



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 03-May-2019 | Report No: PIDA26327



BASIC INFORMATION

A. Basic Project Data

Country Uzbekistan	Project ID P166447	Project Name Uzbekistan: Strengthening the Social Protection System Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 23-Apr-2019	Estimated Board Date 18-Jun-2019	Practice Area (Lead) Social Protection & Labor
Financing Instrument Investment Project Financing	Borrower(s) Republic of Uzbekistan	Implementing Agency Ministry of Employment and Labor Relations	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve inclusion of poor and vulnerable people in the social assistance system and labor market, including those affected by the economic reforms in Uzbekistan.

Components

Modernizing the Social Safety Net
Improving the Effectiveness of Active Labor Market Programs
Project Monitoring and Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	50.00
Total Financing	50.00
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	50.00
IDA Credit	50.00



Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Uzbekistan, a lower-middle-income country with a population of 32.9 million (2018),¹ has made important progress in advancing toward the twin goals of poverty reduction and shared prosperity.** Following independence from the Soviet Union and transition toward a market economy, Uzbekistan emerged after 2000 with a pro-poor and equity enhancing growth. While the poverty rate decreased from 27.5 percent in 2001 to 12.7 percent in 2017, with nearly 4 million people living below the national poverty line, Uzbekistan still faces one of the highest poverty changes in the Europe and Central Asia. The income of the bottom 40 percent has grown at a slightly faster rate than that of the top 60 percent over 2008–2013. Access to utilities has increased among households in the bottom 40 percent, though substantial disparities remain between urban and rural areas and service quality and cost considerations may have offset some of the benefits of greater access. The Human Development Index of Uzbekistan has increased from 0.594 in 2000 to 0.710 in 2017, and the country is currently in the ‘High Human Development’ category.²

2. **In 2017, the Government of Uzbekistan launched a comprehensive process of market-oriented reforms.** After two decades of robust economic performance, a model characterized by strong state intervention in economic activity through a widespread presence of public enterprises started showing that Uzbekistan’s growth drivers are becoming exhausted.³ To address this trend, the Government of Uzbekistan announced a broad market-oriented reform program, and since 2017, the new administration has embarked upon an ambitious economic modernization program to reinvigorate equitable growth for all Uzbekistan's citizens. The Government started implementation of the reform program, which includes

¹ Uzbekistan Country Snapshot. October 2018. <http://www.worldbank.org/uzbekistan>.

² Human Development Indexes and Indicators: 2018 Statistical Update. United Nations Development Program (UNDP). http://hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf.

³ Uzbekistan’s evolution over the last 25 years increasingly created structural challenges in the country’s economy, including inadequate employment creation (relatively high unemployment, especially among the youth, and inactivity, insufficient job creation in relation to demand, and mismatch between labor demand and supply in terms of skills and qualifications); entrepreneurial deficit (economic output dominated by state-owned enterprises (SOEs) and microenterprises within the small private sector, poor business environment, lack of incentives for private firms undermining productivity); reduced competitiveness abroad (restrictive trade practices, reevaluation of the Uzbekistan som, and slowdown of neighbor economies); and record low levels of energy efficiency (inefficient operations and high subsidies) (World Bank. 2018. *Creating Markets in Uzbekistan: From Stabilization to Competitiveness. A Country Private Sector Diagnostic*).



five priority policy areas: improving public administration and state building, safeguarding the supremacy of the law, maintaining economic growth and liberalizing the economy, enhancing social safety nets (SSNs), and ensuring security.

3. **However, attention must be paid to assist groups adversely affected by the reforms in the short and medium term.** During the transition process, some groups of the population are being adversely affected. While the reform agenda is very popular (95 percent of citizens support the reform agenda and are optimistic about the future, according to the Listening to Citizens of Uzbekistan [L2CU] survey 2018), more than half of the households in the poorest quintile think that their financial situation is worse now than two years ago. International experience with relatively similar reforms shows the poor and those close to the poverty line are less resilient to price changes and may be affected through lower purchasing capacity (because of reforms like price liberalization, exchange rate liberalization, utility's tariff increases, and removal of subsidies). Even though recent initial measures related to rising tariffs in electricity and gas tariffs or removing subsidies for bread and flour have had a manageable impact on poor households,⁴ implementation of mitigation measures is urgent to support further reforms.

4. **While the working age population has been increasing over time, formal job creation has not kept the pace resulting in high informality, inactivity rates and growing outmigration.** Uzbekistan is Central Asia's most populous country: the working age population has been increasing by some 50 percent since 2000, from 14 million to 22 million today, putting pressure on the slow job creation challenges. Unemployment⁵ and inactivity rates are higher especially for youth, women and people in the poorest two quintiles⁶. Almost 52 percent of women above 15 years old are not in the labor forces as opposed to 23 percent of men. Youth (15-24 years old) unemployment rate is double than adult's (20 and 10 percent respectively) according to ILO 2017. About 56 percent of the population above 15 years was employed in 2017 (ILO) with a wide gender gap: the employment rate was 69 percent among men and 44 among women. Job quality and inclusiveness remain a concern, as average wages are low (US\$362 average in 2017) and almost half of the Uzbek workers are in the informal sector.⁷ Restrictions to internal labor mobility and rigidities in the labor code may have contributed to low increase in employment rates. More than half of the agricultural workers are subsistence farmers (World Bank 2017). Based on the recent L2CU data (2018), the lack of jobs as well as the low salaries are main concerns especially among the poorest and the beneficiaries of social assistance.

5. **The Government is aware of these potential unintended consequences of the reform and is committed to strengthening the social protection (SP) and labor system to complement the economic reforms and protect those vulnerable groups.** An effective SSN system in Uzbekistan is necessary to support the chronic poor and assist them to overcome poverty. At the same time income protection and employment promotion programs are needed to support those who become vulnerable because of the economic transition process: specifically, vulnerable households which will be affected by the consumer prices and utility tariff increase and those who will lose jobs because of SOE-restructuring reforms. As part

⁴ World Bank. 2018. "Tariff and Subsidy Reform: Assessing Impacts from Selected Elements of the Roadmap for Uzbekistan." Presentation.

⁵ Official unemployment rates averaged about 5.3 percent between 2014 and 2017. A change in methodology in October 2018 led to a large increase to 9.3 percent in 2018.

⁶ *Uzbekistan Risk and Vulnerability Assessment 2019* World Bank forthcoming. *The Skills Road: Skills for Employability in Uzbekistan 2014* World Bank, Washington, DC.

⁷ World Bank. 2014. "The Skills Road: Skills for Employability in Uzbekistan." World Bank, Washington, DC.



of the reforms launched in September 2017,⁸ the Government mandate includes the “implementation of comprehensive targeted social support measures to minimize the negative effects of monetary policy on the living standard of socially vulnerable groups of the population.”⁹ The third phase of implementation of the Uzbekistan Strategy in 2019 is dedicated to “active investments and social development.”¹⁰

Sectoral and Institutional Context

B. Sectoral and Institutional Context

6. **Uzbekistan has a relatively good SP system composed of social assistance, labor market interventions, and pensions.** The system, based on principles of full employment, universal childcare, and guaranteed old-age benefits, has been inherited from the Soviet period and is gradually transforming to a mixed one combining elements of universal and targeted systems. Total SP expenditures in Uzbekistan represented about 7.5 percent of gross domestic product (GDP) in 2017, decreasing from 11.6 percent in 2012. Social insurance remains the largest category, accounting for 85.9 percent of all SP expenditures (2017) and 46.4 percent of all beneficiaries (2017). Social assistance programs are much smaller in scope and in total expenditures on SP, they fell from 16.6 percent to 14.0 percent between 2012 and 2017, mostly because of the lower budget allocated to allowances for low-income families and allowances for families with children ages 2 to 13 years. Labor market programs traditionally remain the least significant categories in terms of expenditures (0.02 percent to 0.09 percent in 2012–2017). The official unemployment rate was 5.8 percent in 2017, higher than 5.2 percent rate recorded in 2016.

7. **Since 2018, the Government has introduced a number of SP measures to accompany the economic reforms.** The Government introduced a number of measures to accompany the economic reforms. First, in addition to the adoption of the national program for employment facilitation, the Government created the Fund for Public Works (FPW) in 2017 to provide temporary employment through public works and wage subsidies in private companies. Second, the budgetary allocation to the three family allowances substantially increased in 2018 following the decreasing trend in the past years. Third, the Government is in the process of improving the efficiency and effectiveness of the social benefits system through developing a social registry and adjusting the system to identify and select beneficiaries to reduce exclusion and inclusion errors. Finally, the Government is in the process of developing a major reform of the pension system. Despite these achievements, the country still faces some critical challenges.

8. **Nearly half of the population and one-third of the poor are not included in any SP scheme.** Based on the recently collected L2CU household survey data (2018), the SP system (including social assistance, social insurance, and labor market programs) supports about 55 percent of the population, mostly through social insurance which covers 44 percent of the population. Old-age pensions cover close to 38 percent of the population (and 85 percent of the elderly above 65 years) and are by far the SP instrument with largest coverage, including coverage of the poor¹¹ (29 percent). In contrast, social assistance programs cover only 16 percent of the population mostly through family allowances (covering 12 percent

⁸ President Decree No. UP-4947 ‘On Strategic Actions of the Republic of Uzbekistan 2017–2021,’ dated February 7, 2017.

⁹ President Decree No. UP-5147 ‘On priority measures to liberalize foreign exchange policy,’ dated September 2, 2017.

¹⁰ State Program ‘On implementation of the National Action Strategy on Five Priority Development Areas of the Republic of Uzbekistan 2017–2021’ in the year of active investments and social development. Presidential Decree No. UP-5635 dated January 17, 2019.

¹¹ According to the World Bank international poverty line of US\$3.2 a day.



of the population). It is estimated that only one out of three poor people receives any form of social assistance and that 37 percent of poor families receive family allowances. In general, when compared with relevant countries, there is scope for improving the coverage of the poor in Uzbekistan.

9. While means-tested benefits are progressive, there is scope to improve the targeting accuracy.

The proportion of the total budget allocated to the family allowances going to the poorest 40 percent of households is about 73 percent. While almost 60 percent of noncontributory old-age social pensions go to the poorest 40 percent of households. However, these benefits present substantial leakages; for instance, about 14 percent of the benefits for needy families and 22 percent of social pensions budgets accrue to the richest 40 percent of the population. Similarly, when looking at the beneficiary incidence, data show that 15 percent of family allowance beneficiaries, 20 percent of social pension beneficiaries, and 25 percent of other social assistance beneficiaries belong to the richest two quintiles.

10. Active Labor Market Policies (ALMPs) are relatively new and lack an integrated policy approach or definition.

Uzbekistan's Development Strategy 2017–2021, unveiled in February 2017, recognizes the need to improve the quality and quantity of jobs as a key priority area and promotes this goal through support for private entrepreneurship, worker training and skills upgrading, and economic diversification and reduction of the state's footprint in the economy. As of October 2018, the Ministry of Employment and Labor Relations oversees eight main ALMPs. The ALMPs include counseling, intermediation, public works, classroom professional training, on-the-job training, two microloan programs, and a quota-based employment scheme. None of the programs have been evaluated and monitoring data is not easily available and accessible. Most of these ALMPs do not leverage the full potential of the private sector. Between 70 and 100 percent of public works projects, professional training, and quota program placements concluded by the Employment Support Centers (ESCs) are with public sector firms, which are not always the most convenient or preferred employers from the standpoint of jobseekers. Qualitative evidence reveals that labor market program awareness is very limited among jobseekers. While there could be multiple reasons for low participation, the lack of awareness, especially given the fast-evolving menu of programs offered, or simply a lack of interest—for instance, due to general skepticism about using formal job search methods—are among the mostly reported reasons.

11. The quality and effectiveness of the Government's employment promotion efforts depend, to a large degree, on the performance of the ESCs.¹²

Public training institutions have very limited reach and their course menus have been slow to adapt to market needs or even to the Government's own ALMP priorities. Existing training targets only professional skills for formal wage labor, while there is no training available on business development and financial literacy, critical to successful micro- and small entrepreneurship. The ESC infrastructure needs urgent updating. Outside of Tashkent and major cities, many ESCs lack the necessary basic equipment and services to function effectively. Most facilities have unstable Internet service and more than 20 percent of technical staff lack access to a computer. Information systems are emerging but are still mostly rudimentary.

12. Worker layoffs are expected to increase as part of the SOE reforms.

For many years, the State has had a towering presence in the country's economy, with a sprawling SOE sector comprised, in 2018, of about 38,000 entities, generating about 50 percent of GDP, and providing up to 35 percent of formal

¹² They register prospective beneficiaries, collect data on registrants' skill and employment histories, provide counseling and intermediation services, refer beneficiaries for training and apprenticeships, run the public works program, communicate with local employers about job vacancies, monitor beneficiary participation in programs, and track beneficiaries' ultimate placement. They also determine and pay training stipends and unemployment benefits.



employment for 24–64-year-olds from vulnerable rural and low-income households.¹³ As the country moves to privatize or liquidate many of these assets,¹⁴ a key question that will need to be addressed is how to support the large numbers of workers who will be laid off in the process (according to the MELR, about 21,400 workers were laid off in 2018 in SOEs).¹⁵

13. While the government is relaxing restriction to internal and international mobility, barriers still exist and prevent efficient allocation of workers. Internal migration rates are very low in Uzbekistan by international standards, due in part to impediments to movement such as registration requirements. The government has taken initial steps to liberalize migration controls by relaxing restrictions on internal mobility (such as *propiska* permits) and by creating a new *Agency for External Labor Migration* to facilitate international migration and a Fund to support Uzbekistan migrants. Relatedly, the government is planning to undertake major changes to the *Labor Code* to increase the flexibility of the labor market by simplifying procedures for firing and hiring, regularizing new/flexible forms of formal employment (e.g. teleworking, home production, temporary, part time and seasonal work) and introducing measures to facilitate women’s access to formal jobs.

14. Regarding institutional arrangements, currently there is no one central government agency or ministry responsible for policy and decision making on SP or administration of SP in Uzbekistan. Currently, administration of SP programs is split among a number of organizations such as the MoF (Social Benefits); the off-budget State Pensions Fund (under the MoF); the Ministry of Health (provision of services for some vulnerable groups, including disabled, elderly, and orphans); the Ministry of Education (in-kind benefits for school-age children); and the MELR (ALMPs, intermediation services, public works, and micro-loans). The Government of Uzbekistan is in the process of reorganizing both policy making and program administration of SP programs—discussions are under way to establish a new agency or ministry in charge of SP policies.

15. Implementation of key SP programs requires substantial participation of the administrative regional and local levels with sufficient monitoring at the central level. Regarding social benefits, based on given quotas from the District Finance authority, *mahallas* are currently responsible for the identification and enrollment of beneficiaries, with limited supervision and monitoring from the central government. Transparent and accessible mechanisms to address queries, complaints from beneficiaries and non-beneficiaries, and resolve problems with implementation are absent. Grievances are mostly managed by *mahallas* on an ad hoc basis. For active labor market interventions, the central ministry is tasked with providing overall policy direction, oversight, and funding of administrative functions for all the MELR units. District-level authorities (ESCs) and the decentralized MELR units are responsible for the identification and selection of beneficiaries, as well as implementation of the programs.

16. Neither the MoF nor the MELR has a reliable information system to track program beneficiaries. Central-level authorities lack updated information regarding actual beneficiaries, individual payments, or

¹³ 2013 World Bank/German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ*), Uzbekistan Jobs Skills and Migration Survey.

¹⁴ Starting in 2017, the Government has put up hundreds of state-owned assets for sale. During 2018–2019 alone it plans to privatize 675 state assets. <https://www.export.gov/article?id=Uzbekistan-7-State-Owned-Enterprises>.

¹⁵ The current regulations guarantee laid-off workers severance pay. In case the financial situation of the firm does not allow compensation to the workers, the Employment Fund would provide a compensation benefit. The Employment Fund had only UZS 15 billion (US\$1.8 million) set aside for the purpose in 2018 and UZS 24 billion planned for 2019, though it is expected that dismissals will increase and that more unemployed will be in need of support.



benefits. Particularly for the ALMPs, funds are transferred to the district level where programs are implemented without clear reporting mechanisms. The MELR has recently expanded the Integrated Single Window Office (ISWO)¹⁶ to register online applicants of employment services and programs, which represents the first step to improving an electronic monitoring system.

17. **The proposed project is expected to continue contributing to the Government's efforts in strengthening the SP system.** The proposed project is part of a broader engagement the World Bank has with the Government of Uzbekistan to strengthen the resilience of key groups of the population, support alternative income-generating activities, particularly in rural areas, and protect the poor and near poor population to fall (further) into poverty and social exclusion. At the same time, the project is also contributing to creating and protecting the human capital of poor and vulnerable groups along with ongoing efforts to improve the quality and coverage of basic education and primary health. In this general framework, the proposed project will, first, help improve effectiveness of the SSN by better reaching and supporting low-income families through the piloting and rollout of single registry and raising effectiveness of social benefits. Second, it will support the Government in strengthening labor market interventions, specifically, in developing and implementing a Labor Market Information System (LMIS); enhancing the capacity of employment centers; and improving selected ALMPs to provide income support to targeted workers who lose their jobs because of economic reforms (entrepreneurships skills trainings, wage subsidy in private enterprises, and one-off transition benefits for workers of SOEs).

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to improve inclusion of poor and vulnerable people in the social assistance system and labor market, including those affected by the economic reforms in Uzbekistan.

Key Results

D. Project Description

Project Components

18. The proposed project is expected to support the Government of Uzbekistan in strengthening its SP system for poor and vulnerable households and to improve the access to formal jobs of vulnerable jobseekers, including measures to limit and mitigate the adverse impact of various economic shocks because of the ongoing economic reforms. Therefore, the project will have the twofold goal of protecting the poor and vulnerable and preventing the near poor from falling into poverty. The overall objective of the project will be achieved through the implementation of activities in three components to develop, consolidate, and roll out key SP operational systems; implement key active labor market interventions; and develop and implement a monitoring system.

¹⁶ A business process and a software application developed under a Rapid Social Response (RSR) Grant administered by the World Bank and implemented by the MELR (TFOA0823). The system supports operation of the MELR employment centers, managing intake and registration of applications for select social assistance and employment programs.



Component 1. Modernizing the Social Safety Net (approximate IDA credit amount: US\$5 million)

19. The objective of this component is to improve the effectiveness of key social interventions by better identifying the poor and vulnerable and providing timely and predictable benefits to address their needs. The component will be implemented through two subcomponents: (a) enhancing and rolling out the single registry and (b) improving the effectiveness of social benefits.

Subcomponent 1.1. Enhancing and Rolling Out the Single Registry

20. The IDA operation will support the implementation of the single registry in three phases. In phase 1, the project will complement the existing UNICEF and Government funds to implement and assess a pilot single registry in the Syrdarya region and prepare a rollout plan. In phase 2, the project will support the implementation and assessment of the single registry nationwide for the selection and enrollment of family allowances beneficiaries. In phase 3, the IDA operation will support the enhancement of the registry to include other social programs beyond the social benefits of low-income families.

Subcomponent 1.2. Improving the Effectiveness of Social Benefits

21. To improve the effectiveness of the social benefits for low-income families, the IDA project will support the design, implementation, and assessment of a pilot to test (a) alternative targeting methods to reduce the exclusion and inclusion errors related to the selection of beneficiaries of low-income family allowances; (b) the consolidation of family allowances into a single social benefit for low-income families and an alternative benefit amount structure, including the introduction of gradual phasing of benefits and/or partial income disregards for work-able beneficiaries of family allowances; and (c) the introduction of conditions (and related sanctions) attached to the family allowance benefit to promote labor activation of work-able beneficiary members in close coordination with activities supported under Components 2 and 3. This pilot will be designed and carried out during the first phase of the implementation of the single registry in the Syrdarya region to ensure comparability between targeting options and processes. Additionally, this subcomponent will support the Government to improve transparency, control, and accountability mechanisms in the administration and delivery of social benefits.

Component 2. Improving the Effectiveness of Active Labor Market Programs (approximate IDA credit amount: US\$41 million)

22. The objective of this component is to support a larger number of jobseekers in accessing formal job opportunities through improved effectiveness of the public employment services (ESC) and expanded ALMPs targeted to vulnerable jobseekers and implemented by the ESCs in partnership with the private sector. This component addresses three major challenges that the Government is facing: the expected high number of new labor market entrants, the need to adapt the employability of the workforce and jobseekers to the evolving needs of the labor market, and the increasing number of workers expected to be laid off because of the economic reforms, particularly the restructuring of the SOEs. To achieve these objectives, the proposed project will support the MELR through four interrelated subcomponents.

Subcomponent 2.1. Enhance the Capacity of Employment Support Centers to Implement Job Intermediation Services

23. The objective of this subcomponent will be to strengthen the capacity of job counselors at the ESCs to conduct effective and sustainable job placement with special attention to disadvantaged groups



(women, youth, people with disabilities [PWDs], the poorest 40 percent of the population, and those with low skills and obsolete skills hit by economic restructuring and in danger of becoming poor). This subcomponent will finance (i) a functional review of the ESCs; (ii) the development of a methodology for individualized case management and effective profiling tools; (iii) regular training sessions for the ESC staff; (iv) technical assistance to the ESCs to develop and implement a strategy to reach out to private employers and introduce performance-based contracting of the private sector for selected services and programs; (v) technical assistance to the ESCs to strengthen labor inspection and increase the capacity on reducing E&F through modern information technology (IT) techniques; and (vi) study tours to relevant countries and knowledge sharing through the participation of key officials.

Subcomponent 2.2. Financial Support to Promote Employment

24. The objective of this subcomponent is to promote wage employment and self-employment of vulnerable registered unemployed by scaling up and improving the effectiveness of the financial support introduced by the Presidential Decree No. 5635 of January 17, 2019 and regulated by the Cabinet of Ministers Order No. 4227. These measures are intended to reduce the cost for employers to hire, train, and retain vulnerable workers and for potential entrepreneurs to start a new business and contribute to addressing some of the most pressing labor market constraints. This subcomponent will finance selected labor market programs aiming at encouraging wage employment and entrepreneurship as well as reducing unemployment by providing financial support through a set of subsidies for employers and vulnerable unemployed individuals (youth, displaced workers from SOE and farm restructuring, women, and social assistance beneficiaries).

Subcomponent 2.3. Entrepreneurship Skills Training

25. This subcomponent will finance the development and implementation of a new training program to build entrepreneurial skills. The objective is to increase the management capacity and business skills/practices of individuals who plan to establish microenterprises to increase business profitability and job creation capacity. The intervention will include one- or two-week class-based entrepreneurship training to teach basic concepts on financial literacy, business practices, accounting and marketing skills, and access to markets, along with individualized follow-up visits aiming to identify knowledge gaps, provide mentorship, provide advice on how to improve the management of the microbusiness, and establish links to relevant associations and entrepreneur clubs.

Subcomponent 2.4. Develop and Implement an Integrated Labor Market Information System (LMIS)

26. The objective of this subcomponent is to support the development and implementation of a new LMIS to be hosted in the MELR.¹⁷ The LMIS is expected to support the MELR and ESCs to provide better information to jobseekers, students and employers (including modern web interfaces); facilitate the movement of workers where jobs are created, improve the management of the ALMPs; increase efficiency of the ESC staff (including utilization on mobile devices, tablets, for field activities); reduce E&F in the labor markets; and collect more detailed data for monitoring and more complex statistics and trend analysis.

¹⁷ Executive Decree No. 3856 of July 14, 2018, proposes measures to improve information systems through the introduction of an 'integrated national labor market system' connecting the ISWO with the national job Vacancy platform (ish.mehnat.uz), the database of vocational education and training graduates (among other databases), and the creation of a mobile app for the ESC's roaming employment inspectors/recruiters as an extension of the ISWO.



Component 3. Project Monitoring and Management (approximate IDA credit amount: US\$4 million)

27. The objective of this component is to support the Government in monitoring labor market interventions and managing the overall IDA project. This component will consist of two subcomponents. *Subcomponent 3.1. “Strengthening Labor Market Interventions Monitoring and Tracking”* focuses on the development and implementation of a set of activities and tools to enhance the Government’s capacity to monitor SP and labor interventions and contribute to the development of reforms to promote labor market flexibility and labor mobility. And *Subcomponent 3.2. “Project Management”* finance a fully staffed Project Implementation Unit (PIU) within the MELR.

Project Beneficiaries

28. Beneficiaries of the project will be poor and vulnerable people; jobseekers registered with the ESC, and microentrepreneurs in Uzbekistan; as well as staff at the MELR, MoF, ESC central and local agencies, and non-budget Pensions Fund central and local offices. The project will finance activities in the entire territory of Uzbekistan with a focus on selected regions for piloting interventions. Appropriate outreach efforts will ensure that vulnerable groups targeted by the project will be reached and properly informed. Equal representation of genders in the labor market program supported by Component 2 will be ensured by setting quotas for female participation.

Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

Implementation of project activities under its three components are to develop, consolidate and roll out key social protection operational systems, implement selected key labor market interventions and develop and implement a monitoring system. The proposed activities under the project are environmentally benign. Potential risks and impacts associated with ESSs have been screened and risks and impacts are minimal on environment and human population. Based on the screening results, since environmental risks and impacts were found to be minimal, the client was not asked to prepare an environmental management plan, as advised during concept stage.

Initial screening of social risks and impacts had revealed that: the interventions, by design, may not result in any adverse impacts. However, efficacy of the institutional and implementation arrangements may not be as expected at least in the initial stages of implementation. This could result in ‘exclusion’ leading to social conflicts. Further, given that the expected clientele includes poor and vulnerable, the risk at preparation was rated ‘substantial’. Mitigatory measure was at the bottom of the hierarchy – anticipation and avoidance. Towards this, the client was to undertake a SA and results of which were to be fed into designing the project.

The SA has been useful and effective in influencing the design. Now, the entire project can be dubbed as an Inclusion



Project, as the concept of Inclusion is fully imbibed in the project's PDO and components. Interventions are expected to result in inclusive development enabling effective reach out to poor and vulnerable sections.

Overall, ESS1, ESS2 and ESS10 are applicable from social perspective.

Note: To view the Environmental and Social Risks and Impacts, please refer to the Appraisal Stage ESRS Document.

E. Implementation

Institutional and Implementation Arrangements

29. **There is no central ministry in Uzbekistan that is responsible for SP policies and programs.** Currently, labor market programs and skills development for adults are under the responsibility of the MELR, while the core of the social assistance interventions—the allowances for low-income families—is institutionally administered by the MoF, which is also responsible for the administration of pensions. Furthermore, the single registry (and the delivery of the family allowances) will be institutionally located in the Pensions Fund in the MoF. The project will be implemented by MELR. A PIU will be established within MELR and responsible for the implementation of the project, including technical-, monitoring-, fiduciary-, and safeguards-related aspects. The implementation Component 1 requires strong coordination with the Pensions Fund in the MoF, while Components 2 and 3 will be implemented by the MELR.

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