

Uzbekistan : Advancing Uzbekistan Economic and Social Transformation Development Policy Operation

1. Project Information

Project ID:	P000681	Instrument ID:	L0681A
Member:	Uzbekistan	Region:	Central Asia
Sector:	CRF-Economic Resilience/PBF	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:530.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	World Bank
ES category:	C	Borrowing Entity:	Ministry of Finance, Uzbekistan
Implementing Entity:	Ministry of Finance, Uzbekistan		
Project Team Leader:	Emil Zalinan		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Rabindra Shah, OSD - Procurement Specialist; Shodi Nazarov, OSD - Financial Management Specialist; Weini Li, OSD - Environment Specialist; Odil Akbarov, OSD - Social Development Specialist; Young Bong Cho, Credit Officer; Xiaomeng Zhang, Credit Officer; Yenda Noeurm, Credit Officer; Komron Rajabiyon, Team Member; Liu Yang, Project Counsel; Ting Wang, Alternate Counsel; Yuyou Guo, Project admin		
Completed Site Visits by AIIB:			
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:			
Previous Red Flags Assigned Date:			

2. Project Summary and Objectives

The Operation will support the efforts of the Government of Uzbekistan (GoU) in sustaining its policy reforms for socioeconomic recovery and development during and beyond the COVID-19 pandemic. The Operation will help the GoU establish robust legal frameworks for privatization, competition, and insolvency, deepen non-bank financial markets, reduce fiscal risks, and improve the social protection system that was greatly expanded as part of the COVID-19 response. Consistent with the Government's reform priorities, measures in the proposed operation aim to build economic resilience and raise the efficiency of the public sector in the face of medium-term uncertainties and downside risks.

The reforms will remove the legal and regulatory constraints on private sector participation in the economy; they will enable private investments in sectors that have been constrained by the state's dominance, such as transport, aviation, and telecommunication, and open opportunities to replace aging technologies with cleaner, more efficient, and more sustainable infrastructure. The SOE reforms and promotion of market competition, particularly, aim at removing market distortions and the resulting misallocation of resources that, among other things, have caused infrastructure gaps. The SOE reforms also will help strengthen fiscal discipline in the environment of post-COVID fiscal constraints.

The Operation is to be co-financed with the WB, which provided a USD 950 million sovereign-backed development policy loan.

3. Key Dates

Approval:	Dec. 15, 2022	Signing:	Dec. 19, 2022
Effective:	Dec. 22, 2022	Restructured (if any):	
Orig. Closing:	Jul. 01, 2024	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	530.00	Most recent disbursement (amount/date):	530.00/Dec. 28, 2022
Undisbursed:	0.00	Disbursement Ratio (%) ¹ :	100.00

5. Project Implementation Update

Implementation of the program supported by this Operation and aimed at strengthening market institutions, improving the state-owned enterprise management and increasing social inclusion and resilience is underway. The Operation funds were fully disbursed on December 28, 2022. Achievement of the target results as set in the results framework will be verified and evaluated in due course.

Components	Physical Progress	Environmental & Social Compliance	Procurement
\$530.00 The proposed Operation will support the efforts of the Government of Uzbekistan in sustaining its policy reforms for socio-economic recovery	100% disbursement on December 28, 2022	No issues observed	n/a

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

<p>and development during and beyond the COVID-19 pandemic. 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. Consistent with the Government's reform priorities, measures in the proposed operation aim to increase economic resilience and the efficiency of the public sector in the face of uncertainties and downside risks.</p>			
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Financial Management:

Public financial management (PFM). The 2018 Public Expenditure and Financial Accountability (PEFA) assessment highlights the strength of Uzbekistan's upstream public financial management (PFM) system in contrast to relatively weaker downstream systems. Public finances have become more transparent through the increased budget and debt transparency. There is also some progress in other areas, such as procurement, audit, financial reporting, financial reporting, subnational transfers, and the production of adequate performance information for service delivery. There are also some weaknesses in the management of public assets and liabilities that create fiscal risks. PEFA report on Uzbekistan also highlighted the weak areas related to policy-based fiscal strategy and budgeting, such as macroeconomic and fiscal forecasting, fiscal strategy, medium-term fiscal management, and the budget preparation process.

The government has taken credible steps to develop and implement an ambitious PFM reform strategy. This strategy covers a range of measures to strengthen budget preparation and execution, public sector accounting, and treasury systems, and improve the legislative base for PFM reforms. The Treasury Single Account (TSA) has been introduced and made functional. In addition, the government has made progress in implementing GFS-2001 compliant Chart of Accounts and interim financial management information system (FMIS). The government also introduced an e-procurement system with an internal portal to post information related to tendering processes. There has been significant progress in improving budget preparation and approval processes, including increased transparency and accountability. Debt management systems have also improved. The government is in the final stages of upgrading and adopting a new debt management system, debt legislation, and a medium-term debt strategy.

Progress in strengthening the Chamber of Accounts (CoA), the country's Supreme Audit Institution, is still in the initial phases of its development. A new law to strengthen the CoA was approved by Parliament in July 2019, which clarifies and expands the institutional mandate of the CoA to go beyond financial and compliance audits to include regular efficiency and performance audits of government agencies. Staffing levels have increased, and the CoA routinely conducts compliance and financial audits. Limited progress has been made on efficiency and performance audits, but the more urgent priority is the need to align Uzbekistan's public audit practices with the international standards of supreme audit institutions. The government continues to implement comprehensive reforms to strengthen CoA staff's capacity to transition from basic financial information validation audits to compliance and performance audits. The government is also investing in introducing IT-based tools and solutions for strategic and annual audit planning, fieldwork, reporting, monitoring of recommendations, and audit quality control.

6. Status of the Grievance Redress Mechanism (GRM)

Communities and individuals who believe that they are adversely affected by specific country policies supported as Prior Actions under this Operation may submit complaints to the responsible country authorities, appropriate local/national grievance mechanisms, or the World Bank's Grievance Redress Service (GRS, <https://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>). The World Bank Accountability Mechanism (AM) (<https://www.worldbank.org/en/programs/accountability>)

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

The Ministry of Finance is responsible for implementing and monitoring the operation. The MoF will work with other government agencies involved in the implementation of the operation to monitor activities and collect the necessary data to assess implementation progress and evaluate results. The achieved results will be verified upon loan closure. Hence, progress against the result indicators is not available at this stage.

Remarks:

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2022		2023		2024		2025		2026		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Number of annual privatization progress reports prepared and published in accordance with requirements in Article 22 the new privatization legislation	Project	Number	2022	0	0			n/a at this stage	At least 1 (end-June 2024)											
Number of licensed mobile (telecommunications) network operators (MNOs) that are fully private owned	Project	Number	2022	2	2			n/a at this stage	At least 3 (end-June 2024)											
Number of anticompetitive practices sanctioned under the new law	Project	Number	2022	0	0			n/a at this stage	At least 20 (end-June 2024)											
Submission of quarterly financial reports by all SOEs under the ownership management of the Ministry of Finance	Project	Percentage	2022	0	0			n/a at this stage	100% of large SOEs under the ownership management of the MoF submitted at least 4 quarterly reports											
Share of social assistance beneficiaries among the poorest 40 percent of people	Project	Percentage	2022	58% (2021)	58% (2021)		65% (2023)	n/a at this stage												
Percentage of women employed in the formal private sector for more than 6 months who are eligible to receive maternity leave benefits paid through social insurance	Project	Percentage	2022	0	0			n/a at this stage	100 (end-June 2024)											
Assets of registered Non-Bank Credit Organizations, as a share of total banking sector assets	Project	Percentage	2022	0.3 (2020)	0.3 (2020)			n/a at this stage	More than 1.75 (end-June 2024)											
Percentage of filings for restructuring	Project	Percentage	2022	0.1 (2021)	0.1 (2021)			n/a at this stage	At least 5 (2022)											

cases over total cases								stage												
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Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments							
			Baseline		2022		2023		2024		2025		2026		End Target												
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual										