



Project Summary Information

| Date of Document - October 31, 2022 | |
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| Project Name | Advancing Uzbekistan Economic and Social Transformation Development Policy Operation |
| Project Number | P000681-UZB |
| AIIB member | Republic of Uzbekistan |
| Sector/Subsector | CRF-Economic Resilience/PBF |
| Status of Financing | Under Preparation |
| Project Description | <p>The Operation is proposed to be supported under the COVID-19 Crisis Recovery Facility (the Facility) of the Bank and co-financed with the World Bank (WB) under the WB's Policy on Development Policy Financing (DPF).</p> <p>The Operation is to support Uzbekistan in sustaining the inclusive market transition through reforms in the privatization, insolvency and competition legislations, telecom and non-bank financial sectors, SOE governance, fiscal transparency, and social protection. The reforms to be supported under this Operation are organized under the following three pillars: (1) strengthening market institutions and the environment for private sector growth, (2) Improving state-owned enterprise management, and (3) Increasing social inclusion and resilience. The Operation will help the Government of Uzbekistan (GoU) establish robust legal frameworks for privatization, competition, and insolvency, increase private sector participation, deepen non-bank financial markets, reduce fiscal risks, and improve the effectiveness and efficiency of the social protection system that was greatly expanded as part of COVID-19 response measures.</p> |
| Objective | The Operation's objective is to support Uzbekistan's transition to an inclusive and private sector-led market economy by strengthening market institutions for private sector growth, improving SOE management, and increasing social inclusion and resilience |
| Expected Results | Consistent with the government's reform priorities, measures in the proposed operation are intended to support Uzbekistan's transition to an inclusive and private sector-led market. Under the first pillar, the Operation supports measures to establish robust legal frameworks for privatization, competition, and insolvency; increase private sector participation in Uzbekistan's high-potential telecommunications sector; and deepen non-bank financial markets. Under the second pillar, the Operation supports measures to restrict SOEs from non-core business activity expansions, reduce fiscal risks arising from SOEs through a new risk management framework, and improve the governance of SOEs. Under the third pillar, the Operation |

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| | <p>supports measures to improve the efficiency, effectiveness, and transparency of social safety nets through a new social protection policy, and the reform of the maternity benefits system for private sector employees. The Operation will also contribute to the government's climate action agenda through more explicit requirements for environmental issues to be considered as part of the privatization process, through further measures to streamline the performance of SOEs, and through reforms that further strengthen the social safety net system used to increase social resilience to climate change shocks.</p> |
| Environmental and Social Category | N/A |
| Environmental and Social Information | <p>This Loan will be co-financed with the WB as lead co-financier, and its environmental and social (ES) risks and impacts have been assessed in accordance with the WB's Development Policy Financing (DPF) Policy. AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to DPF operations. Therefore, as permitted by the decision of AIIB's Board of Directors set forth in the Decisions to Support the COVID-19 Crisis Recovery Facility, the WB's DPF Policy will apply to this operation in lieu of AIIB's ESP. This will ensure a harmonized approach to addressing the environmental and social risks and impacts of the Operation.</p> <p>In accordance with the DPF Policy, the WB has reviewed the measures under the Operation to determine whether they are likely to have significant negative social impacts or result in increased poverty (especially for the poor and vulnerable groups) or to cause significant negative effects on the country's environment, forests and other natural resources.</p> <p>Over the longer-term, all actions in the operation are likely to generate positive distributional benefits through greater private sector growth and job creation, and from the reduced cost of inefficient public spending. The poverty and social analysis conducted by WB indicate that actions supported by the Program are expected to improve private sector growth, SOE management and increase social inclusion and resilience. Of the nine proposed prior actions, six have clear, significant, and direct poverty and/or distributional implications. Three of the six are expected to have strong positive or distributional impacts. These include measures to increase competition, strengthen the social protection system and improve the maternity benefit system. In the absence of mitigation measures, two actions could potentially carry short-term risks of increased poverty and/or entail negative social effects. These relate to two privatization-related market reforms. The remaining actions on non-bank financing and SOE reforms are likely to be broadly neutral in their impact. Where negative effects have been identified they are not irreversible, and mitigation measures through the social protection system and the use of other regulatory safeguards would moderate possible poverty and social impacts relating to these actions. These are reinforced by the</p> |

| | <p>continued focus of the World Bank's DPO engagements on improving the social safety net system in Uzbekistan, including through measures proposed under this operation.</p> <p>The Operation addresses gender inclusion by enabling women's effective economic participation. Prior action under the Increasing inclusion pillar aims to eliminate discouraging provisions for the employment of women by the private sector. To reduce hiring discrimination barriers against women in the private sector, the Borrower has abrogated the requirement that private sector employers to pay maternity benefits and has instead required such benefits to be paid from public funds.</p> <p>One action in this proposed Operation has potentially negative environmental impacts that requires close monitoring. Based on the application of the provisions of the World Bank Toolkit, the prior action supporting the privatization law will need consideration of responsibilities with regard to pollution management legacies to avoid longer-term adverse environmental impacts.</p> | | | | | | | | | | | | | | | | | | | |
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| Cost and Financing Plan | <p>Total cost: USD 1,480 million</p> <p>The financing plan is as follows:</p> <table border="1"> <thead> <tr> <th>Co-financiers</th> <th colspan="3">Amount (USD million)</th> </tr> </thead> <tbody> <tr> <td>WB</td> <td colspan="3">750</td> </tr> <tr> <td>AIB</td> <td colspan="3">730</td> </tr> <tr> <td>Total</td> <td colspan="3">1,480</td> </tr> </tbody> </table> | | | | Co-financiers | Amount (USD million) | | | WB | 750 | | | AIB | 730 | | | Total | 1,480 | | |
| Co-financiers | Amount (USD million) | | | | | | | | | | | | | | | | | | | |
| WB | 750 | | | | | | | | | | | | | | | | | | | |
| AIB | 730 | | | | | | | | | | | | | | | | | | | |
| Total | 1,480 | | | | | | | | | | | | | | | | | | | |
| Borrower | Republic of Uzbekistan | | | | | | | | | | | | | | | | | | | |
| Implementing Entity | Ministry of Finance | | | | | | | | | | | | | | | | | | | |
| Estimated date of loan closing | June 30, 2024 | | | | | | | | | | | | | | | | | | | |
| Contact Points: | AIB | World Bank | Borrower | Implementation Organization | | | | | | | | | | | | | | | | |
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| Title | Infrastructure Sector Economist | Senior Economist | Minister of Finance of the Republic of Uzbekistan | Minister of Finance of the Republic of Uzbekistan | | | | | | | | | | | | | | | | |

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| Estimated Date of Concept Appraisal Decision | November 9, 2022 | | | |
| Estimated Date of Financing Approval | December 14, 2022 | | | |

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| Independent Accountability Mechanism | AIIB's Policy on the Project-affected People's Mechanism (PPM), will not apply to this operation. Submissions to the PPM under the program would, therefore, not be eligible for consideration by the PPM. The WB's independent accountability mechanism (IAM) addresses issues raised by persons adversely affected by a WB-financed operation and allows them to report alleged noncompliance with the WB's operational policies and procedures, including WB's DPF Policy. Information on WB's IAM is available at https://www.worldbank.org/en/programs/accountability/overview |
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