



**ASIAN INFRASTRUCTURE
INVESTMENT BANK**

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**Project Document
of the Asian Infrastructure Investment Bank
Sovereign-backed Financing
Republic of Uzbekistan
Healthcare Emergency Response Project
(under the Covid-19 Crisis Recovery Facility)**

Currency Equivalents

(As at July 04, 2020)

Currency Unit – Uzbekistan Som (UZS)

USD1.00 = UZS10173

Borrower's Fiscal year

January 1 – December 31

Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASEW	Agency for Sanitary and Epidemiological Wellbeing
COVID-19	Coronavirus disease
CRF	COVID-19 Crisis Recovery Facility
DFIL	Disbursement and Financial Information Letter
DMF	Design Monitoring Framework
IA	Implementing agency
ICU	Intensive care unit
IMF	International Monetary Fund
EARF	Environmental Assessment and Review Framework
EMP	Environmental Management Plan
EBRD	European Bank for Reconstruction and Development
EA	Executing agency
ES	Environmental and Social
ESP	Environmental and Social Policy
ETC	Et cetera
GAP	Gender Action Plan
GDP	Gross Domestic Product
GOU	Government of Uzbekistan
GRM	Grievance Redress Mechanism
IEE	Initial Environmental Examination
MDB	Multilateral Development Bank
MOH	Ministry of Health
MIFT	Ministry of Investments and Foreign Trade
MOF	Ministry of Finance
OHS	Occupational Health and Safety
PAM	Project administration manual
PCR	Polymerase chain reaction
PIU	Project Implementation Unit
PPE	Personal Protection Equipment
PPM	Project-affected People's Mechanism
O&M	Operation and Maintenance
SDG	Sustainable Development Goals
SRC	Special republican commission
SPRP	Strategic preparedness and response plan
SPS	ADB's Safeguard Policy Statement
UZS	Uzbekistan Som
WHO	World Health Organization

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1. Summary Sheet
 Republic of Uzbekistan
 Healthcare Emergency Response Project

Project No.	000402
Borrower	Republic of Uzbekistan
Project Implementation Entity	Agency of Sanitary-Epidemiological Well-being (ASEW) under Ministry of Health (MOH) of Uzbekistan
Sector Subsector	Social Public Health Infrastructure
Project Objective	To strengthen the public health emergency response and preparedness in Uzbekistan to address the on-going COVID-19 pandemic and enhance country's resilience to future public health disasters
Project Description	<p>The project is being developed in consultation with the Government of Uzbekistan and the co-financier, Asian Development Bank (ADB) and will consist of the following three components, which are closely interlinked:</p> <p>Component 1. Strengthening the National laboratory system. This component will support: (i) the designated laboratories under ASEW to refurbish some facilities, provide laboratory equipment, personal protection equipment (PPE), testing kits and reagents; (ii) development of a laboratory networking and information system for diagnostics, quality assurance, monitoring, and reporting; and (iii) necessary training for laboratory workers to use technology and skills for testing and contact tracing.</p> <p>Component 2. Establishing a National surveillance and response system for COVID-19. This component will assist ASEW to: (i) develop and disseminate online protocols and training for primary healthcare workers and institutional caretakers to identify potential COVID-19 cases and contacts, provide appropriate advice, and use real-time digital reporting of these potential cases and contacts to ASEW; (ii) develop and test this digital real-time monitoring system; and (iii) strengthen screening, and collection and transportation of respiratory samples to laboratories. The project will support consultation services to design a real-time monitoring system and associated training, vehicles for surveillance, and other supplies to enhance the surveillance capacity of ASEW nationwide.</p> <p>Component 3. Building Case Management Capacity. This component aims at providing improved clinical care for COVID-19 patients while avoiding disruption of essential health services. It will provide: (i) refurbishment of selected</p>

	infrastructure including expansion of Intensive Care Units (ICUs); (ii) medical supplies and equipment as well as ambulances as required; and (iii) clinical and service guidelines for effective COVID-19 patient care and related staff training.
Implementation Period	The project will be implemented over 24 months from August 2020 to July 2022
Expected Loan Closing Date	January 2023
Cost and Financing Plan	Project cost: USD257 million <u>Financing Plan:</u> AIIB loan: USD 100 million ADB loan: USD 100 million Government of Uzbekistan: USD 57 million
Size and Terms of AIIB Loan	USD 100 million. Final maturity of 30 years, and average maturity of 19.91 years, including a grace period of 10 years, with level repayments at AIIB's standard interest rate for sovereign-backed loans.
Cofinancing (Size)	ADB (Lead Co-Financier): USD 100 million.
Environmental and Social Category	ADB Category B for Environment, C for Involuntary Resettlement and C for Indigenous Peoples (equivalent to Category B if AIIB's ESP were applicable)
Risk (Low/Medium/High)	Medium
Conditions of Effectiveness	<ul style="list-style-type: none"> - The Project Co-Lenders Agreement between ADB and AIIB has been executed. - ADB's loan agreement has been executed. - The Government has adopted the Project Administration Manual
Key Covenants/Conditions for Disbursement	<p>(i) The Borrower and the Ministry of Health shall make available through budgetary allocations or other means, all requisite counterpart funding (including exemption for taxes and duties) for the timely and effective implementation of the Project.</p> <p>(ii) The Borrower through the Ministry of Health shall ensure that the Project is implemented in accordance with the project manual.</p> <p>There are no disbursement conditions.</p>
Retroactive Financing (Loan % and dates)	Up to 30% of the loan amount for eligible expenditures incurred from March 19, 2020 until the loan signing date.
President	Jin Liqun
Vice President	Konstantin Limitovsky

Director General	Supee Teravaninthorn
Manager	Gregory Liu
Team Leader	Igor Popkov, Private Sector Operations Specialist
Co-Team Leader	Martin Naegele, Client Relations Officer
Team Members	Ildiko Almasi, Social Development Specialist Jia Cao, Client Relations Associate Shiyao Chao, Healthcare Consultant Christopher Damandl, Consultant, OGC Yogesh Malla, Financial Management Specialist Giacomo Ottolini, Principal Procurement Specialist Zhixi Zhu, Environment Specialist

2. Project Description

A. Project fit under the Covid-19 Crisis Recovery Facility.

1. **The Covid-19 Pandemic.** The rapidly evolving Coronavirus Disease 2019 (COVID-19) pandemic presents an unprecedented global challenge and has widespread and severe negative social, economic and financial impacts. The increasing breadth, depth and duration of the pandemic have placed significant strains on health care infrastructure, systems and supply chains. This has increased the risk of loss of life and suffering faced by people around the world. Meanwhile, the policy measures adopted by affected countries to contain the pandemic, while necessary, have resulted in sharp and sudden reductions in economic activities.

2. **Covid-19 spread in Uzbekistan and actions taken by the Government.** In response to global events, the Government of Uzbekistan established the Special Republican Commission (SRC) on January 29, 2020 to: (i) monitor the epidemic and raise public awareness, (ii) communicate with international organizations and countries experiencing outbreaks, and (iii) expand the capacity of health care facilities and procure necessary antiviral medicines and equipment. The Government of Uzbekistan announced the first imported case of COVID-19 on March 15, 2020. A COVID-19 Strategic Preparedness and Response Plan (COVID-19 SPRP) was released on March 19, 2020. Following travel restrictions imposed earlier, social distancing and lockdown measures including closing of schools and businesses and imposing curfew in the most affected locations came into effect on March 16, 2020. Under Presidential Decree No. 5969, the Republican Anti-crisis Commission was formed and the Government established the Anti-crisis Fund of UZS10.00 trillion (USD1.05 billion) under the budget to undertake health, economic stabilization, and social protection measures¹. Approximately USD104.60 million is budgeted to establish medical facilities, purchase medical supplies, test kits and equipment, and provide salary supplements to medical staff. During March-June 2020, a wide range of fiscal measures have been implemented.²

3. On March 19, 2020, the Government published a national COVID-19 plan that aims to (i) address the COVID-19 emergency by identifying, isolating and providing care for patients with COVID-19 to minimize disease spread, morbidity, and mortality; (ii) strengthen short- and long-term capacity of the health system to provide intensive care; (iii) implement effective communication campaigns targeting mass awareness and education of the population on how to tackle the COVID-19 emergency; (iv) expand unemployment benefits to formal sector workers; (v) provide wage subsidies for companies to furlough workers; and (vi) expand cash transfers to vulnerable households and individuals.

4. Due to very strict lockdown measures including quarantine of all suspected cases and contacts, so far Uzbekistan has been relatively effective in controlling the spread of COVID-19. However, from April to June, the rate of infection has been picking up. As of

¹ ADB. May 2020. *Proposed Countercyclical Support Facility Loan Republic of Uzbekistan: COVID-19 Active Response and Expenditure Support Program*. Unpublished.

² White & Case LLP. [COVID-19: Uzbekistan Government Financial Assistance Measures](#) (accessed 26 May 2020).

July 4, 2020, a total of 9708 COVID-19 cases were confirmed and 31 people have died³. Although there is still much uncertainty about COVID-19 and most predictions are based on evolving modeling, epidemiologists are warning that countries should expect to see population infection rates continue to increase unless strict mitigation measures are taken or there is effective vaccination.

5. As a result of adverse impacts of COVID-19, the International Monetary Fund (IMF)⁴ predicts a gross domestic product (GDP) growth rate decline in Uzbekistan from 5.6% in 2019 to 1.5% in 2020. Public finances are under significant pressure with a loss in revenue equivalent to 2.2% of GDP and additional spending needs equivalent to 1.5% of GDP. These changes have contributed to the rise of the fiscal deficit which is forecasted at the level of 4.1 percent of GDP in 2020 (as compared to 0.4% in 2019).

6. **Emergency assistance coordination.** With the guidance of the SRC, a multilateral COVID-19 management team (CMT) was established on March 12, 2020 to plan and coordinate multilateral support for COVID-19 socio-economic response and recovery.⁵ On April 22, 2020, Presidential Decree No. 4691, “On measures to attract external assistance funds to support the population, budget, basic infrastructure and business entities during the coronavirus pandemic,” was issued, which provides the framework for attracting external assistance and aid coordination. The following support has been provided by partner institutions:

- The IMF approved the disbursement of USD375 million (50 percent of quota) under the Rapid Credit Facility to support Uzbekistan’s response to the COVID-19 pandemic.
- The World Bank (WB) provided a USD95 million financing package, including funding for cash support to low-income families and one-off unemployment benefits, and USD200 million in additional development policy financing to support ongoing health, social, and economic policy responses to the crisis.
- The European Bank for Reconstruction and Development (EBRD) provided an additional USD70 million of trade finance through local banks.
- The Asian Development Bank (ADB) provided initial COVID-19 response support by: (i) reallocating USD19.50 million from the Primary Healthcare Improvement Project to purchase equipment and providing technical support to MOH for all procurement through its project implementation unit and (ii) extending grants of USD0.20 million and USD1.36 million under regional technical assistance. ADB is also working on budgetary support to GOU.

7. This proposed project responds to the Government’s formal request to ADB and AIIB on April 30, 2020 for emergency response and resilience building for COVID-19 in Uzbekistan. The project will be co-financed by ADB. Apart from the proposed Project, AIIB is also working on a separate project under AIIB’s COVID-19 Crisis Recovery Facility (the Facility) – to provide a credit line to the National Bank of Uzbekistan in the amount of USD200 million to support businesses affected by the crisis.

³ Johns Hopkins University COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE)

⁴ IMF Country Report No. 20/171. World Economic Outlook April 2020

⁵ United Nations Development Programme (UNDP). 2020. *Consolidated Multilateral COVID-19 Socio-economic Response and Recovery Offer*. Tashkent.

8. **Project's alignment with the Facility.** AIIB has established the Facility in order to respond effectively to the fast-evolving situation and flexibly and efficiently to client demands. The Facility supports financing of emergency health sector responses, including the development of health system capacity, and provision of essential medical equipment and supplies to combat COVID-19, as well as the long-term sustainable development of the health sector of the member country. The scope and components of the proposed project, as outlined in this project document (detailed in Annex 2) are to finance immediate health sector needs, and therefore are fully aligned with the objectives of the Facility.

9. The proposed loan also meets the requirements of ADB's emergency support program to respond effectively to the fast-evolving pandemic.

B. Project Objective and Expected Results

10. **Project Objective.** To strengthen the public health emergency response and preparedness in Uzbekistan to address the on-going COVID-19 pandemic and enhance country's resilience to future public health disasters.

11. **Expected Results.** The project is expected to improve the capacity and quality of surveillance, diagnostic testing and treatment for COVID-19 and future disease outbreaks.

12. The project will be monitored through the following key result indicators:

- a) Increase in surge capacity of polymerase chain reaction (PCR) tests per day by trained laboratory technicians for testing for COVID-19; and
- b) Increase in surge capacity of functional intensive care units (ICUs) attended by trained medical staff.

13. **Expected Beneficiaries.** The expected project beneficiaries will be the population at large given the nature of the disease, but importantly those infected, and at-risk populations, particularly the elderly and people with chronic conditions, and medical and emergency personnel.

C. Description and Components

14. **Overview.** The project will have three main interlinked components, as outlined below, which will help address emergency healthcare needs and strengthen diagnosis, treatment, and epidemiological surveillance in Uzbekistan.

15. **Component 1. Strengthening the national laboratory system.** The component will help mitigate the surge in COVID-19 cases by supporting 38 laboratories, out of a total of 671 laboratories, to increase COVID-19 related testing capacity as per the national COVID-19 SPRP. This component will support ASEW to conduct an assessment of laboratories, minor refurbishment to ensure workplace quality and safety to meet the standard for Biosafety Level 2 according to WHO guidelines⁶. The component will also support procurement of laboratory equipment, PPE, test kits, reagents, and other supplies to increase testing capacity, and equipment and software for a laboratory networking and

⁶ WHO. 2004. Laboratory Biosafety Manual.

information system. The working conditions for health workers and facility staff will be improved, including better convenience for female workers, and health workers at higher risk for exposure to COVID-19 will be prioritized for diagnostic services.

16. Component 2. Establishing the national surveillance and response capacity.

The component will help mitigate the surge in COVID-19 cases by increasing the surveillance capacity to identify potentially infected people and improve contact tracing including screening, testing, isolation, and case management nationwide. This component will assist ASEW to (i) develop and disseminate on-line protocols and training for primary health care workers and institutional caretakers to identify potential COVID-19 cases and contacts, provide appropriate advice, and use a real-time digital reporting system to report these potential cases and contact to ASEW; (ii) develop and test this digital real time monitoring system including a web-based dashboard, which is secure, standards-based and ensures protection of patient privacy; and (iii) strengthen surveillance, screening, and collection and transportation of respiratory samples to a laboratory. In addition, the component will support the procurement of consulting services to develop a real-time monitoring system including training, vehicles for surveillance, and other supplies to increase the surveillance capacity of ASEW nationwide.

17. Component 3. Building Case Management Capacity.

This component aims at providing improved clinical care for COVID-19 patients while avoiding disruption of essential health services. The project will finance refurbishment, including sex-segregated facilities for staff and patients, of 16 treatment centers, which consist of 14 regional hospitals for infectious diseases and 2 hospitals at the republican level of the Scientific Research Institute of Virology and the Scientific Research Institute of Epidemiology, Microbiology and Infectious Diseases that are the designated COVID-19 treatment centers. The project will support these hospitals to function as specialized COVID-19 treatment centers. The project will provide (i) refurbishment of selected infrastructure including expansion of Intensive Care Units (ICUs); (ii) provision of medical supplies and equipment as well as ambulances as required; and (iii) provision of clinical and service guidelines for effective COVID-19 patient care and related staff training.

D. Cost and Financing Plan

18. The total cost of the investments is estimated at USD257 million. USD200 million is required through external borrowing. The Government contribution will mostly consist of taxes and duties.

Table 1. Project Cost and Financing Plan

Item	Project Cost (USD million)	Financing (USD million)					
		ADB		AIIB		GOU	
		Amount	%	Amount	%	Amount	%
Component 1 – Strengthening national laboratory system	152.4	59.7	23.2%	59.7	23.2%	33.0	12.9%
Component 2 – Establishing National surveillance and response capacity	28.6	11.2	4.4%	11.2	4.4%	6.2	2.4%
Component 3 – Building Case Management Capacity	59.7	23.4	9.1%	23.4	9.1%	12.9	5.0%
Sub-total	240.7	94.3	36.7%	94.3	36.7%	52.1	20.3%
Financial Charges During Implementation	1.6	0	0.0%	0	0.0%	1.6	0.6%
Contingencies	14.7	5.7	2.2%	5.7	2.2%	3.3	1.3%
Grand Total	257.0	100.0	38.9%	100.0	38.9%	57.0	22.2%

19. The Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB) have both been requested by the Government of Uzbekistan to help co-finance the Project. ADB, designated as the lead co-financier, will harmonize all relevant procedures to those of AIIB as much as possible, including but not limited to safeguards, procurement and financial management. AIIB will apply and rely on respective ADB's policies to the extent that they are consistent with AIIB policies. The loan is expected to be financed by ADB and AIIB on a 50:50 ratio. Co-financing will be conducted on a joint basis, i.e., same contracts will be jointly financed by ADB and AIIB, with two withdrawal applications made in the ADB and AIIB co-financing ratio.

20. Starting from July 1, 2020, GOU has introduced changes in the taxes and duties regulation of MDB-financed projects from exemption to reimbursement. The government counterpart financing will be provided in cash to pre-finance taxes and duties. MOF will provide necessary support to ensure timely allocation of resources to pay taxes and duties under the project.

E. Implementation Arrangements

21. **Implementation period.** The project will be implemented over 24 months from August 2020 to July 2022. The loan is expected to close by January 31, 2023.

22. **Implementation Management.** The MOH will be the executing agency (EA) responsible for overall coordination and management of the project and ASEW will be the implementing agency (IA). The MOH will appoint the Head of ASEW, who is concurrently

the First Deputy Minister of health care, as the project director responsible for overall project implementation. The MOH will support ASEW as needed, in particular for Component 3 of the project. The current PIU of the ADB's Primary Healthcare Improvement Project in the MOH will be expanded and will be responsible for day-to-day management of project implementation. The PIU will be relocated to ASEW and subordinated to the Head of ASEW. To support the current PIU manager, a deputy manager will be recruited. The deputy manager will oversee implementation of the ongoing Primary Healthcare Improvement Project, while the PIU project manager will supervise implementation of the proposed COVID-19 Healthcare Emergency Response project. To ensure effective project implementation, the IA will recruit additional national staff. A Steering Committee will be formed by September 2020 and will be chaired by the Minister of Health and will comprise of the Project Director (to be assigned by the EA) and representatives from the Ministry of Health, the Ministry of Investments and Foreign Trade, and the Ministry of Finance.

23. **Monitoring and Evaluation.** Monitoring and evaluation activities will be the responsibility of the PIU. The PIU will be expected to (i) monitor project implementation; (ii) collect data and information related to the result indicators; (iii) prepare progress reports by coordinating with related departments at the ASEW, MOH, and other relevant agencies involved in project implementation. Individual consultants and consulting firms will be recruited as needed to support monitoring and evaluation, procurement of bioengineering, laboratory services, civil works monitoring, IT software design, and other implementation activities.

24. Progress reports will include review of compliance with the planned project activities, the updated Procurement Plan, the achievement of indicators as defined in the Results Framework, and the Environmental and Social Framework (ESF). The PIU will submit these reports to the ADB and AIIB on a quarterly basis. The roles and responsibilities of staff of the implementing agency, participating institutions and all stakeholders involved in project implementation, as well as the methodology and the detailed implementation plan, are described in the Project Administration Manual (PAM).

25. **AIIB's Implementation Support.** ADB will be the lead co-financier and will supervise and monitor the project and provide the services identified in the corresponding Co-Lenders' Agreement to be signed between ADB and AIIB, in accordance with ADB's applicable policies and procedures. AIIB will join the supervisions that ADB will conduct. Adequate resources will be made available within AIIB to match the frequency of ADB's implementation support missions. AIIB may also consider hiring local consultants in close collaboration with the ADB Country Office in case in-house resources are not adequate.

26. Given the limited knowledge and experience in dealing with the COVID-19 pandemic, the exchange of information across countries, facilitated by international partners including ADB, will be instrumental for AIIB in managing their response to COVID-19. Lessons learnt from Uzbekistan's approach to containment and preparedness activities shall be shared and could be applied, as relevant to similar scenarios faced by other member countries.

27. **Procurement.** The COVID-19 pandemic requires quick procurement amid possible supply constraints, price fluctuations and limited number of interested bidders. Given current supply uncertainties, the procurement strategy to remain fit-for-purpose should be

flexible and focus on timely availability and quality of goods. The options to have a direct contract or a memorandum of understanding with nongovernment organizations and/or UN agencies already engaged in Uzbekistan and the Government procurement system, may be explored as appropriate. Goods and equipment will be procured using direct contracting with ADB Procurement Policy and Procurement Regulations for ADB Borrowers (2017, both as amended from time to time), as well as the additional exemptions as endorsed as per ADB's Comprehensive response to the COVID-19 Pandemic. Due to the nature of the emergency, tight global markets and the need to procure supplies and equipment quickly, the procurement could involve suppliers from non-ADB member countries, and at government request, ADB will apply universal procurement. These arrangements are deemed consistent with the Articles of Agreement and the Bank's Core Procurement Principles.

28. **Financial Management.** The MOH will be responsible for overall financial management of the Project to ensure proper usage of funds. The planning, budgeting, funds flow, accounting, reporting, internal controls, and audit arrangements will be aligned with the government's existing system and procedures to the extent possible. The project will be implemented by the PIU under ASEW and maintain adequate financial management systems. The PIU will prepare the annual work plan and budget including counterpart funds as per procurement plan and financing agreements. The PIU's existing finance/accounts staff will manage the project financial management. Additional accountant and financial management specialist will be hired to ensure sufficient resources for project financial reporting and compliance with MDBs financial management policies and procedures. The PIU will maintain separate books and records by funding source for expenditures incurred on the project. For the project accounting, the PIU will use International Public Sector Accounting Standards (IPSAS) cash basis. The project internal audit will be carried out by the internal audit department of the MOH on periodic basis.

29. The PIU will prepare the detailed project financial statements for all sources of financing. The Interim Unaudited Financial Reports (IUFs) will be submitted to AIIB and ADB within 45 days after the end of every six months period. The project audit report for each year of project implementation will be submitted within six months from the fiscal year-end. The project external audits will be carried out by an independent auditor acceptable to AIIB and ADB.

30. **Funds Flow and Disbursement Arrangements.** The MOF will allocate adequate counterpart funds for payment of taxes, customs duties and maintenance of supplied equipment (after a period of post-warranty service). To ensure transparency, efficiency and timeliness of tax and duty reimbursements, MOF will establish a separate account for the project under the MOF Treasury. At the beginning of the project and at the beginning of each month, the PIU will estimate the amount necessary to pay for the taxes and fees, after which the funds will be allocated by MOF to the said separate account under MOF Treasury. Based on invoices from the customs committee and other official institutes responsible for collecting taxes, duties and fees, the PIU will issue an order to MOF Treasury to make the payments within 2-3 days to the relevant official institutions responsible for collecting taxes, duties and fees. The PIU will monitor tax and duty reimbursements and will ensure transparency, efficiency, and timeliness.

31. The disbursement of Loan proceeds will be made using the reimbursement, direct payment, special commitment and advance methods. The eligible project expenditures such as civil works, goods, consulting services, non-consulting services, training and operating costs will be subject to the use of Statement of Expenditure (SoE) format. The PIU will establish a pooled Advance USD account promptly after loan effectiveness at a commercial bank acceptable to AIIB and ADB. A local currency sub-account will be also opened for the PIU's local expenses such as operating costs, minor goods, small consulting and supplier payments only, while Advance USD account will be for project activities to be financed in USD. The Advance USD account will be used exclusively for AIIB and ADB's share of eligible expenditures. The request for initial and subsequent advance disbursements to the Advance USD account shall be accompanied by an Estimate of Expenditure setting out the estimated expenditures for 6 months.

32. A Disbursement and Financial Information Letter (DFIL) will detail out the authorized signatories, ceiling of Designated Account (Advance Account), process of submitting claims and other terms and conditions of disbursements related to the project.

3. Project Assessment

A. Technical

33. **Project Design.** ASEW provided ADB and AIIB with plans on how it intends to address the weaknesses in its sanitary-epidemiological service and broader public health emergency response infrastructure that have been exposed by the current crisis. From a technical perspective, these plans meet the Project's objective and requirements and are consistent with the country's overall approach to combatting the COVID-19 pandemic. From a strategic perspective the project fulfills long-term national goals to strengthen the overall healthcare system, aligned with SDG 3, and provides infrastructure that can be used for diagnosis, treatment, and surveillance of COVID-19 as well as other diseases, and will help prepare the country for future epidemics.

34. The proposed project is the first multilateral assistance provided to support the sanitary-epidemiological system in Uzbekistan. Its purpose is to strengthen healthcare system capacity to respond to public health emergencies and improve the physical condition of the infrastructure and enhance the level of services. The selected laboratories will be upgraded to meet international standards for Biosafety level 2. The Project also includes a component to improve medical institutions' treatment capacity so that these centers can play an effective role in emergency response.

35. All components of the project are considered technically viable, based on needs assessment conducted by the ASEW, MOH, WHO, as well as by ADB and AIIB. Project activities are based on agreed mitigation priorities by SRC in the SPRP and based on global best practices, tailored for the local context. By focusing on a limited number of facilities at the regional and central levels designated for treating COVID-19, resources and staff can be deployed more efficiently and the risk of hospital-based infection can be more readily reduced. Equipment and infrastructure provided to facilities will be standardized with those provided by other donors to ensure compatibility and minimize training requirements. IT systems solutions will be assessed for compatibility, easy integration and interoperability with other IT platforms and legal IT application requirements within the country. The activities supported by this project will contribute to increased resilience to future outbreaks and pandemics by increasing the capacity of laboratories and treatment centers and health workforce to undertake testing, contact tracing, risk stratification, surveillance and monitoring, and critical care treatment.

B. Economic and Financial Analysis

36. **Economic and human impact.** Preliminary analysis shows that Uzbekistan will suffer significant economic impact due to COVID-19, with a projected decline of the GDP growth rate from 5.6% in 2019 to 1.5% in 2020⁷ and, in an unmitigated case of no interventions and no social distancing, estimated deaths could reach up to 111,762.⁸ In the short-run, the virus could overwhelm the existing health system, which would not be able to

⁷ IMF, 2020. IMF Country Report No. 20/171. International Monetary Fund, Washington D.C.. International Monetary Fund, Washington D.C.

⁸ Walker, et al, 2020. [Global Impact of COVID-19 and Strategies for Mitigation and Suppression](#).

cope with the increased need for intensive care, protective equipment, and human resources. COVID-19 could have a debilitating effect on human capital by causing additional deaths and increased morbidity. In view of expected adverse macroeconomic effects of the COVID-19 pandemic on the Republic of Uzbekistan, and the need for additional fiscal resources to mitigate these effects, public debt is expected to reach 34.5% of gross domestic product in 2020.

37. **Economic impact of the proposed investment.** The project is expected to prevent loss of human capital and address short-term gaps in the health system. There is a strong rationale for the Project's investment to strengthen the Government's response to the COVID-19 pandemic. By strengthening capacity for early detection and confirmation of cases, as well as for disease surveillance, it will help in controlling the spread of COVID-19 and future viruses. It will contribute to (i) limiting loss of life, and (ii) limiting economic disruption. The duration and severity of the COVID-19-related economic recession is widely believed to be dependent on how quickly the virus is contained, and confidence restored.

38. Due to the short processing time available for the emergency response, due diligence following ADB guidelines on economic analysis⁹ is planned to be conducted during project implementation within three months of project effectiveness.¹⁰ Financial viability assessment will be limited to the post-COVID-19 period since project results are public service goods with no cost recovery as testing and treatment of COVID-19 are sponsored by the Government. The project administration budget will include resources to undertake the necessary project economic and financial analysis. ASEW will coordinate data collection to ensure that ADB and AIIB are provided with the necessary information to undertake the project economic analysis, in compliance with ADB and AIIB's requirements.

39. Strong government ownership will ensure that the developed surveillance and response system of ASEW and other project components will be sustained. The operation and maintenance costs – e.g. preventive and corrective maintenance contracts – of the project assets after the project period are to be funded by the government's budget. While the contracts for procurement of equipment under the project will ensure supplier-provided preventive and correct maintenance over the short term, the government's commitment to ensure adequate budget allocations for operations and maintenance post-COVID-19 project will be a covenant in the loan agreement and monitored during project implementation.

40. **Uzbekistan Debt Sustainability.** Notwithstanding the pandemic and oil shocks, Uzbekistan's debt remains sustainable. As a result of diversified commodity exports and low initial debt the country has substantial buffers, with reserves covering 13 months of imports (almost 50 percent of GDP) and public debt as low as 29 percent of GDP in 2019, of which over 90 percent is owed to official creditors. Over the medium term, the debt ratio is expected to increase only moderately. Economic and debt management are improving, with the authorities planning to introduce inflation targeting and fiscal rules (such as debt limits). Total external debt remains moderate 43.5 percent of GDP in 2019. Overall, Uzbekistan's creditworthiness is being sustained – even though yields have initially increased by about

⁹ ADB, 2017. [Guidelines on Analysis of Health Projects](#). Manila: Asian Development Bank.

¹⁰ As suggested in ADB Staff Instruction on business processes for Economic Analysis of Projects, issued 17 March 2017.

300bps, they have already come down to pre-pandemic levels, and major rating agencies have been affirming Uzbekistan's BB- rating.

C. Fiduciary and Governance

41. **Procurement.** Major procurement will comprise necessary materials and technical equipment for case management, laboratory equipment, equipment for treatment centers, fully equipped ambulances and vehicles, IT equipment and systems, PPE, civil works in laboratories and treatment centers. It is anticipated that some procurement under the project will commence prior to signing of the respective loan agreements as allowed under the provisions of advance procurement.

42. The Project will follow ADB procurement policy which is consistent with the Articles of Agreement and the Bank's Core Procurement Principles. Co-lenders agreement between ADB and AIIB will also be signed under the existing co-financing framework with ADB. As per ADB's project procurement risk assessment, the procurement risk is medium mainly because of the scale of procurement to be carried out under difficult conditions, while recognizing the executing agency and the PIU are familiar with ADB procurement procedures. Accordingly, capacity of the current PIU for the Primary Health Care Improvement Project will be enhanced with additional consultants and closely supervised by project staff, and direct contracting through United Nations agencies will be encouraged to leverage buying power. The government is also planning to strengthen procurement rules to enhance transparency, including subjecting all procurement of emergency supplies to an ex-post audit by the Audit Chamber with results published on the MIFT website.

43. Hands-on expanded implementation support will be provided to the IA, in particular: the provision of draft technical requirements and specifications, assistance in the drafting of procurement documents, and advice on evaluation procedures. The IA will remain fully responsible for signing and entering into contracts and implementation, and for procurement execution.

44. The project procurement plan has been prepared by ASEW with support from the ADB. All the selection methods defined in the ADB's Procurement Regulations can be used. Priority will be given to streamlined and simple procedures, such as Direct Selection, Request for Quotation (RfQ) with no threshold limit for this method as deemed more appropriate and fit for purpose. Fast Track Procurement will be the preferred procurement approach for the required goods, works and services.

45. **Financial Management.** MOH (EA) has experience with projects funded by MDBs. The financial management capacity assessment considered the capacity of EA/IA including budgeting, funds flow, accounting, financial reporting, staffing, internal and external auditing arrangements. MOH has adequate internal control systems and financial reporting arrangements for its regular budget and expenditure management and also for MDBs funded projects. EA follows the government defined accounting standards and uses accounting system '1C' for recording of financial transactions. The accounting policy and procedure manual is aligned with Uzbekistan's Accounting Law. EA has adequate capacity and authority to support project financial management to ensure project compliance with MDB financial management requirements. The accounting department of MOH has 5 staff members: The Head of the accounting department (Chief Accountant), 1 deputy Chief

Accountant, and 3 Specialists. The Chief Accountant is experienced and qualified. Currently, MOH has a fully functional Internal Audit Department to conduct independent internal audit activities. There is a Law on Internal Audit in Uzbekistan which aims to implement international best practices; however, international standards of the Institute of Internal Audit (IIA) are not applied. To strengthen risk management and fraud prevention, a risk based internal audit manual was adopted by MOF in 2019, and several ministries and agencies including MOH have strengthened their internal audit units with support from MDBs. The external audit is performed by Chamber of Accounts (COA) established in 2002 as the independent highest financial supervisory body. Its mandatory activities include the external audit of the annual budget execution report, and the review and report on the draft budget. MOH selects an independent external auditor for all the investment projects and audit is done using the International Standards on Auditing. External auditor is selected based on experience in auditing international projects. There was no major MOH accountability issue noted in the external audit report for the past three years. MOH audit reports are issued annually. However, in the past, audit reports were not complete, and they did not fully address the obligations under the MDB loan agreements. There were significant delays of 6 to 14.5 months to issue an audit report; however, since 2017 there have been no delays reported and measures have been taken and are in place to ensure timely submission of project audit reports. The project audit reports are generally submitted within six months from the end of financial year.

46. Based on the capacity assessment, MOH and its agencies have adequate financial management capacity to: (i) record required financial transactions; (ii) provide regular and reliable financial statements; (iii) provide reliable monitoring reports; and (iv) safeguard financial assets. The assessment concluded that overall financial management risk is at ADB's Moderate level (equivalent to AIIB medium risk rating), with appropriate mitigation measures. The financial management risk rating is due to (i) emergency nature of the project; (ii) possible delay in providing adequate counterpart fund budget; (iii) need for hiring and training new PIU financial management staff on MDB project guidelines on financial management and loan disbursement procedures; (iv) the need for project financial reporting migration from Excel spreadsheet (which is prone to errors) to '1 C' accounting information system; and (v) potential risk of loan funds not being used for the intended purposes.

47. **Retroactive Financing.** Retroactive financing of up to USD 30 million (i.e. up to 30 percent of the AIIB Loan) is requested for reimbursement of eligible expenditures for payments made by the GOU between March 19, 2020 and the signature date of the legal agreements. AIIB shall seek alignment with the percentage and terms of retroactive financing proposed by the lead co-financier. Retroactive financing shall be allowed only if the expenditures are eligible, including that they are incurred or items are procured in accordance with applicable ADB's Procurement Regulations, as well as other ADB and AIIB requirements. Due to the exceptional circumstances and urgency of deployment, the share of retroactive finance is higher than the threshold level of 20%.

48. **Governance and Anti-corruption.** AIIB is committed to preventing fraud and corruption in the projects it finances. For this project, ADB's policies concerning governance shall apply, which are materially consistent with AIIB's Policy on Prohibited Practices (2016) (PPP). However, AIIB's PPP will apply to the prohibited practices that are not covered under the ADB's policies. AIIB reserves the right to undertake investigations regarding the Prohibited Practices not covered under the ADBs policies.

49. In 2019, ADB completed a governance risk assessment in Uzbekistan according to the implementation guidelines of ADB's Second Governance and Anticorruption Action Plan. The assessment found that the country's public financial management systems were functioning well overall and, along with the economic reforms that the Government of Uzbekistan initiated in 2017, had improved in the areas of tax administration, fiscal soundness and debt management. Furthermore, the GOU took steps for consolidation of extrabudgetary funds and accounts in the budget. However, despite the changes since 2017, challenges still exist on the public governance side. Despite drastic improvements in the business climate, Uzbekistan still records low governance ratings compared with its peers. Uzbekistan needs to improve its performance in governance – e.g., effectiveness, rule of law, and accountability. In addition, current economic reforms have put a significant strain on public finance. Areas that need to be addressed include large tax and customs exemptions, unpredictable tax changes, large off-budget operations, budget transparency and reporting, oversized government support to state-owned enterprises and state-owned banks, and separate investment and recurrent budgets. ADB's Country Partnership Strategy 2019-2023 noted that the country systems are deemed reliable in budget credibility, debt management, and treasury functions, but weaknesses exist when it comes to transparency, public participation, off-budget funding, internal audit, and external audit. The insufficient capacity of public institutions is another significant risk. The reforms aim to improve the tax administration, introduce a medium-term budget framework, establish international public sector accounting and audit standards, and strengthen external audit.¹¹

50. **Institutional Capacity.** The Project includes the necessary implementation arrangements, technical assistance, and institutional capacity building activities to attain and sustain Project objectives. The Project will strengthen the laboratory and treatment technical and IT-driven capacity to effectively respond to current and future outbreaks of infectious and vaccine-preventable diseases. By investing in enhancing monitoring and surveillance systems, the Project will contribute to strengthening Uzbekistan's health system and ensure preparedness.

D. Environmental and Social

51. **Environmental and Social Policy (including Standards) and Categorization.** The project's environmental and social (ES) risks and impacts have been assessed in accordance with the ADB's Safeguard Policy Statement (SPS). To ensure a harmonized approach to addressing the ES risks and impacts of the project, and as permitted under AIIB's Environmental and Social Policy (ESP), AIIB agrees that the ADB SPS will apply to the project in lieu of AIIB's ESP. AIIB has reviewed the ADB SPS and is satisfied that: (i) it is consistent with AIIB's Articles of Agreement and materially consistent with the provisions of AIIB's ESP and the relevant ES Standards; and (ii) the monitoring procedures that are in place are appropriate for the project.

52. Given the nature and potential spread of the COVID-19 pandemic, the ADB has categorized the project as Category B for Environment, C for Involuntary Resettlement and

¹¹ ADB. 2019. Country Partnership Strategy: Uzbekistan, 2019–2023 – Supporting Economic Transformation. Manila: Asian Development Bank; World Bank. 2019.; Uzbekistan Public-Expenditure Review. Washington D.C. World Bank Group.; World Bank, EU Delegation to Uzbekistan. 2019. 2018 Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report. Tashkent. World Bank Group.

C for Indigenous Peoples (which is equivalent to Category B if AIIB's ESP were applicable). However, the project is expected to have mostly positive ES impacts, insofar as it should improve COVID-19 surveillance, monitoring, case management and containment, thereby preventing a wider spread of the disease.

53. **Instruments.** An Environmental Assessment and Review Framework (EARF) has been prepared by MOH. The EARF identifies the likely impacts that may arise during various phases and provides guidance on safeguard work during the implementation stage. An Initial Environmental Examination (IEE) study will be conducted during the implementation stage prior to start of any rehabilitation works for all the treatment centers and laboratories. The IEE will also include an Environmental Management Plan (EMP). The EARF also contains a resettlement screening checklist, although, land acquisition is not expected for the project as civil works are limited to minor refurbishment and repair of 54 existing laboratories and treatment centers.

54. **Environmental and Social Aspects.** The main environmental and social risks of this Project include (i) occupational health and safety issues related to testing and handling of supplies and the possibility that they are not safely used by laboratory technicians and medical crews; (ii) medical waste management and community health and safety issues related to the handling, transportation and disposal of medical waste and (iii) emissions, noise and waste generation due to small scale of refurbishment works.

55. ADB has recently developed a Guidance Note on Managing Infectious Waste during the COVID-19 Pandemic, which provides suitable consideration and recommendations to enable MOH to handle medical waste. The Project will not involve the use of onsite incineration facilities given it is categorized as B for Environment. MOH has determined that autoclaves will be installed and operated for proper disposal of medical waste generated in this Project in light of the above-mentioned guidance note issued by ADB.

56. In addition, a Waste Management Plan will be prepared for each of the laboratories and treatment centers in accordance with ADB's guidance note and national medical waste management regulations. Its implementation will be regularly monitored by the PIU. Moreover, training programs on medical and domestic waste management will also be carried out to raise awareness and develop the capacity of MOH including laboratories, hospitals, treatment centers, and district administrations.

57. The PIU will recruit an Environmental Safeguard specialist and a Gender and Social Safeguard Specialist to oversee and monitor the implementation of the EMP, involuntary resettlement screening checklist and other related ES instruments.

58. **Gender aspects.** The project has been categorized as effective gender mainstreaming under ADB's definition. A Gender Action Plan (GAP) has been prepared. The gender designs and targets agreed with the MOH include: (i) all medical staff in 16 hospitals (of which the majority are women) will be trained in infection prevention control and patient management to treat COVID-19 cases; (ii) equal access to testing will be ensured; (iii) a gender-sensitive Monitoring System on COVID-19 will be established and operational; (iv) sex-segregated changing and rest areas for health workers will be improved; (v) provision of well-fitting PPE and sanitary supplies will be provided; and (vi) sex-disaggregated data on rates of infection among medical and support staff will be regularly

collected, monitored and reported. Key gender designs and targets have been included in the project's design monitoring framework (DMF), and mirrored in the GAP, and provisions on monitoring and reporting on gender designs included in the loan and grant assurance agreements, and monitoring and reporting arrangements.

59. **Occupational Health and Safety, Labor and Employment Conditions.** The laboratory and health workers are at highest risk of contamination with COVID-19. They will be provided appropriate and adequate PPE and relevant training. The Project will ensure the application of Occupational Health and Safety (OHS) measures as outlined in the EARF for both health workers and workers for refurbishment works.

60. **Stakeholder engagement and information disclosure.** The EARF specifies that MOH will organize consultations with project affected people (beneficially or adversely), by taking into account restrictions of COVID-19 pandemic. In order to disseminate information, in the first three months of project implementation, a variety of electronic communication media will be used to inform and consult various groups.

61. The EARF has been disclosed on the websites of ADB¹² (in English) and MOH¹³ (in Russian). The EARF and links to these websites are also posted on AIIB's website¹⁴. The EARF will also be disclosed in hard copies in the Project areas. Other ES documentation will be disclosed on the ADB's and MOH's website, as well as AIIB's website, when it is prepared.

62. **Project-level Grievance Redress Mechanism.** A project-level Grievance Redress Mechanism (GRM) will be established in line with the requirements of the ADB's SPS and has been included in the EARF. It will be specified in the IEE for each laboratory and treatment center. Communities and individuals who believe that they are adversely affected by the Project will be able to submit complaints to designated Grievance Focal Points (GFPs) at various levels for their resolution. The existing complaint handling mechanism in Uzbekistan governed by the relevant law will be utilized in this Project.

63. **Independent Accountability Mechanism.** As noted above, ADB's SPS will apply to this Project instead of AIIB's ESP. Pursuant to AIIB's agreement with ADB, AIIB will rely on ADB's Independent Accountability Mechanism, the Accountability Mechanism, to handle complaints relating to ES issues that may arise under the project. Consequently, in accordance with AIIB's Policy on Project-affected People's Mechanism (PPM), submissions to the PPM under this project will not be eligible for consideration by the PPM. For information on ADB's Accountability Mechanism, please visit: <https://www.adb.org/site/accountability-mechanism/main>.

¹² <https://www.adb.org/projects/documents/uzb-54282-001-earf>

¹³ <http://sanepid.uz/oz/docs/ekstrennoe-reagirovanie-na-covid-19-v-respublike-uzbekistan>

¹⁴ <https://www.aiib.org/en/projects/details/2020/approved/Uzbekistan-Healthcare-Emergency-Response-Project.html>

E. Risks and Mitigation Measures

64. The proposed project is considered medium risk, with the detailed assessment provided in the below table. Together with ADB, the Bank will monitor the implementation of the mitigation measures during Project implementation stage.

Table 2: Summary of Risks and Mitigating Measures

Risk Description	Assessment rating	Mitigation Measures
<p>Implementation risks: Delay in Civil Works. Potential delay in contracting and starting the project civil works will entail delayed installation of the laboratory and medical equipment.</p>	Medium	<p>Advance actions include (i) a rapid assessment of the project sites, i.e. laboratories and treatment centers, (ii) finalizing the requirements and detailed budgets for upgrading / refurbishment of the infrastructure, and (iii) preparing of contracts with the state-owned enterprises for construction and companies for the architectural design and technical specifications infrastructural works and biomedical and nonmedical equipment. Additional PIU staff, including the Civil Engineer (Healthcare Centers) and Contract Management Specialist, will be recruited by the IA.</p>
<p>Implementation risks: (a) ASEW might not have enough capacity to support treatment centers component of the Project; (b) The PIU might be overstretched being in charge of implementation of two projects in parallel.</p>	Low	<p>(a) IA will be able to support the Component 3 of the Project given that the Head of ASEW and Project Director is the First Deputy Minister in MOH. (b) The PIU designates this project as a priority, and PIU head will entirely focus on the Project, while a newly hired deputy PIU head will be accountable for the Primary Healthcare Project. PIU will also be expanded to support the Project, as needed.</p>
<p>Financial Management risks. Failure to ensure adequate project financial reporting and audit may entail misuse of the loan funds and failure to achieve the project outcome</p>	Medium	<p>In addition to the accounting team, the PIU will recruit a well-qualified and experienced Financial Management Specialist, who will be responsible for ensuring high-quality financial reporting, records maintenance, internal control and internal audit. PIU will install and regularly update an up-to-date accounting software "Accounting 1C" that will help the PIU prepare regular and high-quality financial reports. Annually, the PIU will recruit a well-qualified audit firm, acceptable to ADB/AIIB, to audit the project financial reports according to the International Standards on Auditing (ISA).</p>
<p>Counterpart contribution risk. Given the change in the tax and duties regulation from exemption to reimbursement, the PIU will</p>	Medium	<p>To mitigate the potential risk, the operating procedure would require PIU to estimate taxes and duties requirements upon contract award on a quarterly-basis and submit it to</p>

be exposed to the risk of availability and timeliness of the tax and duties reimbursements.		MOF for cash allocation projection and closely monitor the tax and duties reimbursements. MOF will establish a separate account for the project to pay for such taxes, duties and fees.
Procurement Risks: (a) slow procurement processing and decision making; (b) poor contract management system with potential time and cost overrun and poor-quality deliverable; and (c) increased fraud risk (abuse of simplified procurement procedures, false delivery certification, inflated invoices).	Medium	The ADB and AIIB teams will monitor and support implementation to agree with the ASEW. Given the constant evolution of availability of PPEs and other key materials, the procurement plan will be adapted to reflect that to maximize outcomes considering the market response and needs.
Environmental and social risks. The storage, transportation and disposal of medical waste may pose a risk on community health and safety if not managed well.	Medium	IA will follow ADB's guidelines on Managing Infectious Waste during COVID-19 Pandemic and specific waste management plans will be prepared and implemented for individual laboratories and treatment centers. Capacity building will be provided to PIU and relevant employees involved in waste management.
Operation and maintenance risks. The laboratory and medical equipment procured and installed under the project will require regular high-quality maintenance. Lack of the allocated financial resources for adequate O&M in the post-warranty period may lead to premature deterioration of equipment and deterioration of the laboratory test and medical treatment quality.	Low	The MOF and EA will assure through a loan covenant that sufficient financial and human resources will be allocated in the budgets of the ASEW and EA to ensure adequate O&M quality. MOH and ASEW will sign 2-year, or longer, preventive and corrective maintenance contracts with the suppliers or their designated equipment maintenance companies to ensure regular high-quality O&M. The project scope will include capacity building measures to ensure user-training by the equipment suppliers.
Macroeconomic risks. The pandemic and related commodity markets volatility will adversely impact economic activity.	Medium	Given the support received from the international financial institutions and low debt levels and adequate buffers, the country economy should be able to cope with the current crisis. The government is seeking financing from IFIs to further build resilience.

Annex 1: Results Monitoring Framework

Project Objective:	to strengthen the public health emergency response and preparedness in Uzbekistan to address the on-going COVID-19 pandemic and enhance country's resilience to future public health disasters.					
Indicator Name	Unit of measure	Base-line, 2020	2021	End Target, 2022	Frequency	Responsibility
Project Objective Indicators:						
1. Surge capacity for PCR tests per day.	Number	15,000	20,000	25,000	Mid-term review and post-project audit	MOH
2. Surge capacity for functional intensive care units attended by trained medical staff.	Number	1,000	2,000	3,500	Mid-term review and post-project audit	MOH
Intermediate Results Indicators:						
1. Strengthening National Laboratory System						
1-a. Number of laboratories renovated to Biosafety Level II equipped with COVID-19 and other related disease diagnostic equipment.	Number	0	10	30	Mid-term review and post-project audit	ASEW
1-b. Number of PCR tests conducted to detect COVID-19.	Number	830,000 (as of 10.06.2020)	1,000,000	1,330,000	Administrative data; Mid-term review and	ASEW

Project Objective:	to strengthen the public health emergency response and preparedness in Uzbekistan to address the on-going COVID-19 pandemic and enhance country's resilience to future public health disasters.					
Indicator Name	Unit of measure	Base-line, 2020	2021	End Target, 2022	Frequency	Responsibility
					post-project audit	
2. Establishing National Surveillance and Monitoring System for COVID-19						
2-a. Number laboratories providing real-time sex and age disaggregated COVID-19 test results to surveillance and monitoring system.	Number	n.a.	15	38	Administrative data; Mid-term review and post-project audit	ASEW
3. Expanding COVID-19 Treatment Capacity						
3-a. Number of project-supported COVID-19 treatment centers refurbished and upgraded with diagnostic equipment.	Number	To be defined during implementation	8	16	Mid-term review and post-project audit	MOH
3-b. Share of medical and support staff in sixteen project hospitals trained in infection prevention control and patient management to treat COVID-19 cases and other infectious respiratory diseases.	percentage	0%	50%	100%	Mid-term review and post-project audit	MOH

Annex 2: Detailed Project Description

Overview. The project will have three main interlinked components: (1) strengthening the National Laboratory System; (2) establishing a National Surveillance and Response System; and (3) capacity building for COVID-19 treatment and case management. The project components and scope were developed in consultation with the Government and the co-financier, Asian Development Bank (ADB).

Component 1. Strengthening the National laboratory system.

Under this component, the designated laboratories under Agency of Sanitary-Epidemiological Well-being (ASEW) will receive support in terms of (i) infrastructure renovation, (ii) procurement of laboratory related equipment, and (iii) laboratory and support staff training, and (iv) establishment of an IT system for digitalization of laboratory data. The Republic level laboratories will be upgraded to international levels to function as Centers of Excellence.

Subcomponent 1.1: Infrastructure renovation

The infrastructure renovation will support enhancement of laboratories to reach international quality standards (biosafety level 2). Laboratories to be renovated under this output include:

- At the national level of the sanitary and epidemiological system (SES):
 1. Laboratory of the ASEW
 2. Laboratory of the Institute of Virology
 3. Laboratory of the Institute of Epidemiology, Microbiology and Infectious Diseases
- At the regional level of the sanitary and epidemiological system:
 - Virology laboratories of the 14 territorial centers of ASEW

Subcomponent 1.2: Procurement of laboratory related equipment

This subcomponent will support procurement of laboratory equipment, personal protective equipment (PPE), test kits, reagents, and other supplies to increase testing capacity, and equipment and software for a laboratory networking and information system.

The laboratories that will receive support under this sub-component include:

- At the national level of the SES:
 1. Laboratory of the ASEW
 2. Laboratory of the National AIDS Center
 3. Laboratory of the Plague, quarantine and especially dangerous infections service laboratories
 4. Laboratory of the Institute of Medical Parasitology named L.M. Isaeva
 5. Laboratory of the Institute of Virology
 6. Laboratory of the Institute of Epidemiology, Microbiology and Infectious Diseases
 7. Laboratory of the Institute of Sanitary and professional diseases
- At the regional level of the SES:
 - Laboratories of the 14 territorial centers of ASEW
 - Laboratories of the 14 regional AIDS Centers

Subcomponent 1.3: Training for laboratory and support staff

The third subcomponent supports the capacity building of the laboratory and support staff in hygiene and infection control and specifically in relation to handling of COVID-19 samples. The training includes staff from laboratories under subcomponents 1.1 and 1.2.

Subcomponent 1.4: IT system for digitalization of laboratory data

The fourth subcomponent under Component 1 comprises developing a software to digitalize laboratory data and procuring IT equipment within the laboratory system of the SES so that laboratory results and data can be shared in real-time and efficiently within the SES system. This subcomponent will be closely related to the IT system under Component 2.

Component 2. Establishing a National surveillance and response Capacity for COVID-19.

Component 2 supports the development of a national surveillance and monitoring system to strengthen screening, testing and contact tracing. It builds capacity of an IT system for surveillance and monitoring, as well as reinforcement of the border and rapid response teams. Expected results include a digital public awareness and artificial intelligence (AI) based diagnostic system, which can also be used to alert the SES to come into action.

Subcomponent 2.1: National Surveillance & Monitoring System

Subcomponent 2.1 builds upon the IT system developed within the system of the laboratories under SES (Subcomponent 1.4) and will establish a national surveillance & monitoring system to track COVID-19 data throughout Uzbekistan in real-time. The combined system is tentatively called Surveillance & Monitoring Information Management System (SMIMS). Sub-component 2.1 supports the development and testing of this digital real time monitoring system including a web-based dashboard, which is secure, standards-based and ensures protection of patient privacy.

Subcomponent 2.2: Strengthening of border and rapid response

This subcomponent will strengthen the border and rapid response teams. These teams will be equipped with adequate PPEs and distance thermometers to trace and investigate suspected COVID-19 cases, and hotspots will be equipped with vehicles and ambulance for transport of (suspected) COVID-19 cases. The rapid response teams can be triggered by an alert from the SMIMS.

Subcomponent 2.3: Information and artificial intelligence apps

The third subcomponent supports the increase of public awareness through the creation of information and artificial intelligence-based apps for COVID-19 symptoms detection and reporting. These apps will also be made available to primary health care (PHC) providers and other outpatient and emergency services personnel, who are the first point of contact for (suspected) COVID-19 patients. The general population can, and the

health care personnel must, report the (suspected) cases through the app,¹⁵ which is then sent to the SMIMS, and can then trigger an alert to set in motion the rapid response teams. This component will assist ASEW in disseminating on-line protocols for contact tracing. It will also support the procurement of consulting services for the development of a real-time monitoring system and procurement of vehicles for surveillance, and other supplies to increase the surveillance capacity of ASEW nationwide.

Subcomponent 2.4: Capacity building for SMIMS and Apps

The fourth subcomponent is the training of personnel developing and managing the SMIMS, as well as training on the use of the app for PHC, outpatient and emergency services staff.

Component 3. Building COVID-19 Case Management Capacity.

This component aims to provide improved clinical care for COVID-19 patients while avoiding disruption of essential health services. Under the project, 16 health centers, which are designated as COVID-19 treatment centers will receive three categories of support: (3.1) procurement of equipment for treatment and management of COVID-19 patients; (3.2) renovation of selected infrastructure; and (3.3) capacity building for treatment centers.

Subcomponent 3.1: Procurement of Equipment for treatment and case management

This subcomponent supports the procurement of necessary medical and non-medical equipment needed for effective treatment and management of COVID-19 patients. Ambulances can be provided if urgently needed.

Subcomponent 3.2: Renovation of infrastructure

This subcomponent supports the refurbishment, if necessary, of the ventilation system and rearranging of patient flows for the (isolation) wards to prevent the spread of airborne infections. The working conditions for health workers and facility staff will be improved including better convenience for female workers.

Subcomponent 3.3: Capacity building for treatment centers

Under this subcomponent, medical, paramedical and support staff will be trained in hygiene and infection control. An important component of the capacity building will be continuous medical education and international collaboration on (continuously) updated treatment protocols for COVID-19 patients. Trainings may be provided online or through (pre-recorded) digital methods.

¹⁵ There is currently no national health management information system, and few health facilities have a health management information system.

Annex 3: Sovereign Credit Fact Sheet

1. Recent Economic Development

Uzbekistan is a lower-middle income country with GDP per capita at USD 1,534 and a population of 32.4 million. Growth in 2019 was robust, at 5.6 percent, driven by investment, industry (including construction), and services sectors. Inflation remains relatively high, at about 15 percent, due to high growth, continued liberalization of regulated prices and the impact of currency depreciation in August 2019. Current account deficit in 2019 was elevated, at about 5.6 percent of GDP, reflecting high investment rates. Fiscal policy was prudent, with revenues balancing expenditures.

2. Since taking office in 2016, the new government has embarked upon a reform agenda to transform Uzbekistan from a state-led to a more market-based economy.¹ Reforms included introducing market-pricing mechanisms, the removal of trade restriction, and accelerating industrialization. Even though the government and the SOEs continue to dominate the economy, the reforms have been progressing—the recently-announced plans include privatization of many SoEs and injecting more competition into key markets.

3. The modernization agenda has made Uzbekistan an attractive destination for investment, both foreign and domestic. This is further underpinned by robust growth potential, young and abundant labor supply, diversified commodity exports, macroeconomic stability and modest debts. Investment rates are remarkably high, around 40 percent of GDP in 2019.

4. Selected Macro Indicators (2017-22)

Economic Indicators	2017	2018	2019	2020*	2021*	2022*
Real GDP growth 1/	4.5	5.4	5.6	1.5	7.0	6.0
CPI inflation (average) 1/	13.9	17.5	14.5	12.9	9.5	6.4
Current account balance	2.5	-7.1	-5.6	-9.6	-7.9	-6.4
General government balance 4/	1.3	1.7	0.0	-4.1	-1.8	-1.2
Nominal gross public debt	20.2	20.4	29.3	34.5	35.3	35.4
Gross public financing need	3.1	2.6	11.6	8.8	6.4	5.7
Gross external debt	34.1	34.3	43.5	46.3	47.6	47.2
Gross external financing needs	0.4	11.9	6.3	14.1	8.9	7.7
Gross international reserves 2/	14.4	12.2	14.4	11.5	10.2	9.1
Broad money growth (M2) 1/	41	13.2	13.8	16.7	18.2	21.6
Exchange rate (UZS/USD) 3/	8,140	8,354	9,501	10,192

Note: in percent of GDP unless indicated otherwise. * projections

1/ percent change year-on-year; 2/ months of imports; 3/ end-of-period, for 2020: as of Jun 23; 4/ adjusted (IMF definition)

Source: IMF Country Report No. 20/171. World Economic Outlook April 2020

5. The COVID-19 pandemic, with 9,708 reported cases and 31 deaths as of July 4, and the related economic shock will impact Uzbekistan significantly. Tight lockdown measures imposed

¹ The President was elected on 4 December 2016 and the Prime Minister was appointed on 14 December 2016. President Mirziyoyev's development strategy 2017-21 laid out a vision of major structural reforms across all economic policy areas and institutions.

in March and a collapse in economic confidence will lead to a serious economic slowdown. In addition, remittances worth some 15 percent of GDP (mainly from Russia) will be affected. The shock is compounded by a decline in oil prices, that is impacting gas exports, which account for over 10 percent of exports.

6. The response, on the economic front has been relatively modest so far. It included increasing the number of low-income families receiving social benefits, assisting affected businesses via interest subsidies, financing public works and postponing taxes. State-owned banks are extending loan maturities for the affected sectors. The central bank lowered the interest rate by 100bps and allowed the exchange rate to depreciate moderately, by 6 percent.

7. Economic Outlook and Risks

8. As a result of the double crisis, economic growth in 2020 is expected to slow down to about 1-2 percent, down from 6 percent expected earlier—according to the IMF projections. The fiscal balance will slide into a 4 percent of GDP deficit, due to lower revenues and higher expenditures, and the current account balance is expected to deteriorate to almost 10 percent of GDP.

9. Provided COVID-19 is contained in the second half of 2020 and restrictions gradually removed, there should be a strong rebound in 2021. Inflation is projected to decline gradually to about 11 percent by end-2020 due to weak demand but remain under the continued pressures from price liberalization and public wage adjustments.²

10. Notwithstanding the pandemic and oil shocks, Uzbekistan's debt remains sustainable. As a result of diversified commodity exports and low initial debt the country has substantial buffers, with reserves covering 13 months of imports (almost 50 percent of GDP) and public debt as low as 29 percent of GDP in 2019, of which over 90 percent is owed to official creditors. Over the medium term, the debt ratio is expected to increase only moderately. Economic and debt management are improving, with the authorities planning to introduce inflation targeting and fiscal rules (e.g., debt limits). Total external debt remains moderate 43.5 percent of GDP in 2019. Overall, Uzbekistan's creditworthiness is being sustained. Even though spreads have initially increased by about 300bps, they have already come down to pre-pandemic levels. On April 10, Fitch affirmed Uzbekistan rating at BB- stable; on June 6, S&P also affirmed the BB- rating but changed the outlook from stable to negative on higher-than-expected fiscal borrowing.

11. Overall, risks to the economic outlook are to the downside. They include a prolonged global downturn and a failure to contain the virus. The government's commitment to the reform

² Continued price adjustments are needed, especially in the energy sector, so to reduce SOE losses, save energy, and attract foreign investors to the energy sector. Also, the government plans to significantly expand active labor market policies (ALMPs) to encourage temporary employment by providing a wage subsidy to employers.

agenda will be tested by weaker investment and potentially by growing social discontent as unemployment and economic hardship increase.

12. In the long run, given its large working-age population, creating more and better jobs is the country's overarching priority.³ Uzbekistan has anchored its development agenda to the SDGs and the total additional spending needed to reach the SDGs in social and infrastructure sectors is estimated at about 8.7 percent of GDP in 2030, with a focus on health and roads.⁴

³ The working-age population as a share of the total population in Uzbekistan has surged since the 1990s. It's predicted to peak around 2040. The ratio will stay at around 70 percent during 2020-50. This offers an opportunity for rapid and inclusive catch-up growth.

⁴ A presidential resolution adopted in October 2018 sets 16 of the 17 SDGs as national goals to be attained by 2030, including 127 related targets. The additional spending needs on health, education and infrastructure-related are estimated at 2.3 percent, 0.3 percent and 6.1 percent of GDP in 2030 respectively.