



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 17-Sep-2019 | Report No: PIDISDSA25832



BASIC INFORMATION

A. Basic Project Data

Country Uzbekistan	Project ID P168233	Project Name Prosperous Villages	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 16-Sep-2019	Estimated Board Date 14-Nov-2019	Practice Area (Lead) Social
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Economy and Industry	

Proposed Development Objective(s)

To (i) improve the quality of basic infrastructure and (ii) strengthen participatory local governance processes in Selected Qishloqs (villages).

Components

Demand-driven investments in basic infrastructure and services and local governance capacity support
Project management, monitoring and evaluation, and capacity building

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	183.60
Total Financing	183.60
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	100.00
IDA Credit	100.00

Non-World Bank Group Financing



Counterpart Funding	1.60
Borrower/Recipient	1.60
Other Sources	82.00
Asian Infrastructure Investment Bank	82.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **The Government of Uzbekistan (GoU) is implementing an unprecedented reform agenda, which has consequences for all citizens.** In late 2016, the country experienced its first leadership change since independence in 1991. To address the need to create jobs given the large demographic bulge in the working-age population, in 2017 the new leadership initiated market-oriented reforms. The GoU’s National Development Strategy for 2017–21 (NDS) entails a shift from general government subsidies to targeted social programs, and delegates responsibility for implementing the reforms to regional and local authorities.

2. **The GoU has rapidly adopted several major reforms** including overhauling the tax system to improve its efficiency and reach; easing the cumbersome bureaucratic processes faced by businesses and citizens; expanding the social safety net; making progress toward the discontinuation of forced and systematic labor mobilization in the cotton sector; diversifying the agriculture sector to shift away from cotton and wheat production; removing several price, production, and trading controls; improving communication with citizens; delegating more responsibilities to local government authorities; and enhancing access to information, for instance by requiring the Ministry of Finance to regularly publish easy-to-understand “citizen” versions of pre- and post-approval budgetary documents and budget execution reports.

3. **The reforms have supported continued growth, macroeconomic stability, and improvements in welfare.** Despite the costs associated with the transition process, including higher prices and temporary disruptions in production and trading patterns and macroeconomic stability. Economic growth has remained strong at over 5 percent. Robust economic growth, small business development, income from foreign remittances, and an extensive social safety net have driven poverty reduction in recent years. An estimated 9.6 percent of the population (about 3.2 million people) lives below the \$3.20/day poverty line, which is the international definition for lower-middle-income countries.¹ Using the Household Budget Survey, the government estimated the national poverty rate² at 12.7 percent in 2017, which was unchanged from 2016. Over the longer term, official poverty and

¹ World Bank. 2018/2019. *Listening to Citizens of Uzbekistan Survey*. Tashkent, Uzbekistan: World Bank Group.

² The national poverty line is measured based on a food intake of 2,100 calories per person per day.



inequality measures have fallen sharply. The official poverty rate fell by over 60 percent between 2003 and 2017, and the official Gini coefficient by over a quarter between 2003 and 2013 (the last year in which the coefficient estimate was reported). The GoU's expansion of social assistance and remittances has played an important role in reducing poverty. More than 17 percent of the bottom quintile of households receive remittances from abroad, accounting for nearly 60 percent of their income. Income growth and rising remittance inflows are expected to remain the primary drivers of poverty reduction over the medium term.³

4. Despite its achievements in increasing growth and reducing poverty over the past 10 years, there are risks associated with the ongoing reform process. Growth rates have been relatively robust, but persistently slow employment generation has produced an increase in outward labor migration and relatively high levels of unemployment (9.3 percent in 2018).⁴ At the same time, worker remittances have declined to the lowest levels in recent years from US\$6.689 billion in 2013 to about US\$2.741 billion in 2016 and US\$3.901 billion in 2017, mostly due to stresses in the Russian economy.⁵ Further, Uzbekistan's market liberalization policies, including the reduction of subsidies to state-owned enterprises and the modernization of the agricultural sector, could have adverse distributional effects on vulnerable populations. Agricultural modernization, including the mechanization of cotton picking, is likely to lead to job losses, particularly for women, who represent 80–90 percent of all day laborers in the cotton sector. This risk compounds other factors that make Uzbek women particularly vulnerable, including high rates of male labor outmigration, 30–60 percent lower agricultural wages than men, and low preschool coverage in rural areas (8 percent compared to 33 percent in urban areas).

5. Public expectations of the reforms are high. The current process of social and economic opening has received widespread support from the population. The high expectations have generated considerable pressure on the GoU to demonstrate short-term improvements in livelihoods. Data from the Listening to the Citizens of Uzbekistan (L2CU) survey⁶ show strong support for exchange rate unification and increased private participation and competition.⁷ The survey also revealed that households are concerned about the slow pace of job creation and elevated inflation rates.⁸ Furthermore, there are growing concerns over how the GoU is handling evictions and demolitions when implementing state investment programs in support of urban and rural development.

6. The Ferghana Valley has a high population density, but economic development has not kept pace with its potential. The valley's estimated total population of 14 million is split among three countries—the Andijan, Ferghana, and Namangan regions in Uzbekistan (the largest share, with 9.3 million people); portions of the Sughd region in Tajikistan; and the Osh, Jalalabad, and Batken regions of Kyrgyzstan. The Ferghana Valley is home to 28 percent of Uzbekistan's total population, and one-quarter of its poor. It is one of the country's most ethnically diverse regions, with Uzbek, Tajik and Kyrgyz communities. The valley includes some of Uzbekistan's most

³ World Bank. 2019a. *Program Document for Sustaining Market Reforms in Uzbekistan Development Policy Operation*. Washington, DC: World Bank.

⁴ The average official unemployment rate was 5.3 percent between 2014 and 2017. A change in methodology in October 2018 led to a large increase to 9.3 percent. The biggest methodological change involved estimating employment in smallholder (*dekan*) farms: previously, all working-age members of a household were counted as being employed on the farm in official data, whereas in the revised methodology, only the head of household is counted as employed on the farm. Previous unemployment estimates have not yet been recalculated using the new methodology, but the authorities note that there have been no major changes in actual employment numbers.

⁵ World Bank. 2019a. Remittance data from <https://www.knomad.org/data/remittances>.

⁶ World Bank 2018/2019.

⁷ Most people surveyed reported that their own livelihoods were increasing, and that local economic conditions were improving. There is a widespread belief among surveyed households that the country is on the right track, and that the GoU is communicating and listening effectively through its citizen engagement platforms.

⁸ World Bank 2019a.



productive agricultural land, but also has a relatively high level of industrial development compared to other parts of the country. The region faces a number of development challenges, including climate change-induced temperature and precipitation variability, poor water quality and water scarcity, air pollution, a growing labor pool, uneven economic growth that leads to development gaps between districts, and average incomes below the country's mean. Isolated extremist groups emerged during the post-independence period in the Uzbek portion of the valley; while these groups have been largely pushed out of the country, there is concern about their continued ties to the area.⁹

7. **Climate change is expected to have an increasing impact, including in the Ferghana Valley.** Average temperatures are predicted to increase by 2–3°C annually, and precipitation is expected to become more variable. Climate change modeling shows that the Syr Darya East River Basin (which encompasses the entire Ferghana Valley) is highly vulnerable to water deficits; the potential negative outcomes under a high-impact scenario are greater than for other river basins in the country. Models estimate that the basin will experience a 12 percent shortfall in irrigation water by 2040 under low-climate-impact scenarios, and up to a 52 percent shortfall under high-impact scenarios.

Sectoral and Institutional Context

8. **Uzbekistan's governance system is highly centralized: the central government in Tashkent makes the most important decisions on budgets and administrative appointments.**¹⁰ The administrative divisions comprise: (i) the republic; (ii) 12 regions, one autonomous republic (Republic of Karakalpakstan), and one independent city (City of Tashkent); and (iii) 40 cities/urban districts and 162 rural districts, which are further subdivided into towns and *qishloqs* (villages). The president directly appoints regional governors, who in turn appoint district heads. The regional and district *hokims* (heads) serve as the central government's agents in the region and are accountable to Tashkent. The regional and district *hokimiyats* (governments) have little independence in managing public finances. The central government transfers resources to regional and district *hokimiyats* and gives them little autonomy or discretion over decision making. Transfers—mostly shared tax revenues—are by far the most important source of income for regional and district *hokimiyats*. These account for about 70 percent of subnational revenues.¹¹

9. **Despite the country's highly centralized administrative structure, subnational governments play an important role in public services provision.** Between 2013 and 2019, subnational governments were responsible for around 34 percent of national public spending (56 percent of total national spending excluding extrabudgetary accounts), equivalent to about 11 percent of the country's GDP. Subnational spending is concentrated on education (43 percent), healthcare (21 percent), and general public services (15 percent). On average, the majority of spending during this period (53 percent) went toward wages and benefits, followed by "other spending" (28 percent), which includes communal services, renovation and repair of the existing capital stock, and food for hospitals or schools. Capital investment accounted for only 7 percent of total subnational expenditures.¹²

10. **Community self-governing bodies, or mahalla citizens' assemblies (MCAs), also play a role in carrying out state functions such as distributing social welfare payments, maintaining social stability, and preserving qishloqs' cleanliness.** Although once informal, *mahalla* (neighborhood) committees are now enshrined in Article

⁹ Ahmed Rashid, A. 2002. *Jihad: The Rise of Militant Islam in Central Asia*. New Haven, CT: Yale University Press.

¹⁰ World Bank. 2016a. *Systematic Country Diagnostic for Uzbekistan*. Washington, DC: World Bank.

¹¹ World Bank. 2019b. *Intergovernmental Relations*. Washington, DC: World Bank.

¹² *Ibid.*



105 of Uzbekistan's Constitution as territorial self-government organizations. MCAs are official legal entities; over 100 laws and regulations govern their participation in specific areas of public life. The government has recently begun to formalize their structure, for instance by creating an executive committee consisting of a chairperson, advisors, and an audit commission responsible for verifying MCAs' expenditures. These MCA employees receive salaries paid by state and hokimiyat budgets.¹³ The remaining MCA executive committee members include an executive secretary appointed by the mahalla chair, a women's affairs officer appointed by the Women's Committee, and the heads of local health and educational facilities. The MCAs have committees in charge of specific issues such as social support, work with women, and the development of entrepreneurship and family businesses. In September 2018, President Mirziyoyev signed a new law calling for the formal election of MCA chairs and advisors for a period of three years; it was first implemented in May 2019. All candidates for these roles must be nominated by an MCA. In practice, MCAs' leadership tends to be male dominated and older (see Annex 2). As of July 2018, the average age of chairpersons throughout the country was 50. MCAs' budgets are financed through charitable donations, the Mahalla Foundation, and most prominently, hokimiyats. MCAs independently manage financial assets in bank accounts, and the executive committees report quarterly to the Citizens' Assembly on the use of these funds.¹⁴ However, MCAs do not have access to self-financing mechanisms, and they cannot raise their own revenue.

11. **Over the past two years, GoU reforms have opened up space for civil society and civic engagement.** The President of Uzbekistan declared 2017 the "Year of dialogue with the people and human interests," which included the introduction of Virtual Receptions and People's Receptions under the purview of the Presidential Administration to solicit feedback from citizens. In 2018, the GoU signed the Law on Public Control, which provides a legal framework for citizen oversight of government activities.¹⁵ The law gives MCAs, non-governmental organizations (NGOs), and the media the right to oversee the performance of government bodies and officials. The associated implementing decrees implemented in 2018 sought to enhance the role of civil society in the country's democratic renewal, for instance by establishing an Advisory Council on civil society organizations (CSOs). The shift towards an open dialogue with the population, as well as emerging signs of increased media and CSO freedom, have helped establish channels for public feedback, particularly on service delivery issues, which have yielded encouraging results in a short period of time. While the overall trend points to an increasingly open environment for CSOs, they continue to face constraints with registration and fundraising.¹⁶

12. **Three factors related to the country's system of governance constrain the GoU's ability to provide high-quality public goods and services.** First, the governance structure at the district level, where most line ministries provide services and directly manage budgets, constrains planning, execution, and accountability to citizens. District hokims are subject to both provincial hokims' and regional line ministry officials' decisions, which can delay decision making and weaken responsiveness to citizens' needs. Second, functional assignments and administrative sharing between levels of government are not regulated by law. Consequently, the different levels of government (republic, region, and district/city) often have unclear and/or overlapping mandates with respect to service provision, such as administering schools, which hampers accountability. Third, current intergovernmental finance arrangements are highly discretionary, which can jeopardize subnational governments' ability to plan and budget their resources. The absence of a ruled-based and transparent transfer system discourages efficient and

¹³ Resolution of the President No. 5700 from April 2, 2019

¹⁴ 3PY-350 "On self-governing bodies."

¹⁵ Law On Public Control, April 12, 2018.

¹⁶ <http://www.icnl.org/research/monitor/uzbekistan.html>.



transparent public financial management at the subnational level.¹⁷

13. **There are gaps in infrastructure coverage and quality, with significant regional and intraregional variation.** The L2CU survey asked respondents to rate the presence or absence and quality of the following infrastructure: bridges, markets, public schools, hospitals, internet, mobile phone service, water, electricity, piped gas, irrigation, and heating. Nearly all respondents reported that their area has a public school, electricity, and mobile phone coverage. Yet no rural respondents reported having access to centralized heating. Within the Project's five regions of Namangan, Ferghana, Andijan, Jizzakh and Syrdarya, the percentage of respondents that reported a lack of internet access varied from 10.5 percent in Jizzakh to 64.4 percent in Namangan. Although the vast majority of respondents in the Ferghana Valley reported having access to roads, crowd-sourced data from OpenStreetMap¹⁸ points to variation in road density within the valley's three regions. The poor connectivity of tertiary road networks to secondary networks may impede agricultural profitability.¹⁹ Within the Ferghana Valley, 50.6 percent of respondents rated the quality of paved roads as poor, while 58 and 74 percent of respondents rated the quality of roads as poor for in Jizzakh and Syrdarya, respectively.²⁰

14. **Access to piped water in dwellings or compounds/yards/plots is by no means universal.** In Syrdarya, only 25 percent of households have access to piped water in their dwelling or compound; the majority of the remaining households rely on tanker trucks/carts or surface water. Within the Ferghana Valley and Jizzakh, an average of 40.6 percent of households have access to piped water in their household dwelling or compound. The majority of the remaining households in the valley rely on public taps. In Jizzakh, 21 percent of households rely on polluted springs for water. Households that lack access to piped water can spend substantial amounts of time collecting water—up to 120 minutes in Jizzakh and 200 minutes in Namangan. Reliance on non-potable water sources carries health risks (i.e., hepatitis, diarrhea, typhoid) as the water is dirty and dangerous due to the intensive use of fertilizer in Uzbekistan and other pollutants. Another solution for households that lack piped drinking water is to purchase poor quality water from trucks, which is very costly and potentially dangerous. Further, rural areas lack access to the centralized sewage network and wastewater is disposed without treatment.²¹

15. **Rural Uzbekistan's poor-quality infrastructure continues to decline.** Undermaintained distribution networks, underfunded operating budgets, almost nonexistent domestic capital budgets, and a limited customer willingness to pay for utilities contribute to an unsustainable supply of utility services in rural areas. Across all regions and income groups, a higher percentage of Uzbek respondents view the improvement of paved access roads, water supply, and piped gas as the most urgent infrastructure and public service priorities.

16. **The GoU launched the *Obod Qishloq* ("Prosperous Villages") state program in 2018, which is designed to promote participatory, community-based development that addresses infrastructure and service delivery gaps.** The program aims to improve rural residents' quality of life by constructing new infrastructure, rehabilitating existing infrastructure, and investing in employment-generating opportunities.²² The laws establishing Obod

¹⁷ *Ibid.*

¹⁸ OpenStreetMap uses a combination of remote sensing, satellite imagery, open-licensed government and private mapping, and dedicated users to compile detailed road information for countries around the world.

¹⁹ *Ibid.*

²⁰ Authors' calculation based on the pooled high-frequency L2CU data from September 2018 to March 2019. World Bank 2018/2019.

²¹ World Bank 2016a.

²² In July 2018, the GoU announced the Obod Mahalla program, which has similar objectives and approaches to Obod Qishloq, but is focused in urban areas.



Qishloq refer to a lack of attention to and coordination of citizen engagement in development projects.²³ To remedy this gap, the GoU is requiring hokimiyat officials to conduct door-to-door assessments of household needs in order to prioritize program investments. The central government is also encouraging provincial and district hokimiyats to use citizen engagement tools, such as complaint hotlines, Virtual Receptions, and consultations with active members of MCAs and MCA chairs. Yet hokimiyat officials, rather than community members, currently play the most important role in prioritizing Obod Qishloq-financed investments. There is no clear guidance on how these officials should prioritize investments or communicate the decision-making process to beneficiary communities.

²³ Presidential Decree of March 29, 2018 No. UP-5386 (Paragraph 10).



Box 1. Obod Qishloq (OQ) State Program

- **Development objective:** To raise rural residents' living standards by improving access to basic infrastructure, services, and economic opportunities.
- **Implementation arrangements and staffing:** The Ministry of Economy and Industry (MoEI) has overall national-level responsibility for planning, monitoring and evaluation, and coordination. Multiple line agencies, state utilities, and regional administrations are responsible for implementing OQ subprojects depending on the budget source. At the regional level, an OQ working group chaired by the regional hokim is responsible for program implementation. Deputy hokims for Construction and Economy play a major role in program planning and implementation. Similarly, an OQ working group chaired by the district hokim is responsible for program implementation at the district level. MCAs' executive committees support OQ implementation at the qishloq-level, primarily by providing information to residents on program activities and supporting door-to-door needs assessments.
- **Procurement:** For activities financed through the national budget, procurement is the responsibility of related line ministries and state utilities. For activities financed through the regional budget, United Customer Service (UCS) engineering companies under the regional hokimiyats are responsible for procuring the design and works contracts for the infrastructure projects.
- **Funds flows and financial management (FM) arrangements:** Resources from the national budget are channeled through the related line ministries and state utilities for execution. Resources from the regional budgets are executed by the regional hokimiyats.
- **Qishloq selection:** The GoU selects three qishloqs in each district annually to participate in the Obod Qishloq State Program based on inputs from regions and districts and following guidance on selection criteria to be used as indicated in annual Presidential decrees. MCA executive committee members are consulted but do not have a decision-making role in the selection process.
- **Subproject selection:** The GoU selects infrastructure projects based on data collected through the door to door assessments. MCAs do not have a decision-making role in the selection process.
- **Eligible investments** include, public and market infrastructure construction and rehabilitation, housing rehabilitation and construction, and support to income-generating activities.
- **Oversight and grievance redress:** The GoU relies primarily on internal government oversight mechanisms, including People's Receptions and Virtual Receptions.

17. **While the Obod Qishloq state program has the potential to improve many Uzbeks' quality of life, the proposed Project will trial and scale, using a learning-by-doing approach, design adjustments that can help the state program achieve its full potential.** First, for the GoU to achieve its objective of covering all rural mahallas in the country by 2028, it must move from an ad hoc decision-making process on resource allocation to one that incorporates equity considerations and provides a degree of predictability to regional and district hokimiyats and MCAs. At its current rate of implementing Obod Qishloq in four qishloqs per district at a cost of US\$752,648 on average²⁴ per qishloq, or a total of US\$359,766,123, it will take an estimated 17 years to implement the program in every qishloq at a total cost to the GoU of over US\$6 billion. Thus, the GoU must spend *less* per qishloq, and

²⁴ These figures are based on the 2019 Obod Qishloq Decree, which declared that the total funds required from the state budget is US\$359,766,123 (using January 2019's exchange rate) and Obod Qishloq will be implemented in 478 villages. With private contributions, the program's average per-qishloq expenditure is US\$1.2 million per qishloq.



allocate the limited resources *more efficiently*. Second, empowering qishloq-level institutions, including MCAs and civil society groups, to assume responsibility for local development decision-making and implementation can improve the quality, efficiency, and sustainability of the Obod Qishloq state program expenditures, while increasing community satisfaction in program investments. Participatory approaches can be used to help achieve these outcomes, including: building consensus among a range of local stakeholders on the qishloq selection process, while ensuring the program targets the most lagging qishloqs; supporting the production of multi-year qishloq development plans that draw on participatory needs assessments and planning processes that involve and incorporate the needs of women and vulnerable groups from which Obod Qishloq state program investments can be identified; improving value for money and accountability in the procurement of works in the Obod Qishloq state program carried out by regional hokimiyats and contractors, by making the program details public and instituting social audits and citizen oversight of procurement and construction; and incorporating operations and maintenance (O&M) resources and institutional requirements in investment designs from the outset.

18. **While better energy efficiency and water management are high priorities in Uzbekistan’s efforts to mitigate the negative effects of climate change and anticipated reductions in water availability, the GoU has not yet required Obod Qishloq investments to include climate mitigation and adaptation measures.** Climate change resilience will require investments in local engineering design capacity to incorporate climate change mitigation and energy efficiency measures into technical infrastructure designs. While Obod Qishloq-financed investments include solar lighting and retrofitting public buildings for energy efficiency, many projects do not take climate mitigation into account. The Obod Qishloq state program provides a strong platform through which to expand climate change adaptation measures and resiliency.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To (i) improve the quality of basic infrastructure and services and (ii) strengthen participatory local governance processes in Selected *Qishloqs* (villages).

Participatory local governance refers to inclusive community participation in needs assessments as well as the planning, prioritization, and selection of subproject investments, and oversight activities including the monitoring of procurement, subprojects, and social audits.

Key Results

- i. Percentage of sampled male and female respondents who report improvements in the quality of basic rural infrastructure
- ii. Percentage of beneficiaries (male/female) who participate in planning, decision making, or monitoring subprojects
- iii. Number of social audits that have been completed across the targeted rural qishloqs

19. **The Project will contribute to the GoU’s higher-level objective of improving rural living standards by introducing participatory, bottom-up local development processes that can be mainstreamed through the Obod Qishloq state program.** The Project will provide resources to implement these processes in the form of: (i) skilled community facilitation teams (comprised of Qishloq Facilitators and Qishloq Engineers as described below) who will support district hokimiyats and MCA executive committees to engage rural residents in Project decision-making, (ii) the use of a transparent and objective-based formula for allocating resources to districts and qishloqs, (iii) the introduction of WB procurement processes to ensure better value-for-money of investments, (iv) training

and technical assistance to improve social and environmental safeguards-related due processes and thereby mitigate social and environmental risks, and (v) the introduction of citizen engagement mechanisms including transparency, grievance redress and participatory planning and monitoring. These participatory processes require additional time to implement relative to business-as-usual approaches but provide greater benefits in the long-term in terms of higher levels community satisfaction with the local development process and quality of investments.

20. **The Project aims to influence the design and implementation modalities of the broader Obod Qishloq state program through three primary mechanisms:** (i) conducting annual multi-stakeholder reviews of implementation of the Project at the district, regional, and national levels with the coordination assistance of the Ministry of Economy and Industry (MoEI) and that include representatives from MCAs, MCA project committees (MPCs) and the Republic Commission that governs the Obod Qishloq state program at the national level, (ii) collecting data on implementation quality and people’s perceptions to facilitate comparisons across outcomes in Project and state program qishloqs, and (iii) using media outlets, including social media, video, blogs, and exposure visits to allow GoU policy makers to experience implementation approaches and results first-hand. The Project will remain flexible and through the annual multi-stakeholder reviews and data collection activities, the Project Implementation Unit (PIU) can identify the implementation modalities that are ready to be scaled up in the broader state program and those that need revision in the POM.

D. Project Description

21. **The total project cost is estimated to be US\$183.6 million.** The World Bank will provide an IDA credit in the amount of US\$100 million. The Asian Infrastructure Investment Bank (AIIB) will provide joint co-financing to the Project in the amount of US\$82 million. The GoU will provide counterpart financing in the amount of US\$1.6 million. The Bank and AIIB intend to enter into a Co-Lenders Agreement for the purpose of joint co-financing of the Project. The World Bank will carry out all Services, including, *inter alia*, Environmental and Social Services, Procurement Services, Investigative Services, Financial Management, and Disbursement Services in accordance with its policies and procedures.

Table 1: Summary of Project Components and Costs (US\$, million)

Project Component	WB	AIIB	GoU	Total
Component 1: Demand-driven investments in basic infrastructure and services and local governance capacity support	\$93.7	\$82	--	\$175.7
Subcomponent 1a: Demand-driven investments in basic infrastructure and services	\$82	\$82	--	\$164
Subcomponent 1b: Communications and community outreach, citizen engagement, local governance capacity building	\$11.7	--	--	\$11.7
Component 2: Project management, monitoring and evaluation, and capacity building	\$6.3		\$1.6	\$7.9
Total	\$100	\$82	\$1.6	\$183.6



22. **Component 1: Demand-driven investments in basic infrastructure and services and local governance capacity support** (US\$175.7 million: US\$93.7 million IDA, US\$82 million AIIB). This component will finance local-level, climate-resilient subproject investments in social infrastructure and services that communities plan and prioritize. This component will also provide technical assistance and facilitation support to hokimiyats and MCAs to engage communities in inclusive, transparent processes to plan, select, implement, and maintain investments as defined in the POM.

23. **Subcomponent 1a: Demand-driven investments in basic infrastructure and services** (US\$164 million: US\$82 million IDA, US\$82 million AIIB). This subcomponent will finance subproject investments identified by MCAs in eligible qishloqs through the participatory Project implementation cycle as defined in subcomponent 1b and detailed in the POM, subject to a negative list that includes housing construction and renovation or any investments that require the physical displacement or resettlement of people. Eligible investments in basic and climate-resilient infrastructure and services subprojects include: (i) rehabilitation of existing rural drinking water supply and sanitation systems to expand access through innovative, alternative models for rural drinking water supply and sanitation service delivery; (ii) retrofitting of public buildings for energy efficiency; (iii) rehabilitation of social infrastructure; (iv) rehabilitation of tertiary roads, walkways, and footpaths; (v) road drainage and strengthening the flood resilience of rural roads; (vi) bridge rehabilitation and construction (up to 10 meters long); (vii) street lighting upgrading; (viii) improvements to public spaces; (ix) solid waste management systems; (x) small-scale construction of public facilities; (xi) installation of antennas to provide wireless internet services; (xii) construction and rehabilitation of bus terminals and stops; and (xiii) energy supply activities. This subcomponent will also finance the technical assistance (TA) for the technical design associated with the respective subprojects, which is estimated to cost 2 percent of the total cost of each subproject.

24. Consistent with the Obod Qishloq state program, the Project will encourage contractors to utilize local labor in the subgrant infrastructure construction or rehabilitation as much as possible. The Project will prohibit voluntary labor contributions to subprojects. The Project will collaborate with specialists from the International Labor Organization (ILO) and labor inspectors from the Ministry of Employment and Labor Relations (MoELR) to ensure that contractors which implement subprojects abide by the prevailing labor provisions.

25. **The amount of PVP financing available to the participating qishloqs for infrastructure and services subprojects will be pre-determined on the basis of district and qishloq population size.** The average allocation for qishloq is expected to be around US\$500,000, or around \$160 per capita, that can be used to finance multiple subprojects identified in the qishloq development plan. Qishloqs may pool resources to jointly finance investments where appropriate and in line with environmental and social safeguards policies.

26. **Operations, maintenance, and sustainability.** Subcomponent 1a will be designed and implemented with measures to ensure that subproject investments deliver sustainable benefits to communities and local governments. Subprojects will apply tried and tested designs and O&M arrangements, such as those developed for autonomous drinking water and sanitation systems in the Ferghana Valley and Syrdarya regions.²⁵ Subprojects will apply appropriate climate- and natural hazards-resilient technical designs. The Qishloq Facilitators (QFs) and Qishloq Engineers (QEs) supported through Subcomponent 1b will provide capacity-building training to O&M subcommittees of the MPCs and district project committees (DPCs) on how to prepare appropriately designed and funded O&M plans as a precondition for subproject approval. Under the GoU-supported Obod Qishloq state

²⁵ The designs and O&M arrangements were trialed, scaled, and endorsed by the GoU through the Rural Water Supply and Sanitation Project in Uzbekistan financed by the Swiss Agency for Development and Cooperation (SDC).



program, after the renovation and reconstruction works are completed, the relevant line ministry or agency assumes responsibility for maintaining the infrastructure. The proposed Project will apply the same arrangements with a few exceptions: (i) as part of the planning process, the MPC will define the tariff level needed to operate and maintain the autonomous water supply and sanitation system to be collected by the Community Drinking Water Organization (CDWO) while operating the system; (ii) the MPCs and DPCs will inform the district and regional governments and utilities of the subprojects to be financed by the Project to allow them to budget for the resources that will be needed for O&M; and (iii) except for the autonomous drinking water supply and sanitation subprojects that are owned by CDWOs, at the end of the Project period, the DPC will facilitate the handover of the assets to the relevant line ministry or agency.

27. **Selection of subprojects and implementation.** To be eligible for Project financing, each MPC must produce a qishloq development plan and demonstrate that it was produced following participatory rural appraisal exercises that involve all residents, account for gender equity goals, and prioritize subprojects that contribute to improving living standards. Proposed subprojects, including O&M plans, should be technically viable, be coordinated and aligned with GoU investment plans, and demonstrate sustainability. The POM will detail the selection criteria for the subprojects, including weighting toward the needs of women.

28. **Innovative, alternative models for rural drinking water supply and sanitation service provision.** This eligible subproject investment aims to rehabilitate existing water supply and sanitation systems by applying innovative, alternative models for drinking water supply and sanitation service delivery envisaged through Presidential Decree Number 4040 dated November 30, 2018. If communities select this subproject type, the Project will finance the goods, works, and services required to implement small-scale autonomously managed water supply and sanitation systems. The construction of the systems provides users with metered water supply connections on their premises. The subproject includes the construction and use of environmentally sound sanitation facilities for human waste disposal. Developed through the Rural Water Supply and Sanitation Project in Uzbekistan, the model's financing is based on consideration of full life-cycle costs, climatic factors and resilience, and the capacity support requirements of the community drinking water organization (CDWO) that the MPCs will establish to operate the system. Once the water and sanitation system is complete, the CDWO will be responsible for its associated O&M. If the CDWO is unable to continue to operate it, the system will be transferred to the MCA.

29. **Subcomponent 1b: Communications and community outreach, citizen engagement, local governance capacity building** (US\$11.7 million IDA). This subcomponent will support QFs and Qishloq Engineers QEs to implement the following technical assistance, training, and capacity building activities for MPCs and DPCs:

- a. *Participatory implementation cycle*, including, but not limited to: (i) communications and outreach on Project objectives, rules, and grievance redress system, including to women and vulnerable groups; (ii) participatory needs assessment in all neighborhoods/hamlets in participatory qishloqs; (iii) participatory development planning, prioritization, and selection of subgrant investments; and (iv) participatory O&M.
- b. *Participatory monitoring and oversight*, including, but not limited to, citizen engagement in: (i) subproject monitoring by trained members of MPCs and (ii) social audits, using community scorecards, to ensure that Project decisions are inclusive and transparent, and the accountable use subproject funds.
- c. *Technical assistance for subproject design and sustainability*, including, but not limited to, (i) basic engineering support to allow for initial environmental and social screening and preliminary subproject



design estimates, and (ii) and to MPCs to design and implement autonomous water supply and sanitation systems.

30. A qishloq facilitation team consists of three members: one male and female QF and one QE. Each qishloq facilitation team will support the participatory implementation cycle in six qishloqs simultaneously. The Project will test two modalities for delivering the technical assistance and capacity building activities to MPCs and DPCs. Through the first modality, the PIU will contract Facilitating Partners (FPs) selected from NGOs or private sector entities who will mobilize, train, and manage QFs and QEs. Through the second modality, the PIU will directly hire and manage QFs and QEs as individual consultants. Over its duration, the Project will attempt to build the capacity of the PIU to deploy and manage QFs and QEs through GoU systems, thereby allowing for the phase-out of the FP delivery modality.

Sequence of the participatory implementation cycle

31. **The eight-step participatory implementation cycle is described in detail in Annex 1.** Its key elements are described in the following paragraphs. **Step 1: Participatory qishloq selection.** (i) With the QFs' assistance, the district hokimiyat will establish DPCs in each of the 21 target districts. The district hokim will chair the DPC and appoint other committee members, including: representatives from each MCA in the district that is eligible for Project financing, representatives of relevant district hokimiyat departments, such as the department on capital infrastructure, and representatives of the district's women's committees and local CSOs. (ii) The DPCs, with FPs' support, will identify qishloqs that will participate in the Project using a participatory approach (see section on Project Beneficiaries). (iii) The DPCs will communicate the results of the qishloq selection process and the Project's objectives and parameters to eligible MCAs.

32. **Steps 2-6: Participatory development planning and subproject selection.** (i) The QFs will socialize the Project among qishloq residents. (ii) The QFs will help MCAs establish MPCs comprised of at least 50 percent women and a subcommittee on O&M.²⁶ (iii) With the assistance of the QFs, the MPCs will carry out participatory needs assessments and planning, including the dissemination of information concerning planned government investments in qishloqs, the identification of potential investment synergies across neighboring qishloqs and the prioritization of investments with specific outreach to women, youth, the disabled, and other vulnerable community members. From the list of priority investments identified by communities, the MPCs will develop an overall three-year development plan for the qishloq, which includes the proposed infrastructure projects for PVP financing.²⁷ Representatives from the DPCs will work with the O&M subcommittee of the MPCs to develop O&M plans for the infrastructure subprojects prioritized to receive Project financing. When selecting subproject proposals to finance, the MPCs will weigh multiple criteria including the number of beneficiaries (including women), plans for O&M of investments, and the level of local contribution and co-financing. (vi) The MPCs will submit the qishloq development plans with the proposed subgrant investments to the DPCs for verification based on whether the subproject proposals meet the Project's technical requirements, adequate O&M arrangements

²⁶ The MPCs will consist of community members selected by the community based on traits such as trustworthiness and the possession of specific technical skills (e.g. in infrastructure, community mobilization, oversight of infrastructure). The FPs will provide training to female committee members on how they can ensure that women in the community meaningfully participate in the Project's participatory cycle (needs assessment process, prioritization, and oversight) and that they have information on the costs and benefits of different types of subprojects, such as kindergartens, road rehabilitation, and streetlight installation.

²⁷ The legal basis for the qishloq development plans is the Law on Self-governing Bodies and the President's Decree on Measures to Provide Settlements with Master Plans in 2018–2020, Improvement Activities of Design Organizations, and Improving the Quality of Preparation Specialists in Urban Planning No-3502, February 2, 2018.



are in place, and if other parts of the government are not already financing the investments. The district hokimiyat will send the approved qishloq development plans, including the PVP subproject proposals, to the regional hokimiyat for verification, which will then send it to the central PIU for final verification.

33. **Steps 7-8: Institutional Strengthening and participatory monitoring and oversight. The QFs and QEs will train nominated community members (including at least 50 percent young men and women) to play a role in monitoring project implementation.** While the UCS engineering companies in the regional hokimiyats are responsible for procuring subproject investments, the Project will require a qishloq representative outside the MCA executive committee to sit on the tendering committee for both design and construction tenders and to provide oversight to ensure that the committee adheres to the agreed Project procurement manuals and procedures. The MPC will be responsible for identifying and nominating a qualified community member to play this role, and FPs will help train this representative. In addition, the nominated community members will consult regularly with design agencies during the subproject design process to ensure that local residents' suggestions are taken into account, and to monitor the construction of the subprojects, including whether they are completed on time and to the agreed technical and social standards and budget. Before the PIU releases the final payment to the contractor, the Project will require a representative of the monitoring committee and QE to sign off on the construction work. The PIU senior infrastructure specialist and regional technical supervision specialists will be actively engaged with MPCs and qishloq residents to make sure that the contractors and MCAs agree on the design of all subprojects, to train qishloq residents to monitor the design and construction processes, and to provide overall technical support and guidance when needed. **Social audits** will consist of public forums in which district hokimiyats representing the DPCs and MPCs report on progress, challenges, and fiduciary information at least twice during the annual implementation cycle. Contractors as well as beneficiaries will participate in the social audit process. The QFs will help the MPCs and DPCs conduct these meetings to ensure that the decisions are inclusive; that they are made from the bottom up; that there is continuity in the chain of decisions made by focus groups (e.g., women); and that they enable the MPCs, DPCs, and contractors to explain the expenditures on Project subprojects. Transparency will be a key parameter. The QFs will provide logistical support to ensure broad attendance by community members and representatives of MCAs and DPCs, including 50 percent women. The subcomponent will fund the technical support needed to prepare, organize, and document these meetings with the QFs' and QEs' assistance.

34. **The QFs and MPCs will independently facilitate the scorecard process with support from the MPCs members selected for monitoring and oversight roles.** An annual scorecard will be compiled, and the results collated prior to the social audit meeting to promote feedback and discussion at the meeting and to identify areas for improvement during the following cycle. The scorecard results will be used to monitor Project outcomes. All results will be disaggregated to identify any gender bias, and corrective actions will be included in the Gender Action Plan.

35. **Subcomponent 1b will support QFs, QEs, and MPCs to apply digital technologies to increase participation, inclusion, transparency, and accountability throughout the Project cycle.** Applications will include: (i) QFs' use of mobile phone or tablet-based data collection instruments to produce an objective, evidence-based qishloq ranking system and to conduct qishloq-level needs assessment activities the results of which will be uploaded to the Project management information system (MIS); (ii) QFs' and DPCs' use of social media and instant messaging platforms/bots (e.g., Telegram) to (a) disseminate information on Project events, rules, procedures, data analysis, maps, and sources for grievance redress and (b) crowd-source inputs on qishloq development priorities from residents.



36. **Capacity-building support for autonomous water supply and sanitation systems.** In communities that select autonomous water supply projects, the Project will finance a minimum package of TA for MPCs, CDWOs, and communities. The participatory design for the autonomous water supply and sanitation subproject will incorporate the following elements: (i) QFs and QEs mobilize community members and convene discussions to define and develop solutions to the community's water needs. The QFs inform the community that for the model to operate effectively, the community's financial contributions are expected to be 10–30 percent of the total cost of the system; (ii) QFs help the communities establish a CDWO—a non-governmental, non-commercial organization that is registered with the Ministry of Justice and liable to the rules of such organizations. The CDWOs are responsible for mobilizing community members to monitor the construction of the water and sanitation systems, setting up an O&M plan and full cost-recovery tariffs, achieving community consensus around these tariffs, and subsidizing poor families (identified by the MPC and confirmed by the CDWO) who cannot afford the full tariffs; and (iii) Community members elect representatives to the General Assembly of the CDWO. They gather at least once a year to approve the accounts of the organization, establish (and, as necessary, revise) tariffs, and decide on any major changes to the CDWO. The General Assembly members elect a Management Board. The Management Board appoints community members to serve on an Executive Committee, which is in charge of the everyday supply of water, the maintenance of the water system, the collection of tariffs, and all other operations related to the system. The tariffs pay for the salary of the Executive Committee members; all other positions on the CDWO are voluntary. The average number of people on a CDWO Executive Committee for a qishoq with a population of 5,000 is around ten people. The QFs and QEs will provide training and capacity building on registering the CDWO, tariff setting, billing and collection systems, O&M, water quality testing, customer relations, complaints mechanisms, human resources, and awareness raising on sanitation and hygiene. The QFs will also train CDWO members on how to mobilize nurses, doctors, and teachers in the qishloq to raise communities' awareness of water-related hygiene and wastewater treatment facilities at the household level.

37. **Component 2: Project management, monitoring and evaluation, and capacity building** (US\$7.9 million: US\$6.3 million IDA, US\$1.6 million GoU) will provide support for (i) Project management activities, including overall coordination and supervision of Project implementation, communications and public outreach, Project audits, and financing of incremental operating costs; (ii) Project monitoring and evaluation (M&E) activities, transparency, and citizen feedback; (iii) managing a beneficiary feedback mechanism (BFM), including a grievance redress mechanism (GRM); and (iv) capacity building for regional hokimiyats for improved procurement, social and environmental safeguards practices, and quality of infrastructure designs.

38. **The component will finance a PIU** that includes a project director and experts in participatory development (i.e., community mobilization and participatory needs assessments, prioritization, monitoring and oversight), gender, citizen engagement, civil engineering/infrastructure quality, project management, communications, procurement, FM, MIS, and M&E. This team will prepare annual workplans and budgets and oversee the design and implementation of the POM, including creating training manuals and terms of reference for all staff and consultants.

39. **The GoU counterpart contribution will finance the administrative fees for the services provided to the Project by the UCS engineering companies** in each of the participating regions. The roles and responsibilities of the UCS are defined in paragraph 69.

40. **This component will strengthen the capacity of PIU and regional hokimiyats on planning, results monitoring, reporting and delivering local infrastructure and services using good governance practices.** It will ensure regular coordination with national stakeholders, including the departments of economy and industry;



finance; tax committee; investments and foreign trade; employment and labor relations; youth union and women's committee; labor resources, geodesy, cartography, and state cadastre; communal services and housing; Transgas, Uzbekenergo, and other relevant agencies. This subcomponent will finance TA and capacity building for regional hokimiyat and UCS engineering company staff on procurement and citizen engagement practices. The subcomponent will also finance capacity-building and TA activities to strengthen UCS' and regional and district hokimiyats' monitoring and oversight capacities, with a focus on the independent quality control of works executed under the Project, including by citizens, and complaints handling. In addition, the PIU's engineering staff and consulting services will work with the UCS offices under the regional hokimiyats and local design institutes to strengthen the engineering designs for the eligible subprojects and their capacity to build climate-resilient designs into the local infrastructure.

41. **The component will support the use of digital technologies to build the capacity for better-quality local infrastructure, and and oversee Project implementation** in three ways: (i) online training and education modules will be developed targeting regional hokimiyat, UCS, local design institutes, FPs, and MPCs personnel on infrastructure design and construction methodologies (e.g., reinforced concrete practices, erosion control methods, slope and embankment treatments); (ii) a mobile application linked to the MIS (see below) will be developed to allow PIU staff to update geo-coded administrative data on all approved subprojects during the implementation and O&M phases, which will allow project managers to monitor infrastructure in real time and provide the basis for *ex post* technical audits. The MIS will include an open access portal allowing citizens to upload photos, videos, and comments on the subprojects; and (iii) the PIU will administer frequent e-surveys of MPC members to help monitor implementation progress. The e-survey questions for MPCs will cover progress on participatory needs assessments, qishloq development planning and decision making, implementation and oversight of subprojects, and the challenges faced.

42. **Component 2 will finance a communications and public outreach campaign** to educate stakeholders in international media, human rights, and development organizations; national, regional, district, and qishloq governments; (social) media; and civil society on the differences in objectives, rules, and procedures between Obod Qishloq and the proposed Project, and provide information on the BFM. The campaign will use short message services (SMS)/bots to remind citizens about their rights with respect to forced labor, evictions, GRMs, and demolitions.

43. **The component will support measures to ensure that no forced labor is used in the Project.** Forced labor mitigation measures will include capacity building of regional and district hokimiyats in Ferghana Valley and residents of selected qishloqs (including MCA chairs, women, youth, activists) on national labor legislation including norms regulating public works that strictly prohibit the use of forced labor. For this purpose, the PIU will collaborate with specialists from the ILO and labor inspectors from the MoELR to: (i) provide regular trainings to hokimiyats and MCA executive committee members and MPCs on labor practices; (ii) monitor and report on any cases identified; and (iii) implement a public awareness campaign on labor rights, practices, and GRMs. The PIU will build an internal communications channel with MoELR's Labor Inspectorate to report on cases of forced labor submitted through the Project's GRM and facilitate the investigation process. The Project will also prohibit voluntary labor contributions to subprojects. Contractors that will implement all subprojects must abide by the prevailing labor provisions.

44. **Additional resources will be provided under this component as needed to build the PIU's BFM to address grievances, comments, and other feedback regarding the Project.** Its design will include a GRM that will specify the systems and requirements for grievance redress, including uptake, sorting and processing,



acknowledgement and follow-up, verification and action, and monitoring. The PIU will establish a unit tasked with this role, which will collect grievances and feedback from MCAs and citizens, transmit this information to the appropriate authorities, and report to the PIU director and MoEI department responsible for appeals from individuals and legal entities.

45. **Component 2 will finance within-region and across-region learning exchanges for members of UCSs, DPCs, and MPCs.** These exchanges will be designed to share innovations and solutions to common problems, and to build networks to allow participants to continue conversations following the visits. As part of these activities, the PIU will organize a gender network to bring together female members of MPCs and DPCs to discuss ways of improving gender equality and women's empowerment.

46. **Component 2 will also finance annual multi-stakeholder reviews that will bring together a range of stakeholders at the regional and national levels to share experiences from implementation and discuss ways to improve the Project's design and implementation for the next cycle.** These reviews will include findings from social, technical, and financial audits and lessons learned with regard to governance and anti-corruption measures and gender. Following each annual review, the PIU will update the POM as necessary. Findings from these reviews will be used to inform the design of the Obod Qishloq state program.

47. **M&E.** Component 2 will support M&E activities to track, document, and communicate the Project's progress and results. An M&E team within the MoEI PIU will be responsible for compiling this information. Component 2 will provide financing for the PIU to prepare and submit quarterly and semiannual unaudited interim financial reports (IFRs) to the World Bank. The component will also finance an MIS, which the PIU will establish and utilize for Project monitoring, automatic generation of Project reports, Project transparency (subproject information will be publicized on maps), and citizen feedback. Feedback and grievances received through the BFM will be included in the semiannual reporting.

48. **Results measurement will primarily focus on the outcomes defined in the results framework and the output indicators listed in the POM.** Component 2 will finance baseline, midline, and endline project monitoring surveys to assess the results indicators of the project development objectives. The PIU will be responsible for producing a completion report based on MIS and survey data. It will also finance a process tracing evaluation to assess whether and why outcomes differ in Project qishloqs and state program qishloqs. It will also finance *ex post* technical audits of infrastructure projects completed in a sample of Project qishloqs and state program qishloqs.

49. The annual multi-stakeholder reviews, together with these M&E activities, provide the platform through which to identify and adjust design elements to account for successes and challenges, roll these out under the Project, and suggest to the GoU that it also scale-up successful design features through the Obod Qishloq state program.

E. Implementation

Institutional and Implementation Arrangements

National Level

50. **The MoEI has overall responsibility for implementing the proposed Project.** The Deputy Minister for Economy and Industry will be responsible for overseeing the Project. The MoEI will also be responsible for



coordinating with the Republican Commission that governs the Obod Qishloq state program at the national level and for ensuring the participation of the Republican Commission's representatives at the annual multi-stakeholder reviews. The commission's mandate is to oversee and ensure the timely implementation of the Obod Qishloq state program. Its main tasks are: (i) solving problems, coordinating, and interacting with the line ministries, departments, economic associations, and local hokimiyats participating in the program; (ii) conducting systematic monitoring of the implementation of construction and renovation projects; and (iii) undertaking future program planning, including the development of lists of rural settlements where construction and renovation projects are to be planned.

51. **The MoEI has delegated project implementation tasks to a PIU.** In May 2019, the GoU issued an order to establish the Project PIU in the MoEI to prepare the Project. This PIU will be responsible for overall project implementation, including fiduciary oversight, procuring and overseeing the FP contracts, M&E, communications, and FM. It is responsible for ensuring Project linkages with other government- and donor-financed programs and projects. MoEI will provide overall oversight on Project implementation, including establishing and staffing a PIU through its Department for Monitoring of Territorial Targeted programs. The PIU will include, inter alia, a project director, a procurement specialist, an FM specialist, a civil engineer/infrastructure specialist, an environmental safeguards specialist, a social safeguards specialist, a specialist on community mobilization, who will be responsible for managing the direct-hire facilitation teams, an MIS specialist, and M&E specialist. In addition to these professionals, the PIU shall hire as many individual consultants as needed to help with the implementation of specific project activities over the course of the implementation.

52. The PIU will manage all aspects of safeguards, procurement, and supervision; perform all fiduciary tasks and necessary coordination of institutional support with regions and districts; and conduct consolidated reporting and project management tasks as outlined in the POM. The PIU will be responsible for M&E; the BFM, including the GRM; and project-related communications and outreach. The PIU will open its own designated account and will finance all taxes, except value-added tax and customs duties.

Regional Level

53. **UCS engineering companies under the regional hokimiyats.** The UCS in each participating region (oblast) will provide services to the PIU for procuring the design and works contracts for subprojects identified in the qishloq development plans and selected for Project financing. UCS organizations are public enterprises established by the Cabinet of Ministers and regulated by the constitution and laws of the Republic of Uzbekistan. UCS typically have 40–55 staff, including a director, chief engineer, deputy director on economic issues, a tendering department, a project implementation and technical supervision department, a financial and contract management department, accounting department, and other units. The Ministry of Finance defines and approves the total number of staff and remuneration levels based on proposals from regional hokimiyats. Each UCS charges a fee for its procurement and technical supervision services. As an implementation condition for the activities requiring UCS involvement, the MoEI will enter into cooperation agreements with each of the UCS engineering companies that defines the rights and obligations of the two parties, and sets forth the necessary administrative arrangements with said UCS to ensure the UCS's support to the implementation of said Subproject, all in accordance with the POM provisions.

54. **PIU staff at the regional level.** The PIU will mobilize procurement, FM, environmental and social safeguards, and engineering specialists to support Project implementation at the regional level. The procurement



and FM specialists will provide on-site technical assistance to UCS staff to ensure that World Bank procurement guidelines are followed during implementation, and that the requisite documentation required for the PIU in Tashkent to transfer funds to contracts is prepared appropriately and on time. The environmental and social safeguards specialist will provide on-site technical assistance to ensure that environmental and social safeguards provisions are incorporated into tender documents and contracts, and conduct spot checks at the qishloq level to ensure that the relevant environmental and social safeguards documentation (checklists, simple Environmental and Social Management Plans (ESMP), Resettlement Action Plans (RAPs), etc.) have been prepared. Regional engineering specialists will provide technical assistance to local design institutes and UCS on the application of high quality technical designs, and conduct spot checks at the qishloq level of the quality of construction during subproject implementation. The engineering specialists will also support the coordination process with regional hokimiyat staff to verify that subprojects financed under the PVP are not planned to be financed under other GoU programs. Regional environmental and social safeguards and engineering specialists (three in total) will be co-located in the premises of the UCS engineering companies.

District Level

55. **DPCs** will be established in each district to support Project implementation. The district hokim will be responsible for chairing the Project's DPC. The DPC will be responsible for: (i) conducting outreach and communicating the program's parameters including qishloq selection criteria, eligible investments, required participatory processes, and timeline to MCAs; (ii) selecting qishloqs for participation in PVP based on the process and selection criteria detailed in the POM; (iii) reviewing and verifying all subgrant proposals for PVP financing to ensure that they meet rural residents' needs, are technically feasible, have O&M plans in place, and are well aligned with other GoU and donor development plans and do not crowd out or duplicate other investments; (iv) submitting the list of selected projects for review and further endorsement by the MoEI PIU; and (v) facilitating the handover of Project-financed infrastructure to relevant line departments for routine O&M.

Qishloq Level

56. **Mahalla Citizens' Assembly (MCA) Executive Committees.** MCA executive committees consist of a Chairperson, Secretary and Advisor. For the purpose of the Project, the MCA executive committees are responsible for: (i) representing the development needs of the community to outside stakeholders, including GoU officials and departments, and development organizations; (ii) reporting to the DPCs on PVP progress; (iii) facilitating communications and outreach activities intended to help community members gain an understanding of the program; and (iv) supporting QFs and QEs to organize meetings that involve representatives of all neighborhoods, and the participation of women and vulnerable groups.

57. **MCA Project Committees (MPCs).** To support the MCA executive committees to implement the Project, each qishloq selected to participate in the Project will form an MPC as a subcommittee of the MCA with QF support, which will be responsible for: (i) conducting outreach to communities on the Project's objectives, subgrant options, the participatory project cycle, and BFM; (ii) supporting the participatory needs assessment and ensuring the sufficient participation of women, youth, the disabled, and vulnerable groups in the needs assessment; (iii) preparing the qishloq development plan; (iv) prioritizing investments for PVP financing, developing O&M plans for these investments, and submitting this proposal to the DPC for verification; (v) supporting the participatory oversight process; and (vi) transmitting Project-related complaints to the BFM.



Qishloq Facilitators (QFs) and Qishloq Engineers (QEs)

58. QFs and QEs will provide training and capacity support to district hokimiyats, MCA executive committees to increase citizen participation, transparency, and oversight throughout the project implementation cycle. Tasks include: (i) assisting DPCs to carry out a participatory qishloq selection process, including communicating the selection methodology to district residents and organizing consultations on the results of the selection process; (ii) helping MCA executive committees to establish MPCs; (iii) providing training and capacity-building support for MPCs to conduct participatory qishloq needs assessments, which includes identifying potential investment synergies across neighboring qishloq; (iv) assisting MPCs to produce qishloq development plans, which identify subprojects to be financed through the Project; (v) assisting MPCs to carry out the environmental and social safeguards screening processes, identify alternative investments based on these findings, prepare Environmental and Social Impact Assessments (ESIAs) from which ESMPs and RAPs will be prepared as needed; (vi) training MPCs members in procurement, financial management, and construction oversight techniques; (vi) providing capacity support to MPCs to establish the required community-level organizations to contribute to the O&M of subproject investments; and (vii) providing TA to MPCs that prioritize autonomous water supply and sanitation systems for financing under the Project.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will be implemented in the following regions of Uzbekistan: (a) Andijan region: Boz, Bulakbashi, Marhamat, Ulugnar and Pakhtaobod districts; (b) Namangan region: Chartak, Chust, Mingbulak, Yangikurgan and Pop districts; (c) Fergana region: Yazyavan, Furkat, Kushtepa, Sokh districts; (d) Sirdarya region: Boevut, Sardoba and Hovos districts; and (e) Jizzakh region: Bakhmal, Zomin, Forish and Yangiobod districts. The total population living in these districts is about 11.6 million. The Fergana Valley with its three regions is a most populous place in Central Asia with a highest density of population in some parts of Andijan and Namangan regions exceeding 600 people per square km. The distribution of rural settlements is dependent on water resources for agriculture being the main activity of rural population in project sites. In plains the primary crops are cotton, wheat, vegetables and fruits which require intensive irrigation. In the foothills and mountainous sites population is involved in animal husbandry. The products of agriculture are not processed in rural settlements of the project area. The business and services are not well developed. The Social infrastructure does not meet demands of rapidly growing rural population. The main issue is lack of portable drinking water because of updated water supply system which was constructed on 1970s. Syrdaria and Jizzakh regions are located in the center of the country and covers an area of about 25 thousand square kilometers, which is mostly desert, or low productivity agricultural lands. The population is estimated to be around 1.700.000, living mostly in rural areas.

G. Environmental and Social Safeguards Specialists on the Team

Suryanarayana Satish, Social Specialist
Arcadii Capcelea, Environmental Specialist



SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>This OP is triggered as the Component 1 of the project will include civil works in street upgrading, recreational services like parks and other public spaces improvements, intra city transport, social, drainage, water supply, solid waste management, schools, hospitals upgrading which might generate a series of various environmental and social impacts. These impacts would be associated with increased pollution with wastes, noise, dust, and air pollution, health hazards and labor safety issues, etc., due to civil works. All of them are expected to be typical for small scale construction/rehabilitation works, temporary by nature and site specific, and can be easily mitigated by applying best construction practices and relevant mitigation measures. Furthermore, Component 1b would assist Mahalla Citizens Assemblies (MCAs) project committees to produce qishloq development plans, which will identify priority needs including but not limited to those that would be financed through the Project. Such priority needs, if implemented, can generate environmental and social impacts (air and water pollution, waste generation, labor and health risks, etc.), during their implementation and operational phases.</p> <p>To address these risks and impacts an ESMF was prepared, which specifies the set of mitigation, monitoring, and institutional responsibility measures to be taken during the project implementation to eliminate adverse environmental and social impacts, offset, or reduce them to acceptable levels. The ESMF also suggests a series of capacity building activities to strengthen local capacity in environment and social risk manage in line with the Bank's safeguards policies, which will be supported by the Project. Per WB requirements the draft ESMF document has been disclosed and consulted in the participating regions.</p>
Performance Standards for Private Sector Activities OP/BP 4.03	No	N/A



Natural Habitats OP/BP 4.04	No	Since the project is focused on existing infrastructure in rural urban areas no natural habitats will be impacted.
Forests OP/BP 4.36	No	The project will be implemented in non-afforested rural areas and thus no impacts on the forests status are expected.
Pest Management OP 4.09	No	No pest management issues are expected since the investments will target rural infrastructure and will not involve infrastructure related to agricultural activities
Physical Cultural Resources OP/BP 4.11	No	The environmental screening process will screen for the presence of physical cultural resources and in the case such subprojects will be identified they will be excluded from financing by the project. The ESMF will provide guidance with regard to chance find procedures and relevant stipulations will be included in all works contracts involving earth moving.
Indigenous Peoples OP/BP 4.10	No	There are no Indigenous Peoples as per the World Bank's policy in this area.
Involuntary Resettlement OP/BP 4.12	Yes	The policy is triggered due to the potential need for small scale land acquisition resulting in physical/ economic displacement as well as restriction of access in relation to activities under Component 1a to upgrade and invest in rural infrastructure. Safeguards management is designed following a Framework Approach as the sub projects become known only during the implementation phase. Accordingly, a Resettlement Policy Framework (RPF) was developed which serves as a key instrument for addressing issues related to land acquisitions and asset loss, including through voluntary donations. Where involuntary loss of private lands or assets occur based on the screening process provided in the RPF, a Resettlement Action Plan (RAP) will be prepared per provisions in the RPF. Voluntary donations will be allowed only if impacts are minor; donors of private assets benefit from the investment and voluntarily agree to donate assets knowing that they are also entitled for compensation, and other conditions provided in the RPF. The project will be implemented in villages where the Government's Obod Qishloq state program is not to be implemented, in order to ensure the latter investments will not be considered associated



		activities for the purpose of OP 4.12. Further, key Dos and Don'ts have been agreed and described in the ESMF and the RPF so as to keep resettlement related impacts (including land acquisition and asset loss) under the Project to the minimum.
Safety of Dams OP/BP 4.37	No	The project activities will be implemented inside the rural areas and will not have impacts on and will not be dependent on the functionality of dams.
Projects on International Waterways OP/BP 7.50	Yes	OP 7.50 is triggered because the proposed activities will use water from 'international waterways', and will discharge waste waters in the Syr Darya or their tributaries. However, the activities to be financed would be limited to rehabilitation, modifications and minor additions or alterations to existing schemes in ways which would not increase the amount of water abstracted or lead to appreciable impact on the water sources or local hydrological regime. As these investments are of rehabilitation nature and have positive impacts, the exception to the riparian notification requirement according to paragraph 7(a) of the Policy applies, as approved by the ECA Regional Vice President on August 30, 2019.
Projects in Disputed Areas OP/BP 7.60	No	The project will not support any activities in disputed areas.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project will support a large number of demand-driven investments in basic infrastructure and services: water supply and sanitation service delivery; retrofitting of public buildings for energy efficiency; rehabilitation of social infrastructure; rehabilitation of tertiary roads, walkways, and footpaths; road drainage and flood control; bridge rehabilitation and construction; street lighting upgrading; improvements to public spaces; etc. The socio-economic impacts of the project will be mainly positive and related to the improvement of the quality and standard of living of the rural population in the project villages. However, civil works implementation could result in various adverse environmental and social impacts. Environmental impacts could include: (a) increased environmental pollution with waste, noise, dust, exhaust gases from fuel combustion products; (b) health and safety hazards and other problems resulting from construction activities; (c) increased contamination of groundwater and surface water as a result of inadequate avoidance and mitigation measures; (c) soil degradation and pollution; and (d) threats to human health as a result of improper handling of heavy machinery during construction activities. On the social front, some activities will require 'lands', resulting in physical and economic displacement as well as restrictions on access. However, the project preparation has drawn some critical Dos and Don'ts under the Project, which will minimize adverse impacts.



Thus, the safeguard impacts of the project activities will be typical for construction or rehabilitation activities and can be mitigated through the application of best construction practices and/or appropriate mitigation measures. Hence, project will not result in any large-scale significant and irreversible impacts.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: The long term impacts are positive and associated with the improving in living conditions of the population in participating project qishloqs, improved rural infrastructure, reduced air emissions, better management of solid wastes, etc.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. The only project alternative considered was "no project alternative," which was rejected as it will not provide any further new opportunities for improving rural infrastructure in the project's regions and qishloqs and deteriorating living conditions of local population.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The project is expected to have several subprojects which will become known only during the implementation phase. While the broad category of activities/ impacts is foreseen, exact magnitudes can become known only after detailed designing of the subprojects. Given this situation, a framework approach is adopted. Accordingly, to address project potential social and environmental impacts, the borrower has prepared two instruments: (i) Environmental and Social Management Framework (ESMF); and (ii) Resettlement Policy Framework (RPF).

The ESMF will guide the Environmental and Social Impact Assessment process, as relevant to the proposed project activities. Overall its main goal is to avoid, minimize or mitigate, potential negative environmental and related social impacts caused by the project implementation. The ESMF covers the following: rules and procedures for environmental and social screening of subprojects to be supported under the demand-driven investments in basic infrastructure and services; guidance for conducting subproject Environment and Social Impacts Assessments (ESIA) and/or preparing simple ESMPs, as well as the related ESMP Checklists; and mitigation measures. The Framework also specifies the requirements for monitoring and supervision of ESIA/ESMP implementation. The ESMF includes an exclusion/negative list of subprojects which will not be supported by the Project. This includes the subprojects located in protected areas, critical habitats or culturally- or socially-sensitive areas, along with subprojects which might have impact on international waterways, and subprojects that would require permanent physical displacement. Further, it is qualified that no subprojects/activities resulting in significant environmental impacts, or in other words, which may fall under the Category A projects and requiring full-scale ESIA, will be supported. Lastly, the AIIB will apply the same ESMF and RPF for its joint co-financing.

Resettlement Policy Framework. It is likely that many civil works will require 'lands'. However, the details about the sub projects and the land requirements thereof are not known as of now. They become known only during the implementation as and when the communities identify investment activities. Given this situation, the project adopts a framework approach. Accordingly, a resettlement policy framework (RPF) has been developed. The framework recognizes that lands may be secured through the following methods: (i) allotment of unused lands by the local authorities; (ii) donations by community members; and (iii) involuntary acquisitions. The first two methods will be governed by an elaborate list of Dos and Don'ts for avoiding adverse impacts. Voluntary donations will be allowed only if impacts are minor; donors of private assets benefit from the investment and voluntarily agree to donate assets knowing that they are also entitled for compensation, and other conditions provided in the RPF. The involuntary



acquisitions will be addressed by resettlement action plans (RAP). The RPF provides guidance on how to prepare RAPs. A key objective of the RPF is to appropriately identify, address and mitigate adverse socioeconomic impacts that may occur due to the implementation of subprojects that involve the involuntary acquisition of land and the subsequent resettlement of affected families. The RPF is based on relevant National laws and Decrees as well as the World Bank OP-4.12. The RPF applies to all the investments financed by UPVP and to all economically and/or physically displaced persons regardless of the total number affected by the severity of impact and whether or not they have legal title to the land. Particular attention will be paid to the needs of such vulnerable groups like women headed households, low-income households, households headed by an elderly person with no support, and households headed physically challenged people. Further, it has been agreed that the Government's Obod Qishloq state program will not be implemented in the villages being covered by the Project.

While efforts will be made to avoid involuntary acquisitions, securing lands may be essential for construction activities such as the expansion of existing roads, bridges, sewerage and water supply networks. Given this, the RPF has special provisions to keep the adverse impacts to the minimum. Towards this, as a first step, the Project, by design, as enumerated in the Exclusion List, will not finance activities which warrants permanent physical displacement. While the broad category of activities/ impacts is foreseen, exact magnitudes can become known only after detailed designing of the subprojects. Social Impact Assessments (SIA) will be undertaken in respect of each subproject to determine the magnitude of displacement and prospective losses, identify vulnerable groups for targeting, ascertain the costs of resettlement, and prepare a RAP for implementation. The ESMF/ RPF have also an overview of the capacity of the PIU and local involved institutions for E&S risk management. Based on this review, the ESMF specifies capacity building activities that would include all these parties as well activities on strengthening of capacity as well as of participating local institutions on mitigating potential environmental and social risks and conducting subproject-level ESIA. A special attention in this regard will be on developing the capacity of regional (oblast) hokimiyats' ESA capacities.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

ESMF and RPF preparation has been highly participatory. Extensive consultations have been held with various stakeholders including the public communities, local / district/ regional authorities, other departments and service providers. Two broad category of stakeholders are envisaged: one, project affected; and other, Others. The former include: local communities which are characteristically quite diverse with several sub groups - poor, women, female headed households, senior citizens, disabled, youth, children, and Mahalla committees. Others include: local administration, NGOs (acting as facilitating partners), contractors, service providers, district/ regional/ national government, and external financing agencies. The stakeholders' expectations and the related issues/ concerns have been taken due note of while preparing these instruments. The draft ESMF as well as of the RPF have been disclosed on August 21, 2019 on the MoE website and then consulted in the participating regions on August 27-28 and in Tashkent city on August 29, 2019. Three disclosure meetings, in Tashkent, Namangan and Sirdarya regions were held during August 27 - 29, 2019. Comments and responses from participants in these meetings have been incorporated into the final reports. Based on the suggestions received, the draft ESMF and RPF documents have been finalized and published on the MoEI website and on the external WB website on September 5, 2019.



B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
03-Sep-2019	05-Sep-2019	

"In country" Disclosure

Uzbekistan
21-Aug-2019

Comments

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
03-Sep-2019	05-Sep-2019

"In country" Disclosure

Uzbekistan
21-Aug-2019

Comments

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.12 - Involuntary Resettlement



Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

OP 7.50 - Projects on International Waterways

Have the other riparians been notified of the project?

No

If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?

Yes

Has the RVP approved such an exception?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

World Bank



Robert Wrobel
Senior Social Development Specialist

Borrower/Client/Recipient

Ministry of Finance

Implementing Agencies

Ministry of Economy and Industry
Sakhil Saifnazarov
Deputy Minister
ssaifnazarov@mineconomy.uz

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Robert Wrobel
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Approved By

Safeguards Advisor:		
Practice Manager/Manager:	Kevin A Tomlinson	11-Sep-2019
Country Director:	Sergiy Zorya	17-Sep-2019