitation		200		Agriculture Modernization	181	319	
Private Sector Development	20		Dropped	WSS and Institutional Program		239	
Energy Efficiency Phase 5		100	Dropped	Rural Infrastructure Development		100	
Total FY20	220	300		Supplemental Financing for DPO 2	200		
				Emergency COVID-19 Response		95	
				Total FY20	381	803	0
				FY21 (including FY18 PLR adjustments)			
				Supporting a Transparent and Inclusive Market Transition DPO-3	250	250	
				Modernization of Uzbekistan National Innovation System		50	
				Navoi Scaling Solar IPP (Guarantee)	5.1		
				AF for Emergency COVID-19 Response (PEF grant)			4.08
				AF for Mid-Size Cities Integrated Urban Development		100	
				Enhancing Economic Opportunities for Rural Women (JSDF grant)			2.73
				Electricity Sector Transformation and Resilient Transmission		380	47
				Tax Administration Reform		60	
				Total FY21 (actual)	255.1	840	53.81
Total Lending FY16-20 (Planned): 2,705.2	1,275	1,430		Lending FY16-21 (Actual): 5,118.78	2,258.1	2,860.6	53.81

Annex D. IFC – Statement of Committed and Outstanding Portfolio (as of 06/30/2021)

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2001, 2007, 2010, 2011, 2012, 2013, 2014, 2015, 2017, 2020	Hamkorbank	0	13.5	2.64	0	0	6.43	9.07	0	0	2.64	0	0	5.23	7.87	0
2019, 2021	Ipak Yuli Bank	0	11.87	0	0	1.76	1.2	2.96	0	0	0	0	1.76	0	1.76	0
2020	Davr Bank	5	0	0	0	0	0	5	0	5	0	0	0	0	5	0
2020	Indorama Kokand Fertilizers	12.5	0	0	0	0	0	12.5	0	12.5	0	0	0	0	12.5	0
2021	Indorama Agro LLC	60	0	0	0	0	0	60	0	0	0	0	0	0	0	0
2021	Nur Navoi Solar FE LLC	17.51	0	0	0	0	1	18.51	0	11.09	0	0	0	0.55	11.64	0
2020, 2021	IPOTEKA BANK	0	0	0	34.3	0.25	0	34.55	0	0	0	34.3	0.25	0	34.55	0
	Indorama Kokand	16.67	23.33	0	0	0	0	16.67	0	16.67	0	0	0	0	16.67	0
Grand Total:		111.68	48.7	2.64	34.3	2.01	8.63	159.26	0	45.26	2.64	34.3	2.01	5.78	89.99	0

Annex E. MIGA - Outstanding Guarantee (as of 06/30/2021)

MIGA Project name	Effective date	Expiration date	Sector	Gross Exposure (millions)
ACWA Power Sirdarya LLC	09/15/2021	06/30/2039	Infrastructure	US\$571.8
Total				US\$571.8

Annex F. CPF ASA Program: Delivered Tasks

FY	#	Delivered Tasks	Global Practice
FY16	1	Agriculture Modernization Strategy	Agriculture
	2	SOE Governance Roundtable	Governance
	3	Labor Modernization-Cotton Harvest	Social Development
	4	Modernizing Administration of Public Social Assistance	SPJ
FY17	5	Energy Planning Study	Energy & Extractives
	6	Scaling-up EE in Buildings	Energy & Extractives
	7	Investment Climate Reform Dialogue	MTI
	8	Evaluation of flexible wage subsidy program for cotton picking	SPJ
	9	Study of the role of mahallas in delivering social services & ways to improve coordination with the line ministries	SPJ
	10	Uzbekistan Trade Logistics	MTI
	11	Diagnostic study of barriers for strengthening rural women livelihoods in low-income areas of Uzbekistan	Social Development
	12	WSS Sector Policy Recommendations Dissemination	Water
	13	Water Sector Reforms Diagnostics & Support Plan	Water
	14	Knowledge Sharing & Capacity Strengthening for Utility Managers	Water
FY18	15	Assessing constraints and opportunities for socially responsible cotton intensification and mechanization	Agriculture & Food
	16	Uzbekistan's Vocational Education System Assessment	Education
	17	Innovative learning environments in pre-university education	Education
	18	Support the Development of a National Industrial Energy Management Program	Energy & Extractives
	19	Industrial Energy Efficiency Program	Energy & Extractives
	20	Investment Climate & Competition Reform	FCI
	21	Financial Sector TA	FCI
	22	Improving Public Procurement Performance and Outcomes	Governance
	23	Strengthening of Public Procurement in Uzbekistan	Governance
	24	Support for Creation Sustainable Procurement Capacity Building in Uzbekistan	Governance
	25	Uzbekistan - Growth Diagnostics	MTI
	26	Uzbekistan FX Convertibility	MTI
	27	Support to Transition to a Market Economy	MTI
	28	Uzbekistan Trade Diagnostics	MTI
FY19	29	Agriculture Modernization TA	Agriculture & Food
	30	Education Sector Analysis	Education
	31	Power System Dispatch and Renewable Energy Integration	Energy & Extractives
	32	Energy Subsidies in Uzbekistan: Impact and the Way Forward	Energy & Extractives
	33	Upgrading Financial Sector Oversight	FCI
	34	Strengthening Banking Regulations	FCI
	35	Improving the environment for doing business in Uzbekistan	FCI

FY	#	Delivered Tasks	Global Practice
	36	Public Expenditure and Financial Accountability (PEFA) assessment and PFM strategy advice	Governance
	37	Trade Policy and Facilitation TA	MTI
	38	Investment Climate Reforms	MTI
	39	Listening to the citizens of Uzbekistan	Poverty & Equity
	40	Support to Developing National Citizen Engagement Framework	Social Development
FY20	41	Small and Medium Hydropower Development Program	Energy & Extractives
	42	Strategic Advisory on Improvement of Corporate Governance	Energy & Extractives
	43	Financial Sector Policy and Oversight	FCI
	44	Public Sector Renewal for Enhanced Service Delivery	Governance
	45	Uzbekistan Health ASA	HNP
	46	Uzbekistan PER-1	MTI
	47	Uzbekistan Mid-Term Debt Management Strategy	MTI
	48	Listening to the citizens of Uzbekistan	Poverty & Equity
	49	Preparation of the National Strategy for Development of Statistics	Poverty & Equity
	50	Supporting Uzbekistan's inclusive economic growth through strengthening social protection system	SPJ
	51	Citizen Engagement Framework Uzbekistan	Social Development
	52	Strengthening Disaster Resilience	Urban, Resilience and Land
	53	Support to Aviation Sector Reform (RAS)	Transport
	54	Uzbekistan Transport & Logistic Strategy	Transport
FY21	55	Agri-Food Job Diagnostic	Agriculture & Food
	56	Education Excellence Toward Improved Human Capital in Uzbekistan	Education
	57	First: Uzbekistan Financial Sector Reform	FCI
	58	From Plan to Market 2.0: Assessing Uzbekistan's Transition	MTI
	59	Analytical Support to the Second Uzbekistan Systematic Country Diagnostic	MTI
	60	Poverty Reduction in Uzbekistan	Poverty & Equity
	61	Uzbekistan: Understanding Youth Aspirations and Firms' Demand to Sustain Youth Labor Market Participation	SPJ
	62	PPPs and Sustainable Financing in Transport Sector	Transport
	63	National Transport Masterplan and Sustainable Financing of Infrastructure	Transport

Annex G. IFC Advisory Projects FY16-21

Project ID	Project Name	Institution Number	Institution Legal Name	Primary Business Area
FY2016				
569389	Uzbekistan FM Infrastructure	773246	Chamber Uz	FAM
		804974	CoR	FAM
		1005576	Goskomkonkurentsii	FAM
FY2017				
569389	Uzbekistan FM Infrastructure	804974	CoR	FAM
		1005576	Goskomkonkurentsii	FAM
601530	New Uzbekistan Sustainable Cotton	1021140	Better Cotton Initiative	MAS
602056	ECA Banking Risk Management Project	52968	Hamkorbank	FIG
FY2018				
569389	Uzbekistan FM Infrastructure	647311	Central Bank UZ	EFI
		773246	Chamber Uz	EFI
		1005576	Goskomkonkurentsii	EFI
		1024838	Norma	EFI
601530	New Uzbekistan Sustainable Cotton	651464	Ministry of Agriculture & Water	MAS
		1021140	Better Cotton Initiative	MAS
		1026006	FTU	MAS
		1026009	MELR	MAS
FY2019				
569389	Uzbekistan FM Infrastructure	500178	Uz BA	EFI
		647311	Central Bank of Uzbekistan	EFI
		773246	Chamber of Commerce Uz	EFI
		1024838	Norma	EFI
601530	New Uzbekistan Sustainable Cotton	562700	ILO CHE gen	MAS
		651464	Ministry of Agriculture & Water	MAS
		1003999	Indorama Kokand	MAS
		1021140	Better Cotton Initiative	MAS
		1026006	FTU	MAS
		1026009	MELR	MAS
602056	ECA Banking Risk Management Project	1008000	Ipoteka Bank	FIG
		1008180	Uzpromstroybank	FIG
		1031030	HCSBK	FIG
602154	Uzbekistan Solar	801404	Uzbekenergo	CPC-PPP
		1020769	SIC~UzAFI	CPC-PPP
602352	Ipoteka Bank Transformation	1008000	Ipoteka Bank	FIG
605031	Uzbekistan Dialysis PPP	517497	Ministry of Finance of Uzbekistan	CPC-PPP
		1029786	Ministry of Health of Uzbekistan	CPC-PPP
FY2020				
601530	New Uzbekistan Sustainable Cotton	562700	ILO CHE gen	MAS
		651464	Ministry of Agriculture & Water	MAS
		1003999	Indorama Kokand	MAS
		1026006	FTU	MAS

		1026009	MELR	
602056	ECA Banking Risk Management Project	52968	Hamkorbank	FIG
		1008000	Ipoteka Bank	FIG
		1031030	HCSBK	FIG
602352	Ipoteka Bank Transformation	1008000	Ipoteka Bank	FIG
605031	Uzbekistan Dialysis PPP	517497	Ministry of Finance of Uzbekistan	CPC-PPP
604138	Uzpromstroybank Institutional Capacity Advisory	1008180	Uzpromstroybank	FIG
604288	Syrdarya Uzbekistan CCGT	517497	Ministry of Finance of Uzbekistan	CPC-PPP
		1020769	SIC~UzAFI	CPC-PPP
		1040851	Ministry of Energy of Uzbekistan	CPC-PPP
FY2021				
601530	New Uzbekistan Sustainable Cotton	651464	Ministry of Agriculture & Water	MAS
		1003999	Indorama Kokand	MAS
		1016808	Indorama Kokand Fertilizers	MAS
		1026006	FTU	MAS
		1026009	MELR	MAS
		1036738	Indorama Agro LLC	MAS
602352	Ipoteka Bank Transformation	1008000	Ipoteka Bank	FIG
604138	Uzpromstroybank Institutional Capacity Advisory	1008180	Uzpromstroybank	FIG
604288	Syrdarya Uzbekistan CCGT	517497	Ministry of Finance of Uzbekistan	CPC-PPP
		1030769	MIFT Uzbekistan	CPC-PPP
		1040851	Ministry of Energy of Uzbekistan	CPC-PPP
604324	Uzbekistan Solar 2	517497	Ministry of Finance of Uzbekistan	CPC-PPP
		1030769	MIFT Uzbekistan	CPC-PPP
		1040851	Ministry of Energy of Uzbekistan	CPC-PPP
605108	Uzbek Hospital Consolidation PPP	517497	Ministry of Finance of Uzbekistan	CPC-PPP
		1029786	Ministry of Health of Uzbekistan	CPC-PPP
605109	Uzbek Radiotherapy PPP	517497	Ministry of Finance of Uzbekistan	CPC-PPP
		1029786	Ministry of Health of Uzbekistan	CPC-PPP

Annex H. Overview of Reforms Supported under a Series of DPOs

Sector	Reforms supported in the DPO engagements (2018-2020)	Major results
Areas of support across all three DPOs delivered during the CPF period		
Agriculture	<ul style="list-style-type: none"> • Large reduction in cotton/wheat growing areas • Increase in wheat and cotton farmgate prices to equalize with international benchmarks • Removal of almost all horticulture export barriers • Liberalization of bread prices • Ending mandatory cotton production targets for farmers, and all mandatory state cotton production surrender requirements 	<ul style="list-style-type: none"> • A revival of agriculture growth and record horticultural exports • Up to 1.2% of GDP increase in rural incomes from higher farmgate prices for cotton and wheat production • End of systematic forced and child labor
Energy	<ul style="list-style-type: none"> • New renewable energy legal and institutional framework • New energy tariff policy and methodology, and the establishment of a new tariff commission to improve independence of tariff-setting • Electricity and gas tariff reforms to strengthen cost-recovery • IFRS accounts and audits of main energy and gas SOEs • Ending all retail petroleum price controls (and subsidies) • Removing constraints to increased private sector investments in energy generation PPPs 	<ul style="list-style-type: none"> • Unbundling of vertical gas and electricity SOEs, separation of policy/regulation • Electricity cost recovery from 70 to 92% within 2 years. • First competitive and transparent private investments in power generation. • Petroleum prices are freely determined in the market and have been allowed to adjust to spikes in oil prices without intervention.
Financial Sector	<ul style="list-style-type: none"> • Strengthened prudential requirements to comply with Basel Core Principles, and stress testing requirements • Modernization of banking legislation • Stopping UFRD on-lending via commercial banks • Ending almost all preferential lending by state banks • Strengthening independent governance of Bank boards 	<ul style="list-style-type: none"> • Substantial improvement in capital and liquidity buffers • Sharp slowdown in preferential lending and credit growth from state-directed lending • Almost all bank lending now is being priced at rates above the reference rate.
SOE Reform	<ul style="list-style-type: none"> • Creation of SOE reform agencies • Unbundling of vertically integrated national airline SOE • Increased financial transparency of energy SOEs • SOE reform framework to improve the performance of the largest SOEs • Identification of at least 15% of all SOEs to be fully privatized via a competitive process 	<ul style="list-style-type: none"> • Identification and transfer of all SOE shares to new agency and initiation of privatization process. • Over 200 small SOEs have been privatized or liquidated. Corporate governance reforms in the largest SOEs are on-track.
Fiscal transparency	<ul style="list-style-type: none"> • Full disclosure of budget information to public • Preparation of citizen budgets to explain public spending. • Fiscal consolidation to close and consolidate off-budget accounts • New community-level budgets where citizens can determine how spending occurs • Integration of UFRD revenue/expenditure into State budget (4% of GDP of off-budget spending now on-budget) 	<ul style="list-style-type: none"> • For the first time, the full 2021 Budget is publicly consulted before submission to Parliament. • Substantial reduction in off-budget spending, from over 6% to an estimated 1.5-2% of GDP. • In 2018, more money was being spent outside the consolidated

	<ul style="list-style-type: none"> • Transfer of budget approval and accountability from Cabinet/President to Parliament and regional parliaments 	<p>budget. The 2022 Budget is the first in history to fully consolidate all public spending into the approved parliamentary budget law.</p>
Social protection and labor	<ul style="list-style-type: none"> • Ending systematic forced and child labor by the state • Expansion in social assistance beneficiaries to support price liberalizations in 2017 (large price control removals), 2018 (bread and energy tariffs), 2019 (energy tariffs), 2020 (COVID) • Creation of a unified social registry • Improved seasonal contractual conditions and obligations. • Tax reforms to address disproportionate labor taxes discouraging formal employment • Removal of almost all internal migration controls • 10% increase in low-income allowance beneficiaries for COVID • Countrywide rollout of a new unified social registry to consolidate and improve safety net coverage and amounts • New legal framework to prevent gender-based violence. • Legal guarantees of equal opportunities for women. 	<ul style="list-style-type: none"> • Largest social assistance beneficiary expansions since independence • Complete transformation of safety net system with single registry, with transparent data on applications and decisions • The new system is now in operation across all regions of the country. The focus of policy reforms has shifted to streamlining types of assistance, expanding coverage, and increasing payments in line with new poverty measures.
Other Reforms Supported in DPOs		
Liberalization of business and trading environment	<ul style="list-style-type: none"> • Unification of exchange rate through an unannounced 50% overnight devaluation of the som against the US dollar • The removal of all current account foreign exchange restrictions and export earnings surrender requirements • Removal of onerous domestic trading licensing regulations and firm-to-firm advance prepayment requirements • Price liberalization and removal of trading restrictions to allow market-based formation of prices • Reduction in average import tariffs 	<ul style="list-style-type: none"> • Average import tariffs fell from 13 to 8% • Foreign exchange access, once the biggest firm constraint, is no longer a problem • Record increases in 2019 and first three quarters of 2020 in domestic trading businesses

Annex I. Progress on Citizen Engagement

1. The context for CE in Uzbekistan has changed significantly during the CPF period. Notably, since 2017, the GoU has adopted measures and established new institutions to increase CE in local decision making and service delivery. The shift toward more open dialogue with the population and the establishment of public feedback channels, particularly on service delivery, included the introduction of virtual receptions to solicit citizen feedback, and the development of a legal framework for citizen oversight of government activities. This initiative technically gives Mahalla Citizens' Assemblies, NGOs, and the media the right to oversee the performance of government bodies and officials. These actions were embedded into the country's Five-Area Development Strategy for 2017-2021. However, implementation challenges remain—especially at the local level—due to a lack of capacity to operationalize engagement processes citizens' feedback do not yet inform concrete policy change. And despite the more open dialogue with the population and an incremental increase in internet freedom, citizens continued to face legal and extrajudicial consequences for their online activities.⁷¹ Although the media has seen more freedom since 2016, indicators of press freedom still report that authorities maintain a significant level of control over the media.⁷² A few international NGOs do operate in the country, but their activity is restricted; and most of the prominent international organizations critically evaluate the state of reforms in Uzbekistan.⁷³

2. A recent World Bank review of CE in service delivery⁷⁴ revealed that supply-side, top-down, government-driven mechanisms dominate the CE landscape—the state largely controls the CE space—determining where/what engagement can take place and in what manner. While some mechanisms may have the potential to develop into a citizen–state interface mechanism, few methods establish genuine dialogue and response over issues raised by citizens, with relatively weak, passive forms of CE being widely propagated. Another finding is that citizens are not engaged continuously throughout the service delivery or project cycle. Spaces created by the GoU tend to be discontinuous and have not been accompanied by capacity building of demand-side (or supply-side) actors.

3. The CE corporate requirements are nevertheless being implemented in a context where voice and accountability is improving. During the CPF period, WGI for Voice and Accountability show a slight increase in the percentile rank (from 2.96 in 2016 to 6.9 in 2019 – latest available data), improving Uzbekistan's rank in the lowest 10 percent from 208th to 200th rank (out of 214 countries). The BTI governance index for Uzbekistan increased from 1.95 in 2016 to 3.58 in 2020, which improved the country's rank from 125th (out of 129 in 2016) to 108th (out of 137 in 2020).

4. In line with the Strategic Framework for Mainstreaming CE in WBG Operations, the WBG is committed to ensuring opportunities for CE in investment operations. During the CPF period, 19 IPFs were appraised and all were compliant with the corporate requirements.⁷⁵ The quality of design improved significantly (moving from a baseline of safeguards GRMs to encourage active participation and dialogue, establishing an effective citizen-state interface, providing multiple options for citizens to provide feedback on the issues that affect them, and enabling annual feedback), increasing Uzbekistan's quality index from 2.25 in FY14 to 2.44 in FY21, against an ECA average in FY21 of 2.87.⁷⁶ Four ongoing operations in rural village development, social protection, agriculture, and water supply and

⁷¹ Freedom House – Uzbekistan Freedom on the Net, 2020

⁷² Reporters without Borders - Uzbekistan, 2020

⁷³ Bertelsmann Stiftung's Transformation Index – Country Report Uzbekistan, 2020

⁷⁴ WBG ECA Social, A Strategy for Citizen Engagement in Service Delivery in Uzbekistan - Approach Paper, October 2019.

⁷⁵ The Emergency COVID-19 Response Project (P173827) under the MPA was exempt from the corporate requirement at the time of emergency preparation and does not have a beneficiary feedback indicator.

⁷⁶ The ECA Citizen Engagement Quality Index measures quality of CE during implementation against four objective criteria on a 1-3 scale. These criteria are for the requirement (1) quality of citizen-oriented design: unrestricted feedback; level of engagement; multiple channels for feedback; frequency of feedback; and (2) quality of Beneficiary Feedback Indicator: corresponds with activities; measures process; provides actionable info; and frequency of measurement. It includes a database of over 170 projects.

sanitation, have introduced participatory planning and decision-making as well as community oversight mechanisms, tools which actively engage citizens. For example, the RIDP encourages citizens in participating communities to prioritize and select project investments in basic infrastructure and services through participatory rural appraisal exercises and to monitor the performance of project implementers. While targets have been affected by COVID-19-related delays, they are expected to be met over the coming months.

5. A CE Country Roadmap was developed for the PLR in 2018, which set out numerous targets for three CPF focus areas, established streams of action and strategies for operations, the DPO, beneficiary feedback, GRMs and measurement. The status of roadmap implementation is as follows:

Goals	Priority Actions	Status of Implementation
Enhance engagement mechanisms for dialogue with civil society on country engagement	Create consultative group to deepen Bank-civil society consultation	Bank-civil society consultations have taken place during PLR, and CPF consultations, involving communities, CSOs, think tanks, and academia are taking place in FY21-22.
	Obtain feedback on PLR	
	Develop innovative approaches to CPF consultation, reaching community, local level and a broad range of CSOs, think tanks, academics etc.	
Ensure CE in the DPO process. Develop consultation mechanisms and measure in support of Focus Area 1. "Sustainable transformation toward a market economy"	Engage consultative group in development of DPO	Under the DPO ongoing feedback and consultation platforms have been developed to consult on legislations and integrating CE into ongoing reforms.
	Stakeholder dialogue on agricultural mechanization	
	Ensure DPO includes for ongoing consultation included in RF	
Support transformative platform of CE in public service delivery. Develop 5 step CE framework for Focus Area 3 Operationalize in target sectors. Strategies for inclusion of women, vulnerable groups	Support the development and implementation of CE framework to structure and roll out CE in public service delivery.	Underway. The CE Framework was developed and presented in a comprehensive approach paper and includes information, participatory policymaking and planning, monitoring as well as recommendations in the education, health and water sectors
Pilot CE in public private initiatives	Develop knowledge sharing platform on CE in PPPs with FCI and IFC	This action has stalled due to COVID.
Test avenues for CE in PPPs in support of Focus Area 2	Develop CE pilots in PPPs (in transport and logistics, solid waste, district heating, urban transport), and SOEs (WSS and energy)	
	Feedback, lessons and create opportunities in subsequent IPFs	
Monitoring and tracking of Bank-support CE initiatives through transparent platform. Quality tracking Implementation support Minimum standards	Support CE in all new WBG operations to ensure quality at design	Complete. Quality at design has continuously improved from 2.25 (FY14) to 2.44 (FY21) on a 1-3 scale.
	Agree and ensure agreed minimum standards are met on all IPFs, TFs and DPOs.	TBD
	Improve frequency, opportunities and any restrictions on scope in post FY 14-IPFs	Complete. (i.e., AF HDP, AF EE Facility - 3) improved parent project CE and have highest quality scores for citizen-oriented design.
	Provide regular capacity building to all PIUs to unblock implementation challenges	Underway. Support through social specialists in task teams; support for

	Support PIUs to implement inclusive approaches	monitoring CE. Trainings for PIUs and implementing agencies are organized regularly to enhance implementation capacity and help organize CE work.
	Improve PIU and Bank reporting (through ISRs - 100% of IPFs by end FY18)	Complete. CE monitoring is 100% compliant.
	Introduce CE Monitoring in annual portfolio reviews with government.	Task force was created with the GoU to enhance portfolio quality to incorporate CE monitoring in agenda

Annex J. Progress on Gender Priorities

During FY17-22, Bank operations focused on gender gaps in a few key areas: labor force participation, women’s entrepreneurship, representation in local development committees, and access to services including Gender-Based Violence (GBV) response. Projects achieved progress in these areas in line with the CPF objectives.

Focus area 1: Sustainable transformation toward a market economy.

The previous CPF aimed to address barriers to female labor force participation. Three DPFs supported legal and regulatory reform removing restrictions that predominately impacted women (e.g. part-time workers/employees without access to local residence permits). The Strengthening the Social Protection System Project supported job placement and on-the-job training for those affected by SoE reforms and achieved 56% job placement rate for female jobseekers who enrolled in the program.

The previous CPF noted that around 80% of the labor involved in gathering cotton harvest are women. The CPF planned to facilitate mobility of workers to more profitable sectors including horticulture and textiles. Agriculture projects created more than 13,000 jobs for women in horticulture and 1,700 jobs in the livestock sub-sector.

Four operations addressed the gender gap in access to financing for business development: The Livestock Sector Development Project, Ferghana Valley Rural Enterprise Development Project, Medium-size Cities Integrated Urban Development Project AF, and Prosperous Villages Project. The projects provided loans, TA, and sub-project financing to promote women’s entrepreneurship in key value chains i.e. agriculture, food processing, tourism, handicrafts, and textile.

Focus Area 2. Reform of state institutions and citizen engagement

Three operations improved access to services reducing women’s time spent on domestic chores through access to water and electrical appliances. The third DPF supported legislative reform to enable Gender-Based Violence response services for victims and survivors of GBV. Building on this, operations could further support the implementation of the law.

Focus Area 3. Investing in people

The FY16-FY20 CPF highlighted the low representation of women at the tertiary education level particularly in STEM fields. The Modernization of Higher Education project supported an assessment of options to enhance women’s enrollment rates in higher education programs.

Annex 3. Selected Indicators of World Bank Portfolio Performance and Management

Selected Indicators* of Bank Portfolio Performance and Management

As of Date 04/07/2022

Indicator	FY19	FY20	FY21	FY22
Portfolio Assessment				
Number of Projects Under Implementation ^a	21.0	23.0	26.0	27.0
Average Implementation Period (years) ^b	3.3	3.3	3.8	3.6
Percent of Problem Projects by Number ^{a,c}	19.0	4.3	7.7	18.5
Percent of Problem Projects by Amount ^{a,c}	15.1	3.2	3.9	13.8
Percent of Projects at Risk by Number ^{a,d}	28.6	8.7	7.7	18.5
Percent of Projects at Risk by Amount ^{a,d}	19.9	7.7	3.9	13.8
Disbursement Ratio (%) ^e	29.1	17.2	13.7	8.5
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				
Memorandum Item				
		Since FY80	Last Five FYs	
Proj Eval by IEG by Number		25		5
Proj Eval by IEG by Amt (US\$ millions)		1,295.9		249.7
% of IEG Projects Rated U or HU by Number		25.0		20.0
% of IEG Projects Rated U or HU by Amt		26.3		29.5

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 4. Operations Portfolio (IBRD/IDA and Grants)

Operations Portfolio (IBRD/IDA and Grants) As of 03/31/2022

Closed Projects 29

IBRD/IDA*	
Total Disbursed (Active)	2,542.66
of which has been repaid(1)	64.59
Total Disbursed (Closed)	2,504.45
of which has been repaid	576.75
Total Disbursed (Active + Closed)	5,047.11
of which has been repaid	641.34
Total Undisbursed (Active)	2,680.71
Total Undisbursed (Closed)	9.34
Total Undisbursed (Active + Closed)	2690.05679

Active Projects		Last PSR		Fiscal Year	Original Amount in US\$ Millions				Difference Between Expected and Actual Disbursements ^a		
Project ID	Project Name	Development	Implementation Progress		IBRD	IDA	Grants	Cancel.	Undisb.	Orig.	Frm Rev'd
P176353	Accelerating Uzbekistan's Transition DPO	#	#	2022	150.0	250.0		0.0	0.0	0.0	0.0
P158372	Agriculture Modernization Project	S	MS	2020	181.0	319.0		0.0	483.0	138.0	0.0
P146206	DISTRICT HEATING ENERGY EFFICIEN	MS	MU	2018	0.0	140.0		0.0	124.5	60.3	18.5
P159544	Emergency Medical Services Project	MS	MS	2018	0.0	100.0		0.0	67.8	25.3	0.0
P118737	ENERGY EFF - INDUST ENTERPRISES	S	MS	2010	200.0	125.0		0.8	117.8	-174.4	169.8
P171683	ESTART	S	S	2021	0.0	380.0		0.0	380.0	11.0	0.0
P149610	Fergana Valley WRM - Phase II	S	S	2017	0.0	144.9		0.0	99.4	81.1	2.0
P166305	Fergana Valley Enterprise Development	S	MS	2019	200.0	0.0		0.0	92.7	-28.9	0.0
P133703	Horticulture Development Project	S	S	2014	650.0	0.0		0.0	27.6	-472.4	-22.2
P168180	Institutional Capacity Building Project	S	MS	2019	0.0	33.0		0.0	31.3	8.7	0.0
P153613	Livestock Sector Development Project	S	S	2017	30.0	120.0		0.0	5.1	0.2	0.0
P151746	Modernization of Real Property Register	MS	MS	2016	0.0	20.0		0.0	5.9	5.9	1.6
P128516	Modernizing Higher Education Project	S	MS	2016	0.0	42.2		0.0	5.8	5.4	4.9
P162929	MSCIUDP	MS	MU	2019	100.0	100.0		0.0	193.8	22.6	7.2
P170206	MUNIS Project	S	MS	2021	0.0	50.0		0.0	48.3	8.2	7.0
P146334	Regional Roads Development Project	MS	MS	2015	0.0	200.0		0.0	129.3	-71.1	62.3
P156584	Rehab of Transmission Substations	S	MS	2017	92.0	58.0		0.0	64.0	45.7	0.0
P168233	Rural Infrastructure Development Project	S	MS	2020	0.0	100.0		0.0	95.3	31.3	0.0
P176017	Second Rural Enterprise Development Prc	#	#	2022	180.0	20.0		0.0	200.0	0.0	0.0
P127764	S KARAKALPAKSTAN WATER RES MGN	S	S	2014	18.3	242.5		46.5	63.4	134.2	-17.6
P173450	Statistics in Uzbekistan	#	#	2022	0.0	50.0		0.0	50.0	1.3	0.0
P173001	TARP	S	MS	2021	0.0	60.0		0.0	60.0	5.0	0.0
P173827	Uzbekistan Emergency COVID-19 Project	MS	MU	2020	0.0	95.0		0.0	17.7	-57.4	21.7
P171751	Uzb: Transparent and Inclusive DPO	#	#	2021	250.0	250.0		0.0	0.0	0.0	0.0
P165737	UZ Promoting ECD Project (UPEP)	MS	MS	2019	0.0	59.5		0.0	40.8	30.5	0.0
P166447	UZ-Strengthening Social Protection	MS	MU	2020	0.0	50.0		0.0	38.6	9.1	4.3
P162263	Water Services and Institutional Support	MS	MU	2020	0.0	239.0		0.0	238.5	17.5	7.9
Overall Result					2,051.3	3,248.1		47.3	2,680.7	-162.9	267.3

* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

Annex 5. Statement of IFC's Held and Disbursed Portfolio as of April 5, 2022

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2001	SEF Parvina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2011/2014/2007 /2010/2001/201 2/2015/2017/20 13/2020	Hankorbank	0	13.50	2.64	0	0	6.43	9.07	0	0	2.64	0	0	5.23	7.87	0
2019/2021/2022	Ipak Yuli Bank	0	11.87	0	0	1.87	1.20	3.07	0	0	0	0	1.87	0	1.87	0
2020	DAVR-BANK	5.00	0	0	0	0	0	5.00	0	5.00	0	0	0	0	5.00	0
2020	Indorama Kokand Fertilizers	12.50	0	0	0	0	0	12.50	0	12.50	0	0	0	0	12.50	0
2021	Indorama Agro LLC	60.00	0	0	0	0	0	60.00	0	0	0	0	0	0	0	0
2021	Nur Navoi Solar FE LLC	17.51	0	0	0	0	1.00	18.51	0	11.09	0	0	0	0.55	11.64	0
2021/2020	IPOTEKA BANK	0	0	0	34.13	0.25	0	34.38	0	0	0	34.13	0.25	0	34.38	0
	Indorama Kokand	15.00	25.00	0	0	0	0	15.00	0	15.00	0	0	0	0	15.00	0
Grand Total:		110.01	50.37	2.64	34.13	2.12	8.63	157.54	0	43.59	2.64	34.13	2.12	5.78	88.26	0

Annex 6. MIGA's Guarantee Portfolio as of April 5, 2022

Project Name	Effective Date	Expiration Date	Investor	Sector	Gross Exposure (US\$, millions)	Net Exposure (US\$, millions)
ACWA Power Sirdarya LLC	May 10, 2021	June 30, 2039	Standard Chartered Bank	Infrastructure	638.2	68.2
Total					638.2	68.2

Annex 7. CPF Detailed Logical Framework



Annex 8. Indicative World Bank–Financed Program

(An FY2024 PLR will confirm FY2024 and determine FY2025–26 pipeline which is currently very tentative)

FY	PROJECT	IDA (US\$, millions)	IBRD (US\$, millions)
FY2022	<i>Strengthening the Statistical System of Uzbekistan</i>	50	
	<i>Second Rural Enterprise Development Project</i>	180	20
	Uzbekistan Financial Sector Reform Project	15	
	<i>Accelerating Uzbekistan Transition DPO 4 (DPO)</i>	250	150
	Resilient Landscapes Restoration Project (Regional)	142	
	Clean Energy for Buildings in Uzbekistan	143	
	Subtotal FY2022	780	170
FY2023	Second Livestock Sector Development Project	150	150
	Uzbekistan Scaling Solar 2 Independent Power Producer (Guarantee)		50
	Uzbekistan Youth Activation and Employment	50	
	Transforming Public Education for Economic Growth	50	
	Land Management and Infrastructures for Cadastre and Registration	30	
	Accelerating Uzbekistan Transition DPO 5 (DPO)	250	250
	Subtotal FY2023	530	450
FY2024	National Irrigation and Energy Efficiency Improvement	200	
	Accelerating Uzbekistan Transition DPO 5 (DPO)	150	150
	Scaling Solar 3 (Guarantee)		50
	Implementation of Health 2030 Strategy		
	Firms Capacity Support Project		
	Subtotal FY2024	530	200
FY2025	Rural Infrastructure Development Project-2		
	DPO Program with Climate/Green Growth PAs (DPO)		
	Trade Regional MPA M-41 Regional Corridor in Uzbekistan		
	Regional Airports Modernization and Air Connectivity		
	Subtotal FY2025	530	200–300
FY2026	Improve operational, financial and managerial efficiency of the water supply and sewerage service and scale up metering		
	Railway Reform and Logistics Improvement		
	Green financing		
	Power Distribution Grid Improvement		
	Subtotal FY2026	TBD IDA 21	200–300

In bold italics projects already approved

Annex 9. SCD Identified Knowledge Gaps

Spatial dimensions of economic growth	The uneven geographic distribution of welfare in Uzbekistan highlights the importance of a coherent, growth-enhancing, and cost-effective approach to strengthen the prospects of lagging places. Better evidence is needed to assess the impact and cost-effectiveness of national strategies that have favored place-based policies. In addition, a better understanding is needed of the monetary and nonmonetary returns to public investments at the local level. Finally, such a comprehensive assessment of investment options should also be evaluated against the returns to further facilitate internal migration opportunities.
Jobs and labor markets	There is insufficient evidence on the drivers of unemployment, modest job creation, and disincentives to employment in Uzbekistan. The SCD team recommends to (a) conduct in-depth labor market analysis to identify and propose policies to address the disincentives and barriers to formal work (potentially including labor regulations, labor taxation, social protection design, and other barriers); (b) more effectively integrate firm-level data and statistics on job openings and turnover into labor market analysis; and (c) expand the collection of timely, accurate data on labor market supply and demand that can support reforms and active labor market policies.
Education quality	There is insufficient evidence and measures of the quality of education in Uzbekistan. The SCD team proposes more systematic and standardized assessment of teaching quality, the education curriculum, and student performance. In addition, more rigorous monitoring of the impact of educational reform could improve the performance. In addition, analysis of cost-effectiveness and focused analysis on educational subsystems that may require improvement, such as particular subjects, regions, or levels of education, are currently missing.
Investment climate and constraints to foreign direct investment	Although summary measures of Uzbekistan’s investment climate and openness to foreign direct investment suggest moderately positive performance, these co-exist with what is still a heavily public sector–led investment model and continued slow growth in FDI (and integration into value chains). The SCD team recommends further analytical work identifying sources of entry barriers, identifying market distortions, assessing binding constraints to firms, and quantifying potential impact of policy reforms through investment climate diagnostic tools. The analysis should ensure that investment climate interventions are supported by diagnostic and analytical instruments, applied research, and strong knowledge of good practices and reform experiences.
Corruption and the rule of law	While summary measures of perceptions of corruption and the quality of the rule of law are available, detailed case studies of how corruption affects the effectiveness of markets and government functions would shed light on the weaknesses in accountability and transparency within the government and could inform policy solutions.
Firm productivity and SOEs	SOE performance, overall firm productivity, and management practices all remain critical knowledge gaps in Uzbekistan. While available summary diagnostics of firm and sectoral productivity indicate large differences both across firms within Uzbekistan and relative to other countries, the drivers of these gaps need to be further explored. Although SOEs play an especially critical role in Uzbekistan’s reform agenda, basic information on issues such as revenue, debt, and employment is not available. In addition to basic productivity assessments and analysis focused on SOE reform, management practices are an important avenue to investigate, combined with an analysis of key channels through which management quality can be improved.
Political economy constraints	In Uzbekistan as in many countries, one of the key bottlenecks to reforms is political economy constraints. However, evidence on these challenges is underdeveloped in Uzbekistan. Developing a better understanding of the challenges at the national, local, and sectoral levels may strengthen the World Bank’s ability to deliver advisory and operational work that is affected by and must respond to such constraints.

Annex 10. Citizen Engagement

1. **Deepening citizen engagement is a major focus of the Government of Uzbekistan’s NDS for 2022–26, which aims to build a people’s state.** The new NDS for 2022–26 builds on the reforms introduced under the 2017–21 NDS, which included opening channels for citizen feedback and resolution of complaints related to public service provision (for example, through People’s Receptions), increasing public access to government data (for example, through data.gov.uz), creating online platforms for the public to comment on draft legislation, and engaging civil society to monitor compliance with labor practices at the local level, which played a critical role in eliminating the systematic use of child and forced labor, in the cotton harvest. The NDS for 2022–26 moves beyond individual case-based approaches and information provision to introduce goals aimed at supporting the capacity and resource base of local institutions (for example, *mahallas*) to ensure that all citizens participate in public life, engage in direct dialogue with the state, and benefit from public investments (Goal 1); providing citizens with direct decision-making authority over resource allocations (Goal 11); improving the legal framework to strengthen public oversight over the use of public resources⁷⁷ and leverage the use of digital technologies for oversight (Goal 12); and strengthening social partnerships between the state and nongovernmental, nonprofit organizations and civil society for poverty reduction program implementation and oversight (Goal 12).

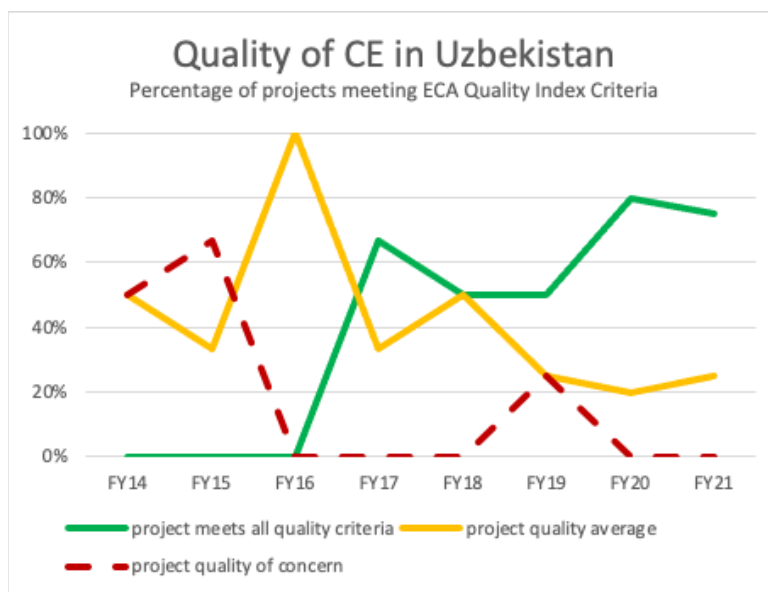
2. **Despite progress, constraints to effective citizen engagement remain.** Independent civil society organizations face challenges in formal registration. Subnational administrations perform unevenly in implementing national policies and reforms. Overlapping mandates and responsibilities of state agencies at the national and subnational levels, centralized decision-making over regional and district-level budget allocations, and frequent changes to subnational administrative rules and regulations (for example, over procurement processes) blur the lines of accountability and pose constraints both for citizens to demand actions from local officials and for local officials to respond to such demands.

3. **The World Bank’s portfolio in Uzbekistan has reached 100 percent compliance with corporate citizen engagement requirements with all projects having citizen engagement–oriented design and including beneficiary feedback indicators.** The regional Europe and Central Asia citizen engagement quality index⁷⁸ for Uzbekistan (Figure 2) indicates that citizen engagement design has improved in the projects in terms of depth, frequency, openness to a range of feedback, and provision of multiple channels. Overall, Uzbekistan ranks the second highest in the Europe and Central Asia region in terms of the quality of the citizen engagement activities included at project design. In Uzbekistan, the quality of citizen engagement started increasing in FY2016. In FY2018, 100 percent of projects had weak citizen engagement, but this figure fell to 25 percent in FY2019 and 0 percent in FY2020 and FY2021. Projects meeting all citizen engagement quality criteria stood at 67 percent in FY2017, fell to 50 percent in FY2018, then increased to 80 percent of projects in FY2020, and fell to 75 percent in FY2021.

⁷⁷ An example of this principle put into practice is the introduction of the Open Budget online information portal whereby the allocation of 50 percent of the funds for regional roads investments are determined through public opinion.

⁷⁸ The Europe and Central Asia citizen engagement team tracks the quality of citizen engagement at design, measuring and ranking projects according to four criteria: whether the citizen engagement encourages an interface between citizens and the government/service providers and is proactive (depth), whether it is frequent and timely throughout the project (frequency), whether the process allows for feedback on any project issue by any citizen (openness), and, lastly, whether the project offers citizens the opportunity to provide feedback through multiple relevant channels (opportunity).

Figure 2. Quality of Citizen Engagement in Uzbekistan



4. Further improvements are needed at the project level to engage citizens throughout the project cycle and to integrate project-level activities with country-level citizen engagement systems. Citizen engagement mechanisms that are currently employed in operations primarily consist of grievance redress mechanisms, consultations, and beneficiary feedback surveys. Most of the mechanisms still fall short in engaging beneficiaries throughout the whole project cycle, to close the ‘feedback loop’. Enhancing the quality of citizen engagement mechanisms in the portfolio necessitates deepening the breadth of citizen engagement mechanisms, ensuring that beneficiaries are engaged throughout the whole project and closing the feedback loop, facilitating the provision of different types of feedback through a variety of channels, and enhancing the inclusiveness of citizen engagement mechanisms. Furthermore, citizen engagement mechanisms in the World Bank portfolio typically operate in isolation from country citizen engagement systems and do not contribute to strengthening them.

5. The World Bank will continue to support citizen engagement during the CPF FY2022–26 in line with the framework set for in the *Strategy for Citizen Engagement in Local Service Delivery in Uzbekistan*⁷⁹ (Figure 2). The World Bank has taken concrete steps to enhance engagement and dialogue with civil society on its country engagement. This includes extensive consultations with civil society during the CPF preparation, as well as the establishment of regular dialogue with civil society organizations at the operational level. Independent civil society activists conduct regular monitoring of the Rural Infrastructure Development Project (P168233) and communicate findings to the World Bank and the implementing agency. The World Bank has supported reforms strengthening the enabling environment for citizen engagement, such as measures to increase fiscal transparency, through its DPOs, and support future reforms. It will also build on and expand the operational entry points to strengthen citizen engagement through IPFs in education, water, health, energy, and social development. The following projects have the potential, if well implemented, to create best practice models based on the design:

- **Tax Administration Reform Project in Uzbekistan (P173001).** The project has developed and included a number of promising citizen engagement activities, which if implemented will

⁷⁹ World Bank. 2019. “A Strategy for Citizen Engagement in Service Delivery in Uzbekistan.”

reflect good practice in the governance sector (for example, taxpayer surveys supplemented by focus group discussions to share and analyze results, an online feedback mechanism, and participatory planning and decision-making through an advisory board).

- **Electricity Sector Transformation and Resilient Transmission (P171683) project.** The project includes a set of activities which can be implemented throughout the project cycle. There is good depth to the engagement proposed, and it is clear how the feedback loop is closed. Citizens will have access to multiple channels that are interactive, can be used frequently, and enable feedback on any issue (that is, participatory planning through *mahalla* committees, local planning meetings and consultations to influence the National Electric Grid' plan of works, annual community meetings, and the grievance redress mechanism which will function as an institutionalized beneficiary feedback mechanism). In addition, the e-governance platform and the President's virtual reception portal will ensure accessible online feedback and complement face-to-face engagement activities, which is a good practice in the context of COVID-19.
- **Rural Infrastructure Development Project (P168233).** The project will continue to support the government to develop tools and approaches to engage local communities in identifying and prioritizing local development needs and overseeing local development project implementation. Tools and approaches include the mobilization of trained community mobilizers who serve to link district governments and village leaders with the community at large, including poor and marginalized groups; systematic participatory planning exercises that ensure high levels of women's participation in decision-making; the use of digital tools (web-based management information system and social media channels) to support transparency and grievance redress; and training of community members in the use of tools such as social audits to provide structured feedback on the quality and satisfaction with project implementation and suggested areas of improvement. The project engages national and international nongovernmental organizations as implementing partners and maintains dialogue with independent human rights activists. The World Bank will support the government in adapting and scaling up the tools and approaches trialed under the project under the government programs in support of NDS for 2022–26 goals including (a) developing regional infrastructure programs on the basis of public opinion, engaging the public in the quality control of local infrastructure rehabilitation, and providing nongovernment, nonprofit organizations with the right to implement social projects; (b) strengthening the capacity of local self-governing bodies to access and utilize resources to respond to citizen needs; (c) using community-level monitoring tools that leverage digital technologies to strengthen oversight over regional governments and contractors; and (iv) building partnerships with independent civil society both to support local development poverty reduction efforts and strengthen oversight over program implementation.

Figure 3. Citizen Engagement Strategic Framework

