

coupled with the design of an adequate social safety net will increase affordability and will alleviate the financial burden notably for the poor.

98. **Global Public Goods.** During the period of the ISN, the Bank strengthened its outreach and capacity building program on carbon finance related matters. During the CAS period, the Bank will work with the Government and project entities to develop the carbon projects that have been accepted and bring them to closure through signature of an Emission Reduction Purchase Agreement. While opportunities under the CDM mechanism are presently limited by the Kyoto commitment period and international uncertainties, the Bank's Carbon Partnership Facility (CPF)²⁷ provides significant opportunities in Uzbekistan to develop sectoral or programmatic carbon projects, particularly in the energy sector.

99. In partnership with agencies such as the World Health Organization (WHO), UNICEF, the Joint United Nations Programme on HIV/AIDS (UNAIDS) and others, the positive engagement with the Uzbek authorities experienced throughout the ISN on fighting communicable diseases will continue during the CAS period (e.g., avian influenza, animal health, TB and HIV/AIDS).

Regional Cooperation

100. Specifically during the period of the CAS, it is envisaged to support a number of activities through CAREC (Transport and Trade Facilitation, Energy), or in coordination with CAREC, in the case of some CAREC second tier activities such as regional public goods including cross-border environmental issues (water-energy and climate change impacts), communicable diseases, and disaster management. On water, energy and related regional issues the following activities are contemplated: (i) an Independent Assessment of the Regional Impacts of Vakhsh River Basin Development (to start in May 2008), (ii) An Action Plan for Improving Weather and Climate Service Delivery (Hydromet) in Central Asia (started in March 2008), (iii) A Roadmap for Adaptation to Climate Change in the Amu Darya River Basin (to start in May 2008), (iv) possibly, a Regional Disaster Risk Management and Adaptation Program.

VI. MONITORING IN A RESULTS FRAMEWORK

101. The Bank's AAA and project supervision and preparation work during the initial CAS period will be closely tied to the results framework contained in Annex 1. Table 4 summarizes the main elements of the results-based framework agreed between the WBG and the GoU. It lists the main development outcomes which the CAS aims to influence over the longer term, the principal problems or challenges in reaching those outcomes, and the shorter term outcomes that the CAS is designed to contribute to directly over the period of its implementation.

²⁷ The CPF was approved by World Bank's Board on September 25, 2007 and takes a step towards implementation of large-scale and long-term greenhouse gas (GHG) emission reduction activities worldwide. It is also envisaged that the CPF will include a Carbon Asset Development Fund to support program development and preparation of necessary "carbon" documents.

Table 4: Summary of the Results Based Framework

Main Country Goals	Principal Problems	Outcomes to be Influenced by WBG Support
Goal I: Enabling environment for shared growth		
Maintain prudent macroeconomic management and make growth more pro-poor	<ul style="list-style-type: none"> Capacity constraints, both institutional and technical Inadequate Monitoring and Evaluation system for WIS implementation 	<ul style="list-style-type: none"> Macroeconomic policy formulation is informed by enhanced analytical research and international experience The Government is equipped with a M&E system
More effective service provision	<ul style="list-style-type: none"> Lack of transparency in PFM Insufficient accountability to citizens for the quality of public service delivery 	<ul style="list-style-type: none"> PFM reform is informed by good international practice by PEFA type assessments Civil society has better access to information on public services
Improve the business environment	<ul style="list-style-type: none"> Substantial state control over economy 	<ul style="list-style-type: none"> Government implements a system of screening legislation for its impact on the private sector
Goal II: Increase income and economic opportunities in rural areas		
Increase agricultural productivity and farmers incomes	<ul style="list-style-type: none"> Cotton and wheat – dominant crops and subject to state order system Stagnating cotton yields Poor rural financial services High net taxes on agriculture Poor state of irrigation system 	<p>Increase incomes for rural population resulting from increased productivity of farming through:</p> <ul style="list-style-type: none"> Improved irrigation and drainage system Improved soil quality as measured by: Include the international price of by-products to establish the state procurement price for cotton Increased capacity and financial viability of the WUAs
Goal III: Improve service delivery		
Increased access to safe water	<ul style="list-style-type: none"> System deterioration Incomplete coverage Unsustainable financing 	<ul style="list-style-type: none"> Improved access to safe and sustainable water services through technical (upgrading treatment plants, replacing pipes), financial and institutional measures Sustainable plan adopted for municipal water services
Improved health indices particularly in rural population	<ul style="list-style-type: none"> Inefficient hospitals Poor health equipment, practices and training Poor diet and nutrition 	<ul style="list-style-type: none"> More efficient financing mechanisms Improved health in targeted areas through better equipped health clinics with better training Improved access to fortified foods
Increase access to quality basic education	<ul style="list-style-type: none"> Teachers have inadequate supplies of teaching materials and resources and do not use advanced teaching technologies widely enough 	<ul style="list-style-type: none"> Improved learning in targeted areas through new teaching materials and resources for the teachers as well as improvement of teacher training system
Goal IV: Environmental management, disaster risk management and global goods provision		
More efficient use of natural resources	<ul style="list-style-type: none"> Excessive water use and water logging in agriculture Uncontrolled municipal solid waste and industrial waste disposal Energy inefficiency and emission of greenhouse gases Vulnerability to disaster, weather risks and climate change 	<ul style="list-style-type: none"> Rehabilitation of irrigation & drainage works & increased water use efficiency; strengthening of river basin organizations & WUAs Reduced environmental risks from poorly managed municipal and industrial waste, & POPs Mobilize carbon finance resources in support of energy efficiency & loss reduction (incl. gas flaring) Strengthen capabilities to prevent, mitigate and adapt to disaster risks and climate change
Improved disaster risk management		

102. In addition, for each ongoing and new project, a monitoring framework will be designed that specifies how progress will be measured, how implementation risks

particularly in the fiduciary area will be mitigated, and how the benefits of Bank lending for the people of Uzbekistan will be verified. The results framework will be further refined during the course of CAS implementation. Progress on results, measured against a set of target outcomes and implementation milestones, as well as the lending program for the next FY, will be reviewed with the Government at the time of the annual CPPR.

103. Building on work undertaken in the context of the existing portfolio, the results-based approach of the CAS will focus attention in all interventions on defining and achieving measurable outcomes. In this regard, the CAS will contribute to improved monitoring of service delivery standards, greater accountability at the point of delivery and feedback to allow for corrections and policy improvements. The WBG will seek to involve civil society as much as possible in its monitoring and evaluation work, making use of social and beneficiary assessments and consulting with all stakeholders on project outcomes. The focus on results will be supported by institutional support for the WIS implementation. This aims to build capacity in the Government for monitoring and evaluation, including through greater stakeholder and beneficiary group participation. It will also act as an instrument for the monitoring of outcomes under the CAS. The WBG will leverage its capacity building work in this area with additional donor funds.

104. The achievements of the results matrix will be discussed with the Government on an annual basis during the annual Country Portfolio Performance Review (CPPR) (carried out jointly with ADB during the last two years). The mid-term review would be another opportunity to review progress towards agreed results, and also to consider any appropriate adjustments to the CAS. To facilitate this process, the Bank will engage in ongoing training and capacity building of key Government counterparts. Monitoring of portfolio performance will be done through two main channels. Firstly, the established regular meetings of a Joint Technical Working Group between the Government and the Bank's Country Office will provide day to day support in resolving systemic and project specific issues. Secondly, the Bank will also seek to consult at regular intervals with project beneficiaries and wider stakeholders on the outcomes of its interventions, including the involvement of NGOs. Such an iterative process is necessary to ensure improvements in several areas such as establishing a reliable baseline for monitoring.

VII. POTENTIAL RISKS AND MITIGATION MEASURES

Fiduciary Risks

105. **Uzbekistan made some good progress in public financial management through the introduction of a modern treasury system, which will greatly improve financial reporting and transparency for the use of public resources.** With support from an IDF grant, the Ministry of Finance is also implementing a project aimed at establishing an institutional framework for modern internal audit function. Uzbekistan, however, has a centralized power structure with few checks and balances. The CFAA of 2004 indicated that there were significant risks that budget funds may not be used for their intended purposes due to the fragmentation and opacity of the budget. While there has been some progress in reducing the fragmentation of the budget, and certain increase in transparency since then these problems persist. It will be a challenging task for the