

PROJECT INFORMATION DOCUMENT (PID) APPRAISAL STAGE

Report No.: PIDA53767

Project Name	Modernizing Higher Education Project (P128516)
Region	EUROPE AND CENTRAL ASIA
Country	Uzbekistan
Sector(s)	Tertiary education (75%), Vocational training (25%)
Theme(s)	Education for the knowledge economy (100%)
Lending Instrument	Specific Investment Loan
Project ID	P128516
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Higher and Specialized Secondary Education
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	08-Feb-2016
Date PID Approved/Disclosed	09-Feb-2016
Estimated Date of Appraisal Completion	04-Mar-2016
Estimated Date of Board Approval	20-May-2016
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Uzbekistan is a lower middle income country located in Central Asia with a population of just over 31 million. Uzbekistan's real GDP growth has averaged around 8 percent for the last ten years, with poverty declining from 26 percent in 2005 to just over 13 percent in 2015, and the Gini coefficient declining from 0.39 in 2001 to 0.30 in 2012. It follows that economic growth has been broadly inclusive and consistent with Bank's twin goals of reducing poverty and encouraging shared prosperity. Economic growth is estimated to have slowed to 7 percent in 2015. The adverse external environment will likely continue to negatively affect growth over the medium term.

With high growth rates in the last decade, the GNI per capita has increased from US\$ 630 in 2000 to US\$1,900 in 2014. Currently, Uzbekistan's economy is comprised primarily of services (45 percent), followed by industry (35 percent), and agriculture (20 percent). Over the last 20 years, the composition of trade has transitioned away from agriculture: cotton fiber has decreased from 65 to 9 percent of exports, and energy has increased from 4 percent to 38 percent of exports. In addition, food accounted for just 9 percent of imports in 2012 compared with 43 percent in 1992, while machinery and equipment imports increased from 10 percent to 46 percent of imports over the same period. The composition of the workforce has also changed dramatically in recent years. The

agricultural sector, accounting for as many as 40 percent of all jobs in the 1990s, now employs only one in four workers. By contrast, the service sector plays a leading role in the Uzbek economy, employing over 50 percent of the labor force and accounting for 45 percent of the country's GDP. Nearly 80 percent of all newly created jobs in Uzbekistan are now in the service sector.

Investments in education are central to the Government of Uzbekistan's plans for economic and social development with about 33 percent of state budget allocated for education sector in 2015. As the Government of Uzbekistan (GoU) seeks to shift the economy from heavy reliance on commodity exports (cotton, gold, and gas) to a more diversified growth model, it must contend with the needs of the country's young and growing population, 29.9 percent are 15 years old or younger and 33.5 percent are under 18 as of 2015. The GoU's stated goal of reaching upper middle income status by 2030 is an ambitious one. To do this, Uzbekistan's per-capita income would need to increase from US\$2090 (as of 2014) to roughly US\$15,000 in less than two decades, requiring an average GDP growth rate of 6 percent per year. Few countries in the world have been able to sustain such growth rates for a prolonged period of time.

In order to achieve its growth ambitions in a sustainable manner, Uzbekistan needs to transform its current commodity-dependent economy into a competitive industrialized one. This transformation can be achieved by seeking comparative advantage in high value-added activities and industries. It will require the development of a highly skilled workforce that can use its entrepreneurial talent to improve the competitiveness of the economy and catalyze its modernization. Private demand-driven creation of sufficient numbers of good jobs for the young educated population will be central to the country's ability to move up the value chain of production and sustain high growth rates in the years and decades to come.

Sectoral and institutional Context

In Uzbekistan, the Law on Education N-464-I (1997) asserts education as a priority of the state and guarantees equal rights to education. Primary and secondary education is free and compulsory. To comply with the law, the GoU increased public expenditure on education from 6 percent of GDP in the mid-1990s to around 8 percent of GDP in 2014, focusing mostly on primary and secondary education where the country has now achieved nearly universal enrolment. In contrast, the tertiary education system has an enrolment rate of 9 percent, which is low by both regional and international standards, and is characterized by low funding, uncertain quality and limited relevance to the rapidly changing needs of the country's economy. Given Uzbekistan's ambition to achieve economic competitiveness and diversification, policy makers have recently prioritized the modernization of the tertiary education sector as one of the means for achieving that goal.

In May 2011, Presidential Decree No. 1533 was the first substantial directive in the field of higher education, identifying the overall quality deficit in tertiary education and disconnect between academia and industry as key shortcomings of the higher education sector. Multiple factors are responsible for the current state of affairs including the lack of focus on disciplines of science, technology and engineering; poor laboratory infrastructure; outdated curricula; and faculty lacking advanced qualifications and training in their respective areas of specialization. Under Decree No. 1533, a high-ranking committee led by the First Deputy Prime Minister and including all key ministers was tasked with improving the tertiary education system with a particular focus on improving overall quality, and upgrading laboratories for teaching and research in technical fields.

Currently, the Uzbek higher education system comprises 66 higher education institutions (HEIs) , including 20 universities, 36 post-secondary institutes, two academies and 7 branches of foreign HEIs, all of which serving 261,300 students in 2014/2015 academic year. There are no private, non-government higher education institutions in Uzbekistan, though there is a legal statute (the 1997 Education Act) that allows such institutions to exist . The higher education system is managed by the Ministry of Higher and Specialized Secondary Education (MHSSE).

Uzbekistan's system of higher education faces challenges in three key areas: (i) access; (ii) quality and relevance; and (iii) system management, including aspects of governance and quality assurance.

II. Proposed Development Objectives

The project development objectives are to strengthen the system managerial capacity, and to improve the labor market relevance and learning environment of selected higher education institutions.

III. Project Description

Component Name

Component One: Strengthening Higher Education Management

Comments (optional)

Component Name

Component Two: Improving the Learning Environment in Higher Education Institutions

Comments (optional)

Component Name

Component Three: Improving the Relevance of Higher Education

Comments (optional)

Component Name

Component Four: Project Management

Comments (optional)

IV. Financing (in USD Million)

Total Project Cost:	45.00	Total Bank Financing:	45.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			45.00
Total			45.00

V. Implementation

The MHSSE would be the main project implementing agency. Additionally, all public HEIs and other related institutions would be eligible to apply for grants under the Academic Innovation Fund and would be responsible for implementation if their proposals are approved. Project implementation would rely primarily on the existing structure of the MHSSE, so the proposed project would not require the establishment of a parallel structure or a full scale project implementation unit.

The Deputy Minister of Higher and Specialized Secondary Education, who would act as Project Director, would be responsible for overall leadership and management of the proposed project, as well as liaison with the World Bank, other agencies involved in project implementation, and relevant stakeholders. The Heads of some MHSSE Departments, the Head of the CIEEI and the Director of the STC would be responsible for implementing specific subcomponents. A small team of five local consultants comprised of a Project Coordinator, two Procurement Specialists, a Procurement Assistant, a Financial Management Specialist, and an Implementation and Monitoring Specialist would be financed using project funds to assist the MHSSE with day-to-day project management, and make sure it is implemented in accordance with the procedures set forth in the Legal Agreement and the Project Operations Manual. The Project Management Team (PMT) would manage project activities under strategic guidance of the Deputy Minister of Higher and Specialized Secondary Education and in line with the implementation lead given by the mentioned Heads of departments/agencies. Grants under the AIF will be competitively selected in a two-stage process including external review, and an Inter-ministerial Selection Committee (IMSC) will approve final selection.

Local and international consultants including three specialists dedicated to the AIF would be hired to technically support the implementation of the proposed activities. One international Procurement specialist will also be hired support the PMT in the first two years of implementation. Additionally, four consultants (at least two of them international higher education specialists) would be hired under a time-based approach to comprise an Expert Advisory Panel (EAP) to provide high level advice and guidance on project implementation to the Minister of Higher and Specialized Secondary Education.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

Uzbekistan's legal and labor codes prohibit child and forced labor. The country is a signatory to the ILO Conventions on minimum age and worst forms of child labor (CO 138 and 182), and on forced

labor (CO 29 and 105). The proposed project will mitigate the use of child and forced labor through participation in the Third Party Monitoring (TPM) and associated Feedback Mechanism (FBM) led by the ILO, which will be funded through a separate multidonor trust fund, as well as training and awareness-raising activities, to be implemented as part of the project. Occurrence of child and/or forced labor in connection with project activities, as reported by the TPM and/or FBM, would entitle the World Bank to take any appropriate measures in accordance with any applicable provisions of legal agreement on the project.

VII. Contact point

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