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Report No: PAD3165

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF US\$ 100 MILLION

TO THE

REPUBLIC OF UZBEKISTAN

FOR A

PROSPEROUS VILLAGES PROJECT

October 24, 2019

Social Development Global Practice
Europe And Central Asia Region

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The World Bank

Prosperous Villages (P168233)

CURRENCY EQUIVALENTS

(Exchange Rate Effective October 4, 2019)

Currency Unit = UZS (Uzbekistan Som)

UZS 9425.00 = US\$1

FISCAL YEAR

January 1 – December 31

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
BFM	Beneficiary Feedback Mechanism
CDD	Community-Driven Development
CDWO	Community Drinking Water Organization
CSO	Civil Society Organization
DPC	District Project Committee
ECAPDEV	Europe and Central Asia Region Capacity Development Trust Fund
EIRR	Economic Internal Rate of Return
ELS	Enhancement of Living Standards
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EU	European Union
FP	Facilitating Partners
FM	Financial Management
GBV	Gender-Based Violence
GoU	Government of Uzbekistan
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IDB	Islamic Development Bank
IFR	Interim Financial Report
ILO	International Labor Organization
L2CU	Listening to the Citizens of Uzbekistan
M&E	Monitoring and Evaluation
MCA	Mahalla Citizens' Assembly
MIS	Management and Information System
MoEI	Ministry of Economy and Industry
MoELR	Ministry of Employment and Labor Relations
MPC	MCA Project Committee
NDS	National Development Strategy
NGO	Non-governmental Organization
NPV	Net Present Value
O&M	Operations and Maintenance
OP	Operational Policies
PDO	Project Development Objective
PIU	Project Implementation Unit
POM	Project Operations Manual
PP	Procurement Plan
PPL	Public Procurement Law
PPSD	Project Procurement Strategy for Development
PVP	Prosperous Village Project
Qishloq	Rural Village



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QE	Qishloq Engineers
QF	Qishloq Facilitators
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SDC	Swiss Development and Cooperation Agency
TA	Technical Assistance
UCS	Unified Customer Services Engineering Company



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Uzbekistan	Prosperous Villages	
Project ID	Financing Instrument	Environmental Assessment Category
P168233	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
14-Nov-2019	31-Dec-2024

Bank/IFC Collaboration

No

Proposed Development Objective(s)

To (i) improve the quality of basic infrastructure and (ii) strengthen participatory local governance processes in Selected Qishloqs.



Components

Component Name	Cost (US\$, millions)
Demand-driven investments in basic infrastructure and services and local governance capacity support	175.70
Project management, monitoring and evaluation, and capacity building	7.90

Organizations

Borrower:	Ministry of Finance
Implementing Agency:	Ministry of Economy and Industry

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	183.60
Total Financing	183.60
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	100.00
IDA Credit	100.00

Non-World Bank Group Financing

Counterpart Funding	1.60
Borrower/Recipient	1.60
Other Sources	82.00
Asian Infrastructure Investment Bank	82.00



IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Uzbekistan	100.00	0.00	0.00	100.00
National PBA	100.00	0.00	0.00	100.00
Total	100.00	0.00	0.00	100.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2020	2021	2022	2023	2024	2025
Annual	1.98	17.10	20.30	23.60	24.20	12.82
Cumulative	1.98	19.08	39.38	62.98	87.18	100.00

INSTITUTIONAL DATA

Practice Area (Lead)

Social

Contributing Practice Areas

Urban, Resilience and Land, Water

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category

Rating

1. Political and Governance

● Moderate



2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● High
7. Environment and Social	● Substantial
8. Stakeholders	● Substantial
9. Other	
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓



Projects on International Waterways OP/BP 7.50	✓
Projects in Disputed Areas OP/BP 7.60	✓

Legal Covenants

Sections and Description

Schedule 2, Section I.A.1(i)

The MoEI shall (a) maintain the PIU, and (b) establish, not later than forty-five (45) days after Effective Date, PIU regional working teams for each Project Regions, all with a structure, functions and responsibilities and adequate staff, all as further described in the POM and acceptable to the Association, for the purposes of day-to-day Project management, monitoring, evaluation and supervision. The PIU regional working teams shall include, inter alia, two procurement specialists covering all Project Regions, two FM specialists covering all Project Regions, two technical supervision specialists for each region, and one environmental and social safeguards specialist for each region.

Sections and Description

Schedule 2, Section I.A.1(ii)

At the district level, the MoEI shall establish, not later than forty-five (45) days after the Effective Date, and thereafter maintain, throughout the Project implementation, DPCs in each district (hokim) to support the Project implementation, with a structure, functions and responsibilities, all as further described in the POM.

Sections and Description

Schedule 2, Section I.A.4

The Recipient shall cause the Project Implementation Unit to establish, not later than 90 days after the Effective Date, an automated accounting information system, satisfactory to the Association, for recording Project records and generating Project financial statements.

Sections and Description

Schedule 2, Section I.B.1

For purposes of carrying out Part 1(a) of the Project and prior to the carrying out of any Subprojects, in the territory of any Project Region, the Recipient, through MoEI shall: (i) ensure that each of the Selected Qishloqs has adopted the Qishloq Development Plan in accordance with the provisions set forth in the POM; and (ii) enter into agreements with each regional UCS, under terms and conditions satisfactory to the Association (“Cooperation Agreements”) to make the necessary administrative arrangements with said UCS to ensure the USC’s support to the implementation of said Subprojects.

Conditions

Type

Description

Effectiveness

The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.



Type Effectiveness	Description The MoEI, through PIU, has adopted the POM in a form and substance satisfactory to the Association.
Type Effectiveness	Description The MoEI, through PIU, has selected PIU core staff, including, the Project Director, a procurement specialist, a financial management specialist, a head engineering specialist, an environmental safeguards specialist, a social safeguards specialist, an MIS specialist, and a community mobilization specialist.



I. STRATEGIC CONTEXT

A. Country Context

1. **The Government of Uzbekistan (GoU) is implementing an unprecedented reform agenda, which has consequences for all citizens.** In late 2016, the country experienced its first leadership change since independence in 1991. To address the need to create jobs given the large demographic bulge in the working-age population, in 2017 the new leadership initiated market-oriented reforms. The GoU's National Development Strategy for 2017–21 (NDS) entails a shift from general government subsidies to targeted social programs, and delegates responsibility for implementing the reforms to regional and local authorities.

2. **The GoU has rapidly adopted several major reforms** including overhauling the tax system to improve its efficiency and reach; easing the cumbersome bureaucratic processes faced by businesses and citizens; expanding the social safety net; making progress toward the discontinuation of forced and systematic labor mobilization in the cotton sector; diversifying the agriculture sector to shift away from cotton and wheat production; removing several price, production, and trading controls; improving communication with citizens; delegating more responsibilities to local government authorities; and enhancing access to information, for instance by requiring the Ministry of Finance to regularly publish easy-to-understand “citizen” versions of pre- and post-approval budgetary documents and budget execution reports.

3. **The reforms have supported continued growth, macroeconomic stability, and improvements in welfare.** Despite the costs associated with the transition process, including higher prices and temporary disruptions in production and trading patterns, economic growth has remained strong at over 5 percent. Robust economic growth, small business development, income from foreign remittances, and an extensive social safety net have driven poverty reduction in recent years. An estimated 9.6 percent of the population (about 3.2 million people) lives below the \$3.20/day poverty line, which is the international definition for lower-middle-income countries.¹ Using the Household Budget Survey, the government estimated the national poverty rate² at 12.7 percent in 2017, which was unchanged from 2016. Over the longer term, official poverty and inequality measures have fallen sharply. The official poverty rate fell by over 60 percent between 2003 and 2017, and the official Gini coefficient by over a quarter between 2003 and 2013 (the last year in which the coefficient estimate was reported). The GoU's expansion of social assistance and remittances has played an important role in reducing poverty. More than 17 percent of the bottom quintile of households receive remittances from abroad, accounting for nearly 60 percent of their income. Income growth and rising remittance inflows are expected to remain the primary drivers of poverty reduction over the medium term.³

4. **Despite its achievements in increasing growth and reducing poverty over the past 10 years, there are risks associated with the ongoing reform process.** Growth rates have been relatively robust, but persistently slow employment generation has produced an increase in outward labor migration and relatively high levels of unemployment (9.3 percent in 2018).⁴ At the same time, worker remittances have declined to the lowest levels in recent years from US\$6.689 in 2013

¹ World Bank. 2018/2019. *Listening to Citizens of Uzbekistan Survey*. Tashkent, Uzbekistan: World Bank Group.

² The national poverty line is measured based on a food intake of 2,100 calories per person per day.

³ World Bank. 2019a. *Program Document for Sustaining Market Reforms in Uzbekistan Development Policy Operation*. Washington, DC: World Bank.

⁴ The average official unemployment rate was 5.3 percent between 2014 and 2017. A change in methodology in October 2018 led to a large increase to 9.3 percent. The biggest methodological change involved estimating employment in smallholder (*dekan*) farms: previously, all working-age members of a household were counted as being employed on the farm in official data, whereas in the revised methodology, only the head of household is counted as employed on the farm. Previous unemployment estimates have not yet been recalculated using the new methodology, but



to about US\$2.741 billion in 2016 and US\$3.901 billion in 2017, mostly due to stresses in the Russian economy.⁵ Further, Uzbekistan's market liberalization policies, including the reduction of subsidies to state-owned enterprises and the modernization of the agricultural sector, could have adverse distributional effects on vulnerable populations. Agricultural modernization, including the mechanization of cotton picking, is likely to lead to job losses, particularly for women, who represent 80–90 percent of all day laborers in the cotton sector. This risk compounds other factors that make Uzbek women particularly vulnerable, including high rates of male labor outmigration, 30–60 percent lower agricultural wages than men, and low preschool coverage in rural areas (8 percent compared to 33 percent in urban areas).

5. **Public expectations of the reforms are high.** The current process of social and economic opening has received widespread support from the population. The high expectations have generated considerable pressure on the GoU to demonstrate short-term improvements in livelihoods. Data from the Listening to the Citizens of Uzbekistan (L2CU) survey⁶ show strong support for exchange rate unification and increased private participation and competition.⁷ The survey also revealed that households are concerned about the slow pace of job creation and elevated inflation rates.⁸ Furthermore, there are growing concerns over how the GoU is handling evictions and demolitions when implementing state investment programs in support of urban and rural development.

6. **The Ferghana Valley has a high population density, but economic development has not kept pace with its potential.** The valley's estimated total population of 14 million is split among three countries—the Andijan, Ferghana, and Namangan regions in Uzbekistan (the largest share, with 9.3 million people); portions of the Sughd region in Tajikistan; and the Osh, Jalalabad, and Batken regions of Kyrgyzstan. The Ferghana Valley is home to 28 percent of Uzbekistan's total population, and one-quarter of its poor. It is one of the country's most ethnically diverse regions, with Uzbek, Tajik and Kyrgyz communities. The valley includes some of Uzbekistan's most productive agricultural land, but also has a relatively high level of industrial development compared to other parts of the country. The region faces a number of development challenges, including climate change-induced temperature and precipitation variability, poor water quality and water scarcity, air pollution, a growing labor pool, uneven economic growth that leads to development gaps between districts, and average incomes below the country's mean. Isolated extremist groups emerged during the post-independence period in the Uzbek portion of the valley; while these groups have been largely pushed out of the country, there is concern about their continued ties to the area.⁹

7. **Climate change is expected to have an increasing impact, including in the Ferghana Valley.** Average temperatures are predicted to increase by 2–3°C annually, and precipitation is expected to become more variable. Climate change modeling shows that the Syr Darya East River Basin (which encompasses the entire Ferghana Valley) is highly vulnerable to water deficits; the potential negative outcomes under a high-impact scenario are greater than for other river basins in the country. Models estimate that the basin will experience a 12 percent shortfall in irrigation water by 2040 under low-climate-impact scenarios, and up to a 52 percent shortfall under high-impact scenarios.

the authorities note that there have been no major changes in actual employment numbers.

⁵ World Bank. 2019a. Remittance data from <https://www.knomad.org/data/remittances>.

⁶ World Bank 2018/2019.

⁷ Most people surveyed reported that their own livelihoods were increasing, and that local economic conditions were improving. There is a widespread belief among surveyed households that the country is on the right track, and that the GoU is communicating and listening effectively through its citizen engagement platforms.

⁸ World Bank 2019a.

⁹ Ahmed Rashid, A. 2002. *Jihad: The Rise of Militant Islam in Central Asia*. New Haven, CT: Yale University Press.



B. Sectoral and Institutional Context

8. **Uzbekistan’s governance system is highly centralized: the central government in Tashkent makes the most important decisions on budgets and administrative appointments.**¹⁰ The administrative divisions comprise: (i) the republic; (ii) 12 regions, one autonomous republic (Republic of Karakalpakstan), and one independent city (City of Tashkent); and (iii) 40 cities/urban districts and 162 rural districts, which are further subdivided into towns and *qishloqs* (villages). The president directly appoints regional governors, who in turn appoint district heads. The regional and district *hokims* (heads) serve as the central government’s agents in the region and are accountable to Tashkent. The regional and district *hokimiyats* (governments) have little independence in managing public finances. The central government transfers resources to regional and district *hokimiyats* and gives them little autonomy or discretion over decision making. Transfers—mostly shared tax revenues—are by far the most important source of income for regional and district *hokimiyats*. These account for about 70 percent of subnational revenues.¹¹

9. **Despite the country’s highly centralized administrative structure, subnational governments play an important role in public services provision.** Between 2013 and 2019, subnational governments were responsible for around 34 percent of national public spending (56 percent of total national spending excluding extrabudgetary accounts), equivalent to about 11 percent of the country’s GDP. Subnational spending is concentrated on education (43 percent), healthcare (21 percent), and general public services (15 percent). On average, the majority of spending during this period (53 percent) went toward wages and benefits, followed by “other spending” (28 percent), which includes communal services, renovation and repair of the existing capital stock, and food for hospitals or schools. Capital investment accounted for only 7 percent of total subnational expenditures.¹²

10. **Community self-governing bodies, or mahalla citizens’ assemblies (MCAs), also play a role in carrying out state functions such as distributing social welfare payments, maintaining social stability, and preserving qishloqs’ cleanliness.** Although once informal, *mahalla* (neighborhood) committees are now enshrined in Article 105 of Uzbekistan’s Constitution as territorial self-government organizations. MCAs are official legal entities; over 100 laws and regulations govern their participation in specific areas of public life. The government has recently begun to formalize their structure, for instance by creating an executive committee consisting of a chairperson, advisors, and an audit commission responsible for verifying MCAs’ expenditures. These MCA employees receive salaries paid by state and *hokimiyat* budgets.¹³ The remaining MCA executive committee members include an executive secretary appointed by the mahalla chair, a women’s affairs officer appointed by the Women’s Committee, and the heads of local health and educational facilities. The MCAs have committees in charge of specific issues such as social support, work with women, and the development of entrepreneurship and family businesses. In September 2018, President Mirziyoyev signed a new law calling for the formal election of MCA chairs and advisors for a period of three years; it was first implemented in May 2019. All candidates for these roles must be nominated by an MCA. In practice, MCAs’ leadership tends to be male dominated and older (see Annex 2). As of July 2018, the average age of chairpersons throughout the country was 50. MCAs’ budgets are financed through charitable donations, the Mahalla Foundation, and most prominently, *hokimiyats*. MCAs independently manage financial assets in bank accounts, and the executive committees report quarterly to the Citizens’ Assembly on the use of these funds.¹⁴ However, MCAs do not have access to self-financing mechanisms, and they cannot raise their own revenue.

¹⁰ World Bank. 2016a. *Systematic Country Diagnostic for Uzbekistan*. Washington, DC: World Bank.

¹¹ World Bank. 2019b. *Intergovernmental Relations*. Washington, DC: World Bank.

¹² *Ibid.*

¹³ Resolution of the President No. 5700 from April 2, 2019

¹⁴ 3PY-350 “On self-governing bodies.”



11. **Over the past two years, GoU reforms have opened up space for civil society and civic engagement.** The President of Uzbekistan declared 2017 the “Year of dialogue with the people and human interests,” which included the introduction of Virtual Receptions and People’s Receptions under the purview of the Presidential Administration to solicit feedback from citizens. In 2018, the GoU signed the Law on Public Control, which provides a legal framework for citizen oversight of government activities.¹⁵ The law gives MCAs, non-governmental organizations (NGOs), and the media the right to oversee the performance of government bodies and officials. The associated implementing decrees implemented in 2018 sought to enhance the role of civil society in the country’s democratic renewal, for instance by establishing an Advisory Council on civil society organizations (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, which have yielded encouraging results in a short period of time. While the overall trend points to an increasingly open environment for CSOs, they continue to face constraints with registration and fundraising.¹⁶

12. **Three factors related to the country’s system of governance constrain the GoU’s ability to provide high-quality public goods and services.** First, 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 hokims are subject to both provincial hokims’ and regional line ministry officials’ decisions, which can delay decision making and weaken responsiveness to citizens’ needs. Second, functional assignments and administrative sharing between levels of government are not regulated by law. Consequently, the different levels of government (republic, region, and district/city) often have unclear and/or overlapping mandates with respect to service provision, such as administering schools, which hampers accountability. Third, current intergovernmental finance arrangements are highly discretionary, which can jeopardize subnational governments’ ability to plan and budget their resources. The absence of a ruled-based and transparent transfer system discourages efficient and transparent public financial management at the subnational level.¹⁷

13. **There are gaps in infrastructure coverage and quality, with significant regional and intraregional variation.** The L2CU survey asked respondents to rate the presence or absence and quality of the following infrastructure: bridges, markets, public schools, hospitals, internet, mobile phone service, water, electricity, piped gas, irrigation, and heating. Nearly all respondents reported that their area has a public school, electricity, and mobile phone coverage. Yet no rural respondents reported having access to centralized heating. Within the Project’s five regions of Namangan, Ferghana, Andijan, Jizzakh and Syrdarya, the percentage of respondents that reported a lack of internet access varied from 10.5 percent in Jizzakh to 64.4 percent in Namangan. Although the vast majority of respondents in the Ferghana Valley reported having access to roads, crowd-sourced data from OpenStreetMap¹⁸ points to variation in road density within the valley’s three regions. The poor connectivity of tertiary road networks to secondary networks may impede agricultural profitability.¹⁹ Within the Ferghana Valley, 50.6 percent of respondents rated the quality of paved roads as poor, while 58 and 74 percent of respondents rated the quality of roads as poor for in Jizzakh and Syrdarya, respectively.²⁰

14. **Access to piped water in dwellings or compounds/yards/plots is by no means universal.** In Syrdarya, only 25 percent of households have access to piped water in their dwelling or compound; the majority of the remaining households rely on tanker trucks/carts or surface water. Within the Ferghana Valley and Jizzakh, an average of 40.6

¹⁵ Law On Public Control, April 12, 2018.

¹⁶ <http://www.icnl.org/research/monitor/uzbekistan.html>.

¹⁷ *Ibid.*

¹⁸ 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 around the world.

¹⁹ *Ibid.*

²⁰ Authors’ calculation based on the pooled high-frequency L2CU data from September 2018 to March 2019. World Bank 2018/2019.



percent of households have access to piped water in their household dwelling or compound. The majority of the remaining households in the valley rely on public taps. In Jizzakh, 21 percent of households rely on polluted springs for water. Households that lack access to piped water can spend substantial amounts of time collecting water—up to 120 minutes in Jizzakh and 200 minutes in Namangan. Reliance on non-potable water sources carries health risks (i.e., hepatitis, diarrhea, typhoid) as the water is dirty and dangerous due to the intensive use of fertilizer in Uzbekistan and other pollutants. Another solution for households that lack piped drinking water is to purchase poor quality water from trucks, which is very costly and potentially dangerous. Further, rural areas lack access to the centralized sewage network and wastewater is disposed without treatment.²¹

15. **Rural Uzbekistan’s poor-quality infrastructure continues to decline.** Undermaintained distribution networks, underfunded operating budgets, almost nonexistent domestic capital budgets, and a limited customer willingness to pay for utilities contribute to an unsustainable supply of utility services in rural areas. 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 the most urgent infrastructure and public service priorities.

16. **The GoU launched the *Obod Qishloq* (“Prosperous Villages”) state program in 2018, which is designed to promote participatory, community-based development that addresses infrastructure and service delivery gaps.** The program aims to improve rural residents’ quality of life by constructing new infrastructure, rehabilitating existing infrastructure, and investing in employment-generating opportunities.²² The laws establishing *Obod Qishloq* refer to a lack of attention to and coordination of citizen engagement in development projects.²³ To remedy this gap, the GoU is requiring hokimiyat officials to conduct door-to-door assessments of household needs in order to prioritize program investments. The central government is also encouraging provincial and district hokimiyats to use citizen engagement tools, such as complaint hotlines, Virtual Receptions, and consultations with active members of MCAs and MCA chairs. Yet hokimiyat officials, rather than community members, currently play the most important role in prioritizing *Obod Qishloq*-financed investments. There is no clear guidance on how these officials should prioritize investments or communicate the decision-making process to beneficiary communities.

²¹ World Bank 2016a.

²² 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.

²³ Presidential Decree of March 29, 2018 No. UP-5386 (Paragraph 10).



Box 1. Obod Qishloq (OQ) State Program

- **Development objective:** To raise rural residents' living standards by improving access to basic infrastructure, services, and economic opportunities.
- **Implementation arrangements and staffing:** The Ministry of Economy and Industry (MoEI) has overall national-level responsibility for planning, monitoring and evaluation, and coordination. Multiple line agencies, state utilities, and regional administrations are responsible for implementing OQ subprojects depending on the budget source. At the regional level, an OQ working group chaired by the regional hokim is responsible for program implementation. Deputy hokims for Construction and Economy play a major role in program planning and implementation. Similarly, an OQ working group chaired by the district hokim is responsible for program implementation at the district level. MCAs' executive committees support OQ implementation at the qishloq-level, primarily by providing information to residents on program activities and supporting door-to-door needs assessments.
- **Procurement:** For activities financed through the national budget, procurement is the responsibility of related line ministries and state utilities. For activities financed through the regional budget, United Customer Service (UCS) engineering companies under the regional hokimiyats are responsible for procuring the design and works contracts for the infrastructure projects.
- **Funds flows and financial management (FM) arrangements:** Resources from the national budget are channeled through the related line ministries and state utilities for execution. Resources from the regional budgets are executed by the regional hokimiyats.
- **Qishloq selection:** The GoU selects three qishloqs in each district annually to participate in the Obod Qishloq State Program based on inputs from regions and districts and following guidance on selection criteria to be used as indicated in annual Presidential decrees. MCA executive committee members are consulted but do not have a decision-making role in the selection process.
- **Subproject selection:** The GoU selects infrastructure projects based on data collected through the door to door assessments. MCAs do not have a decision-making role in the selection process.
- **Eligible investments** include, public and market infrastructure construction and rehabilitation, housing rehabilitation and construction, and support to income-generating activities.
- **Oversight and grievance redress:** The GoU relies primarily on internal government oversight mechanisms, including People's Receptions and Virtual Receptions.

17. **While the Obod Qishloq state program has the potential to improve many Uzbeks' quality of life, the proposed Project will trial and scale, using a learning-by-doing approach, design adjustments that can help the state program achieve its full potential.** First, for the GoU to achieve its objective of covering all rural mahallas in the country by 2028, it must move from an ad hoc decision-making process on resource allocation to one that incorporates equity considerations and provides a degree of predictability to regional and district hokimiyats and MCAs. At its current rate of implementing Obod Qishloq in four qishloqs per district at a cost of US\$752,648 on average²⁴ per qishloq, or a total of US\$359,766,123, it will take an estimated 17 years to implement the program in every qishloq at a total cost to the GoU of over US\$6 billion. Thus, the GoU must spend *less* per qishloq, and allocate the limited resources *more efficiently*. Second, empowering qishloq-level institutions, including MCAs and civil society groups, to assume responsibility for local

²⁴ These figures are based on the 2019 Obod Qishloq Decree, which declared that the total funds required from the state budget is US\$359,766,123 (using January 2019's exchange rate) and Obod Qishloq will be implemented in 478 villages. With private contributions, the program's average per-qishloq expenditure is US\$1.2 million per qishloq.



development decision-making and implementation can improve the quality, efficiency, and sustainability of the Obod Qishloq state program expenditures, while increasing community satisfaction in program investments. Participatory approaches can be used to help achieve these outcomes, including: building consensus among a range of local stakeholders on the qishloq selection process, while ensuring the program targets the most lagging qishloqs; supporting the production of multi-year qishloq development plans that draw on participatory needs assessments and planning processes that involve and incorporate the needs of women and vulnerable groups from which Obod Qishloq state program investments can be identified; improving value for money and accountability in the procurement of works in the Obod Qishloq state program carried out by regional hokimiyats and contractors, by making the program details public and instituting social audits and citizen oversight of procurement and construction; and incorporating operations and maintenance (O&M) resources and institutional requirements in investment designs from the outset.

18. **While better energy efficiency and water management are high priorities in Uzbekistan’s efforts to mitigate the negative effects of climate change and anticipated reductions in water availability, the GoU has not yet required Obod Qishloq investments to include climate mitigation and adaptation measures.** Climate change resilience will require investments in local engineering design capacity to incorporate climate change mitigation and energy efficiency measures into technical infrastructure designs. While Obod Qishloq-financed investments include solar lighting and retrofitting public buildings for energy efficiency, many projects do not take climate mitigation into account. The Obod Qishloq state program provides a strong platform through which to expand climate change adaptation measures and resiliency.

C. Relevance to Higher-Level Objectives

19. **The Uzbekistan Prosperous Villages Project (PVP) supports the GoU’s NDS, which advocates addressing 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, strengthen MCAs, and use the media to raise issues related to public service provision.

20. **The PVP is also consistent with NDS measures to delegate responsibilities and resources to regional and district hokimiyats and MCAs.** These include steps to devolve responsibilities to citizens for the autonomous management of water supply and sanitation facilities in rural qishloqs when feasible, in line with Presidential Decree No. 4040 dated November 30, 2018. Other NDS measures aim to increase the revenue base of district budgets, reduce dependence on allocations from higher-level budgets, and increase the independence and responsibility of local authorities.²⁵ Budget transparency and citizen participation in budget identification is high on the political agenda as well, as evidenced by a recent decree²⁶ requiring at least 10 percent of district-level budgets to be prepared based on citizen feedback.²⁷ These measures are line with a February 2017 decree that renewed the mandate of MCAs 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 mahallas, and support to local entrepreneurship.”²⁸ In May 2019, MCA chairs and advisors took part in the first round of competitive elections by secret ballot. MCA executive committees’ responsiveness and accountability to citizens could be further strengthened by

²⁵ Presidential decree of June 7, 2017, “On the measures to expand authorities of local administrations in formation of local budget.”

²⁶ Presidential decree of August 22, 2018, “About the measures to provide openness of budget data and active engagement of citizens in budget process.”

²⁷ The exact process is not specified and can vary. For example, one district in Tashkent published its budget concept on Facebook and sought consultative feedback online. Other approaches rely on processes organized by mahallas or local committees.

²⁸ Presidential Decree No UP-4944 of February 2017, “On measures to further improve the institute of *mahalla*.”



requiring them to publicly disclose their revenue and expenditures, increasing their decision-making roles in local investment allocations, and clarifying accountability lines vis-à-vis the district administration.

21. **The proposed Project is consistent with the adjustments to the Bank’s country program, which has been adapted to support Uzbekistan’s social and economic transformation.** The adjustments to the program and its focus areas were reflected in the Performance and Learning Review (PLR) of the Country Partnership Framework (CPF) for Uzbekistan for the period FY19–FY21 (Report No. 126078-UZ) discussed by the World Bank Board of Executive Directors on June 26, 2018.²⁹ The PVP is well aligned with the Focus Area 2 (Reform of select state institutions and citizen engagement) as adjusted in the PLR. This focus area aims to build and strengthen the institutions that are necessary to deliver the new policy reform agenda. It has four objectives: (i) enhanced corporate governance and strengthened financial sustainability of state-owned enterprises; (ii) increased access and reliability of the 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). The Project complements the Bank’s economic and policy reform support in other operations such as Prior Action 12 on Fiscal Transparency in the Sustaining Market Reforms in Uzbekistan Development Policy Operation.

22. **The proposed Project aims to add value by addressing needs that are currently unmet in the Bank’s portfolio,** which finances eight active investment operations in the Ferghana Valley. Currently there is limited investment in basic rural infrastructure including autonomous water systems, road and bridge rehabilitation, wireless antennae or other solutions to improve rural residents’ access to high-speed internet, and the rehabilitation of health, education, and other facilities. The proposed Project will enhance the current portfolio by introducing participatory planning and prioritization processes to help better align government infrastructure and service delivery investments with citizens’ needs, and lay the foundation for citizens to use MCAs to help address a variety of service delivery challenges.

23. **The proposed Project is part of a programmatic approach to supporting GoU reforms to subnational governance and regional development in the Ferghana Valley.** Together with the Medium-Size Cities Integrated Urban Development Project, the PVP will support GoU reforms aimed at: (i) replacing the current sectoral planning approach with an integrated approach to local development planning and (ii) engaging citizens and local self-governing bodies in local development planning and decision making to ensure 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 subnational level; and (iii) capacity building at all levels. The proposed Project will pilot systems and approaches to instituting multi-year qishloq development plans that other GoU investment programs and the private sector can leverage. The PVP’s investments in public goods and focus on end users representing the “last mile” of service delivery also complement the World Bank-financed Ferghana Valley Enterprise Development Project’s investments in private goods, specifically the creation of jobs and entrepreneurship opportunities, in the same region. The public goods that PVP rehabilitates, such as farm-to-market roads and wireless antennae, will contribute to enterprise development efforts. The Project will also focus on inclusion, targeting underserved communities and vulnerable groups, especially women. It will thus help address gaps in the Bank’s portfolio, which has faced challenges in identifying mechanisms to reach poorer or more geographically isolated communities. When possible, the Project will ensure linkages with the Bank-financed Horticulture Development Project and its Additional Financing, Livestock Sector Development Project, and Ferghana Valley Water Resources Management Project.

²⁹ World Bank. 2018. *Uzbekistan - Performance and learning review of the country partnership framework for the period FY16-FY20 (English)*. Washington, D.C.: World Bank Group.



24. **In line with corporate mandates, the PVP will contribute to the World Bank Group’s commitments to support and scale up climate-mitigation measures and increase the climate-related share of development financing.** The Project will also help close gender gaps around voice and agency and access to services. Citizen engagement is central to the participatory planning, prioritization, and oversight processes embedded in the Project’s design. By engaging target beneficiaries, the Project is designed to enhance the accountability of hokimiyats and MCAs to citizens, empower women in decision-making roles, and ensure that investments meet community needs.

II. PROJECT DESCRIPTION

A. Project Development Objective

The **development objectives** are to (i) improve the quality of basic infrastructure and (ii) strengthen participatory local governance processes in Selected *Qishloqs*.

Participatory local governance refers to inclusive community participation in needs assessments as well as the planning, prioritization, and selection of subproject investments, and oversight activities including the monitoring of procurement, subprojects, and social audits.

Project Development Objective-Level MCANumbers

- i. Percentage of sampled male and female respondents who report improvements in the quality of basic rural infrastructure
- ii. Percentage of beneficiaries (male/female) who participate in planning, decision making, or monitoring subprojects
- iii. Number of social audits that have been completed across the targeted rural qishloqs

25. **The Project will contribute to the GoU’s higher-level objective of improving rural living standards by introducing participatory, bottom-up local development processes that can be mainstreamed through the Obod Qishloq state program.** The Project will provide resources to implement these processes in the form of: (i) skilled community facilitation teams (comprised of Qishloq Facilitators and Qishloq Engineers as described below) who will support district hokimiyats and MCA executive committees to engage rural residents in Project decision-making, (ii) the use of a transparent and objective-based formula for allocating resources to districts and *qishloqs*, (iii) the introduction of WB procurement processes to ensure better value-for-money of investments, (iv) training and technical assistance to improve social and environmental safeguards-related due processes and thereby mitigate social and environmental risks, and (v) the introduction of citizen engagement mechanisms including transparency, grievance redress and participatory planning and monitoring. These participatory processes require additional time to implement relative to business-as-usual approaches but provide greater benefits in the long-term in terms of higher levels community satisfaction with the local development process and quality of investments.

26. **The Project aims to influence the design and implementation modalities of the broader Obod Qishloq state program through three primary mechanisms:** (i) conducting annual multi-stakeholder reviews of implementation of the Project at the district, regional, and national levels with the coordination assistance of the Ministry of Economy and Industry (MoEI) and that include representatives from MCAs, MCA project committees (MPCs) and the Republic Commission that governs the Obod Qishloq state program at the national level, (ii) collecting data on implementation quality and people’s perceptions to facilitate comparisons across outcomes in Project and state program qishloqs, and (iii)



using media outlets, including social media, video, blogs, and exposure visits to allow GoU policy makers to experience implementation approaches and results first-hand. The Project will remain flexible and through the annual multi-stakeholder reviews, data collection activities, and an ongoing engagement with regional hokimiyats, the Project Implementation Unit (PIU) can identify entry points for reform at the regional level, as well as the implementation modalities that are ready to be scaled up in the broader state program, and corresponding changes required in the POM for design features that proved unsuccessful.

B. Project Cost and Financing

27. **The total project cost is estimated to be US\$183.6 million.** The World Bank will provide an IDA credit in the amount of US\$100 million. The Asian Infrastructure Investment Bank (AIIB) will provide joint co-financing to the Project in the amount of US\$82 million. The GoU will provide counterpart financing in the amount of US\$1.6 million. The Bank and AIIB intend to enter into a Co-Lenders Agreement for the purpose of joint co-financing of the Project. The AIIB plans to bring the Project to its Board of Directors for approval in December 2019. The World Bank will carry out all Services, including, *inter alia*, Environmental and Social Services, Procurement Services, Investigative Services, Financial Management, and Disbursement Services in accordance with its policies and procedures.

Table 1: Summary of Project Components and Costs (US\$, million)

Project Component	WB	AIIB	GoU	Total
Component 1: Demand-driven investments in basic infrastructure and services and local governance capacity support	\$93.7	\$82	--	\$175.7
Subcomponent 1a: Demand-driven investments in basic infrastructure and services	\$82	\$82	--	\$164
Subcomponent 1b: Communications and community outreach, citizen engagement, local governance capacity building	\$11.7	--	--	\$11.7
Component 2: Project management, monitoring and evaluation, and capacity building	\$6.3		\$1.6	\$7.9
Total	\$100	\$82	\$1.6	\$183.6

C. Project Components

28. **Component 1: Demand-driven investments in basic infrastructure and services and local governance capacity support** (US\$175.7 million: US\$93.7 million IDA, US\$82 million AIIB). This component will finance local-level, climate-resilient subproject investments in social infrastructure and services that communities plan and prioritize. This component will also provide technical assistance and facilitation support to hokimiyats and MCAs to engage communities in inclusive, transparent processes to plan, select, implement, and maintain investments as defined in the POM.

29. **Subcomponent 1a: Demand-driven investments in basic infrastructure and services** (US\$164 million: US\$82 million IDA, US\$82 million AIIB). This subcomponent will finance subproject investments identified by MCAs in eligible qishloqs through the participatory Project implementation cycle as defined in subcomponent 1b and detailed in the POM, subject to a negative list that includes housing construction and renovation or any investments that require the physical displacement or resettlement of people. Eligible investments in basic and climate-resilient infrastructure and services subprojects include: (i) rehabilitation of existing rural drinking water supply and sanitation systems to expand access



through innovative, alternative models for rural drinking water supply and sanitation service delivery; (ii) retrofitting of public buildings for energy efficiency; (iii) rehabilitation of social infrastructure; (iv) rehabilitation of tertiary roads, walkways, and footpaths; (v) road drainage and strengthening the flood resilience of rural roads; (vi) bridge rehabilitation and construction (up to 10 meters long); (vii) street lighting upgrading; (viii) improvements to public spaces; (ix) solid waste management systems; (x) small-scale construction of public facilities; (xi) installation of antennas to provide wireless internet services; (xii) construction and rehabilitation of bus terminals and stops; and (xiii) energy supply activities. This subcomponent will also finance the technical assistance (TA) for the technical design associated with the respective subprojects, which is estimated to cost 2 percent of the total cost of each subproject.

30. Consistent with the Obod Qishloq state program, the Project will encourage contractors to utilize local labor in the subgrant infrastructure construction or rehabilitation as much as possible. The Project will prohibit voluntary labor contributions to subprojects. The Project will collaborate with specialists from the International Labor Organization (ILO) and labor inspectors from the Ministry of Employment and Labor Relations (MoELR) to ensure that contractors which implement subprojects abide by the prevailing labor provisions.

31. **The amount of PVP financing available to the participating qishloqs for infrastructure and services subprojects will be pre-determined on the basis of district and qishloq population size.** The average allocation for qishloq is expected to be around US\$500,000, or around \$160 per capita, that can be used to finance multiple subprojects identified in the qishloq development plan. Qishloqs may pool resources to jointly finance investments where appropriate and in line with environmental and social safeguards policies.

32. **Operations, maintenance, and sustainability.** Subcomponent 1a will be designed and implemented with measures to ensure that subproject investments deliver sustainable benefits to communities and local governments. Subprojects will apply tried and tested designs and O&M arrangements, such as those developed for autonomous drinking water and sanitation systems in the Ferghana Valley and Syrdarya regions.³⁰ Subprojects will apply appropriate climate- and natural hazards-resilient technical designs. The Qishloq Facilitators (QFs) and Qishloq Engineers (QEs) supported through Subcomponent 1b will provide capacity-building training to O&M subcommittees of the MPCs and district project committees (DPCs) on how to prepare appropriately designed and funded O&M plans as a precondition for subproject approval. Under the GoU-supported Obod Qishloq state program, after the renovation and reconstruction works are completed, the relevant line ministry or agency assumes responsibility for maintaining the infrastructure. The proposed Project will apply the same arrangements with a few exceptions: (i) as part of the planning process, the MPC will define the tariff level needed to operate and maintain the autonomous water supply and sanitation system to be collected by the Community Drinking Water Organization (CDWO) while operating the system; (ii) the MPCs and DPCs will inform the district and regional governments and utilities of the subprojects to be financed by the Project to allow them to budget for the resources that will be needed for O&M; and (iii) except for the autonomous drinking water supply and sanitation subprojects that are owned by CDWOs, at the end of the Project period, the DPC will facilitate the handover of the assets to the relevant line ministry or agency.

33. **Selection of subprojects and implementation.** To be eligible for Project financing, each MPC must produce a qishloq development plan and demonstrate that it was produced following participatory rural appraisal exercises that involve all residents, account for gender equity goals, and prioritize subprojects that contribute to improving living standards. Proposed subprojects, including O&M plans, should be technically viable, be coordinated and aligned with GoU

³⁰ The designs and O&M arrangements were trialed, scaled, and endorsed by the GoU through the Rural Water Supply and Sanitation Project in Uzbekistan financed by the Swiss Agency for Development and Cooperation (SDC).



investment plans, and demonstrate sustainability. The POM will detail the selection criteria for the subprojects, including weighting toward the needs of women.

34. **Innovative, alternative models for rural drinking water supply and sanitation service provision.** This eligible subproject investment aims to rehabilitate existing water supply and sanitation systems by applying innovative, alternative models for drinking water supply and sanitation service delivery envisaged through Presidential Decree Number 4040 dated November 30, 2018. If communities select this subproject type, the Project will finance the goods, works, and services required to implement small-scale autonomously managed water supply and sanitation systems. The construction of the systems provides users with metered water supply connections on their premises. The subproject includes the construction and use of environmentally sound sanitation facilities for human waste disposal and rehabilitation of sanitation facilities in schools, health centers and kindergartens. The CDWOs with QFs' and QEs' assistance will provide up-to-date information on the water supply and sanitation subprojects to the hokimiyats and line ministries. Developed through the Rural Water Supply and Sanitation Project in Uzbekistan, the model's financing is based on consideration of full life-cycle costs, climatic factors and resilience, and the capacity support requirements of the community drinking water organization (CDWO) that the MPCs will establish to operate the system. Once the water and sanitation system is complete, the CDWO will be responsible for its associated O&M. If the CDWO is unable to continue to operate it, the system will be transferred to the MCA.

35. **Subcomponent 1b: Communications and community outreach, citizen engagement, local governance capacity building** (US\$11.7 million IDA). This subcomponent will support QFs and Qishloq Engineers QEs to implement the following technical assistance, training, and capacity building activities for MPCs and DPCs:

- a. *Participatory implementation cycle*, including, but not limited to: (i) communications and outreach on Project objectives, rules, and grievance redress system, including to women and vulnerable groups; (ii) participatory needs assessment in all neighborhoods/hamlets in participatory qishloqs; (iii) participatory development planning, prioritization, and selection of subgrant investments in the form of a Qishloq Development Plan; and (iv) participatory O&M.
- b. *Participatory monitoring and oversight*, including, but not limited to, citizen engagement in: (i) subproject monitoring by trained members of MPCs and (ii) social audits, using community scorecards, to ensure that Project decisions are inclusive and transparent, and the accountable use subproject funds.
- c. *Technical assistance for subproject design and sustainability*, including, but not limited to, (i) basic engineering support to allow for initial environmental and social screening and preliminary subproject design estimates, and (ii) and to MPCs to design and implement autonomous water supply and sanitation systems.

36. A qishloq facilitation team consists of three members: one male and female QF and one QE. Each qishloq facilitation team will support the participatory implementation cycle in six qishloqs simultaneously. The Project will test two modalities for delivering the technical assistance and capacity building activities to MPCs and DPCs. Through the first modality, the PIU will contract Facilitating Partners (FPs) selected from NGOs or private sector entities who will mobilize, train, and manage QFs and QEs. Through the second modality, the PIU will directly hire and manage QFs and QEs as individual consultants. Over its duration, the Project will attempt to build the capacity of the PIU to deploy and manage QFs and QEs through GoU systems, thereby allowing for the phase-out of the FP delivery modality.

Sequence of the participatory implementation cycle

37. **The eight-step participatory implementation cycle is described in detail in Annex 1.** Its key elements are described in the following paragraphs. **Step 1: Participatory qishloq selection.** (i) With the QFs' assistance, the district



hokimiyat will establish DPCs in each of the 21 target districts. The district hokim will chair the DPC and appoint other committee members, including: representatives from each MCA in the district that is eligible for Project financing, representatives of relevant district hokimiyat departments, such as the department on capital infrastructure, and representatives of the district's women's committees and local CSOs. (ii) The DPCs, with FPs' support, will identify qishloqs that will participate in the Project using a participatory approach (see section on Project Beneficiaries). (iii) The DPCs will communicate the results of the qishloq selection process and the Project's objectives and parameters to eligible MCAs.

38. **Steps 2-6: Participatory development planning and subproject selection.** (i) The QFs will socialize the Project among qishloq residents. (ii) The QFs will help MCAs establish MPCs comprised of at least 50 percent women and a subcommittee on O&M.³¹ (iii) With the assistance of the QFs, the MPCs will carry out participatory needs assessments and planning, including the dissemination of information concerning planned government investments in qishloqs, the identification of potential investment synergies across neighboring qishloqs and the prioritization of investments with specific outreach to women, youth, the disabled, and other vulnerable community members. From the list of priority investments identified by communities, the MPCs will develop an overall three-year development plan for the qishloq, which includes the proposed infrastructure projects for PVP financing.³² Representatives from the DPCs will work with the O&M subcommittee of the MPCs to develop O&M plans for the infrastructure subprojects prioritized to receive Project financing. When selecting subproject proposals to finance, the MPCs will weigh multiple criteria including the number of beneficiaries (including women), plans for O&M of investments, and the level of local contribution and co-financing. (vi) The MPCs will submit the qishloq development plans with the proposed subgrant investments to the DPCs for verification based on whether the subproject proposals meet the Project's technical requirements, adequate O&M arrangements are in place, and if other parts of the government are not already financing the investments. The district hokimiyat will send the approved qishloq development plans, including the PVP subproject proposals, to the regional hokimiyat for verification, which will then send it to the central PIU for final verification.

39. **Steps 7-8: Institutional Strengthening and participatory monitoring and oversight. The QFs and QEs will train nominated community members (including at least 50 percent young men and women) to play a role in monitoring project implementation.** While the UCS engineering companies in the regional hokimiyats are responsible for procuring subproject investments, the Project will require a qishloq representative outside the MCA executive committee to sit on the tendering committee for both design and construction tenders and to provide oversight to ensure that the committee adheres to the agreed Project procurement manuals and procedures. The MPC will be responsible for identifying and nominating a qualified community member to play this role, and FPs will help train this representative. In addition, the nominated community members will consult regularly with design agencies during the subproject design process to ensure that local residents' suggestions are taken into account, and to monitor the construction of the subprojects, including whether they are completed on time and to the agreed technical and social standards and budget. Before the PIU releases the final payment to the contractor, the Project will require a representative of the monitoring committee and QE to sign off on the construction work. The PIU senior infrastructure specialist and regional technical supervision specialists will be

³¹ The MPCs will consist of community members selected by the community based on traits such as trustworthiness and the possession of specific technical skills (e.g. in infrastructure, community mobilization, oversight of infrastructure). The FPs will provide training to female committee members on how they can ensure that women in the community meaningfully participate in the Project's participatory cycle (needs assessment process, prioritization, and oversight) and that they have information on the costs and benefits of different types of subprojects, such as kindergartens, road rehabilitation, and streetlight installation.

³² The legal basis for the qishloq development plans is the Law on Self-governing Bodies and the President's Decree on Measures to Provide Settlements with Master Plans in 2018–2020, Improvement Activities of Design Organizations, and Improving the Quality of Preparation Specialists in Urban Planning No-3502, February 2, 2018.



actively engaged with MPCs and qishloq residents to make sure that the contractors and MCAs agree on the design of all subprojects, to train qishloq residents to monitor the design and construction processes, and to provide overall technical support and guidance when needed. **Social audits** will consist of public forums in which district hokimiyats representing the DPCs and MPCs report on progress, challenges, and fiduciary information at least twice during the annual implementation cycle. Contractors as well as beneficiaries will participate in the social audit process. The QFs will help the MPCs and DPCs conduct these meetings to ensure that the decisions are inclusive; that they are made from the bottom up; that there is continuity in the chain of decisions made by focus groups (e.g., women); and that they enable the MPCs, DPCs, and contractors to explain the expenditures on Project subprojects. Transparency will be a key parameter. The QFs will provide logistical support to ensure broad attendance by community members and representatives of MCAs and DPCs, including 50 percent women. The subcomponent will fund the technical support needed to prepare, organize, and document these meetings with the QFs' and QEs' assistance.

40. **The QFs and MPCs will independently facilitate the scorecard process with support from the MPCs members selected for monitoring and oversight roles.** An annual scorecard will be compiled, and the results collated prior to the social audit meeting to promote feedback and discussion at the meeting and to identify areas for improvement during the following cycle. The scorecard results will be used to monitor Project outcomes. All results will be disaggregated to identify any gender bias, and corrective actions will be included in the Gender Action Plan.

41. **Subcomponent 1b will support QFs, QEs, and MPCs to apply digital technologies to increase participation, inclusion, transparency, and accountability throughout the Project cycle.** Applications will include: (i) QFs' use of mobile phone or tablet-based data collection instruments to produce an objective, evidence-based qishloq ranking system and to conduct qishloq-level needs assessment activities the results of which will be uploaded to the Project management information system (MIS); (ii) QFs' and DPCs' use of social media and instant messaging platforms/bots (e.g., Telegram) to (a) disseminate information on Project events, rules, procedures, data analysis, maps, and sources for grievance redress and (b) crowd-source inputs on qishloq development priorities from residents.

42. **Capacity-building support for autonomous water supply and sanitation systems.** In communities that select autonomous water supply projects, the Project will finance a minimum package of TA for MPCs, CDWOs, and communities. The participatory design for the autonomous water supply and sanitation subproject will incorporate the following elements: (i) QFs and QEs mobilize community members and convene discussions to define and develop solutions to the community's water needs. The QFs inform the community that for the model to operate effectively, the community's financial contributions are expected to be 10–30 percent of the total cost of the system; (ii) QFs help the communities establish a CDWO—a non-governmental, non-commercial organization that is registered with the Ministry of Justice and liable to the rules of such organizations. The CDWOs are responsible for mobilizing community members to monitor the construction of the water and sanitation systems, setting up an O&M plan and full cost-recovery tariffs, achieving community consensus around these tariffs, and subsidizing poor families (identified by the MPC and confirmed by the CDWO) who cannot afford the full tariffs; and (iii) Community members elect representatives to the General Assembly of the CDWO. They gather at least once a year to approve the accounts of the organization, establish (and, as necessary, revise) tariffs, and decide on any major changes to the CDWO. The General Assembly members elect a Management Board. The Management Board appoints community members to serve on an Executive Committee, which is in charge of the everyday supply of water, the maintenance of the water system, the collection of tariffs, and all other operations related to the system. The tariffs pay for the salary of the Executive Committee members; all other positions on the CDWO are voluntary. The average number of people on a CDWO Executive Committee for a qishloq with a population of 5,000 is around ten people. The QFs and QEs will provide training and capacity building on registering the CDWO, tariff setting, billing and collection systems, O&M, water quality testing, customer relations, complaints mechanisms, human resources, and awareness raising on sanitation and hygiene. The QFs will also train CDWO members on how to mobilize nurses,



doctors, and teachers in the qishloq to raise communities' awareness of water-related hygiene and wastewater treatment facilities at the household level.

43. **Component 2: Project management, monitoring and evaluation, and capacity building** (US\$7.9 million: US\$6.3 million IDA, US\$1.6 million GoU) will provide support for (i) Project management activities, including overall coordination and supervision of Project implementation, communications and public outreach, Project audits, and financing of incremental operating costs; (ii) Project monitoring and evaluation (M&E) activities, transparency, and citizen feedback; (iii) managing a beneficiary feedback mechanism (BFM), including a grievance redress mechanism (GRM); and (iv) capacity building for regional hokimiyats for improved procurement, social and environmental safeguards practices, and quality of infrastructure designs.

44. **The component will finance a PIU** that includes a project director and experts in participatory development (i.e., community mobilization and participatory needs assessments, prioritization, monitoring and oversight), gender, citizen engagement, civil engineering/infrastructure quality, project management, communications, procurement, FM, MIS, and M&E. This team will prepare annual workplans and budgets and oversee the design and implementation of the POM, including creating training manuals and terms of reference for all staff and consultants.

45. **The GoU counterpart contribution will finance the administrative fees for the services provided to the Project by the UCS engineering companies** in each of the participating regions. The roles and responsibilities of the UCS are defined in paragraph 69.

46. **This component will strengthen the capacity of PIU and regional hokimiyats on planning, results monitoring, reporting and delivering local infrastructure and services using good governance practices.** It will ensure regular coordination with national stakeholders, including the departments of economy and industry; finance; tax committee; investments and foreign trade; employment and labor relations; youth union and women's committee; housing and communal services; labor resources, geodesy, cartography, and state cadastre; communal services and housing; Transgas, Uzbekenergo, and other relevant agencies. This subcomponent will finance TA and capacity building for regional hokimiyat and UCS engineering company staff on procurement and citizen engagement practices. The subcomponent will also finance capacity-building and TA activities to strengthen UCS' and regional and district hokimiyats' monitoring and oversight capacities, with a focus on the independent quality control of works executed under the Project, including by citizens, and complaints handling. In addition, the PIU's engineering staff and consulting services will work with the UCS offices under the regional hokimiyats and local design institutes to strengthen the engineering designs for the eligible subprojects and their capacity to build climate-resilient designs into the local infrastructure.

47. **The component will support the use of digital technologies to build the capacity for better-quality local infrastructure, and oversee Project implementation** in three ways: (i) online training and education modules will be developed targeting regional hokimiyat, UCS, local design institutes, FPs, and MPCs personnel on infrastructure design and construction methodologies (e.g., reinforced concrete practices, erosion control methods, slope and embankment treatments); (ii) a mobile application linked to the MIS (see below) will be developed to allow PIU staff to update geo-coded administrative data on all approved subprojects during the implementation and O&M phases, which will allow project managers to monitor infrastructure in real time and provide the basis for *ex post* technical audits. The MIS will include an open access portal allowing citizens to upload photos, videos, and comments on the subprojects; and (iii) the PIU will administer frequent e-surveys of MPC members to help monitor implementation progress. The e-survey questions for MPCs will cover progress on participatory needs assessments, qishloq development planning and decision making, implementation and oversight of subprojects, and the challenges faced.



48. **Component 2 will finance a communications and public outreach campaign** to educate stakeholders in international media, human rights, and development organizations; national, regional, district, and qishloq governments; (social) media; and civil society on the differences in objectives, rules, and procedures between Obod Qishloq and the proposed Project, and provide information on the BFM. The campaign will use short message services (SMS)/bots to remind citizens about their rights with respect to forced labor, evictions, GRMs, and demolitions.

49. **The component will support measures to ensure that no forced labor is used in the Project.** Forced labor mitigation measures will include capacity building of regional and district hokimiyats and residents of participating qishloqs (including MCA chairs, women, youth, activists) on national labor legislation including norms regulating public works that strictly prohibit the use of forced labor. For this purpose, the PIU will collaborate with specialists from the ILO and labor inspectors from the MoELR to: (i) provide regular trainings to hokimiyats and MCA executive committee members and MPCs on labor practices; (ii) monitor and report on any cases identified; and (iii) implement a public awareness campaign on labor rights, practices, and GRMs. The PIU will build an internal communications channel with MoELR's Labor Inspectorate to refer cases of forced labor submitted through the Project's GRM to the MoELR's existing Feedback Mechanism for forced labor and facilitate the investigation process. The Project will also prohibit voluntary labor contributions to subprojects. Contractors that will implement all subprojects must abide by the prevailing labor provisions.

50. **Additional resources will be provided under this component as needed to build the PIU's BFM to address grievances, comments, and other feedback regarding the Project.** Its design will include a GRM that will specify the systems and requirements for grievance redress, including uptake, sorting and processing, acknowledgement and follow-up, verification and action, and monitoring. The PIU will establish a unit tasked with this role, which will collect grievances and feedback from MCAs and citizens, transmit this information to the appropriate authorities, and report to the PIU director and MoEI department responsible for appeals from individuals and legal entities.

51. **Component 2 will finance within-region and across-region learning exchanges for members of UCSs, DPCs, and MPCs.** These exchanges will be designed to share innovations and solutions to common problems, and to build networks to allow participants to continue conversations following the visits. As part of these activities, the PIU will organize a gender network to bring together female members of MPCs and DPCs to discuss ways of improving gender equality and women's empowerment.

52. **Component 2 will also finance annual multi-stakeholder reviews that will bring together a range of stakeholders at the regional and national levels to share experiences from implementation and discuss ways to improve the Project's design and implementation for the next cycle.** These reviews will include findings from social, technical, and financial audits and lessons learned with regard to governance and anti-corruption measures and gender. Following each annual review, the PIU will update the POM as necessary. Findings from these reviews will be used to inform the design of the Obod Qishloq state program.

53. **M&E.** Component 2 will support M&E activities to track, document, and communicate the Project's progress and results. An M&E team within the MoEI PIU will be responsible for compiling this information. Component 2 will provide financing for the PIU to prepare and submit quarterly and semiannual unaudited interim financial reports (IFRs) to the World Bank. The component will also finance an MIS, which the PIU will establish and utilize for Project monitoring, automatic generation of Project reports, Project transparency (subproject information will be publicized on maps), and citizen feedback. Feedback and grievances received through the BFM will be included in the semiannual reporting.



54. **Results measurement will primarily focus on the outcomes defined in the results framework and the output indicators listed in the POM.** Component 2 will finance baseline, midline, and endline project monitoring surveys to assess the results indicators of the project development objectives. The PIU will be responsible for producing a completion report based on MIS and survey data. It will also finance a process tracing evaluation to assess whether and why outcomes differ in Project qishloqs and state program qishloqs. It will also finance *ex post* technical audits of infrastructure projects completed in a sample of Project qishloqs and state program qishloqs.

55. The annual multi-stakeholder reviews, together with these M&E activities, provide the platform through which to identify and adjust design elements to account for successes and challenges, roll these out under the Project, and suggest to the GoU that it also scale-up successful design features through the Obod Qishloq state program.

D. Project Beneficiaries

56. **While the Obod Qishloq state program is national in scope, the GoU is targeting the following five regions (oblasts) for the first phase of the Proposed Project: Jizzakh, Syrdarya, Ferghana, Namangan and Andijan.** Within these five regions, the Project will target 21 districts classified as lagging by the GoU,³³ including five lagging districts in Andijan, four in Ferghana, five in Namangan, four in Jizzakh, and three in Syrdarya. Within these districts, the DPCs will use a participatory process to select approximately 300 out of a total of 408 qishloqs eligible for the Project, or around 75 percent of all eligible qishloqs within the 21 districts. Qishloqs participating in the Obod Qishloq, Obod Mahalla (“Prosperous Cities”) or Obod Markaz (“Prosperous Towns”) programs are not eligible for Project financing. The DPCs will work with MCA executive committee members to select eligible qishloqs based on their remoteness, or distance from a district center, and water needs defined as percentage of households without uninterrupted and reliable piped drinking water. The DPCs will rank qishloqs based on this information and select the highest-ranked qishloqs to participate in the Project. The selection criteria are consistent with the laws governing the Obod Qishloq program: participating qishloqs should be in remote parts of each district that lack access to natural resources, gas, and water and are vulnerable to environmental hazards (i.e., floods, temperature and precipitation variation, etc.).³⁴ All of the data that the committees use to select the participating qishloqs will be publicly available on the Project’s MIS.

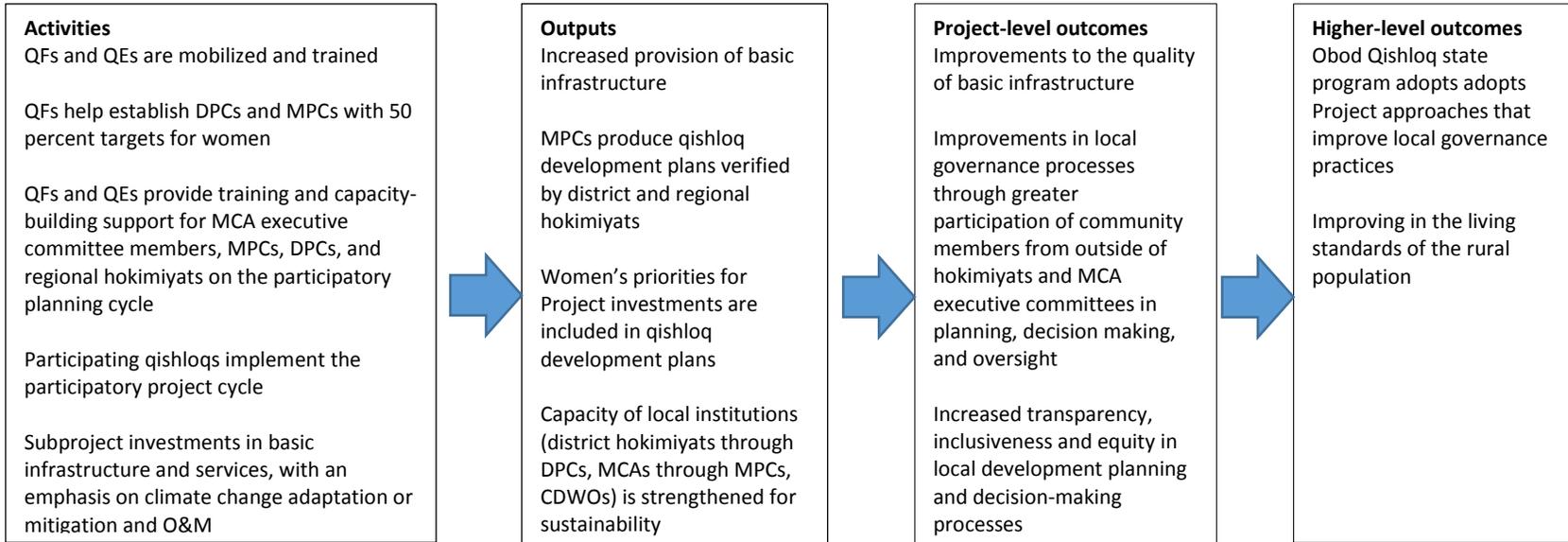
³³ The MoEI defines lagging districts based on the following variables: industry, exports, investments in fixed capital, construction works, number of active enterprises, budget revenue, and budget expenditures.

³⁴ The Project is not going to use access to natural gas and exposure to environmental hazards as eligibility criteria in an effort to ensure that the selection process is easy for citizens to understand and is not time consuming.

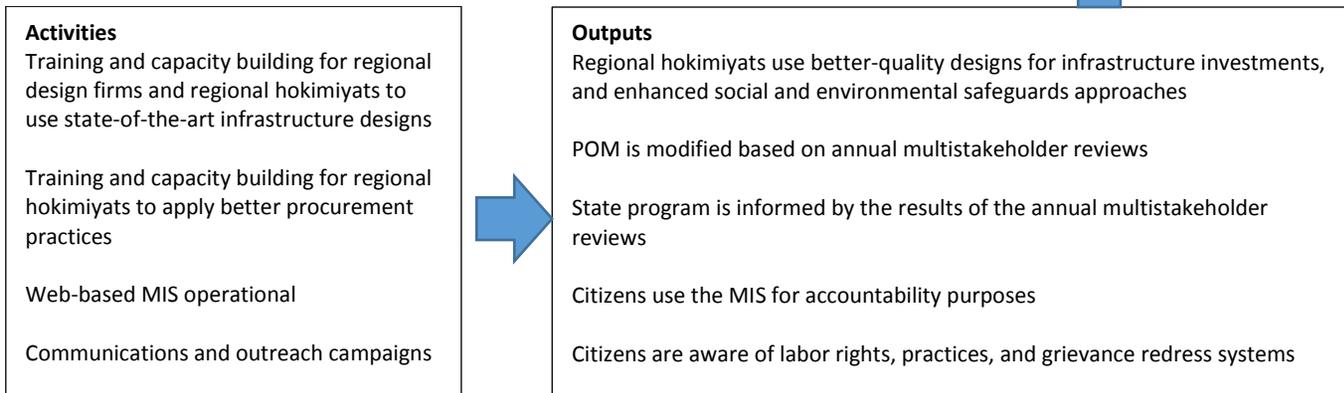


E. Results Chain

Component 1: Demand-driven investments in basic infrastructure and services and local governance capacity



Component 2: Project management, M&E, capacity building





F. Rationale for Bank Involvement and Role of Partners

57. **The proposed Project will support the GoU to increase the returns on its annual investment of approximately US\$360 million in Obod Qishloq** by: better aligning investments with citizens' needs; empowering local institutions to carry out planning, decision making, and oversight; and increasing the accountability of hokimiyats and contractors to local citizens and to the central government for their expenditures. The PVP will demonstrate that through much smaller qishloq-level investments, the GoU can accomplish better development outcomes including higher-quality infrastructure and services. The Project's support for strengthening district hokimiyats' and mahalla committees' governance capacities and citizen participation in the Obod Qishloq state program will yield positive externalities such as increased voice and agency and a higher level of accountability for service provision and the utilization of public funds at the local level of government administration.

58. **The PVP will leverage the World Bank's global experience in community-driven development (CDD) and local governance capacity building**, the ongoing World Bank-financed Ferghana Valley Enterprise Project and the Medium-Sized Cities Projects in Ferghana Valley, and other local development investments in (and experiences of) basic infrastructure and services, climate mitigation, and integrated rural development planning.

59. **In line with Presidential Decree Number 4040 dated November 30, 2018, the PVP will expand on a model of autonomous drinking water and sanitation systems that the SDC has been financing in Uzbekistan and Tajikistan since 2004.** This model includes a participatory methodology that seeks to empower communities to improve their hygiene behaviors, reduce diarrheal disease, and encourage effective community management of water and sanitation services. In the Uzbek portion of the Ferghana Valley, the SDC financed the Rural Water Supply and Sanitation project between 2004 and 2019, which aimed to increase access to safe and affordable drinking water in Uzbekistan. It piloted the construction of 36 drinking water supply systems, which qishloq-level community organizations managed autonomously. These water supply systems, some of which were built 15 years ago, remain fully operational. The success of this model was recognized in Presidential Decree No. 4040, which advocated the extensive use of the tested pilot model for decentralized water supply throughout Uzbekistan. The autonomous drinking water and sanitation system will be an eligible investment under Component 1.

60. **In the Project's short-term, the World Bank will continue to collaborate with the ILO building on a partnership that was established in 2014 to address child and forced labor in Uzbekistan.** The World Bank administers the Multi-Donor Trust Fund (MDTF), the "Support Program on Socially, Environmentally and Financially Sustainable Production of Cotton in Uzbekistan." With funding from this MDTF, the ILO supports a nationwide Third-Party Monitoring (TPM) program that focuses on World Bank funded projects and an FBM where information and/or complaints on child and forced labor are investigated and addressed, as well as facilitates capacity building and awareness raising activities around labor issues.

61. **The United Nations Development Program has recent experience implementing three projects relevant to Obod Qishloq and the Project:** the Enhancement of Living Standards (ELS) Program (2005–2010), with the objective of developing regional and local strategies to encourage people to participate in developing their communities; the Area Based Development Program (2008–2012), tasked with empowering local communities to improve their own social welfare; and the Local Governance Support Project (2010–2017), which sought to modernize the public administration and civil service system, strengthen budget decentralization, and improve public service delivery. The ELS project focused on strengthening the ability of MCAs in Andijan, Ferghana, and Namangan regions to adopt long-term and participatory planning frameworks. The ELS supported the design and implementation of community development plans based on needs assessment, problem identification, and the implementation of small-scale projects together with district



hokimiyats. In the early 2000s, the US Agency for International Development's Mahalla Initiative Program (implemented by Counterpart Consortium in the early 2000s) relied on local NGOs to conduct participatory appraisals in communities to identify project priorities with mahalla members.

62. **The World Bank has developed partnerships with most of the development partners active in Uzbekistan.** Throughout Project preparation the World Bank has coordinated with the Asian Development Bank (ADB), the AIIB, the European Union (EU), Islamic Development Bank (IDB), and the SDC on supporting the GoU's rural development agenda. The proposed Project seeks to provide an institutional platform through which to implement development partner funding in support of the Obod Qishloq program, thereby creating efficiencies in project management and oversight. For development partners that prefer direct implementation, the World Bank and MoEI are coordinating on the geographic coverage of complimentary programs. This includes discussions with the ADB on its Infrastructure for Rural Productivity Enhancement Sector Project that is currently under preparation, and the IDB's discussions with GoU on providing financing to the Obod Qishloq program in Khorosm region and Karakalpakstan in 2019 (US\$200 million); Surkhandarya and Kashkadarya regions in 2020 (US\$200 million); and Bukhara, Navoi, and Samarkand regions in 2021 (US\$200 million).

G. Lessons Learned and Reflected in the Project Design

63. **The allocation of Project resources should be based on transparent, objective criteria; the grants should be large enough to ensure impact.** The design will build on the World Bank's extensive experience with CDD projects, which have gathered considerable evidence on the importance of establishing fair and transparent methods for allocating resources and fostering effective communication early in the community mobilization phase. Thus, based on the Project's design, DPCs will use a participatory approach to select qishloqs to participate in the Project using criteria such as qishloqs' remoteness, and percentage of households without uninterrupted and reliable piped drinking water. All data used to select qishloqs will be made publicly available on the Project's MIS. In addition, the amounts allocated should be large enough to fund the construction or rehabilitation of local infrastructure on a meaningful scale. Resources allocated to participating qishloqs for subproject investments will be at least US \$350,000 per qishloq; the exact amount will be based on their population. The size of the block grants that qishloqs receive will also be published on the MIS.

64. **Lessons from CDD operations highlight the need for Project activities that simultaneously support communities and local governments.** Recent analyses and evaluations underscore the risk of creating parallel community structures through CDD at the expense of building sustainable capacity for local governance, as well as the importance of integrating CDD into broader governance and public service delivery reforms. In high-risk, fragile, conflict-affected, or transition settings, Bank experience suggests the need for a hybrid of community and local government institutions with adequate capacity, which are empowered to deliver effective and sustainable infrastructure and service delivery investments. The PVP's design accounts for hokimiyats' limited capacity to engage with citizens on infrastructure and service delivery by relying on a combination of FP support and the pre-existing MCA institution for community mobilization, planning, prioritization, and oversight. The PVP also incorporates these lessons by including capacity building for hokimiyats and mahalla committees to foster civic participation and accountability and to improve the local procurement, management, and oversight of investments.

65. **Lessons from decentralization programs around the world highlight the risks of decentralizing resources and authorities to subnational administrations without ensuring that a robust accountability framework is in place.** Where access to information is weak, and the media, civil society, or other forms of external oversight are constrained or inactive, public resources can be misused or diverted from their intended purpose, which can create tensions and conflict if there are perceptions that the government is favoring certain groups in its public resource allocation decisions. As described earlier, the GoU is enacting reforms designed to strengthen the role of the media, make it easier for civil society



organizations to register and operate, and enable citizens to submit complaints. The proposed Project will build on and strengthen these reforms to mitigate the risk of fraud and corruption in the following ways: (i) establishing Project rules that provide a role for citizens (through MPCs) to decide on local development priorities and oversee subproject implementation; (ii) providing capacity building and support to MPCs so that members can fulfill their duties effectively; (iii) using multiple channels for grievance redress that Project supervisors within the PIU can use to act on as needed; and (iv) creating a role for CSOs as QF and QEs in the Project.

66. **Ensuring capacity in the field requires effective facilitation that empowers community actors.** Lessons from decades of CDD and participatory project implementation demonstrate the importance of skilled facilitators supporting communities, building their capacity to perform prescribed roles, and ensuring the inclusion of groups that are usually marginalized from public affairs. The process of training and managing community facilitators, and the intensity of their support to communities, are critical to their effective performance. Throughout the preparation stage, the Project has explored potential avenues for engaging stakeholders with track records of working with communities. The Project will involve a sufficient number of facilitators with the time to support processes to empower communities that are inclusive of all, including women and other vulnerable groups. These facilitators will be well trained and provided with adequate technical and management support. During implementation, the Project will test two different modalities for scaling up facilitation, which includes contracting out the service to FPs, and direct hiring by Government. The PIU will also consider building performance-based metrics into FPs' contracts to incentivize high performance.

67. **Relevant experience in World Bank-financed Social Investment Fund programs in Europe and Central Asia highlight the importance of oversight mechanisms in ensuring high-quality and cost-effective community works projects.** The PVP includes several measures to ensure that the delivery of infrastructure is high in quality, cost effective, and sustainable. The Project will rely on a variety of community mechanisms, including monitoring, scorecards, and social audits of infrastructure and services financed under Component 1a. All stakeholders in local communities, in addition to FPs, will receive training in the principles and practices of local governance, including anticorruption assessments and process audits. They will participate in fraud and anticorruption training and sign user-friendly codes of ethics. The PIU will conduct post-procurement reviews of work quality, the use of appropriate design standards, and O&M arrangements for each sector. They will also conduct regular FM reviews and financial audits, and the design will incentivize district hokimiyats to involve community members in the oversight process.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

National Level

68. **The MoEI has overall responsibility for implementing the proposed Project.** The Deputy Minister for Economy and Industry will be responsible for overseeing the Project. The MoEI will also be responsible for coordinating with the Republican Commission that governs the Obod Qishloq state program at the national level and for ensuring the participation of the Republican Commission's representatives at the annual multi-stakeholder reviews. The commission's mandate is to oversee and ensure the timely implementation of the Obod Qishloq state program. Its main tasks are: (i) solving problems, coordinating, and interacting with the line ministries, departments, economic associations, and local hokimiyats participating in the program; (ii) conducting systematic monitoring of the implementation of construction and renovation projects; and (iii) undertaking future program planning, including the development of lists of rural settlements where construction and renovation projects are to be planned.



69. **The MoEI has delegated project implementation tasks to a PIU.** In May 2019, the GoU issued an order to establish the Project PIU in the MoEI to prepare the Project. This PIU will be responsible for overall project implementation, including fiduciary oversight, procuring and overseeing the FP contracts, M&E, communications, and FM. It is responsible for ensuring Project linkages with other government- and donor-financed programs and projects. MoEI will provide overall oversight on Project implementation, including establishing and staffing a PIU through its Department for Monitoring of Territorial Targeted programs. The PIU will include, inter alia, a project director, a procurement specialist, an FM specialist, a civil engineer/infrastructure specialist, an environmental safeguards specialist, a social safeguards specialist, a specialist on community mobilization, who will be responsible for managing the direct-hire facilitation teams, an MIS specialist, and M&E specialist. In addition to these professionals, the PIU shall hire as many individual consultants as needed to help with the implementation of specific project activities over the course of the implementation.

70. The PIU will manage all aspects of safeguards, procurement, and supervision; perform all fiduciary tasks and necessary coordination of institutional support with regions and districts; and conduct consolidated reporting and project management tasks as outlined in the POM. The PIU will be responsible for M&E; the BFM, including the GRM; and project-related communications and outreach. The PIU will open its own designated account and will finance all taxes, except value-added tax and customs duties.

Regional Level

71. **UCS engineering companies under the regional hokimiyats.** The UCS in each participating region (oblast) will provide services to the PIU for procuring the design and works contracts for subprojects identified in the qishloq development plans and selected for Project financing. UCS organizations are public enterprises established by the Cabinet of Ministers and regulated by the constitution and laws of the Republic of Uzbekistan. UCS typically have 40–55 staff, including a director, chief engineer, deputy director on economic issues, a tendering department, a project implementation and technical supervision department, a financial and contract management department, accounting department, and other units. The Ministry of Finance defines and approves the total number of staff and remuneration levels based on proposals from regional hokimiyats. Each UCS charges a fee for its procurement and technical supervision services. As an implementation condition for the activities requiring UCS involvement, the MoEI will enter into cooperation agreements with each of the UCS engineering companies that defines the rights and obligations of the two parties, and sets forth the necessary administrative arrangements with said UCS to ensure the UCS's support to the implementation of said Subproject, all in accordance with the POM provisions.

72. **PIU staff at the regional level.** The PIU will mobilize procurement, FM, environmental and social safeguards, and engineering specialists to support Project implementation at the regional level. The procurement and FM specialists will provide on-site technical assistance to UCS staff to ensure that World Bank procurement guidelines are followed during implementation, and that the requisite documentation required for the PIU in Tashkent to transfer funds to contracts is prepared appropriately and on time. The environmental and social safeguards specialist will provide on-site technical assistance to ensure that environmental and social safeguards provisions are incorporated into tender documents and contracts, and conduct spot checks at the qishloq level to ensure that the relevant environmental and social safeguards documentation (checklists, simple Environmental and Social Management Plans (ESMP), Resettlement Action Plans (RAPs), etc.) has been prepared. Regional engineering specialists will provide technical assistance to local design institutes and UCS on the application of high quality technical designs, and conduct spot checks at the qishloq level of the quality of construction during subproject implementation. The engineering specialists will also support the coordination process with regional hokimiyat staff to verify that subprojects financed under the PVP are not planned to be financed under other GoU programs. Regional environmental and social safeguards and engineering specialists (three in total) will be co-located



in the premises of the UCS engineering companies.

District Level

73. **DPCs** will be established in each district to support Project implementation. The district hokim will be responsible for chairing the Project's DPC. The DPC will be responsible for: (i) conducting outreach and communicating the program's parameters including qishloq selection criteria, eligible investments, required participatory processes, and timeline to MCAs; (ii) selecting qishloqs for participation in PVP based on the process and selection criteria detailed in the POM; (iii) reviewing and verifying all subgrant proposals for PVP financing to ensure that they meet rural residents' needs, are technically feasible, have O&M plans in place, and are well aligned with other GoU and donor development plans and do not crowd out or duplicate other investments; (iv) submitting the list of selected projects for review and further endorsement by the MoEI PIU; and (v) facilitating the handover of Project-financed infrastructure to relevant line departments for routine O&M.

Qishloq Level

74. **Mahalla Citizens' Assembly (MCA) Executive Committees.** MCA executive committees consist of a Chairperson, Secretary and Advisor. For the purpose of the Project, the MCA executive committees are responsible for: (i) representing the development needs of the community to outside stakeholders, including GoU officials and departments, and development organizations; (ii) reporting to the DPCs on PVP progress; (iii) facilitating communications and outreach activities intended to help community members gain an understanding of the program; and (iv) supporting QFs and QEs to organize meetings that involve representatives of all neighborhoods, and the participation of women and vulnerable groups.

75. **MCA Project Committees (MPCs).** To support the MCA executive committees to implement the Project, each qishloq selected to participate in the Project will form an MPC as a subcommittee of the MCA with QF support, which will be responsible for: (i) conducting outreach to communities on the Project's objectives, subgrant options, the participatory project cycle, and BFM; (ii) supporting the participatory needs assessment and ensuring the sufficient participation of women, youth, the disabled, and vulnerable groups in the needs assessment; (iii) preparing the qishloq development plan; (iv) prioritizing investments for PVP financing, developing O&M plans for these investments, and submitting this proposal to the DPC for verification; (v) supporting the participatory oversight process; and (vi) transmitting Project-related complaints to the BFM.

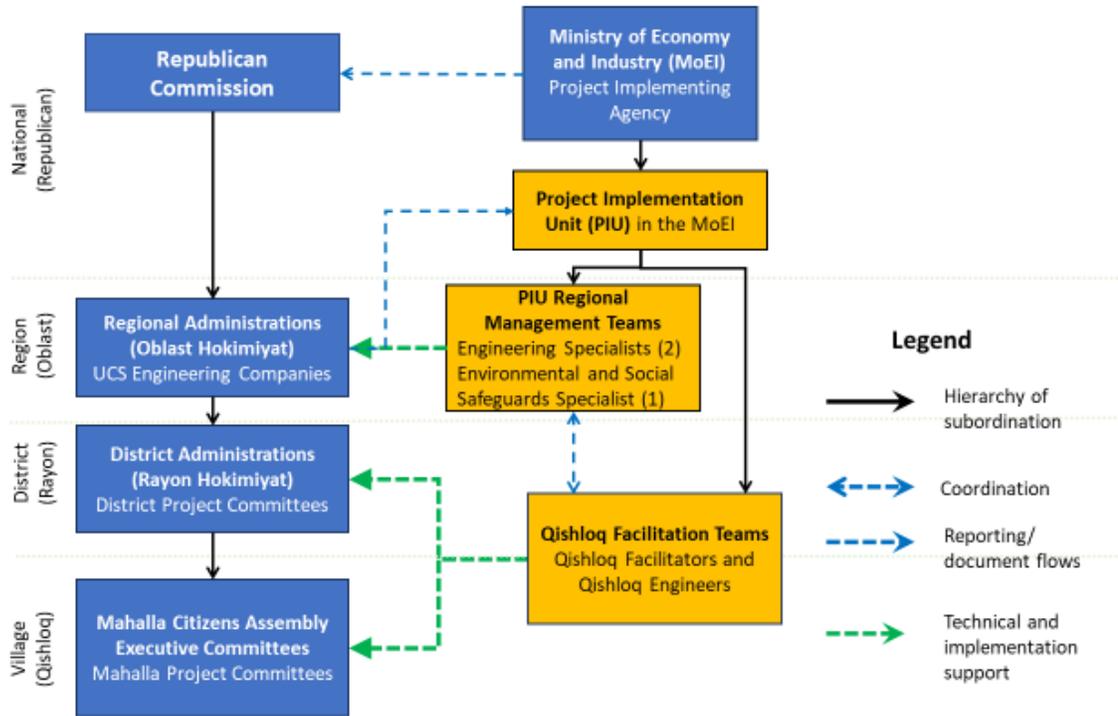
Qishloq Facilitators (QFs) and Qishloq Engineers (QEs)

76. QFs and QEs will provide training and capacity support to district hokimiyats, MCA executive committees to increase citizen participation, transparency, and oversight throughout the project implementation cycle. Tasks include: (i) assisting DPCs to carry out a participatory qishloq selection process, including communicating the selection methodology to district residents and organizing consultations on the results of the selection process; (ii) helping MCA executive committees to establish MPCs; (iii) providing training and capacity-building support for MPCs to conduct participatory qishloq needs assessments, which includes identifying potential investment synergies across neighboring qishloq; (iv) assisting MPCs to produce qishloq development plans, which identify subprojects to be financed through the Project; (v) assisting MPCs to carry out the environmental and social safeguards screening processes, identify alternative investments based on these findings, prepare Environmental and Social Impact Assessments (ESIAs) from which ESMPs and RAPs will be prepared as needed; (vi) training MPCs members in procurement, financial management, and construction oversight



techniques; (vi) providing capacity support to MPCs to establish the required community-level organizations to contribute to the O&M of subproject investments; and (vii) providing TA to MPCs that prioritize autonomous water supply and sanitation systems for financing under the Project.

Figure 1: Institutional and Implementation Arrangements



B. Results Monitoring and Evaluation Arrangements

77. Results monitoring will be based on the indicators defined and detailed in the results framework. Working closely with FPs, the PIU’s M&E staff will be responsible for results monitoring using three approaches to measuring progress and results. First, the PIU will ensure the collection of defined information for regular Project reporting, including the component output measures in the Project description, other implementation progress, safeguard risks, and readouts from the BFM and GRM. PIU staff will enter this information into the MIS. Second, FPs will facilitate the processes of community monitoring for Component 1 by collating and summarizing information collected through the component’s participatory processes (i.e., the social audits and scorecards) and uploading this information onto the MIS. Third, the Project will conduct baseline, midline, and endline surveys with Project beneficiaries, using a firm hired by the PIU. Semiannual progress reports will be available 45 days after the end of each reporting period and will include the output indicators described in this document as well as updates on the results framework indicators. The POM will include an M&E section that defines the methodology for measuring each indicator, formulated to the World Bank’s satisfaction.



C. Sustainability

78. The implementation arrangements are developed to build sustainable capacity for the PIU; regional hokimiyats including the UCSs, the QFs and QEs, the MCAs, CDWOs; and other local institutions. At the local level, sustainability relies on communities' degree of ownership and commitment, which is created and strengthened through the community mobilization process with participatory planning and decision making, as well as active participation in monitoring. Three-year qishloq development plans produced with support from the Project will help MCAs plan and coordinate future GoU programs, thereby eliminating the need for individual needs assessments for every program. To promote infrastructure sustainability, as part of the subproject selection, MPCs will ensure each subproject has met 100 percent functionality requirements and applies simple and robust technical solutions along with necessary mitigation and adaptation measures to enhance resilience towards climate change. This will be monitored through technical checklists developed for the POM, including operational requirements (e.g., assignment of staff). Upon completion, the infrastructure will be handed over to relevant line departments or the CDWO. MPC and O&M subcommittees will be established to supplement the responsibility of district line departments. During the Project, engineers and monitors will conduct regular field visits to completed projects and help develop the capacity of communities for O&M.

IV. PROJECT APPRAISAL SUMMARY

A. Technical and Economic Analysis

Economic Analysis

79. The Project's economic analysis uses Project costs, beneficiary information collected during Project preparation, and benefits observed in similar projects to estimate costs and benefits.

80. The task team conducted a detailed economic analysis for the autonomous water and sanitation system subproject, given that the team expects around one-quarter of the proposed Project's target qishloqs to choose this subproject. The analysis incorporates: (i) the cost of all project components, including estimated O&M costs and Project implementation costs and (ii) all measurable benefits, including decreases in the time spent collecting water, household-level welfare gains associated with the reduced need for in-house treatment (e.g., boiling of water), and reduced incidence of water-related diseases such as infectious hepatitis and diarrhea as a result of improved access to quality water and a decline in the reliance on standing water sources. The base estimated economic internal rate of return (EIRR) is 35.9 percent, with a net present value (NPV) of US\$34,170,404 assuming a discount rate of 11.5 percent. Cost-benefit projections are for a total period of 15 years, including 1–5 years of project implementation, during which benefits come on-stream as subprojects are completed. A sensitivity analysis was conducted, analyzing a reduction of 20 percent of expected benefits, 20 percent cost increase, and 50 percent reduced lifetime. In all cases, the EIRR remains 15 percent or higher, indicating that the economic returns to the project are robust.

81. For the remaining analysis, the assumption is that the benefits of the US\$173.7 million in infrastructure investments will flow to communities even beyond the project time frame. Investing this amount over five years will result in net benefits of almost US\$109,327,354, applying the 11.5 percent discount rate. For all but one investment area (social infrastructure), the EIRR is higher than the discount rate. For this area it is challenging to obtain tangible monetary returns from the investment; the returns will rather be of a non-monetary nature.



Table 2: *Economic Analysis for Subcomponent 1a Infrastructure Investments*

Investment activities	Budget (USD \$)	NPVs (USD \$)	EIRR
Water supply and sanitation service delivery	57,900,000	34,170,404	35.9%
Energy efficiency	5,066,250	3,528,027	16.6%
Rehabilitation of social infrastructure	17,370,000	3,793,722	4.7%
Transport (rehabilitation and construction of roads and bridges)	57,900,000	43,139,013	19.0%
Street lighting	5,066,250	3,528,027	16.6%
Improvements to public spaces	5,066,250	3,528,027	16.6%
Solid waste management systems	5,066,250	3,528,027	16.6%
Public facilities	5,066,250	3,528,027	16.6%
Installation of antennas for wireless internet	5,066,250	3,528,027	16.6%
Bus terminals and stops	5,066,250	3,528,027	16.6%
Energy supply	5,066,250	3,528,027	16.6%
TOTAL	173,700,000	109,327,354	

Technical Analysis

82. The Project aims to improve the quality of basic infrastructure and services and to strengthen participatory local governance processes in targeted rural qishloqs. To accomplish this objective, it will strengthen MCA executive committees’ ability to adopt participatory, inclusive approaches to planning, prioritizing, and overseeing the procurement and implementation of locally identified infrastructure and services, and to maintain the investments. 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. The literature summarizing the impacts of large-scale, government-executed CDD programs shows, among other outcomes:³⁵ (i) high satisfaction levels among local communities that program investments align well with local priorities; and (ii) the infrastructure delivered is cost effective and of high quality relative to other modalities for infrastructure and service delivery.

83. The Project is technically challenging in Uzbekistan, given that the country has little recent experience with participatory approaches to planning and oversight of infrastructure projects outside of autonomous drinking water and sanitation systems. To address this challenge, the Project is taking an incremental approach and carefully tailoring the design to the Uzbek context. In the preparation period, the PIU used grant resources from the Europe and Central Asia Region Capacity Development Trust Fund (ECAPDEV) to finance an NGO to pilot the participatory approaches in the Project cycle and build MCA executive committee capacity to support Project implementation in the Pakhtaobod district of Andijan province. The pilot includes efforts to build district hokimiyats’ capacity to implement a participatory process for selecting qishloqs using objective criteria and assist district hokimiyats in communicating the process and results to citizens; (ii) strengthen the capacity of MCA executive committees to produce a holistic qishloq development plan, from which Project investments are identified; (iii) build the capacity of MCA executive committees to supervise the

³⁵ Wong, S. and Guggenheim, S. 2018. *Community-Driven Development: Myths and Realities*. Washington, DC: World Bank; Casey, K. 2017. “Radical Decentralization: Does community-driven development work?” Working Paper No. 3598. Stanford Graduate School of Business and NBER; White, H., Menon, R. and Waddington, H. 2018. “Community-driven development: does it build social cohesion or infrastructure? A mixed-method evidence synthesis”. International Initiative for Impact Evaluation Working Paper; Wong, S. 2012. “What Have Been the Impacts of World Bank Community-Driven Development Programs?” Washington, DC: World Bank.



procurement and construction of Project investments, thereby increasing the transparency and overall quality of implementation; (iv) work with MCA executive committees to put in place O&M committees to ensure the sustainability of Project investments; and (v) provide specialized TA to MCA executive committees that identify autonomous water supply and sanitation systems as priority investments, including establishing CDWOs and advising on technical design parameters. Lessons from the pilot have informed Project design in the following ways: (i) tasks (ii)-(v) require the establishment of MPCs; (ii) the Project should test at least two approaches to mobilizing QFs and QEs and not rely on a single approach; and (iii) specific participatory approaches are appropriate for the Project context, such as a Resource Map, Wealth Analysis, and other described in Annex 1. Under Subcomponent 1a (support to innovations in local service delivery), the Project will finance autonomous drinking water and sanitation systems that the SDC has piloted and tailored in Uzbekistan and Tajikistan, over the last 15 years.

84. Technical checklists in the POM will build on the Uzbek experience to ensure the functionality and appropriateness of the participatory design. During Project implementation, the State and Peacebuilding Fund will help support additional training for the PIU and FPs on community mobilization and social accountability and the development of detailed curriculum for community members involved in social audits and overseeing procurement and construction.

85. To complement the Project's participatory approach to oversight, Component 2 will finance a web-based MIS that will make procurement, FM, targeting, participation, subproject (including the exact location and construction schedule of the infrastructure projects), and grievance data publicly accessible. Citizens can use this information to help hold the MCAs and hokimiyats (including the UCSs) accountable for delivering the promised infrastructure projects on time and on budget.

86. A rapid assessment of the capacity of the regional UCS was conducted during the preparation stage that identified at least two weaknesses affecting the quality of Obod Qishloq state program subproject designs and overall value for money of the investments relevant to the proposed Project. First, UCSs rely on the expertise of local design institutes, which in turn lack the training and the capacity to apply modern tools (i.e., design software) and designs. Second, the UCS procurement staff experience challenges in applying national competitive bidding procedures when procuring subproject designs and civil works contracts. As a result, the PIU and World Bank task team considered a design alternative whereby the PIU would employ staff at the regional level responsible for all technical design and procurement-related tasks. The PIU and World Bank task team decided not to pursue this design option as it would limit the Project's ability to strengthen the institutional capacity of regional hokimiyats to provide high-quality, accountable technical design and procurement services to qishloqs. The Project will support capacity-building activities under Component 2 aimed at improving the technical and procurement capacity of regional hokimiyats and local design institutes.

87. Another alternative approach to delivering the local infrastructure and services considered was to finance the GoU's current approach to the Obod Qishloq state program, through for example, a Program-for-Results instrument. This approach was not pursued, given shortcomings in the technical design and procurement capacity of regional hokimiyats, as well as the social risks described below. The proposed technical approach will provide greater opportunities to build capacity for inclusive community participation in the project cycle, which is likely to lead to better value for money, greater engagement of vulnerable groups, and higher levels of community satisfaction.

B. Fiduciary

Financial Management



88. The FM arrangements of the proposed Project are considered generally acceptable, provided risk mitigation measures are addressed prior to the Project effectiveness date (please see the Financial Assessment section). The overall risk for implementation of this Project was assessed as substantial, and the FM risk is also assessed as substantial at this stage for the following reasons: (i) this is the first WB project implemented by the MoEI that focuses on local infrastructure provision, the MoEI lacks experience in managing infrastructure projects; (ii) the Project covers five regions (Andijan, Ferghana, Namangan, Jizzakh and Syrdarya) of Uzbekistan and will face challenges associated with operating in rural areas (lack of qualified human resources, accessibility and physical distance, etc.); (iii) the consistency and adequacy of FM arrangements will be challenged by the span of the Project across five regions; and (iv) the implementation of the project will require interaction and coordination with several state agencies and stakeholders at different levels.

89. The PIU, which was established under the MoEI for ECAPDEV Grant implementation, will function as the PIU for the Project. The PIU will be adequately resourced and will ensure sustainable, functional, and workable financial and accounting processes and internal controls. The PIU FM staff will participate in learning and capacity-development activities (workshops, seminars, etc.) supported by the World Bank. Particularly at the Project's initial stages, the WB will provide on-going support to the PIU.

90. The PIU will be in charge of maintaining financial and accounting records for the Project, and will keep its records in the accounting system that will be acquired and installed within 90 days of the Project effectiveness date. This system will allow fully automated accounting and reporting, including automatic generation of Statements of Expenditure, Interim Financial Reports, and other reports required by national legislation. The system will have built-in controls to ensure data security, integrity, and reliability.

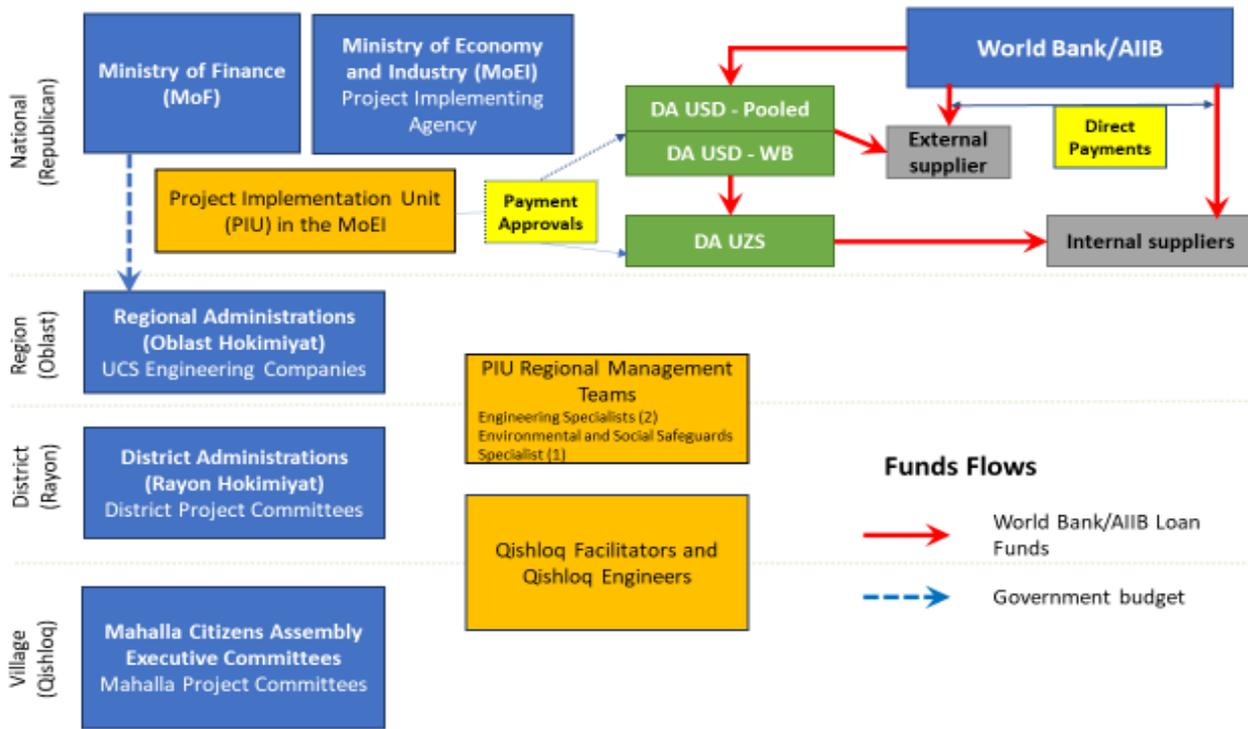
91. The PIU will establish an internal control system capable of providing reliable and adequate controls over FM and disbursement processes and procedures. These include controls for safeguarding of assets, segregation of duties, authorization of transactions, review and approval of invoices, and contract management. The PIU will prepare and adopt the POM, which will specify the policies, procedures and internal control system to be used by the PIU, as well as additional reporting and auditing requirements. The adoption of the POM will be an effectiveness condition.

92. The PIU will be responsible for planning and managing project disbursements, as well as preparation and submission of withdrawal applications to the World Bank. For this purpose, the PIU shall have access to the World Bank's Client Connection platform. The Project will use standard disbursement methods, including Advances (Designated Account), Direct payments, Reimbursements and Special Commitments. The Project funds will be disbursed to the designated accounts at a financial institution acceptable to the World Bank. The first designated account will be shared by the IDA and the AIIB and will be used only for financing Subcomponent 1a expenditures. The expenditures financed through this DA will be cost-allocated in equal proportion (50/50). The second designated account will be utilized for the Subcomponent 1b and Component 2 expenditures and will be used for IDA funds flows only. The detailed guidance on the designated accounts, DA maintenance and ceilings, cost allocations, and other details will be specified in the Disbursement and Financial Information Letter.

93. All the payments from the DAs will be made by the PIU centrally (no payments will be made by the Regional PIU staff) and will be used for payments for the eligible expenditures and will not be pooled with other funds unrelated to project. Eligible project expenditures, consisting of goods, works, consulting services, non-consulting services, training and incremental operating costs, will be duly documented to the World Bank using Statements of Expenditure (SoE) and full documentation.



Figure 2: Flow of Funds



94. The accounting records will provide the necessary details on each contract and individual payment made from the Project funds. The PIU will submit quarterly **Interim Financial Reports (IFRs)** to the Bank. A Project audit of the Project financial statements will be carried out for each financial year and at the closing of the project by an eligible audit firm, in accordance with the Terms of Reference agreed with the Bank. The audit will be financed from the Project funds, and the Project audit report will be publicly disclosed by the PIU and the World Bank on their respective websites. No entity audits are required for this project.

Procurement

95. **Applicable procurement framework.** All procurement of contracts will be conducted through the procedures as specified in the World Bank’s Procurement Regulations for IPF Recipients - Procurement in Investment Project Financing Goods, Works, Non-Consulting and Consulting Services, dated July 2016, revised November 2017 and August 2018. The procurement and contract management processes will be tracked through the Systematic Tracking of Exchange in Procurement system.

96. **Project Procurement Development Objectives (PPDO):** To increase procurement efficiency and ensure value for money that contributes to the Prosperous Villages project objectives significantly, securing competitiveness and quality of works, goods and services procured under the project.



97. **Summary of Project Procurement Strategy for Development (PPSD) and Procurement Plan (PP).** The PPSD identifies the appropriate procurement approaches under the Project, and informed the preparation of the PP for the first 18 months of project implementation that was agreed at negotiations. The PPSD and PP will be updated at least annually or as required during project implementation to reflect any substantial changes in procurement approaches and methods to meet the actual Project implementation needs and market fluctuations and improvements in institutional capacity. The updated PP along with the revised PPSD will be subject to Bank's prior review and no objection. The PPSD includes detailed assessments of the markets for goods, works, and services required for Project implementation; procurement approaches and procurement risks analysis along with corresponding proposed risk mitigation measures. The PPSD includes a market analysis that covers the core project activities envisioned for Subprojects under component 1a, such as upgrading of qishloqs' street lighting systems; roads, footpaths, and walkways rehabilitation; and bridge rehabilitation/construction for qishloqs. The overall indications of the market analysis confirm the availability of a competitive market at the local and regional levels with many relevant suppliers and contractors.

98. **Procurement risk assessment.** The Bank performed a procurement capacity assessment using the Procurement Risk Assessment and Management System. Based on the assessment, and taking note of the existing capacity within the implementing agency and the risks associated with procuring a relatively large number of activities, the procurement risk is considered **high**. The key risks related to procurement include systemic weaknesses in the areas of: (i) low procurement capacity at the national level; (ii) accountability of procurement decision making in the PIU and UCS; (iii) procurement decision making by the UCS, which may be influenced by hokimiyat officials; and (iv) a potential risk of delays in Project implementation due to the complexity of internal procurement processes and decision making that involves a large number of government officials at the regional level. Preliminary risk mitigation measures include: (i) the provision of training for new and current staff on Bank procurement regulations; (ii) the performance of regular Project audits by PIU staff for extra due diligence and to prevent the inappropriate intervention of local officials; (iii) including citizens on the regional tender commissions to increase transparency and outside oversight; (iv) developing the POM with a detailed chapter on procurement, including a description of decision-making processes and accountability for procurement decisions prior to effectiveness; and (v) putting in place an efficient contract management mechanism at the regional and national levels.

99. **Use of national procurement procedures.** All contracts for goods, works and services to be procured in line with the national market approach shall follow the procedures set out in the Public Procurement Law (PPL) of the Republic of Uzbekistan dated April 2018. The PPL and related regulations have been assessed and found broadly consistent with World Bank Procurement Regulations Section V – Para 5.4: National Procurement Procedures with some specific conditions that are spelled out in the PPSD and the textual part of the PP that were approved at negotiations. However, the GOU envisages to enact an amendment of the current PPL and related regulations. Upon enactment of this amendment, the National Procurement Procedure will be reassessed accordingly along with the associated conditions that will be revised in the textual part of the Project PP. Under component 1a, once the Subprojects are defined and finalized each year, the PPs for Subprojects in each Region should be prepared by the appropriate UCS.

100. **Procurement supervision and *ex post* review.** Routine procurement reviews and support will be provided by the procurement specialist based in the Tashkent World Bank country office. In addition, at least two project implementation support missions are expected to take place each year, during which *procurement ex post* reviews will be conducted for the contracts that are not subject to World Bank prior review on a sample basis (covering 20 percent of contracts). One *procurement ex post* review report will be prepared per fiscal year, including the findings of physical inspections of not less than 10 percent of the contracts awarded during the review period.



C. Environmental and Social Safeguards

101. **Potential environmental and social impacts.** The proposed Project will support a large variety of demand-driven investments in basic infrastructure and services. The Project's socio-economic impacts will be mainly positive and related to improving the quality and standard of living of the Project qishloqs' rural population. However, the implementation of Project-financed civil works could result in various adverse environmental and social impacts including: (i) increased environmental pollution with waste, noise, dust, exhaust gases from fuel combustion products; (ii) health and safety hazards and other problems resulting from construction activities; (iii) increased contamination of groundwater and surface water as a result of inadequate avoidance and mitigation measures; (iv) soil degradation and pollution; and (v) threats to human health as a result of improper handling of heavy machinery during construction activities. The social impacts relate to the acquisition of 'lands' for certain Project-financed activities.

102. *Triggered WB Operational Policies (OPs).* The proposed Project triggers WB OP 4.01 on *Environmental Assessment*, as it will generate a series of negative environmental and social impacts (see above). As the Project will not support subprojects such as agricultural production and planting or the modernization of orchards, which may lead to the increased use of agrochemicals, OP 4.09 on *Pest Management* is not triggered. Similarly, OP 4.04 on *Natural Habitats and OP 7.36 on Forests* are not triggered as the Project focuses on existing infrastructure in rural areas and therefore no impacts on natural habitats and/or forests are expected. The proposed Project does not trigger OP 4.11 on *Physical Cultural Resources*; all proposed subprojects that might affect such resources will be excluded from the Project's financing. The OP 4.12 on *Involuntary Resettlement* is triggered due to the potential need to acquire small plots of land (temporarily or permanently), and to restrict access and economic resettlement in connection with activities under Component 1.

103. *OP 7.50 on International Waterways* is triggered since the Project might finance subprojects for the rehabilitation of rural water supply and sanitation systems. Investments will be made within the original boundaries and design parameters of the existing community-level irrigation and water supply and sanitation schemes or with minor additions that do not substantially exceed the original scheme planning estimates for water consumption or current actual rates, and therefore no new water abstraction will be supported. The Project will not adversely change the quality or quantity of water flows; nor will it be adversely affected by the other riparian's possible water use. An exception to the external notification requirements of this OP for the Project has been approved by the Regional Vice President for Europe and Central Asia on August 30, 2019.

104. *Project category and Environmental Assessment instruments to be applied by the project.* In accordance with the Bank's safeguard policies and procedures, the project is classified as **Category B**, for which an Environmental Assessment with an ESMP is required. Detailed plans are not possible at this stage, as local communities will gradually identify the investments/subprojects over time during implementation. Hence, the Project adopts a framework approach; the corresponding instruments are an Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF).

105. The ESMF specifies rules and procedures for the subprojects' ESIA. None of the Project activities or subprojects that will receive financing will cause significant environmental impacts that would fall under Category A, thus no subprojects will be supported by the Project that would require a full ESIA. However, most of the subprojects might cause some adverse environmental impacts and would fall under Category B projects, and for which the Bank requires a simple and/or partial ESIA and/or preparing an ESMP.

106. **Resettlement Policy Framework.** The Project may involve permanent and/or temporary land acquisition affecting



agricultural and urban lands, for example, in relation to the reconstruction/rehabilitation of water distribution centers, water reservoirs, waste collection points, solid waste processing facilities, or water supply pipelines. Temporary land acquisition could be needed for the reconstruction and extension of water pipelines, widening of roads, and electricity supply facilities. Land for these purposes could be taken from agricultural and urban lands, which will affect farmers, households, or businesses. Social Impact Assessments, following the environmental and social screening and ESMP, will be undertaken for each subproject to determine the magnitude of economic displacement and prospective losses, identify vulnerable groups for targeting, ascertain the costs of resettlement, and prepare a RAP for implementation. The exact subprojects that the Project will finance cannot be determine *ex ante*. While the broad category of activities/ impacts is foreseen, the exact magnitudes of the social impacts of each subproject will only be known once their detailed designs are completed. Hence, during Project preparation, the PIU has developed an RPF. The key objective of the RPF is to provide a framework to appropriately identify, address, and mitigate adverse socioeconomic impacts that may occur due to the implementation of subprojects that involve the involuntary acquisition of land and the subsequent resettlement of affected families.

107. In Uzbekistan, involuntary acquisitions leading to the demolition of structures and physical displacements have occurred in GoU infrastructure development programs. A number of grievances have surfaced in recent times as ordinary Uzbeks have been impacted adversely. Citizens have raised concerns to local authorities, which have not followed due processes or provided resettlement and rehabilitation assistance adequately and appropriately or in a reasonable time frame. These adverse impacts are unlikely to occur as a result of the investments that the proposed Project will finance. The due processes will be defined and agreed upfront. The PIU will put into place robust monitoring, oversight, and GRMs to ensure full compliance with the ESMF and RPF. However, compliance with the ESMF/RPF and these arrangements may not be in place for activities pursued under the GoU's Obod Qishloq state program. Local communities may not be able to differentiate between the two programs—Obod Qishloq and PVP—which could pose a reputational risk to the World Bank and to the PVP. To mitigate this risk, the Obod Qishloq state program will not operate in the qishloqs financed under the PVP.

108. *Scope of the ESMF/RPF.* The ESMF that will guide the ESIA process covers the following: rules, procedures, and implementation arrangements for environmental and social screening of subprojects to be supported under the demand-driven investments in basic infrastructure and services under Component 1a; guidance for conducting subprojects' ESIA and/or preparing simple ESMPs, as well as the related ESMP checklists; mitigation measures for the possible impacts of different proposed activities and types of subprojects to be supported by the Project; the main ESIA requirements to produce qishloq development plans that identify subprojects to be financed through the Project, to be carried out under Component 2; and requirements for monitoring and supervising implementation of ESIA/ESMPs. The ESMF provides an overview of the capacity of the PIU and local institutions involved in environmental and social risk management (regional and district hokimiyats and MCAs). Based on this review, the ESMF specifies capacity-building activities that target these stakeholders as well as participating local institutions (FPs, UCS, MPCs) on mitigating potential environmental and social risks and conducting subproject-level ESIA. Special attention will be paid to developing the capacity of regional (oblast) hokimiyats' ESIA capacities. Lastly, the ESMF document provides a negative list that will include infrastructure investments with irreversible large-scale social or environmental impacts (Category A subprojects), and those that require physical relocation or displacement, which will be not supported by the Project. Subprojects located in protected areas, critical habitats, or culturally or socially sensitive areas, and those that might impact international waterways, will also be included in this negative list. The Project has developed a GRM to address stakeholder grievances.

109. The Project's gender-based violence (GBV) risk is low due to (i) the small scale of the community-based infrastructure investments; (ii) reliance on local labor for the infrastructure works; (iii) the participatory design,



monitoring, and consultations with women; and (iv) extensive BFM, including GRM, and activities specifically designed to sensitize community members about their rights with respect to labor, demolitions, evictions, and grievance redress. To further mitigate any residual risk of GBV, the Project will undertake awareness-raising measures, using NGOs and service providers to sensitize all direct and contracted workers and members of beneficiary communities on GBV-related risks. A code of conduct with clear enforcement measures will be prepared for the Project, which all Project staff and contractor employees will sign. The code of conduct will be widely publicized in beneficiary communities and around specific civil works sites. The Project will ensure that safe and confidential channels for reporting GBV-related concerns will be made available to Project workers and communities.

110. **Environmental and Social Framework Instrument disclosure.** The PIU disclosed in-country drafts of the ESMF and RPF in English on August 16, 2019 and in Russian on August 20, 2019. In-country consultations on the draft ESMF and RPF were held in Namangan and Syrdarya regions and in Tashkent between August 27-30, 2019. The final drafts of the ESMF and RPF in English and local languages were disclosed publicly through the Bank's Imagebank system on September 5 and September 10, 2019, respectively.

D. Redress Mechanism

111. Communities and individuals who believe they are adversely affected by a Bank-supported project may submit complaints to existing Project-level GRMs or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address Project-related concerns. Project-affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. Information on submitting complaints to the World Bank Inspection Panel is available at www.inspectionpanel.org.

112. In addition, a Project-specific GRM will be set up at the qishloq, district, regional, and national levels to provide various channels for the intake of complaints or queries. This will include complaint boxes in MCA executive committee and regional and district hokimiyat offices, as well as SMS hotline, email, and online resources (MIS with integrated automatic feedback request at any stage of the Project, including community mobilization at qishloq selection; sub-investment prioritization; procurement of design/construction firms; design/construction processes and completion) maintained by the PIU. A public awareness campaign will be targeted to regional and district hokimiyats, MCA chairs, and residents of selected qishloqs on GRM channels, procedures for the intake of complaints and queries, and the investigation process and appeal mechanism.

E. Citizen Engagement, Gender, and Climate Change

113. **Citizen engagement.** The Project's design ensures citizen engagement throughout the Project cycle. Under Component 1, communities will carry out participatory needs assessments and engage in participatory decision-making processes to identify subprojects that reflect the priorities of (and are relevant to) beneficiaries. To ensure that regional and district hokimiyats and MCA executive committees are accountable for the resources used and responsive to the preferences and needs of community members, including vulnerable groups, the QFs will provide capacity building for local government and community officials on how to engage with citizens and deliver services efficiently, fairly, and in response to the needs of citizens, including women, youth, and the disabled. The QFs will train women in conducting social audits and reporting back to the target communities on the progress of implementing a subproject throughout the year,



the breakdown of expenditures, and any financial or technical audit findings. This type of event will provide a public forum for communities and their representatives to present problems and express grievances or other issues related to the Project. In addition, to bolster oversight of Project expenditures, the Project will require citizens to sit on tendering committees that the UCSs organize for the infrastructure projects financed by Subcomponent 1a. The Project will also require MPC representatives to sign off on progress reports before the PIU pays the contractors for the work. The FPs will provide training to community members to enable them to fulfill these two oversight functions. The Project's results framework includes indicators to measure progress of the procurement monitoring, as well as beneficiaries' perceptions of the effectiveness of these engagement processes and Project investments.

114. **111. Gender.** The Project will focus on closing two gender gaps: (i) voice and participation in community-level decision making; and (ii) access to services. Women are underrepresented in MCA chair positions and in district and regional hokimiyat offices. To address this gap, the Project has established 50 percent targets for women's representation in DPCs, MPCs, CDWOs, and social accountability roles, i.e., monitoring and oversight. In addition, women bear the burden of poor access to water services and poor-quality water, as well as an insufficient number of kindergartens. Inadequate and poor-quality services negatively impact women's employment opportunities. The Project will address this gap in access to services by (i) enhancing women's voice and participation in community decision making as described above; (ii) ensuring that the Project committees conduct outreach to women's groups; and (iii) financing investments that improve access to quality drinking water and pre-school services. The Project includes results indicators to monitor these actions. Annex 2 describes the gender context, activities, and proposed monitoring measures in detail.

115. **Climate co-benefits.** The Project is expected to contribute to climate change adaptation and mitigation. The total **climate co-benefits** in this project amounts to **US\$ 33.67 million (34%)**. Some reports show average warming over the next 50 years will be 2–3°C, which is much greater than the increase of less than 1.5°C observed over the last 50 years,³⁶ and likely precipitation increases for Uzbekistan of around 12 to 20 percent by 2085.³⁷ The climate change and disaster screening for the Project has identified the Ferghana Valley as 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 1a, and the inclusion of soft components under Components 1b and 2, which take climate change and disaster risk into account. The indicator "percent of subprojects that support climate change adaptation or mitigation" will ensure the delivery of climate co-benefits by monitoring Project progress toward the Project outcome.

116. Project-supported climate change adaptation measures include the rehabilitation of qishloq-level water supply and sanitation systems, which will reduce leakages and include measures to reduce demand, thus easing water scarcity, pressure on existing water sources, and reliance on nonrenewable sources of water. The Project will also institute a range of mitigation measures. For example, capacity-building and training activities under Component 2 will include information for regional hokimiyats and local design institutes and design templates for climate-smart investments that are eligible for financing under Component 1a, such as energy efficiency investments through solar power and solar water heating. Similarly, participatory needs assessment and qishloq development planning activities supported under Component 1b will include the provision of information to communities on the benefits of climate-resilient and energy efficient basic infrastructure, and discussions of design alternatives that mitigate climate-related risks. For example, existing water supply sources located away from floodplains could be prioritized for rehabilitation over vulnerable sources, and wastewater infrastructure could be modified to include structures offering protection from increased flooding. Schools, health clinics, and pre-schools that are rehabilitated will include insulated doors and windows to reduce heat loss, and

³⁶ World Bank, 2013. *Uzbekistan Overview of Climate Change Activities*. Washington, DC: World Bank.

³⁷ US Agency for International Development. *Climate Risk Profile Central Asia*. Washington, DC: USAID. 2018.



energy-efficient appliances and equipment to reduce energy consumption. Such measures will reduce the use of energy sources that emit more greenhouse gases, such as wood, petroleum, and kerosene.

V. Key Risks

117. The overall Project implementation risk is substantial for three reasons: (i) weak institutional capacity to support bottom-up participatory approaches, multi-sector local investment planning, and subnational government capacity building, within the context of the ongoing reforms and government restructuring; (ii) weak capacity of regional hokimiyats (through UCS engineering companies) in technical design and procurement practices; and (iii) social risks, including media reports that forced labor and involuntary resettlement are occurring under the Obod Qishloq state program. The potential benefits of supporting a high-profile national GoU program that aims to reach thousands of qishloqs and millions of rural inhabitants throughout the country, with the necessary backing to support a challenging local governance reform agenda, outweigh the risks. The Project's design incorporates several risk mitigation measures, described below, that will allow the PDO to be achieved.

118. **The risks related to sector strategies and policies** are substantial. The institutionalization of community and civil society participation in local development planning and norms of government transparency in Uzbekistan are nascent. The GoU is in the early stages of a reform process that reframes the relationship between citizens and the state by introducing a greater role for local governments and citizens in planning, decision making, implementation, and oversight. Principles of community participation and government transparency resonate with the Uzbek population, about half of whom think it is an important or urgent priority for the government to consult with citizens and implement development plans with input from community members. Nonetheless, the shift to greater decentralization and community participation in development planning is a long-term endeavor that cuts across government agencies at the national and subnational levels. It will require a change in mindsets and practices that have become ingrained over the previous decades of centralized governance. The reform process not only entails changes to the policy, legal, and regulatory frameworks governing local development, but is occurring in a context of frequent restructuring of the state apparatus. It thus poses challenges for the development of a structure within the GoU that can formulate and drive reforms across line agencies and at the subnational level. The Project will mitigate this risk by using an approach that incrementally builds community and local government participation into development planning using pre-existing institutions and by working closely with the MoEI to institutionalize participatory approaches that have proven successful under the Project through annual multistakeholder reviews of Project achievements from which lessons can be drawn to inform government decrees, resolutions, and implementing regulations related to the state program. During Project implementation, the World Bank task team will leverage trust fund resources to support capacity development and knowledge exchanges for the MoEI, PIU, and regional and district hokimiyats on community participation and local governance in Uzbekistan and internationally.

119. **Technical design** risks are substantial due to the relative dearth of organizations in Uzbekistan with experience implementing participatory development approaches at scale. This may pose challenges for the PIU to procure the services of local organizations as FPs to mobilize QFs and QEs needed to deliver the training and capacity-building support to district hokimiyats, MCAs, and citizens, that are needed to carry out participatory practices in needs assessment, priority setting, subproject implementation, and oversight. Relevant mitigation measures began prior to the Project identification phase through knowledge-sharing events held in April 2018 in Tashkent that brought together organizations and practitioners with experience in participatory local development. A second mitigation measure is to use multiple approaches to mobilize, train, and manage QFs and QEs, which will include a direct hire by GoU approach. In addition, the PIU conducted a market assessment that identified a sufficient number of qualified organizations operating in Uzbekistan and nearby countries in Central Asia. The World Bank will provide implementation support to mobilize international experts to support



the PIU and FPs to put in place the systems needed to recruit, train and manage QFs and QEs.

120. **The risk pertaining to institutional capacity for implementation and sustainability** are substantial. The proposed Project is multi-sectoral and involves multiple tiers of government. The GoU currently has weak institutional capacity to work across sectors, nationally and subnationally. The responsibility for Component 1 subproject implementation rests with regional and district hokimiyats and MCA executive committees. Regional hokimiyats have capacity deficiencies in terms of their ability to procure high-quality infrastructure designs and in following prevailing procurement regulations (see fiduciary risks). To manage these risks, the GoU has set up a PIU at the MoEI as the implementing agency for the Project; its role entails building institutional capacity at the regional hokimiyat level. The Project has leveraged ECAPDEV resources to mobilize specialists within the PIU. Capacity weaknesses at the regional level will be further mitigated through a program of training and capacity-building activities that includes classroom-based activities and online training modules to apply state-of-the-art infrastructure designs supported under Component 2 and developed with World Bank support. Furthermore, the PIU will conduct *ex post* technical audits of work quality, the use of appropriate design standards, and O&M arrangements for each subproject.

121. **Fiduciary risks** are high. FM risks are assessed as substantial, while procurement risks are assessed as high, thus justifying the high risk rating. Institutional assessments of regional hokimiyats identified deficiencies in UCS procurement procedures. A key mitigating measure is to separate the FM from the procurement functions for Component 1a subprojects. The Project Funds flow mechanism foresees direct payments from the central PIU to contractors based on completion of documents and deliverables approved by FM and procurement specialists hired for the PIU regional offices with inputs from MPCs. This will require clear guidelines and standard operating procedures in the POM for FM and procurement, drawing on World Bank CDD FM³⁸ and procurement regulations as appropriate, and repeated training for project implementers on these regulations. As part of the Project's overall approach of building institutional capacity for participatory, transparent, and accountable local development, the Project will apply a variety of measures to mitigate risks, including community-based monitoring activities using scorecards and social audits of Subcomponent 1a-financed infrastructure and services. All stakeholders in local communities, in addition to FPs, will receive training in the principles and practices of local governance, including anticorruption assessments and process audits. Regional UCS engineering companies will participate in fraud and anticorruption training and sign user-friendly codes of ethics. Finally, the PIU will conduct regular FM reviews and financial audits and procurement post reviews during the implementation stage.

122. **Risks related to environmental and social safeguards** are substantial due primarily to social risks, including reports of forced labor, and indications that involuntarily resettlement (economic losses as opposed to physical displacement) is occurring under the GoU's Obod Qishloq program. There are media reports that the GoU is requiring civil servants to participate in Obod Qishloq activities, such as planting flowers in qishloqs. There are also reports of: disputes around land acquisition in the program, repercussions to citizens for lodging Obod Qishloq-related complaints through the Virtual Reception process, a lack of clarity around the GoU's budget for Obod Qishloq and expenditures on investment projects, and low pay for laborers who work on construction projects. The environmental risks are moderate. Risks of child and forced labor will be mitigated through Project design features that leverage systems developed through the ILO's Third-Party Monitoring program of activities in Uzbekistan, including the mobilization of locally based QFs, who will be tasked with monitoring subprojects that affect agriculture for any signs of forced labor and report any such cases through the government's Feedback Mechanism managed by the MoELR's Labor Inspectorate. The Project will draw from ILO-developed awareness-raising materials to raise awareness among beneficiaries of child and forced labor, and ways to report infractions. Beneficiaries will be able to use the Project's GRM to report child and force labor-related infractions. In addition, the POM will explicitly forbid the provision of in-kind labor for Component 1a Subprojects. Finally, the PIU will

³⁸ <https://ispan.worldbank.org/sites/ppf3/PPFDocuments/916d75b66a204f30a2d3e819d1972307.pdf>



make public all project-related expenditures available on its MIS for citizens to access.

123. **The risks to stakeholders** are substantial. The Obod Qishloq state program is a high-priority initiative of the President of Uzbekistan that receives a high volume of national media and social media attention. The proposed Project is designed to trial implementation approaches that improve development outcomes for scaling up under the GoU's state program. The proposed Project will therefore operate in a different set of qishloqs than the Obod Qishloq state program, and will apply a different set of rules and procedures governing resource allocation and subproject selection decisions, eligible investments, and citizen engagement in Project oversight. Nonetheless, the general population may not be able to effectively distinguish between the Obod Qishloq state program and the proposed Project. This risk will be mitigated through a communications and public outreach campaign aimed at educating stakeholders in national, regional, district, and qishloq governments, (social) media outlets, and civil society, as well as stakeholders in the international media, human rights organizations, and development partners on the objectives, rules and procedures, and mechanisms for grievance redress in the proposed Project.



RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Uzbekistan
Prosperous Villages

Project Development Objectives(s)

To (i) improve the quality of basic infrastructure and (ii) strengthen participatory local governance processes in Selected Qishloqs.

Project Development Objective Indicators

Table with 5 columns: Indicator Name, DLI, Baseline, Intermediate Targets, End Target. It lists indicators for improving basic infrastructure and strengthening participatory local governance processes.



Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
Improve the quality of basic infrastructure and services in targeted rural qishloqs				
Number of subproject investments (disaggregated by type) (Number)		0.00	100.00	300.00
Percentage of sampled respondents (male/female) reporting improved access to basic rural infrastructure (Text)		0.00	60% total 60% women	60% total 60% women
Percentage of sampled respondents (male/female) who report that the project investments in basic rural infrastructure meet their needs (Text)		0.00	60% total 60% women	69% total 60% women
Percentage of subprojects that support climate change adaptation or mitigation (Percentage)		0.00	25.00	25.00
Percentage of beneficiaries in targeted rural qishloqs with improved quality of water supply as a result of project investments (Percentage)		0.00	80.00	80.00
Percentage of subproject investments of high technical quality (Text)		To Be Completed	80.00%	80.00%
Number of project beneficiaries (male/female) (Text)		0.00	110,000 total 55,000 women	330,000 total 165,000 women
Strengthen participatory local governance processes in targeted rural qishloqs				
Percentage of district and regional hokimiyats completing agreed local governance training curriculum in procurement and oversight. (Percentage)		0.00	30.00	100.00
Number of targeted rural qishloqs that produce development plans that reflect community members (male/female) priorities. (Number)		0.00	100.00	300.00
Percentage of tendering committees that have a		0.00	50.00	50.00



Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
qishloq representative providing oversight of the procurement process (Percentage)				
Percentage of women's priorities that receive subgrant financing (Percentage)		0.00	50.00	50.00
Percentage of targeted rural qishloqs that have at least 50% female representation in the MCA project committees and social accountability roles (monitoring and oversight) (Text)		37% Mahalla Project Committees 0 Social Accountability Roles	50% Mahalla Project Committees 50% Social Accountability Roles	50% Mahalla Project Committees 50% Social Accountability Roles
Percentage of district project committee members that are female (Percentage)		11.00	50.00	50.00
Percentage of infrastructure subprojects for which procurement data is publicly accessible. (Percentage)		0.00	100.00	100.00
Project Management and Capacity Building				
Percentage of grievances (gender disaggregated) which are received that are resolved (Percentage)		0.00	100.00	100.00
Percent of MCA project committees that participate in knowledge sharing events within and across regions. (Percentage)		0.00	80.00	80.00
Percentage of qishloqs for which the required information is uploaded to the MIS in a timely fashion for project management to monitor results and for citizens to access (Percentage)		0.00	80.00	80.00



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of sampled male and female respondents who report improvements in the quality of basic rural infrastructure	Measures the percentage of survey respondents in beneficiary communities who report improvements in the quality of basic infrastructure and services. The types of infrastructure that the project is financing cannot be identified ex ante. This indicator will be gender disaggregated and disaggregated by infrastructure type.	Baseline, Midline and Endline	Project monitoring surveys	Quantitative surveys as defined in the POM; MIS information on actual project investments	PIU
Percentage of beneficiaries (male/female) who participate in planning, decision-making, or monitoring subprojects	Measures the level of community engagement in the planning, decision-making and oversight of sub-project investments.	Annual starting year 2	MIS	These figures will be compiled based on field reports and uploaded into the MIS.	PIU
Number of social audits that have been completed across the targeted rural qishloqs	Measure the implementation progress of subcomponent 1b and specifically, facilitation support for participatory oversight processes - social audits.	Annually starting year 2	Field reports and MIS	These figures will be compiled based on field reports and uploaded into the MIS.	PIU



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of subproject investments (disaggregated by type)	Measures the implementation progress of subcomponent 1a and specifically, the Project's investments in basic rural infrastructure and services.	Annually starting year 2	MIS	Field reports, which will be regularly uploaded in the MIS	PIU
Percentage of sampled respondents (male/female) reporting improved access to basic rural infrastructure	Measures the percentage of community respondents who report increased access to social and economic infrastructure improvements in terms of the time reduction to travel to roads, bridges, markets, water supply systems, etc. (gender disaggregated). Due to the demand-driven nature of the project, it is not possible to determine ex-ante the type of investments communities will choose. These figures will be reported upon after sub-projects are completed. This indicator will be constructed as an index across the infrastructure sub-project types.	Baseline, midline and endline	Project monitoring surveys and MIS	Quantitative survey as defined in the POM	PIU



<p>Percentage of sampled respondents (male/female) who report that the project investments in basic rural infrastructure meet their needs</p>	<p>Measures the percentage of survey respondents in beneficiary communities who report that they are satisfied with the project investments in basic rural infrastructure. The types of infrastructure that the project is financing cannot be identified ex ante. This indicator will be gender disaggregated.</p>	<p>Baseline, Midline and Endline</p>	<p>Project Monitoring Surveys</p>	<p>Quantitative surveys as defined in the POM; MIS information on actual project investments</p>	<p>PIU</p>
<p>Percentage of subprojects that support climate change adaptation or mitigation</p>	<p>Measures the contribution of investment projects to enhanced climate resilience (e.g. of roads infrastructure, approved designs), as well as climate change mitigation (e.g. through retrofitting measures or alternate energy sources).</p>	<p>Annually starting year 2</p>	<p>PIU field reports; Technical checklists of subproject designs</p>	<p>PIU detailed review of sub-project designs</p>	<p>PIU</p>
<p>Percentage of beneficiaries in targeted rural qishloqs with improved quality of water supply as a result of project investments</p>	<p>This indicator captures the impact of subproject investments in drinking water on households' access to clean drinking water. This indicator is restricted to qishloqs that select drinking water subprojects and within these villages, to households that do not have reliable/uninterrupted</p>	<p>Annual starting year 2.</p>	<p>MIS</p>	<p>These figures will be compiled based on field reports and uploaded into the MIS.</p>	<p>PIU</p>



	access to piped drinking water at baseline.				
Percentage of subproject investments of high technical quality	Measures the technical quality of the infrastructure subprojects	Baseline, Midline and Endline	Technical audit	A sample of infrastructure projects are audited using technical audit procedures.	PIU
Number of project beneficiaries (male/female)	Measures the implementation progress of subcomponent 1a, and specifically, the number of people benefiting from the Project's infrastructure investments.	Annual starting year 2	MIS	These figures will be compiled based on field reports and uploaded into the MIS.	PIU
Percentage of district and regional hokimiyats completing agreed local governance training curriculum in procurement and oversight.	Measure progress of training and capacity building activities for target districts and regional hokimiyats. Numerator is the number of district and regional hokimiyats who have completed the agreed local governance training curriculum in procurement and oversight. Denominator is the total number of district and regional hokimiyats in the Project's target districts and regional hokimiyats.	Annual starting year 2	MIS	Review of participant lists and minutes of project training sessions for district and regional hokimiyats	PIU



<p>Number of targeted rural qishloqs that produce development plans that reflect community members (male/female) priorities.</p>	<p>Measures the implementation progress of subcomponent 1b, which will provide facilitation support for Mahalla Citizens Assemblies to produce 3-year development plans that are reflective of community members' priorities.</p>	<p>Annually starting year 2</p>	<p>MIS</p>	<p>Comparison of community's priorities identified in focus group discussions with the priorities identified in Qishloq development plans</p>	<p>PIU</p>
<p>Percentage of tendering committees that have a qishloq representative providing oversight of the procurement process</p>	<p>This indicator captures the extent of community participation in oversight of procurement.</p>	<p>Annually starting year 2</p>	<p>Field reports and MIS</p>	<p>These figures will be compiled based on field reports and uploaded into the MIS.</p>	<p>PIU</p>
<p>Percentage of women's priorities that receive subgrant financing</p>	<p>Measures women's voice - whether women's priorities as identified in women's focus group discussions are prioritized for project investments</p>	<p>Annually starting year 2</p>	<p>MIS</p>	<p>Comparison of women's priorities identified in focus group discussions with infrastructure projects that the Project finances</p>	<p>PIU</p>
<p>Percentage of targeted rural qishloqs that have at least 50% female representation in the MCA project committees and social accountability roles (monitoring and oversight)</p>	<p>Measures women's voice and specifically, progress against 50% women targets for Project roles at the qishloq level. The baseline for the Mahalla Project Committees is calculated from a regionally</p>	<p>Annually starting year 2</p>	<p>Membership lists for Project roles</p>	<p>Review of membership lists for MCA project committees and social accountability role to count the number of total participants and female participants</p>	<p>PIU</p>



	<p>representative sample of MCA executive committees that was collected as part of the June/July 2018 baseline Listening to Citizens of Uzbekistan data. The calculation of the baseline indicator is limited to the Project's five regions. While the enumerators collected data on the sex of all executive committee members - head, deputy, secretary, posbon and women's committee representative - the sex of the women's committee member was excluded from this target as this position is almost always reserved for a woman. There is no baseline for the social accountability roles as this position did not exist at baseline in Uzbekistan.</p>				
<p>Percentage of district project committee members that are female</p>	<p>Measures progress against 50% women targets for Project roles at the district level. The baseline is based on the percentage (10.9 of deputy district hokimiyat positions) that women held</p>	<p>Annually starting year 2.</p>	<p>Membership lists for Project roles</p>	<p>Review of membership lists for district project committee members to count the number of total participants and female participants</p>	<p>PIU</p>



	as of 2017.				
Percentage of infrastructure subprojects for which procurement data is publicly accessible.	Measures the transparency element of participatory local governance processes.	Annually	MIS	These figures will be compiled based on field reports and uploaded into the MIS.	PIU
Percentage of grievances (gender disaggregated) which are received that are resolved	Measures whether the Project has established a feedback mechanism receiving and addressing complaints and feedback according to procedures. 100% of all grievances from men and women should be resolved.	Annually starting year 2	PIU	Field reports and MIS	PIU
Percent of MCA project committees that participate in knowledge sharing events within and across regions.	Measures implementation progress of Component 2, and specifically knowledge exchanges between MCA project committees. The midline target of 80% will capture the implementation progress among those MCA project committees that have been established by midline.	Annually starting year 2	Field reports and MIS	These figures will be compiled based on field reports and uploaded into the MIS	PIU
Percentage of qishloqs for which the required information is uploaded to the MIS in a timely fashion for project management to monitor results and for citizens to access	Measures the implementation progress of component 2, and specifically, investments in MIS and oversight	Annually starting year 2	Field reports and MIS	These figures will be compiled based on field reports and uploaded into the MIS	PIU



	mechanisms - transparency and citizen engagement.				



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Uzbekistan

Support to Uzbekistan Prosperous Villages (Obod Qishloq)

1. This Annex supplements the description of the implementation arrangements in the main text of the PAD by providing greater details on: (i) the Project's eight-step participatory implementation cycle, (ii) an indicative work plan for mobilizing and deploying the Qishloq Facilitators (QFs) and Qishloq Engineers (QEs), and (iii) the Project financial management assessment. It concludes by describing the Project's implementation support plan.

A. Sequence of the participatory implementation cycle

2. **The Project's participatory implementation cycle consists of eight stages and will span 24 months from the commencement of awareness-raising to the completion of the participatory monitoring activities in each participating qishloq.** The Project will cover approximately 300 qishloqs over its five-year implementation period. It will roll out in a phased manner with an initial target of covering 60 villages during the first year of implementation (2020 calendar year). A summary of each step in the cycle is presented below. The full participatory implementation cycle will be defined in the Project Operations Manual (POM).

3. **Stage 1: Establish District Project Committees (DPCs) and conduct village selection within participating districts.** During this stage, the facilitation teams will work with the district hokimiyat to establish the DPCs. The DPCs will facilitate access to data needed to identify eligible qishloqs and rank them based on distance from a district center and percentage of households without uninterrupted and reliable piped drinking water. The facilitation teams will organize a discussion among the DPC members on the outcome of the ranking process and allow for minor adjustments to the list based on local factors not captured in standard selection criteria. Once the list of participating qishloqs is finalized, the facilitation teams will assist the DPCs to organize a public meeting open to all MCA members, during which the results of the ranking will be presented. The list of participating qishloqs with data underpinning the selection process will be uploaded to the Project MIS. It is expected that this stage will take 14-21 days to complete.

4. **Stage 2: Outreach and Project introduction in participating qishloqs.** The DPC, Project Implementation Unit (PIU), and facilitation teams will agree on a work plan for covering the selected qishloqs. In large districts, it will not be possible to cover all qishloqs simultaneously, and coverage will take place in a phased manner over a multi-year period. In each village, the facilitation team will introduce the objectives and principles of the Project, present the participatory implementation cycle, and describe the roles of the key Project stakeholders (e.g. MCA executive committee members, MPCs, DPCs, the PIU, Unified Customer Services Engineering Company (UCS), facilitation teams, and the public at-large). This stage will take 1-2 days in each qishloq.

5. **Stage 3: Election of Mahalla Citizens Assembly Project Committees (MPCs).** The role of the MPC is presented in paragraph 73 of the main text of the PAD. During this stage, facilitation teams will conduct a series of pre-election meetings in each qishloq to explain the election process and roles and responsibilities of MPC members and establish an election committee and a Community Participatory Monitoring Committee. The latter committee must be independent of the MPC for accountability purposes. The MPC will be elected through a secret-ballot election and will consist of one male and one female from each neighborhood within the qishloq. This stage requires three to four visits by facilitation teams over a 14-21-day period depending on the size of the qishloq.



6. **Stage 4: Qishloq socio-economic and resource analysis.** The facilitation team will train MPC members to mobilize villages to carry out a series of activities the purpose of which is to analyze the socio-economic situation and assets available in the qishloq. Activities include: (i) a Public Resources Map that maps the location of existing infrastructure, location of households, farmland, areas at risk of flooding or other natural disasters, (ii) a Well-Being Analysis that identifies the number of high (in relative terms), medium, and low-income households, their physical location throughout the qishloq, and livelihoods/income-generating assets, (iii) Seasonal Calendars (in selected qishloqs only) to obtain a knowledge of when residents will be available to participate in Project activities and when they will be otherwise occupied, (iv) a Health Analysis to identify the health status of residents and underlying causes of poor outcomes (e.g. lack of access to clean drinking water), and (v) and an Education Analysis to identify the education status of residents (e.g. households with children not attending pre-school) and the underlying causes of poor outcomes. This stage will require 3-4 visits to each qishloq over a 14-21-day period.

7. **Stage 5: Qishloq development planning, initial subproject design discussions, and subproject selection.** During this stage, community facilitation teams will work with MPCs to analyze the data collected during Stage 4 and identify solutions to priority problems in the form of a qishloq development plan. For infrastructure investments, QEs will work with the MPCs to identify design options taking into account social and environmental safeguards impacts and cost variations. Alternative designs that minimize the social and environmental impacts will be discussed. In the case that land acquisition is unavoidable, QEs will follow the procedures outlined in the Environmental and Social Management Framework (ESMF) and POM to ensure that land is acquired according to the guidelines and documented appropriately. The facilitation team will assist the MPC to compile all this information into a qishloq development plan that identifies the subprojects to be financed through the Project. The MPC will organize a qishloq-wide meeting to seek endorsement of the plan. Once the plan is endorsed, a copy will be sent to the DPC, and PIU staff at the regional level for verification. DPCs, regional hokimiyats, and the PIU may not intervene to modify the qishloq development plan. PIU staff at the regional level will coordinate with members of the regional hokimiyat, and projects such as the FVEDP, to seek support for residents that identify livelihoods activities as a priority. This stage will require 3-4 visits to each qishloq over a 14-21-day period.

8. **Stage 6: Subproject implementation.** QEs will share the initial subproject designs and environmental and social safeguards screening documentation with the PIU engineering specialists who verify the eligibility of the subproject in line with the ESMF and POM. The UCS design engineers will then visit the qishloq to prepare the tender documents for the subproject design contracts. The UCS then conducts a competitive tender for the design services. Once the design is complete, the results are presented in a meeting with the MPC to ensure that the full subproject design is in line with residents' expectations. Any design modifications are discussed and agreed during this meeting. The UCS then prepares and conducts the tender for the subproject works contracts. The QE trains at least one MPC member to participate in the tender committee organized at the regional level. Monitoring during subproject implementation is conducted by UCS engineers, and trained with MPC members, with periodic spot checks conducted by the PIU engineering specialists. This stage is expected to take 120-180 days from initial design to subproject completion.

9. **Stage 7: Qishloq institutional strengthening.** In parallel to the subproject implementation stage, the QFs will conduct a series of training activities for MCA executive committee members and MPCs to evaluate the quality of activities carried out to date to, for example, identify ways to make the process more inclusive and adjustments required to the qishloq development plan. The QFs will also provide information to the MPCs on resources and programs to support activities in the qishloq development plan, such as income-generation activities. In qishloqs that select autonomous water supply subprojects, the QFs and QEs will support the MPC to form a CDWO, including legal registration, and training and capacity building to set the tariff level, obtain community agreement of the same, and otherwise operate and maintain



the system. Institutional strengthening activities will be further defined in the POM, and take place periodically through the end of the 24-month implementation cycle (36 months for qishloqs implementing autonomous water supply and sanitation subprojects).

10. **Stage 8: Community participatory monitoring.** In this final stage of the cycle, facilitation teams will train MPC members, Community Participatory Monitoring Committees, MCA executive committees, and DPCs to conduct social audits of the subproject implementation process. These will include a form of financial audit that involves the UCS and contractors, and review any complaints submitted through the Beneficiary Feedback Mechanism (BFM) or other sources. For completed subprojects, the Community Participatory Monitoring Committees will work with MPC members to review whether subprojects succeeded in producing the results envisaged in the qishloq development plans and solicit feedback from residents on their satisfaction with the overall process. This information will be compiled into a simple score card that are uploaded to the Project MIS. Data generated through the participatory monitoring processes will be used during the annual multi-stakeholder Project reviews to identify strengths and weaknesses and corresponding design modifications. At least one social audit and community score card will be produced within the 24-month implementation cycle.

B. Strategy for Mobilizing, Training and Deploying QFs and QEs

11. **Each participating qishloq requires support from a three-person team of QFs and QEs.** A facilitation team consists of two QFs, one male and one female, and one QE who are responsible for facilitating specific activities as part of the participatory implementation cycle described above. A single facilitation team can serve a maximum of six villages at one time. Facilitating partners, or in the case of directly hired QFs and QEs, the PIU, will be responsible for training the QFs and QEs in: facilitation skills, participatory rural appraisal methodologies, communications skills, the community participatory monitoring and social audit processes, reporting, and monitoring and evaluation.

12. **The Project will roll-out in participating qishloqs in a phased manner.** This will allow the PIU and FPs to mobilize and train a relatively small number of facilitators initially, learn from the successes and challenges faced during the first year of implementation, and adjust training curricula accordingly before mobilizing the second cohort of QFs and QEs to support the additional villages entering the Project during Year 2 (2021). Table 3 presents an indicative Project work plan of qishloqs to be covered annually with corresponding estimates of QFs and QEs required and annual disbursements for Component 1a.

Table 3: Estimated annual qishloq coverage, facilitation team requirements, and Component 1a disbursements

Calendar Year	# of Qishloqs covered simultaneously	# of facilitation teams required simultaneously	Total # of QFs and QEs to be deployed simultaneously	Projected Disbursement Component 1a (USD, million)
2020	60	10	30	15.9
2021	144	24	72	38.2
2022	168	28	84	44.5
2023	162	27	81	43
2024	78	13	39	20.7
Total	306	-	-	162.3

C. Financial Management (FM) Assessment



13. The FM assessments for the proposed Project were conducted in February and July 2019. The FM arrangements of the proposed project are considered acceptable for the implementation of this Project provided that risk mitigation measures are addressed prior to Project effectiveness date (please see the Section Financial Assessment). The overall risk for implementation of this Project was assessed as **substantial**, and the FM risk is also assessed as **substantial** at this stage due to the following: (i) the Ministry of Economy and Industry (MoEI) has limited experience implementing IFI-financed projects focused on small-scale infrastructure (ii) the Project covers five regions (Andijan, Ferghana and Namangan, Jizzakh and Syrdarya) of Uzbekistan, with challenges associated with operation in rural areas (lack of qualified human resources, physical distance), which will create challenges for the consistency and adequacy of FM arrangements, and challenges associated with interacting with, aligning and coordinating several state agencies and stakeholders.

14. The PIU, which is established under the MoEI for the Europe and Central Asia Region Capacity Development Trust Fund (ECAPDEV) Grant implementation is assumed to be the PIU structure for the Project as well. The PIU is headed by the PIU Director and is supported by a qualified FM specialist. The PIU management will need to ensure the functional and workable financial and accounting processes and internal control environment. The FM specialist will be invited to the available World Bank learning and capacity development resources (workshops, seminars). Regular support from the Bank will be provided, particularly at the initial stages.

15. **FM arrangements for AIIB funding.** There will be a Co-lenders Agreement for the purpose of joint co-financing to account for the AIIB co-financing. Under this agreement, the AIIB will fully rely on the WB financial arrangements and fiduciary controls. The World Bank will carry out all Services, including, inter alia, Environmental and Social Services, Procurement Services, Investigative Services, Financial Management, and Disbursement Services in accordance with its policies and procedures.

16. **Supervision Plan.** Considering the fact that this will be a first project for the MoEI, there will be two FM supervisions per year carried out once the project becomes effective. The supervision visits will include review of the primary documents and visits to the construction sites.

17. **Project Implementing Entity.** The proposed Project will be implemented by the MoEI. As the MOEI has limited experience with implementing projects support by the World Bank, the technical, managerial and fiduciary capacity requires strengthening. The roles, responsibilities, and functions of the PIU and related policies and procedures will be built from scratch and defined in the POM. The POM is under development and **will be an effectiveness condition**.

18. **PIU Staffing.** The PIU will include, inter alia, a project director, a procurement specialist, an FM specialist, a civil engineer/infrastructure specialist, an environmental safeguards specialist, a social safeguards specialist, a specialist on community mobilization, an MIS specialist, and M&E specialist. In addition to these professionals, the PIU shall hire as many individual consultants as needed to help with the implementation of specific project activities over the course of the implementation. The FM staff will be trained on the World Bank policies and procedures during the WB organized clinics and/or workshops (upon availability) and with additional implementation support after project effectiveness.

19. There will be Regional PIU unit which be responsible for supporting the procurement, financial management, and technical supervision tasks carried out by the UCS, including ensuring the flow of funds documentation is in good order and allows for smooth disbursements. In each region (Namangan, Ferghana, Andijan, Syrdarya and Jizzakh) there will be on-site technical staff supervising the construction works against planned budgets, contract terms, implementation timeframes, and quality standards.



20. **Budgeting and flow of funds.** The PIU will prepare annual budgets, based on the procurement plan and estimated operating expenses, and will submit those to the MoEI and the Ministry of Finance for review and approval. The PIU Director and FM specialist will be responsible for the Project budget preparation, planning and execution. The budget will form the basis for allocating the funds as per project activities and project periods. Based on agreed budget, the PIU will be entitled to use funds from PIU designated account. The funds flow documentation emanating from the regional level will be managed via the regional PIU unit which will be adequately resourced and staffed.

21. **Accounting.** The PIU at the national level will be in charge of keeping accounting records for this Project and will keep its accounting records in the accounting system which would be acquired and installed prior to Project effectiveness. The Project accounting records will be maintained in accordance with the Cash Basis International Public Sector Accounting Standards. At the same time, the PIU will apply accrual basis accounting to financial and accounting reporting with respect to state agencies (Ministry of Finance, Tax Committee, Statistics Committee, etc.). The accounting system would allow for fully automated accounting and reporting, including automatic generation of Statements of Expenditure, IFRs, and other reports required by national legislation. The system will have in-built controls to ensure data security, integrity, and reliability.

22. The accounting records will be maintained in the currency of payment, as well as in the USD equivalent, applying the actual exchange rate used at the currency conversion. The accounting records will include the necessary detail, including all individual payments under each contract, balances and transactions from the Designated/transit account.

23. **Financial Reporting.** The PIU will prepare and submit IFRs to the Bank every **calendar quarter**, starting with the quarter in which the first disbursement occurs. The format of IFRs will be agreed and will include (a) Project Sources and Uses of Funds, (b) Uses of Funds by Project Activities, (c) Project Balance Sheet, (d) Designated Account Statement, and (e) a Statement of Expenditure Withdrawal Schedule. IFRs will be automatically generated by the project accounting software. These financial reports will be submitted to the Bank within 45 days after the end of each calendar quarter.

24. **Internal controls.** The PIU will establish an internal control system capable of providing reliable and adequate controls over financial management and disbursement processes and procedures. These include controls for safeguard of assets, segregation of duties, authorization of transactions, review and approval of invoices, and contract management, among others. The internal control system to be used by the PIU, and additional reporting and auditing requirements, will be specified in detail in the Project Operations Manual (POM).

25. **External audit.** The PIU under the MOEI will be responsible for arranging the annual audit of Project Financial Statements. The Project Financial Statements audit will be conducted (i) by independent private auditor firm acceptable to the Bank, on terms of reference acceptable to the Bank, and (ii) according to the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. The project audit will include (i) audit of financial statements; and (ii) review of the internal controls of the PIU with special attention to the compliance with requirements established in Financing Agreement and World Bank guidelines and procedures and also requirements as per national legislation. No entity audit will be required. Table 4 below summarizes the audit requirements for this project.

Table 4: Audit requirements

Audit Report	Due date
Project Financial Statements	Within 6 months of the end of each fiscal year



Audit Report	Due date
<p>The Project Financial Statements include Project Balance Sheet, Sources and Uses of Funds, Uses of Funds by project activities, Statement of Expenditures Withdrawal Schedule, Designated Account Statement, Notes to the financial statements, and Reconciliation Statement.</p> <p>No Entity audit (i.e. audit of the MoEI) will be required under the project.</p>	<p>and also at the closing of the project</p>

26. The audited project financial statements will be disclosed to the public in a manner acceptable to the Bank. Following the Bank’s formal receipt of these statements from the Recipient, the Bank will make them available to the public in accordance with the World Bank Policy on Access to Information. Audit of annual Project Financial Statements will be financed from credit proceeds.

27. **Disbursement.** The PIU is responsible for planning and managing project disbursements, as well as for the preparation and submission of withdrawal applications to the International Development Association (the Association). For this purpose, the PIU shall have access to the Association’s Client Connection platform. The Project would use standard disbursement methods, including Advances (Designated Account), Direct payments, Reimbursements and Special Commitments. The Project funds will be disbursed to the designated accounts at a financial institution acceptable to the Association. The first designated account will be shared by the Association and the AIIB and will be used only for financing Subcomponent 1a expenditures by both the Association and AIIB. The expenditures financed through this DA will be cost-allocated in the proportion (50/50). The second designated account will be utilized for Subcomponent 1b and Component 2 and will be used for transfer of the Association’s funds only. The detailed guidance on the designated accounts, DA maintenance and ceilings, costs allocations, and other details will be specified in the Disbursement and Financial Information Letter.

28. All the payments from the DAs will be executed centrally by the PIU (there will be no payments executed by regional PIU staff) and the payments will be made for the eligible expenditures. The DAs will not be pooled with other funds not related to project. Eligible project expenditures, consisting of regular goods, consulting services, non-consulting services, training and operating costs, would be documented to the World Bank using Statements of Expenditure (SoE) and full documentation.

Implementation Support Plan

29. **Intensive implementation support is needed given the risks associated with implementing the Project across a wide geographic area and in a context in which the participatory approaches to local development planning and decision-making that are at the core of the Project are relatively new in the Uzbekistan context.** The World Bank’s implementation support coefficient will be supplemented by resources from the AIIB (as defined in the Co-Lenders Agreement) at a 5:4 ratio. The Bank will mobilize supplemental Bank-executed trust fund resources to complement the TA and capacity building activities financed under Component 2 with international expertise in specializations, such as participatory local development, that are in relatively short supply in Uzbekistan. The implementation support plan for the Project is presented in Tables 5-6 below, including timeline, focus, skills needed, and estimates of available resources for supervision.

Table 5: Implementation Support Plan

Time	Focus	Skills Needed	Resource Estimate
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<p>Preeffectiveness</p>	<p>Support PIU in the:</p> <ul style="list-style-type: none"> • Development of the POM; • Drafting terms of reference for: consulting services for FPs and other contracts that Component 2 will be finance (i.e., capacity building for regional hokimiyats, UCS and design firms; Project communications activities; and the baseline survey); • Development of a communications strategy/action plan/design of materials that addresses the Project's rules and procedures especially with respect to forced labor; • Organizing training that ILO and labor inspectors will deliver for hokimiyats, civil society activists and residents of selected qishloqs on labor rights and how to monitor forced labor in public works projects • Capacity-building for the UCS and the local design firms on engineering designs for the eligible subprojects will begin 	<p>Technical specialists in participatory development, FM, procurement, communications, engineering and third-party monitoring</p>	<p>US\$90,000 (Project preparation budget: \$50,000 WB+ \$40,000 AIIB); US\$50,000 Multi-Donor Trust Fund. "Support Program on Socially, Environmentally and Financially Sustainable Production of Cotton in Uzbekistan."</p>
<p>Years 1–2</p>	<p>Oversight and capacity-building guidance to implementing agency in staffing and Project team development and up-skilling.</p> <p>Technical support for:</p> <ul style="list-style-type: none"> • Baseline survey • Ongoing capacity building and organizational development support to PIU and FPs • Implementation of initial phases of the communications action plan • Supervision of citizen engagement activities <p>Supervision of cycle 1 of subproject investments in infrastructure, including FM, procurement, safeguards, and technical supervision</p> <ul style="list-style-type: none"> • Supervision of monitoring to ensure that there is no forced labor or evictions in the Project and that the GRM is effective • Outreach and recruitment of MPCs; oversight of cycles 1 and 2 community mobilization and social accountability process as defined in POM • Design and launch of capacity building activities for hokimiyat including UCS staff • Early implementation of gender action plan • Implementation of the annual multi-stakeholder review 	<p>Task team</p>	<p>US\$225,000 annually (Bank Budget (BB) for supervision + AIIB)</p>



<p>Years 3–5</p>	<p>Oversight and capacity-building support to implementing agencies, including reviews of the POM-defined Project cycle and revisions to POM, as necessary. Technical support for:</p> <ul style="list-style-type: none"> • Supervision of cycle 2 investments in infrastructure, including FM, procurement, safeguards, and technical supervision based on investment area; and taking into account lessons learned from the cycle 1 • Supervision of monitoring to ensure that there is no forced labor or evictions in the Project and that the GRM is effective • Spot checks and technical audits of small socio-economic infrastructure investments to ensure quality and safety of construction • Further training and capacity building of regional hokimyats including UCS; FPs; • Oversight of cycles 3 and 4 of community mobilization and social accountability process as defined in the POM and based on lessons learned from cycles 1 and 2 • Oversight of the midline (after two-and-a-half years of Project implementation) and endline project monitoring surveys and process monitoring study • Monitoring results of the communications action plan and supporting additional communications and outreach in communities on Project implementation • Monitoring implementation of the gender action plan and incorporating lessons learned • Conduct midterm review in year 3 • ICR 	<p>Task team</p>	<p>US\$225,000 annually (Bank Budget (BB) for supervision + AIIB)</p>
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Table 6: Required Skill Mixes

Skills Needed	Number of Staff Weeks for Five Years	Number of Trips	Location (Indicative/Initial)
Staff			
Task team leader (CDD)	60	15	Europe and Central Asia region-based staff
Engineering Specialist	16	10	Europe and Central Asia region-based staff
M&E and Gender Specialist	25	10	Europe and Central Asia region-based staff
Water Supply and Sanitation Specialist	10	8	CO-based staff
Climate Change/Energy Efficiency Expert	5	5	
Environmental Safeguards Specialist	15	6	HQ staff
Social Safeguards Specialist	15	6	HQ staff
Social Safeguards Consultant	20	-	CO consultant



Skills Needed	Number of Staff Weeks for Five Years	Number of Trips	Location (Indicative/Initial)
FM Specialist	10	-	CO staff
Procurement Specialist	12	-	CO staff
Communications Specialist	10	-	CO staff
Consultants			
Tashkent-Based Local Consultant/Liaison for ILO Third Party Monitoring Work	10	-	CO
Local Governance Expert Under Training and Capacity-Building Program	20	10	International expert
Engineering Experts under Training and Capacity-Building Program	10	5	Local and/or international expert
CDD Experts Under Training and Capacity-Building Program	4	2	International expert



ANNEX 2: Gender

1. The Project will focus on closing two gender gaps: (i) the gender gap in voice and participation in community-level and local governance decision making; and (ii) the gender gap in access to services.

2. Regarding the first gap, women's low levels of representation in parliament and local decision-making committees highlight their lack of voice and agency. As of 2017, Members of Parliament comprised only 16 percent women despite a quota requiring that women comprise 30 percent of political parties' candidate lists. Women are also underrepresented in other high-level decision-making positions. In 2017, all hokims in 14 regions and the city of Tashkent were male. Among 84 deputy hokims of regions, only 14 (16.67 percent) were women. As of May 2019, women comprised fewer than 10 percent of the regional governments in all three of the Project's target regions—8.3 percent of 60 positions in Ferghana, 8.6 percent of 58 positions in Andijan, and 5.2 percent of 58 positions in Namangan. Women were better represented at the district level, accounting for 193 of 1,772 deputy district hokims (25 percent) in 2017. At the local level, older men traditionally dominate MCA decision-making positions. Following the GoU's introduction of elections by secret ballot for mahalla chairs in May 2019, women currently hold 12.9 percent of chair positions in the Project's five target regions in Ferghana Valley, Jizzax and Syrdarya, and 12.3 percent of chair positions nationally. Each MCA reserves a seat for a representative of the local Women's Committee, who is responsible for working directly with local women and "strengthening the spiritual and moral values of families."³⁹ Thus, the representative is not focused on empowering women to ensure their voices are influential in MCAs or to confirm they have access to economic and other opportunities. When asked how much influence the Women's Committee representative on the MCA has over the distribution of local government funds, only 11.3 percent of men and 12.0 percent of women said they were very influential, compared to 36.7 percent of men and 31.3 percent of women who reported that the mahalla chair is very influential.

3. A mounting body of evidence suggests that increasing the profile of women, as well as representatives of minority groups, in elected office and public service has meaningful effects on the quality of public goods provision, the types of public goods that are provided including goods and services that meet the needs of the most vulnerable populations, civil society organizations' ability to understand the needs of their clients, the quality of political leaders, and the degree of corruption in the bureaucracy.⁴⁰ To address the gender gap in voice and participation, the Project has established a 50 percent targets for women's representation in district project committees (DPCs) (baseline is 11 percent). The Project has also established a 50 percent target for MCA project committees (MPCs), and social accountability roles, i.e., monitoring and oversight. The World Bank's task team calculated the baseline for the MPCs from a regionally representative sample of MCA executive committees that was collected as part of the June/July 2018 baseline Listening to Citizens of Uzbekistan data. The calculation of the baseline indicator is restricted to date from the Project's five regions. While the enumerators collected data on the sex of all executive committee members - head, deputy, secretary, posbon and women's committee representative - the sex of the women's committee member was excluded from this target as this position is almost always reserved for a woman. As the social accountability roles are project specific, there are no baseline values for this indicator.

³⁹ Decree of the President of the Republic of Uzbekistan No. UP-5325, February 2, 2018, "On measures to fundamentally improve activities in the sphere of supporting women and strengthening the institution of the family (<http://lex.uz/docs/3546745>); Women's Committee of the Republic of Uzbekistan. 2018a. What changes are taking place in the process of executing the Presidential Decree? 3 March. [Cited 17 August 2018]. <http://wcu.uz/o-skripte/128-kakie-izmeneniya-proishodyat-v-processe-ispolneniya-ukaza-prezidenta.html#sel=6:1,30:34>.

⁴⁰ Timothy Besley, Olle Folke, Torsten Persson and Johanna Rickne. 2017. "Gender Quotas and the Crisis of the Mediocre Man: Theory and Evidence from Sweden." *American Economic Review* 107(8):2204–2242; Brollo, Fernanda and Ugo Troiano. 2016. "What Happens when a Woman Wins an Election? Evidence from Close Races in Brazil." *Journal of Development Economics* 122:28–45; Amanda Clayton and Pär Zetterberg. 2018. "Quota Shocks: Electoral Gender Quotas and Government Spending Priorities Worldwide." *Journal of Politics* 80(3):916–932; Cedric Herring. 2009. "Does Diversity Pay? Race, Gender, and the Business Case for Diversity." *American Sociological Review* 74(2):208–224; Thomas B. Pepinsky, Jan H. Pierskalla and Audrey Sacks. 2017. "Bureaucracy and Service Delivery." *Annual Review of Political Science* 20:249–268.



4. Engagement in the CDD Project cycle will be measured through a project development objective indicator: the percentage of beneficiaries (male/female) who report having participated in the planning, decision making related to, or monitoring of subprojects.

5. As for the second gap, one of the major service delivery gaps women in Uzbekistan face is access to preschools. The L2CU revealed that country wide, only about one-quarter of children aged 3–6 attend preschool. In the bottom consumption quintile, only 17 percent attend preschool, compared to 33 percent among those in the top quintile. Qualitative evidence from two separate studies conducted in 2018 suggests that the absence of preschools in rural areas is a main constraint preventing women from entering the labor force.⁴¹ L2CU survey data confirm that female labor participation is significantly lower than that of males. The Uzbek labor market is characterized by low female labor force participation (only 31.4 percent), which is roughly half that of males (59.6 percent), and a high female unemployment rate (12.2 percent), which is more than twice the rate for males (5.3 percent). Among those aged 15–24, 23.9 percent of women are unemployed compared to 12.4 percent of men. Among those aged 25–34, 15.3 percent of women are unemployed compared to 4.6 percent of men. The female labor force participation rate is 24.6 percent (compared to 56.2 percent for men) in Andijon, 29.6 percent (vs. 57.3 percent for men) in Namangan, and 35.9 percent (vs. 59.4 percent) in Ferghana. The proportion of women in formal employment (47.6 percent) is significantly lower than men’s (56.6 percent). Women are more likely to be either “full-time homemakers” or simply not in employment compared to men.

6. Women in Uzbekistan incur the largest nonmonetary burden of inadequate water supply services. They are the primary collectors, users, and managers of domestic water, and are in charge of family hygiene.⁴² Only 37.8 percent of households in Ferghana region have piped water in their dwellings or compounds; the proportions are slightly higher in Andijon (41.1 percent), Namangan (42.5 percent), and Jizzakh (40.7 percent). It is much lower in Syrdarya, however (25 percent).⁴³ The majority of the remaining households in Ferghana Valley rely on public taps for water. On average, it takes households in Namangan, Ferghana, and Andijon 19 minutes (a maximum of 200 minutes), 13.2 (a maximum of 120 minutes), and 7.7 minutes (a maximum of 60 minutes), respectively, to reach the water tap, obtain water, and return to the household. Households in Jizzakh and Syrdarya take, on average, longer: 19.7 minutes (a maximum if 120 minutes) and 23 minutes (a maximum of 60 minutes), respectively. According to 2015 survey data, 85 percent of surveyed households that were unconnected to water pipes reported that adult females typically participate in collecting water.⁴⁴ In 98 percent of the surveyed households, women were responsible for cooking, washing dishes, and doing laundry. Among unconnected households, many survey respondents felt that a household connection to a networked water supply and sanitation would benefit women in particular. Focus groups suggest that women are also generally responsible for household water treatment, which involves boiling it to make it safe for drinking. In the cold season, they must heat water for laundry, bathing, and cattle watering. Qualitative data from two separate studies reveal the impacts of poor access to water on women’s time and physical health. In both studies, many women in focus groups reported lower back pain from repetitive lifting and moving heavy containers and other physical injuries.⁴⁵

⁴¹ World Bank. 2018. *Uzbek Population Risk and Vulnerability Assessment*. Washington, DC: World Bank; Nina Kolybashkina et al. 2019. *Listening to Citizens of Uzbekistan: Qualitative Results*. Washington, DC: World Bank.

⁴² World Bank. 2015. *Social Impact Analysis of Water Supply and Sanitation Services in Central Asia: The Case of Uzbekistan*. Washington, DC: World Bank.

⁴³ World Bank June/July 2018 L2CU survey.

⁴⁴ World Bank 2015.

⁴⁵ Nina Kolybashkina et al. 2019; World Bank 2015. In addition, an ADB survey from the Fergana Valley found that women and girls bathe less frequently when water in the household is limited. Asian Development Bank. 2013. *A Story within a Story, Gender and Water in Uzbekistan*. Asian Development Bank Publication Stock No. ARM135374-3.



7. The Project seeks to address these gender gaps in public service provision, taking specific actions to ensure that women both influence the decision-making process and are beneficiaries of the subproject investments. By increasing women's participation in MPCs and district selection committees and ensuring that the project committees conduct outreach with women's groups, the Project gives women a stake in decision making to ensure that service delivery meets their specific needs and priorities. The literature provides ample evidence that women's participation in community-level decision making increases budget allocations for services that benefit them and makes the services more accessible and responsive, particularly local health services, in addition to personal safety and social protection. In India, for example, increasing women's participation in local government led to a greater investment in drinking water infrastructure and an increased availability of public goods.⁴⁶ As an intermediate results indicator of women's access to services and infrastructure, the Project will track and measure the percentage of women's priorities (i.e., facility, service, or infrastructure project) that receive subgrant financing (target: 50 percent). At the PDO level, the Project will track the percentage of beneficiaries (male/female) who report that Project investments in basic rural infrastructure met their needs. At the intermediate level, the Project will track the percentage of female beneficiaries who report that the Project investments improved their access to infrastructure.

⁴⁶ Raghavendra Chattopadhyay and Esther Duflo. 2004. "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India." *Econometrica* 72 (5): 1409–43; Esther Duflo and Petia Topalova, "Unappreciated Service: Performance, Perceptions, and Women Leaders in India," Working Paper. Cambridge, MA: Massachusetts Institute of Technology.



ANNEX 3: Map of Uzbekistan

