

# **Uzbekistan – World Bank Group FY22-26 Country Partnership Framework**

**February 2022**



# Outline

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- II. The Country Engagement Cycle and the CPF**
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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

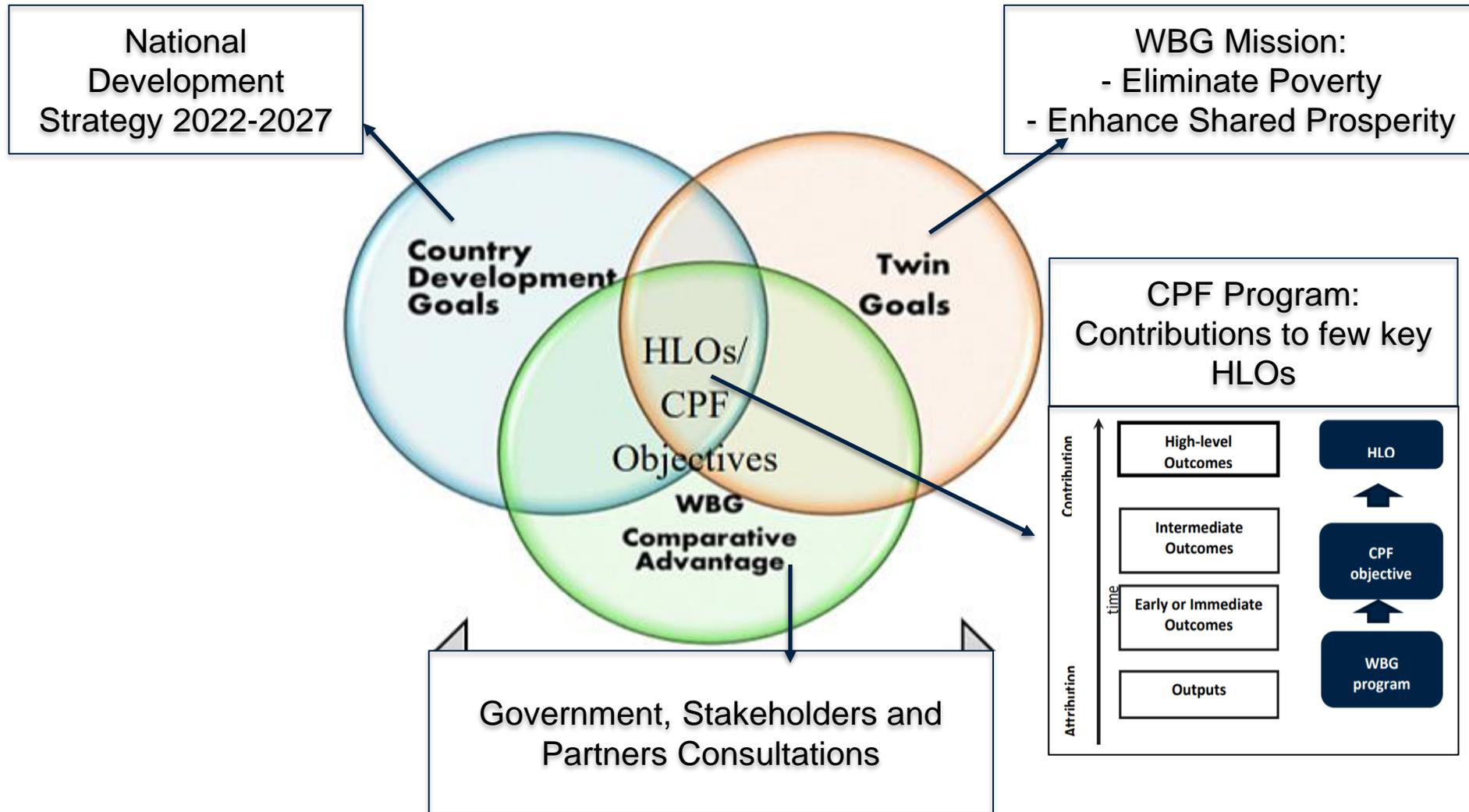
## Country Engagement - Overview

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.

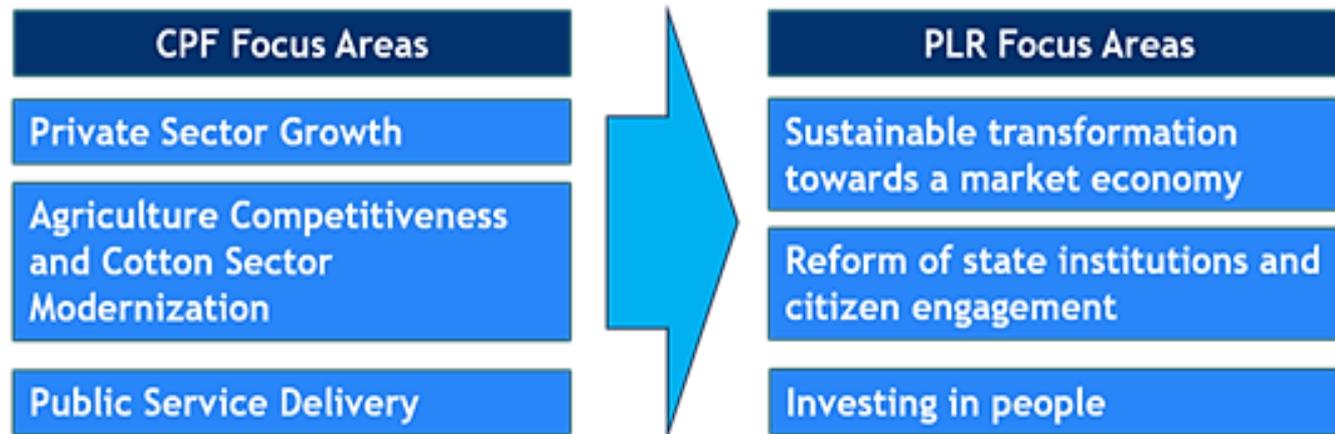
# CPF Selectivity Filters, High-Level Objectives and WBG Program



# **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.**



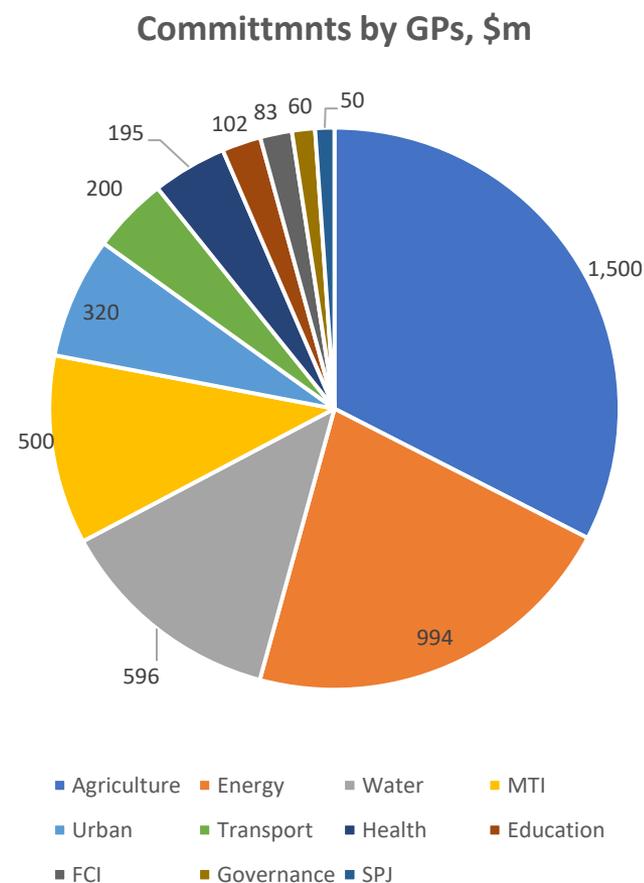
- Program adjustments were also introduced in 2020 to help Uzbekistan respond to the **COVID-19 crisis**.
  - About US\$ 5B in new approved projects over FY16-21.
  - Large program of analysis and technical assistance strengthened the Government's ability to make well-informed decisions while implementing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

# Objectives of the CPF FY16-21 - Overall Achieved

<b>1. Sustainable transformation towards a market economy</b>	1.1: Enhanced economic growth and transition towards a market economy
	1.2: Improved regulatory requirements for business
	1.3: Strengthened access to finance and financial services for the private sector
	1.4: Improved diversification of agriculture production
	1.5: Improved efficiency of infrastructure service delivery
<b>2. Reform of select state institutions and citizen engagement</b>	2.1: Enhanced corporate governance and strengthened financial sustainability of SOEs
	2.2: Increased access, efficiency and reliability of power supply and heating services
	2.3: Improved access to and quality of water supply and sanitation services
	2.4: Strengthened citizen participation in oversight of public service delivery
<b>3. Investing in people</b>	3.1: Improved access to quality education
	3.2: Improved access to quality health services
	3.3: Effective social safety nets

# World Bank Group (WBG) - Current Program

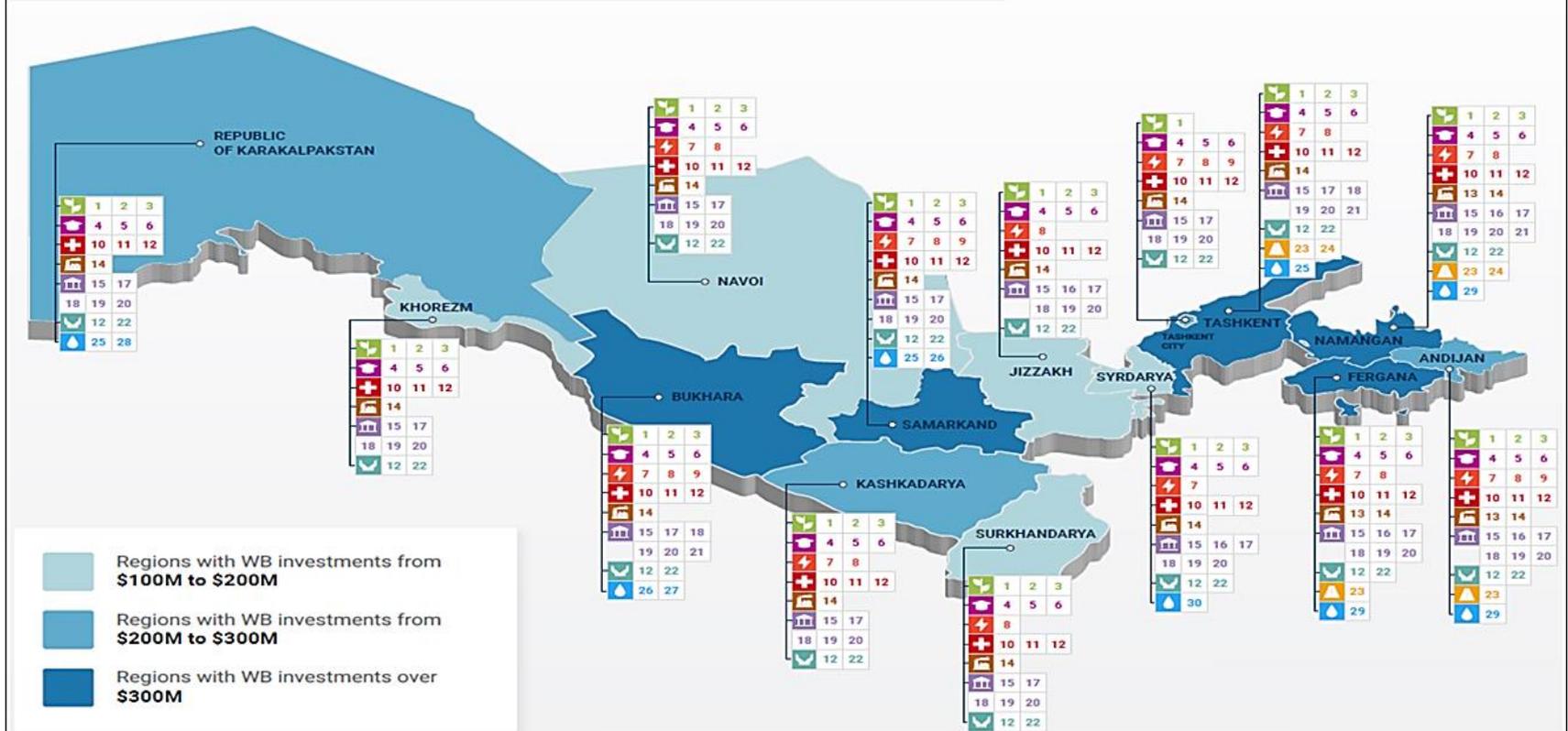
- As of December 2021, 24 active projects with total commitment of **US\$ 4.6B** (including 1 DPO) with IBRD \$1.5B and IDA \$3.1B.
- US\$ 2.5 bln** still undisbursed (or about 55% of the active portfolio)
- Regional program:* Climate Adaptation and Mitigation Program for Aral Sea Basin (CAMP4ASB) US\$57 incl. **US\$23 mln** for Uzbekistan



# WBG Current Program (continued)

## WORLD BANK PROJECTS:

financing by regions during the implementation of Country Partnership Framework 2016-2021



# IFC Is Steadily Growing Its Program in Uzbekistan

**\$240 M**

Portfolio

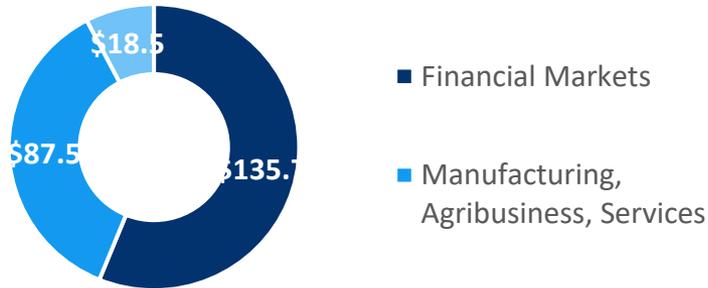
**19**

Projects

**10**

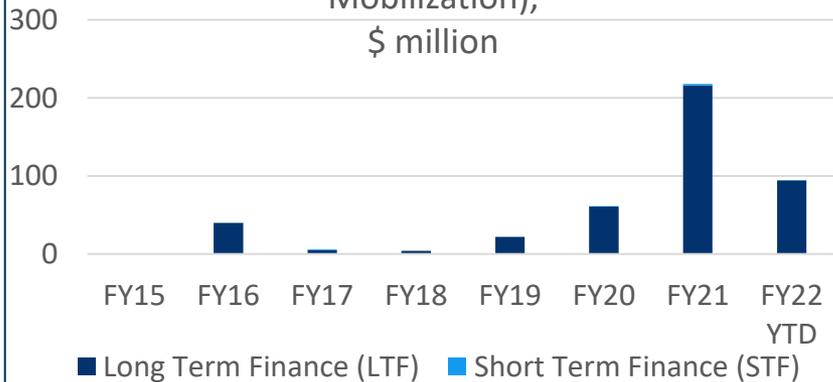
Clients

IFC's Portfolio by Sectors, \$ million



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



IFC's strategic priorities in Uzbekistan:



Making Markets Work



Inclusion



Connectivity



Sustainability

**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**

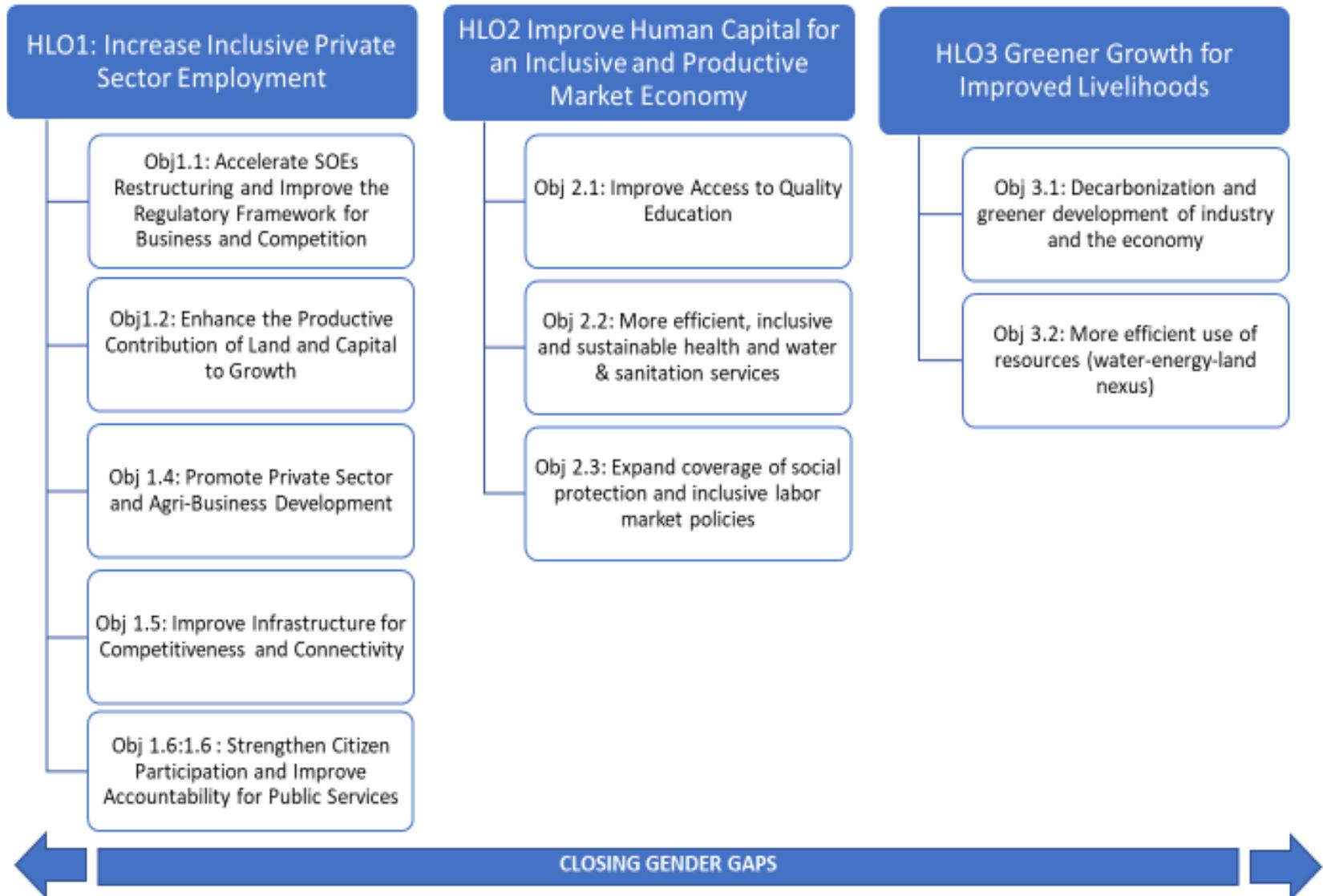


**GOAL 1: POVERTY REDUCTION:  
CUT POVERTY IN HALF BY 2026**

**GOAL 2: SHARED PROSPERITY:  
\$4,000 PER CAPITA BY 2030**

# VI. Country Partnership Framework FY22-26

# FY22-26 **Tentative** WBG CPF Structure



# 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**

**1.4 Improve  
Infrastructure for  
Competitiveness and  
Connectivity**

**1.3 Promote Private  
Sector and Agri-  
business Development**

**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)



## 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  
Click to add text
- 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](mailto: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.worldbank.org/en/country/uzbekistan](http://www.worldbank.org/en/country/uzbekistan)  
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