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Report No: PAD3266

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF US\$50 MILLION

TO THE

REPUBLIC OF UZBEKISTAN

FOR A

STRENGTHENING THE SOCIAL PROTECTION SYSTEM PROJECT

MAY 28, 2019

Social Protection and Jobs Global Practice
Europe And Central Asia Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective May 1, 2019)

Currency Unit = Uzbekistan Som (UZS)

UZS8,445.23 = US\$1

US\$0.12 = UZS1,000

FISCAL YEAR
January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ALMP	Active Labor Market Policy
CODI	Core Diagnostic Instrument
CPF	Country Partnership Framework
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
ESC	Employment Support Center
E&F	Error and Fraud
FPW	Fund for Public Works
FM	Financial Management
GIZ	German Agency for International Cooperation (<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>)
GDP	Gross Domestic Product
GRM	Grievance Redress Mechanism
HBS	Household Budget Survey
ICT	Information and Communication Technology
IFR	Interim Financial Report
ILO	International Labour Organization
IT	Information Technology
ISWO	Integrated Single Window Office
L2CU	Listening to Citizens of Uzbekistan
LMIS	Labor Market Information System
M&E	Monitoring and Evaluation
MDTF	Multi-donor Trust Fund
MELR	Ministry of Employment and Labor Relations
MoF	Ministry of Finance
OECD	Organization for Economic Co-operation and Development
PDO	Project Development Objective
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PMT	Proxy Means Testing



POM	Project Operational Manual
PPSD	Project Procurement Strategy for Development
PWD	People with Disability
RSR	Rapid Social Response
SFEP	State Fund for Employment Promotion
SFM	Subsidies Financing Manual
SOE	State-owned enterprise
SP	Social Protection
SSN	Social Safety Net
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Uzbekistan	Uzbekistan: Strengthening the Social Protection System Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P166447	Investment Project Financing	Moderate

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
18-Jun-2019	31-Dec-2024

Bank/IFC Collaboration

No

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**

Component Name	Cost (US\$, millions)
Modernizing the Social Safety Net	5.00
Improving the Effectiveness of Active Labor Market Programs	41.00
Project Monitoring and Management	4.00

Organizations

Borrower:	Republic of Uzbekistan
Implementing Agency:	Ministry of Employment and Labor Relations

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

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	50.00	0.00	0.00	50.00
Total	50.00	0.00	0.00	50.00

Expected Disbursements (in US\$, Millions)



WB Fiscal Year	2019	2020	2021	2022	2023	2024	2025
Annual	0.00	3.58	7.33	11.91	12.27	10.47	4.44
Cumulative	0.00	3.58	10.91	22.82	35.09	45.56	50.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Social Protection & Jobs

Contributing Practice Areas**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	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate



8. Stakeholders	● Moderate
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

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
Community Health and Safety	Not Currently Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant



NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

The Recipient, through MELR, shall, not later than two (2) months after the Effective Date, install a fully functional software to be used during Project implementation for accounting and financial controls of the Project accounts.

Conditions

Type	Description
Effectiveness	The Recipient, through MERL, has established the PIU with composition, staff, resources and terms of reference satisfactory to the Association.
Effectiveness	The Recipient, through MERL, has adopted the Project Operations Manual in form and substance satisfactory to the Association.
Disbursement	The Recipient, through both MoF and MELR, has adopted SFM satisfactory to the Association.
Disbursement	The Recipient has, to the satisfaction of the Association, submitted acceptable evidence that activities have been satisfactorily concluded under Part 2.2 (a) (A) of the Project, in accordance with the criteria and procedures set forth in the SFM.



I. STRATEGIC CONTEXT

A. 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 official 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 hosts one of the largest concentrations of poor people in the Europe and Central Asia region. 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 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. **The Government of Uzbekistan has made rapid progress on its path toward social and economic transformation.** On September 5, 2017, the official exchange rate depreciated by 50 percent and existing surrender requirements on exports were abolished. There have also been important steps to reduce the state’s large presence in the economy by liberalizing prices, removing trading controls and utility’s subsidies, and opening the economy to greater foreign and domestic private sector participation in job

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*).



growth and investment. Further reforms are expected to be undertaken in the near future, including those related to the restructuring of the SOEs.

4. **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.

5. **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 quintiles.⁶ 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\$218 average monthly nominal wage in 2018)⁷ and almost half of the Uzbek workers are in the informal sector.⁸ Restrictions to internal labor mobility and rigidities in the labor code may have contributed to the 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.

6. **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

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 State Statistical Committee.

⁸ World Bank. 2014. "The Skills Road: Skills for Employability in Uzbekistan." World Bank, Washington, DC.



prices and utility tariff increase and those who will lose jobs because of SOE-restructuring reforms. As part of the reforms launched in September 2017,⁹ 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.”¹⁰ The third phase of implementation of the Uzbekistan Strategy in 2019 is dedicated to “active investments and social development.”¹¹

B. Sectoral and Institutional Context

7. **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 5.9 percent of gross domestic product (GDP) in 2018, decreasing from 11.6 percent in 2012. Social insurance remains the largest category, accounting for 83 percent of all SP expenditures (2018) and 43 percent of all beneficiaries (2018). Social assistance programs are much smaller in scope and in total expenditures on SP, they fell from 16.6 percent to 14.2 percent between 2012 and 2018, 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 3 percent in 2012 and 2018 respectively).

8. **Since 2018, the Government has introduced a number of SP measures to accompany the economic reforms.** Between 2012 and 2016, SP programs in Uzbekistan had not experienced substantial changes in eligibility criteria or scope of expenditures. Between 2012 and 2016, the total number of beneficiaries of SP programs fell from 7.5 million to 6.4 million. While the number of social insurance beneficiaries remained steady, the coverage of social assistance had a dip in 2016. These trends substantially were reversed in 2018 when 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, in 2017 the Government created the Fund for Public Works (FPW) to provide temporary employment through public works and wage subsidies in private companies and increased budget for labor market programs (their share in all SP expenditures was about 3 percent in 2018). Second, as part of the measures to mitigate the temporary negative impact of some reforms, the budgetary allocation to the three family allowances substantially increased in 2018 following the decreasing trend in the past years. The coverage and budget allocated to the low-income family allowances (the smallest among the three types of family allowances) almost doubled in 2018 compared to 2015, the allowances to families with children ages 3–14 have increased by 20 percent since 2015, while the budget allocated to the families with children ages 0–2 increased by 10 percent. 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

⁹ President Decree No. UP-4947 ‘On Strategic Actions of the Republic of Uzbekistan 2017–2021,’ dated February 7, 2017.

¹⁰ President Decree No. UP-5147 ‘On priority measures to liberalize foreign exchange policy,’ dated September 2, 2017.

¹¹ 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.



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.

9. **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 poor¹² (29 percent). In contrast, social assistance programs cover only 16 percent of the population mostly through family allowances (covering 12 percent 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.

10. **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. 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. Existing inclusion and exclusion errors are the result not only of the eligibility criteria but also of implementation bottlenecks. The current selection of beneficiaries of family allowances is based on a means test and on the role of the *mahallas* to reach out and encourage poor families to apply and conduct the living condition and needs assessment. Furthermore, the delivery of three different means-tested benefits for low-income families or families with children not only generates unnecessary administrative inefficiencies, but also horizontal inequality.

11. **Active Labor Market Policies (ALMPs) are relatively new and lack an integrated policy approach or definition.** 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; the MELR and ESC staff are aware that there is little demand for ALMP programs and services. 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.

¹² According to the World Bank international poverty line of US\$3.2 a day.



12. **The quality and effectiveness of the Government’s employment promotion efforts depend, to a large degree, on the performance of the ESCs.**¹³ 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. 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. The databases of the ALMP beneficiaries are often stored on local computers, disconnected from the online employer database, and some ESCs do not store beneficiary data electronically at all. Gender-disaggregated monitoring is conducted for few indicators: 50 percent of successful job placements by the ESCs are for women and half of vocational training participants were female in 2018.

13. **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 employment for 24–64-year-olds from vulnerable rural and low-income households.¹⁴ As the country moves to privatize or liquidate many of these assets,¹⁵ 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).¹⁶

14. **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.

15. **Regarding institutional arrangements, currently there is not a 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 MoF (Social Benefits); the off-budget State Pensions Fund (under the MoF); the Ministry of Health (provision of

¹³ 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.

¹⁴ 2013 World Bank/German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit*, GIZ), Uzbekistan Jobs Skills and Migration Survey.

¹⁵ 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>.

¹⁶ 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.



services for some vulnerable groups, including disabled, elderly, and orphans); the Ministry of Education (in-kind benefits for school-age children); and 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.

16. 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.

17. 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 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)¹⁷ to register online applicants of employment services and programs, which represents the first step to improving an electronic monitoring system.

18. To respond to the Government’s fast-evolving reforms on time, the World Bank is providing technical assistance on a number of areas. During the past year, the World Bank team leveraged trust fund resources¹⁸ to inform the design of the primary legislation related to the establishment of a social registry and targeting mechanisms. At the request of the MoF, the World Bank team prepared a ‘Roadmap to Social Registry - Improving Support to Low-income Families and Beyond’ and reviewed multiple drafts of the corresponding Presidential Decree. The following analytical studies have also been discussed with relevant government stakeholders and are about to be finalized: (a) risk and vulnerability assessment of the population of Uzbekistan and (b) an in-depth targeting assessment. Together with the United Nations Children’s Fund (UNICEF) and ILO, the World Bank team is also conducting a comprehensive SP system diagnostic and assessment in close consultation with the Government. Technical assistance is also being provided in the context of estimating the social impacts of the energy reform, designing mitigation measures, and developing an objective and transparent mechanism to better target the poor and vulnerable.

19. 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

¹⁷ 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.

¹⁸ From the multi-donor trust fund (MDTF) RSR.



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.¹⁹ At the same time, the project is also contributing to create and protect the human capital of poor and vulnerable groups along with ongoing efforts to improve the quality and coverage of basic education and primary health.²⁰ 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. Relevance to Higher Level Objectives

20. **The proposed project is closely aligned with the national policies that were recently issued as part of the reform agenda.** Particularly, it will support activities that are part of the National Action Strategy on Five Priority Development Areas of the Republic of Uzbekistan 2017–2021, particularly under the priority area No. 4 on social development which includes, among others, SP for vulnerable groups, job creation, and social security. As part of this strategy, the Government is making efforts to strengthen its social assistance system to protect groups of the population who may be adversely affected during the transition period of the economic reforms and lay out a solid foundation to respond to any future economic shocks. The Government is planning to strengthen its SP system through a number of measures, which the proposed project is directly supporting. First, through introducing a modern social benefit system to support low-income families through well-targeted, adequate, and timely allowances. Second, by enhancing the provision of selected active labor market interventions to support unemployed individuals as well as those affected by the economic reforms to be engaged in temporary employment opportunities and enhance their skills and by modernizing the job matching function of employment centers. And third, a proper institutional setup and a set of operational tools to select and register beneficiaries of safety net and labor market programs, refer them to assistance and employment options, and track programs' and beneficiaries' progress, including a centralized and unified registry of beneficiaries of various programs, an objective targeting mechanism, and a comprehensive monitoring system.

21. **The project is also aligned** with the Performance and Learning Review (PLR) of the Country Partnership Framework (CPF) for Uzbekistan for the period FY16–FY20 (Report No. 126078-UZ; June 26, 2018). The PLR is focused on supporting Government to implement the structural reforms launched in 2016 at three levels, supporting the implementation of key measures to transition toward a full market economy, reform state institutions and complement the economic reforms with measures to invest in the human capital of the population, and support potentially affected population during the transition

¹⁹ From the Government perspective, in addition to the proposed SP operation, the following projects under preparation are aimed at achieving such objectives: Ferghana Valley Rural Enterprise Development Project (P166305), the Agriculture Modernization Technical Assistance (P162303), and the Science Commercialization Project (P170206).

²⁰ Currently, the World Bank is supporting operations in education (Promoting Early Childhood Development Project - P165737) and health (Emergency Medical Services Project - P159544).



process. The proposed project will directly support the achievement of the objectives under Focus Area 3 'Investing in People' of the PLR (a) (improving access to quality education and health and (b) building effective SSNs).

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

22. 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.

PDO-level Indicators

23. The achievement of PDO will be measured by following indicators:
- (a) Share of people in the poorest quintile that are receiving social benefits for low-income families
 - (b) Share of employment subsidy (any type) beneficiaries who have a job 6 months after program completion (disaggregated by vulnerable groups and sex)
 - (c) Share of employment subsidy (any type) beneficiaries who have a job 12 months after program completion (disaggregated by vulnerable groups and sex)
 - (d) Share of vulnerable jobseekers who find a job through ESC intermediation services (disaggregated by vulnerable groups and sex)
 - (e) Share of beneficiaries of the entrepreneurship skills training awarded financial support whose business is operational 12 months after completing training (disaggregated by sex)

B. Project Components

24. 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.

25. As the project will be implemented in the context of fast-changing economic reforms, the overall design has followed a flexible approach to better respond to potential institutional changes and the Government's needs while avoiding long internal procedures. In Component 1, the operation will be flexible and, depending on the Government's decisions and study results, be able to support the



Government of Uzbekistan in the following areas: (a) creating a new agency or unit responsible for the administration and delivery of SP benefits, (b) developing and implementing the social registry in phases and moving between phases after thorough assessments, and (c) scaling up a consolidated social benefit system after a pilot and assessment. Under Component 2, while the project will support a set of employment programs to connect vulnerable jobseekers to jobs, to maintain flexibility at the design stage the project will set an overall target of unemployed populations to be supported through the employment subsidies but will not predefine the specific programs' targets that the project will finance during the five years, as it is difficult to anticipate the actual demand and the profile of new unemployed individuals. Instead the proposed design provides flexibility through the implementation of a general framework to support eligible unemployed individuals through selected financial support options linked to job creation.

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

26. **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

27. **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 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. At the moment, the Government's decision is that the single registry will be institutionally located and under the responsibility of the Pensions Fund in the MoF. However, the Government is considering creating a new agency to be responsible for social assistance in the country either as a separate central government entity or as a unit within the structure of an existing ministry (still to be defined). In that case, once the new government body responsible for social assistance programs has been defined and operational, both the single registry and the administration of family allowances will be under responsibility of the new agency.

Subcomponent 1.2. Improving the Effectiveness of Social Benefits

28. **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 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.

29. **This component will support activities to implement the rollout and consolidation of the social registry, including a possible restructuring of the social benefits system.** Therefore, the specific activities to be funded by the project to support the Government through this component, particularly after phase 1 of the social registry, will be defined as project implementation makes progress.

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

30. **The objective of this component is to support a larger number of jobseekers access formal job opportunities through improved effectiveness of the public employment services (ESC) and expanded ALMPs targeted to vulnerable jobseekers 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 mitigate the risk of increased number of unemployed among youth and displaced workers and to facilitate labor mobility across sectors and geographical areas, this component will contribute to the Government's efforts to expand the supply and quality of employment programs and services with a focus on vulnerable groups in need of social support. 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

31. **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).

Subcomponent 2.2. Financial Support to Promote Employment

32. **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 Presidential Resolution 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. These measures will contribute to addressing some of the most pressing labor market constraints, in particular the insufficient technical and job-relevant skills (including socio-emotional) to adapt and transition between jobs,²¹ lack of labor demand, and lack of work experience (a barrier especially among youth).

²¹ Including sectoral labor mobility, from public to private jobs, from informal to formal jobs.



33. **This subcomponent will finance selected labor market programs in two installments, namely (a) a Pilot Installment and (b) a Rollout Installment, both aiming at encouraging wage employment and entrepreneurship as well as reducing unemployment through provision of Eligible Subsidies to Eligible Beneficiaries** (employers and vulnerable unemployed individuals—youth, displaced workers from SOE and farm restructuring, women, and social assistance beneficiaries). The financial support financed by the subcomponent will take the following forms: (a) subsidies to cover part of the costs to start a new business for vulnerable unemployed registered individuals with the ESC (for example, business registration costs, access to credit costs, social insurance contributions, and training fees); (b) wage subsidies for employers who hire socially vulnerable jobseekers above the minimum reserved number of positions (quota); (c) reimbursement to the employers for the professional training fees of new hires who are recruited based on the referrals of the ESCs. Overall, the subcomponent is expected to provide financial support to 20,000 vulnerable unemployed individuals registered with the ESCs. As it is difficult to predict the actual demand for each specific type of financial support and the profile of new unemployed individuals, the project will be flexible to support the subsidies that best respond to the needs of vulnerable jobseekers.

34. **The disbursement of the employment subsidy is subject to the adoption of a Subsidies Financing Manual (SFM).** The implementation of the three subsidies will be carried out on a pilot basis during the first year of project implementation. The pilots will be evaluated, and the design and implementation arrangements will be refined based on results. The allocation of funds across the three subsidies after the pilot phase will depend on the demand and evaluation results of each of the three subsidies. Moving from a pilot phase to full implementation will require the World Bank's 'no objection' that the pilot activities have been satisfactorily concluded based on independent assessment (disbursement condition).

Subcomponent 2.3. Entrepreneurship Skills Training

35. **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 program is meant to complement two government-sponsored entrepreneurship programs (micro-loans for vulnerable people and the new subsidy to cover business registration and insurance costs) by building the necessary skills and business practices to ensure the sustainability and profitability of small-scale entrepreneurs. The subcomponent will cover the costs related to the design and implementation of the program for about 15,000 vulnerable entrepreneurs.

36. 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. The frequency and intensity of follow-up visits during the six months after the loan will be decided depending on the profile of the beneficiary and based on results. During the first year, training will be targeted to (a) recipients of the MELR preferential micro-loans for vulnerable people to increase the sustainability of their businesses and (b) recipients of the newly introduced subsidy to reduce the business registration and insurance costs. Upon an assessment of the first year, the training may be extended to all potential entrepreneurs who are poor and to existing businesses.



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

37. **The objective of this subcomponent is to support the development and implementation of a new LMIS to be hosted in the MELR.**²² 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 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. The LMIS will integrate with the current ISWO and national job vacancies platform and will manage and analyze up-to-date information on all aspects related to labor relations and employment. Activities will include (i) the short-term maintenance and improvements of the current ISWO system and job vacancies platform (database); (ii) the preparation of IT concepts, specifications, and technical requirements for the development and implementation of the LMIS; (iii) upgrade of the information and communication technology (ICT) infrastructure, including hardware and software and (iv) equipment for the multifunctional center of employment services "Ishga Markhamat" (Welcome to Job).

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

38. **The objective of this component is to support the Government in monitoring labor market interventions and managing the overall IDA project.** This component will include the development and implementation of a set of activities and tools to enhance the Government's capacity to monitor SP and labor interventions. Capacity building activities under this component are also meant to contribute to the development of reforms to promote labor market flexibility and labor mobility. Finally, this component will finance a fully staffed Project Implementation Unit (PIU).

Subcomponent 3.1. Strengthening Labor Market Interventions Monitoring and Evaluation

39. **This subcomponent will fund the following monitoring and evaluation (M&E) activities:** (a) developing a Results Framework and monitoring system to track the performance of labor market interventions; (b) training staff at the MELR research center to analyze labor market data and compile regular reports; (c) carrying out employer skill demand surveys for short-term skills needs; (d) developing tools for medium-term skills forecasts; (e) contracting evaluations of the key selected programs; (f) conducting at least two rounds of beneficiary surveys to collect feedback from citizens (beneficiary and non-beneficiary) on programs' performance and inclusiveness; and (g) conducting annual financial audits for the entire project as well as annual technical audits for Subcomponents 2.2 and 2.3.

Subcomponent 3.2. Project Management

40. **This subcomponent will finance the establishment and maintenance of a PIU within the MELR.** The PIU will carry out the day-to-day project management and monitoring of all three components, including Component 1, which is under the responsibility of the MoF.²³ The PIU will be directly supervised

²² 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.

²³ Or by the new central government agency.



by and will report to the First Deputy Minister of MELR within the ministry's administrative structure and will also be responsible to provide support as necessary to the MoF for the implementation of Component 1.

C. Project Beneficiaries

41. 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.

42. The support of activities under Component 1 are targeted to the poor and vulnerable people, as well as the staff in the MoF and district offices of the non-budget Pensions Fund responsible for the implementation of the single registry. Classification of people as poor and vulnerable will be based on an income test regulated by the Resolution of the Cabinet of Ministers No. 308 of April 13, 2019. Direct beneficiaries of Component 2 include socially vulnerable groups²⁴ with preferential access given to (a) young people ages 18 to 34, (b) displaced workers from SOEs, (c) recipients of the MELR preferential micro-loans for vulnerable people, and (d) unemployed jobseekers willing to start a new business. Activities under Component 2 will also benefit staff at the MELR and ESC local offices, as well as all policy makers in other ministries indirectly (notably Higher Education, Economy, Finance, ICT) that will use the information provided by the LMIS.

43. 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.

D. Results Chain

44. The proposed project will support the Government of Uzbekistan to address three major challenges that may undermine the implementation of the economic reforms and prevent poverty and vulnerability reduction. These challenges are (a) the large proportion of poor families without any form of SP and employment support; (b) the increasing number of poor or near poor families with lower purchasing power because of price liberalization and dismantling of subsidies; and (c) the potential increasing number of unemployed individuals because of the SOE reforms as well as other measures, such as the cutting down of the Government procurement of cotton and wheat. The proposed project will contribute to address these challenges and achieve the PDO through a number of actions in two results areas: a first result chain focusing on strengthening the social assistance system and a second result chain focusing on improving labor market programs and services.

45. In social assistance, the development and implementation of an electronic single registry and the implementation of outreach and communication activities to the difficult-to-serve population will allow the Government to improve the transparency and objectivity of social benefits selection process, hence improving the targeting effectiveness and expanding the coverage of the poorest, many of whom are now

²⁴ 'Socially vulnerable' groups are defined by the law as college graduates, disabled, former military servicemen, former prisoners, victims of human trafficking, and unemployed individuals closer to retirement age.



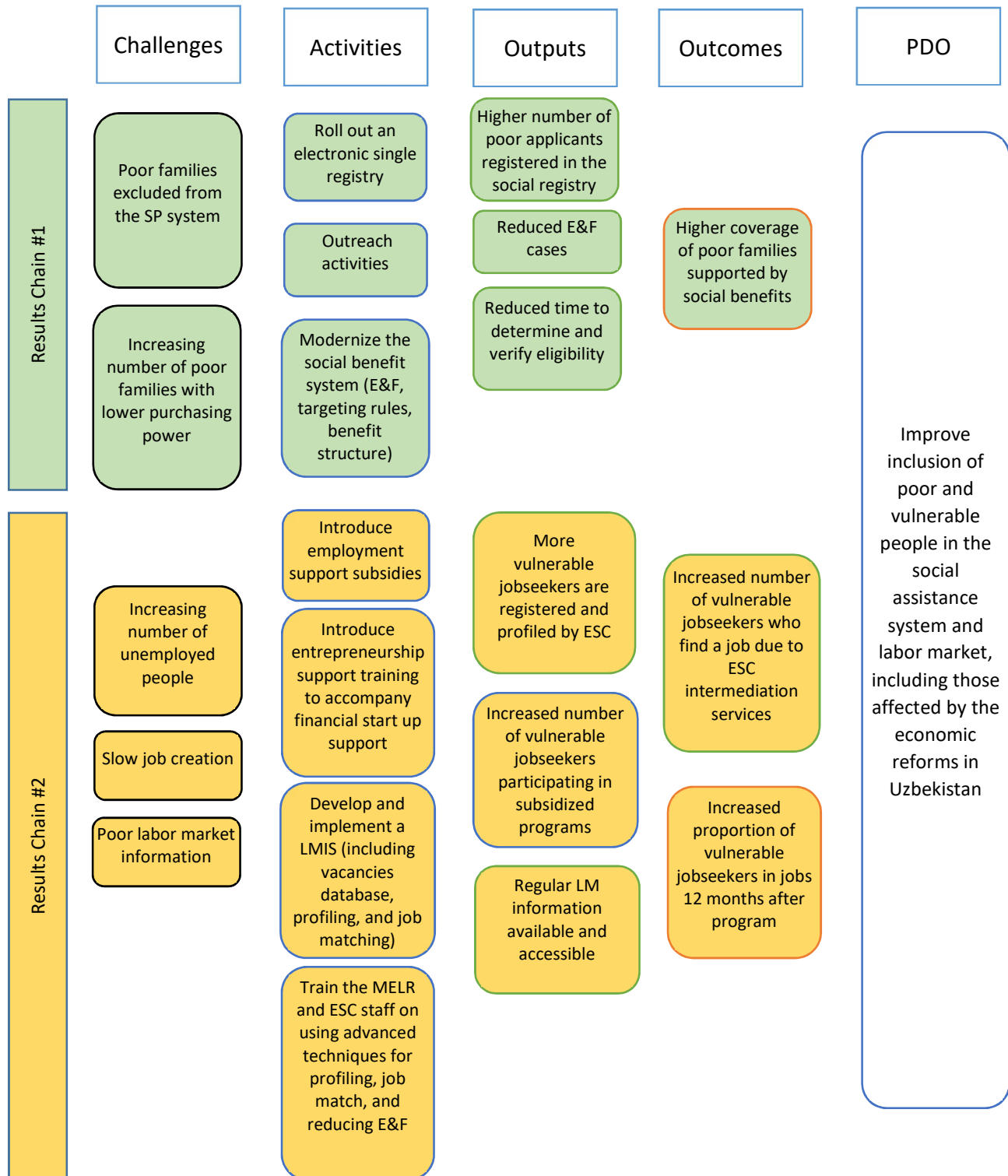
excluded. The activities supported by the project are expected to result in two important outputs: a higher proportion of poor families registered in the social benefits system and an integrated referral system to link individuals able to work with ESCs. The final outcome of this first results chain will be an increased share of beneficiary families supported by social benefits that belong to the lowest welfare quintile, which should eventually result in lower poverty incidence and higher inclusion in social assistance programs.

46. At the same time, the proposed project will support the Government to address the challenge of potential increasing unemployment because of recent reforms and measures, through revamping critical labor market interventions. These activities will be complemented by strengthening the ESCs. Upgrading the ISWO is a first step toward a broader integrated LMIS. These actions will provide the Government with adequate tools to register new unemployed individuals on time, carry out proper and opportune profiling, provide tailored counselling and job-matching services, refer jobseekers to appropriate ALMPs, and facilitate the job-to-job transition especially for SOE laid-off workers. The expected outcomes under this second results chain will be (a) an increased number of job placements among vulnerable jobseekers because of more effective job intermediation services and labor market programs (employment subsidies) and (b) an increased number of microbusinesses resulting from the improved business skills and practices acquired through entrepreneurship training as well as from the subsidized start-up costs for selected potential entrepreneurs. These activities are expected to result in higher labor market inclusion for vulnerable jobseekers, preventing them from falling into poverty.

47. The final outcomes of these two results chains are the basis of the PDO: improved inclusion of poor and vulnerable people in the social assistance system and labor market, including those affected by the economic reforms in Uzbekistan. Figure 3 visualizes the results chain and theory of change on which the proposed project is based.



Figure 1. Uzbekistan Strengthening SP Systems: Results Chain





E. Rationale for Bank Involvement and Role of Partners

48. **The World Bank is supporting the Government of Uzbekistan in a wide range of areas, focusing on those related to the transition to a full market economy.** As such, the World Bank has become a key partner of the Government to support the transition during the implementation of the economic reforms through key interventions in which the World Bank has comparative advantage and can provide substantial value added. The role of the World Bank in the process is not only supporting Uzbekistan to move toward a full market economy and transform the institutions accordingly but also ensuring that policies are in place to protect the poor and those who are temporarily affected by the transition as well as promoting their access to jobs and maximizing the human capital potential.

49. **SP and labor policies are key policy instruments to mitigate the potential negative impacts of the economic reforms and facilitate access to jobs.** The implementation of the economic reforms requires the consolidation of a modern and effective SP system to protect the poor and vulnerable as well as those individuals who may be temporarily affected by the implementation of the reforms. The World Bank is in a unique position to support the Government in Uzbekistan, given the holistic approach it can provide to ensure that the consolidation of the SP system in the country is sustainable and relevant in the long term, along with the expertise in the different areas that SP comprises and the international experience from participating in similar contexts in Europe and Central Asia and other regions. As has been the case over the last year, the World Bank can provide technical assistance in areas where the Government has limited expertise and international knowledge. The implementation of an IDA operation will not only ensure adequate financing to set a solid foundation for the modernization of the SP and labor system in the country but will also ensure ongoing collaboration during the implementation of the project.

50. **The World Bank is collaborating with several development partners to strengthen the SP systems in the country.** Since the preparation of the project, the World Bank has closely worked with key development partners at both levels, project preparation and future implementation, and analytical underpinnings to identify the operation and the main parameters of the project. The implementation of the project will be in close coordination with several partners, but it will be particularly important to ensure coordination with UNICEF and the Asian Development Bank (ADB). UNICEF is currently playing a significant role in financing and supporting the piloting of the single registry to improve the effectiveness of family allowances at a pilot level. The World Bank will complement UNICEF's efforts to ensure adequate implementation and assessment of the pilot, rollout of the single registry, and enhancement of the social registry. The World Bank has also been coordinating with the ADB, which is currently preparing a loan operation to support occupational standards and the quality of vocational training provision. The two operations mostly complement each other (the IDA operation focuses on labor market programs, while the ADB project focuses on vocational skills).

51. **Finally, the World Bank has collaborated with several partners to ensure that necessary analytical support and data to inform project design has been provided on time.** Two important aspects are, first, the analysis of the SP system (using the CODI methodology), which has been prepared by a multiagency team, including the World Bank, UNICEF, and ILO, and second, the preparation and implementation of the L2CU household survey, an initiative led by the World Bank in collaboration with UNICEF.



F. Lessons Learned and Reflected in the Project Design

52. The project draws on the following significant lessons learned from World Bank projects in the area of implementing social assistance reforms, employment support, analytical background work for this project,²⁵ and international good practices:

- (a) The introduction of a social registry in Uzbekistan is an innovative approach which has not been experienced before. For this reason, the option agreed by the parties involved in supporting the development and implementation of the registry is to pilot and assess it as a proof of concept for all future stages.
- (b) The implementation of social benefits in Uzbekistan, despite some progressivity, has proven to be ineffective in reaching a substantial proportion of the poor population, while a significant portion of benefits is reached by non-poor beneficiaries. Following international best practices, the proposed project will pilot and assess the implementation of consolidated means-tested benefits based on a benefit structure to better address families' size and socioeconomic situations while promoting labor market participation.
- (c) Uzbekistan has developed a comprehensive net of public employment services throughout the country, but there is scope for improving the services they provide to the unemployed population. Public employment services can be a cost-effective way to improve employment outcomes. Component 2 will support improvements to both on-site public employment services and improvements in the information and job-matching online systems to equip them to better respond to the impact of economic reforms, especially the restructuring of the SOEs.
- (d) A large body of recent empirical work documents the importance of skills in fostering employment and raising productivity. Developing skills increases individuals' employability and enables workers to carry out their jobs more efficiently, use new technology, and innovate. Hiring people with better skills allows firms to increase their productivity. Skills constraints in hiring hold back job creation in firms that could provide more productive employment opportunities (World Bank Skills Toward Employment and Productivity employer surveys).
- (e) Lessons from impact evaluations in developed countries indicate that training programs combining on-the-job training with 'employer-driven', class-based, job-relevant skills training are cost-effective ways to promote sustainable employment. In addition, recent evidence suggests that globally, the skills content of jobs is changing, with a decline in routine manual skills (which can be automated) and an increased use of skills that require

²⁵ The following four reports were produced under the RSR MDTF under the Supporting Uzbekistan's Inclusive Economic reform through Strengthening its Social Protection System (P166665): (a) A Roadmap to the Development of a Social Registry in Uzbekistan: Improving Support to Low-income Families and Beyond; (b) Uzbekistan Social Protection Targeting Assessment; (c) Uzbek Population Risk and Vulnerability Assessment; and (d) Family Allowances: Proposed Reform Options to Pilot in Syrdarya Region. In addition, 'A Review of Labor Market interventions in Uzbekistan' was delivered as part of the RSR-funded ASA 'South Caucasus and Central Asia: Learning Labs for Graduation and Activation Programs' (P166972).



problem solving, interaction, collaboration, and creativity.²⁶ These processes are also observed in European countries, especially in jobs held by younger workers.²⁷ Technological change makes technical skills redundant at a faster pace than before and as a consequence, students, jobseekers, and existing workers are more than ever in need to continuously adapt to changes in tasks based on employers' needs.

- (f) Programs supporting entrepreneurship are important policy instruments to boost the income of the poor and vulnerable (for whom self-employment is a key source of income) by addressing labor market constraints related to a lack of labor demand and, more specifically, addressing financial and nonfinancial²⁸ constraints impeding the development of a growing and productive microenterprise sector. Entrepreneurship programs addressing multiple constraints, hence combining business skills development with financial support and complementary services, have stronger impacts, as access to finance may not be the binding constraint for many entrepreneurs.²⁹

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

53. **There is no central ministry in Uzbekistan that is responsible for SP policies and programs.**³⁰ 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, a Presidential Decree issued in April 2019 established that the single registry (and the delivery of the family allowances) will be institutionally located in the Pensions Fund in the MoF.

54. **The project will be implemented by MELR.** The implementation of Component 1 will require strong coordination with the Pensions Fund in the MoF, while Components 2 and 3 will be implemented by the MELR. The implementation of the proposed IDA project will require technical, operational, and fiduciary staff at the MELR. Therefore, the ministry will legally establish a PIU within its administrative

²⁶ Autor. 2015. "Why Are There Still So Many Jobs? The History and Future of Workplace Automation." *Journal of Economic Perspectives*, 29(3), 3–30.; Autor, Levy, and Murnane. 2003. "The Skill Content of Recent Technological Change: An Empirical Exploration." *The Quarterly Journal of Economics*, 118(4), 1279–1333; and Frey and Osborne. 2013. "The Future of Employment: How susceptible are jobs to computerization?" Working Paper.

²⁷ Arias et al. 2014. *Back to Work: Growing with Jobs in Europe and Central Asia*. Washington, DC: World Bank; and Ridao and Bodewig. 2018. *Growing united: Upgrading Europe's Convergence Machine: Overview*. Washington, DC: World Bank.

²⁸ Financial constraints include prohibitively high interest rates and collateral requirements for vulnerable groups, while nonfinancial constraints encompass the absence of business knowledge, practices, management capital, limited access to markets (value chains), networks, mobility, and other factors.

²⁹ Blattman and Ralston. 2015. "Generating Employment in Poor and Fragile States: Evidence from Labor Market and Entrepreneurship Programs." Working Paper; Cho and Honorati. 2014. "Entrepreneurship programs in developing countries: A meta regression analysis." Policy Research Working Paper.; and Kluge et al. 2016. "Do Youth Employment Program Improve Labor Market Outcomes: A Systematic Review," IZA DP No. 10263, the Institute for the Study of Labor (IZA), Bonn.

³⁰ Currently, SP policies and programs are under the responsibility of the MoF (Social Benefits, the proposed single registry, and Pensions) and the MELR. However, the Government Plan for 2019 includes the creation of a new agency for social assistance programs. This new body could be a central government agency or a special unit within the administrative structure of an existing ministry, possibly the MELR.



structure reporting to the First Deputy Minister. The PIU will be responsible for the implementation of the project, including technical-, monitoring-, fiduciary-, and safeguards-related aspects for the three components of the project. The PIU will comprise at least a PIU coordinator, two labor specialists, two social specialists supporting the MoF on activities under Component 1, an M&E official, an FM specialist, an accountant/disbursement specialist, a procurement specialist, an IT specialist and two safeguards specialists.

B. Results Monitoring and Evaluation Arrangements

55. The PDO-level and intermediate results indicators will be monitored using the following sources and methodologies: (a) data collected through management information systems supported by the project (single registry, ISWO, and LMIS); (b) regular administrative data collection processes; (c) beneficiary surveys supported by the project and conducted by outsourced external firm(s); (d) process evaluations of the single registry pilot, the employment subsidy, and the entrepreneurship training; (e) a targeting and adequacy assessment of social benefits based on Syrdarya pilot; (f) an impact evaluation of employment subsidies; (g) other M&E studies conducted by the client; and (h) progress reports to be prepared by the project management team. The data source, frequency and responsible agents are reported in the M&E Plan (Section VII). The POM will further clarify agreed monitoring protocols for each indicator. The baseline value of the first PDO indicator is based on the L2CU household survey and will be tracked based on annual Household Budget Survey conducted by the State Statistical Committee. The target is based on the average performance of similar programs in the region. The measurement of other PDO indicators' baselines and targets rests on the administrative data systems that currently exist in MELR and that will be improved thanks to project activities. The targets of PDO indicators related to outcome 2 are based on the average outcomes expected from the three employment subsidies to ensure project flexibility.³¹ Gender specific targets have been estimated and added when applicable.

56. In general, the project management team would be responsible for gathering the relevant reports and information from the MoF and MELR representatives and other relevant parties involved in the project implementation (for example, ESCs, Employment Fund) to monitor the PDO and results and communicating with the World Bank according to the frequency of reports to be described in the project's Results Framework. The proposed project would also support continued building of the MELR's capacity (including its research center) to better track implementation, monitor key labor market interventions, and evaluate policy and programs based on the systematic and organized feedback from beneficiaries and the use of the management information system data.

³¹It is expected that 100% of beneficiaries of training subsidy will stay in the firm after 6/12 months, 50% of beneficiaries of the wage subsidy will have an employment 12 months after based on administrative evidence from similar wage subsidy programs in the region (Albania, Turkey), and between 50%-75% of beneficiaries of the startup subsidy will have an employment 12 months after based on similar interventions (Armenia).



C. Sustainability

57. Sustainability of the activities supported by the project can be assessed through three perspectives—the Government’s policy agenda and political support, the institutional and operational base, and financial sustainability and fiscal aspect.

58. From the policy agenda and political vision, the Government of Uzbekistan is committed to modernizing its SP system since the outset of the economic reforms. As explained earlier, strengthening SSNs was one of the main pillars of the comprehensive reforms launched by the Government in 2016. The Government approach to strengthen SP is comprehensive, involving reforms in all three pillars: social assistance through the development of the social registry and reform of social benefits, labor, and jobs through the revamping of key labor market programs and social insurance through the pensions reform. The proposed project is directly supporting the modernization of social assistance and labor, while the pensions reform is supported by technical assistance. The Government, at the highest level, is fully aware of the centrality of this reform to complement the economic reform and support targeted groups during the transition while increasing efforts to reduce poverty and vulnerability. From this perspective, the programs and activities supported by the project are well aligned with the national priorities, which suggests that the project objectives are sustainable.

59. From the institutional and operational perspectives, the project is focusing on areas that will strengthen sustainability. First, the project will focus on strengthening the SP system, particularly the single registry, the ISWO, and the LMIS. These activities will consolidate the building blocks of the SP system in Uzbekistan and will support the expansion of key social and labor market programs. Second, a substantial proportion of project activities are focused on capacity building, training, and technical assistance to enhance capacity at the MELR and the MoF at the central and subnational levels. This approach is intended to ensure that programs, interventions, and other activities supported by the project are sustainable and, as appropriate, scalable after the implementation period of the IDA operation has been closed.

60. From the fiscal and financial perspective, the proposed project will also support improving the efficiency of social benefits by improving targeting, minimizing administrative costs, and introducing adequate incentives to avoid dependency. Funding of social benefits is already fully financed by the state budget, so sustainability is ensured. Furthermore, by better targeting the poor, financing is more efficient, and more funds will be available to expand to more poor people by reducing inclusion of the non-poor. The project will also support the introduction of financial assistance to promote and facilitate permanent employment options and entrepreneurship training. Even though the implementation of the project may imply additional expenditures, on the one hand, there will be a rather small proportion compared with the ministry’s annual budget dedicated to labor market programs, and on the other hand, these are interventions to support the transition and therefore are expected to be scaled down once the economy accelerates job creation, reducing the medium-term fiscal impact of the project.



IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic, and Financial Analysis (if applicable)

61. The economic and financial analysis focuses on Components 1 and 2. The analysis and simulations are based on L2CU 2018 data, which are the most recent and nationally representative household data available, as well as administrative data shared by MELR on the monitoring of existing employment programs.

62. **The project is expected to increase the coverage of the poorest quintile and thus improve the efficiency of public spending (Component 1).** The modernization of the SSN supported under Component 1 is expected to improve the equity and efficiency of social assistance expenditures through the development of a unified social registry and the implementation of a more objective targeting system. Overall, the project is expected to increase the coverage of the poorest quintile (PDO indicator 1) and improve the efficiency of public spending in social assistance by reducing inclusion and exclusion errors.

63. **The analysis shows that the project-proposed scheme can substantially increase the cost efficiency of delivering social assistance (family allowances) to the poorest while increasing the coverage of the lowest quintile.**³² Simulating an overall coverage target of 10 percent has the best cost-efficiency ratio of 1.65 (a 14 percent improvement over the current ratio) and increases the coverage of the poorest quintile from 31 to 60 percent. In one year, benefits realized by reducing the amount of transfers made to non-poor already outweigh the cost of the component (one year benefits being 15 to 35 times higher than the total cost).³³ The overall efficiency is actually expected to be higher given two aspects not considered in the simulations, as there are currently not available data to measure them: (a) the decrease in administrative costs following the unification of the registries and automated procedures; and (b) longer-term positive spillovers, such as former social assistance beneficiaries who no longer receive benefits after successfully entering the labor market arising from interlinking social assistance registries and employment center's databases.

64. **Investments in employment centers' capacity will increase their efficiency in terms of (a) better job matching, (b) more individualized job counselling, and (c) faster placement owing to the revision of the processes (Subcomponent 2.1).** It is expected that the placement rate will increase among those groups targeted by the project. At the individual level, the monetary impact is measured in terms of future 'net' earnings flow (subtracting counterfactual earnings). They are estimated to range between US\$1,000 and US\$1,300 per individual over 5 years.³⁴ The enhanced capacity of the ESC staff affects the job placement rate in three dimensions: a higher likelihood to be placed, a faster placement and therefore lower unemployment duration, and a better match (proxied by higher level of earnings). Scenarios are built in which these parameters of impact vary. Overall, the benefit-cost ratios under all scenarios are high (ranging from 68 to 196). This is explained by the high leverage in investing in the skills of employment centers staff, as it trickles down to all jobseekers going through their services.

³² Cost efficiency is defined by the cost of transferring one unit to a poor household (total costs / total transfers to poorest).

³³ In the cost-efficiency analysis, 'poor' is defined as belonging to the bottom quintile (Q1) of consumption per capita distribution, while 'non-poor' is defined as belonging to the top quintiles (Q2 to Q5).

³⁴ The net benefits are expressed in net present value, using a discount rate of 10% over 5 years.



65. **The employability of vulnerable groups is expected to be improved owing to employment subsidies and entrepreneurship training (Subcomponents 2.2 and 2.3).** The implementation of employment subsidies to promote employment (subcomponent 2.2) and the entrepreneurship training supported under Subcomponent 2.3 are expected to increase the employment and human capital of the beneficiaries, therefore their earnings potential. In the longer run this may translate in better labor market outcomes such as higher likelihood of being employed and more productive occupations (proxied by higher level of earnings). Through investment in skills development, on-the-job training, and individualized mentoring, the programs' impacts are expected to be more sustainable, leading to higher job retention or higher rate of business survival, depending on the program. In both cases, this will lead to higher labor inclusion of vulnerable groups and lower poverty rates (especially among laid-off workers with difficulty to reentry). At the individual level, the monetary impact is again measured in terms of future 'net' earnings flow, taking into account only the impact of the program. They are estimated to range between US\$600 and US\$1,500 per individual over 5 years, depending on the intervention and depending on the assumptions used.

66. **The training subsidy and the entrepreneurship training activities display reasonable benefits cost ratios (Subcomponents 2.2 and 2.3).** At the individual level, the net benefit-cost ratio is estimated by comparing the discounted flow of increased earnings to the individual costs. This takes into account (a) the rate of employment (or entry into self-employment) following the interventions; and (b) the duration of wage employment (in other words, the risk of separation) or the survival rate of firms. The benefit-cost ratio ranges between 2.2 (entrepreneurship training) and 10.5 (training subsidy), which is a reasonable bracket given the conservative assumptions on the duration to consider for the returns to skills.

67. **All activities under Subcomponents 2.2 and 2.3 will also generate some job creation.** At the firm level, the wage subsidy and the training subsidy for skills upgrading could either (a) affect the firm's decision to hire vulnerable groups such as first-time labor market entrants (youth), hence affecting the composition of employment to make it more inclusive of vulnerable groups, not increasing the net job creation; or (b) provide a hiring incentive for some firms to open new positions. Similarly, self-employment could create jobs for some of the beneficiaries, even if some displacement can be expected. The impacts are simulated under different assumptions of net job creation, using data on youth unemployment as the primary targeted group. The headcount of youth unemployed could decrease by 0.5 to 3.4 percent, and the overall youth unemployment rate could decrease by up to 0.7 percent.

B. Fiduciary

(i) Financial Management

68. **The FM assessment of the implementing agency conducted in March 2019 concluded with Substantial risk rating,** mainly due to: (a) MELR³⁵ being the first-time implementing agency for the World Bank-funded project; (b) absence of PIU, and (c) FM arrangements are yet to be established. The FM arrangements will be considered generally acceptable for implementation of this Project provided that risk mitigation measures are addressed before the project effectiveness date (table 2).

³⁵ Except for the *Integrated Single Window Office for Social Assistance and Employment Services Project* implemented by the MELR and grant-funded from the Rapid Social Response Trust Fund (\$4450,000).



Table 2. Recommended FM Risk Mitigation Measures

Measure	Responsible Entity	Due Date
The Recipient, through MERL, has established the PIU with composition, staff, resources and terms of reference satisfactory to the Association	PIU under the MELR	Effectiveness condition
The Recipient, through MERL, has adopted the Project Operations Manual in form and substance satisfactory to the Association	PIU under the MELR	Effectiveness condition
The Recipient, through MELR, shall install a fully functional accounting software to be used during Project implementation for accounting and financial controls of the Project accounts	PIU under the MELR	Legal covenant (not later than two months after the Effective Date)

69. **The PIU will be adequately staffed to perform FM tasks.** The PIU, to be established under the MELR, will need to be staffed by a qualified FM staff (FM specialist and an accountant/disbursement specialist) to ensure the functional and workable financial and accounting processes, internal control environment, and so on. If required, the to-be-hired personnel will be invited to available World Bank learning and capacity development resources (workshops, seminars, and so on). Ongoing support from the World Bank will be provided, particularly at the initial stages.

70. **The PIU under the MELR will be ultimately in charge of and responsible for the overall project fiduciary tasks.** The MoF (particularly the Pensions Fund under the MoF) will be involved only in the technical aspects relating to the implementation of Component 1 (US\$5 million) through hiring two consultants funded from project proceeds. Two members of the PIU will sit in the MoF, support the MoF, and report to the PIU under the MELR on the implementation and status of Component 1.

71. **The disbursement arrangements will follow the traditional disbursement mechanism, including direct payments, replenishments of the Designated Account (DA), and reimbursements.** The minimum application size and designated account (DA) ceiling will be specified in the Disbursement and Financial Information Letter. The PIU will open a DA in U.S. dollar in a financial institution acceptable to the World Bank and a transit account in Uzbek soum as may be necessary, and both accounts will be used only for the inflow of project funds and payment of eligible expenditures. The PIU will be in charge of planning the project disbursements and preparation of withdrawal applications and making payments.

72. **The accounting records will provide necessary details on each contract and individual payments made from the project funds.** The PIU will submit quarterly interim financial reports (IFRs) to the World Bank starting from the quarter when the first disbursement occurs. 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 references agreed with the World Bank. The audit will be financed from the project proceeds, 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.

(ii) Procurement

73. **Applicable Procurement Framework.** The activities under the project would be subject to the ‘Procurement Regulations’. All procurement would be conducted through the procedures as specified in



the 'World Bank's Procurement Regulations for IPF Borrowers - 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 (STEP) system.

74. **Procurement risks assessment.** The overall procurement risk under the project was assessed as High based on the MELR's procurement capacity assessment carried out by the World Bank using the Procurement Risk Assessment and Management System (P-RAMS). The key risks concerning procurement for implementation of the project include systemic weaknesses in the areas of (a) low procurement capacity at the national level; (b) MELR lack of experience with the World Bank-funded projects implementation and procurement policy and regulations, (c) accountability of procurement decision making, (d) lack of technical expertise in preparing terms of references for selection of consultants, and (e) complexity of procurement processes and internal decision making that involves many government officials. The preliminary risk mitigation measures are:

- (a) Enhancing the procurement capacity of the MELR to ensure efficient and timely implementation of the proposed project. A full-time local procurement specialist would be hired through the proposed project as part of the PIU. The procurement specialist would be assisted by hired experienced international technical experts/consultants as needed, to particularly assist in the preparation of technical specifications of the equipment and furniture-related bidding documents;
- (b) Training for new and current staff on World Bank Procurement Regulations;
- (c) Providing a detailed POM chapter on procurement, including description of decision-making processes and accountability; and
- (d) Putting in place efficient contract management mechanisms.

75. **Summary of Project Procurement Strategy for Development (PPSD).** The PPSD has been developed by the MELR with close and active support from the Bank staff. Based on the findings of the PPSD the optimal procurement approaches have been determined and the Procurement Plan for the first 18 months of project implementation has been prepared and agreed. The strategy document includes detailed market, procurement approaches, and procurement risks analysis along with corresponding risk mitigation measures. The following aspects have been considered: (a) market analysis for large-value packages consulting services for development of LMIS, single registry enhancing and improving the effectiveness of social benefits; (b) hiring of consultancy for business and entrepreneurship trainings; (c) enhancement of the capacity of ESCs; (d) support to promote employment; and (e) M&E and information awareness campaigns.

76. The market analysis has confirmed the availability of relevant and relatively competitive markets (large number of consulting firms at national, regional and international levels. The PPSD and the Procurement Plan will be updated during project implementation to reflect any substantial changes in procurement approaches and methods to meet the actual project needs.



77. **Use of national procurement procedures.** All contracts for goods, works, and consultancy services following national market approach shall use the procedures set out in the Public Procurement Law dated April 2018. The provisions of this law are broadly consistent with the requirements of the World Bank Procurement Regulations, section V, paragraph 5.4, National Procurement Procedures, subject to the conditions specified in the textual part of the project Procurement Plan. The new public e-procurement system that the Government of Uzbekistan intends to establish in the near future will be assessed by the World Bank and if found acceptable, would be used to conduct procurement under the project for the type of methods and contract values that will be determined by the assessment.

C. Legal Operational Policies

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

D. Environmental and Social

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.

78. **The project does not include any new construction, or rehabilitation/renovation of existing buildings.** Therefore, the project activities are environmentally neutral. Initial screening of the environmental risks and impacts concluded that due to potentially low environmental risks and impacts, there is no need for the MELR to undertake an environmental assessment. Environmental considerations provided in the 10 Environmental and Social Standards (ESSs) were therefore considered not relevant. The MELR may consider including a session on project-level environmental management in their capacity development plan proposed under the social due diligence and reflected in the Environmental and Social Commitment Plans (ESCP).



79. **Citizen engagement.** Several citizen engagement mechanisms will be mainstreamed into different subcomponents of the project, such as (a) participatory planning through frequent focus group discussions (to collect feedback from employers, training providers, unemployed jobseekers, and ESC staff on the new subsidy); (b) beneficiary surveys every two years to collect feedback from citizens (beneficiary and non-beneficiary) on programs' performance and inclusiveness; and (c) a project-level grievance redress mechanism (GRM) to improve transparency and accountability and guarantee that the program will consider necessary feedback from beneficiaries (particular attention will be paid to using the GRM as a tool to ensure that beneficiaries and non-beneficiaries can make complaints about the management of the targeting process, timeliness and completeness of transfers, and any other perceived issue).

80. **Gender.** The proposed project will contribute to addressing gender-related challenges in the labor market and enhance knowledge on different gender dimensions (see annex 4 for more details). This directly relates to the gender mandate recognized by the CPF that "Addressing gender inclusion will also be key to meeting the country's development objectives in a more challenging environment" and commits to addressing IDA's special theme of gender equality across the portfolio through the pillar of 'removing constraints to more and better jobs'. Given the different reasons for women not participating in the labor force, the project will ensure equal opportunities to both men and women to participate from the project's interventions and be included in the single and social registries. First, citizen engagement activities will be designed in a way to include consultation on gender issues related to access to social and employment services. Second, analysis was conducted on the existing survey data (household budget survey [HBS] and L2CU) and administrative data from the ESCs and MELR to analyze specific constraints that women face in the labor market, quantify gender gaps, and estimate key performance indicator targets specific to women (the Results Framework of the project includes gender-disaggregated indicators when possible and sets different targets for female sub-groups). Data collection mechanisms will be established to facilitate the monitoring of gender results and impacts. Third, the project will use the gender-disaggregated data to inform project design and redesign to ensure that constraints women face are addressed in the project. Fourth, the GRMs to address queries or clarifications, resolve problems with implementation, and address complaints and grievances from beneficiaries and non-beneficiaries will be gender sensitive. And fifth, women and men will have equal opportunities to benefit from the project's efforts on improving the effectiveness of selected labor market interventions.

81. **Climate co-benefits.** The potential to add adaptation co-benefits associated with the establishment of the social registry will be assessed. The implementation of the social registry will support an objective income-based targeting system and no specific targeting to climate-vulnerable households is envisioned. However, overlaps are expected as monetary poor households are likely to be vulnerable to climate change. In fact, rural poor in Uzbekistan might be disproportionately affected by climate change given their greater dependence on agriculture, their relatively lower capacity to adapt, and the high share of income spent on food.³⁶

V. GRIEVANCE REDRESS SERVICES

82. **Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the**

³⁶ World Bank. 2013. *Reducing the Vulnerability of Uzbekistan's Agricultural Systems to Climate Change*. Washington, DC: World Bank.



World Bank'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 World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of the World Bank 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 Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. KEY RISKS

83. **The overall project risk is rated Substantial.** First, the implementing agency of the project is the MELR, which is a central agency with no previous experience with IDA operations. The assessments carried out as part of the preparation of the project show evidence that the ministry and some key units (procurement and fiscal management) require substantial support and need to be strengthened. Second, as the project follows existing legislation and government agencies' roles and responsibilities, project activities will be implemented by two different ministries (activities supported by Component 1 are, under existing legislation, the MoF's responsibility), which may require additional coordination between the two agencies. The above-mentioned fiduciary, political, macroeconomic and sectoral factors drive the overall risk to be rated as substantial. The agreed effectiveness and disbursement conditions, the dated legal covenant and the flexible elements that have been incorporated in the project design are part of the mitigation measures.

84. **Political and governance risk is rated Substantial.** The transformation of Uzbekistan's economy from a centrally planned model to a market economy poses potential political shifts that could threaten this transition. Following the devaluation of the local currency, for instance, SOEs, especially large ones, need support and changes to become sustainable, with the added political and governance risks because of potential layoffs and loss in credibility. However, the Government authorities are aware of this risk and are using a continuous consultation process and raising awareness on key policy measures. The Government's commitment to the reforms through, among others, foreign exchange rate liberalization, subsidy reform, price liberalization, and SOEs' reforms can also help control the political and governance risks by strengthening social protection of vulnerable groups. This risk would be also mitigated by the Government together with the World Bank and other development partners and stakeholders to continuously assess policy reforms, provide advice on the sequencing and pace of reforms, and provide hands-on support to address capacity limitations through technical assistance.

85. **The Macroeconomic risk is rated Substantial because of vulnerabilities in the financial sector and SOEs.** This risk stems from both external and domestic factors. On the external side, the uncertainties related to both nominal and real demand shocks for Uzbek exports may have a strong negative impact on growth, exaggerated by the high concentration of exports on China and the Russian Federation. Importantly, on the domestic side, and following the sharp devaluation, SOEs, which still represent the largest share of the economy, and the banking sector suffered valuation losses on their balance sheets. Given that banks and SOEs had enjoyed the Government's support, the change will raise risks. The banking



sector could be affected by weak growth and SOE performance, particularly in view of the sizeable amount of directed lending in their portfolios. The price and exchange rate liberalization may lead to high inflation in the medium run which, in turn, may require larger-than-expected contractionary fiscal and monetary policies. To mitigate this risk, the Government of Uzbekistan should (a) strengthen fiscal sustainability through reductions in transfers and preferential lending and (b) enhance the investment climate to support the broader reform agenda.

86. **The Sector Strategies and Policies risk is rated Substantial.** Strengthening the SP system is a priority in the policy agenda and part of the whole reform agenda that the Government of Uzbekistan is carrying out. From this perspective, the process of modernizing SSNs and improving effectiveness of ALMPs is likely to remain a priority in the coming years and the risk of being affected by political decisions seems to be moderate. However, the lack of a single central government agency responsible for SP in the country, the ongoing urgency to implement measures to mitigate short-term reforms (for example, utility's tariff reform, price liberalization) and the participation of other development partners in supporting government policy agenda with SP, may create risks in terms of policy priorities and the need of having a long-term vision to modernize the country's SP system (some of the risks are lack of consistency between different related policies (for example, safety nets and labor market), fragmentation and poor coordination of efforts to support vulnerable groups, and so on. This risk will be mitigated through ongoing policy dialogue and substantial technical assistance included in the project, as well as coordination with key development partners supporting the Government (for example, UNICEF, UNDP, and ADB).

87. **The Technical Design of the project risk is rated Substantial.** The project is supporting activities that the Government has demonstrated strong ownership for and are part of the Government's policy agenda and respond to needs that the Government is aware of. The project will support the Government in improving the effectiveness of the interventions and systems to better respond to the existing needs in Uzbekistan and support the economic reforms. The technical design will, however, still require substantial adjustments to the existing interventions to be successful. The proposed project will be implemented with the support of a well-staffed and supported PIU. The implementation of the ISWO at a pilot level demonstrated not only the intention of the Government to innovate to more effectively support the target population, but also that such innovation can be implemented with the adequate support. The team will mitigate this risk through several activities, including technical assistance through project supervision and implementation provided by a full-time World Bank SP staff based in Uzbekistan. Additionally, the project is focused on developing the building blocks for the sustained operation of key SP interventions (for example, single registry, objective targeting mechanisms, LMIS, integrated single window, and a comprehensive M&E system).

88. **The Institutional Capacity for Implementation risk is High.** The following reasons support the assessment of this risk. First, the MELR has no previous experience in working with IDA operations. Second, the ministry has limited capacity to administer and track programs and monitoring results; implementation of labor programs is the responsibility of subnational bodies at the district level, with substantial gaps in reporting and monitoring. Third, the ministry at the central level has limited capacity to perform additional activities, especially those related to procurement and FM. Fourth, the MoF is legally responsible for the development and implementation of the single registry and the family allowances without sufficient adequately skilled staff. To mitigate this risk, the project involves capacity building in all three components. Additionally, this risk is expected to be mitigated through (a) the conformation and



maintenance of a PIU during project implementation; (b) ongoing and substantial implementation support during project supervision, and (c) substantial support in the fiduciary areas. Finally, the project will be subject to close and ongoing support from the World Bank team at both the technical and fiduciary levels. Additionally, the Government is considering establishing a new agency or unit within a ministry to administer the single registry and family allowances. Even though this measure is yet to be implemented, it may create delays in the implementation of Component 1 of the project. To mitigate this risk, the project has included, as part of the support in Component 1, activities to assist the Government in this transition.

89. **The fiduciary risk rating is Substantial as the MELR has no experience in implementing World Bank projects.** Protracted procurement has been prevalent in the WB's portfolio in Uzbekistan. This could potentially be mitigated by recent GOU-WB agreements to adopt fast-track implementation and address low disbursements. Intensive handholding from Bank fiduciary team would also be necessary. Establishing the PIU and hiring qualified full-time Procurement and FM Specialists, accompanied by tailored fiduciary training will also help mitigate this risk. Both the POM and the SFM will also clearly define the funds and transaction flows, internal controls and etc. with respect to implementation of Project Components to ensure the targeted, effective, and efficient utilization of project funds.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Uzbekistan

Uzbekistan: Strengthening the Social Protection System Project

Project Development Objectives(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.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
Outcome 1. Increased share of poor families supported by social benefits			
Share of people in the poorest quintile that are receiving social benefits for low-income families (Percentage)		31.00	37.00
Outcome 2. Improved employability of vulnerable jobseekers			
Share of employment subsidy (any type) beneficiaries who have a job 6 months after program completion (disaggregated by vulnerable groups and sex) (Percentage)		0.00	75.00
Share of female employment subsidy (any type) beneficiaries who have a job 6 months after program completion (Percentage)		0.00	65.00
Share of employment subsidy (any type) beneficiaries who have a job 12 months after program completion (disaggregated by vulnerable groups and sex) (Percentage)		0.00	50.00
Share of female employment subsidy (any) beneficiaries who		0.00	40.00



Indicator Name	DLI	Baseline	End Target
have a job 12 months after program completion (Percentage)			
Share of vulnerable jobseekers who find a job through ESC intermediation services (disaggregated by vulnerable groups and sex) (Percentage)		40.00	45.00
Share of female vulnerable jobseekers who find a job through ESC intermediation services (Percentage)		25.00	35.00
Share of beneficiaries of the entrepreneurship skills training awarded financial support whose business is operational 12 months after completing training (disaggregated by sex) (Percentage)		0.00	65.00
Share of female beneficiaries of the entrepreneurship skills training awarded financial support whose business is operational 12 months after completing training (Percentage)		0.00	65.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Component 1. Modernizing the Social Safety Net in Uzbekistan			
Number of districts implementing the outreach activities included in the adopted outreach strategy (Number)		0.00	180.00
Number of households registered the social registry (Number)		0.00	1,000,000.00
Number of inactive work-able individuals registered in the single registry referred to ESCs (Number)		0.00	100,000.00
Share of social benefit applicants satisfied with the selection process (Percentage)		0.00	70.00



Indicator Name	DLI	Baseline	End Target
Number of administrative units (districts) adopting the Single Registry to select beneficiaries of low income family allowances (Number)		0.00	200.00
Number of officials trained in the use of the Single Registry (Number)		0.00	1,000.00
Average time between the day application is submitted and the day the eligibility decision is made (Number)		20.00	5.00
Regular social assistance reports produced from the single registry that are published in the website (Number)		0.00	4.00
Share of complaints received and recorded in the Single Registry that are addressed (Percentage)		0.00	75.00
Component 2. Improving the Effectiveness of Active Labor Market Programs			
Job counsellors trained in the use of profiling and referral tools (Number)		0.00	1,000.00
Share of registered jobseekers referred to existing ALMPs (Percentage)		38.00	40.00
Number of ESC's contacts with employers (Number)		25,000.00	50,000.00
Number of beneficiaries of employment subsidies (any of the three types supported by the project, by sex and vulnerable groups) (Number)		0.00	20,000.00
Number of participants who complete the entrepreneurship training, by sex (Number)		0.00	15,000.00
Share of graduates of the entrepreneurship training who launch a business after completing the training (Percentage)		0.00	75.00
Jobseekers' profiles generated in LMIS (Number)		0.00	1,000,000.00
Private enterprises receiving advisory and information services on training provision (Number)		0.00	4,000.00
Component 3. Project Monitoring and Management			
Percentage of project beneficiaries satisfied with activities		0.00	75.00



Indicator Name	DLI	Baseline	End Target
supported by the project, disaggregated by social assistance and LM interventions (Percentage)			
An M&E framework for MELR developed and regularly updated (Text)		No	Yes
Regular labor market reports of MELR produced based on information from the LMIS and the M&E system (Number)		0.00	4.00
A report produced, finalized and disseminated assessing the employers' skill demand survey data (Text)		No	Yes

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Share of people in the poorest quintile that are receiving social benefits for low-income families	Coverage of all three combined family allowances among households in the poorest quintile of the pre-social assistance consumption national distribution	Annually	L2CU household survey data and HBS data	Baseline is estimated through the World Bank collected L2CU household survey data (2018) due to lack of access to HBS data; updates and target will be monitored using HBS conditional on access	National Statistical Committee
Share of employment subsidy (any type) beneficiaries who have a job 6 months after program completion (disaggregated)	This indicator measures the number of difficult to employed individuals who	Annually	MELR's reports and documents;	MELR would monitor the employment history of participants	MELR



by vulnerable groups and sex)	have a job in six months after receiving any of the three employment subsidies supported by the project – disaggregated by type: women, youth, returning migrants, low income workers		LMIS	of the labor market programs supported by the project through the data from LMIS	
Share of female employment subsidy (any type) beneficiaries who have a job 6 months after program completion	This indicator measures the number of difficult to employed individuals who have a job in six months after receiving any of the three employment subsidies supported by the project – disaggregated by sex	Annually	MELR’s reports and documents; LMIS	MELR would monitor the employment history of participants of the labor market programs supported by the project through the data from LMIS	MELR
Share of employment subsidy (any type) beneficiaries who have a job 12 months after program completion (disaggregated by vulnerable groups and sex)	This indicator measures the number of difficult to employed individuals who have a job in twelve months after receiving any of the three employment subsidies supported by the project – disaggregated by type: women, youth, returning migrants, low income workers	Annually	MELR’s reports and documents; LMIS	MELR would monitor the employment history of participants of the labor market programs supported by the project through the data from LMIS	MELR
Share of female employment subsidy (any) beneficiaries who have a job 12 months after program completion	This indicator measures the number of difficult to employed individuals who have a job in twelve months after receiving any of the	Annually	MELR’s reports and documents; LMIS	MELR would monitor the employment history of participants of the labor market programs supported by	MELR



	three employment subsidies supported by the project – disaggregated by sex			the project through the data from LMIS	
Share of vulnerable jobseekers who find a job through ESC intermediation services (disaggregated by vulnerable groups and sex)	This indicator measures the job placement through ESC intermediation services for vulnerable groups – disaggregated by type: women, youth, displaced workers, returning migrants, PWDs, social assistance beneficiaries	Annually	ISWO/ LMIS	MELR will analyze data produced by LMIS	MELR
Share of female vulnerable jobseekers who find a job through ESC intermediation services	This indicator measures the job placement through Employment Centers’ intermediation services for vulnerable groups – disaggregated by sex	Annually	ISWO/ LMIS	MELR will analyze data produced by LMIS	MELR
Share of beneficiaries of the entrepreneurship skills training awarded financial support whose business is operational 12 months after completing training (disaggregated by sex)	This indicator measures the number of people who received entrepreneurship skills training and financial support to keep their business operational 12 months after the training completion. The data will be disaggregated by sex	Annually	LMIS	MELR will analyze data produced by LMIS	MELR
Share of female beneficiaries of the entrepreneurship skills training awarded financial support whose business is operational 12 months after completing training	This indicator measures the number of female beneficiaries who received entrepreneurship skills training and financial	Annually	LMIS	MELR will analyze data produced by LMIS	MELR



	support to keep their business operational 12 months after the training completion.				
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of districts implementing the outreach activities included in the adopted outreach strategy	This indicator measures the number of districts which received outreach activities	Annually	PIU	Administrative monitoring of the outreach activities led by MoF	MoF
Number of households registered the social registry	This indicator measures the number of households applying to be registered in the social registry	Annually	Social Registry	This can be monitored in the social registry system	MoF
Number of inactive work-able individuals registered in the single registry referred to ESCs	This indicator measures the number of work-able individuals registered in the single social registry (or via their household) and referred to ESCs to benefit from Employment Services	Annually	Social registry and ISWO/ LMIS	The monitoring is done by MELR in ISWO system. Referrals from social registry will be tagged for specific monitoring. This can be cross-checked in the Social Registry system	MELR in cooperation with MOF
Share of social benefit applicants satisfied with the selection process	This indicators measures the level of satisfaction with the selection process by social benefit applicants	Semi-annually	Beneficiary survey	Beneficiary survey conducted under the project	MELR based on the survey data outsourced to external firm(s)



<p>Number of administrative units (districts) adopting the Single Registry to select beneficiaries of low income family allowances</p>	<p>This indicator measures the number of administrative units of the Republic of Uzbekistan that adopted the Single Registry</p>	<p>Semi-annually</p>	<p>MoF reports and documents; Single Registry</p>	<p>MoF would monitor the rollout of the Single Registry on the regular basis by consolidating information from the system (profiles created per administrative unit).</p>	<p>MoF</p>
<p>Number of officials trained in the use of the Single Registry</p>	<p>This indicator measures the number of officials of who received training on the use of the Single Registry</p>	<p>Semi-annually</p>	<p>MOF reports and documents; Single Registry</p>	<p>Since MoF would monitor the rollout of the Single Registry, it would also monitor the number of officials trained on the use of the system on the regular basis</p>	<p>MOF</p>
<p>Average time between the day application is submitted and the day the eligibility decision is made</p>	<p>This indicator measures the speed of taking decision on the benefit provision. This means the number of days from submitting application for benefit by the potential beneficiary to receiving notification with results (approval or decline)</p>	<p>Semi-annually</p>	<p>Single Registry</p>	<p>MoF would monitor the time (number of days) necessary to take a decision on benefit through the information from the Single Registry</p>	<p>MoF</p>
<p>Regular social assistance reports produced from the single registry that are published in the website</p>	<p>This indicator measures the improved monitoring system for social benefits, including number of applicants, beneficiaries,</p>	<p>Annually</p>	<p>Single Registry</p>	<p>Automatic generated form the single registry IT system</p>	<p>MoF</p>



	payments made, complaints etc.				
Share of complaints received and recorded in the Single Registry that are addressed	This indicator measures the share of complaints received through GRM tool and addressed on time. The time required for addressing the complaint will be defined by the MoF in its corresponding documents	Semi-annually	GRM tool	Share of complaints addressed on time will be monitored by MoF's staff consolidating the data from GRM tool	MoF
Job counsellors trained in the use of profiling and referral tools	This indicator reflects the number of ESC job counselors trained through the Project training activities - disaggregated by gender	Annually	MELR's reports and documents	MELR's staff with the help of PIU will analyze lists of participants of capacity building events financed by the Project	MELR
Share of registered jobseekers referred to existing ALMPs	This indicator reflects the number of registered jobseekers who are referred to existing ALMPs	Semi-annually	LMIS	MELR's staff will monitor the number of jobseekers who are referred to existing ALMPs based on the data from LMIS	MELR
Number of ESC's contacts with employers	This indicator tracks the number of contacts the ESCs made with employers to check or follow up on job vacancies and job referrals	Annually	MELR monitoring reports	MELR will report on the number of contacts its ESC staff made with employers in their monitoring reports	MELR
Number of beneficiaries of employment subsidies (any of the three types supported by the project, by sex and	This indicator monitors the number of beneficiaries who benefit from any of the	Semi-annually	LMIS	MELR's staff will monitor the numbers, disaggregated by	MELR



vulnerable groups)	three employment subsidy. The number is disaggregated by sex to track impacts of the benefit on female jobseekers, and by vulnerable groups			gender and vulnerable groups, based on the data from LMIS	
Number of participants who complete the entrepreneurship training, by sex	This indicator monitors the number of participants who complete the entrepreneurship training. The data will be disaggregated by sex	Semi-annually	LMIS	MELR's staff will monitor the number of participants who complete the entrepreneurship training based on the data from LMIS	MELR
Share of graduates of the entrepreneurship training who launch a business after completing the training	This indicator monitors the number of people who launched a business after completing the entrepreneurship training. The data will also be disaggregated by sex	Semi-annually	LMIS	MELR's staff will monitor the number of participants who launched a business after completing the entrepreneurship training based on the data from LMIS	MELR
Jobseekers' profiles generated in LMIS	This indicator measures the number of applicants' profiles created in LMIS	Semi-annually	LMIS	MELR's staff will monitor the number of applicants' profiles based on the data from LMIS	MELR
Private enterprises receiving advisory and information services on training provision	This indicator describes the number of micro, small and medium private enterprises	Annually	ISWO	Regular monitoring reports on the number of firms that received	MELR



	received consulting services on individualized business development and skills needs through the activities provided by the Project			the advisory services on skills need identification (and those that did not), by firm characteristics based on ISWO reports	
Percentage of project beneficiaries satisfied with activities supported by the project, disaggregated by social assistance and LM interventions	This indicator measures the share of beneficiaries who confirmed that the Project has established effective engagement processes.	Annually	Focus groups and frequent surveys	Status of the surveys to be monitored by MELR on a regular basis. These surveys are planned to be carried out by the outsourced external firm(s).	MELR
An M&E framework for MELR developed and regularly updated	The M&E framework will include key performance indicators tracking MELR's labor market interventions to inform policy decision making	Annually	MELR	The M&E framework will include key performance indicators tracking MELR's labor market interventions	MELR
Regular labor market reports of MELR produced based on information from the LMIS and the M&E system	This indicator measures the number of labor markets reports produced by MELR based on information from ISWO and LMIS supported by the Project	Semi-annually	MELR's reports	Number of reports produced will be calculated by MELR. The reports could be of different types – official annual report, newsletters, overviews of labor market system in the country etc.	MELR



A report produced, finalized and disseminated assessing the employers' skill demand survey data	The employer survey data analysis will assess the short term skills demand by employers and inform the development of a medium term skills forecast instrument	Once in the project life	PIU	The data collection will be implemented by a data collection local firm and the analysis/report by an international consultant	MELR
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ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Uzbekistan

Uzbekistan: Strengthening the Social Protection System

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

Subcomponent 1.1. Enhancing and Rolling Out the Single Registry

1. **This subcomponent will support the Government's efforts to implement a comprehensive social registry** with the twofold objective of (a) in the short term, improving the eligibility assessment and selection of beneficiaries of means-tested family allowances and therefore increasing the number and proportion of poor and vulnerable households covered by the social benefits system and (b) in the medium and long term, integrating different vulnerable groups to improve policy and program design and coordination, and better supporting the poor and vulnerable as well as those transient poor households affected by temporary shocks. The single registry was created by Presidential Resolution under the responsibility of the Pensions Fund in the MoF. The registry will be implemented in phases to allow adequate flexibility to be developed according to the needs in terms of beneficiaries and programs. The project will support the Government of Uzbekistan to develop and implement the registry in the three phases as described in the following paragraphs.³⁷

2. **First phase: Piloting the single registry.** During the pilot process, the single registry will be institutionally located in, and administered by the Pensions Fund in the MoF. The benefit eligibility process during the implementation in Syrdarya region will be based on predominantly mean testing mechanisms. According to the Presidential Resolution, the Government has already decided that as part of the registration process, declared household income will be verified through data cross-check with existing relevant databases, as well as random home visits for a small proportion of beneficiary households to check income and households' socioeconomic situation. Even though intake for the creation of the registry will be predominantly demand based, through both electronic forms submitted online or written forms personally submitted to local offices, it is expected that outreach teams will be deployed to selected areas to ensure that households living in marginalized regions are aware of the single registry and are encouraged to register.

3. **The proposed project will support the implementation of the single registry in the Syrdarya region** through complementing, as necessary, the following activities:

- (a) **Assessment of the pilot.** As the Government is introducing a relatively innovative approach for the Uzbekistan context, assessing pilot's processes and incidence is essential before the rollout. The assessment will include (i) a targeting analysis; (ii) an analysis of the performance of data cross-check for the socioeconomic characterization and estimation of income at the household level; (iii) an analysis of the program's ability to reach and register households

³⁷ To support the Government in the implementation of the single registry, the World Bank team is coordinating with UNICEF. Currently, UNICEF is supporting the development and implementation of the pilot single registry through an approximately US\$500,000 grant. Additionally, the Government is committing funds to ensure that all necessary operations to implement the pilot are covered.



living in the most marginalized areas; and (iv) a full process evaluation to assess every process related to the single registry, including an assessment of the needs and requirements in terms of staff, skills development and training, as well as possible infrastructure enhancements for the adequate operation and management of the registry.

- (b) **Based on the assessments described in (a)**, the proposed project will support the MoF to identify, develop, and implement necessary adjustments to the single registry and the related processes, including the interoperability between the single registry and both the ISWO and the integrated LMIS (developed under Component 2). These adjustments will also take into consideration the assessment and proposed consolidation of the social benefits as discussed in Sub-component 1.2.
- (c) **Rollout plan.** The project will support the preparation of an implementation plan to scale up the single registry throughout the country, including, among others, human resources and skills development needs and identification and quantification of needs and requirements at the local level in terms of basic infrastructure, equipment, connectivity, roles and responsibilities, and costs.³⁸

4. **Second phase: Rolling out the single registry nationwide.** For the rollout phase of the single registry, the project will support Government to ensure that implementation of social benefits throughout the country is entirely based on the single registry; all families supported by the three low-income families benefits should be registered in the single registry and should have been selected following a revised targeting mechanism defined on the basis of the assessments carried out during the first phase of implementation. To achieve these goals, the proposed project will contribute to carry out the sets of activities described as follows:

- (a) Developing and implementing necessary software adjustments based on the assessment and recommendations carried out under the pilot phase. This may also include, as necessary, further development and implementation of a system to monitor and manage social benefits as part of an integrated information system.
- (b) Outreach activities to ensure that households living in remote areas are aware of the social benefits and encouraged to register in the single
- (c) Adapting administrative structure and facilities for the implementation of the single registry at the local level, including IT and other equipment, connectivity, front office adequacy.
- (d) Providing capacity building and training for staff responsible for the implementation and regular management of the social registry at local, regional, and central level.
- (e) Ensuring efficient interoperability between the social registry and the integrated LMIS to better coordinate SSN interventions with labor market programs.

5. **During this phase, the proposed project will also support the implementation of assessments and an evaluation of the single registry after it has been rolled out.** These evaluations may include a targeting assessment and the review of the tools and processes to identify beneficiaries as well as process

³⁸ In the case that the Government establishes a new agency and the administration and management of the registry and social benefits are moved out of the MoF, the proposed project will take this into consideration and reflect it in the implementation plan, including a strategy to ensure smooth transition.



evaluations for operational assessment. Because of the proposed assessments, the project would support the design of a detailed road map for the development and implementation of a national social registry, including time lines, specific activities, and costs.

6. **Third phase: Moving toward a national social registry.** The objective of transitioning from the single registry, to improve the effectiveness of the social benefit only, to a social registry is enhancing and consolidating a tool to support the business processes of outreaching, intaking, and assessing needs and conditions of poor and vulnerable households for the purposes of determining eligibility for enrollment in social programs as well as regular re-certification and payments. During this phase, the registry will be developed with advanced capabilities for reducing error and fraud (including grievance redress mechanisms), management of social inspection, and advanced reporting and statistics. The social registry, therefore, will be also an effective tool to coordinate and monitor social policy and programs. In doing so, the social registry is expected to comprise, on the one hand, a comprehensive and dynamic database with personal, demographic, socioeconomic, and other information on needs and conditions of poor households, as well as mechanisms and processes to keep information updated; and on the other, the business process described earlier and ICT tools to facilitate interaction between beneficiaries and institutions. To achieve this objective, the proposed project will support the following activities:

- (a) Enhance and consolidate the social registry architecture, including information and data, software applications, data base management, ICT infrastructure, and integration into a comprehensive monitoring and management system with adequate interoperability with external databases.
- (b) Review, assess, and adjust, as necessary, the eligibility and targeting systems to enhance the purpose of the social registry to support beneficiaries for other social programs beyond the family allowance.
- (c) Adapt central and local offices to properly manage the social registry, including the front and back office requirements.
- (d) Enhance staff capacity through training and technical assistance.

7. The specific actions and support to be provided for the transition toward the national social registry by the proposed project will be fully detailed during the implementation of the pilot program and the roll out of the single registry during the first 18 months of project implementation.

Subcomponent 1.2. Improving the Effectiveness of Social Benefits

8. **This subcomponent will support the Government to strengthen the social assistance system by improving the effectiveness of social benefits for low-income families; increasing its administrative efficiency; and facilitating access, assessment, and registration to beneficiaries.** To achieve this goal, the proposed project will support Government's decision to improve the performance and incidence of the social benefit system by consolidating existing means-tested allowances, improving targeting and eligibility criteria, and defining a benefit size and structure according to families' socioeconomic situation and composition. These activities will directly affect the development and implementation of the social registry and as such will be carried out in close coordination with the activities under subcomponent 1.1.



9. **The proposed project will support the design, implementation, and assessment of a pilot of cash benefits merging two or all existing family allowances to test mechanisms to better reach the poorest and provide adequate support.** The pilot will be implemented in a sample of districts during the first phase of implementation of the single registry in Syrdarya. The project will collect the data and simulate the impacts of different reform options to improve the performance of social benefits based on real data. These reform options will include (a) the simulation of a hybrid targeting system (combining the current means test approach with income imputations and a proxy means testing (PMT) formula to ration beneficiaries in case of budget constraints), (b) the impacts of alternative benefit amounts per household typology, and (c) the employment profile and ESC registration status of work-able beneficiaries. To ensure the adequate implementation of the verification mechanism, the project will support the data collection through home visits to households in the pilot region.

10. **The pilot will be supported both through technical assistance financed by grant funds administered by the World Bank and activities funded through the proposed project.** Using bank executed grant funds from an RSR-MDTF,³⁹ the World Bank is supporting the design of a pilot to test the proposed options to improve the effectiveness of social benefits. The preparation of the pilot also involves sampling for implementation and operational procedures, supporting the development of regulation if necessary, a draft operational manual for implementation, and required IT adjustments regarding software and hardware for monitoring and data collection. The project will support the implementation of the pilot, through the following activities (i) activities related to collection of information (for example, training of enumerators and data collection, storage, and analysis, as well as implementation support; (b) assessments; and (c) rollout plan. The proposed project will carry out an impact analysis and a process evaluation to adjust program parameters, processes, and roles and responsibilities, as necessary, and prepare a rollout plan to implement the benefits throughout the country.

11. **The proposed project will also support the Government to improve control, accountability, and transparency of the social benefits system.** In Uzbekistan, the development of the single registry and the automation of some processes to register beneficiaries, as well as the modernization of the social benefit system to improve transparency and effectiveness, are significant steps to address potential error and fraud (E&F) in the administration and delivery of the family allowances. However, the Government's decision to expand coverage of social benefits (started in 2018) will also increase the risk of E&F in the administration and implementation of family allowances and other social benefits⁴⁰. This subcomponent will support the design and implementation of measures to tackle different causes of E&F, including (a) staff errors (for example, excessive staff caseloads), (b) system errors (failure of payment and IT system), and/or (c) complexity of benefits and regulations which cause confusion among administration and benefits.

³⁹ Supporting Uzbekistan's Inclusive Economic Reform through Strengthening its Social Protection System (P166665).

⁴⁰ International evidence shows that large and complex benefits systems are more prone to suffer from E&F, which in OECD countries costs governments about 10 percent of total benefits. Van Tolck, C., and E. Tesliuc. 2010. "Toolkit on Tackling Error, Fraud, and Corruption in Social Protection Programs." Working Paper WR-746-WB, RAND Europe.



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

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

12. **A central objective of this subcomponent will be to strengthen the capacity of job counselors to maximize effective and sustainable job placement with special attention to disadvantaged groups** (women, youth, PWD, the poorest 40 percent of the population, and those with low skills and obsolete skills hit by economic restructuring and who are in danger of becoming poor). Beyond skills gaps, these groups face other barriers to employment (mobility, information, financial and sometimes legal constraints, caring responsibilities, previous work experience in the informal sector) and hence require harder support and holistic approaches.

13. This subcomponent will finance:

- (a) A functional review of the all local ESCs, including an in-depth review of the ESCs' job-matching functions and labor inspection;
- (b) Development of a methodology for individualized case management and effective profiling tools;
- (c) A comprehensive set of regular training sessions for staff at the regional ESC
- (d) Technical assistance to the ESCs to develop and implement a strategy to reach out to private employers;
- (e) Technical assistance to support the ESCs to introduce performance-based contracting for private sector providers for selected services and programs;
- (f) Technical assistance to the ESCs to strengthen the labor Inspection and increase the capacity on reducing E&F through modern IT techniques; and
- (g) Study tours to relevant countries and knowledge sharing through the participation of key officials in relevant international forums to learn about best practices and activities promoting peer learning with public/private employment service providers on work reorganization, profiling, and performance management.

14. **Functional review of ESCs.** A functional review of the all local ESCs will be conducted to assess the performance of core functions (profiling, job-matching functions, referral to ALMPs, job search services, unemployment benefits, collection of 'real' vacancies, and labor inspection); their organizational structure and caseload (based on the number of existing employees and budget allocated) in the context of local needs; and monitoring and performance management. The review will assess whether caseloads throughout the ESCs are aligned with the needs (number of unemployed, dismissal because of firm restructuring, and estimated informal labor market).

15. **Development of a methodology for individualized case management and effective profiling tools with a focus on vulnerable jobseekers.** Currently, the ESCs do not have dedicated case workers and case management. Effectively, job counselors have to fulfill varying functions, from registering jobseekers



to 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. To improve the quality of services, the ESC staff should take on more specialized functions to effectively serve disadvantaged jobseekers (women, lower educated, PWD) who are harder to place and require tailored measures. This activity will finance (a) the development of a methodology for individualized case management and (b) the preparation of LMIS requirements for job offers and jobseeker profiling for efficient job matching (this will call for very close teamwork with the IT implementation unit). The methodology will include guidelines on what kind of support in terms of job search assistance that jobseekers with different characteristics require (like based on age, education, length of job search) and which type of ALMP works best for what type of jobseekers (based on evidence generated from better monitoring of the ALMPs).

16. Regular training sessions for ESC job counselors. A set of regular training sessions will be developed and conducted to increase the capacity of job counselors/case managers at the local and regional ESCs to carry out accurate jobseekers' profiling based on the methodology and developed profiling tools, to provide advisory services, including job readiness counseling, and carry out job intermediation services and referrals to appropriate ALMPs on an individualized case basis depending on the jobseeker's profile.

17. Outreach and services to employers. The ESCs are not only responsible for assisting jobseekers find work but also for assisting firms to fill job vacancies. To effectively fulfill their job intermediation function both jobseekers and firms need to be served well. However, currently, the ESCs are mostly focusing on registering jobseekers, implementing the public works program and other employment programs, and administering unemployment benefits. There is currently no outreach to private enterprises and almost nothing is done to actively support firms in addressing their hiring needs and collect vacancies from private enterprises. This activity will finance the development of an outreach strategy to be implemented by the ESCs staff to collect, through the new LMIS, job offers (vacancies) from private employers; mobilize private firms; facilitate their participation in available ALMPs; and provide more specialized and expanded hiring services.

18. Performance-based contracting of private employment services providers. A new law in October 2018⁴¹ approved the operation of private employment services providers. This subcomponent will support the ESCs in implementing the resolution and in taking first steps toward introducing performance-based contracting to outsource to private employment services providers selected services/functions (for example, the management of selected ALMPs and job search assistance) and/or groups of jobseekers (for example, the hardest to place). In these contracts, part of the value can be made contingent on outcomes—that is, successful job placements. In regions particularly affected by the economic

⁴¹ Since May 2017, the Government has authorized the operation of private employment centers to connect citizens to more private sector jobs (Executive Decree 5052/2017). The Government has confirmed its support for increasing the use of private sector providers also in ESC programming (CoM Decision 877/2017, Executive Decree 3856/2018). This is welcome news, because the private providers have good (70–85 percent) placement rates for their graduates and can be more accessible (and hence cost-effective) and faster at adapting curricula to market needs.



restructuring, special units or teams could be outsourced to respond to the increasing demand for employment services.

19. **Strengthening the labor inspection and increasing the capacity to reduce E&F.** International experience shows that E&F is more likely in the implementation of large cash benefits programs including unemployment benefits and subventions for labor markets. This activity will finance support and training to labor inspections for introduction of modern IT techniques (data matching and statistical risk profiling) to identify exclusion errors and other irregularities (overpayments, underpayments, informal – black labor).

Subcomponent 2.2. Financial Support to Promote Employment

20. **The objective of this subcomponent is to promote wage employment and self-employment of vulnerable registered unemployed individuals by scaling up and improving the effectiveness of financial support measures to reduce the cost for employers to hire, train, and retain vulnerable workers and for potential entrepreneurs to start a new business.** These measures will contribute to addressing some of the most pressing labor market constraints, in particular, insufficient technical and job-relevant skills (including socio-emotional), lack of labor demand, and lack of work experience. The project will give preferential access to youth, women, displaced workers from SOE restructuring, and social assistance beneficiaries.

21. **This subcomponent will finance selected labor market programs in two installments, namely (a) a Pilot Installment and (b) a Rollout Installment, both aiming at encouraging wage employment and entrepreneurship as well as reducing unemployment through provision of Eligible Subsidies to Eligible Beneficiaries (employers and vulnerable unemployed individuals).** The financial support that the subcomponent will provide will take the following forms: (a) subsidies to cover part of the costs to start a new business for vulnerable unemployed individuals registered with the ESCs (for example, business registration costs, access to credit costs, social insurance contributions, and training fees); (b) wage subsidies for employers who hire socially vulnerable jobseekers above the minimum reserved number of positions (quota); and (c) reimbursements to the employers for the professional training fees of new hires who are recruited based on the referrals of the ESCs. Overall, the subcomponent is expected to provide financial support to 20,000 vulnerable unemployed individuals registered with the ESCs. As it is difficult to predict the actual demand for each specific type of financial support and the profile of new unemployed individuals, the project will remain flexible to support the subsidies that best respond to the needs of vulnerable jobseekers.

22. **The World Bank will support three subsidies recently introduced by the Presidential Decree No. 5635 of January 17, 2019 and regulated by the Presidential Resolution No. 4227 of March 5, 2019.** The implementation of these subsidies will promote the employment of the population, which is a high priority for the Government of Uzbekistan. The subcomponent follows international evidence and good practices in terms of strengthening the partnership with the private sector. The proposed *training subsidy to employers* will stimulate the skills development of the workforce (recent hires) that is relevant to employers as they will decide on the training course (conditional on local provision). This will promote the productivity of their workers and signal which skills are in demand, contributing to the alignment of training provision with actual labor demand. As the subsidy is valid only for workers who have been



recently contracted, employers will have an incentive to invest in their workforce and possibly hire those whose skills need to be upgraded. The *wage subsidy for vulnerable unemployed* individuals hired above the quota would provide them with relevant on-the-job training at the workplace, which is a proven element of success to enhance employability. *Financial incentives* (in the form of start-up subsidy covering the cost of business registration, contribution to social insurance, and training) can be effective measures to promote entrepreneurship and formalization. Evidence shows that effectiveness is higher when financial incentives are combined with skills development interventions; hence, Subcomponent 2.3 is meant to maximize success of the start-up subsidy.

23. **To enhance the effectiveness of the financial support measures, the subcomponent will also finance technical assistance activities to support the ESC job counselors better implement the programs, raise awareness among both employers and jobseekers, and support employers in identifying relevant training courses for their needs.** Beyond the scale-up of the subsidies to about 15,000 vulnerable unemployed individuals, the subcomponent will finance the following:

- (a) The development and implementation of information awareness campaigns on the characteristics, eligibility rules, and the application process for the different forms of financial support recently introduced to ultimately encourage the demand for them. Information awareness campaigns will be targeted at vulnerable groups identified through *mahallas*, farmers, employer associations, employers and registered jobseekers.
- (b) The development of implementation guidelines and related training for job counselors to create the demand for and administer the financial support programs, including the matching of vulnerable unemployed individuals with employers.
- (c) Advisory services to micro-, small- and medium-size private enterprises for the identification of their skills needs and key training courses available in the region where they operate among the accredited training providers needed for their new hires.

24. **The implementation of the three subsidies will be carried out on a pilot basis during the first year, to then be evaluated and refined based on results.** Tentatively the activities will be piloted in two regions during the first year (one agricultural and one industrial region). After the evaluation of the pilot, the support will be rolled out to other regions and necessary adjustments to increase the effectiveness of the measures will be made. The allocation of funds across the three subsidies after the pilot phase will depend on the demand and evaluation results of each of the three subsidies. Moving from a pilot phase to full implementation will require the World Bank's 'no objection' that the pilot activities have been satisfactorily concluded (additional disbursing condition to implement phase 2).

25. **Beneficiaries, screening, and selection.** The package of financial support will be provided to jobseekers registered with the ESCs. Only jobseekers belonging to the groups defined as 'socially vulnerable'⁴² will benefit from the wage subsidy. On the employer's side, only employers who sign up for the quota program at the beginning of each year can benefit and apply for the wage subsidy. Employers who can benefit from the training subsidy include any employer who is hiring a registered unemployed

⁴² By law, the vulnerable groups include college graduates, disabled, former military servicemen, former prisoners, victims of human trafficking, and unemployed individuals closer to retirement age.



individual through the ESCs. The start-up subsidy is targeted to vulnerable registered unemployed individuals. As the take-up of these new subsidies is expected to be higher than what was budgeted for 2019⁴³ and following years, the project will finance the subsidy amounts for about 20,000 vulnerable unemployed individuals.

26. **The selection of beneficiaries for the three subsidies will aim to balance their vulnerability and likelihood to benefit from the program.** The POM will document the selection criteria to qualify for the project subsidies building on the existing regulation. A scoring system will be developed to assign points according to predefined criteria; applicants who meet the highest number of selection criteria will qualify first. Criteria will include (a) 'socially vulnerable' groups as defined by the law, (b) young people ages 18 to 34, (c) displaced workers from SOE, and (d) poverty status (based on the edibility status to social benefits provided in the social registry). Equal representation of genders will also be targeted. The selection of beneficiaries for wage subsidy support and eligible firms is carried out by ESC; to maximize the retention rate in the firm, an interview with the potential employer will be organized by the ESC to improve the matching between employer and beneficiary. To assess applicants' likelihood to benefit from the start-up subsidy, an in-person interview with the ESC job counselor will be organized. .

27. **Subsidy amount.** The maximum amounts of the three types of subsidies are set by the Presidential Resolution No. 4227. Business start-up costs, including registration fees, and training and insurance costs can be subsidized up to 10 times the minimum wage. The wage subsidy for vulnerable unemployed individuals hired above the quota is equal to two times the minimum wage per month for maximum of 12 months. The duration and amount of the wage subsidy is comparable to similar interventions in Turkey, Bosnia, Albania, and other countries in the regions. The training subsidy for new hires is equivalent to four times the minimum wage per month for maximum of six months, corresponding roughly to four months of class-based professional training in Uzbekistan. The amount of the training subsidy was set also taking into account the cost of private training provision (more expensive).Based on the assessment of the pilot, the project will assess the adequacy of the subsidy amount and the need for beneficiaries of the wage subsidy and training subsidy to receive a small per diem during the duration of the class-based training months and the first months of the wage subsidy program to compensate for the lunch and transportation cost during the class-based training, conditional on evidence of attendance.

28. **Implementation and disbursement arrangements.** The subsidies will build on the existing implementation arrangements and be disbursed by the ESCs through the Employment Fund to vulnerable unemployed individuals registered with the ESCs and to employers. The start-up and training subsidies are expected to be disbursed on a one-time basis upon receipt of proof of evidence of eligible start-up costs and training fees, while the wage subsidy is disbursed to the employers directly on a quarterly basis upon receipt of workplace attendance and participation. In the case of the training subsidy, employers need to provide evidence of the employment contract for the new employee hired through the ESC, the training fee receipt with accredited training providers, and the training graduation certificate that the new hire has successfully completed the training. Eligible training providers include public training providers (colleges), accredited private training providers, 'craft masters', and accredited large companies with their own training centers. The start-up subsidy will be disbursed to selected vulnerable unemployed individuals registered with the ESCs against receipt of eligible expenses costs. The implementation of the

⁴³ For 2019, the Government allocated about US\$1.2 million for the three subsidies, expecting to benefit about 2,400 people in 2019.



communication campaigns, training, and the advisory services to private employers will be commissioned to consulting firms selected through competitive bidding processes.

29. **M&E activities.** This subcomponent will support MERL to strengthen the following activities: (a) regular monitoring reports on the take-up of the subsidy among firms that received the advisory services on skills need identification (and those that did not), by firm characteristics based on ISWO reports; (b) focus group discussions to collect feedback from employers, training providers, unemployed jobseekers, and the ESC staff on the new subsidy; (c) regular monitoring reports on the characteristics of the new hires sent to training; (d) tracer studies to assess employment outcomes up to two years after the completion of the training; and (e) regular monitoring of the type and location of training provider (public, accredited private, 'craft masters', training at facilities of large companies that have their own training centers), and length of training.

30. **The POM will detail all aspects related to the implementation of the employment promotion subsidies** including (a) the eligibility criteria, (b) the methods and conditions for the World Bank disbursement to the DA, (c) detailed guidance for the ESC to disburse to beneficiaries, (d) post-payment review/monitoring, (e) evaluation of efficiency and effectiveness for each type of subsidy, and (f) the ESC reporting requirements to the PIU and the PIU reporting requirements to the World Bank.

Subcomponent 2.3. Entrepreneurship Skills Training

31. **The objective of this subcomponent is to increase the management capacity and business skills of individuals who plan to establish a microenterprise and its sustainability and build entrepreneurship training capacity within the country's targeted private and public training providers for future scale-up.** The entrepreneurship training will complement two government-sponsored financial support programs to promote entrepreneurship (the micro-loans for vulnerable people and the new subsidy to cover business registration and insurance costs) by building the necessary skills and business practices among recipients of micro-loans and business start-up subsidies to increase the sustainability and profitability of small-scale entrepreneurs.

32. **Beneficiaries.** During the first year, training will be targeted to (a) recipients of the MELR preferential micro-loans program for vulnerable people to increase the probability of success of their businesses and (b) recipients of the start-up subsidy supported by Subcomponent 2.2. Upon assessment of the first year, the training may be extended to all potential entrepreneurs who are poor and to existing businesses.

33. **Description of intervention.** The intervention will include a class-based entrepreneurship training to teach basic concepts on financial literacy, business practices, accounting, and marketing skills and access to markets, along with follow-up visits and connections to experienced entrepreneurs. The development of the curricula will be based on existing knowledge and practice and adapted to different business conditions, market environments, technologies, and work processes in different sectors. Specific modules of training curricula will be designed in the first year in key relevant occupations. In the remaining years, other modules will be developed for additional occupations. Individualized follow-up visits would be carried out once the business is established 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.



34. **Duration.** The programs would include about 35 hours of entrepreneurship training and 40 hours of individualized follow-up spread over four to six months. Once the business is established, additional individual follow-up of two hours per week will be done. The first year would serve to test the optimal duration of training and frequency of the follow-up visits.

35. **Implementation arrangements.** To the extent possible, public training center premises of the MELR will be used in addition to other public premises. Where facilities are not available, premises will be rented. The implementation of the overall program will be outsourced to third-party training providers. The entrepreneurship training will be developed in coordination with the Chambers of Commerce and relevant departments across Ministry of Economy and Ministry of Tertiary Education.

36. **Monitoring.** An evaluation of the program will be carried out after the first year to assess the timing, duration of the class-based training, and frequency of individual follow-up visits by different groups of beneficiaries, as well as the sectoral focus. Depending on the results of this assessment, a segmentation of beneficiaries and selection criteria for referral to individualized follow-up can be made.

37. **The subcomponent will finance (a) the development of the class-based training curricula; (b) the provision of entrepreneurship training to 20,000 individuals; and (c) individual follow-up mentoring visits to the microenterprises linked to established local small and medium enterprises operating in the same sector.** These activities will be outsourced to either a specialized Uzbek or international consultancy firms. To ensure the sustainability and build the capacity to implement the program after the project ends, the firm contract will also include training activities to gradually transfer the knowledge to the ESC and MLER staff and transfer the program management to the Government. The trainers will deliver the two-week training and serve as mentors for the follow-up visits.

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

38. **The objective of this subcomponent is to support the development and implementation of a new LMIS to be hosted in the MELR.**⁴⁴ The LMIS is expected to support the MELR and ESC to provide better services to citizens and employers, improve management of the ALMPs, increase efficiency of the ESC staff, reduce E&F in labor market programs; and collect data for monitoring and more complex statistics and trend analysis.

39. **The LMIS will store and analyze up-to-date information on all aspects related to labor relations, employment and inspections.** A major objective is to improve the transparency and availability of information on employer-employee relationships (including electronic history of labor agreements), job offers and availability and typology of graduates of secondary schools, vocational training and universities as well as jobseekers registered in person in the ESCs or through the new web interface of the LMIS. The LMIS will provide statistics on labor demand and supply needed for policy making. The LMIS should include a complex monitoring module (sub-system) to monitor new registered jobseekers, length of job search;

⁴⁴ 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.



placement results, number of participants in the ALMP, employment status for six months as well as one year after completing the measure (tracer studies). The LMIS will include new functions for job matching and identifying exclusion, overpayment, and underpayment E&Fs through IT techniques (data matching, risk profiling). A new interface for mobile terminals (tablets) will be included in the LMIS for labor inspectors. A powerful decision support (sub) system, including data warehouse and tools for reporting and statistics, will be implemented to develop complex reports and analysis (for example, 'what-if', trends, and identification of suspicions on E&F).

40. The subcomponent will finance the following activities: (a) maintenance and minor developments of the current version of the ISWO and its integration with the National Vacancy Platform; (b) the development and implementation of the LMIS, and (c) modernization of ICT resources in the ESC and MELR to strengthen IT governance and capacity of the MELR's IT unit.

41. **Modernization of ICT resources in the ESC and MELR; strengthen IT governance and capacity of the MELR's IT unit.** The physical modernization of the local ESC offices will also include the upgrade of office hardware and supplies. This subcomponent will finance the purchase of computers, printers, tablets, office software and supplies, installation, training, and data communication services for all the 200 ESCs (there is one ESC per district). For the MELR, this subcomponent will finance (a) modernization of ICT infrastructure of the MELR (servers, storages, security systems, operating systems, virtualization, database and other equipment, and software license) and (b) support to strengthen the IT governance and capacity of the IT unit through specialized training (enterprise architecture, large database, cybersecurity, personal data protection, IT management, and so on) and certifications, audits, equipment and software for monitoring and management of ICT infrastructure (including cybersecurity). The subcomponent will be phased in over the five years of this project in a customized approach.

42. **Equipment for the multifunctional center of employment services.** The sub-component will also finance the equipment and tools for the professional training to be conducted in the new multifunctional center "Ishga Markhamat" (Welcome to Job).

Component 3. Project Monitoring and Management (US\$4 million)

Subcomponent 3.1. Strengthening Labor Market Interventions Monitoring and Evaluation

43. **Improving the monitoring of labor market interventions.** The proposed project will support the enhancement and implementation of a monitoring system to allow the MELR to track programs' implementation and outputs. The proposed project will support the following activities: (i) development of a full set of indicators to track programs and interventions including data needed to calculate them, frequency of monitoring, institutional responsibilities, and workplan for data collection; (ii) methodologies for program monitoring, reporting, and knowledge generation; (iii) additional software development and hardware as necessary; and (iv) training.

44. **Improving the capacity of the research center within the MELR to provide knowledge and analysis for evidence-based decision making.** The subcomponent will finance training of the research center staff to analyze the LMIS data using statistical software and produce and disseminate regular reports on labor market trends. The support provided to the Center will inform key reforms necessary to improve the labor code, including increasing flexibility to the labor market and improving labor mobility.



45. **Impact Evaluation.** The project will finance the design and implementation of a rigorous and independent impact evaluation to measure the result of social and employment selected program(s) attributable to the corresponding intervention(s). The evaluation will be based on the comparison of treatment and control groups through baseline and at least one follow-up survey. The evaluation will be commissioned to a specialized firm or agency.

46. **Skills demand survey.** The subcomponent will support the design and data collection of an employer survey to identify and assess the short-term skills that are in demand by employers in both the public and private sectors.

47. **Process evaluations.** The objective of this activity is assessing selected programs operations and procedures to ensure that they deliver the expected services on time to the target population. Process evaluations will be structured in selected programs to assess each process within the delivery chain from identification and registration of beneficiaries to their exit and follow up. For each selected program, a process evaluation will be carried out at least once before full expansion nationwide.

48. **Beneficiary surveys.** As one of the main instruments to capture the beneficiary's views and satisfaction with labor market interventions, beneficiary surveys will be carried out at least once every two years for selected programs. Beneficiary surveys will be outsourced to external firms.

49. **Audits.** This set of activities will finance the required annual financial audits for the entire project as well as annual technical audits for Subcomponents 2.2 and 2.3.

Subcomponent 3.2. Project Management

50. **This subcomponent will finance the establishment and maintenance of a PIU within the MELR.** The PIU will have the objective of carrying out the day-to-day project management and monitoring of all three components, including Component 1, which is under responsibility of the MoF⁴⁵ (the operation of the PIU is detailed in the implementation arrangements section). The PIU is expected to provide managerial-, technical-, fiduciary-, and safeguards-related support for the implementation of the project. This subcomponent will finance, among others, consultants' fees for the PIU staff, equipment (including IT-related) and software as necessary for project management, and operational costs. The PIU is expected to comprise a PIU coordinator, a labor specialist, two social specialists fully dedicated to support the MoF in rolling out the social registry and activities under Component 1, an FM specialist, an accountant, a procurement specialist, an M&E specialist, an IT specialist and two safeguard specialists.

⁴⁵ Or by the new central government agency.



ANNEX 2: IMPLEMENTATION ARRANGEMENTS AND SUPPORT PLAN

I. Institutional and Implementation Arrangements

1. **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, Resolution of the Cabinet of Ministers No. 308 of April 13, 2019, established that the single registry (and the delivery of the family allowances) will be institutionally located in the Pensions Fund in the MoF. The proposed project follows the existing government structure to define the implementation arrangements.
2. **The project will be implemented with the support of a Project Implementation Unit (PIU) in the MERL.** Component 1 will be implemented in coordination with an existing team under the Pensions Fund in the MoF. Since the restructuring of the Ministry of Labor and Social Protection becoming the MELR, the three main allowances for low-income families were transferred to the MoF. During the pilot phase of the single registry, implementation at the subnational level in Syrdarya region will be supported by labor inspector from the MELR, as stated by the Presidential Resolution No. 4227, dated March 5, 2019. The implementation of the single registry will be funded, under the pilot phase, in collaboration with the Government’s fund and UNICEF. Later on, if a new government agency responsible for social assistance programs will be established, both the single registry and the administration of family allowances will be under responsibility of the new agency.
3. **Components 2 and 3 will be implemented by the MELR.** The ministry at the central level provides overall policy direction, oversight, and funding of administrative functions for all the MELR units. At the subnational level, the ESCs—which are deconcentrated units within the MELR structure, located in each of the country’s 200 districts—implement labor market interventions. The quality and effectiveness of employment promotion efforts depends, to a large degree, on the performance of the ESCs. The centers have the functions of registering prospective beneficiaries, collecting data on beneficiaries’ skills and employment histories, providing counseling and intermediation services, referring beneficiaries for training and apprenticeships, running the public works program, communicating with local employers about job vacancies, monitoring beneficiary participation in programs, and tracking beneficiaries’ ultimate placement. The ESCs also define and pay training stipends and unemployment benefits. The State Fund for Employment Promotion and FPW, which are attached to and located at the MELR headquarters, finance most of the programmatic labor market programs implemented by the ESCs; including intermediation services, training, and public works.
4. **The MELR was recently reformed to focus only on labor market-related interventions, leaving its previous role regarding social assistance to the MoF.** Despite recently implementing a recipient-executed trust fund, the MELR has no previous experience in implementing an IDA/IBRD operation. The implementation of the proposed IDA project will require the ministry’s technical, operational, and fiduciary staff. Therefore, the ministry will establish a PIU within the ministry’s administrative structure, reporting to the First Deputy Minister. The PIU will be responsible for the implementation of the project, including technical-, monitoring-, fiduciary-, and safeguards-related aspects. The PIU will be legally



established under the direct supervision of the First Deputy Minister of Employment and Labor Relations. The PIU will support implementation of all three components of the project, including Component 1, in which the main activities related to the development and implementation of the single registry and the modernization of the social benefits are currently under responsibility of the MoF. Therefore, the PIU, in addition to the staff necessary to carry out activities related to FM, procurement, and safeguards, will include technical specialized staff to support activities under the responsibility of both ministries. Additionally, procurement and reporting for all project activities will be handled by the PIU.

5. **Description of project implementing entity.** The proposed project would be implemented by the MELR through the PIU. The PIU under the MELR will have the ultimate fiduciary role and obligations for the entire project. The MoF, through the help of existing staff and to-be-hired two consultants (at the expenses of project funds) will be responsible for the implementation of Component 1 from technical perspective only. All fiduciary tasks (procurement, payment, reporting, and so on) related to implementation of Component 1 will be managed by the PIU staff under the MELR.

6. **PIU.** The MELR has no experience in implementing projects supported by the World Bank. Thus, technical, managerial, and fiduciary capacity will need to be established and strengthened for the MELR to play the role of project implementing agency. A PIU will be established within the MELR and will be supported through the project. The format and the legal structure of the MELR is being finalized, and it will follow the regular budgeting, accounting, and reporting procedures in accordance with the National Accounting Standards and procedures and policies developed for budget organization by the MoF. Since this is the first project for the MELR, the PIU and related policies and procedures will be established from the scratch. A POM will be developed to set out the FM and internal control policies and procedures and will be intended to guide staff and minimize the risk of errors and omissions, as well as delays in recording and reporting. The PIU will comprise, at least, the following staff: a PIU coordinator, two operational officers with labor market programs experience, two social specialists supporting the MoF on activities under Component 1, an M&E official, an FM specialist and an accountant/disbursement specialist, a procurement specialist, and IT specialist and two safeguards specialists. The terms of reference for each member of the PIU will be prepared and included in the POM and should be acceptable to the World Bank. 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 implementation.

Financial Management

7. **FM supervision plan.** Considering that this will be a first project for the MELR, there will be two FM supervisions for the PIU per year once the project becomes effective. The supervision visit will include direct visits to the PIU and field visits to the ESCs and other beneficiaries of the project. It will also include review and verification of funds flows, transactions, and so on.

8. **Staffing.** The to-be-hired FM staff might need to be trained on the World Bank policies and procedures and with additional implementation support after project effectiveness. The PIU will be adequately supported by necessary equipment, offices, training, and operational costs.

9. **Budgeting and flow of funds.** The PIU will prepare an annual budget, based on the Procurement Plan, operating expenses estimations, and so on and will submit those first to the MELR and then to the MoF for approval. The PIU's coordinator and the FM specialist will be responsible for the project budget



preparation, planning, and execution procedures. These will include monthly planning and preparation of annual budgets. The budget will form the basis for allocating the funds according to project activities and project periods. Based on the agreed budget, the PIU will be entitled to use funds from the PIU DA.

10. **Accounting.** The PIU will be in charge of keeping accounting records for the project and will keep its accounting records in the accounting system which would be acquired and installed within 30 days from the effectiveness date (to be stated as dated covenant in the project documents). 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 reporting with respect to state agencies. This system will allow 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. The accounting records will be maintained in the currency of payment, as well as in the currency of the credit, applying the actual exchange rate used at currency conversion. The accounting records will need to include the necessary details, including all individual payments under each contract, balances, and transactions from the Designated/transit Account, and so on.

11. **Financial reporting.** The PIU will prepare and submit IFRs to the World Bank every calendar quarter, starting with the quarter in which the first disbursement occurs. The format of IFRs will be agreed and defined in the POM and will include (a) project sources and uses of funds, (b) uses of funds by project activities, (c) project balance sheet, (d) DA statement, and (e) a statement of expenditure withdrawal schedule. The IFRs will be automatically generated by the project accounting software. These financial reports will be submitted to the World Bank within 45 days after the end of each calendar quarter.

12. **DA.** The PIU will open the project DA in the currency of the credit at a financial institution acceptable to the World Bank. The PIU will further open a subaccount in local currency to process transactions in local currency. The project funds will be disbursed to one DA which will be used for project funds inflows and payment of eligible expenditures and will not be pooled with other funds not related to project.

13. **Internal controls.** The PIU will establish an internal control system capable of providing reliable and adequate controls over funds flows, transactions flow, FM, 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 POM. The POM will be prepared by the PIU in the form and substance acceptable to the World Bank before project effectiveness and its preparation will be a condition to effectiveness.

14. **External audit.** The PIU under the MELR will be responsible for arranging the annual audit of project financial statements. The project financial statements audit will be conducted (a) by an independent private auditor firm acceptable to the World Bank, on terms of reference acceptable to the World Bank and (b) 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 (a) audit of financial statements and (b) review of the internal controls of the PIU with special attention to the compliance with requirements established in the Financing Agreement and World Bank



guidelines and procedures and also the local legislation requirements. No entity audit will be required. Table 2.1 summarizes the audit requirements for this project.

Table 2.1. Project Audit Requirements

Audit Report	Due Date
<p>Project financial statements The project financial statements include project balance sheet, sources and uses of funds, uses of funds by project activities, statement of expenditures, withdrawal schedule, DA statement, notes to the financial statements, and reconciliation statements.</p> <p>No entity audit (that is, audit of the MELR) will be required under the project.</p>	<p>Within 6 months of the end of each fiscal year and also at the closing of the project</p>

15. The audited project financial statements will be disclosed to the public in a manner acceptable to the World Bank. Following the World Bank’s formal receipt of these statements from the borrower, the World 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.

16. **Disbursements.** The PIU would be in charge of 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 would use standard disbursement methods, including advances (DA), direct payments, reimbursements, and special commitments. One DA would be opened and maintained in the commercial bank/financial institution acceptable to the World Bank for project-related funds flows and payments of eligible expenditures. The details, such as the ceiling for the DA, would be provided in the Disbursement and Financial Information Letter (DFIL). Eligible project expenditures, consisting of regular goods, consulting services, non-consulting services, and training and operating costs, would be documented to the World Bank using statements of expenditure and full documentation, as prescribed in the DFIL.

17. Eligible project expenditures related to Subcomponent 2.2, consisting of subsidies for start-up costs, wage subsidies for employers and reimbursement to employers for training would be documented to the World Bank using customized statements of expenditure, as provided in the DFIL. These specific types of expenditures would be disbursed by the PIU from the DA, based on the evidence provided by the final beneficiaries, as defined in the Project Appraisal Document and to be further elaborated in the Subsidies Financing Manual (SFM). The Funds related to this subcomponent will be channeled to the final beneficiaries using the exiting funds flow system applied in MELR via State Treasury under MOF. The preparation and adoption of the SFM by the MELR will be a Disbursement Condition to implement the pilot phase. The SFM will describe in detail (i) the flow of funds from the PIU to the Eligible Beneficiaries through the Treasury, including the requirements for the Treasury dedicated account(s), reporting terms and templates, and the financial audit requirements; (ii) eligibility criteria for the selection of beneficiaries in accordance with the relevant Recipient’s legislation; (iii) arrangements to monitor beneficiaries and track results; and (iv) procedures and remedies when Eligible Subsidies’ conditions are not complied with. To move from the pilot to the roll out phase will be authorized after the Government has complied with a second disbursement condition consisting on the completion and rigorous evaluation of the pilot phase, and implementation of its recommendations acceptable to the Bank.



Procurement

18. **Procurement risk management plan.** The PPSD addresses how procurement activities will support the development objectives of the project and deliver the best value for money under a risk-based approach. Based on the procurement risk analysis conducted as part of the PPSD, the following risk management plan was also prepared to inform a procurement approach that considers the ability of the borrower to manage identified risks as shown in table 2.2.

Table 2.2. Identified Risks and Mitigation Measures

Identified Risk	Risk Description	Description of Proposed Mitigation through Procurement Process	Risk Owner	Procurement Process Stage
Poor and noncompliant implementation of project procurement	Limited experience of World Bank-funded projects and non-familiarization with the World Bank's New Procurement Policy and Regulations	<ul style="list-style-type: none"> Strengthen the ministry's capacity by hiring a full-time local procurement specialist. Providing intensive trainings, seminars, and pre-bidding conferences on the procurement process for the staff of the MELR, PMT, and potential bidders Hiring International Procurement, 	Borrower	All project implementation cycle
Terms of references/ technical specifications are inadequate	Limited expertise of the borrower to prepare the TORs and technical specifications/requirements for large ICT/IS packages	<ul style="list-style-type: none"> To hire international technical experts with focus on ICT and IS procurement 	Borrower	Preparation of procurement documents/RFPs /evaluation /contract management
Contract management risks	Lack of proper contract management capacity and experience large ICT/IS contracts. The latter need appropriate complex experience and capacity. At the contract management stage, much more attention to timely implementation of contract duties.	<ul style="list-style-type: none"> Strengthen capacity for timely and quality contract management and monitoring. The Bank would provide targeted procurement training to the MELR. 	Borrower	Contract management
Procurement and implementation delays	There is a risk of procurement and implementation delays which is procurement implementation delays.	<ul style="list-style-type: none"> Consider advanced procurement at the possible extend before the contract effectiveness Implement timely project progress M&E tools Clear roles and responsibilities of concerned parties and project stakeholders described in the POM 	Borrower	Preparation of procurement documents, bid evaluation, and contract management
Staff turnover, including the PMT staff	High level of staff turnover affects capacity of the project implementing team	<ul style="list-style-type: none"> Introducing financial and social incentives to keep trained and qualified staff throughout the project period. 	Borrower	Project implementation



		<ul style="list-style-type: none"> • Hire a procurement assistant in addition to the procurement specialist of the PMT 		
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Summary of PPSD

19. **General:** Procurement under the Project would be carried out in accordance with the procedures specified in the World Bank’s Procurement Regulations for IPF Borrowers - Procurement in Investment Project Financing Goods, Works, Non-Consulting and Consulting Services, dated July 2016, revised November 2017 and August 2018. As per its requirements a comprehensive Project Procurement Strategy for Development (PPSD) is being prepared with support of the Bank.

20. **Project Procurement Development Objectives (PPDO):** To increase procurement efficiency and ensure value for money that contributes to improve inclusion of poor and vulnerable people in the social assistance system and labor market, including those affected by the economic reforms.

21. **The overall procurement risk:** “High” based on the findings of the PPSD.

22. **Summary of PPSD:** The PPSD has been developed by the MELR with close and active support from the Bank staff. Based on it, the optimal procurement approaches have been determined and the Procurement Plan for the first 18 months of project implementation has been prepared and agreed during negotiations. The PPSD includes detailed market, procurement approaches and procurement risks analysis along with corresponding risk mitigation measures. Market analysis for large value packages have been conducted.

23. The market analysis has confirmed the availability of relevant and relatively competitive markets (large number of consulting firms at national, regional and international levels). The PPSD and the Procurement Plan will be updated during project implementation to reflect any substantial changes in procurement approaches and methods to meet the actual project needs.

Procurement Plan - Textual Part

Project information: *Strengthening the Social Protection System Project (P166447)*

Project Implementation agency: *Ministry of Employment and Labor Relations of the Republic of Uzbekistan.*

Date of the Procurement Plan: *May 14, 2019*

Period covered by this Procurement Plan: *From September 2019 to March 2021 (18 months)*

Preamble

24. **In accordance with paragraph 5.9 of the “World Bank Procurement Regulations for IPF Borrowers” (July 2016) (“Procurement Regulations”) the Bank’s Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear and update Procurement Plans and conduct all procurement transactions for the Project.** This textual part along with the Procurement Plan tables in



STEP constitute the Procurement Plan for the Project. The following conditions apply to all procurement activities in the Procurement Plan. The other elements of the Procurement Plan as required under paragraph 4.4 of the Procurement Regulations are set forth in STEP.

25. **The Bank's Standard Procurement Documents:** shall be used for all contracts subject to international competitive procurement and those contracts as specified in the Procurement Plan tables in STEP.

26. **National Procurement Arrangements:** In accordance with paragraph 5.3 of the Procurement Regulations, when approaching the national market (as specified in the Procurement Plan tables in STEP), the country's own procurement procedures may be used.

27. When the Borrower uses its own national open competitive procurement arrangements as set forth in **the Law of Republic of Uzbekistan "On Public Procurement" dated April 9, 2018** such arrangements shall be subject to paragraph 5.4 of the Procurement Regulations and the following conditions:

- (a) The request for bids/request for proposals document shall require that Bidders/Proposers submitting Bids/Proposals present a signed acceptance at the time of bidding to be incorporated in any resulting contracts, confirming application of, and **compliance with, the Bank's Anti-Corruption Guidelines**, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights. The Bank's Anti-Corruption Guidelines and Sanctions Framework shall be incorporated into the national bidding documents by adding a page entitled "Letter of Acceptance of the World Bank's Anti-Corruption Guidelines and Sanctions Framework".
- (b) Contracts shall be signed stipulating an appropriate allocation of responsibilities, risks, and liabilities between the Borrower and the contractors/suppliers/consultants.
- (c) Rights for the Bank to review procurement documentation and activities. In accordance with the Procurement Regulations, each bidding document and contract shall include provisions stating the Bank's policy to sanction firms or individuals, found to have engaged in fraud and/or corruption as defined in the Procurement Regulations. In accordance with the Procurement Regulations, each bidding document and contract financed out of the proceeds of the Financing Agreement shall provide that bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Bank to inspect all accounts, records and other documents relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Regulations constitute an obstructive practice as defined in the Regulations.
- (d) No bids shall be rejected solely because they fall below or exceed the estimated cost. All bids (including in the case when less than two bids are received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Bank's prior written concurrence.



28. The Bidding Documents template to be used under “national open competitive procurement arrangements” are subject to prior written concurrence by the Bank.
29. When other national procurement arrangements other than national open competitive procurement arrangements are applied by the Borrower, such arrangements shall be subject to paragraph 5.5 of the Procurement Regulations.
30. *Leased Assets as specified under paragraph 5.10* of the Procurement Regulations: Not Applicable.
31. *Procurement of Second-Hand Goods as specified under paragraph 5.11* of the Procurement Regulations: *Not Applicable*
32. *Domestic preference as specified under paragraph 5.51* of the Procurement Regulations (*Goods and Works*).
33. *Goods*: applicable for those contracts identified in the Procurement Plan tables.
34. *Works*: not applicable as per the *Annex VI. Domestic Preference for Works* of the Procurement Regulations.

Procurement Plan summary for the first 18 months

Contract title, Description and Category	Bank Oversight	Procurement Approach / Competition	Selection Method	Evaluation Method	Procurement start Date
Development of software for LMIS	Prior review	International/ Open	QCBS	Most advantageous Proposal	9/2019
Implementation Single Register (pilot, rollout, extension)	Prior review	International/ Open	QCBS	Most advantageous Proposal	2/2020
Awareness and outreach campaigns among population	Post review	Local	CQS	Qualification	1/2020
Pilot Assessment	Post review	Local	CQS	Qualification	9/2019
Software and business process assessment for Pilot	Post review	Local/ Open	CQS	Qualification	9/2019
Strategy for rollout	Post review	Local/ Open	CQS	Qualification	1/2020
Support IT Unit for strengthening IT governance, administration and maintenance	Post review	Local/ Open	CQS	Qualification	9/2019
Functional review of ESCs	Post review	International/ Open	CQS	Qualification	10/2019



Development of the business processes for the job matching tool and maintenance	Post review	International/ Open	CQS	Qualification	11/2019
Development of a methodology and operational guidelines for individualized case management including profiling and referrals to ALMPs	Post review	International/ Open	CQS	Qualification	2/2020
Development of a strategy to outreach employers for vacancies and participation in ALMPs/subsidies	Post review	Local/ Open	CQS	Qualification	2/2020
Equipment for multifunctional center of employment services "Ishga Markhamat" (Welcome to Job)	Prior review	International/ Open	RFB with post qualification	Substantially responsive and lowest evaluated cost	9/2019
Procurement Hardware and Standard Software for Single Register and for 200 district ESC	Prior review	International/ Open	RFB with post qualification	Substantially responsive and lowest evaluated cost	9/2019
Regular training sessions for the ESC staff: IT profiling, reach out to employers, contents of current ALMP	Prior review	International/ Open	QCBS	Most advantageous Proposal	9/2019
Development of strategy for awareness and communication campaigns on employment and entrepreneurship support programs	Post review	International /Open	CQS	Qualification	12/2019
Capacity building for labor inspection on reducing E&F in awarding subsidies and social allowances	Post review	International/ Open	CQS	Qualification	7/2020
Development of strategy and requirements, interim assessment and monitoring	Post review	International/ Open	CQS	Qualification	3/2020 after functional review
Contracting of private employment agencies by MELR based on performance for selected programs and geographic areas	Post review	International/ Open	CQS	Qualification	3/2021
Implementation of communication campaigns on raising awareness among employers on application and granting procedures of subsidies (3 times at US\$50,000 each)	Prior review	International/ Open	CQS	Qualification	1/2020



Consultancy on skills gap assessment for small enterprises (200 enterprises at US\$250 each)	Prior review	International/ Open	CQS	Qualification	7/2020
Entrepreneurial skills training programs for recipients of microloans	Prior review	International/ Open	QCBS	Qualification	1/2020
Short-term maintenance and improvements of the current ISWO system and vacancies portal	Prior review	Sole Source	SSS	n/a	9/2019
Capacity building for IT staff (trainings and tools for IT specialists)	Post review	Local/ Open	CQS	Qualification	9/2019
Training of ESC staff on analyses of LMIS data	Post review	Local/ Open	CQS	Qualification	12/2019
Financial Audit of the project	Post review	Local/Open	LCS	Lowest Cost	3/2021
Performance Evaluation of ALMP	Prior review	International/ Open	CQS	Qualification	12/2019
PIU staff	Post review	Local	IND	CV	12/2019
Individual consultants for the PIU and MOF (2 consultants for the Pension Fund + IT Specialist)	Post review	Local/ International	IND	CV	12/2019

Note: * Numerous individual consultancy contracts.

35. **Procurement supervision and post review.** Routine procurement reviews and supervision will be provided by the World Bank procurement specialist. Procurement supervision would be provided through prior reviews in accordance with procurement thresholds. Two supervision missions are expected to take place every year, through both desk and on-site reviews of procurement arrangements and results, including post review of randomly selected contracts. During the missions, ex post reviews will be conducted for the contracts that are not subject to World Bank prior review on a sample basis (20 percent of the total number of contracts). One ex post review report will be prepared per fiscal year, including physical inspections for not less than 10 percent of the contracts awarded during the review period. As needed, on-site, ad hoc procurement training may be provided to the project management team upon request.

II. Implementation Support Plan

36. **The implementation of the proposed project will be supported through the following sets of activities: (a) ongoing technical support, (b) specific fiduciary support, and (c) regular supervision and implementation support.** These activities will be also part of an ongoing policy dialogue with the MELR and MoF and will be partially supplemented by the implementation of technical assistance provided through trust funds.

- (a) The World Bank will provide ongoing technical support to both the MELR and MoF during implementation. This technical support, to be provided by a full-time social protection staff



based in the World Bank's Tashkent office, will be focused on the day-to-day implementation of the project and will link the PIU and other relevant staff with the relevant units within the World Bank as necessary.

- (b) As this project is the first IDA/IBRD operation implemented by the MELR, the World Bank will provide specific support to the PIU in the areas of FM and procurement to ensure compliance with applicable fiduciary standards. This support, to be provided by specialized FM and procurement specialists based in the World Bank's Tashkent office, will be provided through ongoing supervision of the project.
- (c) The World Bank team will conduct regular supervision and implementation support missions (at least twice a year) to review the progress in the specific activities to ensure that the development objective of the project is expected to be achieved on time. As the project makes progress toward its PDO, the implementation support plan may be adjusted as necessary, depending on the areas that may need additional assistance.

37. **FM implementation support and supervision plan.** Considering that this will be a first project for the MELR, there will be two FM supervisions for the PIU per year once the project becomes effective. The supervision visit will include direct visits to the PIU and field visits to the ESCs and other beneficiaries of the project. It will also include review and verification of funds flows, transactions, and so on. In addition, desk reviews of the project's quarterly IFRs as well as reviews of the project's audited annual financial statements and annual auditor's report and management letters will also be conducted by the World Bank team. This would include monitoring and reviewing any agreed actions; issues identified by the auditors; randomly selected transactions; and other issues related to project accounting, reporting, budgeting, internal controls, and flow of funds. The on-site reviews may include visits to selected beneficiaries, depending on the level of risk and findings identified throughout the implementation.

38. **Safeguards review would be carried out in accordance with the new Environmental and Social Framework.** The review will be carried out at least twice a year and will involve a desk review of all documentation related to the activities within the social and labor management plans. The environmental review will not be necessary as the project activities are environmentally neutral without including any new construction or rehabilitation/renovation of the existing buildings. The environmental and social teams will provide opportune support and, as necessary, training to the PIU to ensure adequate compliance with the related requirements.

39. **Implementation support plan and budget.** Table 2.3 presents the implementation support plan and initial estimated costs. All expenditures are expected to come from the regular World Bank budget.

**Table 2.3. Implementation Support Plan and Budget**

Areas of Support	Resource		Supervision Cost per Year
	Team Member	Time (weeks)	
Project's task team leader: (a) coordination of overall project supervision and implementation support, (b) technical and operational support in the areas of labor market programs and social assistance (c) M&E; and (d) lead policy dialogue.	Senior SP specialist/economist	12	US\$150,000
Technical support (a) day-to-day implementation, (b) labor market programs and social assistance, (c) support the PIU and link them with other World Bank specialists as necessary, (d) ongoing technical dialogue with the Government	SP specialist (local)	22	
Technical support in active labor markets	Senior SP specialist/economist	3	
Technical support in social registries	Senior SP specialist	3	
Technical support in IT-related issues	Consultant	4	
FM support	FM Specialist	4	
Procurement support	Procurement specialist	4	

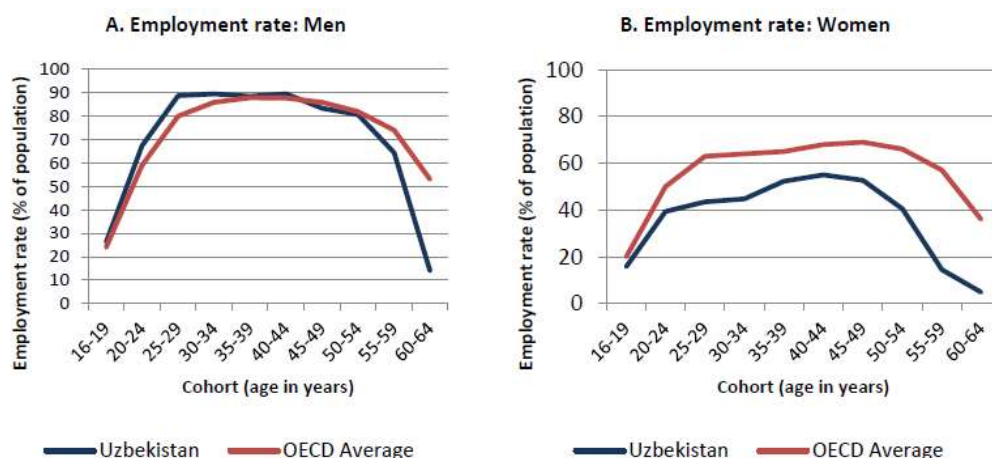


ANNEX 3: GENDER-SPECIFIC ANALYSIS

1. Although Uzbekistan scores consistently high in terms of equality in access to education (albeit in traditional female areas of study) and health, these scores are tempered by the limited progress made in women’s access to economic opportunities and political empowerment.⁴⁶ The current situation in Uzbekistan could be characterized by unequal opportunities for men and women in the labor market caused by the differences in the level of education and skills, horizontal and vertical segregation with the corresponding wage gap, gender stereotyping of women as a primary caregiver to children and elderly, and limited access to the affordable and quality childcare and preschool services.

2. Women are underrepresented in formal employment and, hence, remain an under-tapped resource. While the total labor force participation rate in Uzbekistan is 69.4 percent (2018), the female one is only 53.8 percent (2018).⁴⁷ In 2018, the share of women in the labor force in Uzbekistan was only 3.8 percentage point below the Europe and Central Asia countries (41.6 percent and 45.4 percent, correspondingly),⁴⁸ but the situation differs from region by region—in Surhandaria, Syrdaria, Dzhizakh, for example, the share of women in the labor force is lower than 30 percent (2015).⁴⁹ The disparity in employment rates between women in Uzbekistan and women in OECD countries is almost 20 percentage points for 25- to 34-year-olds and, more significantly, 42 percentage points for 55- to 59-year-olds (2013) (Figure 3.1).⁵⁰ If Uzbekistan’s women enjoyed the average female employment rate of OECD countries, there would be 1.03 million more women contributing to the Uzbek economy today.

Figure 3.1. Male and Female Employment Rates Mirror Those in OECD Countries



Source: Ajwad et al. (2014); authors’ calculations using World Bank/GIZ, Uzbekistan Jobs, Skills, and Migration Survey, 2013.

⁴⁶ ADB (Asian Development Bank). 2014. Uzbekistan Country Gender Assessment. Mandaluyong City, Philippines.

⁴⁷ Data Bank, World Bank <https://data.worldbank.org/indicator/SL.TLF.TOTL.FE.ZS>.

⁴⁸ Data Bank, World Bank <https://data.worldbank.org/indicator/SL.TLF.TOTL.FE.ZS>.

⁴⁹ In 2015 the female labor force in proportion to the total labor force was 38.8 percent. Source: Gender Statistics in Uzbekistan (available in Russian). <https://gender.stat.uz/ru/osnovnye-pokazateli/trud/zanyatost-naseleniya/624-sootnoshenie-zhenshchin-i-muzhchin-v-obshchej-chislennosti-zanyatykh-v-ofitsialnom-sektore-ekonomiki-v-2015-godu>.

⁵⁰ Ajwad, Mohamed Ihsan, Ilhom Abdulloev, Robin Audy, Stefan Hut, Joost de Laat, Igor Kheyfets, Jennica Larrison, Zlatko Nikoloski, and Federico Torracchi. 2014. *The Skills Road: Skills for Employability in Uzbekistan*. World Bank, Washington, D.C.



3. **Women’s economic opportunities are still greater in the informal sector, and women are more likely to earn income through small family-based businesses such as farming or handicrafts.** According to the L2CU household survey, women in employment are a much smaller percentage than men (e.g., 24 percent vs. 47 percent among women and men in the age group of 25-34) and they are more likely to be ‘full time homemakers’ (45 percent vs. 2 percent among the same age group).⁵¹ Informal work is important in terms of contributing to the family budget with women’s income making up around 13–14 percent of a family’s budget,⁵² but it also leaves women without the SP offered by formal employment such as pensions, maternity leave, sick leave, or holidays.

4. **Women in rural areas are especially vulnerable in the current labor market due to their lack of competitiveness and the limited number of jobs available to them locally.** As a result, women from rural areas are more likely to accept lower skilled, informal, or seasonal work.⁵³ They are often informally engaged in tending family garden plots (*tomorkas*) and livestock for little or no remuneration. Women may not always have access to or control over the income received from these activities. Full-time farm-based roles are limited for women, and day labor rates are typically lower than for men. Moreover, a range of barriers—from social and cultural to infrastructure and finance—limit rural women’s opportunities for both employment and entrepreneurship.

5. **The labor market exhibits distinct gender patterns, with women being overly represented in public sector jobs (health care and education), which carry lower salaries, and men predominating in technical and other more profitable fields (construction, transport and communications, and industry).** Comparing the distribution of women and men in several sectors of the labor market across time, gender gaps appear to be increasing in sectors where men predominate but decreasing in fields traditionally held by women. This dynamic suggests that men are more able than women to enter nontraditional jobs. Women also are underrepresented in upper managerial positions. Such patterns of occupational segregation—both horizontal and vertical—contribute directly to the gender wage gap (e.g., women’s incomes on average are 64 percent of men’s incomes)⁵⁴ and impede inclusive growth.

6. **The gender stereotype on the role of women as primary caregivers influences the women’s labor supply.** This stereotype was revealed by a study of attitudes about preferred family models in Uzbekistan from 2010.⁵⁵ Most respondents to a survey on family models (48 percent under age 30, 54 percent over age 30) preferred a patriarchal family model in which “the husband plays a dominating role in a family and bears responsibility for the material well-being, [and] the circle of duties of the wife includes the organization of family life, care of children, and care of relatives.” A non-equitable model of gender roles and relations has implications both on the early childhood development demand and

⁵¹ World Bank. 2018. *Risk and Vulnerability Assessment*. Report delivered as part of the technical assistance support to strengthen SP in Uzbekistan, funded by the RSR MTRF Program.

⁵² Alimdjanova, D. 2009. *The Level of Entrepreneurship Development among Rural Women of Uzbekistan, and Ways of Their Economic Empowerment*. Draft report. Manila; ADB, UNDP, and Gender Program of the Swiss Embassy; Note: The surveys were small in scale and conducted in Narpay, Samarkand in 2008.

⁵³ ADB (Asian Development Bank). 2014. *Uzbekistan Country Gender Assessment*. Mandaluyong City, Philippines.

⁵⁴ UNDP (United Nations Development Programme). 2009. *Human Development Report 2009: Overcoming Barriers—Human Mobility and Development*. New York. Table J. page 183.

⁵⁵ Institute for Social Research and United Nations Population Fund (UNFPA). 2010. *Mutual Relations in a Family in the Situation of Society Transformation (on the Example of Uzbekistan)*. Tashkent. page 11.



women's labor supply, as well as, in the long term, on intergenerational persistence of segregation practices.⁵⁶

7. **The 'Uzbekistan Promoting Early Childhood Development Project' (P165737) will contribute to addressing the childcare constraint for women's participation in the labor market.** Sub-component 2.2 presupposes financing the development, implementation, and evaluation of the non-center-based (alternative) models of early childhood development service provision (a) a home visiting program focused on the first 1,000 days of life of children and (b) an early learning playgroup (community-based) program for children between 3 and 6 years.⁵⁷ These programs would include activities to address the existing challenge on gender stereotype (gender norms) about childcare, including the role of fathers.⁵⁸

8. **The proposed project will contribute to addressing gender-related challenges in the labor market and enhance knowledge on different gender dimensions.** Given the different reasons for women not participating in the labor force, the project will ensure equal opportunities for both men and women to participate in the project's interventions and be included in the single and social registries. First, citizen engagement activities will be designed in a way to also include consultation on gender issues related to access to social and employment services. Second, analysis will be conducted on the existing survey data (HBS and L2CU) to analyze specific constraints that women face in the labor market and quantify the gender gaps. Third, the project will establish data collection mechanisms to facilitate the monitoring of gender results and impacts (key performance indicators will be disaggregated by gender when possible). Fourth, the GRM mechanisms to address queries or clarifications, resolve problems with implementation, and address complaints and grievances from beneficiaries and non-beneficiaries will be gender sensitive. Fifth, women and men will have equal opportunities to benefit from the project's efforts on improving the effectiveness of selected labor market interventions: the communication and outreach efforts supported by the project will be designed paying attention to potential cultural norms impeding women inclusion in social assistance and labor markets. Moreover, some of them will have a prerequisite that could attract larger share of women. For example, because women have lower levels of education, they could have more opportunities to benefit from entrepreneurship skills training for people with low levels of education. Unemployed women could benefit from the wage subsidy program by being connected with private firms and receiving training in case of registering in employment centers (also access to employment could be facilitated to the firms operating in textile spheres where women are commonly employed).

⁵⁶ Country Partnership Strategy: Uzbekistan 2012–2016.

⁵⁷ Project Appraisal Document "Uzbekistan Promoting Early Childhood Development Project". Report No. PAD2844. November 2, 2018.

⁵⁸ International Finance Corporation. 2017. *Tackling Childcare - The Business Case for Employer-Supported Childcare*.



ANNEX 4: ECONOMIC AND FINANCIAL ANALYSIS

1. This annex presents the economic and financial analysis for two out of three components supported by the proposed project—Component 1 (Modernizing the Social Safety Net in Uzbekistan) and Component 2 (Improving the Effectiveness of Active Labor Market Programs and the Availability of Labor Market Information). The analysis and simulations are based on L2CU data, which are the most recent and nationally representative household data available, as well as administrative data shared by the counterpart on the monitoring of existing employment programs.

Section 1: Modernizing the Social Safety Net in Uzbekistan (Component 1)

Expected Benefits

2. **The modernization of the SSN will generate overall economies of scales and improve the efficiency of the spending for the poor and the vulnerable.** The modernization encompasses two main changes which will positively affect social assistance spending and efficiency all along the delivery chain: a unified and revised targeting system and a consolidation of benefits.

3. **Overall, the project is expected to increase the coverage of the poorest quintile and improve the efficiency of public spending in social assistance by reducing inclusion errors and administrative costs.** The next section estimates by how much the cost efficiency of the delivery of social assistance could be improved, focusing on the reduction in inclusion and exclusion errors.⁵⁹

Cost-efficiency Analysis

4. **The level of coverage of the poorest quintile and the efficiency of spending are two key indicators for Component 1.** Here, are presented estimates of the cost of transferring one unit to a poor household (total costs / total transfers to poorest).⁶⁰ The project aims at reducing inclusion errors and simultaneously decreasing exclusion errors to raise the level of coverage of the poorest. An estimate of ‘loss in budget’, is also presented, corresponding to transfers made to non-poor households, to give a comparator to the cost of Component 1. Benefits realized by reducing this amount over one year already outweigh the cost of the component.⁶¹

5. Considers three situations as presented in Table 4.2: the counterfactual is the current scheme (line 1). The government project of revised scheme is based on the ‘provisional regulation for Syrdarya’ to be piloted (line 2). These two are compared with an alternative proposal to be piloted under Component 1 (line 3). Table 4.1 presents a short summary of the main differences across the three

⁵⁹ In addition to that, it has to be kept in mind that the modernization of the SSN is a one-time investment generating economies of scale over a long period. Therefore, it sustainably decreases administrative costs (holding the number of beneficiaries constant). In the absence of cost data, this important financial impact cannot be included in this analysis.

⁶⁰ For the cost of social assistance, the analysis only considers the amount transferred (direct costs). Indirect costs are not accounted for. The lower the ratio is, and the closer it is to 1, the more efficient the scheme is to reach its target of alleviating poverty. Ratios higher than 1 indicate that part of the transfers are made to non-poor households, which is because of inclusion errors.

⁶¹ In the cost-efficiency analysis, ‘poor’ is defined as belonging to the bottom quintile (Q1) of consumption per capita distribution, while ‘non-poor’ is defined as belonging to top quintiles (Q2 to Q5).



schemes.⁶² All analysis is at the household level.⁶³ Because none of the revised schemes have been implemented yet, simulations are relied upon.⁶⁴ Assumptions are made for take-up parameters (in particular take-up of the new rule of registering in ESCs) rather than assuming full take-up or full efficiency.⁶⁵

6. The overall analysis shows that the project-proposed scheme can substantially increase the cost-efficiency of delivering social assistance to the poorest while increasing the coverage of the poorest quintile. The project simulation with the 20 percent overall coverage targets has a cost efficiency close to the current scheme but increases the coverage of poorest quintile from 31 percent to 50 percent. In comparison, the revised scheme (column/line 2) would not achieve better coverage but decrease the overall cost-efficiency ratio because of larger inclusion errors, and larger exclusion errors if enforcing the employment center registration rule. The alternative scheme (simulation using a 10 percent target in terms of overall coverage) has the best cost-efficiency ratio of 1.65 and increases the coverage of the poorest quintile from 31 percent to 60 percent.

7. Overall, efficiency is expected to be higher given two other aspects: the decrease in administrative costs following the unification of the registries and the automated procedures and longer-term positive spillovers arising from the interlinking of social assistance registries and employment center databases.⁶⁶ In the longer run, interlinking the social assistance registry with the employment center database will also generate opportunities to better reach work-able individuals who could be ‘activated’ and benefit from labor market interventions.

⁶² The alternative proposal (column/line 3 in tables 4.1 and 4.2) is based on the Government’s revised scheme with slight but important adjustments: the requirement to register in employment centers for unemployed is relaxed, and the filters for wealth assessment are replaced by the use of PMT scores. Because it can substantially increase eligibility outside the budget range, in the simulations presented, an overall coverage target is set (for example, 10 percent) based on which the model identifies potential beneficiaries. For homogeneity, the same 2018 index is used for the transfer across simulations and considers that all schemes are rolled out to the whole country. The amount of the transfer is based on the minimum wage, revised in October 2018.

⁶³ The Government is considering shifting from the household to the family unit level, for social assistance targeting. Based on simulations, the project recommends keeping the assessment at the household level.

⁶⁴ The limitation of the simulations is that one cannot fully replicate the new targeting rules under the regulation but provide an estimate. Based on the available data, the simulation does not include (a) the use of filters for wealth assessment (however, this would have limited impact given available data on cars and savings accounts); (b) random household checks (for which a limited impact is expected, because random checks are made over a large number of households); and (c) realized registration in employment centers, which has been added among the rules. World Bank (forthcoming), *Family Allowances: Proposed Reform Options to Pilot in Syrdarya Region*.

⁶⁵ The current social assistance scheme for family allowances shows moderate take-up, compared to the level of eligibility (31 percent of the lowest quintile receives the allowance, while on average 60 percent of them are eligible based on simulations). In the revised scheme, one also must consider the compliance level with employment center registration (expected to be far from 100 percent) and the efficiency of the filters and wealth checks in excluding richer households. Assumptions are made for these three parameters. Take-up is assumed to be 80 percent, higher than what is currently observed assuming that the Government will put efforts in the outreach. Good efficiency of wealth filters is assumed and a low level of compliance to employment center registration among the poorest (50 percent of lowest quintile complying with registration).

⁶⁶ In the simulations, the estimated budget only includes transfers made to beneficiaries and does not include indirect costs for transfers such as administrative costs. These costs are expected to decrease following the modernization of the system further than what is included in this analysis.



Table 4.1. Summary of Schemes Considered

	1	2	3	
	Current 2017 scheme	Revised scheme - Provisional regulation for Syrdarya	Alternative scheme	
Unit of assessment is household	yes	no, family	yes	
Income test	yes	yes	yes	
<i>Including agricultural income imputed</i>	yes	-	yes	
<i>Including income impute for wages underreported</i>	yes	-	-	
Exclusion if not all work able family members with no formal income are not registered with the EC	-	yes	-	
Standardized wealth assesment for eligibility	no standardized tool	Filters for standardized assesment	Standardized tool based on PMT model	
Complementary home visits for wealth assesment	yes, no standardized tool	Small fraction of random visit checks	Random checks with standardized PMT assesment	
Eligibility in Q1 based on income test	69.2%	78.6%		
Coverage of poorest quintile	30.9%	29.9%	60.5%	49.5%
Take up x Compliance assumptions. Assumptions on take up (for col. 3) or take up (80%) x wealth check efficiency x compliance with EC registration (for col. 2) for poorest quintile		38.0%	80.0%	80.0%
PMT overall coverage parameter			10.0%	20.0%

Table 4.2. Cost-Efficiency Analysis for Component 1

Assumptions / Parameters summary	A	B	C	(A/C)	D
	Total estimated budget (UZS bln)	# HH beneficiaries	Total transfers to poorest (*) (UZS bln)	Cost efficiency ratio: cost to transfer 1 sum to a poor HH	Loss from budget (US\$ mln)
Results for 2018 - Oct 2018 revised allowances	2,526	763,353	1314.1	1.92	144.5
Based on L2CU data and simulations (**), assuming non full take up	3,388	1,023,737	1270.9	2.67	252.32
Based on L2CU data and simulations (**), setting PMT target at 20% coverage overall	3,513	1,050,657	1719.7	2.04	209.45
Based on L2CU data and simulations (**), setting PMT target at 10% coverage overall	1,785	539,336	1079.0	1.65	84.12

Note: (*) Poorest households (HH) defined by being in Q1 quintile of consumption distribution or not;

(**) Reference Paper: World Bank 2019 (forthcoming), "Family Allowances: Proposed Reform Options to Pilot in Syrdarya Region"

Section 2 - Improving the Effectiveness of Active Labor Market Programs and the Availability of Labor Market Information (Component 2)

Expected Benefits

8. **Subcomponent 2.1. Investments in employment centers' capacity will increase the efficiency of the services provided in terms of (a) better matching, (b) more tailored job counselling, and (c) quicker placement owing to the revision of the processes.** The training of the staff and the development of profiling tools will help them better serve 'hard-to-place' individuals, who correspond to the target of lower skilled and vulnerable. The placement rate will increase for the target and will lead to longer retention if the job better matches the profile of the jobseeker. In the longer run, efficient intermediation services should decrease unemployment duration, if it does not decrease the unemployment rate itself.



9. **Subcomponents 2.2 and 2.3. The improvements in the content and design of the existing ALMPs (financial support to promote employment and entrepreneurship skills training) will increase the human capital of the beneficiaries and therefore their earnings potential.** This will convert, in the longer run, in better labor market outcomes, such as a higher likelihood of being employed and being employed in more productive occupations. The program is also expected to generate sustainable benefits, leading to increased employment duration for wage-employed or higher rate of business survival for self-employed, depending on the program. In both cases, this will lead to higher labor inclusion and lower poverty rates.

10. **Regarding the training subsidy for skills upgrading and the wage subsidy for vulnerable groups, other impacts are expected at the firm level.** A subsidy might affect the firm's hiring decisions. There are two theories of impact: one is that firms' decision to hire is not affected by the subsidy and only affects the composition of employment toward lower skilled. In other words, some lower-skilled people would have not been hired in the absence of the subsidy, but now they can receive a skills upgrade and become 'employable'. In that case, the program does not affect the overall employment rate but increases the likelihood of employment among the most vulnerable and in particular the youth.⁶⁷

Cost-efficiency Analysis

11. **Subcomponent 2.1. At an aggregate level, enhanced capacity of ECs should increase the placement rate of the vulnerable, who are a 'harder to place' group.** Administrative data from ECs report that average placement rate would be 41 percent overall, and 29 percent once restricted to the target. At least a 5 percent increase in placement rates for the latter category is expected.

12. **At the individual level, the analysis shows high cost-benefit ratios under all scenarios, ranging from 67 to 196.** Subcomponent 2.1 is assessed by quantifying the monetary impact in terms of future earnings flow, which results from the better placement achieved (combination of faster placement and therefore lower unemployment duration, and a better match). The total net benefits are estimated to range between US\$1,000 and US\$1,300 per individual over 5 years.⁶⁸ Different scenarios of impacts on earnings are presented.⁶⁹ The 'net' benefit-cost ratio is the difference between the total benefits under the program minus the total benefits without the program, divided by costs per individual.^{70 71} The high

⁶⁷ A second possibility is that the training subsidy creates a hiring incentive for some firms who consequently open new positions. Even if these positions were temporary, this creates formal employment for vulnerable people at a higher wage level than the wage usually paid in informal contracts.

⁶⁸ The net benefits are expressed in net present value, using a discount rate of 10% over 5 years.

⁶⁹ Scenarios vary according to: placement rate, duration in unemployment before placement, and quality of the match proxied by the level of earnings. For each scenario, the total flow of earnings over five years is computed (considering arrival as unemployed at the employment center is year 0), discounted at 10 percent (column A). The net present value cost (column B) comprises all expenses related to the enhancement of employment centers discounted at 10 percent over five years (including development of IT profiling tools, functional review of employment centers, regular training sessions for job counselors, training to improve outreach to employers and on how to do the matching for wage subsidies, training to increase the capacity on reducing E&F, and training to develop performance-based contracting of private employment services providers.)

⁷⁰ To get an estimate of individual cost, the total costs are divided by an estimated target of 1,150,000 beneficiaries. This estimation is based on the 2017 number of jobseekers within the target group (200,000 individuals, based on administrative data) inflated by 15 percent (that is, assuming 230,000 per year, for five years) to take into account the future increased number of jobseekers registering in centers owing to improved communication and outreach, as well as increasing demand because of SOEs' lay-offs.

⁷¹ For the baseline situation (column B) it was assumed that jobseekers earn 50 percent of the national average wage, a 29 percent placement rate as observed in administrative data, and an average duration of unemployment of 12 months before being placed. No data are available on the distribution of wages (median wage), and no data either to estimate the average unemployment duration.



cost-benefit ratios are explained by the high leverage in investing in the skills of employment centers staff, as it trickles down to all jobseekers going through their services.

Table 4.3. Cost-benefit Analysis for Subcomponent 2.1

Scenarios : Assumptions on impact on key parameters :		A	B	C	(A-B)/C
		Total Benefits (NPV)	Counterfactual benefits (NPV)	Costs (NPV)	Net Benefits / Cost
1	- Placement rate + 5%, - Unemployment duration -0 months	1018.2	868.5	2.2	67.9
2	- Placement rate + 5%, - Unemployment duration -6 months	1031.6	868.5	2.2	73.9
3	- Placement rate + 10%, - Unemployment duration -6 months	1183.3	868.5	2.2	142.7
4	- Placement rate + 5%, - Unemployment duration -6 months - Earnings +10%	1301.6	868.5	2.2	196.3

Note: - The assumptions for the counterfactual are the following: earnings are equal to 50% of the national average wage, baseline placement rate is 29%, average duration of unemployment is 12 months.
- Regarding costing, total NPV costs are US\$2.5 million, and estimated number of beneficiaries are 230,000 per year (in 2017, around 200,000 individuals in our target group were served by the government, increased demand is expected).

13. **Subcomponents 2.2 and 2.3. To assess the efficiency of these two subcomponents, the labor market outcomes of the beneficiaries were taken into consideration: their employment status after the program and in the longer run (five years after the program) and their level of earnings.** In the case of self-employment, this means looking at entry into self-employment for individuals and the survival rate of the activity. One can also consider impacts at a more macrolevel, in terms of net job creation and reduced unemployment. Both are taken into account and two scenarios of estimated impacts for this subcomponent are presented.

14. **At the macrolevel, the potential impacts on the headcount of unemployed youth and on youth unemployment can be computed.** Over the next five years, it is found that the number of youth unemployed could decrease by 0.5 to 3.4 percent, which corresponds to a decrease of 0.1 to 0.7 percent in youth unemployment rate. This analysis takes into account the fact that newly self-employed youth might have found employment in the absence of the program and that some firms might hire, with subsidies, people they would have hired anyway (windfall effect). These two effects reduce the effectiveness of the program and are very well documented in the economic literature. Therefore, the impacts under different assumptions on the ‘net’ job creation rate are expected to be lower than 100 percent.⁷²

⁷² The total number of beneficiaries considered here includes beneficiaries from both Subcomponents 2.2 and 2.3., considering the overlap that may happen across subsidies and activities. A total of 25,500 is used rather than the expected 35,000 beneficiaries, assuming that (a) 25 percent of beneficiaries from training and wage subsidy might combine both subsidies and (b) 100 percent of start-up subsidy also benefits from the entrepreneurship training activities. Simulations use unemployment rates of youth because it is expected that they will be the major group among vulnerable beneficiaries with low skills, especially for this subcomponent.



Table 4.4. Simulations of Macro-level Impacts on Unemployment

Assumptions of % net job creation	% decrease in the number of youth unemployed	% decrease in the youth unemployment rate
10%	0.5%	0.1%
25%	1.3%	0.3%
33%	1.7%	0.3%
50%	2.6%	0.5%
66%	3.4%	0.7%

Source: Using 2017 ILO data on youth (15-24) unemployed and labor force participation

15. **At an individual level, the flux of benefits (increased earnings) is compared to the costs to compute a net impact return rate.**⁷³ Both the employment rate and survival rates or employment duration rates are core assumptions of this analysis. For the analysis, the impact on earnings potential is directly considered (given the increase in human capital, for those who receive training) rather than comparing a beneficiary to an unemployed as counterfactual.⁷⁴

16. **The net impact return rate is presented in table 4.5**Error! Reference source not found., **ranging from around US\$600 to US\$1,500 per individual over 5 years, depending on the intervention and depending on the assumptions.** For each related labor market intervention, it is considered that the training will increase the earnings potential of the beneficiary. Although this should last for a long period, these benefits are measured over five years, which is a conservative estimate when assessing returns to skills. The net present value of both costs and benefits is computed, over a five-year period duration, using a 10 percent discount rate.⁷⁵

17. **For the training subsidy, two scenarios are presented to provide an idea of the two sources of impact (net job creation and increased earnings potential).** In scenario 1, increased earnings for individuals benefitting from the training is assumed, starting at year 1. In scenario 2, the fact that the trainees are already employed by a firm and cannot renegotiate their wage directly is taken into account; therefore, the earnings potential affects their real wage only two years after the program (in Year 3).⁷⁶

18. **For the entrepreneurship training intervention, assumptions are built on the existing literature.** Despite the large literature on entrepreneurship, it is difficult to find good comparators and estimates for

⁷³ In the case of financial support (Subcomponent 2.2), the cost per individual not only includes the transfer but also awareness campaigns to employers and potential beneficiaries. The training subsidy includes the cost of awareness campaigns to employers, to beneficiaries, and advisory services to small and medium enterprises to help them identify skills needs, each of them in proportion to the number of beneficiaries. For the wage subsidy, only the awareness campaigns. The business start-up subsidy costs are included in entrepreneurship costs, in proportion to the number of beneficiaries.

⁷⁴ It is difficult to accurately estimate the likelihood of beneficiaries to generate similar earnings in the absence of employment support programs. This is why the approach here has been to directly consider a potential impact on earnings. It was decided not to quantify the return in tax revenues for the Government because of informality levels.

⁷⁵ The flow of benefits over five years correspond to the increase in profits or earnings over the period, taking into account (a) the rate of employment (or entry into self-employment) following the interventions and (b) the risk of separation in wage employment (in other words, the likely duration of employment) or the risk of firms' death for entrepreneurship. Given the lack of data and comparators, it is assumed that the monthly profits in an independent activity equates two minimum wages, which is 40 percent of the average monthly wage in Uzbekistan. The concept of minimum wage is rather used as an index than as a measure of the minimum income required to live decently. The average wage in the country is 8.4 times the minimum wage, and the eligibility threshold for social assistance is 1.5 times the minimum wage.

⁷⁶ Note that a higher entry rate is assumed compared to entrepreneurship given that beneficiaries are already hired by firms and will receive on-the-job training. However, higher separation rates are also assumed, given their overall level of skills.



entry rates.⁷⁷ The intermediate rate of 60 percent was selected, although higher entry rates could be expected given that beneficiaries will have already applied to microloans and therefore already have a business project when entering the program. The yearly firm death rate is an estimate valid for up to five years, estimated using panel data in McKenzie and Paffhausen (2017).

Table 4.5. Economic Return Analysis for Subcomponents 2.2 and 2.3

	A	B	C	D	E	F
	Average NPV cost per beneficiary (US\$)	Net increase in monthly earnings potential (US\$)	Probability to stay or find a job/to enter self employment	Yearly decrease in the likelihood to stay employed/ yearly decrease in survival rate of the activity	NPV Total net benefits over 5 years (US\$)	Net Benefits Costs ratio (E/A)
2.2.1 Training subsidy : 2 scenarios						
scenario 1 - Impact on monthly earnings	136	48	85%	15%	1,428.50	10.54x
scenario 2 - scenario 1 but with wage updated at	136	48	85%	15%	634.11	4.68x
2.3. Entrepreneurship training	526	48	60%	15%	1,008.35	1.92x

Note: Column (B) assumption is that the increase in human capital following the training will increase the monthly earnings potential by 2 minimum wages (i.e. 28% of average monthly wage). Column (C) assumption is based on literature comparators. Column (D) assumption on death rate of firms is based on McKenzie and Paffhausen (2017) and the yearly estimate is valid for up to 5 years. The yearly benefits and the costs are discounted over 5 years at a 10% discount rate. Column (F) presents NPV benefits divided by NPV costs.

19. **For both subcomponents, the overall rate of return is greater than 1 as required, ranging between 4.7 and 10.6 for the training subsidy.** It is lower for entrepreneurship training (Subcomponent 2.2), around 2, because the cost per beneficiary is higher.⁷⁸ Note that in the case of entrepreneurship, part of the impact is driven by the Government’s investment in microloans which constitute the capital input, while this project brings the human capital input.⁷⁹ The literature suggests that the two are complements and that the combined impact of both is greater than individual impacts.

20. **Finally, note that Subcomponent 2.4 is expected to reinforce the effects of other Subcomponents.** Economic theory suggests that improvements in the LMIS and in increased efficiency in intermediation performed by the ESCs should be catalyzers of employment outcomes. Improving job intermediation helps increase the speed and quality of job matches. Trained staff in the ESCs can better serve disadvantaged segments of the unemployed and increase the likelihood of jobseekers finding and retaining a job.

⁷⁷ These studies evaluate programs providing both capital and training to first-time entrepreneurs. However, once the literature is restricted to these two criteria, the sample is quite small and very heterogeneous (in terms of income level of the country and training duration and intensity among others). Our comparators from the literature review are the following: Klinger and Schundeln (2011), Blattmann, Green et al. (2016), Blattman and Annan (2014), Almeida and Galasso (2009).

⁷⁸ Sensitivity analysis on entry rates show that the return rate for the training subsidy would remain greater than 1 even if entry in employment is not higher than the current placement rates post public works programs (declared to be 22 percent).

⁷⁹ Subsidies for start-up capital are included in the cost per individual, for 40 percent of the beneficiaries as budgeted. However, the remaining 60 percent individuals will also benefit from capital, through the government microloan program, and these costs are not accounted here as they are not covered by the project.



Republic of Uzbekistan Country Map

