



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 08-Oct-2018 | Report No: PIDISDSC25398



BASIC INFORMATION

A. Basic Project Data

Country Uzbekistan	Project ID P168233	Parent Project ID (if any)	Project Name Uzbekistan Prosperous Villages (Obod Qishloq) (P168233)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Mar 21, 2019	Estimated Board Date Jun 20, 2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency State Investment Committee of Uzbekistan	

Proposed Development Objective(s)

To increase access to quality basic infrastructure and services in targeted rural communities.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	75.00
International Development Association (IDA)	75.00
IDA Credit	75.00

Environmental Assessment Category

Concept Review Decision



B - Partial Assessment

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. Until recently, Uzbekistan remained a closed, centrally-planned economy, with growth largely driven by commodity export revenues that financed import-substitution industrialization.** While the economy was sustained by the commodities super-cycle, there was a realization within the Government of Uzbekistan (GOU) that the economy was incapable of the sustained productivity growth and job creation that is necessary to meet the needs of a growing and young population.¹
- 2. GOU is currently embarking on a historically unprecedented reform agenda with consequences for all citizens.** In late 2016, Uzbekistan underwent its first leadership change since the country's independence in 1991. In response to the outdatedness of the old growth model, and the need for job creation resulting from the large demographic bulge in the working age population, in 2017 the new leadership initiated a process of market-oriented reforms. The GOU's *National Development Strategy for 2017-21 (NDS)* entails: market-oriented reforms, shifts from general government subsidies to targeted social programs, and the delegation of responsibility for implementing the reforms on the ground from central government to regional and local authorities.
- 3. GOU has made rapid progress in adopting significant policy changes.** To date, the GOU has undertaken major reforms towards: liberalizing the exchange rate and currency depreciation, promoting policies to increase private sector competitiveness, reducing Government involvement in the agricultural sector, discontinuing forced and systematic labor mobilization in the cotton sector, diversifying agriculture to shift away from cotton and wheat production, introducing price adjustments and differentiation in energy and utility tariffs, transferring responsibilities from the central to local government authorities, and efforts to improve communication with citizens and access to information. These reforms show potential for enabling growth, employment, and broad development.
- 4. Public expectations in the reforms are high and demographic pressures are mounting.** The current process of social and economic opening has received widespread support from the population. Given the high expectations, the administration is under pressure to deliver results and show improvements in the lives of Uzbek citizens in the short term. At the same time, Uzbekistan is facing a major jobs challenge with a rapid rise of the working age population, which increased by approximately 57 percent, from 14 million in 2000 to 22 million today.
- 5. Despite its achievements in increasing growth and reducing poverty over the past ten years, there are risks related to reforms.** Real GDP growth decelerated to an estimated 5.3 percent in 2017, down from the officially

¹This section draws heavily from the Performance and Learning Review. 2018.



reported 7.8 percent in 2016. Projections point to a deceleration of growth to 5 percent for 2018 and 2019, and a return to economic growth in 2020.

6. **Uzbekistan faces significant longer-term challenges in providing high-productivity, well-paid employment opportunities, especially for youth, and populations in rural areas.** In 2015 and 2016, the unemployment rate was 5.2 percent, an increase from 4.9 percent in 2014.² Low wages have resulted in a mass labor migration to Russia and Kazakhstan,³ as well as internal migration from rural areas to urban centers. Declining world commodity prices in 2013–16 and the weak economic performance of China and Russia (Uzbekistan’s largest trading partners) caused remittances to decline, and adversely affected Uzbekistan’s business exports, state budget revenues, and household income. The Government’s countercyclical fiscal and monetary policies largely offset the impact of these external shocks. However, there is a need for a new economic growth strategy to ensure long-term and sustainable income growth and job creation.
7. **While Uzbekistan has been able to reduce poverty in recent years, it remains among the poorest countries in ECA.** The national poverty rate fell only slightly between 2016 and 2017, from 12.5 percent to 12.4 percent. Nearly 4 million people (i.e. about 13 percent of the population) were estimated to live below the national poverty line in 2017.⁴ Uzbekistan’s market liberalization policies could have adverse distributional effects, especially for vulnerable populations. Reducing support to State-Owned Enterprises (SOEs) may improve allocative efficiency in the economy and support higher long-term economic growth. In the near-term, however, these cuts in subsidies to SOEs will lead to job losses, which will reduce income for both workers and their dependents, if social protection or social insurance is not available to mitigate the impact of labor income losses. Sector-specific reforms may also entail negative impacts on vulnerable populations (for instance, from rising utility tariffs), or for portions of the agricultural sector that struggle to transition. The GOU’s modernization of the agricultural sector, including cotton mechanization, is likely to lead to job losses for women, who represent 80-90 percent of total day laborers in the cotton sector. This risk compounds with other factors that make women in Uzbekistan particularly vulnerable, including: high rates of male-labor outmigration, agricultural wages that tend to be 30 to 60 percent lower than men, low preschool coverage in rural areas (8 percent compared to 33 percent in urban areas), and restrictions on movements for younger women.⁵

B. Sectoral and Institutional Context

8. **There are gaps in infrastructure coverage and quality in Uzbekistan, with significant regional variation.** The Listening to Citizens of Uzbekistan (L2CU) household survey that was carried out recently asked respondents to rate the quality of the following infrastructure: bridges, markets, public schools, hospitals, internet, mobile phone service, water, electricity, piped gas, irrigation and heating. About one-third of respondents report that infrastructure is not present in their area. Over one-third of respondents report that their areas lack central heating, a market, piped gas, internet and irrigation. By comparison, nearly all respondents report that their area has a public school, electricity and mobile phone coverage. Crowd-sourced data from OpenStreetMap⁶ suggests there is extensive variation in road density between regions and within regions (OpenStreetMap). Regarding quality, almost

² <http://pubdocs.worldbank.org/en/421341493272766409/Uzbekistan-Snapshot-April-2017.pdf>

³ <http://www.uz.undp.org/content/uzbekistan/en/home/countryinfo.html>

⁴ These are national official poverty estimates that have not been independently validated by World Bank experts.

⁵ Romanova, Ekaterina; Kolybashkina, Nina; Hiller, Bradley Todd; Kochkin, Evgeny. 2017. *Diagnostic Study of Barriers For Strengthening Livelihoods of Low-Income Rural Women in Uzbekistan*. Washington, D.C.: World Bank Group.

⁶ OpenStreetMap uses a combination of remote sensing, satellite imagery, open-licensed government and private mapping, and dedicated users to compile detailed road information for countries across the world.



half of respondents rate the quality of paved road access as poor. About 20 percent of respondents rate the quality of irrigation, water supply, internet and mobile phone coverage as poor.

Listening to Citizens of Uzbekistan

Uzbekistan is embarking on significant economic reforms that will affect most citizens. The potential benefits of the reforms are large, but the process will be challenging, and there will be adjustment costs for some at-risk groups. The Government has called for a year of dialogue to better understand the impact of the reforms on citizens. The Listening to Citizens of Uzbekistan (L2CU) initiative is one component of the World Bank’s support of this objective. L2CU will be the first effort of this type in Uzbekistan to take an integrated mixed methods approach, combining qualitative and quantitative methods. The quantitative methods consist of a comprehensive in-person baseline survey among 4,000 households that took place in mid-2018. This survey is representative at the national, urban/rural, and regional levels. The topics for the in-person survey included: income and income sources; shocks and coping strategies; employment; migration; interactions with service providers, government, and representatives; and local infrastructure and services. The in-person survey is followed by monthly phone-based interviews among 1,000 households, which commenced in September 2018. The qualitative component, which will be launched in November 2018, will use a combination of focus group discussions and key informant interviews to investigate in greater detail issues related to governance, accountability, service delivery and livelihoods.

Table 1: Average percentage of respondents who report across infrastructure items that infrastructure:

	Not present in area (%)	Quality is poor (%)	Quality is satisfactory (%)	Quality is good (%)
Electricity	0.68%	5.27%	37.69%	56.36%
Public school	3.25%	5.05%	44.14%	47.57%
Mobile phone coverage	4.59%	21.16%	48.66%	25.58%
Paved access road	12.38%	45.96%	25.21%	16.45%
Hospital	16.78%	7.61%	40.40%	35.21%
Water supply	21.27%	20.94%	25.84%	31.95%
Internet	35.00%	29.23%	24.81%	10.96%
Irrigation	36.90%	19.99%	24.08%	19.03%
Piped gas	37.62%	12.01%	21.50%	28.87%
Market	37.83%	8.26%	29.90%	24.00%
Central heating	79.82%	5.07%	5.80%	9.31%

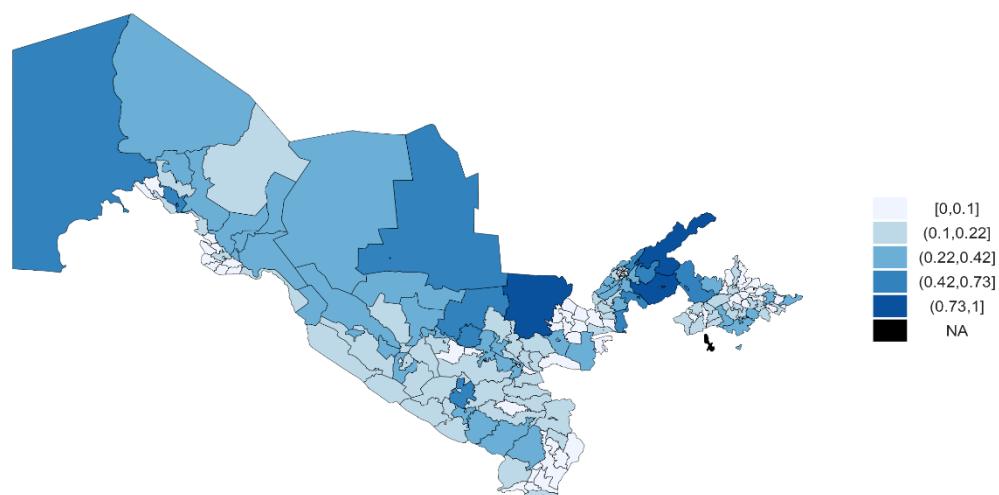


Figure 1: The map depicts Uzbekistan’s road density based on OpenStreetMap data. This map demonstrates extensive variation in road density within the Ferghana Valley.

9. **Other data points to the poor and declining quality of centralized utility infrastructure in rural areas of Uzbekistan.** Only 26 percent of rural households have access to a centralized water connection,⁷ while only three percent of connected rural households experience 24-hour a day access.⁸ In rural areas, households resort to non-potable sources (such as surface water, or polluted irrigation water) or to costly tanker truck services. Access to centralized sewage network is absent in rural areas, implying that wastewater is disposed directly into the environment without treatment.⁹ Inadequate and unequal access to water supply and sanitation is estimated to cost¹⁰ the country about US\$635 million per year (or 1.3 percent of GDP).^{11, 12} Despite universal coverage of centralized electricity supply,¹³ it is common for the population in rural regions to experience regular, extended electricity shortages and interruptions.¹⁴ Another feature of public infrastructure is the poor connectivity of tertiary road networks to secondary networks, which could be an additional factor affecting agricultural profitability.¹⁵ Under-maintained distribution networks, underfunded operating budgets, almost nonexistent domestic capital budgets, and limited customer willingness to pay for utilities contribute to an unsustainable supply of utility services in rural areas.

⁷ WHO/UNICEF Joint Monitoring Programme, Progress on Sanitation and Drinking Water – 2013 Update.

⁸ Swinkels, Robertus A; Mantovani, Pier Francesco. *Social Impact Analysis of Water Supply and Sanitation Services in Central Asia: The Case of Uzbekistan*. Washington, D.C. : World Bank. 2015. <http://documents.worldbank.org/curated/en/261331468185330892/Social-impact-analysis-of-water-supply-and-sanitation-services-in-Central-Asia-the-case-of-Uzbekistan>.

⁹ Ibid.

¹⁰ These are the coping costs (monetary and time) to secure drinking water supply. The high costs are associated with adverse health impacts (costs to individuals, communities, as well as costs to public health systems), low labor productivity, and lost work days which place a high burden on households.

¹¹ *Central Asia Water Series – Volume 2: Economic Impact Assessment of Inadequate Water Supply and Sanitation Services in Central Asia*, World Bank, June 2016 (draft analytical report).

¹² Comparable costs of poor access to Water Supply, Sanitation, and Hygiene services in other countries in the region are significantly lower as a percentage of their GDP: 0.38 percent in Kazakhstan; 1.79 percent in the Kyrgyz Republic; 0.94 percent in Turkmenistan; and 1.24 percent in Uzbekistan.

¹³ Access to electricity (percentage of population), <http://data.worldbank.org/indicator/EG.ELC.ACCS.ZS/countries>, accessed 25th December 2016.

¹⁴ Systematic Country Diagnostic for Uzbekistan. Washington, D.C., World Bank. 2016. <https://openknowledge.worldbank.org/handle/10986/24588> License: CC BY 3.0 IGO.

¹⁵ Ibid.



10. **Generally, across all regions and income groups, a higher percentage of Uzbek respondents view the improvement of paved access roads, water supply, and piped gas as more urgent priorities than other infrastructure and services.** For example, 55 percent of all respondents to the L2CU survey believe that improving paved access roads is an urgent priority. Within the Fergana Valley, between 55 percent and 66 percent of respondents view the improvement of paved roads as an urgent priority.

Governance system in Uzbekistan

The governance system in Uzbekistan is unitary and centralized, with the most important decisions on budgets and administrative appointments being taken in Tashkent.¹⁵ According to the Law “On local authorities,”¹⁶ the highest official in a province, district or town is the *khokim*. He/she is simultaneously the head of representative and executive authority in the territory. Officials at the subnational level (i.e. at the provincial, district, and town level) are *de facto* appointed by the central government.¹⁷ Local checks and balances to limit executive authority at the provincial and district level are weak.

The governance structure at the district level, where most line ministries provide services and directly manage budgets, constrains planning, execution and accountability to citizens. District *khokims* are hampered by a legal double subordination, as they are subject to decisions of provincial *khokims* as well as regional line ministry officials. This can lead to delays in decision-making and a weakening of responsiveness to citizen needs.

Governance at the village level is heavily influenced by *mahalla* committees, i.e. the local self-governing bodies¹⁸ that are deeply rooted in cultural traditions. Although once informal, the government has moved to formalize the structure of the *mahalla*, creating a chairperson (*rais*), a deputy, a secretary, a women’s committee chair, and an individual responsible for security (*posbon*) in each *mahalla*. *Mahalla* officials also receive salaries from a government supported non-governmental organization. This formalization may compromise citizens’ perceptions of the legitimacy of *mahalla* committees, as citizens may now view them as agents of state authority. In practice, *mahallas* are not self-governing, but usually are subordinated to subnational government officials who often vet the appointment of *mahalla* leaders.

11. **The GOU’s National Development Strategy 2017-2021 addresses the regional infrastructure and service delivery gaps by introducing participatory and decentralized approaches.** The GOU is transferring increased responsibilities to local authorities and facilitating citizen feedback on public services. The NDS includes actions to promote feedback on service delivery, improve data sharing with public and consultative policy-making bodies, delegate more authorities to the local level, and introduce elections for local officials. It lays out steps to increase civil society participation in society, strengthen local self-governing bodies (*mahalla* committees), and use press and media to raise issues related to public service provision. The President of Uzbekistan declared 2017 the “Year of dialogue with people and human interests” and the Presidential Administration organized a range of “virtual receptions” to solicit feedback from citizens. The most recent developments since April 2018 include launching an online petition platform called *Mening Fikrim* (My Opinion), enabling citizens to initiate legislative acts, passing a Presidential Decree that eases registration and operational requirements for Civil Society Organizations (CSOs), and establishing an Advisory Council on CSOs. The shift towards an open dialogue with the population, as well as emerging signs of increased media and CSO freedom, have helped establish channels for public feedback, particularly on service delivery issues, yielding encouraging results in a short period of time.
12. **The NDS includes measures to delegate responsibilities and resources to district *khokimyats* and *mahalla* committees.** These include steps to increase the revenue base of district budgets, reduce dependence on allocations



from higher-level budgets, and increase independence and responsibility of local authorities.¹⁶ Budget transparency and citizen participation in budget identification is high on the political agenda as well, as evidenced by a recent decree, which mandates the introduction of a new formal mechanism for public consultation on earmarking budget allocations at the district level.¹⁷ At the same time, one of the first decrees of the new government issued in February 2017 renewed the mandate of *mahalla* committees to, among other responsibilities, “create conditions to increase citizen’s participation, exercise control over service delivery by government institutions, lead the process of gradual transition of select responsibilities of state bodies to *mahalla*’s, and support to local entrepreneurship.”¹⁸ The responsiveness and accountability of *mahalla* committees to citizens could be increased through more democratic and transparent election mechanisms, the provision of information related to budgets, an increase of their role in decisions on local investment allocation, and clarification of accountability lines with district administration.

13. **Principles of community participation and government transparency have resonance with the Uzbek population.** About half of Uzbeks think that it is an important or urgent priority for government to consult with citizens and implement development plans with input from community members. Similarly, about half of all Uzbeks believe that it is urgent or important for *mahalla* committees to make information regarding revenues and expenditures easily available to citizens. Among Uzbekistan’s population, there is widespread experience with participation in (quasi-) voluntary communal activities. Sixty-four percent of Uzbeks report that either they or a household member has participated in communal activities organized by their neighbor, and 73 percent have participated in communal activities organized by the *mahalla* committee.
14. **The recently launched *Obod Qishloq* (“Prosperous Villages”) program is a vehicle through which to implement the GOU’s reforms aimed at promoting participatory, community-based, urban and rural development.** The program, launched officially on April 1, 2018, encourages officials at the provincial and district levels to conduct needs assessments within communities to better understand local development needs. It is intended to promote development in rural areas by constructing new infrastructure, rehabilitating existing infrastructure, and investing in employment-generating opportunities. In July 2018, the GOU announced the *Obod Mahalla* program, which has similar objectives and approaches to *Obod Qishloq*, but is focused in urban areas. The proposed Project is aligned with the GOU’s *Obod Qishloq* program.
15. **While *Obod Qishloq* is a national program, the GOU is targeting the Ferghana Valley for the first phase of the proposed Project — specifically, Ferghana, Andijan, and Namangan provinces.** There are three reasons for the GOU’s targeting decision.
16. **First, while the Ferghana Valley shares many of the same development challenges present throughout Uzbekistan, it is vulnerable to conflict and violent extremism.** Violent extremist groups emerged during the post-independence period in the Uzbek portion of the Ferghana Valley. By the late 1990s, these groups were largely forced out of the country but remained active in the region and maintained ties to the Ferghana Valley. Estimates of the number of foreign fighters of Central Asian origin that have joined violent extremist groups in Iraq and Syria range from 2,000 to 4,000. Social unrest, while not common in Uzbekistan, broke out in Andijan in 2005. The risks of violent

¹⁶ Presidential decree of June 7, 2017 “On the measures to expand authorities of local administrations in formation of local budget.”

¹⁷ Presidential Decree of August 22, 2018 “About the measures to provide openness of budget data and active engagement of citizens in budget process.”

¹⁸ Presidential Decree NoUP-4944 of February 2017, “On measures to further improve the Institute of *Mahalla*.”



extremism, combined with legacies of conflict, and the unique geography (a small geographic area with fluid, non-delineated borders¹⁹), present risks to sustained development.

17. **Second, the Ferghana Valley is vulnerable to natural hazards, climate shocks, uneven growth leading to gaps between districts, a growing labor pool, and weak capacity to deal with these development challenges.** The Ferghana Valley includes some of Uzbekistan’s most productive agricultural land, and has a relatively high level of industrial development, compared to other parts of Uzbekistan. Yet, the average income in Ferghana Valley falls on the lower end of the income spectrum in Uzbekistan. An analysis of remote sensing data shows that districts in the Ferghana Valley are vulnerable to a range of natural hazards and climate shocks: floods, earthquakes, air pollution, temperature and precipitation variation. At the same time, these districts have weak capacity to cope with these hazards and shocks, as measured by economic activity (proxied by nighttime lights), and connectivity (proxied by market access and road density).

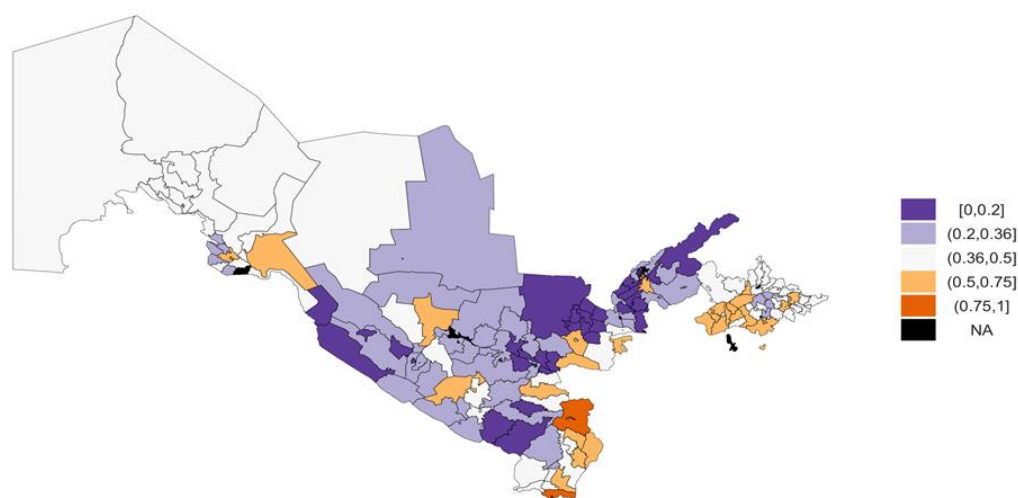


Figure 2: The map depicts Uzbekistan’s vulnerability index, which is based on remote sensing and crowd-sourced data. The index takes into account: population; exposure to natural hazards and climate shocks; economic activity and market connectivity. Regions in the East and Southeast rank particularly vulnerable.

18. **Third, the GOU is seeking to complement its private goods investments in the Ferghana Valley Enterprise Development Project (FVEDP) with the public goods investments in the *Obod Qishloq* program.** The objective of the FVEDP is to expand economic and job opportunities within the Ferghana Valley through rural enterprise development and establishment of an enabling environment for private sector-led economic growth. Through coordinated management units at the regional level, the two projects will support integrated local economic development planning at the district level. Public goods (e.g. farm-to-market roads) rehabilitated through *Obod Qishloq* could thereby contribute to enterprise development efforts. Conversely, communities that identify entrepreneurship needs and proposals through *Obod Qishloq* planning processes would be referred to the FVEDP for technical assistance and support.

C. Relationship to CPF

¹⁹ The entire Ferghana Valley encompasses an area located in three countries – the Andijan, Ferghana and Namangan regions in Uzbekistan; portions of the Sughd region in Tajikistan; and the Osh, Jalalabad, and Batkan regions of Kyrgyzstan. With a total population estimated at 14 million across all three countries, the portion of Ferghana Valley located in Uzbekistan is the largest, with approximately 9.3 million people, comprising 28 percent of Uzbekistan’s total population.



19. **The proposed operation is consistent with the adjustments to the Bank’s country program, which has been adapted to meet Uzbekistan’s growing social and economic transformation.** The proposed Project falls under the new adjusted CPF (FY16-20) Focus Area 2: Reform of select state institutions and citizen engagement. Focus Area 2 aims to build and strengthen the institutions that are necessary to deliver on the new policy reform agenda and has four objectives: (i) enhanced corporate governance and strengthened financial sustainability of SOEs, (ii) increased access and reliability of power supply and heating services, (iii) improved access to and quality of water supply and sanitation services, (iv) Improved connectivity of transport and digital services, and (v) strengthened citizen participation. The proposed Project will address interventions across objectives (ii) through (v).
20. **The operation is part of a programmatic approach to supporting GOU reforms to sub-national governance.** Together with the Medium-Size Cities Integrated Urban Development project (P162929), the proposed operation will support GOU reforms aimed at: (i) introducing an integrated approach to local development planning in place of the current sectoral planning approach, and (ii) engaging citizens and local self-governing bodies in local development planning and decision-making such that locally-identified needs are prioritized and financed. To achieve this aim, the local governance reform process will likely require progressive changes to: (i) national policies; (ii) processes for coordination and planning at the sub-national level, and (iii) capacity building at all levels. The Project will pilot systems and approaches to integrated development planning that links district level plans with priorities identified at the community level, and by financing a set of complementary investments that will focus on end users representing the “last mile” of service delivery. The Project will also focus on inclusion, targeting under-served communities and vulnerable groups, including youth and women. It will thus help address gaps in the Bank’s portfolio, which has faced challenges in identifying mechanisms to reach the poorer or more geographically isolated communities.

PROPOSED PDO/RESULTS

A. Proposed Project Development Objective(s)

21. The Project’s development objective (PDO) is **to increase access to essential basic infrastructure and services and improved local governance processes in targeted rural communities and districts.**
22. The project is organized around investments in local infrastructure and service delivery as the entry point through which to develop processes for participatory planning, implementation and oversight. It will support ongoing administrative and local governance reforms aimed at empowering citizens and local communities to play a greater role in local development. The use of participatory approaches will include dedicated measures to ensure that women, youth, and poor and vulnerable households participate in project decision-making processes, and benefit from project investments.
23. The Project will target lagging districts, or lagging villages within districts, as measured in terms of access to basic infrastructure and services. Targeting will take into account the need for an appropriate diversity in local government capacity for institutional development and piloting purposes. The criteria for prioritizing lagging districts or villages will be developed with Government during preparation. The Project will focus on the Ferghana, Andijan, and Namangan provinces to develop the proof of concept for project policies, investments, and systems that the GOU can scale up to other parts of the country through the *Obod Qishloq* program.

B. Key Results



24. Results will be measured through indicators such as:

- a. Number of direct project beneficiaries;
- b. Percentage of sampled community respondents (male/female) reporting improved access to transport/drinking water/electricity/ or irrigation;
- c. Percentage of sampled community respondents (male/female) reporting that investments financed are in-line with their priority needs;
- d. Number of *mahalla* committees or district *khokimiyats* able to plan and maintain their own development projects; and
- e. Percentage of residents reporting improved performance of *mahalla* committees or district *khokimiyats*.

PROJECT CONTEXT

A. Concept

1. Description

25. **Piloting and scaling-up approaches to participatory, inclusive local development through *Obod Qishloq*.** Analysis of the ongoing *Obod Qishloq* program shows that the GOU is likely to face challenges in future phases of the program, including: (a) affordability and scalability, (b) meeting high community expectations resulting from the door-to-door needs assessments led by district *khokimiyats*, (c) ensuring quality and sustainability of investments, (d) overcoming constraints to delivering services at the “last mile”, and (e) motivating and rewarding communities for taking greater initiative in local development activities. Experiences from community-driven and community-based development approaches in East Asia (e.g. Indonesia, the Philippines, Vietnam), South Asia (e.g. India, Sri Lanka, Afghanistan) and Europe and Central Asia (e.g. Azerbaijan) show that the GOU can achieve higher rural living standards through better access to services and infrastructure by equipping local governments, local self-governing bodies and local stakeholders (district *khokimiyats*, *mahalla* committees, CSOs, and grassroots organizations) with the mandate, tools, and systems needed to plan, prioritize, implement and oversee local development investments. The design of the proposed Project will incorporate these lessons, which GOU can then apply and scale nationally in implementing the *Obod Qishloq* program.

26. **Community-driven development (CDD) approaches compliment and strengthen sub-national governance reforms by building partnerships between local governments and communities to jointly identify and propose solutions to gaps in “last mile” service delivery.** Efforts to engage citizens in local development planning and oversight, and reach out to vulnerable or excluded groups, have led to positive service delivery and local governance outcomes. Literature summarizing impacts from large-scale, government-executed CDD programs shows, among other outcomes^{20,21,22,23}: (a) high satisfaction levels among local communities that program investments align well with local priorities, and (b) infrastructure delivered is cost-effective and of high quality relative to other modalities for infrastructure and service delivery. Furthermore, the recent joint World Bank-United Nations study on conflict

²⁰ Wong, S. and Guggenheim, S. *Community-Driven Development: Myths and Realities*. Washington, DC: World Bank. 2018.

²¹ Casey, K. “Radical Decentralization: Does community-driven development work?” Working Paper No. 3598. Stanford Graduate School of Business and NBER. 2017.

²² White, H., Menon, R. and Waddington, H. “Community-driven development: does it build social cohesion or infrastructure? A mixed-method evidence synthesis”. International Initiative for Impact Evaluation Working Paper. 2018.

²³ Wong, S. “What Have Been the Impacts of World Bank Community-Driven Development Programs?” Washington, D.C.: World Bank. 2012.



prevention,²⁴ argues that the way in which services are delivered matters as much, if not more, than the quality of services or who delivers them, in terms of impacts on state legitimacy. Perceptions of fairness and inclusion in service delivery processes are thus crucial in fragile contexts.²⁵

Project Components

27. **Component 1: Demand-driven investments in basic infrastructure and services.** The Project would provide matching grants to finance investments in social infrastructure and services included in *Obod Qishloq* development plans that are planned and prioritized jointly by participating district *khokimiyats* and communities. Subject to further discussion with Government, the Project would channel grants to the district *khokimiyat* level to finance tertiary-level investments including: access to water supply for drinking, irrigation, and agricultural production; sanitation services; rehabilitation of health centers; rehabilitation of kindergartens and schools; rehabilitation of roads, footpaths and bridges, sports/social facilities; and rural electrification, and energy efficiency measures. There will be a list of investments not eligible for financing under the Project, which would include housing construction and renovation (as these are financed under other ongoing GOU programs). Further design work will be carried out during preparation to determine the limit of the size of the investments eligible for financing, and the matching grant implementation arrangements.
28. Investments financed under this component will be identified and prioritized according to participatory, transparent processes supported under Component 2 and defined in the Project Operations Manual. Subproject proposals will be reviewed against selection criteria that will be agreed and defined in the Project Operations Manual. The final list of criteria will take into account factors such as the level of local contribution/co-financing, clear linkages between tertiary and secondary levels of infrastructure, plans for operation and maintenance of investments, and the number of beneficiaries. The utilization of local labor—carefully controlled for relevant skills and quality—will be encouraged to the extent possible, including opportunities for youth employment or apprenticeships.
29. **Component 2: Innovations in local development planning and service delivery** will support local capacity building in social mobilization, integrated infrastructure and spatial development planning, subproject implementation, and good governance practices. It will focus training and capacity building activities on two key local institutions: district *khokimiyats* and *mahalla* committees. The component will consist of the following activities:
- Training and capacity building for district *khokimiyats* and *mahalla* committees in community mobilization with a focus on women, youth, and vulnerable groups. *Mahalla* committees will be trained in tools and approaches needed to identify the root causes of development challenges, and to engage women, youth, poor households, and grassroots organizations in planning and prioritization. Facilitation support will include targeted consultations and communication with women's groups and female-headed households to ensure that their needs are properly addressed. To mitigate any latent tensions that may exist within communities or between communities and district *khokimiyats*, the training curriculum will include facilitation modules developed to mitigate tensions that may arise, including those applied recently in the Kyrgyz Republic.²⁶
 - Training and capacity building to adopt digital technologies and management systems for integrated local development planning, oversight, and user feedback. This would include support and capacity building to integrate district and village-level development plans that leverage tools and technologies, including the roll-out

²⁴ *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*. Washington, D.C.: United Nations; World Bank. 2018.

²⁵ Myint, N. and Pattison, C. "Operationalizing the Pathways for Peace Study in Community-Driven Development Operations: Guidance Note." Washington, D.C.: World Bank. September 6, 2018 draft.

²⁶ Under the *Social Cohesion through Community-Based Development Project* (P132577).



of a geographic information system (GIS)-referenced database to track all *Obod Qishloq* investments, a mobile phone-based participatory planning system for use by *mahalla* committees and district *khokimiyats*, the design and delivery of infrastructure and service delivery gaps indices, and the roll out of service delivery scorecards in pilot districts.

- c. Training and capacity building for *mahalla* committees and communities to design and implement decentralized/own-managed systems for service delivery. Villages that identify such investments under Component 1 will receive specialized engineering and management support needed to design, implement and operate the systems (e.g. institutional set up, coordination with local regulatory authorities). Further discussion and design work is needed to determine which sectors are suitable for such investments, but an indicative list includes drinking water, tertiary irrigation, tertiary road maintenance, renewable energy, and gas distribution.
- d. Training and capacity building for transparency and accountability measures. This subcomponent will support the training of *mahalla* committee members and district *khokimiyat* representatives on key issues, including: (i) accountability and transparency in conducting public affairs, (ii) awareness of local responsibilities in relations with higher levels of government, (iii) project management and monitoring, (iv) fundraising and sustainability of community projects, and (v) tools for good governance. Emphasis will be placed on measures to minimize misuse, fraud, and corruption.

30. Component 3: Project Management, Monitoring and Evaluation. This component will support a project implementation structure within the State Investment Committee or other implementing agency, as stipulated by the GOU. The Project will provide financing for key agency staff, consultants, essential equipment, operating costs, technical assistance, training, and office refurbishment. Funding will also be provided for information dissemination, beneficiary assessments, periodic surveys, monitoring and evaluation (M&E) activities, a management information system (MIS), project audits, and a project grievance redress mechanism (GRM) that will monitor the handling of grievances.

31. Complementarity with World Bank portfolio investments. The Project will develop operational linkages with technical service providers engaged under other World Bank-financed projects, such as the FVEDP for livelihoods and microenterprise support, the Water Services and Institutional Support Program for decentralized water supply systems support, and the Medium-Size Cities Integrated Urban and Territorial Development Project for a strategic approach to spatial/territorial development planning that links urban and rural areas, and secondary infrastructure with tertiary infrastructure investments.

Corporate Requirements

32. Citizen Engagement. The Project will apply participatory approaches in needs assessment, investment prioritization, service delivery monitoring and feedback (e.g. through service delivery scorecards), and other key functions, leveraging applications of technology where appropriate. Project institutional and implementation arrangements will include a GRM. The Project will include citizen engagement-specific indicators such as: community satisfaction with the quality of investments; community feedback on the effectiveness of engagement processes; and Project Implementation Unit (PIU) responsiveness to grievances received. The GRM and citizen engagement results indicators will be developed during preparation.

33. Gender. In Uzbekistan, women's rural livelihoods are increasingly vulnerable. The number of economically active women remains considerably lower (almost half the rate) than the number of economically active men. Full-time agricultural jobs are limited for women, and women's day labor rates tend to be 30 to 60 percent lower than men's. Women are often informally engaged in tending to household vegetable gardens and livestock, for little or no



remuneration. In private farms as well, women are employed mostly as temporary workers. Women day laborers in the cotton sector, which represent 80 to 90 percent of total laborers, risk losing their jobs as the GOU moves towards cotton mechanization. Large male-labor outmigration has affected their participation in paid work. Preschool coverage in rural areas is just 8 percent (compared to 33 percent in urban areas) thus limiting women to part-time, irregular, or informal work, without the benefits that full-time roles offer. In terms of human capital, more than 60 percent of women in rural areas have only general secondary education (grades 9 to 11) or below, and only around 8 percent have obtained higher education.

34. In February 2018, the President of Uzbekistan announced various measures to support women's empowerment, including technical training, improving working conditions, and increasing female entrepreneurship (Decree DP-532); it has entrusted the Women's Committee with implementing these measures. Institutionally, the Women's Committee of Uzbekistan is a non-governmental organization that coordinates women's affairs nationally, regionally, and locally. It has branches in all 14 regional administrations and 219 districts or cities. The Women's Committee is also working closely with local governance structures at the district (*khokimyat*) level to address and try to close gender gaps throughout all government-funded activities. Each *mahalla* will also have staff (advisors) on women's affairs.
35. Given the unique vulnerabilities women face in Uzbekistan, and the momentum within the GOU to bolster women's empowerment and livelihoods, the Project will explore earmarked funds or other measures to ensure women benefit directly from project investments by, in part, participating in prioritization meetings and sub-project implementation, and providing oversight of sub-project investments. These project-level design features will be informed by a detailed gender analysis that will be carried out during project preparation. For example, the gender analysis will use the L2CU survey and forthcoming qualitative data to assess any gender differences that may exist in priorities for infrastructure and service delivery improvements, and citizen engagement. The Project's results indicators will be gender-disaggregated.
36. **Climate co-benefits.** The Project is expected to contribute to climate change adaptation and mitigation. Some reports show average warming over the next 50 years will be about 2–3°C, which is much greater than the increase of less than 1.5°C observed over the last 50 years,²⁷ and likely precipitation increases for Uzbekistan of around 12 to 20 percent by 2085.²⁸ The climate change and disaster screening for the Project has identified that Ferghana Valley is highly exposed to seismic hazards and floods. As the analysis indicates, the potential risks to social infrastructure supported by the Project due to flooding and earthquakes is expected to be reduced by the design of infrastructure under Component 1, and the inclusion of soft components under Component 2, which take climate change and disaster risk into account. For mitigation, the Project can institute a range of measures. For example, capacity building and training activities under Component 2 can provide information and design templates for climate smart investments financed under Component 1, such as energy efficiency investments through solar power and solar water heating. Wells for water supply could be located away from floodplains, and wastewater infrastructure could be protected from increased flooding.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

²⁷ Uzbekistan Overview of Climate Change Activities. Washington, D.C.: World Bank. October 2013.

²⁸ Climate Risk Profile Central Asia. USAID. March 2018.



The project will cover the Andijan, Ferghana and Namangan regions of Uzbekistan.

Andijan Province is a large agrarian-industrial region of the Republic of Uzbekistan. The province consists of 14 administrative districts. Total area of the Province is 4,300 sq. km. The climate of the region is continental with extreme differences between summer and winter temperatures. Due to the fact that mountain chains are preventing cold air masses from entering the region, the winter weather is comparatively moderate. The vegetation period is 217 days, average annual precipitation is 200-250 mm. As with other regions of Uzbekistan, it is famous for its very sweet melons and watermelons, but cultivation of crops can be accomplished exclusively on irrigated lands. The main agricultural products include cotton, cereal, viticulture, cattle raising and vegetable gardening. Industry includes metal processing, chemical industry, light industry, and food processing.

Ferghana province is located in a southern part of Ferghana valley. The province consists of 15 administrative districts. The total territory of province is 6,800 sq. km. 79% of the are of the province are plains, and the remaining 21% are mountains and foothill regions. The climate is continental with mild winters and hot summers. The vegetation period is 210-220 days, average annual precipitation in east part of province is 170 mm. In the foothills annual precipitation reaches 270 mm.

Namangan province is located in northeast of the Ferghana valley. The province consists of eleven administrative districts. The total territory of province is 7,400 sq. km. The climate is continental, characterized by hot dry summers and moderate damp winters. In summer the temperature rises sharply, it becomes dry and hot, in mountains and foothills as usual cool and damp. The climatic conditions of eastern and western parts of the province vary considerably. Surrounded by mountain ranges, the eastern part has a mild climate and rainfall averaging 600 mm annually, which creates favorable conditions for rainfed agriculture. In the western part rainfall is much less, and there are fewer rivers. The land is hilly and mountainous with sparse vegetation and thus is unsuitable for agriculture.

B. Borrower’s Institutional Capacity for Safeguard Policies

To be determined once Government assigns an implementing agency to the project. During the project preparation the EA capacity of the Agency to be assigned will be assessed and necessary capacity building measures will be included for the project implementation.

C. Environmental and Social Safeguards Specialists on the Team

Suryanarayana Satish, Social Specialist
Arcadii Capcelea, Environmental Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This policy is triggered as the project will support a series of activities which will generate some environmental and social impacts.



Component 1 project activities, which will be determined by communities, may include, but are not limited to: access to water supply for drinking, irrigation, and agricultural production; sanitation services; rehabilitation of health centers; rehabilitation of kindergartens and schools; rehabilitation of roads, footpaths and bridges, sports/social facilities; rural electrification, and energy efficiency measures. These activities may generate a series of impacts, including those associated with noise, dust, air and water pollution, solid waste management, biodiversity degradation, health hazards and labor safety issues. All impacts would be typical for small scale construction/rehabilitation works or for various infrastructure and energy supply or energy efficiency activities. The impacts will be mostly temporary by nature and site specific, and, can be addressed with good engineering and construction or operational practices, as well as by preparing and applying best civil works practices and implementing relevant mitigation measures.

The project might generate social issues and risks, including the use of child labor in agricultural activities. Child and forced labor in agriculture is mainly associated with cotton production in general. Risks of child and forced labor will be mitigated through project design features that leverage systems developed through the International Labor Organization's (ILO) Third Party Monitoring program of activities in Uzbekistan. Design features would include locally-based community mobilizers, who will be tasked with monitoring sub-projects that relate to agricultural production (e.g. on-farm irrigation canal rehabilitation) for any signs of child or forced labor, and report any such cases through the Government's Child and Forced Labor Feedback Mechanism. The Project will draw also draw from ILO-developed awareness-raising materials to raise awareness among project beneficiaries of child and forced labor practices, and ways to report infractions and seek redress. Furthermore, beneficiaries would be able to use the Project's Grievance Redress Mechanism (GRM) to report child and force labor-related infractions should they choose to do so.



To address specified environmental and social risks and impacts the borrower will prepare an Environmental and Social Management Framework (ESMF), which per WB requirements the ESMF will be disclosed in the country and the local population and interested parties will be consulted. The ESMF will specify the Environmental Assessment (EA) requirements for investments to be supported under Component 1 as follows: (a) rules and procedures for environmental screening; (b) guidance for preparing subproject Environmental and Social Impact Assessment (ESIA) and/or simple Environmental and Social Management Plans (ESMP) as well as for ESMP Checklists; (c) possible mitigation measures for different types of subprojects; and (d) requirements for monitoring and supervision of the implementations of ESIA/ESMPs requirements. The document will also specify the screening criteria and the negative list to exclude sub-projects with environmental or social safeguards high risks as well as the guidelines for voluntary land donations. A detailed outline of the criteria for voluntary land donation will be included in the ESMF, and the Project Operation Manual (POM). The negative list might include the following types of activities:

- o Equipment or materials funded by (or included in the budgets of) other organizations, such as government agencies, NGOs, or other donor-funded programs.
- o Investments detrimental to the environment;
- o Land purchase or lease, under any conditions;
- o Housing construction or renovation;
- o Any activity on land that has disputed ownership or tenure rights or any activity using child labor according to national law;
- o Dams over 3 meters; and
- o Sub-projects that require any form of land donation that is non- voluntary or requires compensation.

For component 2 (Innovations in Local Service Delivery) the ESMF will provide guidelines how to integrate Environmental and Social requirements, and, in particular, on the following:

- a. Preparing local development plans, - this should be done by applying participatory development approaches (e.g. participatory rural appraisal), and will, among other things, emphasize participation of



youth and women in planning exercises, through the use of targets for participation in planning meetings, or through separate planning meetings for youth and women.

b. Ensuring youth and women benefit from sub-project investments through various means, including: (i) requiring that at least one sub-project proposed by youth and one proposed by women’s groups are funded in each village annually; and/or (ii) the use of sub-project selection criteria that place higher weight for sub-projects that demonstrate benefits for youth and women.

For the proposed capacity building activities to be provided under Component 2 the ESMF will also will include training on identifying subprojects' environmental impacts, and rules and procedures for preparing ESIA's and ESMPs and guidance on how to integrate environmental and social safeguards requirements into local development planning.

It is anticipated that most of the selected subprojects will be Category C or low B. Any subprojects with the potential to cause significant environmental impacts (Category A subprojects) will be not supported under the project. The screening criteria along with the screening procedures and responsibilities will be clearly specified in the ESMF document.

The ESMF will also describe mitigating measures for managing social risks, including the launch of a public information/communication campaign regarding the project's objectives, activities and potential implications for PAPs; stakeholder consultations and disclosure of the ESMF and selected sub project proposals/plans; the establishment of a grievance redress mechanism for timely resolution of requests and complaints, and other initiatives to engage with beneficiaries and Project stakeholders throughout the Project cycle.

Performance Standards for Private Sector Activities OP/BP 4.03 No

Natural Habitats OP/BP 4.04 No This policy will be not triggered as the project will support investments only in the settlements or on existing agricultural lands. The ESMF will provide guidance and criteria for sub-projects screening on



		<p>this OP and all those which might trigger the policy will be excluded from the project financing.</p>
Forests OP/BP 4.36	No	<p>This policy will be not triggered as all project activities will be implemented in the existing settlements or on existing agricultural lands, and there will be no support for any wood harvesting activities.</p>
Pest Management OP 4.09	TBD	<p>The project will not finance purchasing of pesticides. The policy is proposed as TBD as it will be determined during preparation whether potential project activities, such as rehabilitation of tertiary/on-farm irrigation schemes, that could lead to their increased usage, will be eligible for financing. If the policy is determined to be triggered during preparation, a Pest Management Plan will be prepared.</p>
Physical Cultural Resources OP/BP 4.11	No	<p>This policy will be not triggered as all project activities will be implemented within the existing settlements or on existing agricultural lands and all activities that might have impacts on these resources will be excluded from project financing. For that purpose the ESMF will provide clear criteria. The ESMF will also provide provisions on chance findings during any subprojects which might involve earthworks.</p>
Indigenous Peoples OP/BP 4.10	No	<p>There are no Indigenous Peoples' as per the World Bank's policy in this area.</p>
Involuntary Resettlement OP/BP 4.12	Yes	<p>The policy is triggered due to the potential need for small scale land acquisition (temporary and/ or permanent), restriction of access and economic resettlement in relation to activities under Components 1 (investments in basic infrastructure and services) and 2 (innovations in local development planning and service delivery). This Project will follow a CDD approach, providing for participatory needs assessment and firming up of investments/ sub projects during implementation. To fructify this, and ensure efficient and appropriate approach for securing the lands, a Resettlement Policy Framework (RPF) will be prepared prior to Appraisal. The framework will detail: methods of securing lands, rules governing the same, entitlements, adoption and preparation of Resettlement Action Plans (RAP), institutional and implementation arrangements as well as monitoring mechanisms.</p> <p>Voluntary land donations. Voluntary land donations carried out by local communities for subproject activities have the risk of being based on</p>



administrative or social coercion and may lead to unanticipated social impacts such as depriving individuals of land and other assets in the guise of voluntary donations and in the name of the "common good"; women users of the land, settlers or migrant users being passed over in decision-making on land donations; and cross-generational conflicts on land ownership issues. To minimize such risks, any subproject that acquires land on a voluntary donation basis will be required to first meet a set of strict criteria before the land donation is accepted. A detailed outline of these criteria will be included in the Environmental and Social Management Framework (ESMF), the Project Appraisal Document (PAD) and the Project Operation Manual (POM).

Safety of Dams OP/BP 4.37

TBD

While project activities to be supported are expected not to have any impacts on dam safety. Furthermore, the small-scale on-farm irrigation infrastructure rehabilitation subprojects eligible for funding will not depend on the performance of existing dams as the water sources to be used are small streams flowing from the mountainous project area. The applicability of the policy will be determined during preparation when the scope and scale of eligible investments are finalized.

Projects on International Waterways OP/BP 7.50

TBD

It is possible that small-scale drinking water or irrigation schemes eligible for rehabilitation or expansion under the project currently discharge to drains/fields which may ultimately flow to tributaries of international rivers (e.g. Syr Darya). Some of the well fields are located in areas where the groundwater sources are potentially recharged by international rivers. In consultation with LEGEN, during the project preparation it will be determined whether this policy is triggered and whether waiver to notify the riparian countries is applicable.

Projects in Disputed Areas OP/BP 7.60

No

The project will not support any activities in disputed areas.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Feb 15, 2019



Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The Environmental and Social Management Framework will be prepared with a target completion date of February 1, 2019. A Resettlement Policy Framework (RPF) will be prepared prior to appraisal. Resettlement Action Plans will be prepared and disclosed prior to Appraisal where design detail is known.

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