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I. The World Bank Group (WBG)
World Bank Group’s mission

- **With 189 member countries** and operations in over **140 of them**, the WBG is a unique global partnership.

- It consists of **5 institutions**, including the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) (both IBRD and IDA form the World Bank), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Center for Settlement of Investment Disputes (ICSID).

- They are working with governments and private sector to **reduce poverty**, build **shared prosperity** of people in **low- and middle-income countries**, and promote sustainable economic growth and development there.

- The WBG delivers its support to country clients through diverse financial instruments (loans, credits, grants, etc.), as well as analytical and advisory services. In 2021, the WBG was committed to provide **$98.9 billion** to client countries helping to address their development challenges.
World Bank Group’s cooperation with Uzbekistan

- Uzbekistan joined the World Bank and the IFC in 1992 and 1993 respectively. The WBG’s financial, technical, and analytical support to the country has grown substantially since 2017, bolstering the Government’s efforts to implement a comprehensive program of market reforms.

- Today, the World Bank’s country program in Uzbekistan is the second largest in the Europe and Central Asia region, after Turkey. As of December 1, 2021, it consists of 24 projects, with net commitments totaling around US$4.6 billion.

- These projects provide support to the Government in critical areas, such as macroeconomic reforms, modernization of agriculture, irrigation and drainage systems, health, education, water supply and sanitation, energy, transport, social protection, urban and rural infrastructure, national innovation, and tax administration systems, as well as mitigation of the health, economic, and social implications of COVID-19.

- Meanwhile, the IFC’s country program continues to support the growth of private sector in Uzbekistan’s economy, including banking, textile, renewable energy, chemical and health sectors, among others. As of December 1, 2021, the IFC's investment commitment in Uzbekistan stood at $240 million.
II. The Country Engagement Cycle and the CPF
Country Engagement Cycle

Country Engagement - Overview

The WBG's approach to country engagement has four distinct components:

1. The **Systematic Country Diagnostic (SCD)** is a diagnostic exercise conducted by the WBG in close consultation with national authorities, the private sector, and other stakeholders, as appropriate.

2. The **Country Partnership Framework (CPF)** builds selectively on the country's development program and articulates a results-based engagement.

3. Every two years during the implementation of a CPF, or at midterm, a **Performance and Learning Review (PLR)** is prepared to summarize progress in implementing the CPF program.

4. At the end of every CPF period teams are required to complete a **Completion and Learning Review (CLR)** to assess the CPF program performance using the results framework set out in the most recent PLR.
CPF Selectivity Filters, High-Level Objectives and WBG Program

National Development Strategy 2022-2027

WBG Mission:
- Eliminate Poverty
- Enhance Shared Prosperity

CPF Program:
Contributions to few key HLOs

Government, Stakeholders and Partners Consultations
III. Results Under Previous Country Partnership Framework FY16-21
WBG Country Partnership Framework FY16-21 Priorities

• Significant adjustments to the FY16-20 CPF were introduced via the FY19-21 PLR in mid-2018 to respond to the significant changes in the country context and the new reform agenda.

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**CPF Focus Areas**
- Private Sector Growth
- Agriculture Competitiveness and Cotton Sector Modernization
- Public Service Delivery

**PLR Focus Areas**
- Sustainable transformation towards a market economy
- Reform of state institutions and citizen engagement
- Investing in people

• Program adjustments were also introduced in 2020 to help Uzbekistan respond to the COVID-19 crisis.
  - About US$ 5B in new approved projects over FY16-21.
  - Large program of analysis and technical assistance strengthened the Government’s ability to make well-informed decisions while implementing important structural reforms.
# Objectives of the CPF FY16-21 - Overall Achieved

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<th>1.1: Enhanced economic growth and transition towards a market economy</th>
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<td>2. Reform of select state institutions and citizen engagement</td>
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<td>3. Investing in people</td>
<td>3.1: Improved access to quality education</td>
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<td>3.2: Improved access to quality health services</td>
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<td>3.3: Effective social safety nets</td>
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World Bank Group (WBG) - Current Program

- As of December 2021, 24 active projects with total commitment of **US$ 4.6B** (including 1 DPO) with IBRD $1.5B and IDA $3.1B.

- **US$ 2.5 bln** still undisbursed (or about 55% of the active portfolio)

- **Regional program**: Climate Adaptation and Mitigation Program for Aral Sea Basin (CAMP4ASB) US$57 incl. **US$23 mln** for Uzbekistan
WBG Current Program (continued)
IFC Is Steadily Growing Its Program in Uzbekistan

$240 M Portfolio  19 Projects  10 Clients

IFC’s Portfolio by Sectors, $ million
- Financial Markets
- Manufacturing, Agribusiness, Services

IFC’s cumulative long-term finance reached ~$350 m over FY16-21, up from <$20 m in FY10-15

IFC’s Commitments (Own Account + Mobilization), $ million

Key IFC’s Investment and Advisory Activities:
- Banking sector transformation and pre-privatization
- Opening energy sector for private investments
- Chemicals sector reform and modernization
- Opening the cotton and textile sectors to sustainable private participation
- Attracting global players in healthcare improvement
- Micro-, digital, and housing finance development

A series of “firsts” in Uzbekistan:
- First ever competitively-tendered PPP in the country
- First private sector investment in energy generation (Solar PV plant)
- First PPP in health sector in the country (dialysis)
- First Uzbek Soum bond issued offshore (total issues of $178 m)
Achievements to date

- Committed US$347.5 million in long-term finance (LTF) (on own account + mobilization) in FY16-21 (vs. US$19.6 million in FY 10-15). Over the CPF period, annual IFC’s LTF commitments have increased more than five-fold - from US$40 million in FY16 to US$215.9 in FY21.
- Deepened knowledge through analytical studies on private sector opportunities in select priority sectors of the economy (CPSD)
- Supported banking sector transformation and pre-privatization (Ipoteka Bank, UzPSB, etc.)
- Chemicals sector reform and modernization
- Increased access, efficiency and reliability of power supply (Nur Navoi Solar; Scaling Solar 1, Solar 2, Solar 3 PPPs; etc.)
- Improved diversification of agriculture production (Uzbekistan Sustainable Cotton, Indorama Agro)
- Improved access to quality health services (Dialysis Project PPPs, Hospital Consolidation PPP, Radiotherapy PPP)
- Pioneered providing local currency finance for MSMEs through its partner banks in Uzbekistan.

Priority areas for further reforms

- **Deregulation and unbundling**
  All sectors are dominated by SOEs and face strong government interference. Government core functions need to be separated from functions that are typically carried out by the private sector in a market economy.
- **Competition**
  Uzbekistan needs a level playing field so that new dynamic firms can enter and grow. While it is now easier than before to start a business, new players, in some sectors with SOEs dominance, still have a distinct disadvantage due to implicit subsidies that result in market distortions in favor of the incumbent SOEs.
- **Infrastructure and energy efficiency**
  Lack of modern infrastructure constrains Uzbekistan’s access to world markets and exacerbates energy inefficiency. Physical infrastructure needs to be upgraded, especially digital infrastructure.

Sector

- **Financial sector**: Privatization of state owned banks
- **Agribusiness**: Establish adequate land rights and remove restrictions on land use
- **Chemicals**: Liberalization of chemicals sectors, to encourage private investments
- **Telecoms**: Unbundling and liberalization of the sector
- **Transport**: Enact decree to allow airport concessions with private operators

What should the IFC offer under the new CPF?

- IFC is to increase private sector participation in the economy via PPPs, support the privatization process, enhance corporate governance, continue the transformation of the cotton sector, deepen and diversify the financial sector, including with the development of the microfinance sector and capital markets, and develop an enabling environment for PPPs in support of infrastructure development by:
  - Continuing proactive project initiation and support;
  - Continuing to explore local currency bonds issuance solutions;
  - Playing a leading role in driving the economic recovery after the COVID-19 crisis; and
  - Continuing pre-investment works that lays the foundation for future transactions creating markets and building a strong pipeline.
- IFC’s strategic priorities in Uzbekistan are making market work, inclusion, connectivity, and sustainability.
IV. Country Context and Development Vision
Uzbekistan Development Vision:

• Ambitious goals: Uzbekistan aspires to become an upper middle-income country by 2030 (US$4,000 per capita) while maintaining domestic social equitability through the halving of poverty by 2026.

• A new national development Strategy 2022-2027 is expected to be endorsed by the end of 2021.

• The new CPF will be aligned to support the implementation of the new national strategy.
V. Systematic Country Diagnostic
Systemic Country Diagnostic Key Findings

While Uzbekistan’s reforms over the last five years have been impressive, more is needed to unlock the country’s full potential. **Four High Level Outcomes (HLOs)** are essential to the achievement of Uzbekistan’s strategic goals.

- Allow private sector to grow faster
- Create a more enabling and accountable state
- Increase investments in people
- Improve environmental sustainability and resilience

**GOAL 1: POVERTY REDUCTION:**
Cut poverty in half by 2026

**GOAL 2: SHARED PROSPERITY:**
$4,000 per capita by 2030
VI. Country Partnership Framework FY22-26
FY22-26 Tentative WBG CPF Structure

HLO1: Increase Inclusive Private Sector Employment
  - Obj1.1: Accelerate SOEs Restructuring and Improve the Regulatory Framework for Business and Competition
  - Obj1.2: Enhance the Productive Contribution of Land and Capital to Growth
  - Obj 1.4: Promote Private Sector and Agri-Business Development
  - Obj 1.5: Improve Infrastructure for Competitiveness and Connectivity
  - Obj 1.6/1.6: Strengthen Citizen Participation and Improve Accountability for Public Services

HLO2: Improve Human Capital for an Inclusive and Productive Market Economy
  - Obj 2.1: Improve Access to Quality Education
  - Obj 2.2: More efficient, inclusive and sustainable health and water & sanitation services
  - Obj 2.3: Expand coverage of social protection and inclusive labor market policies

HLO3: Greener Growth for Improved Livelihoods
  - Obj 3.1: Decarbonization and greener development of industry and the economy
  - Obj 3.2: More efficient use of resources (water-energy-land nexus)

CLOSING GENDER GAPS
HLO 1: Increase Inclusive Private Sector Employment (potential CPF objectives)

Increase Inclusive Private Sector Employment

1.1 Accelerate SOEs Restructuring and Improve the Regulatory Framework for Business and Competition

1.2 Enhance the Productive Contribution of Land and Capital to Growth

1.3 Promote Private Sector and Agribusiness Development

1.4 Improve Infrastructure for Competitiveness and Connectivity

1.5 Strengthen Citizen Participation and Improve Accountability for Public Services
HLO 2: Improved Human Capital for an Inclusive and Productive Market Economy (potential CPF objectives)

Improved Human Capital for an Inclusive and Productive Market Economy

2.1 Improve Access to Quality Education

2.2 More efficient, inclusive, and sustainable health and water & sanitation services

2.3. Expand coverage of social protection and inclusive labor market policies
HLO 3: Green Transition (potential CPF objectives)

Greener Growth for Improved Livelihoods

3.1 Decarbonization and greener development of industry and the economy

3.2 More efficient use of natural resources (water-energy-land nexus)
World Bank-funded projects under preparation

Consistent with the proposed CPF framework, WBG and Government teams are currently working to prepare a number of new operations for 2022, in such areas as:

- Support to the livestock sector development
- Energy efficiency improvements in Public Buildings
- Strengthening the statistical system
- Financial sector reform
- Diversification of electricity generation capacity through private investment
- Expansion of rural entrepreneurship and job creation
- Sustainable landscape management
- Digital development
Questions for discussion

- What are the most important reform priorities for Uzbekistan over the next five years? And why?
- Are these priorities reflected under the new CPF’s three potential focus areas listed above?
- Do the 9 CPF objectives capture well the priorities for which there is a World Bank Group comparative advantage under each of the three focus areas?
- What are the main challenges to achieving these objectives?
- What specific investment programs would you consider important under each focus area to achieve the proposed objectives?
- What specific analytical and technical assistance programs do you think will be needed to complement the proposed investment programs?
Online Consultations

- The online consultations are open from December 16, 2021, to February 16, 2022. Please let us know what you think by sending your comments or suggestions in Uzbek, Russian, or English to the CPF team at tashkent@worldbank.org. Please indicate ‘Uzbekistan CPF Consultations’ in the subject line of your message.

- You also may wish to respond to the questions in our online survey in English, Uzbek and Russian that will take just a few minutes. It will be underway until February 16, 2022. Your responses will be analyzed as part of the ongoing CPF online consultation process.

- For more information, please visit our website and social media channels:
  - www.facebook.com/WorldBankUzbekistan
  - www.t.me/wbuzbekistan