



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 14-Apr-2020 | Report No: PIDA29026



BASIC INFORMATION

A. Basic Project Data

Country Uzbekistan	Project ID P173827	Project Name Uzbekistan Emergency COVID-19 Response Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 10-Apr-2020	Estimated Board Date 01-May-2020	Practice Area (Lead) Health, Nutrition & Population
Financing Instrument Investment Project Financing	Borrower(s) Republic of Uzbekistan	Implementing Agency Ministry of Health, Ministry of Finance	

Proposed Development Objective(s)

The Project development objective is to prevent, detect, and respond to the threat posed by COVID-19 in the Republic of Uzbekistan.

Components

Strengthening National Health System to respond to COVID-19
 Financial Support to Individuals and Households
 Implementation Management and Monitoring and Evaluation

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	95.00
Total Financing	95.00
of which IBRD/IDA	95.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	95.00
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IDA Credit	95.00
Environmental and Social Risk Classification	
Substantial	
Decision	

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Uzbekistan is a lower-middle-income, mineral-rich, landlocked country with the largest population in Central Asia – 32.96 million as of 2018.**¹ Over the past decade, Uzbekistan has maintained high and stable economic growth rates² and has gradually diversified its economy. Coinciding with this economic growth, official poverty estimates have declined from 27.5% in 2001 to 11.4% in 2018.³ This has been accompanied by equity gains, with incomes of those in the bottom 40% of the national income distribution growing faster than those of the upper 60% over the period from 2008 to 2013. Similarly, Uzbekistan’s per capita gross national income⁴ rose from US\$ 560 in 2001 to US\$ 1,910 in 2019.⁵ These gains, however, have relied largely on an economic model driven by the state’s dominance in major productive sectors and a small, but restricted, small and medium business sector. The state’s surplus was accumulated mainly through commodity exports, such as gold and cotton, sold by the state in international markets and obtained domestically at controlled (low) prices.

2. **In early 2017, the Government of Uzbekistan announced a radical opening and transformation of Uzbekistan’s economy following 26 years of a closed, statist model. Economic policy was reoriented to forge a competitive, market-led, private sector economy.** Simultaneously, a series of social and political reforms have focused on reorienting the public sector to be responsive, citizen-centric, and focused on delivering high-quality public services for all citizens. In mid-2017, and with advisory support from the World Bank Group, the Government launched its economic reforms via an unannounced overnight devaluation of the official (fixed) exchange rate of the Uzbek Som against the US Dollar by almost 50%, to align it with the widely used parallel currency black-market rate. Together with a

¹ With annual population growth of 1.7% in recent years.

² Per official estimates, annual GDP growth averaged 7.2% between 2000 and 2016.

³ The World Bank notes that the methodology for measuring poverty needs to be brought to international standards. Official poverty estimate does not consider nonfood items and the use value of assets. World Bank data sources suggest that the poverty rate at the lower middle-income country line was approximately 9.6% in 2018.

⁴ Atlas method.

⁵ These figures are presented in estimated purchasing-power-parity terms. In current US dollars (Atlas method), gross national income per capita rose from US\$ 560 in 2001 to US\$ 2,111 in 2016.



simultaneous relaxation of various foreign exchange controls and restrictions, this move virtually eliminated the black market within weeks, bringing close to 50% of the country's daily foreign exchange volumes back into the formal banking sector. Since then, the Som, now operating on a managed float exchange rate, has been gradually allowed to float more freely as the Central Bank withdraws from active day-to-day interventions. Other impressive structural reforms have since been enacted by the authorities, including the liberalization of many administered market prices, a drastic liberalization of the tourist and business visa regime, an easement of trading restrictions and regulations that have improved the private sector business climate, and a sweeping change to the tax system that has had a dramatic effect on job formalization (571,000 new income taxpayers were registered in the first six months of 2019, compared to less than 100,000 in the same period of 2018). There has been immense popular support for the reforms, with about 95% of respondents in a World Bank-run survey (*Listening to the Citizens of Uzbekistan*) expressing support for the reforms.

3. **The COVID-19 outbreak poses a significant threat to the ambitious economic and social transition under way.** Domestic closures have brought industrial output and commerce across the country to a halt, while the main tourist and high-value horticulture export sectors are at significant risk. In addition, traditional sources of export-led growth: metals, light manufacturing, chemicals and fertilizers have been severely affected by weaker trading partner economies. Efforts to attract foreign investment, through public-private partnerships and the previously planned launch of an ambitious State-Owned Enterprises (SOE) reform and privatization strategy, are likely to be put on hold.

4. **In the absence of a 'quick recovery' mechanism, the COVID-19 health crisis is likely to cause a prolonged economic crisis that will be most severe for vulnerable households.** Higher inflation and potential labor market impacts of the crisis are expected to have knock-on effects on vulnerable households and have the potential to increase the prevalence and depth of poverty. Declining remittances, unemployment, and higher cost of imports are likely to place pressure on prices and reduce domestic output. In addition, domestic business reliant on the supply of external raw materials will also face supply constraints. Although the upward price movement in Uzbekistan is likely to first be seen largely in non-food commodities, behavioral responses in the event of the outbreak spreading, and further supply constraints may lead to food price increases.

5. **In this context, the President signed a US\$ 1 billion economic relief plan to aid the economy and vulnerable population groups.**⁶ The plan establishes the Anti-crisis Fund and National Anti-Crisis Commission headed by the Prime-Minister. The Anti-crisis Fund will finance COVID-19 prevention and control activities, social support to low-income families, support to strategic economic areas and small businesses. The plan also introduces time-limited tax rate reductions to support individuals and enterprises. As part of the relief plan, the Government introduced salary top-ups for healthcare workers involved in the care of COVID-19 patients. The physicians can receive up to US\$ 2,500 per month, nurses – up to US\$ 1,500, and ancillary staff – up to US\$ 500 per month.⁷

6. **Drastic measures introduced by the Government to prevent further spread of the COVID-19 result in a significant economy slowdown.** Massive lockdowns and stay at home orders are causing immediate income and job losses, which are expected to further increase as restrictions tighten,

⁶ Presidential Decree #5969 (УП-5969), March 19, 2020.

⁷ Presidential Decree #4652 (ПП-4652), March 26, 2020.



quarantine continues, and economic activity is further disrupted. A substantial proportion of households, especially the poor and near poor, have seen their income and welfare severely affected. The SP component is structured to support countries' emergency efforts and help address immediate needs of the population caused by the context. The SP component consists of measures which prevent income losses of the population including losing jobs due to economy shutdown during the quarantine in the first place. Financial support provided under the three SP subcomponents will also encourage stay at home orders enforced by the Government and help protect people's health which will in turn help reduce the burden on the health system. Provided with different types of cash transfers people will have less incentive to go to work or, having lost one, find the new one under the quarantine. At the same time, social protection activities as proposed in subcomponent 3 is aimed at keeping poor and near poor individuals working in those (mostly private) firms operating in sectors where the existing restrictions allow them to keep functioning. To better manage immediate needs, and to ensure sufficient resources for essential health expenditures and social protection for the poor and those most vulnerable to the COVID-19 crisis, the authorities have requested World Bank's support.

Sectoral and Institutional Context

Health

7. **The COVID-19 epidemic is evolving in Uzbekistan at a rapid pace.** The WHO defines four COVID-19 transmission scenarios.⁸ Within ten days of the first reported case (March 15, 2020), Uzbekistan moved from a transmission scenario of 'no cases' to 'sporadic cases' and became a country with reported 'clusters of cases' and 'community transmission.' As of April 12, 2020, a total of 796 cases and three deaths have been reported. A rapid increase in the number of cases can be expected over the coming weeks based on the experience from other countries with COVID-19 outbreaks.

8. **In tackling the epidemic, Uzbekistan may benefit from both the overall population structure and the relative strengths in the existing health system.** First, the population of Uzbekistan is relatively young, with those aged 65 and older constituting approximately 4.4% of the total population⁹ (compared to 22.8% in Italy and 10.9% in China). The lower share of this age cohort is expected to lead to fewer severe and critical cases during the epidemic. In addition, Uzbekistan has a network of public health centers represented at every regional and district level. The public health centers are comprised of virology laboratories, rapid response teams, epidemiological staff, units responsible for infection prevention and control (IPC). Uzbekistan also has an extensive network of state health facilities, including primary care facilities, district and regional general and pediatric hospitals, emergency care hospitals, and specialized inpatient care centers. Throughout the healthcare system, there is a relatively large hospital bed capacity, which is likely to be able to absorb initial surge needs in hospital overall, and specifically in intensive care units (ICU) if repurposed and complemented by the necessary equipment and human resources. There are 334 acute beds per 100,000 population in Uzbekistan, compared to 290 beds in United States and 275 beds in Italy.¹⁰ The ICU bed rate in state health facilities is approximately 7 beds

⁸ (i) no case; (ii) sporadic cases; (iii) clusters of cases; and (iv) community transmission. Critical preparedness, readiness and response actions for COVID-19: Interim guidance. WHO, 2020.

⁹ World Development Indicators (2018).

¹⁰ Health for all database, WHO (the latest data available for Uzbekistan is 2014, for Italy – 2013, for the US - 2013).



per 100,000 population (2,200 beds in 2019), or about twice the rate in China.^{11 12} All state health facilities are funded by the Government and can be rapidly mobilized to engage in preparedness and response activities. Although the data on hospital and ICU bed capacity in private hospitals is not available, the rapid expansion of the private sector in recent years indicates substantial bed and ICU capacity that could complement state health facilities in response to a surge.

9. **The Uzbek health system, however, still faces many challenges in mounting effective prevention and control measures against COVID-19.** Public health staffing levels have seen significant cuts over the past couple of years, which will pose challenges in meeting rapidly increasing needs in case detection, contact tracing, and IPC and laboratory testing. There are also challenges regarding the availability of resources in public health facilities to carry out essential functions. For example, only 15 public health laboratories are equipped, and with staff trained for polymerase chain reaction (PCR) testing. Ensuring adequate supplies/consumables and trained staff in public health laboratories to rapidly expand capacity for COVID-19 testing will be a challenge as testing needs grow. The IPC measures in health facilities are also of concern given the observed high rates of transmission among health workers in other countries. As the number of cases grows, so will the number of severe and critical cases, and the health system will likely face shortages in qualified staff and equipment to manage many severe acute respiratory infection (SARI) cases. For example, given the limited availability of oxygen therapy and ventilator equipment in the country, substantial shortages are expected as critical cases surge.

10. **Key gaps in preparedness and response include matching a rapidly increasing need for active case finding, contact tracing and isolation, IPC and case management capacity.** The current outbreak control approach will require rapid increase in core capacities, including capacity for testing, isolation, contact tracing and case management. For example, over the period of March 31 to April 10, 2020, the number of COVID-19 tests performed in the country increased almost four-fold, from approximately 2,000 tests per day to over 8,000 tests. The number of quarantined people doubled reaching 100,000 people over the past two-week period. As epidemic further intensifies, the need for testing and isolation will continue to climb and lead to critical shortages in COVID-2019 testing systems, laboratory equipment and consumables and isolation capacities. The surge in severely and critically ill and the need for expanded case management capacity will follow shortly the surge in cases. As in the case of Italy, the geographical and temporal clustering of outbreaks will likely overwhelm the parts of the health system, subsequently leading to geographical and temporal shortages of hospital bed and staff.

11. **The Government and major development partners are actively engaged in donor coordination of activities for the COVID-19 response.** The country-level coordination, planning, and monitoring activities are led by the Ministry of Investment and Foreign Trade and supported by the UN Regional Coordination Office and WHO. Several task teams operate under the donor coordination framework, of which the procurement task team is the most active at this stage. The COVID-19 health procurement task force consists of the representatives of major development partners such as WHO, USAID, WB, and ADB and meets daily, reconciling procurement offers against national priorities, available financing and procurement options.

Social Protection

¹¹ Phua, J., et al., Critical Care Bed Capacity in Asian Countries and Regions. Critical Care Medicine, 2020.

¹² Rhodes, A., et al., The variability of critical care bed numbers in Europe. Intensive Care Medicine, 2012.



12. **The impact of COVID-19 on the population of Uzbekistan will extend well beyond direct health effects and may include substantial economic hardship.** As business close and consumers reduce expenditures, the most crucial threats to increased vulnerability to poverty include:

- Job losses, work stoppages, and reduced hours/income in both formal and informal segments of the labor market;
- Falling remittance income and other private transfers due to a freeze on migration to the main destination countries, rapidly deteriorating economic conditions in Russia (steep depreciation of the Rouble); and
- Higher prices (especially for food) and lower purchasing capacity among poor and vulnerable households.¹³

13. **The most severe of these economic impacts are expected to be concentrated among particular groups of the population.** They include:

- Those who are poor, those at-risk of falling into poverty, and those employed but low incomes (the “working poor”);
- Those with modest incomes working in sectors at high risk (especially tourism, construction, and services);
- Those with limited access to existing safety nets including informal workers and the self-employed; and
- Other particularly vulnerable groups, including: the elderly, the disabled, female-headed households (due to lower access to social networks), and those living in “struggling” districts with structurally higher rates of unemployment.

14. **In light of the significant negative economic impact that COVID-19 is likely to have on already vulnerable populations, the Government is ramping up targeted social assistance programs to respond to the outbreak.** Existing national cash allowances to low-income households currently cover as of 2019, 249,341 families with children under the age of two, 411,422 families with children between the ages of 2 and 14, and 106,696 families received low-income allowances (Figure 1). However, due to cycling and re-application requirements, many of these families only received benefits for a six-month period, limiting the impact of such assistance. Despite some challenges related to both inclusion and exclusion error (see Technical Analysis), in March 2020, officials announced the expansion of social assistance programs to an additional 60 thousand families in response to the COVID-19 outbreak. In addition, as of April 3, 2020, the Government announced that they would waive the re-registration requirements for existing beneficiaries and automatically extend the payment of benefits to families with children, child care benefits and material assistance (currently slated to expire in March-June 2020) from 6 months to 1 year without the need for applying and submitting documents.

15. **Uzbekistan has a relatively good SP system composed of social assistance, labor market interventions, and pensions.** The system, based on principles of full employment, universal childcare, and guaranteed old-age benefits, has been inherited from the Soviet period and is gradually transforming to

¹³ Food price increases are a greater risk among lower-income groups, as they allocate a greater share of their budgets to food and are more thus more sensitive to rising prices.



a mixed one combining elements of universal and targeted systems. Main social assistance programs include allowances for families with children under 2 years old, allowances for families with children 3-13 years old and low-income family allowances. Other SA benefits are categorically targeted to select vulnerable groups. The current selection of beneficiaries of 3 types of family allowances is based on a means test and on the role of the mahallas to reach out and encourage poor families to apply and conduct the living condition and needs assessment. The Government is in the process of improving the efficiency and effectiveness of the social benefits system through developing a social registry and adjusting the system to identify and select beneficiaries to reduce exclusion and inclusion errors.

16. Despite the expansion of targeted social assistance, the lack of relevant/appropriate employment support programs may increase economic vulnerability in light of the COVID-19 outbreak.

Despite the existence of a number of employment support programs, including public works, wage subsidies and job intermediation services, most active labor market programs are temporarily inappropriate in the context of health-related limits on travel and work due to the outbreak of COVID-19. Once more, those currently enrolled in such programs stand to lose their ability to earn income given restrictive measures to prevent further spread of the virus and other disruptions. For example, those that are registered as 'unemployed' are eligible to receive unemployment assistance cash benefits only if active measures fail to integrate them in the labor market (i.e., when job counselors are unable to place them in a job or training activity), which is difficult or impossible under current circumstances. To put the scale of potential impact in context, in December 2019, unemployment benefits were provided to 57,800 of the approximately 1.33 million registered unemployed (about 4.4%). The sudden nature of the pandemic, the uncertain duration of the state of emergency, and the high cost of to employers of continuing to pay salaries during work stoppages (both mandatory and voluntary) may lead to a sharp increase in unemployment. Several employer-administered wage subsidy programs exist and are administered by MELR, with systems in place for businesses to apply for such benefits. However, existing programs are not designed to provide supplemental support to furloughed workers or otherwise defray the cost of maintaining the link between firms and employees during stoppages due to COVID-19. These costs may thus lead to permanent job losses, rather than temporary leave for workers.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

17. The Project development objective is to prevent, detect, and respond to the threat posed by COVID-19 in the Republic of Uzbekistan.

Key Results

- Number of acute healthcare facilities equipped COVID-19 care;
- Number of people tested for COVID-19;
- Number of eligible individuals provided with targeted cash transfers; and
- Increase in number of eligible individuals provided with temporary unemployment benefits.

D. Project Description

A. Project Components



18. **The Project will have three components.** The specific activities within the three components will: (i) address the COVID-19 emergency by identifying, isolating and providing care for patients with COVID-19 to minimize disease spread, morbidity, and mortality; (ii) strengthen the short- and long-run capacity of the health system to provide intensive care; (iii) implement effective communication campaigns for mass awareness and education of the population on how to tackle the COVID-19 emergency; (iv) provide one-off unemployment cash benefits to recently unemployed and migrants; (v) provide wage subsidies for companies to furlough workers; and (vi) expand cash transfers to vulnerable households and individuals.

Component 1: Strengthening National Health System to respond to COVID-19 (US\$ 34.5 million)

35 **Subcomponent 1.1: Surveillance and rapid response capacity strengthening.** This subcomponent will support strengthening laboratory, rapid response, and epidemiological capacity for case detection, contact tracing and isolation. Surveillance capacity will be strengthened through the procurement of essential equipment, consumables, communication and personal protective equipment for rapid response teams and other relevant epidemiological teams at regional and district levels within the State Inspection on Sanitary Epidemiology Control offices. The Project will procure essential laboratory consumables, COVID-19 testing systems, and PCR equipment at the national and regional levels for 15 established and/or repurposed laboratories. The remaining testing capacity gaps will be addressed by the Government and other donor funds as they emerge.

36 **Subcomponent 1.2: Strengthening the capacity for management of severely and critically ill COVID-19 patients.** Care for the severely and critically ill will be strengthened by the procurement of essential medical equipment, PPE and supplies for designated hospitals with ICUs and include mechanical ventilators, blood gas analyzers, mobile X-ray machines, and angiocatheters. The Project will join forces with the current World Bank operation on emergency care services to expedite the procurement of goods by, for example, using existing procurement contracts. The Project will also support staff training in SARI management and in the use of selected medical equipment.

37 **Subcomponent 1.3: Risk communication and community engagement strengthening.** Risk communication will be supported through the expansion of the existing and development of new communication strategies. The Project will focus on tailored communication to and engagement with the healthcare workers.

Component 2: Financial Support to Individuals and Households (US\$ 59.5 million)

38 **Subcomponent 2.1: Scaling up temporary cash benefits targeted to low-income families identified using the existing community (mahalla) network and selection criteria.** This subcomponent will finance time-limited, targeted cash transfers relaxing existing eligibility and registration criteria. Need will be determined based on the means-testing identification approach currently applied by mahalla authorities¹⁴. Social assistance coverage will be expanded beyond the scope of the Government's initial commitment to reach an additional 60 thousand families at the outset of the COVID-19 outbreak.

39 **Subcomponent 2.2: One off cash unemployment benefit.** In addition to regular unemployment benefits the Government proposed and submitted to anti-crisis Commission for approval introduction of

¹⁴ As regulated by the Cabinet of Ministers decree #44 <https://lex.uz/docs/2134703>



one-off cash transfers for unemployed. This subcomponent targets people who lost jobs due to the pandemic crisis, slowdown of the economy as well as migrants who were unable to leave the country to work. Subcomponent 2.2 aims to respond to COVID-19 related challenges in the formal labor market in order to limit the spread of COVID-19 and increased incidence of poverty. Existing employment programs primarily provide public works, retraining, and job matching services; registered unemployed are eligible to existing unemployment assistance cash benefits only if active measures fail to integrate them in the labor market.

40 **Subcomponent 2.3: Provision of temporary employer-based wage subsidies (targeting low-income and vulnerable workers at risk of being laid off) administered through ESCs under the MELR.** This subcomponent will support employers that are faced with a challenging situation in which quarantines, work stoppages, and travel restrictions will disrupt activities and reduce profits. This situation is expected to lead to increased layoffs, as many employers will not be financially capable of maintaining salaries at customary levels. This subcomponent would partially address this challenge by expanding the eligibility for wage subsidies to furloughed workers (by providing wage subsidies to firms to keep employees in existing contracts) targeting employees who are currently working but are at risk of being laid off.

41 **Funds allocated for Subcomponent 2 of the Project would not be sufficient to address all needs of vulnerable individuals in the country.** As such, the project will also help to test different approaches for social response to further inform the Government regarding the most efficient strategies, while using their own resources and potentially utilizing funds from other development partners.

Component 3: Implementation Management and Monitoring and Evaluation (US\$ 1.0 million)

19. **The Project Management subcomponent will support the administrative and human resources needed to implement the Project and monitor and evaluate progress.** It will support the capacity of the two Project Implementation Units (PIU) involved in the implementation of the Project. Health-related activities will be implemented by the MoH PIU and social protection activities by the MoF PIU. The component will finance staff and consultant costs associated with project management, procurement, financial management (FM), environmental and social safeguards, M&E, reporting and stakeholder engagement, operating and administrative costs, and technical assistance. The allocation of the costs between the MoH and the MoF will be defined and agreed before Negotiations.

Legal Operational Policies	
	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts



E. Implementation

Institutional and Implementation Arrangements

20. **The MoH will have the responsibility for implementing activities under Component 1 of the project, while the MoF will be responsible for implementation of Component 2.** The fiduciary responsibility and operational implementation tasks will be carried by both Ministries individually, with each PIU being responsible for the related component. The MoH will use the same PIU (in the Republican Center for Emergency Services (RSC EMC) that is responsible for implementation of the ongoing Emergency Medical Services Project (P159544). The PIU has project director, procurement officers, FM specialist, chief accountant, disbursement officer, M&E officer, and environmental and social safeguards specialist. Additional technical experts involved in the COVID-19 operation in the country will provide technical support during the implementation of the project. The draft Procurement Plan for the first two months of implementation will be finalized before Negotiations.

21. **The MoF, through the PIU located in the MoF will carry out fiduciary and implementation activities related to Component 2** (funds flow management, projections, calculations, payments, reporting, monitoring and etc.). The PIU in the MoF will manage the project implementation. The PIU is adequately staffed with a PIU Director, FM specialist, and procurement specialist, among others, and has the daily input and continuous support from the Treasury, Social Division - these are all structural units of the MoF. The records management (mainly projections, types of subsidies, allocations per regions and consolidation of reports) of the unemployment-related subsidies will be carried out by the MELR working in close collaboration with the MoF, while the MoF will manage the flow of funds via the Treasury (transfer of funds, disbursement, reporting and etc.). The MoF will ultimately be responsible for the social and financial support component in terms of funds flows management, including subsequent reporting and monitoring over the funds' utilization and usage. The MELR, through the Employment Support Centers (ESC), a structural units of the MELR, as the custodian of the records related to the sub-component 2.2 (one off unemployment cash benefits) and 2.3 (wage subsidies) will provide the guidelines and instructions related to planning and budgeting in each region, types of subsidies and etc.

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