I. Introduction and Context

Country Context

Uzbekistan is a lower middle-income, resource rich, doubly-landlocked country, strategically located in the heart of Central Asia. Its population of about 28.2 million (mid-2010), about half of whom live in urban areas, accounts for about forty percent of Central Asia’s total. It is the world’s sixth largest cotton producer and fourth largest raw cotton exporter. As the only country bordering five other Central Asian states including Afghanistan, Uzbekistan’s economic and social development is important not only for its own young and rapidly growing population, but also for the management of the region’s energy, water, and trade as well as for its political stability and security. It has enjoyed robust gross domestic product (GDP) growth since the mid-2000s—averaging 8 percent annually according to official data—due mainly to: (i) favorable terms of trade for country’s key export commodities—copper, gold, and natural gas; (ii) the government’s macro-economic management, including its government led-2008 stimulus; and (iii) limited exposure to international financial markets, which shielded it from contagion effects of financial crisis.

Poverty has declined in recent years, due to rapid economic growth, government investments, and increased remittances from abroad. According to official data, poverty declined from 27.5 percent of the population in 2001 to 19.5 percent in 2010. However, despite acceleration in poverty reduction since 2005 elasticity of poverty reduction to GDP growth remains low especially in the rural areas. The Government’s vision is for Uzbekistan to become an industrialized, high middle-
income country by mid-century. Among the critical elements for such a transformation are creating jobs for the rapidly growing population of young educated people and improving governance, including access to services and information on government policies and their outcomes.

**Sectoral and Institutional Context**

The recent assessments conducted independently by the World Bank, UNICEF, and national think-tanks indicate that administration of the social protection programs in Uzbekistan requires substantive investments in order to meet the needs of emerging middle income country and to ensure that its systems of public benefit delivery meet high standards of efficiency, transparency, security, accountability and quality service to the population.

In Uzbekistan, design and implementation of policies in social protection and labor are part of the mandate of the Ministry of Labor and Social Protection (MLSP). The Ministry operates a range of social programs to support the neediest. Administratively, it shares that responsibility with the local community organizations (Mahalyas). The role of the latter is to identify and enroll the families that require assistance, while the Ministry provides for centralized management benefit payments and supervision. Additionally, the same ministry manages programs in labor and employment. The fact that the same ministry manages both assistance and employment programs provides a strong advantage as those could be closely coordinated through an efficient administration, including one-stop-shop and unified referral system.

The Government is taking a gradual approach by focusing on reform of administration bottom-up. As the first stage, the Ministry is seeking to develop and pilot a concept of integrated single window office (ISWO) operation (as a new MLSP office) with streamlined functions and referral mechanisms, effective data consolidation and information management, and robust monitoring provisions. At the second stage (outside this grant), the Government is seeking to consolidate management of the social protection system on a centralized facility of the Registry of social beneficiaries. The Ministry of Labor and Social Protection (MLSP) has, therefore, requested the Bank to provide assistance to (i) developing the reform roadmap, (ii) the pilot of the ISWO concept, and (iii) the work on preparations for the national MIS/Registry design and implementation. The first step is supported by a related TA (P153562). The second step is the focus of activities under this grant. It will then feed into preparations of the forthcoming operation, as the third step.

Indeed, the current systems and processes at the local level are cumbersome, not transparent, and not user friendly. The proposed changes in the operation of the front offices will establish a set of common standards in service delivery, unifying application and eligibility verification process and establishing a common referral system (for both assistance and employment programs). This will result in lesser burden for the applicants, including reduced travel and paperwork requirements, faster benefit decisions, more accurate decisions, more efficient grievance mechanisms, and better overall awareness about a full spectrum of government services available from the regional offices of the Ministry.

Furthermore, at the moment, provision of social assistance and employment facilitation services are not related. The proposed pilot will develop and test mechanisms of referral between different programs to reduce dependency on assistance and promote awareness about employment opportunities. In doing so, the grant will contribute to better harmonization of policies in labor and
safety nets. Finally, it will help identify and better understand various bottlenecks in the current system that limit feasibility of better policy choices.

**Relationship to CAS/CPS/CPF**

The Country Partnership Strategy for 2012-2015 emphasizes importance of improving the social protection system, especially the targeting of assistance to the most vulnerable groups:

"Result Area 4: Improving access to, and outcomes of social services
This result area will support the government's objective to reduce regional and rural-urban inequities through promoting social inclusion and human capital development. To this end, the Bank would initially address the following government requests through recently approved lending (under the previous CAS) and studies: (a) improving the quality, and equitable access to early childhood education and basic education services; (b) providing more accessible quality and sustainable health services, especially in the rural areas, (c) continuing to improve the coverage and sustainability of potable water supply and sanitation services, and (d) improving the social protection system, especially the targeting of assistance to the most vulnerable groups."

Additionally, as the new CPF is in the process of development, the team will closely coordinate with that work to ensure consistency with the broader vision of reforms.

**II. Project Development Objective(s)**

**Proposed Development Objective(s)**
The PDO is to increase coordination among SPL programs and functions, to strengthen capacity of MLSP in delivering services to the vulnerable and needy groups of the population and implementing complex reforms, to establish a solid foundation for implementation of a national social Registry.

**Key Results**

1. Assessment of the current systems and recommendations on the streamlined operation of SPL programs produced.
2. Concept of the Integrated Single Window Office (ISWO) of the Ministry of Labor and Social Protection (MLSP) for provision of social assistance and employment services to population is developed, piloted in 2 locations, and evaluated.
3. A roadmap and detailed blueprint for implementation and rollout of a national reform of administration of the social assistance and employment programs prepared, including high level design of the Management Information System (MIS) and a Registry of beneficiaries, on the basis of the analysis and optimization of the local service provisions, piloting of the ISWO concept, best international practices, and future reform plans in Uzbekistan.
4. A training program for the staff in new procedures developed, including 100% staff from 2 designated MLSP regional pilot offices trained in the new business processes and client oriented service delivery.
5. Management and fiduciary capacity to support implementation of a complex national reform established within MLSP.

**III. Preliminary Description**

**Concept Description**
The project will focus on improving social service delivery by increasing the efficiency of the processes behind it, especially at the level of district operation, and by strengthening the capacity of MLSP's staff. It will support development of a detailed blueprint for the implementation of the Integrated Single Window Office (ISWO) for provision of social assistance and employment
services. The ISWO concept then will be piloted in up to two regional offices and evaluated, allowing MLSP to further improve the blueprint based on the learnings from the pilot. In addition, an assessment of HR development needs for MLSP and local governments will be conducted to inform customized trainings that the project will provide to strengthen the capacity of MLSP regional level staff to deliver the new mode of services. Mahalyas will be among the direct beneficiaries of the project in what the MLSP modernized offices will offer as improved services. Furthermore, it is planned to automate the operational interface between the MLSP and Mahalyas, as part of the design and implementation of a new MIS system. The activities under the project will be broken down into the following three components:

Component 1: Design, pilot, and evaluate the ISWO concept, develop a reform roadmap ($350,000) - RE
This component will focus on developing and piloting (on the basis of up to 2 regional offices) a concept of Integrated Single Window Office (ISWO) for the service provision to the population by the MLSP, with needs assessment and design of a business process and a software to automate the processes of identification, enrollment, decision, grievances, and monitoring of social assistance and labor programs. Specific activities will include:
1. Assessment of current business processes of service provision at all levels, from local self-government to the national level, with implications specifically for operation of the regional offices.
2. Development of proposals for optimization of roles, functions, and business processes (including options for strengthened payment procedures and integration with the MOF Treasury systems); development of standards in the social assistance and employment services provision to eligible groups of population.
3. Inventory of the existing software applications and databases supporting operation of the regional offices and developed by the MLSP at different times and for different purposes.
4. Assessment of capacity of the existing software application packages to meet the needs of various social and employment programs, with the view of operational consolidation.
5. Recommendations for integration of the existing software packages and corresponding databases under a framework of the ISWO, with the step by step guidance on implementation of the future centralized system of Registry of social beneficiaries.
6. Design and implementation of a software application to operate at the regional level as a building block for the future consolidated MIS. The new software will support the full array of services provided by the regional MLSP offices.
7. Analysis and design of specialized software applications supporting operation of Mahalyas. Provision of tablet computers to facilitate the work of MLSP inspectors working with Mahalyas.
8. High level design of the future Management Information System (MIS) and the Registry of beneficiaries.
9. Develop procedures for monitoring of the pilot processes and evaluation of the results.
10. Preparations for the pilot, including design of the operational documents (the Operations Manual, public awareness materials, guidelines for monitoring and verification).
11. Pilot the new ISWO concept and organize activities related to pilot evaluation.
12. Finalize operational procedures and standards; produce a final package of materials as a Roadmap for implementation of the national rollout.
13. Draft a safeguards framework and a manual to support capacity building for the future rollout activities to be implemented as part of the operation that will follow implementation of this grant.

In addition to national and international consulting services, this component will finance limited procurement of computer hardware and office equipment, including tablet computers, as well as
development of specialized software applications and a database, provision of necessary connectivity and power supply as may be needed, minor office upgrade costs, and operating expenses. The office upgrades may include any renovations - such as electricity, plumbing, cosmetic upgrades (walls restoration and painting, windows and doors repairs, etc) - that do not involve demolitions or changing structural integrity of the buildings otherwise, and that do not trigger safeguards polices, as per further consultations with the safeguards team on the basis of the renovations plan to be produced by the Ministry.

Component 2: Strengthen capacity to improve service delivery ($50,000) - RE
This component will focus on important activities complementary to the Component 1:
1. Assess the HR development needs for MLSP and local governments.
2. Design customized training programs for the staff at the different levels of the pilot implementation:
   a. At the level of the district offices, training for MLSP officers in client management, case management, specifics of various programs, uses of the new software application, and the computer literacy
   b. At the local government level, training on new mode of services provided by MLSP, including case management, etc.
   c. At MLSP level, training on the principles of effective management, planning, and budgeting for the social assistance and employment programs
3. Delivery of the workshops in the pilot areas
4. Define training needs and curriculum for the future stages of the reform, as preparations to the planned IDA operation

The above activities will be complemented by a campaign of raising awareness among the staff about benefits of the anticipated changes and sensitizing them to the new operational mode. This is to ensure a broad buy-in of the reforms by the staff of the regional offices.

This component will finance national and international consultancies, as well as training and workshop activities, including associated operating costs.

Component 3: Project management ($50,000) - RE
This component will finance establishment and operation of a PIU within MLSP, including the management and fiduciary team of national consultants (composed of, as to be further determined, financial management, procurement, office management, project monitoring specialists), and the costs of audit, minor office upgrade costs (see definition above) and operating expenses, as well as various short term national and international consultancies.

Component 4: Bank supervision and implementation support component ($100,000) - BE
This component will finance staff and consultants time, travel, and operating expenses for implementation support as well as design and implementation of a study tour program and activities related to pilot evaluation. Given important cross-sectoral policy linkages and operational synergies, we will closely coordinate within the SPL team as well as with the social development (GP SURR) team.

IV. Safeguard Policies that Might Apply
Safeguard Policies Triggered by the Project

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