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May 9, 2019

**Closing Date: Wednesday, May 29, 2019
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

Uzbekistan - Promoting Early Childhood Development Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed credit to Uzbekistan for a Promoting Early Childhood Development Project (IDA/R2019-0133), which is being processed on an absence-of-objection basis.

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Report No: PAD2844

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A PROPOSED CREDIT
IN THE AMOUNT OF US\$59.5 MILLION EQUIVALENT
AND PROPOSED GRANTS FROM
THE GLOBAL PARTNERSHIP FOR EDUCATION (US\$9.5 MILLION) AND
GLOBAL PARTNERSHIP FOR RESULTS-BASED APPROACHES (US\$4.85 MILLION)
FOR A TOTAL OF US\$73.85 MILLION EQUIVALENT
TO THE
REPUBLIC OF UZBEKISTAN FOR
PROMOTING EARLY CHILDHOOD DEVELOPMENT PROJECT

May 7, 2019

Education Global Practice
Europe And Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 29, 2019)

Currency Unit = UZS (Uzbekistan Som)

UZS 8,445 = US\$1

FISCAL YEAR

January 1 - December 31

Regional Vice President:

Cyril E Muller

Country Director:

Lilia Burunciuc

Senior Global Practice Director:

Jaime Saavedra Chanduvi

Practice Manager:

Harry Anthony Patrinos

Task Team Leader:

Janssen Edelweiss Teixeira

ABBREVIATIONS AND ACRONYMS

DA	Designated Account	MoF	Ministry of Finance
DFIL	Disbursement and Financial Information Letter	MoH	Ministry of Health
DL	Disbursement Letter	MPSE	Ministry of Preschool Education
DLI	Disbursement-Linked Indicator	MoPE	Ministry of Public Education
ECA	Europe and Central Asia	NCQE	National Center for Quality Education
ECD	Early Childhood Development	NDS	National Development Strategy 2017-21
EEP	Eligible Expenditure Program	NFM	New Funding Model
ESP	Education Sector Plan	NPV	Net Present Value
FM	Financial Management	PIRSL	Progress in International Reading Literacy Study
GPE	Global Partnership for Education	PISA	Programme for International Student Assessment
GPRBA	Global Partnership for Results-Based Approaches	PIU	Project Implementation Unit
GRM	Grievance Redress Mechanism	PMIS	Preschool Education Management Information System
GRS	Grievance Redress Service	POM	Project Operations Manual
GoU	Government of Uzbekistan	PP	Procurement Plan
IDA	International Development Association	PPP	Public-Private Partnership
IFR	Interim Unaudited Financial Report	PPSD	Project Procurement Strategy for Development
IRR	Internal Rate of Return	PRAMS	Procurement Risk Assessment and Management System
IPSAS	International Public Sector Accounting Standards	RBF	Results-Based Financing
ISA	International Standards on Auditing	SIB	Social Impact Bond
LANA	Literacy and Numeracy Assessment	SIBOM	Social Impact Bond Operations Manual
LEG	Local Education Group	SISQE	State Inspection for Supervision of Quality of Education
MDPNI	Multi-Dimensional Preschool Education Needs Index	SoE	Statement of Expenditure
MELE	Measure of Early Learning Environments	STEP	Systematic Tracking of Exchange in Procurement
MELQO	Measuring Early Learning Quality and Outcomes	TALIS	Teaching and Learning International Survey
MODEL	Measure of Development of Early Learning	TIMSS	Trends in International Mathematics and Science Study



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Uzbekistan	Promoting Early Childhood Development Project	
Project ID	Financing Instrument	Environmental Assessment Category
P165737	Investment Project Financing	C-Not Required

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
29-May-2019	31-Dec-2024

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The project development objectives are to increase access to early childhood education, improve the quality of learning environments in selected public preschools, and enable a systematic measurement of education quality for informed decision-making.

**Components**

Component Name	Cost (US\$, millions)
1 - Improving Quality of Preschool Education	5.30
2 - Increasing Access to Quality Early Learning Environments	50.10
3 - Partnering with the Private Sector through a Social Impact Bond	11.35
4 - Establishing an Education Quality Measurement System	5.90
5 - Supporting Project Management	1.20

Organizations

Borrower:	Republic of Uzbekistan through the Ministry of Finance
Implementing Agency:	Ministry of Preschool Education

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	73.85
Total Financing	73.85
of which IBRD/IDA	59.50
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	59.50
IDA Credit	59.50

Non-World Bank Group Financing

Trust Funds	14.35
Education for All Supervising Entity	9.50
Global Partnership on Output-based Aid	4.85

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	59.50	0.00	0.00	59.50
Total	59.50	0.00	0.00	59.50

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023	2024	2025
Annual	0.00	21.30	24.40	4.20	4.20	3.60	1.80
Cumulative	0.00	21.30	45.70	49.90	54.10	57.70	59.50

INSTITUTIONAL DATA**Practice Area (Lead)**

Education

Contributing Practice AreasHealth, Nutrition & Population, Social Protection & Labor,
Social, Urban, Rural and Resilience Global Practice**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial



2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● High
7. Environment and Social	● Low
8. Stakeholders	● Substantial
9. Other	
10. Overall	● Substantial

COMPLIANCE**Policy**

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		✓
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12		✓
Safety of Dams OP/BP 4.37		✓



Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

Legal Covenants

Sections and Description

The Recipient, through the Ministry of Preschool Education, shall, not later than thirty days from the Effective Date, install an accounting software satisfactory to the International Development Association

Sections and Description

The Recipient, through the Ministry of Preschool Education, shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Legal Agreements and in the Project Operations Manual and Social Impact Bond Operations Manual, and shall not amend, suspend, abrogate or waive any provisions of these Project Manuals without prior written approval of the International Development Association. In case of any inconsistency between the provisions of the Project Manuals and those of the Legal Agreements, those of the Legal Agreements shall prevail. Legal Agreements mean the Financing Agreement for the IDA Credit and the two Co-Financing Grant Agreements for the Project

Sections and Description

At all times during the implementation of the Project, the Recipient, through the Ministry of Preschool Education, shall establish and maintain the Project Implementation Unit for the purposes of day-to-day Project management, monitoring and supervision with a staff (including one project coordinator, one financial management specialist, one financial management assistant, one procurement specialist, and one monitoring and evaluation specialist), resources and terms of reference as thereafter described in the Project Operations Manual and all satisfactory to the International Development Association

Conditions

Type	Description
Effectiveness	The Recipient, through the Ministry of Preschool Education, has adopted the Project Operations Manual satisfactory to the International Development Association
Effectiveness	The Recipient, through the Ministry of Preschool Education, has established the Project Implementation Unit in a manner acceptable to the International Development Association
Effectiveness	The Financing Agreement between the Recipient and the International Development Association has been executed and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness conditions of this Financing Agreement) have been fulfilled



Type Effectiveness	Description The Grant Agreement between the Recipient and the International Development Association acting as Grant Agent for the Global Partnership for Education Fund has been executed and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness conditions of this Grant Agreement) have been fulfilled
Type Effectiveness	Description The Grant Agreement between the Recipient and the International Development Association acting as Administrator for the Global Partnership for Results-Based Approaches has been executed and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness conditions of this Grant Agreement) have been fulfilled
Type Disbursement	Description On Social Impact Bond Payments under Sub-component 3.2. The Ministry of Preschool Education has adopted the Social Impact Bond Operations Manual in a manner satisfactory to the International Development Association
Type Disbursement	Description On Social Impact Bond Payments under Sub-component 3.2. The Ministry of Preschool Education has concluded the Social Impact Bond Documents in a manner satisfactory to the International Development Association
Type Disbursement	Description On the utilization of the Variable Part of the Global Partnership for Education Grant. The Recipient has furnished to the International Development Association evidence of actual expenditures against each Variable Part Indicator(s) is or are attributed to and evidence that said expenditures have been incurred
Type Disbursement	Description On Social Impact Bond Payments under Sub-component 3.2. The Ministry of Preschool Education has submitted evidence satisfactory to the International Development Association that a Lead Contractor has been hired in a manner satisfactory to the International Development Association
Type Disbursement	Description On Social Impact Bond Payments under Sub-component 3.2. In respect to each Social Impact Bond (SIB) Payment: (i) the Ministry of Preschool Education has adopted implementation arrangements satisfactory to the International Development Association and in accordance with the SIB Operations Manual; and (ii) any applicable Disbursement-Linked Indicators as set forth in the SIB Operations Manual and the respective SIB Preschool Agreement have been met in accordance with the verification protocol and in a manner satisfactory to the International Development Association



Type Disbursement	Description On the utilization of the Variable Part of the Global Partnership for Education (GPE) Grant. The Recipient has furnished to the International Development Association evidence in form and substance satisfactory to the International Development Association, that the respective Variable Part Indicator(s) specified in the Schedule 3 of the GPE Grant Agreement has or have been achieved and verified in accordance with the provisions of Schedule 2 to this Grant Agreement and the Project Operations Manual
Type Disbursement	Description On the utilization of the Variable Part of the Global Partnership for Education Grant. The Recipient has furnished to the International Development Association a withdrawal application for said Variable Part Indicator(s), in form and substance satisfactory to the International Development Association
Type Disbursement	Description On Social Impact Bond Payments under Sub-component 3.2. The Ministry of Preschool Education has hired an Independent Verification Agent in a manner satisfactory to the International Development Association



I. STRATEGIC CONTEXT

A. Country Context

1. **Unlike many countries that transitioned to market economies in the early 1990s, Uzbekistan is taking the first steps after the elections of December 2016.** Nearly 25 years after the collapse of the Soviet Union, the country remained a closed, centrally-planned economy, with growth largely driven by commodity export revenues that financed import-substitution industrialization. This was achieved through import barriers and restrictions to capital outflows, significant directed lending, as well as on- and off-budget subsidies, which supported a wide network of state-owned enterprises and a few private-sector participants. The economic regime was sustained on the tailwinds of the commodities super-cycle. But with a deteriorating external environment, it became increasingly evident that the economy was incapable of sustained productivity growth and job creation to meet the needs of a growing and young population.
2. **With the drivers of the old growth model exhausted and need for jobs given the large demographic bulge in working age population, Uzbekistan launched a process of market-oriented reforms with remarkable features in their breadth, depth and speed.** In early 2017, the Government of Uzbekistan (GoU) approved *National Development Strategy for 2017-21 (NDS)*, a broad market-oriented reform program, aiming at transforming the country by liberalizing the economy, reshaping the role of the state in the economy, modernizing the agriculture sector, strengthening governance, creating markets, including in the financial services, enabling private sector growth, investing in human capital, and improving social protection and service delivery for all citizens. The NDS also restated the authorities' commitment to macroeconomic stability and to improving the business climate. The country's reform momentum has also created new opportunities for regional cooperation in Central Asia, including in energy, transport, water, and economic connectivity.
3. **The GoU has made rapid progress in implementing an impressive number of policy changes in a short period of time.** In September 2017, the GoU liberalized the foreign exchange regime followed by price liberalization measures; as a result, the large parallel foreign exchange rate premium was eliminated. This move not only reduced large economic distortions in the economy and avenues for corruption, but was also a key signal of the GoU's reform commitment. There have also been important steps to reduce the state's large presence in the economy and open the economy to greater foreign and domestic private-sector participation in job growth and investment. These actions, by themselves, represent a major step for Uzbekistan's strategy to achieve equitable growth and jobs, and entail major structural changes that present both opportunities and challenges.
4. **Uzbekistan is Central Asia's most populous country, and its 32.1 million people account for over half of the region's total population. The country has a growing and young population, which represents both an opportunity and a challenge for the economic transformation.** The current process of social and economic opening has been receiving widespread support from the population and has generated an upbeat mood in the country. Citizens have responded positively to the changes, as they feel that they are finally starting to be heard and that the GoU is genuinely interested in improving their economic situation. Given the high expectations, the GoU is under pressure to deliver tangible results as soon as possible, especially as Uzbekistan is facing a major jobs challenge with a rapid rise of the working age population which has been increasing by some 50 percent since 2000, from 14 million to 22 million today. These demographic pressures also increase the risk of radicalization.



5. **Uzbekistan is exposed and vulnerable to climate change and the awareness of climate related risks and aims to improve climate resilience in relation to child safety in the country is not too high.** Anticipated impacts of climate change in the country, such as higher temperatures, greater variability in precipitation, and increased frequency of extreme weather events, can affect water availability, land, biodiversity, and ecosystems, with negative impacts on agriculture, energy and public health. These risks are described in the special report on the impacts of global warming prepared by the Intergovernmental Panel on Climate Change. The proposed Project could contribute to adaptation efforts in the country by building capacity in relation to child safety in changing climate through relevant trainings on climate resilience.

6. **The transition of Uzbekistan to a market economy requires important economic and social changes from a state- to a private sector- driven model, from an inward- to an outward-looking growth and jobs drivers, and from general government subsidies to modern targeted social protection.** These changes represent major steps toward Uzbekistan's strategy of stimulating equitable growth and jobs. At the same time, the transformation toward a market economy may also create transitional dislocations and possible adverse impacts for some vulnerable parts of the population—adverse impacts that this operation aims to mitigate.

7. **Within this context, investments in human capital should become fundamental for Uzbekistan's economic transformation and growth.** New global evidence based on data from over 1,500 household surveys shows that human capital is the most important component of wealth globally. In high-income economies such as the OECD member countries, human capital reaches 70 percent of wealth.¹ Holistic investments in young children, including through immunization, nutrition, stimulation, and education interventions, are highly effective means to develop the human capital that is needed to drive economic development in the country, and the GoU needs to take this into account in its policies and programs.

B. Sectoral and Institutional Context

8. **Existing evidence clearly demonstrates that high-quality Early Childhood Development (ECD) interventions have significant and long-lasting social and economic benefits for children, their families, and society at large.**² A substantial body of evidence from around the world shows that early childhood (ages 0-6) is a critical period in a child's physical, cognitive, linguistic, and socioemotional development, and that what children experience in these early years shapes and defines their futures. Investments that nurture learning at these early stages are foundational to a virtuous cycle of lifelong learning, positive behavior, and good health outcomes. Holistic ECD interventions have been shown to benefit children in three broad categories of interrelated outcomes: (i) enhancing school readiness and educational outcomes; (ii) improving physical and mental health outcomes; and (iii) reducing engagement in high-risk behavior. These types of interventions can have an especially powerful effect on children from disadvantaged households, helping to reduce inequalities.

9. **Over the longer term, ECD interventions are also linked with significant outcomes for the individual beneficiary, including higher student achievement, educational attainment, post-school productivity, and income.** For example, analysis of Europe and Central Asia (ECA) countries that participated in the OECD's Programme for International Student Assessment (PISA) 2015 indicates that even after controlling for students'

¹ World Bank (2018). The Changing Wealth of Nations 2018: Building a Sustainable Future.

² Heckman (2012).



socioeconomic background, those who attended preschool education performed in science significantly better than those who did not attend this level of education.³

10. **Integrated interventions combining good nutritional support with early stimulation are essential in the first 1,000 days of life to ensure that children 0 to 3-year-old thrive.** Evidence shows that good nutrition is especially important fuel for early brain development. Throughout early childhood, it is important to monitor children's nutrient intake, since without proper nutrition, children can face significant delays in growth and development. Under-nourished children get sick more often and therefore are more likely to miss school and potentially drop out of the education system. Thus, nutritional deficiencies limit the intellectual and physical development and growth of the child that ultimately will lead to negative long-term impacts for physical and mental health. However, nutritional support alone is insufficient to ensure that the human brain realizes its potential. Research from around the world shows that integrated early nutrition and stimulation interventions produce better emotional, social, physical, and cognitive development outcomes compared with children who do not receive such interventions. Combining early stimulation and nutrition programs with other interventions (e.g. parental/caregiver support and other health care services) can be particularly effective for supporting children ages 0-3. Home visiting programs, caregiver support, and other group-based early learning interventions are all possible models for such integrated ECD interventions.⁴

11. **ECD has been linked as well with broader benefits for families and society, such as increased participation of women in the labor force, lower rates of participation in government assistance or welfare programs, reduced criminality, and greater civic participation.** Greater access to ECD services means that mothers can spend some of their time pursuing gainful activities in the local labor market. One study carried out in Brazil found that access to free publicly provided child care services led to a large parental take-up of child care services under the program (an increase from 51 to 94 percent), as well as an increase in mothers' overall employment (from 36 to 46 percent) and in the employment of mothers who were not working before free child care services were available (from 9 to 17 percent). These findings demonstrated that providing access to child care not only encourages parents to participate, but also gives mothers an opportunity to participate in the labor force.⁵

Current challenges with efficiency

12. **Data show that Uzbekistan's preschool system is currently inefficient. Overall, the system is characterized by high expenditures, low enrolment and unknown quality.** The GoU spends a large share of its resources on education, and considerably more than other countries in Central Asia and even the OECD average. Public expenditure on education was nearly 7 percent of the GDP in 2016.⁶ This figure is considerably higher than neighboring Kyrgyz Republic (5.5 percent) and Kazakhstan (2.8 percent), and even larger than other upper-middle-income and high-income countries such as Brazil (6 percent), the United Kingdom (5.7 percent), South Korea (5.1 percent), or Belarus (5 percent). Uzbekistan also spends more on preschool education than many comparator countries. From the total educational expenditure, Uzbekistan has been historically spending nearly 60 percent on general secondary education (grades 1 to 9, until 2016/2017 school year), and something between 9 and 14 percent on preprimary education. This expenditure in preschool education amounts to approximately 0.8 percent of GDP of

³ Heckman (2011); World Bank (2017).

⁴ Naudeau (2009); UNICEF and World Health Organization (2012); Richter et al. (2017); Woodhead (2016).

⁵ World Bank (2018); Attanasio et al. (2017).

⁶ National Statistics Committee (2017b).



2013, which is higher than expenditures in countries such as Finland (0.77 percent), Brazil (0.63 percent), South Korea (0.42 percent), Kazakhstan (0.3 percent), the United Kingdom (0.2 percent), and Japan (0.1 percent).⁷ This fact reflects a strong commitment to developing human capital in Uzbekistan.

13. **However, despite the high level of expenditure in preschool education in Uzbekistan, and the demonstrated positive impacts of ECD, only approximately 29 percent of children aged 3-7 were enrolled in preschools in 2017, which is extremely low compared to other countries' rates.**⁸ The total number of children aged 3-7 enrolled in preschools increased from nearly 554,000 to 908,000, from 2007 to 2017. In relative terms, preschool enrollment rate increased only from 20 percent to approximately 29 percent, from 2006 to 2017. Uzbekistan's net preschool enrollment rate is very low compared to other countries, such as Kazakhstan (60 percent), Finland (79 percent), Moldova (82 percent), Russia (85 percent), Japan (90 percent), and Brazil (82 percent).⁹ This evidence shows that while Uzbekistan spends more on preschool education than some countries mentioned above, its enrollment rate is lower than in these countries. This low preschool enrollment rate in Uzbekistan is also in stark contrast with its nearly universal enrolment in general secondary education.

14. **At present, there is no system in place to measure quality within the preschool system in Uzbekistan. Limited information and capacity to monitor quality hinders policymaking regarding preschool education in the country.** The measurement of quality is important to assess whether preschool children are being adequately prepared to enter primary schools. Research suggests that the benefits of ECD programs are largely contingent on quality. Preschool students are beginning to build their socioemotional, linguistic and physical skills, and the extent to which they develop these core capabilities influences their ability to learn effectively when they enter a formal education environment and so determines their readiness for school. The State requirements for preschool education in Uzbekistan need to be reviewed and modernized, and regulations governing the many actors engaged in this sub-sector need to be harmonized to promote coordination focused on child development and early learning.

15. **Quality measurement is a challenge not only in preschool education, but also in general secondary education, which covers grades 1 to 11, in Uzbekistan.** On the latter, while assessments of students' outcomes do take place in the country, these are not done under a standardized and systematic approach, so their results can not be compared over time. Thus, it isn't possible to tell whether quality is improving based on the results of the current national assessments. The State Inspection for Supervision of Quality of Education (SISQE) under the Cabinet of Ministers is the agency responsible for the measurement of quality in preschool and general secondary education in Uzbekistan, among other tasks such as the licensing of preschools and attestation of preschool teachers. Since May 2018, SISQE has been tasked with improving Uzbekistan's student assessments including their alignment with international good practices, the introduction of standardized national assessments, and the country's participation in large scale student assessments such as PISA. This agency's capacity needs to be strengthened for these tasks to be performed, though.

⁷ MoPE (2013) for Uzbekistan; UIS (2018) for all other countries for most recent year available.

⁸ In Uzbekistan, children can enter preschools at the age of 3. At the age of 7, children enter primary schools, but parents can choose to send their 6-year-old children to primary school subject to their readiness to attend grade 1.

⁹ National Statistics Committee (2017c) for 2007 data and MPSE (2017) for 2017 data from Uzbekistan. Enrollment figures include both public and non-public preschools. Comparator country data from UIS (2018).



Supply of ECD services

16. **Currently, preschools are mostly located in urban areas. In 2016, 60 percent of all preschools were located in urban areas, and they were overall more overcrowded than rural preschools.** In terms of seats occupation, 99 percent of places in urban preschools were occupied, compared with 88 percent in rural areas. Furthermore, the ratio of enrolled students to preschools (i.e. the average enrollment size per preschool) was 163 students per preschool in urban areas, compared with 100:1 in rural areas. There is also considerable variation in this ration between regions of Uzbekistan, ranging from 92:1, in Khorezm, to 262:1, in Tashkent city.¹⁰

17. **While preschool enrollment in Uzbekistan has maintained gender parity over time, there are major disparities in enrollment between preschools located in urban and rural areas.** Even though the total number of children enrolled in preschools has increased over time, the geographical composition of enrollments has shifted markedly towards urban areas. Children enrolled in preschools located in rural areas comprised 36 percent of total preschool enrollment in 2010, but this share declined to 30 percent in 2016. The overall population trend is also moving towards urbanization: the share of urban population increased from 37 percent to 51 percent, from 2010 to 2017.¹¹

18. **At present, the supply of preschool education services in Uzbekistan is mostly financed by the state, and the large majority of preschools are public (96 percent), yet these services are not free.** It is important to note that compulsory and free education covers grades 1 to 11, so it currently does not include preschool education. Families who wish to enroll their children in public preschools must pay fees (around US\$ 7 to US\$16/child/month),¹² which are mostly to cover the costs of meals. The fees charged by non-public preschool education institutions are paid by families (from US\$ 175 to US\$ 300 per child/month in five non-public preschools visited for the preparation of this Concept Note). Preschools are also allowed to provide optional additional services to children, such as language classes, technology training, special sports, or art lessons, and can charge additional fees for these services.¹³

19. **Uzbekistan currently offers public ECD services through a half-day model as well as the traditional full-day model, with more than 1,200 preschools offering both types.** Until 2013, public preschool education in the country was mostly delivered through a costly full-day model. In recognition of the challenges associated with expanding enrollment through this expensive full-day model of service provision, the GoU, the World Bank and the Global Partnership for Education (GPE) designed and launched the Improving Preprimary and General Secondary Education Project, which is financed by a US\$ 49 million-grant from the GPE (Grant #18066); the World Bank is the Grant Agent for this Project. The main outcomes and outputs of the successful implementation of this Project include: (i) a 57 percent increase in the enrollment rate in rural preschools, (ii) more than 500,000 out-of-preschool children aged 3-6 benefitting from an early reading program, (iii) more than 2,400 rural preschools equipped with high-quality furniture, indoor and outdoor recreation equipment, teaching and learning materials, and small libraries, (iv) more than 55,000 children aged 3-6 enrolled in half-day groups, (v) more than 71,000 children benefitting from better equipped preschools, and (vi) more than 4,000 preschool teachers trained in the half-day model.¹⁴

¹⁰ National Statistics Committee (2017b).

¹¹ World Bank (2013) for 2010 data; National Statistics Committee (2017d) and (2017a) for 2016 and 2017 data, respectively.

¹² As of January 2018. The fees vary based on location of public preschools.

¹³ MPSE (2017); World Bank (2013).

¹⁴ Representatives of the GoU met for the preparation of the proposed ECD Project mentioned that these results from the implementation of the GPE Project informed the ongoing reforms in ECD in the country, including the massive expansive of service provision planned for 2018-2021.



20. **Other challenges on the supply side include the infrastructure conditions of preschools across the country.** Many existing preschools do not have functioning lighting, heating, as well as water and sewage services throughout school hours. For instance, only nearly 30 percent of preschools have access to running water in Kashkadarya region, according to Ministry of Preschool Education's data from 2017; in Bukhara region, this figure is close to 45 percent. According to the same data source, nearly 65 percent of preschools in Andijan are not supplied by gas. Many of these preschools also lack basic equipment, furniture and teaching materials.

21. **Additionally, teaching conditions in preschools are sub-optimal. The majority (about 77 percent) of preschool teachers hold only a secondary vocational education degree.**¹⁵ Currently, the model for pre-service and in-service training for preschool teachers does not support innovative and child-centered practices focused on holistic child development outcomes. Furthermore, the student-teacher ratio in urban preschools is over 25:1, versus barely 5:1 in rural areas.¹⁶ In this context, the GoU faces the challenge of improving the quality and reshaping the role of preschool teachers within the education system, while also expanding the workforce required to meet the demand of increased ECD service provision. Thousands of new preschool teachers and managers will be needed each year during the planned expansion of ECD services. Given that the current rate at which new preschool teachers with higher education degrees enter the system is only around 500 per year, the GoU plans to increase the admissions quota for pre-service preschool teacher training by 20 percent per year. However, the GoU will also need to create alternative pathways in which more teachers can access quality training services to expand access to early childhood education, while meeting the needs of the parents and children and maintaining an adequate level of quality.

Demand for ECD services

22. **The costs of preschool education and the existing conditions of infrastructure are clear demand side barriers to preschool education in Uzbekistan, according to available evidence.** According to a survey with 2,000 families carried out by the Ministry of Preschool Education (MPSE) in 2017, the biggest barriers to preschool education include: (i) high costs of education (mentioned by 25 percent of parents), (ii) children can be taken care at home, which can be interpreted as the lack of a need to send them to preschools due to caregiver availability at home (mentioned by 15 percent of parents), and (iii) inadequate infrastructure of preschools (mentioned by 11 percent of parents). Data from the implementation of GPE-funded Project shows that enrollment in rural preschools increased from 8.5 percent to 13.4 percent, from 2013 to 2017, because of the introduction of the half-day model of service provision, whose fee is US\$ 2/child/month, compared with US\$ 10/child/month of the full-day model. In other words, a decrease in the direct cost of preschool education led to an increase in access in rural Uzbekistan, which shows that direct cost hinders access. The results from this ongoing Project also shows that targeted, efficient investments in preschool education can quickly help the GoU address the challenges in both the supply and demand side of service provision.

23. **Another barrier on the demand side is the gender stereotype on the role of women as primary caregivers.**¹⁷ A study of attitudes about preferred family models in Uzbekistan from 2010 revealed this gender

¹⁵ MPSE (2017).

¹⁶ National Statistics Committee (2017d).

¹⁷ Asian Development Bank 2012. Country Gender Assessment Draft. Unpublished. Manila.



stereotype.¹⁸ Most respondents to a survey on family models (48 percent under age 30, 54 percent over age 30) preferred a patriarchal family model in which “the husband plays a dominating role in a family and bears responsibility for the material well-being, [and] the circle of duties of the wife includes the organization of family life, care of children, and care of relatives.” A non-equitable model of gender roles and relations has implications not only for ECD demand, but also for women’s labor supply and, in the long term, on intergenerational persistence of segregation practices.¹⁹

Reforms to massively expand ECD service provision

24. **The GoU recognizes the importance of investing in ECD, and it has announced an ambitious plan to expand services provision with the aim of achieving 100 percent enrollment for children ages 6-7 by 2021.** With this goal, the GoU established the MPSE in September 2017 to play the lead role in the expansion of ECD in Uzbekistan. Before, preschool education was a responsibility of the Ministry of Public Education.

25. **In December 2016, the GoU approved the Program for Further Improvement of the Preschool Education System from 2017 through 2021.** This national program aims at (i) creating conditions for a comprehensive intellectual, emotional, aesthetical and physical development of children, based on best international good practices, (ii) improving the quality of preschool education, and preschool children readiness, based on widely adopted international practice, (iii) establishing 6,100 half day groups in preschools for children aged 5-6, (iv) improving the curricula and syllabi for pre-service and in-service training of preschool teachers through modern educational technologies and methods, and (v) improving the material and technical infrastructure conditions of 2,200 preschools institutions, including the construction of new preschools in rural settlements, provision of equipment, furniture, teaching and learning materials and multimedia tools compliant with modern requirements.²⁰

26. **The GoU’s plan for expanding ECD service provision is two-fold with state provision of services in rural areas and public-private partnerships in urban areas.** The MPSE and the Ministry of Finance (MoF) are in the process of developing hybrid models, which would be specific to Uzbekistan and be done in partnership with the private sector. The planned reforms would allow for the establishment and operation of stand-alone private preschools, networks of private preschools, firm-sponsored preschools, and international and domestic private providers. Additionally, incentives like tax deductions, land allocations and low-interest bearing loans to stimulate take up and growth are being considered. These models may free State budget for public provision of no-fee or low-fee preschools to children living in rural areas, where fewer parents have the means to pay the fees for private preschool services, as mentioned above. These reforms may also allow for at least 25 percent of low-income families in urban areas to send their children to private preschools at no cost.

27. **The envisioned partnerships with the private sector would also allow for an innovative performance-based approach to finance the expansion of ECD services in the country through a social impact bond pilot.** Widely defined as a financing model under which investors provide upfront capital for services provision, and a government agency repays investors contingent on outcome achievement, Social Impact Bonds (SIB) are a recent addition to the configuration of public-private partnerships. They were created to make access to funding for social sectors easier.

¹⁸ Institute for Social Research and United Nations Population Fund (UNFPA). 2010. *Mutual Relations in a Family in the Situation of Society Transformation (on the Example of Uzbekistan)*. Tashkent. p. 11.

¹⁹ Country Partnership Strategy: Uzbekistan 2012–2016

²⁰ Presidential Decree # 2707 on “Measures Aimed at Further Improvement of the Pre-School Education System in 2017-2021” dated December 29, 2016.



SIB has grown in popularity as a mechanism for domestic and international development financing specifically to increase the volume and/or effectiveness of finance for social services. This model is attractive to governments because it is seen as a way of de-risking projects and saving taxpayer money by reducing wastage, and freeing up the fiscus for use on other issues of social concern. SIB provides a payment-by-results financing mechanism, tying outputs or outcomes to payments; instead of paying for services, governments pay for outcomes. In a SIB operation, often a government agency is the outcome funder.

28. **As part of the effort to increase preschool enrollment, the MPSE and MoF have initiated plans to expand the supply of ECD services through the construction of 60 new public preschools and the establishment of new 929 preschools in partnership with the private sector, in 2018 alone.** The MPSE will also initiate a pilot program in 2018 to offer free and compulsory preschool for 6-year-old children, with a particular focus on school readiness. Additionally, the MPSE is currently developing the national preschool education law.

System's capacity

29. **The capacity of the preschool education system needs to be improved for the country to address the challenges in expanding access while improving quality. There are new key institutional actors in the system, and the decision-making is fragmented, which is likely to contribute to sectoral inefficiencies.** Until the recent creation of the MPSE, decisions regarding preschool education were made by the Ministry of Public Education (MoPE), though there has historically been little coordination with other key ministries dealing with ECD, including the Ministry of Health (MoH) and the Ministry of Employment and Labor Relations. Additionally, there is the Ministry of Higher and Secondary Specialized Education, who is responsible for higher education, as well as secondary specialized, vocational education. This division of roles and responsibilities poses clear challenges in coordination and regulation. Nevertheless, the GoU's decision to establish a dedicated MPSE can be an important step toward reduced fragmentation and a more coordinated system of provision. The MPSE must engage with other decision makers and agencies that also have an early childhood mandate. Seamless program delivery depends on the three mentioned Ministries of Education, MoF, MoH and the SISQE working together to achieve a holistic agenda for children.

30. **A strategic holistic approach to ECD that could reduce policy fragmentation and increase coherence across key decision-making agencies is critical.** Discussions with the MoH revealed both challenges and opportunities for greater cooperation in areas such as nutrition, immunization, control of diseases at early ages, communication and awareness raising campaigns, and regulations, including those of private providers of ECD services. There are also opportunities for synergies in activities aimed at addressing the needs of the most disadvantaged children and families (e.g. early reading programs as a vehicle for disseminating key information on health care, and the use of preschools for health screenings and weekend monitoring). Such holistic approach calls for consensus on a policy-based framework, grounded in the existing common political commitment to ECD with the necessary tools to guide inter-sectoral investment in the sector, provide evidence on successes and challenges and keep track of the overall impact of investments made.

31. **Additionally, Uzbekistan's preschool education system lacks a data culture for planning and decision-making.** A results-based system, which could consistently reflect on implementation, rate quality and address improvement could be a powerful tool for improving ECD in the country. Coherent data collection is the basis of such a system and fundamental to targeted, effective decision making. Currently, the capacity of governmental



institutions to collect and analyze preschool education data in Uzbekistan is low, and strengthening this capacity is a high priority for the MPSE.

C. Relevance to Higher Level Objectives

32. The proposed Project is well aligned with the World Bank Group Country Partnership Framework (CPF) for Uzbekistan for FY2016-20. In particular, the proposed Project would contribute directly to Strategic Theme IV: Improving Access to Social Services by expanding access to early childhood education while also improving quality of service delivery and school readiness. This is articulated in the CPF Objective 3.1: improved access to quality education and health services. It also aligns with the Performance and Learning Review of the World Bank Group Country Partnership Framework for Uzbekistan for FY2016-20, which was discussed by the World Bank Board of Executive Directors on June 26, 2018 (Report No. 126078-UZ) and includes an objective to improve access to quality education under the Focus Area 3: Investing in People. Because ECD has a direct impact on social inclusion, poverty alleviation, and income growth, the proposed Project is also aligned with: (i) the World Bank's twin goals of ending extreme poverty and promoting shared prosperity; (ii) the World Bank's recently launched corporate priority of Investing in Early Years for Growth and Productivity; and (iii) the Europe and Central Asia Regional Strategy.

33. As an early adopter of the World Bank's Human Capital Project, the GoU has prepared its strategic vision to promote the development of human capital in the country. Human capital—the knowledge, skills, and health that people accumulate over their lives—has been a key factor behind the sustained economic growth and poverty reduction rates of many countries in the 20th century, especially in Asia. The proposed Project would help the GoU with its efforts to prepare Uzbekistani children and youth for life through quality education, starting in the early years.

34. The proposed Project would support the GoU's efforts to expand and improve ECD services provision, as embodied in multiple recent Government decrees and resolutions such as:

- Strategy on Actions in Five Priority Areas for Development of the Republic of Uzbekistan in 2017-2021, approved by the President in February 2017, including Section 4.4. Development of Education and Science.
- President's Decree #2707 on Improving Early Childhood Education and Care in 2017-2021, dated December 29, 2016.
- Cabinet of Ministers' Resolution #528 on Improving the Activities of Preschool Educational Institutions, dated July 19, 2017.
- President's Decree #5198 on Measures for Improving Management of Preschool Education, dated September 30, 2017.
- Cabinet of Ministers' Decision #991 on Strengthening the Material and Technical Base of the Ministry of Preschool Education and its Institutions, and Supporting Non-State Preschool Education Institutions, dated December 18, 2017.
- President's Resolution #3651 on the Implementation of Public-Private Partnerships in Preschool Education, dated April 5, 2018.
- The National Nutrition Improvement Strategy for 2009-2011, and the law on the Prevention of Micronutrient Deficiencies Among the Population of Uzbekistan, from 2010.

II. PROJECT DESCRIPTION

A. Project Development Objective

Project Development Objective (PDO) Statement

35. The project development objectives are to increase access to early childhood education, improve the quality of learning environments in selected public preschools, and enable a systematic measurement of education quality for informed decision-making.

PDO Level Indicators

36. The following PDO level indicators would be used to measure the outcomes specified in the PDO statement:

Matrix 1. PDO Level Indicators

Indicator	Baseline	Final Target
Enrollment of children ages 3-7 in preschools	30%	40%
Public preschools with high-quality learning environments ²¹	0%	30%
Preschool education quality measurement system	A system to measure preschool education quality does not exist	Systematic measurements of preschool education quality produced by the new quality assessment system are used to inform plans or policies
General secondary education quality measurement system	A system to measure general secondary education quality under a systematic approach does not exist	Systematic measurements of general secondary education quality produced by the new quality assessment system are used to inform plans or policies

B. Project Components

37. The proposed Project would be implemented over a period of five years (from 2019 to 2024), organized around five components, and financed mostly by an International Development Association (IDA) Credit of US\$ 59.5 million. The following two grants have been identified as co-financing sources for the proposed Project: (i) Global Partnership for Education (GPE) Multiplier Fund Grant of US\$ 9.5 million²², and (ii) Global Partnership for Results-Based Approaches (GPRBA) Grant of US\$ 4.85 million, bringing the total financing to US\$ 73.85 million. The project components with their estimated costs and sources of funds, as well as the financing approach for each sub-component are mentioned in the next two tables below.

²¹ The definition of high-quality learning environment shall be clear and included in the Project Operations Manual for this indicator to be precisely measured.

²² See additional information in the next paragraph.



Table 1a. Project Components, Costs and Sources of Funds

Component	Costs and Sources of Funds (in US\$ million)			
	Total Cost	Sources of Funds Already Defined		
		IDA	GPE	GPRBA
Component 1 – Improving Quality of Preschool Education	5.3	1.3	4	0
Component 2 – Increasing Access to Quality Early Learning Environments	50.1	46.1	4	0
Component 3 – Partnering with the Private Sector through a Social Impact Bond	11.35	6.5	0	4.85
Component 4 – Establishing an Education Quality Measurement System	5.9	4.9	1	0
Component 5 – Supporting Project Management	1.2	0.7	0.5	0
Total	73.85	59.5	9.5	4.85

Table 1b. Project Financing Approaches

Components and Sub-components	Amounts in US\$ mi						Percentages		Financing Approach
	IDA	GPE			GPRBA	Total			
		FP	VP	Total					
Component 1	1.3	4	0	4	0	5.3			
Sub-component 1.1	1.0	3.0	0	3.0	0	3.9	25%	75%	Joint Co-Financing IDA & GPE FP
Sub-component 1.2	0.3	1.0	0	1.0	0	1.4	25%	75%	Joint Co-Financing IDA & GPE FP
Component 2	46.1	1	3	4	0	50.1			
Sub-component 2.1	42.6	0	3	3	0	45.6	100%	100%	Parallel Co-Financing IDA & GPE VP
Sub-component 2.2	3.5	1	0	1	0	4.5	78%	22%	Joint Co-Financing IDA & GPE FP
Component 3	6.5	0	0	0	4.85	11.35			
Sub-component 3.1	1.35	0	0	0	0	1.35	100%	0%	Just IDA
Sub-component 3.2	5.15	0	0	0	4.85	10	100%	100%	Parallel Co-Financing IDA & GPRBA
Component 4	4.9	1	0	1	0	5.9			
Sub-component 4.1	0.7	0.2	0	0.2	0	0.9	83%	17%	Joint Co-Financing IDA & GPE FP
Sub-component 4.2	4.2	0.8	0	0.8	0	5	83%	17%	Joint Co-Financing IDA & GPE FP
Component 5	0.7	0.5	0	0.5	0	1.2	58%	42%	Joint Co-Financing IDA & GPE FP
Total	59.5	6.5	3	9.5	4.85	73.85			

FP: fixed part; VP: variable part

38. **GPE Co-Financing.** The total allocation of the GPE Multiplier Fund for Uzbekistan to support the implementation of the national Education Sector Plan (an Education Sector Program Implementation Grant) is US\$ 10 million, including US\$ 0.5 million to co-finance the supervision of the implementation of the proposed Project. Thus, the amount of US\$ 0.5 million is not included in the total project cost. This Grant comprises two parts: (i) a fixed (requirements-based) portion corresponding to 70 percent of the grant (US\$ 7 million, including the US\$ 0.5 million for project supervision), and (ii) a variable (incentives-based) portion corresponding to the remaining 30 percent of the grant (US\$ 3 million). The fixed part of the GPE Grant allocated for joint project co-financing, would be available as soon as the proposed Project becomes effective. The amount of US\$ 6.5 million from the fixed part would jointly co-finance the implementation of components 1, 2, 4 and 5, as mentioned in the Table below. The variable part of the GPE Grant (US\$ 3.0 million) would be used exclusively to finance the implementation of part of sub-component 2.1 (see Table below). Detailed information on the GPE variable part of co-financing is presented in Annex 2.



Table 2. Allocation of GPE Funds

Component	Costs and Allocation of GPE Funds (in US\$ mi)		
	Total GPE Co-financing	Allocation of GPE Funds	
		Fixed Part	Variable Part
Component 1 – Improving Quality of Preschool Education	4	4	0
Component 2 – Increasing Access to Quality Early Learning Environments	4	1	3
Component 3 – Partnering with the Private Sector through a Social Impact Bond	0	0	0
Component 4 – Establishing an Education Quality Measurement System	1	1	0
Component 5 – Supporting Project Management	0.5	0.5	0
Project Supervision Costs/Fee	0.5	0.5	0
Total	10	7	3

39. **Mobilization of Private Capital.** The total amount of US\$ 73.85 million mentioned above does not include funds that are expected to be provided by a commercial investor for the implementation of the Social Impact Bond under Component 3. It is estimated that a commercial investor will contribute US\$ 10 million for the implementation of this Component, but this amount is not committed at this stage. The commitment from the commercial investor should take place before the start of the implementation of Component 3.

40. **Component 1 – Improving Quality of Preschool Education (total cost = US\$5.3 million).** This component comprises two clusters of activities, one on quality and one on system capacity and governance.

41. *Sub-Component 1.1 – Improving Preschool Education Quality (total cost = US\$3.94 million).* The objective of this sub-component is to improve quality of preschool education in Uzbekistan to ultimately produce better child outcomes. By the end of the Project, it is expected that the development of children ages 3 to 7 would improve in project-supported preschools. Preschool education quality would be measured under the comprehensive education quality measurement framework supported by component 4.

42. This sub-component would support the improvement of the existing in-service training program for preschool teachers, with the aim of upgrading teachers' skills while also moving towards a more continuous system of professional development. This sub-component would finance *technical assistance to define requirements and teachers' competencies for child-centered approaches to teaching* in line with international good practices. Support would be provided to develop the content, materials, and plan of delivery for an in-service training program focused primarily on defined teachers' competencies, as well as on preschool quality measurement instruments. The training program would also include modules on complementary areas, including: (i) child nutrition, hygiene, immunization, and child protection; (ii) labor rights (as a measure to mitigate potential social issues under the Project); and (iii) vulnerability to natural hazards and climate resilience in relation to child safety. The sub-component would also finance the *logistics associated with delivering the training program* to approximately 14,000 public preschool teachers, which represent nearly 25 percent of all public preschool teachers in Uzbekistan, and 700 master trainers. The remaining preschool teachers in the system would also be trained using other sources of funds, such as the State budget, which would be monitored over the project implementation period.



43. The plan for delivery of training would incorporate an element of peer-to-peer training to give teachers opportunities to learn from one another, discuss practices and challenges with peers, and apply training content under a less traditional approach, such as peer-to-peer training and learning. This sub-component would also support the *purchase and installation of printing equipment, supplies for this equipment, and training in its operation* to promote a cost-effective production of teaching and learning materials. The printing equipment would be installed in a dedicated facility managed by the MPSE.

44. Finally, this sub-component would also finance *technical assistance to develop a framework for professional development of preschool education staff, including the development of models for expanding the offer of training programs*. Given the GoU's high and growing need for preschool education teachers, there is a need for support to ensure coordination between pre-service teacher preparation, in-service training and professional development, work experience, teachers' grade levels, and compensation. Additionally, this coordination must consider the development of specialized training programs for individuals not formally trained to work in preschool education institutions. This assistance must be in the context of a broader framework for professional staff development in Uzbekistan's preschool education system, not strictly limited to preschool teachers but also preschool directors and other categories of staff working in center-based or non-center-based models of service provision.

45. *Sub-Component 1.2 – Enhancing System Capacity and Governance (total cost = US\$1.35 million)*. This sub-component aims to enhance the capacity and governance for improved preschool education service provision in Uzbekistan.

46. This subcomponent would finance *technical assistance to develop a capacity enhancement plan* for Uzbekistan's preschool education system, with a major goal of building human resource capacity at local, regional and national levels. This assistance will include the review of existing monitoring and evaluation processes and/or tools at the three levels of the system. This subcomponent would also *finance technical assistance and logistical support for implementation of the capacity enhancement plan*, upon its approval by the MPSE, which is expected to include targeted training and capacity building for relevant stakeholders in topics such as *inter alia*: (i) problem solving, (ii) communication and coordination, (iii) operation of the Preschool Management Information System (PMSI), (iv) utilization of educational data for planning and decision-making, and (v) financial management (annual planning and budgeting, management of assets and liabilities, predictability and control in budget execution, internal audit, accounting, and preschool performance monitoring). Capacity building activities supported by this subcomponent would also include knowledge sharing visits for relevant stakeholders to learn from international good practices in preschool education.

47. Other activities to be financed by this subcomponent are:

- *technical assistance for the design and implementation of evaluations, studies, surveys, or other information-gathering efforts*—particularly related to the supply, demand, and quality of preschool education service provision—for an evidence-based decision-making model in Uzbekistan's preschool education system;
- *the design and implementation of communication and awareness raising campaigns plan* for the proposed Project; this activity is intended for outreach and engagement to drive the demand for preschool education among parents;
- *technical assistance to review or develop regulations to promote inclusive preschool education for children with disabilities or special educational needs*. Uzbekistan currently has 198 public preschools for students with disabilities including, and 15 mainstream preschools with an inclusive education approach;



- *technical assistance to review or develop regulations on climate, vulnerability to natural hazards and seismic resilience of preschool buildings to ensure that these are safe environments for children; and*
- *logistical support for an annual forum for all key stakeholders from the central, regional and local levels, the private sector and civil society to learn about the progress made by the MPSE in increasing access to quality and holistic early childhood education interventions financed by the Project and discuss about related matters.* This activity would provide a platform for tracking progress of the whole system, as well as for course-corrections through documented resolutions.

48. Component 2 – Increasing Access to Quality Early Learning Environments (total cost = US\$50.1 million).

This Component would support the improvement of quality of early learning environments, as well as non-center based activities for children not enrolled in preschools, which are expected to lead to an increase in access to preschool education.

49. *Sub-Component 2.1 – Improving Early Learning Environments (total cost = US\$45.6 million).* This sub-component would finance the *purchase of modern child-friendly and age-appropriate equipment and furniture, as well as teaching and learning materials.* Goods to be procured through the Project include toys, play zones, storybooks, recreation and sport equipment, desks, chairs, wardrobes and shelves. The MPSE should ensure that the specifications of these equipment and furniture are in compliance with the applicable safety and health standards and regulations; safe installation of equipment should be ensured. The Government's financial contribution to the proposed Project would be the financing of distribution of these goods to all project-supported public preschools. Equipment and materials will be targeted mainly for the 6-7 age group, though younger children would also benefit from them. It is expected that approximately 10,800 preschool groups would benefit from this sub-component, being 8,290 classrooms for full-day groups, and 2,510 classrooms for half-day groups which did not benefit from the ongoing GPE-financed Improving Pre-Primary and General Secondary Education Project (Grant #18066). At least one classroom in each of Uzbekistan's 4,940 existing public preschools would be equipped under the Project. The widespread upgrading and modernization of preschool education facilities in Uzbekistan is expected to have a catalytic effect on the demand for preschool education, leading to an increase in enrollment, particularly for children ages 6-7. In total, approximately 1,080,000 children are expected to benefit from this activity, over the duration of the proposed Project. No civil works would be required for the installation of these goods in project-supported public preschools.

50. The procurement of part of these child-friendly and age-appropriate equipment and furniture for public preschools, which would benefit 750 groups, would be *solely financed* by the variable part of the GPE Multiplier Fund. Detailed information on the requirements for this financing is presented in Annex 2. Under sub-component 2.1, the procurement of these goods for 750 groups, which will be launched upon achievement of agreed upon results in three dimensions, *is the only activity that would be solely financed by the variable part of the GPE Multiplier Fund. All the other activities under sub-component 2.1 would be solely financed by IDA.*

51. This sub-component would also finance the *purchase and distribution of laptop computers and printers* to ensure connectivity, reporting capability, and efficient management of the Preschool Education Management Information System (PMIS) that is being installed by the MPSE. This equipment would be provided to existing 4,940 public preschools, Regional and District Preschool Education Departments, In-service Teacher Training Institutes, and the MPSE. This sub-component should finance the *preparation of an environmentally sound disposal plan for all electronic equipment to be procured through it* to ensure that this equipment will not cause environmental and health risks in future, when they become obsolete.



52. *Sub-Component 2.2 – Expanding Access to Early Childhood Education through Alternative Models (total cost = US\$4.5 million).* This sub-component would finance the development, implementation and evaluation of the following non-center based (alternative) models of ECD service provision: (i) *a home visiting program* focused on the first 1,000 days of life of children, and (ii) *an early learning playgroup (community-based) program* for children between 3 and 6 years old. By supporting flexible home- and community-based programs for vulnerable and hard to reach children aged 0 to 6, this sub-component is expected to build a pipeline for ECD services in Uzbekistan. High level of family engagement with children in activities at home is associated with improved child development outcomes, and increased demand for quality early learning services. Both programs include the direct engagement of fathers and mothers as facilitators of the day to day stimulation and early learning of their young children. These programs would include activities to address the existing challenge on gender stereotype (gender norms) about childcare,²³ including the role of fathers.

53. These alternative models build on programs developed, launched and implemented through the World Bank-supported Improving Pre-primary and General Secondary Education Project, including a half-day center-based model and an early reading program aimed at increasing access to early learning opportunities for children of families living in rural and underserved areas, some of them not enrolled in preschools. More information on this Project and its programs can be found in the context section of this PAD.

54. Two early learning hubs would be set up in two regions of the country, each one would have an Early Learning Hub Coordinator, who would be responsible for providing technical assistance and managing the implementation of both alternative models in his/her region. The identification of the two regions and families to benefit from the home visiting program would take into account existing social protection programs; the criteria for selection of families would be included in the Project Operations Manual (hereinafter referred to as the POM). The development and adoption of a POM, which shall be considered satisfactory to the World Bank, would be done by the Recipient and would be a Project effectiveness condition. The home visiting program would focus on pregnant mothers and young children until the age of two (first 1,000 days). This program would build on the foundation of universal health coverage in Uzbekistan to the extent possible. This feature demonstrates how early learning programs can be integrated with health care to deliver a holistic ECD approach. This program design would include the following features:

- 40 existing community workers would be selected and trained to deliver responsive stimulation and good nutrition practices in home visiting activities. It is expected that up to 10 percent of these home visitors would be existing health workers, while the others would be selected by the MPSE in accordance with requirements and qualifications to be defined in the POM. Each community worker would support a cluster of 20 families (800 families would benefit, in total), visiting each of them twice a month. Building on the success of the early reading program supported by Uzbekistan Improving Pre-primary and General Secondary Education Project, home visitors would bring appropriate storybooks and toys, and some would be left behind to support play-based learning in the home. Further activities to strengthen responsive caregiving, maternal and child wellbeing, and promote early stimulation practices in the home would be also undertaken. The community workers would facilitate bi-monthly parent-baby support play and learning groups. These processes would build parental confidence and increase age-appropriate interaction including singing and talking.
- Each group of 20 community workers would be assisted by a Home-based Program Mentor. The Home-based Program Mentor would be supervised by the Early Learning Hub Coordinator. Training

²³ International Finance Corporation. (2017). Tackling Childcare – The Business case for Employer-Supported Childcare.



for the intervention would be facilitated by the Coordinator at the Early Learning Hub. The Early Learning Hub Coordinator would be accountable to the MPSE.

55. The *early learning playgroup model* would provide opportunities for young children between the ages of 3 and 6 who currently do not access opportunities to play and learn, to become part of a structured, quality learning program. This model would offer support to parents and home-based care givers, providing them with training and resources to continue playing and learning in the home. The Mahallas²⁴ may be considered for the identification of families and children to benefit from the early learning playgroups. The design of this program would include the following features:

- 80 groups of 15 children (1,200 children in total) from underserved communities would be identified according to some criteria acceptable to the World Bank and to be detailed in the POM. Children would receive a nutritious snack as part of the program.
- 40 paraprofessional playgroup facilitators would be trained and equipped with play-oriented kits focused on preparing young children and their families for learning at school. Each group of 20 playgroup facilitators would be mentored and supported in their role by one mentor. They would exchange their play and learning kits monthly. Each playgroup facilitator will manage two playgroups, and run each group 3 times per week, each period lasting 4 hours. Each playgroup facilitator should work together with one youth/apprentice facilitator to (i) develop his/her skills for potential future work in ECD, and (ii) engage the Uzbekistani youth in community work.
- Play and learning kits would follow a learning sequence with each scaffolding learning for the next.
- Initial training would take place at the early learning hubs. Then, mentors would receive support and resources from the Early Learning Hub Coordinator and pass this support on to facilitators. They would travel to implementation sites to support work on the ground.
- Parents would be engaged in the process for part of the program, which would equip them to continue learning at home.
- Once a month, a parent support group would be facilitated for a cluster of parents bringing together the two models. At these meetings, each parent would receive a 'take-away' to build their own play and learning kit. They would also learn how to supplement these kits with easy to make learning resources.

56. A third alternative model to be supported by this sub-component would be a *home visiting special needs education program focused on children ages 3 to 6*. This model would include an individualized service plan to identify appropriate activities and support that would be most helpful for the child's learning and healthy development. This program's design would include the following features:

- 10 preschool teachers of students with disabilities would be selected and trained to provide for quality home visiting activities.
- Each preschool education teacher would support a group of 14 families (140 families would benefit, in total) visiting each of them twice a month.
- Each preschool education teacher would offer early education, parental support, as well as speech and physical therapies to children with special needs.
- There would be support to these 10 preschool teachers from the Mentor (see above) and Early Learning Hub Coordinator.

²⁴ Community self-government bodies.



57. This sub-component would also finance (i) activities supporting *citizen engagement in ECD*, as well as (ii) the *design and implementation of an impact evaluation of the project-supported alternative models*. Results from the impact evaluation are meant to inform decisions on the potential scaling-up of these programs. On citizen engagement, this sub-component would support the implementation of an Engaged ECD Pilot in one of the regions selected for the implementation of project-supported alternative models. An individual consultant would be hired to support the MPSE with this Engaged ECD Pilot. In compliance with existing regulations, an ECD Parents Council would be established either as a stand-alone entity or as part of the regional public council. It would consist of parents involved in the implementation of project activities, local preschool education specialists or professionals, and relevant civil society representatives. This Council would manage a dedicated technological citizen engagement platform (e.g. through mobile applications) and carry out activities such as:

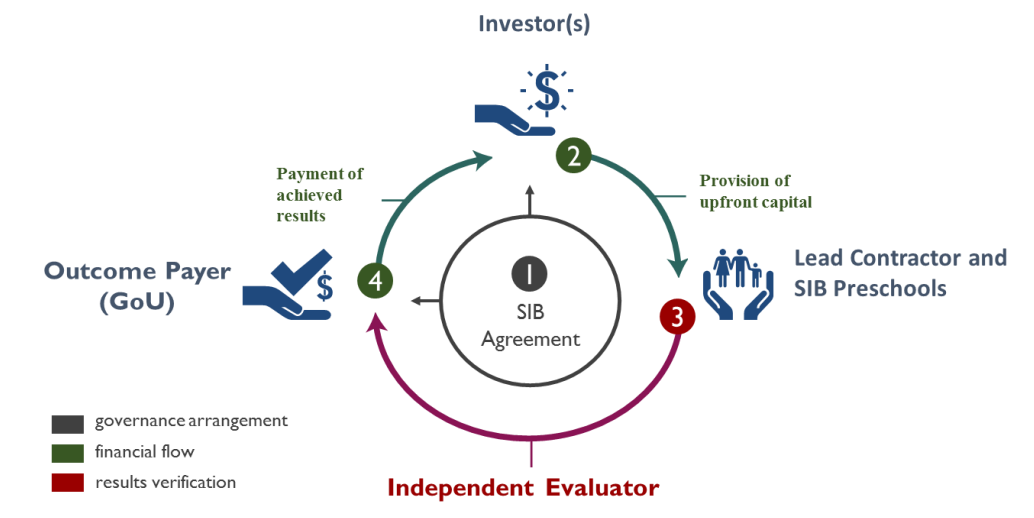
- Provision of information on project-supported activities (e.g. alternative models, operation of early learning hubs) through the dedicated citizen engagement platform, as well as through social media.
- Setting up of a community scorecard on the quality of project-related ECD activities and beneficiary satisfaction. SMS-based surveys to request beneficiaries' feedback on the quality of services they are receiving and suggestions for improvements. The ECD Parents Council would aggregate this beneficiary feedback and share the main findings through the dedicated engagement platform.
- Encourage open discussion, collect information regarding parents and children's needs, and directly reach out to parents that benefit from the alternative models.
- Communicate with MPSE's regional staff on a regular basis to convey community feedback and needs.

58. **Component 3 – Partnering with the Private Sector through a Social Impact Bond (total cost = US\$11.35 million).** This component would provide support to the design and implementation of an innovative impact financing approach – a Social Impact Bond (SIB) - through partnerships with private providers/preschools. A SIB is a Results-Based Financing (RBF) mechanism that ties financial returns and payments to rigorously measured social results. In a SIB, an investor provides a service provider with the upfront capital necessary to deliver a service, and an outcome payer repays the investor contingent on the achievement of previously agreed results. A SIB may have one or more investors and service providers. The investor receives a return only if outcomes are achieved. The achievement of agreed upon results is verified by an independent evaluator. Detailed information on this component is presented in Annex 3.

59. The structure of the proposed SIB includes a lead contractor in addition to the actors mentioned above. The lead contractor would supervise the activities of SIB preschools and ensure that the proposed SIB leads to the achievement of results. The structure of proposed ECD SIB is illustrated in the Figure below.



Figure 1. ECD SIB Structure



60. The key roles and responsibilities of this SIB actors are:

- **Investor.** The investor would provide upfront capital for the establishment and operations of SIB preschools, as well as for the operations of the lead contractor.
- **Lead Contractor.** The lead contractor would be *selected by the investor* to supervise the operation of SIB preschools and ensure that the proposed SIB leads to the achievement of results that were agreed upon with the investor, the GoU, and preschools. *The selection of the lead contractor would be done following private sector practices.* Other responsibilities of the lead contractor would be inter alia: (i) to set up and operate a performance management system (see additional information below), (ii) to manage SIB funds, and (iii) to report on SIB implementation progress to key stakeholders (investor, GoU, independent evaluator and the World Bank). The lead contractor would be a domestic or international organization with proven experience and capacity to oversee private preschool providers. It would have sound financial management capacity, as well as the legal commitment and liability to manage funds on behalf of the investor based on the terms defined in the SIB Documents. The details of financial management arrangements specific to the SIB, including flow of funds, controls and reporting, would be provided in the SIB Operations Manual (hereinafter referred to as SIBOM). The development of SIB Documents, which shall be acceptable to the World Bank, would be prior to the utilization of IDA and GPRBA funds for results payment under this component (see more information below), and would be a disbursement condition under SIB.
- **SIB Operators.** SIB operators would be private preschools located in urban areas of Uzbekistan, which would be selected by the MPSE in accordance with the pre-defined criteria acceptable to the World Bank and defined in the SIBOM. SIB preschools would also need to meet minimum required capacity in financial management and properly follow the financial management arrangements (including flow of funds, controls and reporting) as defined in SIBOM and would follow the technical and operational guidance provided by the lead contractor. **It is estimated that 140 private preschools would become SIB operators;** there would be three successive cohorts of SIB preschools with the following respective numbers of institutions: **40, 50 and 50** (see more information on these cohorts below).
- **Independent Evaluator.** The independent evaluator would be competitively selected by the MPSE to assess the performance of SIB preschools on predefined metrics. It would be a credible domestic or



- international organization. The evaluation would be done in accordance with a previously agreed methodology to be defined in the SIBOM, and in Terms of Reference acceptable to the World Bank. The independent evaluator would report to GoU through the Ministry of Preschool Education.
- *Outcome Payer.* The GoU through the Ministry of Finance would be the SIB outcome payer. The outcome payer would pay the investor based on the achievement of predefined results.
 - *MPSE.* While the proposed SIB would be implemented by the lead contractor (on behalf of the investor), SIB preschools and independent evaluator, the MPSE would be the agency responsible for the implementation of the proposed ECD Project that hosts this SIB. As such, the MPSE would oversee the implementation of the proposed SIB and liaise with all SIB players and the World Bank. The MPSE would be also responsible for the selection of:
 - SIB preschools in accordance with the pre-defined criteria acceptable to the World Bank; these criteria should be included in the SIBOM.
 - Independent Evaluator in accordance with the applicable World Bank's Procurement Guidelines.

61. The proposed SIB would be co-financed by the following sources of funds: (i) the IDA Credit for the proposed Project, and (ii) a GPRBA Grant. Additionally, discussions are being held with commercial investors to allocate US\$ 10 million as upfront capital for the proposed SIB, but this amount is not considered as co-financing for the Project. IDA and GPRBA funds would be available for the GoU to reimburse the amount invested/upfront capital for previously agreed upon results, when and if they are achieved. IDA funds would be also used to (i) finance the independent verification of results under the SIB scheme, and (ii) technical assistance for *inter alia* the development of SIB documents and assessments related to the implementation of the SIB. The Government of Uzbekistan would pay for the return to the investor with its own budget. See more information on the structure of this project component below.

62. The End Disbursement Date of the Administrative Agreement for GPRBA funds allocated to this Project is December 31, 2021. Therefore, the current GPRBA Grant Agreement Closing Date is June 30, 2021. A process to extend the parent Trust Fund date (Administrative Agreement End Disbursement Date) to fully cover the SIB implementation period is under way and its extension is expected in the following months. The Closing Date of the GPRBA Grant Agreement will need to be aligned, afterwards, with the respective Administrative Agreement End Disbursement Date.

63. In line with the World Bank initiative to **maximize finance for development**, funds from the IDA Credit and GPRBA Grant would be used to catalyze private investment into the proposed SIB. This SIB's feature would: (i) leverage greater volume of capital towards preschool education provision than what preschools could mobilize on their own, in the absence of such approach, (ii) lay the foundation for investments to flow into a market that is being underserved by the existing capital market due to perceived risks, (iii) de-risk the proposed SIB, and therefore improve the terms at which private capital is accessed.

64. This component is structured as follows:

- *Sub-Component 3.1 – Supporting the SIB Design and Results Verification (total cost = US\$ 1.35 million).* This sub-component would support: (i) technical assistance for *inter alia* the development of SIB documents and assessments related to the implementation of the SIB (US\$ 0.45 million); and (ii) the independent verification of SIB results, i.e. the operation of the independent evaluator (US\$ 0.9 million). It would be fully financed by the IDA Credit.



- *Sub-Component 3.2 – Financing the Payment of SIB Results (total cost = US\$ 10 million).* This sub-component would provide financial support for the payment of SIB results. It would be co-financed (parallel co-financing) by the IDA Credit and GPRBA Grant.

65. The upfront capital to be provided by the investor (US\$10 million) would finance SIB preschools activities (US\$8.96 million) and the operation of the lead contractor (US\$1.04 million), as detailed below. The activities described below would constitute the Eligible Expenditure Program (EEP) for the SIB.

- SIB preschool's start-up activities: (i) purchase of furniture, electronic equipment and other goods, (ii) indoor and outdoor recreation equipment for children, (iii) toys and instructional play materials for children, (iv) teaching and learning materials, (v) SIB pre-launch training for teachers and non-teaching staff, (vi) salaries for teachers and non-teaching staff during the SIB pre-launch period, (vii) marketing and branding, and (viii) SIB orientation including preschool education quality measurement. It is estimated that these start-up activities would cost around US\$54,000 per SIB preschool.
- SIB preschool's operating activities: (i) annual training and mentoring for teachers and non-teaching staff, (ii) specific training activities for teachers and non-teaching staff, as needed, (iii) other forms of academic and managerial technical support to teachers and non-teaching staff, if needed. It is estimated that these operating activities would cost around US\$5,000 per year, per SIB preschool (around US\$10,000 per SIB preschool over 2 years).
- Lead contractor's operating activities: (i) salaries of staff, (ii) operating costs to be detailed in the SIBOM, (iii) performance management system development and operation, (iv) overhead. It is estimated that these operating activities would total US\$1,040,000 for the entire implementation period of the SIB.

66. In addition to the upfront capital to be provided by the investor, funds from IDA, GPRBA and Government of Uzbekistan would be used through this SIB. Details are provided below.

- If the expected results are achieved, the GoU (outcome payer) would pay the amount invested with a return to funds provided by the investor. The repayment of the amount invested/upfront capital would be made by the GoU using IDA and GPRBA funds provided by the Project. The return to the investor would be paid by the GoU with funds from its own budget. The rate of return and the dates for payment would be defined at the time of the negotiations between the GoU and the investor, and will be stated in the SIB Documents.
- IDA and GPRBA funds would be used to pay for results under this SIB. The respective amounts are US\$5.15 million and US\$4.85 million.

67. **Component 4 – Establishing an Education Quality Measurement System (total cost = \$5.9 million).** This component would support the establishment of a system to measure education quality for informed decision-making in Uzbekistan. This system would cover preschool and general secondary education, which is known as continuous education in the country.

68. *Sub-Component 4.1 – Supporting the Establishment of a Center to Measure and Monitor Quality (total cost = US\$0.9 million).* This sub-component would finance the establishment of the National Center for Quality Education (NCQE) under the SISQE. NCQE will be responsible for measuring and monitoring quality from preschool to upper secondary education (continuous education) under a systematic approach, through standardized assessments and based on reliable evidence. This sub-component would finance: (i) the procurement of goods (ICT equipment, furniture and supplies) for NCQE and SISQE's regional departments, as needed, and (ii) technical assistance from



experienced international consultant(s) in the area of large-scale assessment of students learning outcomes. No civil works would be required for the installation of goods to be procured through the proposed Project in the NCQE.

69. *Sub-Component 4.2 – Developing and Modernizing Student Assessment Systems (total cost = US\$5.0 million).* This sub-component would support the following three clusters of activities: (i) developing and modernizing processes to measure quality in continuous education; (ii) building capacity in education quality measurement; and (iii) supporting participation in international assessments/surveys.

Developing and Modernizing Processes to Measure Quality in Continuous Education

70. This cluster of activities would finance the development of new and modernization of existing processes/practices to measure quality from preschool to upper secondary education, which is a responsibility of SISQE and requires close collaboration with the Ministries of Preschool and Public Education.

71. Concerning preschool education, this sub-component would finance *technical assistance to develop and implement a system for measuring the quality of preschool education in Uzbekistan.* This activity would entail both international and local expertise to establish this system, built around the use of objective instruments for measuring the quality of preschool learning environments, as well as children development. The assistance would also support the MPSE and SISQE to integrate the quality measurement system into existing monitoring and quality control functions, and to interpret and use the results of these assessments for planning and policy making.

72. This cluster of activities would finance the *adaptation and pilot-testing of two quality measurement instruments: Measure of Early Learning Environments (MELE) and the MODEL.* The former²⁵ measures the quality of early learning center-based services, while the latter²⁶ measures children development outcomes.²⁷ These two instruments together would comprise the core of the quality assessment system mentioned above. Both instruments were developed by experts and partners from across the world as part of the initiative on Measuring Early Learning Quality and Outcomes (MELQO), an international consortium including the World Bank, UNICEF, UNESCO, and the Center for Universal Education at the Brookings Institution. The two instruments are complementary and were both intended to be adapted to align with national systems and standards and to be used to inform policy decisions to improve early childhood development.²⁸ Assistance would be provided to adapt these instruments to Uzbekistan's context, translate the instruments into local languages, and pre-test them in a sample of public preschools.

²⁵ The MELE includes a classroom observation tool, a teacher and director survey, and a parent survey. Quality is measured through six constructs: (i) environments and materials; (ii) teacher-child interactions; (iii) pedagogy and approaches to learning; (iv) family and community engagement; (v) inclusion; and (vi) play.

²⁶ The MODEL includes both a direct assessment module, which requires trained direct observers to assess the children; and a teacher/caregiver report module based on surveys with teachers and/or caregivers. The modules are designed to work together: the direct assessment module provides information on children's early learning, while the teacher/caregiver modules provide insight into children's behavior in school and at home. The caregiver modules provide insight into children's family backgrounds and home learning environments. The MODEL measures pre-academic skills (e.g. language, pre-literacy and pre-numeracy, and executive function) as well as socio-emotional development.

²⁷ The concept of "school readiness," which has become a commonly used term in describing children's development at the start of formal schooling and its implications for later academic achievement, refers to both early academic skills, such as literacy and numeracy, and children's abilities to regulate their attention and behavior (see Fernald et al., 2017, *A Toolkit for Measuring Early Childhood Development in Low- and Middle-Income Countries*, Prepared for the Strategic Impact Evaluation Fund, the World Bank).

²⁸ Early Learning Partnership (2016). *Measuring the Quality of Early Learning Programs*. Guidance Note, August 2016.



73. Additionally, this cluster of activities would finance *training for staff from the MPSE, SISQE, and Regional and District Preschool Education Departments* in the structure and application of the mentioned assessment instruments. Teachers would also undergo an awareness training on the instruments under the above-mentioned in-service teacher training program. Finally, the sub-component would finance *logistical support* to implement the preschool education quality measurement system, by applying the two instruments in a nationally representative sample of public preschools and children, at least two times over the duration of the Project.

74. Regarding general secondary education, this cluster of activities would finance *technical assistance for the review and modernization of existing national assessments of students learning outcomes*. This review would determine what assessments (grades, subjects and frequency) should undergo a major overhaul for alignment with best practices including standardization and retrofitting for their respective results to become available for informed decision-making. An action plan for reviewing and modernizing these assessments should be developed. This cluster would also finance *the development of (i) items for standardized national assessments, and (ii) a student assessment management information system*. By the end of the Project, it is expected that decisions are made based on the results of standardized assessments of learning outcomes of students of at least two grades, and in at least two subjects. Informed decisions in this area may include, for instance: incentivizing high performing schools and/or teachers, curriculum reviewing, and in-service teacher training programs upgrading.

Building Capacity in Education Quality Measurement

75. This cluster of activities would build capacity of central, regional, and local staff, including teachers, in student assessment and education quality monitoring. *Technical assistance, training activities, travels (domestic and international) associated to trainings and logistical support to this capacity building would be financed through this cluster of activities*. To build local capacity and a pool of trained assessment specialists, among other initiatives, the development of a Master's degree program in student assessment in one university in Uzbekistan may be financed through this component, to help with building a pipeline of student assessment specialists in the country. Pre- and in-service teacher training in student assessment may be also developed to support teachers in developing and administering different types of assessment activities, and to properly use information from these assessments.

Supporting Participation in International Assessments/Surveys

76. This cluster of activities would finance the participation of Uzbekistan in well-known international assessments or surveys such as PISA, Trends in International Mathematics and Science Study (TIMSS), Progress in International Reading Literacy Study (PIRLS), Literacy and Numeracy Assessment (LaNA), and Teaching and Learning International Survey (TALIS); other assessments and surveys may be considered for financing through this component, as needed. *This cluster of activities would finance participation or membership fees charged by organizations that hold the property rights for such assessments/surveys, as well as technical assistance and logistical support to the implementation of these assessments or surveys in Uzbekistan.*

77. **Component 5 – Supporting Project Management (total cost = US\$1.2 million).** Activities related to day-to-day management of the proposed Project, its monitoring and auditing would be supported by this component.

78. *Supporting Project Management, Monitoring and Audits (total cost = US\$1.2 million).* This component would support the day-to-day management and monitoring of the proposed Project through the establishment and maintenance of the Project Implementation Unit (PIU). The PIU would provide managerial, fiduciary and technical



support to the implementation the proposed Project for its full duration. This component would finance *inter alia* (i) salaries (fees for individual consultancies) for PIU staff, (ii) technical assistance in procurement, early childhood development, and citizen engagement and grievance redress, (iii) training activities, (iv) equipment, (v) furniture, (vi) software for project management, (vii) one car²⁹ for the PIU to monitor the implementation of the Project, and (viii) operating costs not mentioned here. This component would also finance the required annual project audits.

C. Project Beneficiaries

79. Direct beneficiaries of the proposed Project would be children enrolled in project-supported preschools and their teachers and preschool administrative staff. Direct project beneficiaries would also include families and community members attended by the alternative models financed under component 2 (home visiting program and early learning playgroup). Additionally, the proposed Project would finance the establishment of a system to measure quality of preschool and general secondary education, which is expected to provide reliable data for informed decision-making that should benefit all students enrolled in these sub-levels of Uzbekistan's education system.

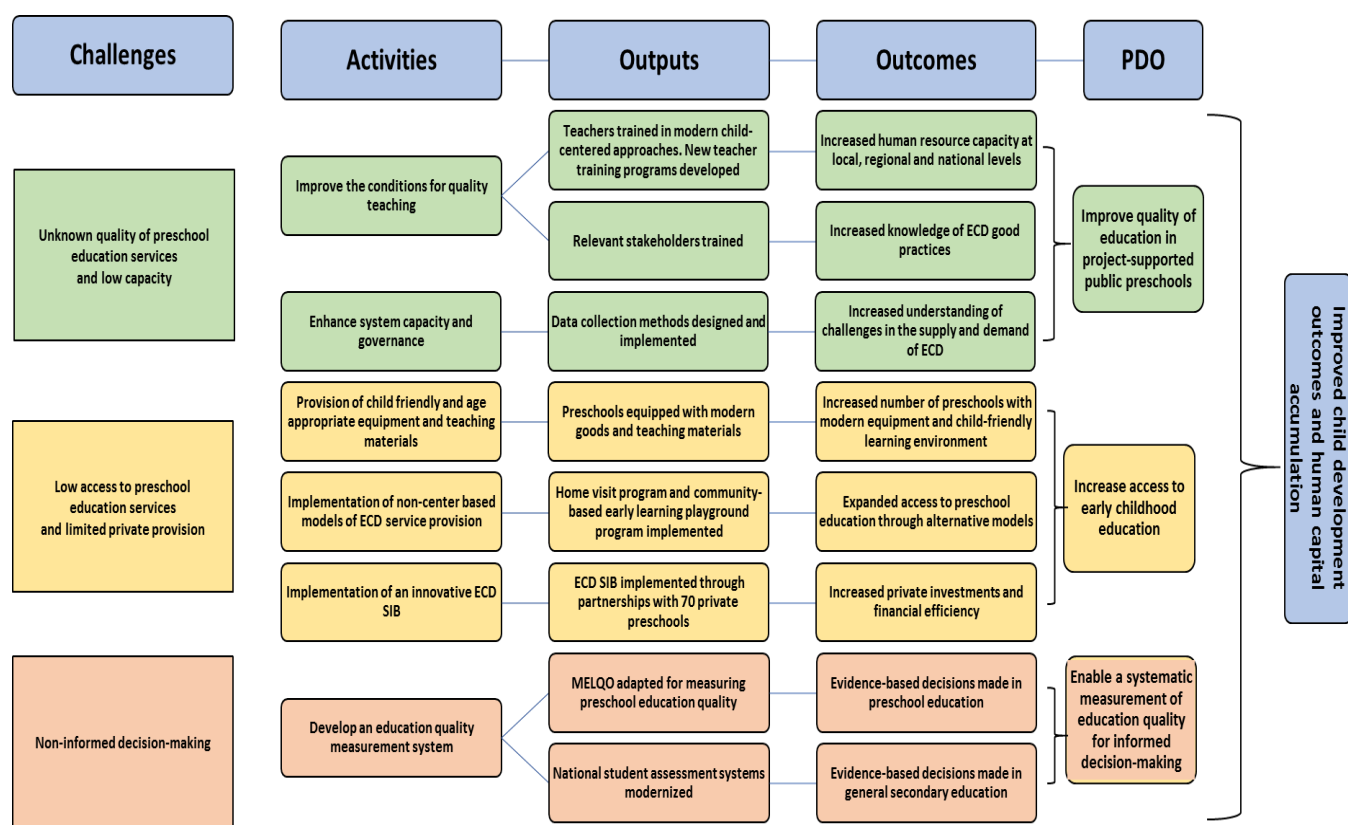
80. As far as education institutions are concerned, the proposed Project would enhance the capacity of the MPSE and its regional and district education departments, as well as SISQE and its regional branches. Thus, these institutions are also project beneficiaries.

²⁹ The cost of this car should not exceed US\$20,000.

D. Results Chain

81. The proposed Project's theory of change (see results chain below) is meant to address the problems of low access to early childhood education services, unknown quality of education, low institutional capacity, and non-informed decision-making, which hinder child development and human capital accumulation in Uzbekistan.

Figure 2. Results Chain



E. Rationale for Bank Involvement and Role of Partners

82. There are three main reasons that justify the World Bank's support in this Project. First, the World Bank has broad experience in supporting the implementation of activities to improve quality and access in preprimary education systems across the world and in ECA in particular. This experience will be valuable given Uzbekistan's ambitious plans to achieve universal enrollment in preschool for children ages 6-7 by 2021. Second, the World Bank is currently involved in supervising the implementation of the ongoing GPE-funded "Uzbekistan Improving Pre-Primary and General Secondary Education Project". The World Bank completed a study on *Improving Early Childhood Care and Education* in Uzbekistan, in 2013, which informed the design of the current GPE-financed Project. Additionally, the World Bank prepared an education sector analysis—including the preprimary education sub-sector—as an input to Uzbekistan's Education Sector Plan 2019-2023. The World Bank also has substantial experience supporting Uzbekistan's education sector in the past decade, including the previous Basic Education



Project Phase 2 (2009-2013), and the ongoing Modernizing Higher Education Project (2017-2022). Finally, the World Bank's task team working on the proposed Project has been working on innovative results-based financing approaches, such as social impact bond financing, to crowd in private financing for education.

F. Lessons Learned and Reflected in the Project Design

83. *Professional development approaches that give teachers opportunities to learn from one another, discuss practices and challenges with peers, and apply training content under a non-traditional model matter.* There is a growing recognition that approaches that offer hands-on support to teachers are valuable to change behavior and motivation, as well as develop skills. Lessons from the implementation of Dominican Republic Early Childhood Education Project show the benefits of pedagogical groups as a vehicle for teachers to share work strategies and reflect on pedagogical practices. In South Africa, a national ECD community of practice works collaboratively with the government to support early learning programs, teacher professional development and classroom-based practices. These lessons were taken into account for the design of interventions to improve preschool education quality under sub-component 1.1.

84. *Alternative models of early childhood development are effective approaches to increase access to preschool education services particularly in remote areas.* The results from the implementation of (i) Uzbekistan Improving Preprimary and General Secondary Education Project, (ii) Nicaragua Second Basic Education Project and (iii) Tajikistan Forth Global Partnership for Education Project show that alternative models of service provision, including community-based approaches are helpful alternatives to stimulating parental take-up of services and providing preschool education in remote areas. Experiences from home visiting programs in the Netherlands, New Zealand, France, USA, Haiti and Mexico show the relevance of this approach for a holist development of children. These lessons are reflected in the proposed home visiting and early learning playground programs supported through sub-component 2.2.

85. *Community-based approaches can help to raise awareness of the benefits of ECD and promote the demand for services.* The results from the implementation of (i) Indonesia Early Childhood Education and Development Project, (ii) Vietnam's Learning Clubs for Women's Health and Infant Development, (iii) Kenya's Mother-Child Baby Clubs, and (iv) United Kingdom's A Better Start Program, in addition to programs supporting children playgroups in Sweden, South Africa and Australia, were considered for the design of communication and awareness raising campaigns to be financed through sub-component 1.2, as well as the early learning playgroups supported by sub-component 2.2.

86. *Health workers can help with delivering messages to parents and promote early stimulation at home, taking advantage of synergies with existing health programs.* Existing evidence show that nurses and community health workers play an effective role in promoting children development and increasing their readiness for school. Lessons from Jamaica, Madagascar, Pakistan and Peru show the role that community health workers can play to foster early stimulation taking advantage of synergies with existing health programs. This lesson was considered for the design of the home visiting program under sub-component 2.2.

87. *Social Impact Bond is a helpful mechanism to crowd in private capital for investments in preschool education and build capacity of preschool systems. On the implementation side, the role of a lead contractor matters to ensure quality in services provision.* The experiences from a SIB in early childhood development in South Africa were taken into account for the proposed Project and design of component 3.



III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

88. Various Ministries share responsibilities for ECD in Uzbekistan, including the MPSE, Ministry of Higher and Secondary Specialized Education, and MoH. However, the MPSE plays the lead role in policymaking, strategic planning, and monitoring in/of ECD. Other agencies with roles and responsibilities in ECD in the country include the Ministry of Finance, and SISQE. The latter is responsible for quality measurement, attestation of preschool education staff, accreditation, and licensing of institutions.

89. The proposed Project would be implemented by the MPSE. The implementation of component 4 (education quality measurement system) would require close collaboration between MPSE and SISQE, given the nature of activities to be supported through this component.

90. The MPSE was recently established (September 2017) and has no experience with implementing projects support by the World Bank, though some of its staff were deeply involved in the implementation of the ongoing Uzbekistan Improving Preprimary and General Secondary Education Project under responsibility of the Ministry of Public Education. Thus, technical, managerial and fiduciary capacity would need to be strengthened for the MPSE to play the role of project implementing agency. In this regard, the proposed Project would finance the development and implementation of a capacity enhancement plan (see description of sub-component 1.2), which is expected to build the capacity gap on the technical and managerial fronts. Concerning the fiduciary capacity as well as project management roles and responsibilities, a PIU would be established within the MPSE and would be supported through the Project. The PIU shall include the following professionals (wider team): one Project Coordinator, one Preschool Education Specialist, one Financial Management Specialist, one Financial Management Assistant (with accounting expertise), one Procurement Specialist, one Procurement Assistant, one Monitoring and Evaluation Specialist, one Education Quality Measurement Specialist, one Citizen Engagement and Grievance Redress Specialist, and one Translator. 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. The selection of the PIU core staff should be done based on the Terms of Reference acceptable to the World Bank. The establishment of the PIU and the appointment of its core staff would be a project effectiveness condition. Additional information about the PIU is presented in Annex 1.

91. The PIU would be responsible for day-to-day project management activities including the project fiduciary function (financial management, disbursement and procurement) and those related to monitoring and evaluation, and reporting. The PIU will be responsible for the fiduciary functions under the SIB Component. The details of the financial management, disbursement and procurement arrangements for the SIB Component will be detailed in the SIBOM, and for the Project as whole, in the POM. The Project Coordinator would be the liaison officer between MPSE and the World Bank team to be responsible for the supervision of the proposed Project. He or she should report to the Project Director (MPSE's staff) to be appointed by the Minister of Preschool Education. MPSE's departments that would play a clear role in the implementation of the proposed Project include those responsible for (i) organization of preschool institutions, (ii) curriculum and teaching methodology, (iii) quality monitoring, (iv) material provision for preschools, (v) provision of managerial and teaching staff, (vi) children's health, and (vii) public-private partnerships.



B. Results Monitoring and Evaluation Arrangements

92. The PDO-level and intermediate results indicators would be monitored using the following sources and methodologies: (i) regular administrative data collection processes; (ii) surveys with beneficiaries; (iii) impact evaluation; (iv) other monitoring and evaluation studies; and (v) progress reports to be prepared by the PIU. In general, the PIU would be responsible for gathering the relevant reports and information from MPSE's representatives, regional and local authorities, and other relevant parties involved in the project implementation to monitor the PDO and results, and for communicating with the World Bank every six months. SIB's indicators and metrics would be monitored by an independent evaluator. The monitoring of indicators related to the GPE Multiplier Fund variable part would be conducted either by a capable government agency such as SISQE or an independently contracted private organization. The proposed Project would also support continued building of the MPSE's capacity to plan, monitor and evaluate policy and programs, especially with the use of Preschool Management Information System's data.

93. *Monitoring of equity, gender, and citizen engagement.* Monitoring of equity would be done through the measurement of the respective indicator for the variable part of the GPE Grant, as well as through the SIB. Gender and Citizen engagement would be monitored over the project implementation cycle by measuring gender perceptions, as well as the participation of parents of children aged 0 to 7 and civil society representatives in the pilot of the alternative models of ECD service provision (sub-component 2.2). Regarding the monitoring of gender, the focus would be on measuring perceptions on "shared" parental engagement in childcare and the role of men in ECD, as well as the level of participation of parents in the community-based program. Moreover, select project indicators would be monitored disaggregated by gender.

C. Sustainability

94. The GoU is committed to preschool education, as demonstrated by the approval of the Program for Further Improvement of the Preschool Education System 2017-2021 and other pieces of regulation mentioned in this PAD. The scale of this national program as well as its alignment with project-supported activities suggest that the project's objectives are sustainable. In addition to the Government's commitment to preschool education, the Project itself is addressing three factors that are critical to the sustainability of its development objectives. Firstly, data show that the enrolment rate in rural preschools increased by more than 50 percent when the half-day early childhood education model was introduced in Uzbekistan, in 2014. The proposal for a massive expansion of service provision to be supported by the Project builds on this model, which has been very successful in achieving its major goal. This model is, of course, more cost-effective and thereby more fiscally sustainable than the full-day model of service provision, which also contributes to the project's sustainability more broadly. Secondly, the proposal for partnerships with private providers for the expansion of access to early childhood education in urban areas, which is to be partially supported by the Project through its SIB, is expected to free up state budget for investments in currently underserved rural areas. By crowding in private resources, the Project contributes to the sustainability of the government's program for early childhood education and is aligned with the World Bank initiative to maximize finance for development. Thirdly, the component on the establishment of an education quality measurement system is aimed at providing reliable data for informed decision-making. This quality measurement system would enable more effective policymaking in education, which would contribute to the sustainability of the project's objectives. This system would also enable a more efficient resource allocation based on outcomes, rather than just inputs and historical trends, which would further contribute to fiscal sustainability.



IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

95. The economic analysis of the Project is designed to address the following four key questions regarding the proposed investment: (i) the Project's benefits; (ii) the rationale of public investment; (iii) the value-added of the World Bank's assistance; and (iv) the measurement of cost-benefit-ratio of project components. The main benefits of the Project as captured in the PDO statement and PDO indicators are expanded access and improved quality of early childhood education. Such benefits are expected to have significant and long-lasting social and economic benefits for children, their families, and society at large. Since the market for early childhood education services is not well-established in Uzbekistan and supply is limited, the proposed Project would play a critical role in addressing this market failure by expanding access to these services in rural areas, where there are limited or no incentives for private provision, while also improving quality of service delivery. The World Bank has broad experience in supporting the implementation of activities to improve quality and access in preprimary education systems across the world and in ECA in particular. Additionally, the World Bank has also recently finalized an in-depth education sector analysis—including the preprimary education sub-sector—as an input to Uzbekistan's forthcoming Education Sector Plan 2018-2022. Finally, the World Bank's task team working on the proposed Project has been working on innovative results-based financing approaches, such as social impact bond financing, to crowd in private financing for education.

96. The Project is expected to increase access to early childhood education and to improve quality of education in project-supported public preschools. The private benefits of the Project would accrue to its beneficiaries, including newly enrolled students in project-supported preschools and students already attending existing preschools who will benefit from improved facilities, equipment, teaching and learning materials, as well as improved teachers' competencies for child-centered approaches to teaching. Through project-supported activities, beneficiaries are expected to have improved academic achievement and educational attainment over the long-term, including greater likelihood of tertiary education completion as noted in the 2014 World Bank report on *The Skills Road: Skills for Employability in Uzbekistan*. This economic analysis measures the Project's anticipated benefits in the form of wage premia associated with greater educational attainment. Costs include project development costs between 2019 and 2025, as well as recurrent economic costs for operating half-day and full-day preschool places.

97. The Project is expected to have positive net benefits. The sensitivity analysis (see Table 3 below) performed confirms that the Project is a worthwhile investment even under different scenarios with a benefit-to-cost ratio ranging between 2 to 9 and an Internal Rate of Return between 9 and 12 percent, depending on the assumption of how many project beneficiary children will go on to complete tertiary education and earn the associated wage premium. This is consistent with international evidence on the economic benefits of early childhood education.

98. It is important to note that this economic analysis likely underestimates the true economic benefits of the Project. This analysis focuses on the quantifiable benefits associated with increasing access and improving the quality of preschool education. However, the Project is expected to support several institutional investments in the education system more broadly, such as the development of a system for measuring quality and the introduction of alternative pilot models for ECD service provision. These types of project-supported interventions are aimed to strengthening and diversifying preschool education at the systemic level but cannot be included in the economic analysis due to the difficulties in quantifying their benefits. For these reasons, the project's economic benefits as calculated below are likely underestimated.



Table 3. Sensitivity Analysis, Base Scenario

Discount Rate	NPV ³⁰ of Net Benefits (USD millions)	Benefit-to-cost ratio
Discount rate 3%	609.2	6.91
Discount rate 5%	305.2	4.00
Discount rate 6%	211.2	3.08

Table 4. Sensitivity Analysis, Low Scenario

Discount Rate	NPV of Net Benefits (USD millions)	Benefit-to-cost ratio
Discount rate 3%	372.9	4.61
Discount rate 5%	171.7	2.67
Discount rate 6%	109.7	2.05

Table 5. Sensitivity Analysis, High Scenario

Discount Rate	NPV of Net Benefits (USD millions)	Benefit-to-cost ratio
Discount rate 3%	845.4	9.21
Discount rate 5%	438.8	5.33
Discount rate 6%	312.8	4.10

B. Fiduciary

(i) Financial Management

99. The Financial Management risk of the proposed Project is deemed substantial, because of the overall current capacity of MPSE and its lack of experience with implementing World Bank-supported projects. MPSE's current financial management arrangements are considered acceptable for the project implementation. However, the MPSE shall hire one dedicated Financial Management (FM) Specialist and one Financial Management Assistant (with accounting expertise) for work with the PIU as a part of its core staff. These professionals should have experience on the applicable World Bank policies and procedures. The FM Specialist would be responsible for project budget planning and management. The budget would form the basis for allocating the funds according to the Project Implementation Plan to be part of the Project Operations Manual. The FM Assistant would be responsible for keeping accounting records for the Project in an accounting software acceptable to the World Bank, which would have a functionality for automatic generation of project financial reports (including Interim Unaudited Financial Reports) as well as Statement of Expenditures (SoEs). This system should be operational within 30 days of the project effectiveness date. The project accounting records would be maintained in accordance with the Cash Basis International Public Sector Accounting Standards (IPSAS). The project accounting records would be maintained in the currency of payment, as well as in USD equivalent. The accounting records shall include the necessary details, including all individual payments under each contract, balances and transactions from the Designated/Transit account. The establishment of the PIU and the appointment of its core staff would be a project effectiveness condition.

³⁰ Net Present Value (NPV)



100. The PIU should prepare and submit Interim Unaudited Financial Reports (IFR) to the World Bank every calendar quarter, starting with the quarter in which the first disbursement occurs. The format of IFRs would be agreed upon between the World Bank and MPSE, and should include (i) Project Sources and Uses of Funds, (ii) Uses of Funds by Project Activities, (iii) Project Balance Sheet, (iv) Designated Account Statement, and (v) a Statement of Expenditure Withdrawal Schedule. These financial reports should be submitted to the World Bank within 45 days after the end of each calendar quarter.

101. Two separate Designated Accounts (DAs) will be opened for the Project: (i) one for IDA funds to be disbursed under Components 1, 2, 4 and 5, as well as for consultancy services under Component 3 (but excluding results payment under SIB); and (ii) one for GPE funds to be disbursed under Component 1, 2, 4 and 5. These DAs will be opened in USD, in a commercial bank/financial institution acceptable to the World Bank. The SoE based disbursement would be applied for the Project, except for the SIB Component. The DAs' proposed ceilings would be provided in the Disbursement and Financial Information Letter (DFIL) and the Disbursement Letters (DLs).

102. The variable part of GPE Multiplier Fund that co-finances Sub-component 2.1 would require verification and confirmation of achievement of the underlying pre-agreed indicators' targets before the disbursement of the amount attached/allocated to each of these targets may take place (see details in Annex 2).

103. The reimbursement method would be used for the utilization of IDA and GPRBA funds for payments of SIB results. Disbursements related to Disbursement-Linked Indicators (DLIs) defined for the SIB component would be made based on simplified Interim Financial Report for SIB, which would indicate the annual and cumulative eligible expenditure level (in all periods this amount should be no less than the amount allocated for the achieved SIB results) and validated by an independent auditor. The format of such simplified Interim Financial Report for SIB would be provided in the SIBOM. The disbursements would be made upon achievement of each DLI of each cohort, and these arrangements shall be defined in the SIBOM. Investor's funds will be channeled to the lead contractor and SIB operators via dedicated accounts to be opened by the Lead contractor and each SIB Operator.

104. Project funds (for components/activities other than those for SIB results payment) would flow from the World Bank either (i) via the DAs, which would be replenished on the basis of SoEs, or (ii) on the basis of direct payment withdrawal applications, reimbursements and/or special commitments, received from the PIU. Withdrawal applications documenting funds utilized from the DAs will be sent to the World Bank at least every three months. The detailed instructions on withdrawal of Project funds would be provided in the DFIL and DLs.

105. The specific financial management arrangements, including flow of funds, controls and reporting under the SIB Component, as well as the DLI matrix will be detailed in the SIBOM acceptable to the World Bank.

106. The PIU should adopt internal controls to ensure reliable and adequate financial management and disbursement processes over the project implementation. These would include controls for safeguard of assets, segregation of duties, authorization of transactions, review and approval of invoices, and contract management. The internal control system to be used by the PIU as well as additional reporting and auditing requirements should be specified in detail in the POM.

107. Project Financial Statements audit should be conducted by (i) an independent private auditor acceptable to the World Bank, and based on Terms of Reference acceptable to the World Bank, and be procured by the MPSE



through the PIU, and (ii) in accordance to the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). The project audit should include the review of project financial statements and the internal controls adopted by the PIU.

108. The annual audits of the Project financial statements would be provided to the World Bank within six months since the end of each fiscal year, as well as at the Project closing. The cost of the project audits would be financed from the proceeds of the Project.

109. The Recipient would disclose the audit reports for the Project within one month of their receipt from the auditors and acceptance by the World Bank, by posting these reports on the official website of the Recipient. The World Bank would make these reports publicly available upon formal receipt of these documents, in according to the World Bank's Policy on Access to Information.

110. In addition to the audit of the project financial statements, and prior to making disbursements by the World Bank for SIB results payment, the actual level of Eligible Expenditures (see details in Annex 3) incurred under this Component would be validated by an independent auditor. The validation would be conducted based on Terms of Reference to be approved by the World Bank. The cost of this validation would be financed from the proceeds of the Project.

(ii) Procurement

111. **Applicable Procurement Framework.** The activities under the Project would be subject to the "Procurement Regulations". All procurement would be conducted through the procedures as specified in the World Bank's Procurement Regulations for Investment Project Financing Recipients - Procurement in Investment Project Financing Goods, Works, Non-Consulting and Consulting Services, dated July 2016, revised November 2017 and August 2018. The procurement and contract management processes will be tracked through the Systematic Tracking of Exchange in Procurement (STEP) System.

112. **Procurement Risks Assessment.** The overall procurement risk under the project was deemed high, based on the assessment of MPSE's procurement capacity carried out by the World Bank using the Procurement Risk Assessment and Management System (PRAMS). Key risks concerning procurement for implementation of the Project include systemic weaknesses in the areas of: (i) procurement capacity at the national level, which is low; (ii) MPSE's lack of experience with World Bank-funded projects implementation and procurement policy and regulations; (iii) accountability of procurement decision-making; (iv) lack of technical expertise in preparing specifications of goods (including equipment); and (v) complexity of procurement processes and internal decision-making that involves many government officials. Preliminary risk mitigation measures include the enhancement of the procurement capacity of MPSE to ensure efficient and timely implementation of the proposed Project. A full-time local Procurement Specialist would be hired through the proposed Project. The Procurement Specialist would be assisted by an experienced international Technical Expert/Consultant during the first two years of the project implementation, who will particularly assist with the preparation of technical specifications of the equipment and furniture for the related bidding documents. Another measures include: (i) ensuring a fair level of capacity for the MPSE and PIU to supervise the development of the SIB Documents and properly manage the implementation of the SIB Agreement; (ii) hiring of one qualified consultant with experience in SIB; (iii) training for new and current staff involved in the project implementation on World Bank's Procurement Regulations; (iv) detailed POM's chapter



on procurement, including description of decision-making processes and accountability; (v) putting in place an efficient contract management mechanism including for the management of the SIB Agreement.

113. Summary of Project Procurement Strategy for Development (PPSD). The PPSP has been developed by the counterparts, based on which (i) optimal procurement approaches have been determined and (ii) the Procurement Plan for the first 18 months of project implementation has been prepared and will be agreed by negotiations. The PPSP includes detailed market, procurement approaches, and procurement risks analysis along with corresponding risk mitigation measures. Market analysis was done for large value packages including: (i) the procurement of child-friendly equipment and furniture for preschools, (ii) procurement of printing equipment, (iii) large technical assistance and training activities, (iv) procurement of IT equipment (laptop computers and printers) to ensure connectivity, reporting capability, and efficient management of the Preschool Management Information System. The market analysis has confirmed the availability of relevant and relatively competitive markets (large number of manufacturers, suppliers and contractors) for key procurement packages. For Component 3, the PPSP highlights in a SWOT analysis key related risks that include the attractiveness of the SIB model proposed under the Project and the lack of MPSE's capacity for developing the SIB Documents and manage the SIB contractual and implementation processes. The PPSP and the Procurement Plan will be updated during project implementation to reflect any substantial changes in procurement approaches and methods to meet the actual project needs.

114. Procurement related to Social Impact Bonds. Component 3 of the Project would finance technical assistance for the preparation of the SIB Documents, which would be used by the GoU to select the SIB investor and subsequently sign the SIB Agreement. This technical assistance would also support the selection of the independent evaluator for the SIB. The procurement for these technical assistance activities would follow the World Bank's Procurement Regulations. This component would also finance the payment for SIB results, when and if they are achieved, verified, and certified by the independent evaluator. The selection process for the SIB investor would follow the fit-for-purpose procurement method permissible under the World Bank's Procurement Regulations. The potential investor should prepare a proposal, which would be the basis for the negotiation of the SIB Agreement with the GoU. The selection of the investor and the finalized SIB Agreement shall be subject to World Bank's prior review. The downstream procurement for the SIB implementation that will be carried out by the lead contractor. SIB operators would follow the applicable private sector commercial practices, which were assessed and found acceptable to the World Bank. These practices would be indicated in SIBOM. Furthermore, the project would also finance the cost of the independent evaluator, whose competitive selection would be done by the MPSE following World Bank's procedures.

115. Use of National Procurement Procedures: All contracts for goods, works and consultancy services following the national market approach shall use the procedures set out in the Public Procurement Law dated April 2018. The provisions of this law are broadly consistent with the requirements of the World Bank Procurement Regulations, Section V, paragraph 5.4, National Procurement Procedures subject to the conditions specified in the textual part of the Project Procurement Plan. The new public e-procurement system that the GoU intends to establish in the near future would be assessed by the World Bank. If this system is found acceptable, it would be used to conduct procurement under the Project for the type of methods and contract values that would be determined by the assessment.



C. Safeguards

(i) Environmental Safeguards

116. The proposed Project is classified as World Bank Environmental Category C and is not expected to trigger environmental safeguard policies. However, the project sub-component 2.1 – Improving Early Learning Environments would finance the purchase of modern child-friendly and age-appropriate furniture and indoor and outdoor recreation equipment, and thousands of laptop computers and printers for all existing public preschools; component 3 would also finance the procurement of similar equipment and furniture through the SIB. Therefore, the proposed Project would support the *preparation of an environmentally sound disposal plan for all mentioned electronic equipment* to ensure that this equipment will not cause environmental and health risks in future, when they become obsolete. Furthermore, the MPSE/PIU should ensure that selection of indoor and outdoor recreation equipment is made in accordance with the applicable safety and health standards and regulations, for children to enjoy and develop their skills in safe environments. Safety measures shall be observed, and safe installation of equipment should be ensured.

(ii) Social Safeguards

117. The proposed project activities are not expected to cause any physical or economic displacement. Moreover, these activities do not pose any direct risks or impacts related to labor issues in the agriculture sector. There would be no land acquisition nor temporary relocation related to the implementation of the Project. Project activities would support active citizen engagement approaches (see description of sub-component 2.2), a grievance redress mechanism, and the provision of training to preschool teachers and other pedagogical staff on labor rights.

(iii) Climate Change and Disaster Mitigation

118. Regarding climate change and disaster mitigation, project funds would finance (i) the review of existing regulations on climate and seismic resilience of preschool buildings, and (ii) the training of preschool teachers in natural hazard vulnerability and respective mitigation measures.

(iv) Gender and Citizen Engagement

119. The proposed Project is compliant with the World Bank's requirements on gender and citizen engagement. The Project will finance activities on gender and citizen engagement including (i) to addressing existing challenge on gender stereotype (gender norms) about childcare, and (ii) to implementing an Engaged ECD Pilot, under sub-component 2.2. Moreover, gender and citizen engagement would be monitored over the project implementation cycle according to the monitoring and evaluation arrangements mentioned in Section III.B of this document.

(v) Grievance Redress Mechanisms

120. An active Grievance Redress Mechanism (GRM) would be operated by the MPSE through the course of the project implementation. Project funds would finance the contract of an individual consultant to assist the MPSE's team with citizen engagement and GRM throughout the project implementation. GRM procedures would be defined in the POM.



121. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

V. KEY RISKS

122. *The overall project risk is rated Substantial* given the following two major facts: (i) the main project implementing agency is the newly established MPSE that has no experience with implementing projects supported by the World Bank, and whose general capacity is to be strengthened, and (ii) the innovative financing mechanisms embedded in the design of the SIB supported under component 3, as well as related to the utilization of the GPE Multiplier Fund variable part (co-financing of sub-component 2.1). To mitigate this risk, MPSE's capacity would be strengthened during project preparation, but mainly throughout project implementation. To address the challenges with the novelty of the mentioned financing mechanisms, the World Bank team responsible for supervising the project implementation would include a Senior RBF Specialist.

123. *Political and governance risk is rated Substantial.* The transformation of Uzbekistan's economy from a centrally planned model to a market economy poses potential political shifts that could threaten this transition. Following the devaluation of the local currency, for instance, State-owned enterprises, especially large ones, need support and changes to become sustainable, with the added political and governance risks due to potential layoffs and loss in credibility. However, Government authorities are aware of this risk and are utilizing a continuous consultation process and raising awareness on key policy measures. The GoU's commitment to the reforms through several prior actions including foreign exchange rate liberalization, increased coverage of safety nets, and State-owned enterprises reforms can also help to control the political and governance risks by increasing the safety net of the vulnerable groups. This risk would be also mitigated by the GoU together with the World Bank and other development partners and stakeholders to continuously assess policy reforms, provide advice on the sequencing and pace of reforms, and provide hands-on support to address capacity limitations through technical assistance. On the project design, potential coordination challenges both horizontal and vertical are foreseen due to the multi-sectoral nature of key Project components.

124. *Macroeconomic risk is rated Substantial* due to vulnerabilities in the financial sector and State-owned enterprises. This risk stem from both external and domestic factors. On the external side, the uncertainties related to both nominal and real demand shocks for Uzbek exports may have a strong negative impact on growth; exaggerated by the high concentration of exports in China and Russia. Importantly, on the domestic side, and following the sharp devaluation, State-owned enterprises, which still represent the largest share of the economy, and the banking sector suffered valuation losses on their balance sheets. Given that banks and State-owned enterprises had enjoyed government support, the change will raise risks. The banking sector could be affected by weak growth and State-owned enterprises performance, particularly in view if the sizeable amount of directed lending in their portfolios. Price and exchange rate liberalization may lead to high inflation in the medium run which,



in turn, may require larger than expected contractionary fiscal and monetary policies. To mitigate this risk, the GoU should (i) strengthen fiscal sustainability through reductions in transfers and preferential lending, and (ii) enhance the investment climate to support the broader reform agenda.

125. *Sector strategy and policies risk is rated Moderate.* The GoU has been reforming Uzbekistan's preschool education system since 2017 with strategic goals to increase access in a short period. These reforms are reflected in the draft Education Sector Plan for 2018-2022 that is under development. The GoU is aware of the importance of ensuring that this expansion of services provision is not done to the detriment of quality. Through the proposed Project component 1, quality improvement activities would be implemented to mitigate this risk.

126. *Project technical design risk is rated Substantial* mainly because of the (i) innovations pertaining to the proposed SIB, (ii) requirements for co-financing from the GPE Multiplier Fund variable part, and (iii) multi-sectoral activities supported through sub-component 2.2. To mitigate this risk, the World Bank has been explaining all relevant features of impact financing embedded in the SIB to relevant GoU's representatives of MPSE, Ministry of Finance, Ministry of Economy and Industry, and Ministry of Investments and Foreign and Trade. The risks with the novelties introduced by the SIB and GPE Multiplier Fund would be mitigated at implementation stage by the support from a RBF Specialist to be part of the World Bank task team. The establishment of a forum for key stakeholders to debate on the holist ECD interventions supported by the Project is expected to mitigate the multi-sectoral risk in reference.

127. Concerning the SIB, there is a risk associated to the key players to be involved in the implementation of this mechanism, namely the lead contractor, independent evaluator, and private preschools. There is a risk that the institutional capacity of these players to deliver quality preschool education services and achieve the agreed upon results is sub-optimal. To mitigate this risk, the World Bank is working closely with the GoU to design the ECD SIB according to best international practices and pre-identify potential candidates to play the roles of lead contractor and independent evaluator, either from Uzbekistan or abroad. During the implementation phase, this risk would be mitigated by the carrying out of SIB-supported activities aimed at strengthening the institutional capacity of all actors involved in the implementation of the proposed SIB.

128. *Institutional capacity for implementation and sustainability risk is rated Substantial.* At present, Uzbekistan's education sector is going through relevant reforms covering the entire spectrum from preschool to higher education. As part of these reforms, the GoU established the MPSE in September 2017. As mentioned above, this Ministry would be the main project implementing agency. The fragmented governance of Uzbekistan's education system with its three Ministries, as well as the fact that the MPSE is so new could pose risks to the implementation and sustainability of the proposed Project. This risk will be mitigated with project support to capacity strengthening activities (sub-component 1.2), and World Bank's implementation supervision support (see Annex 1).

129. *Fiduciary risk is rated High.* Given the MPSE's lack of experience implementing World Bank-financed projects, and the fact that the required financial management and procurement capacity needs to be improved with the hiring of dedicated specialists with relevant knowledge and experience in the World Bank policies and procedures, the fiduciary risk for the proposed Project is deemed high. To mitigate the risk, the PIU would hire qualified full-time Procurement and FM Specialists to be assigned to the project. An experienced international Procurement Specialist would be also hired to provide the PIU with targeted assistance in procurement during the first two years of the implementation.



130. *Environmental and social risk is rated Low.* The Project will not finance any civil works. No environmental safeguard policies have been triggered, and the environmental risk for the proposed Project is rated low. The Project would support the preparation of an environmentally sound disposal plan for all electronic equipment to be procured with its funds to ensure that this equipment will not cause environmental and health risks when they become obsolete. Furthermore, the MPSE should ensure that the selection of indoor and outdoor recreation equipment to be procured through the Project is done in compliance with all applicable safety and health standards, so children can enjoy them and develop their skills in safe environments. A safe installation of this equipment should be ensured. Although MPSE has no experience with implementing World Bank-supported projects, social safeguards risks or potential adverse of the Project are minimal or non-existent. No social safeguards have been triggered for the proposed Project.

131. *Stakeholder risk is rated Substantial.* The Government's plans to expand ECD service provision relies heavily on the participation of and coordination between various public and private stakeholders and national and local levels. While political commitment to ECD is high, stakeholder coordination and commitment is limited or unknown, which poses a potential risk. This risk will be mitigated by holding systematic consultation and stakeholder engagement throughout the implementation period.



VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Uzbekistan

Promoting Early Childhood Development Project

Project Development Objectives(s)

The project development objectives are to increase access to early childhood education, improve the quality of learning environments in selected public preschools, and enable a systematic measurement of education quality for informed decision-making.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
To increase access to early childhood education			
Enrollment of children ages 3-7 in preschools (Percentage)		30.00	40.00
To improve quality of learning environments in selected public preschools			
Public preschools with high-quality learning environments (Percentage)		0.00	30.00
To enable a systematic education quality measurement for informed decision-making			
Preschool education quality measurement system (Text)		A system to measure preschool education quality does not exist	Systematic measurements of preschool education quality produced by the new quality assessment system are used to inform plans or policies
General secondary education quality measurement system (Text)		A system to measure general secondary education quality under a systematic approach does not exist	Systematic measurements of general secondary education quality produced by the new quality assessment system are used to inform plans or policies



Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Improving Quality in Preschool Education			
Preschool teachers trained in child-centered approaches and other ECD-related topics through the Project (Number)		0.00	14,000.00
Policy framework for professional development in preschool education (Text)		Policy framework for professional development in preschool education does not exist	Policy framework for professional development in preschool education is approved by the Government of Uzbekistan
Staff of central, regional and local level preschool education institutions trained through the Project (Number)		0.00	5,600.00
Families' awareness about the importance of early childhood development (Percentage)		0.00	50.00
Stakeholder forums conducted in support of cross-sectoral coordination for holistic ECD initiatives (Number)		0.00	4.00
Increasing Access to Quality Early Learning Environments			
New children aged 3-7 enrolled in better equipped preschools (Number)		0.00	1,080,000.00
New female children aged 3-7 enrolled in better equipped preschools (Number)		0.00	540,000.00
Better equipped preschool classrooms (Number)		0.00	10,800.00
Families benefitting from home visits supported by the Project (Number)		0.00	800.00
Early learning playgroups implemented through the Project (Number)		0.00	80.00
Evaluation of alternative models of ECD service provision (Text)		Evaluation of alternative models has not been carried out	Results from an evaluation of alternative models are used to inform decisions
Perception of change in gender norms of parents benefiting from the community-based program (Percentage)		0.00	30.00
Beneficiary feedback managed through the Engaged ECD Pilot		Engaged ECD Pilot does not exist and does not manage	Beneficiary feedback collected through Engaged ECD Pilot



Indicator Name	DLI	Baseline	End Target
(Text)		beneficiary feedback	is used to inform decisions
Partnering with the Private Sector through a Social Impact Bond			
Lead contractor and independent evaluator (Text)		Lead contractor and independent evaluator are not identified	Lead contractor and independent evaluator are hired and playing their roles as defined in the SIB Operations Manual
Operating SIB preschools (Number)		0.00	140.00
Establishing an Education Quality Measurement System			
National center for education quality monitoring and measuring (Text)		A national center for education quality monitoring and measuring does not exist	A national center for education quality monitoring and measuring is established and operational
Existing national assessments of student learning outcomes (Text)		Existing national assessments of student learning outcomes are not aligned with international good practices, are not standardized, and are not used under a systematic approach	Completion of an action plan for reviewing and modernizing existing national assessments of student learning outcomes

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Enrollment of children ages 3-7 in preschools	Nationwide average net enrollment rate in preschool education. The baseline and final targets refer to enrollment in preschools that (would) benefit from the Project.	Semi-annual measurement	PMIS	Data on enrollment would be collected through EMIS on a daily basis. Enrollment rate to be measured twice per year.	MPSE



Public preschools with high-quality learning environments	Proportion of public preschools supported by the Project that have learning environments assessed as high-quality according to MELE scale. The definition of high-quality learning environments shall be clear and included in the POM for this indicator to be precisely measured.	Annual measurement	MPSE's quality measurement system	MELE instrument should be used to measure the quality of learning environments in a representative sample of public preschools benefiting from the Project	MPSE
Preschool education quality measurement system	This indicator describes the status of the preschool education quality measurement system	Semi-annual measurement	Reports and documents of State Inspection for Supervision of Quality of Education (SISQE)	Surveys and assessments of quality of preschool education	MPSE's Department for Quality Assurance of Educational Process and of Spiritual-Enlightenment Education with assistance from SISQE
General secondary education quality measurement system	This indicator describes the status of the general secondary education quality measurement system	Semi-annual measurement	Reports and documents of SISQE	Surveys and assessments of quality of general secondary education	MPSE's Department for Quality Assurance of Educational Process and of Spiritual-Enlightenment Education with assistance from SISQE



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Preschool teachers trained in child-centered approaches and other ECD-related topics through the Project	Number of public preschool education teachers training through the Project in child-centered approaches and other ECD-related topics	Semi-annual measurement	MPSE's reports and documents	MPSE's staff will analyze lists of participation in teacher training activities financed by the Project	MPSE
Policy framework for professional development in preschool education	This indicator describes the status of the policy framework for professional development in preschool education	Semi-annual measurement	MPSE's reports and documents	Status of policy framework for professional development in preschool education to be monitored by the MPSE on a regular basis	MPSE's Main Department for Organization of Activities of Preschools
Staff of central, regional and local level preschool education institutions trained through the Project	Number of staff of central, regional and local level preschool education institutions trained through the Project [end target TBD, and type of indicator to change to number, at appraisal]	Semi-annual measurement	MPSE's reports and documents	MPSE's staff will analyze lists of participation in capacity building activities financed by the Project	MPSE's Department for Development of Educational-Methodological Complexes and for Organizing Methodological Service
Families' awareness about the importance of early childhood development	This indicator measures the increase in the awareness of families about the importance of early	Baseline survey in 2020 and follow-up	Surveys to be carried out under the Project	Two surveys to measure the awareness of families of children aged 0 to 7 about the	MPSE with assistance of consultant(s) to be hired through the Project to design and run the



	childhood development	survey in 2023		importance of early childhood development. The methodology should be proposed by a consultant to be hired through the Project.	surveys
Stakeholder forums conducted in support of cross-sectoral coordination for holistic ECD initiatives	This indicator measures the number of project supported stakeholder forums conducted in support of cross-sectoral coordination for holistic ECD initiatives	Annual measurement	MPSE's reports and documents	Status of project supported stakeholder forums conducted in support of cross-sectoral coordination for holistic ECD initiatives to be monitored by the MPSE on a regular basis	MPSE's Main Department for Organization of Activities of Preschools
New children aged 3-7 enrolled in better equipped preschools	This indicator measure the number of new children aged 3-7 enrolled in better equipped preschools. Better equipped preschools are those that benefited from modern and child-friendly equipment, furniture, and teaching and learning materials procured with project funds. New children enrolled are those enrolled after the effectiveness of the Project.	Semi-annual measurement	PMIS	MPSE will analyze enrollment data produced by PMIS	MPSE's Main Department for Organization of Activities of Preschools



New female children aged 3-7 enrolled in better equipped preschools	This indicator measure the number of new female children aged 3-7 enrolled in better equipped preschools. Better equipped preschools are those that benefited from modern and child-friendly equipment, furniture, and teaching and learning materials procured with project funds. New female children enrolled are those enrolled after the effectiveness of the Project.	Semi-annual measurement	PMIS	MPSE will analyze enrollment data disaggregated by gender produced by PMIS	MPSE's Main Department for Organization of Activities of Preschools
Better equipped preschool classrooms	This indicator measures the number of better equipped preschool classrooms. Better equipped preschool classrooms are those that benefited from modern and child-friendly equipment, furniture, and teaching and learning materials procured with project funds.	Semi-annual measurement	MPSE's reports and documents	MPSE would monitor the distribution of modern and child-friendly equipment, furniture, and teaching and learning materials procured through the Project on a regular basis	MPSE's Main Department for Organization of Activities of Preschools
Families benefitting from home visits supported by the Project	This indicator measures the number of families benefiting from the home visiting program supported by the Project.	Semi-annual measurement	MPSE's reports and documents	MPSE would monitor the number of families benefiting from the Project-supported home visiting program on a regular basis. Early Learning Hub Coordinators would be	MPSE's Department for Development of Educational-Methodological Complexes and for Organizing Methodological Service



				responsible for data consolidation and sharing with MPSE.	
Early learning playgroups implemented through the Project	This indicator measures the number of early learning playgroups implemented through the Project.	Semi-annual measurement	MPSE's reports and documents	MPSE would monitor the number of Project-supported early learning playgroups on a regular basis. Early Learning Hub Coordinators would be responsible for data consolidation and sharing with MPSE.	MPSE's Department for Development of Educational-Methodological Complexes and for Organizing Methodological Service
Evaluation of alternative models of ECD service provision	This indicator measures the status of the evaluation of alternative models of ECD service provision supported by the Project.	To be determined by a consultant to be hired through the Project. It will be part of the methodology.	Impact evaluation of alternative models to be carried by consultant(s) through the Project.	Methodology for the impact evaluation of alternative models to be defined by a consultant hired through the Project. The questions that this impact evaluation should respond would include the impact of project-supported alternative models on enrollment rates and awareness of parents.	MPSE's Main Department for Organization of Activities of Preschools
Perception of change in gender norms of parents benefiting from the community-	This indicator measures the perception of change in	Baseline survey in	Surveys to be carried out	Two surveys to measure the perception	MPSE with assistance of consultant(s) to be



based program	shared parental (of both fathers and mothers) engagement in the community-based program (early learning playgroups), including the role of men in this type of program	2020 and follow-up survey in 2023	under the Project	of change in shared parental engagement in the community-based program over the course of the project implementation. The methodology should be proposed by a consultant to be hired through the Project.	hired through the Project to design and run the surveys
Beneficiary feedback managed through the Engaged ECD Pilot	This indicator describes the status of the management of beneficiary feedback collected through the project-supported Engaged ECD Pilot	Semi-annual measurement	Dedicated technological citizen engagement platform	Status of management of beneficiary feedback to be monitored by the MPSE on a regular basis	MPSE with assistance of individual consultant for citizen engagement support who will be hired through the Project
Lead contractor and independent evaluator	This indicator describes the operational status of two key SIB players: the lead contractor and the independent evaluator	Quarterly measurements	MPSE's reports and documents	Operational status of lead contractor and independent evaluator to be monitored by the MPSE on a regular basis	MPSE's Department for Organization of Activities of Preschools Based on Public-Private Partnerships
Operating SIB preschools	This indicator measures the number of operating SIB preschools	Quarterly measurement	MPSE's reports and documents	The lead contractor will monitor the operation of SIB preschools on a regular basis and inform the MPSE accordingly	MPSE's Department for Organization of Activities of Preschools Based on Public-Private Partnerships with assistance of lead contractor



National center for education quality monitoring and measuring	This indicator describes the status of the national center for education quality monitoring and measuring	Semi-annual measurement	Reports and documents of SISQE	Status of national center for education quality monitoring and measuring to be monitored by MPSE and SISQE on a regular basis	MPSE's Department for Quality Assurance of Educational Process and of Spiritual-Enlightenment Education with assistance from SISQE
Existing national assessments of student learning outcomes	This indicator describes the status of existing national assessments of student learning outcomes	Semi-annual measurement	Reports and documents of SISQE	Status of existing national assessments of student learning outcomes to be monitored by MPSE and SISQE on a regular basis. Technical assistance should be financed through the proposed Project to develop an action plan to review and modernize the existing national assessments.	MPSE's Department for Quality Assurance of Educational Process and of Spiritual-Enlightenment Education with assistance from SISQE



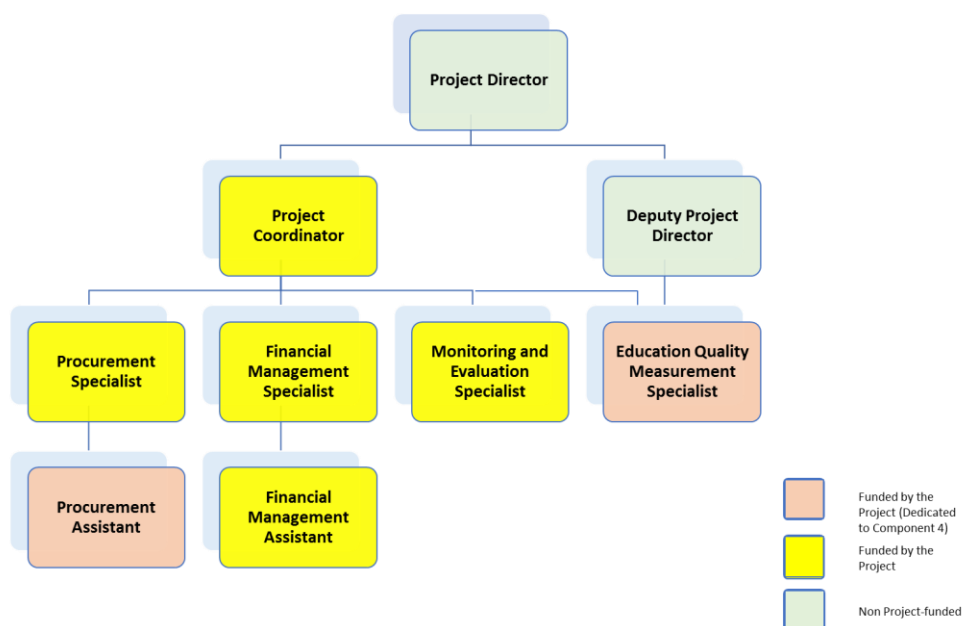
ANNEX 1: Implementation Arrangements and Support Plan

I. Institutional and Implementation Arrangements

1. The proposed Project would be implemented by the MPSE. The implementation of component 4 (education quality measurement system) would require close collaboration between MPSE and SISQE, given the nature of activities to be supported through this component.
2. The MPSE was recently established (September 2017) and has no experience with implementing projects support by the World Bank, though some of its staff were deeply involved in the implementation of the ongoing Uzbekistan Improving Preprimary and General Secondary Education Project under responsibility of the Ministry of Public Education. Thus, technical, managerial and fiduciary capacity would need to be strengthened for MPSE to play the role of project implementing agency. In this regard, the proposed Project would finance the development and implementation of a capacity enhancement plan (see description of sub-component 1.2), which is expected to build the capacity gap on the technical and managerial fronts.
3. Concerning the fiduciary capacity as well as project management roles and responsibilities, a PIU would be established within the MPSE and would be supported through the Project. The PIU would be responsible for day-to-day project management activities including the project fiduciary function (financial management, disbursement and procurement) and those related to monitoring and evaluation, and reporting. The PIU would be responsible for the fiduciary function under the SIB Component. The details of the financial management and procurement arrangements under the Project would be specified in the POM. For the SIB Component, these arrangements would be defined in the SIBOM. No PIU member will work in any regional branches, given that all payments, contracting and procurement will be managed at central level. The PIU will collect and consolidate relevant financial and non-financial project information through MPSE's units in the regions.
4. The PIU shall have the following minimum professionals (core team): one Project Coordinator, one Education Quality Measurement Specialist, one Financial Management Specialist, one Financial Management Assistant, one Procurement Specialist, one Procurement Assistant (dedicated to Component 4) and one Monitoring and Evaluation Specialist (see diagram below). In addition to these professionals, the PIU shall hire as many individual consultants as needed (e.g. Preschool Education Specialist, Translator, Citizen Engagement and Grievance Redress Specialist) to help with the implementation of specific project activities over the course of the implementation. The selection of the PIU core staff should be done based on the Terms of Reference acceptable to the World Bank.
5. The Project Coordinator would be the liaison officer between MPSE and the World Bank team to be responsible for the supervision of the proposed Project. He or she should report to the Project Director (MPSE's staff) to be appointed by the Minister of Preschool Education. A Deputy Project Director would oversee the implementation of Component



Figure 3. Core Project Implementation Unit



Financial Management

6. FM arrangements for the proposed Project require that relevant risk mitigation measures are addressed prior to the project effectiveness (see matrix below). The FM risk, after mitigation measures (as per the below action plan), is “Substantial”, at this stage, because of overall current capacity of MPSE and its lack of experience with implementing World Bank-supported projects. The PIU would include qualified FM Specialist and FM Assistant (with experience in accounting), to be responsible for setting-up all needed financial, internal control and accounting procedures for the project implementation. The FM Specialist and FM Assistant should attend World Bank-supported learning and capacity development resources (workshops, seminars among other initiatives). The World Bank would provide FM support to the MPSE/PIU at the initial stage of project implementation.

Measure	Responsibility	Due Date
Establish the PIU with the required professionals (including one FM Specialist and one FM Assistant with accounting expertise) to be hired in accordance with Terms of Reference acceptable to the World Bank	MPSE	Prior to effectiveness
Develop and adopt the Project Operations Manual, satisfactory to the World Bank, which shall include a chapter on Financial Management (including requirements and procedures on budgeting and planning, accounting, internal controls, funds flow, financial reporting and auditing, and disbursement)	MPSE	Prior to effectiveness
Install a fully functional accounting software which would have at least a functionality for automatic generation of Project financial reports (including IFRs) as well as Statement of Expenditures (SoEs)	MPSE and PIU	Dated covenant (within 30 days from effectiveness)



Develop and adopt SIBOM defining the financial managements arrangements, including flow of funds, controls and reporting under SIB component, as well as SIB Documents, satisfactory to the World Bank.	MPSE	Disbursement condition for results payment under the SIB component
Hire the Lead Contractor acceptable to the World Bank	Private investor	Disbursement condition for results payment under the SIB Component

7. The PIU should follow budgeting, accounting and reporting procedures in accordance with the National Accounting Standards, as well as procedures and policies on budget management developed by the Ministry of Finance. The PIU shall ensure compliance with FM and disbursement requirements defined by the World Bank in all applicable documents, including the Loan Handbook for World Bank Borrowers (February 2017) and Disbursement Guidelines for Investment Project Financing (February 2017).

8. The PIU should prepare annual budget based on the Project Implementation and Procurement Plans, as well as operating expenses estimations. This annual budget should be submitted to the MPSE and Ministry of Finance for approval. The Project Coordinator and FM Specialist would be responsible for the preparation, planning and execution of the project budget. The project budget would form the basis for funds allocation. Based on agreed budget, the PIU would be entitled to use funds from the Designated Account.

9. The PIU through its FM Specialist would be in charge of keeping accounting records for the Project and would keep its accounting records in the accounting system to be installed by the date mentioned in the matrix above. The project accounting records should be maintained in accordance with the Cash Basis International Public Sector Accounting Standards (IPSAS). At the same time, the PIU would apply accrual basis accounting to reporting with respect to state agencies. This system would allow fully automated accounting and reporting, including automatic generation of Statements of Expenditure, IFR, and other reports required by the applicable national legislation. The accounting system should have functionalities to ensure data security, integrity, and reliability.

10. The accounting records would be maintained in the currency of payment, as well as in USD equivalent, applying the actual exchange rate used at the currency conversion. Accounting records should include the necessary detail, including all individual payments under each contract, balances and transactions from the Designated/Transit Account.

11. The PIU should prepare and submit IFR to the World Bank every calendar quarter, starting with the quarter in which the first disbursement occurs. The format of IFRs should be agreed upon between the World Bank and MPSE; it should include reports on: (i) Project Sources and Uses of Funds, (ii) Uses of Funds by Project Activities, (iii) Project Balance Sheet, (iv) Designated Account Statement, and (v) a Statement of Expenditure Withdrawal Schedule. IFRs shall be generated by the project accounting software. These financial reports shall be submitted to the World Bank within 45 days after the end of each calendar quarter.

12. The PIU shall establish an internal control system capable of providing reliable and adequate controls over financial management and disbursement processes and procedures. These include control for safeguard of assets,



segregation of duties, authorization of transactions, review and approval of invoices, and contract management, among others. The internal control system to be used by the PIU, and additional reporting and auditing requirements should be specified in detail in the POM. It is important to mention that the MPSE has an internal audit unit that conducts internal audits over MPSE's functional divisions and their activities. The PIU would be subject to the MPSE's internal audit function checks. Additionally, the PIU could be subject to the checks and inspections by the state authorities, as required by laws and regulations.

13. Project Financial Statements audits shall be conducted (i) by independent private auditors acceptable to the World Bank, based on Terms of Reference acceptable to the World Bank, and be procured by the MPSE through the PIU, and (ii) according to the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). The project audit will include audit of project financial statements and review of the internal controls of the PIU.

14. The annual audits of Project Financial Statements shall be provided to the World Bank within six months since the end of each fiscal year, as well as at the Project closing. The cost of the Project audit would be financed from the proceeds of the Project.

15. The audited project financial statements should be disclosed to the public in a manner acceptable to the World Bank. Following the World Bank's formal receipt of each project audit report from the MPSE, the World Bank would make it available to the public in accordance with the World Bank's Policy on Access to Information. Project audits would be financed by the Project.

16. In addition to the audit of the project financial statements, and prior to making disbursements by the World Bank under the SIB Component against achieved DLIs, the actual level of Eligible Expenditures incurred under this component shall be validated by an independent auditor. This validation would be conducted based on Terms of Reference agreed with the World Bank. The costs of this validation would be financed from the proceeds of the Project.

Disbursement Arrangements

17. The PIU would be in charge of planning and managing project disbursements, as well as preparation and submission of withdrawal applications to the World Bank. For this purpose, the PIU shall have access to the World Bank's Client Connection platform. Given the lack of experience at the PIU in the World Bank disbursement procedures, the PIU would hire the abovementioned FM experts with relevant knowledge and experience.

18. Two separate DAs would be opened under the Project: (i) one for IDA Credit funds to be disbursed under Component 1, 2, 4 and 5, as well as for consultancy services under Component 3 (but excluding results payment under the SIB), and (i) one for GPE funds to be disbursed under Component 1, 2, 4 and 5. These DAs would be opened in USD, in a commercial bank/financial institution acceptable to the World Bank. The SoE based disbursement method would be applied for the Project (except for the SIB). The DAs' proposed ceilings would be provided in the DFIL and DLs.

19. The variable part of GPE Multiplier Fund that co-finances Sub-component 2.1 would require verification and confirmation of the achievement of the underlying pre-agreed indicators' targets. This verification and confirmation should be done before the disbursement of the amount attached/allocated to each of these targets may take



place. This would be regulated through a “disbursement condition” mechanism, following a prescribed World Bank Operations Policy and Country Services’ procedure to preparing and sending an official notice signed by the Country Management Unit once the condition has been met, to trigger the disbursement. The underlying eligible expenditures for this Sub-component would be goods to equip project public preschools. The procurement of these goods would initiate upon the achievement of the above-mentioned targets.

20. The reimbursement method would be applied for the utilization of IDA and GPRBA funds for payments for SIB results. The disbursements under the DLIs for SIB component would be made based on simplified Interim Financial Report for SIB, which would indicate the annual and cumulative eligible expenditure level (in all periods, this amount should be no less than the amount allocated for the achieved SIB results), and validated by an independent auditor. The format of such simplified Interim Financial Report will be provided in the SIBOM. The disbursements would be made per achievement of each DLI of each cohort to be defined in the SIBOM. Investor’s funds would be channeled to the lead contractor and SIB operators via dedicated accounts to be opened by the Lead contractor and each SIB Operator.

21. Project funds (for components/activities other than those under the SIB Component) would flow from the World Bank either (i) via the DAs, which will be replenished on the basis of SoEs, or (ii) on the basis of direct payment withdrawal applications, reimbursements and/or special commitments, received from the PIU. Withdrawal applications documenting funds utilized from the DAs will be sent to the World Bank at least every three months. The detailed instructions on withdrawal of Project proceeds are provided in the DFIL and DLs.

22. The specific financial management arrangements, including flow of funds, controls and reporting under the SIB Component, as well as the DLI matrix will be detailed in the SIBOM acceptable to the World Bank. DLI would be defined in the areas of access, equity and quality.

Procurement

23. **Procurement Supervision and Post Review.** Routine procurement reviews and supervision will be provided by the World Bank Procurement Specialist. Two supervision missions are expected to take place every year, during which ex-post reviews will be conducted for the contracts that are not subject to World Bank prior review on a sample basis (20 percent of the total number of contracts). One ex-post review report will be prepared per fiscal year, including findings of physical inspections for not less than 10 percent of the contracts awarded during the review period.

24. **Procurement Risk Management Plan.** The PPSD addresses how procurement activities will support the development objectives of the Project and deliver the best value for money under a risk-based approach. Based on the procurement risk analysis conducted as part of the PPSD, the following risk management plan was also prepared to inform a procurement approach that considers the ability of the Borrower to manage such identified risks:



Identified risk	Risk description	Description of proposed mitigation through procurement process	Risk owner	Procurement process stage
Poor and noncompliant implementation of project procurement	Lack of experience with World Bank-funded projects and lack of familiarization with World Bank's procurement Policy and Regulations	Strengthen MPSE's capacity by hiring a full-time local Procurement Specialist. Also, providing intensive trainings, seminars and pre-bidding conferences on procurement process for the staff of MPSE, PIU and potential bidders	Borrower	All project implementation cycle
Technical specifications are inadequate	Limited expertise of the Borrower to develop technical specifications	The PIU Procurement Specialist would be assisted by an experienced international Technical Expert/Consultant during the first two years of the implementation. This is meant to support the PIU in preparation of technical specifications. Moreover, conducting market survey before the preparation of technical specifications and preparation of bidding documents.	Borrower	Preparation of procurement documents
Contract management risks	At contract management stage much more attention to timely implementation of contract duties, though suppliers provide the Performance Security on proper time and proper form.	Implementing timely contract progress monitoring, carefully checking the duration of the Performance Guarantee and applicable form. Particular attention should be paid to the set-up and management of the SIB Agreement	Borrower	Contract management
Procurement and implementation delays	There is a risk of procurement & implementation delay which is manageable through implementing appropriate mitigation measures	<ul style="list-style-type: none"> - Implement timely project progress monitoring and evaluation tools - Clear roles and responsibilities of parties concerned and project stakeholders 	Borrower	Preparation of procurement documents, bid evaluation and contract management
Disruption in upstream supply chain	Transportation of goods and services from their source to the destination has limited options, because Uzbekistan is a landlocked country with limited regional connectivity	Undertake market engagement with potential bidders/suppliers to understand how supply chain operates in the market or in the region.	Borrower	Contract management



Limited project management capacity of the Project Implementation Agency/Unit	The level of qualification and experience of the project implementing team has a direct effect on project success	Composition of qualified project implementation team	Borrower	Project implementation
Staff turnover	High level of staff turnover affects capacity of project implementing team	Introducing financial and social incentives to keep trained and qualified staff throughout the project period. To hire a Procurement Assistant in addition to the Procurement Specialist of the PIU	Borrower	Project implementation
Evaluated prices of bids exceeding the estimate and causing cost overrun	There is a risk for bids to come in at levels higher than the feasibility estimates, partly due to the inflation rate and devaluation of local currency, which leads to increase in cost of locally manufactured materials.	Overall project budget shall have contingency budget line, which can be allocated in the case of shortage of funds	Borrower	Project preparation

II. Implementation Support Plan

25. The strategy for supporting the implementation of the Proposed Project is based on the following three approaches: (i) provision of systematic fiduciary oversight throughout the implementation period, (ii) joint review of project implementation progress, and (iii) constant dialogue with MPSE and other relevant institutions.

- *Fiduciary oversight* would enable the World Bank to fulfill its fiduciary obligations and ensure compliance with the applicable fiduciary standards through the ongoing supervision of the Project.
- *Joint reviews*, which would occur semiannually, are aimed at reviewing the progress and achievement of agreed targets and results, as indicated in the Project's Results Framework. The World Bank task team would participate in such reviews with MPSE's representatives and other relevant stakeholders. During each review, the implementation support plan may be adjusted.
- *Constant dialogue with MPSE* would facilitate early identification of problems and obstacles which could potentially delay implementation and would enable timely provision of technical advice and support to remove such obstacles. This approach would contribute to a "just-in-time" identification of issues, without the need to raise these during joint reviews.

26. *FM implementation support and supervision* would include: (i) desk reviews of the Project's quarterly IFRs as well as reviews of Project's audited annual financial statements and annual auditor's report and management letter; and (ii) on-site supervision (twice per year) to review the continuous adequacy of the Project's FM and disbursement arrangements. This would include monitoring and reviewing any agreed actions, issues identified by the auditors, randomly selected transactions, as well as other issues related to project accounting, reporting, budgeting, internal controls, and flow of funds. The on-site reviews may include visits to selected beneficiaries, depending on the level of risk and findings identified throughout the implementation.



27. *Innovative Financing Approaches.* Given the newness of the financing mechanisms embedded in the design of the SIB under component 3, as well as in the requirements for utilization of the variable part of the GPE Multiplier Fund (see Annex 2), the World Bank task team responsible for the supervision of the implementation of the proposed Project would include a specialist in results-based financing including impact financing to mitigate the related technical risks that these innovative arrangements bring to the project design.

28. *Procurement supervision* would be provided through prior reviews in accordance with procurement thresholds. Procurement supervision would be carried out twice per year, through both desk and on-site reviews of procurement arrangements and results, including post review of contracts randomly selected. As needed, on-site procurement training may be provided to PIU staff upon request.

29. *Implementation Support Plan with Budget.* The Implementation Support Plan for the proposed Project is presented in the matrix below.

Year	Areas of Support	Resource	
		Team Member	Time
Year 1	Technical and operational support: (i) improving in-service teacher training program; (ii) capacity enhancement plan; (iii) design and implementation of alternative models; (iv) launch of SIB; (v) quality measurement system; (vi) M&E; and (vii) overall implementation	Senior Education Specialist	10 weeks
	Technical support: (i) improving in-service teacher training program; (ii) design and implementation of alternative models; (iii) launch of SIB; and (iv) preschool education quality measurement system	Senior ECD Specialist	6 weeks
	Technical support in student assessments and education quality measurement	Senior Education Specialist	4 weeks
	Technical support in results-based financing: (i) SIB; and (ii) GPE Multiplier Fund variable part	Senior RBF Specialist	6 weeks
	Financial management support	Financial Management Specialist	4 weeks
	Procurement support	Procurement Specialist	4 weeks
Years 2-3	Technical and operational support: (i) improving in-service teacher training program; (ii) capacity enhancement plan; (iii) design and implementation of alternative models; (iv) implementation of SIB; (v) quality measurement system; (vi) M&E; and (vii) overall implementation	Senior Education Specialist	20 weeks
	Technical support: (i) improving in-service teacher training program; (ii) design and implementation of	Senior ECD Specialist	8 weeks



	alternative models; (iii) implementation of SIB; and (iv) preschool education quality measurement system		
	Technical support in student assessments and education quality measurement	Senior Education Specialist	8 weeks
	Technical support in results-based financing: (i) SIB; and (ii) GPE Multiplier Find variable part	Senior RBF Specialist	12 weeks
	Financial management support	Financial Management Specialist	8 weeks
	Procurement support	Procurement Specialist	8 weeks
Years 4-5	Technical and operational support: (i) capacity enhancement plan; (ii) implementation of alternative models; (iii) implementation of SIB; (iv) quality measurement system; (v) M&E; and (vi) overall implementation	Senior Education Specialist	20 weeks
	Technical support: (i) improving in-service teacher training program; (ii) design and implementation of alternative models; (iii) implementation of SIB; and (iv) preschool education quality measurement system	Senior ECD Specialist	6 weeks
	Technical support in student assessments and education quality measurement	Senior Education Specialist	4 weeks
	Technical support in results-based financing: (i) SIB; and (ii) GPE Multiplier Find variable part	Senior RBF Specialist	8 weeks
	Financial management support	Financial Management Specialist	4 weeks
	Procurement support	Procurement Specialist	4 weeks



ANNEX 2: Detailed Description of Financing of Sub-component 2.1

1. As mentioned in the main text of this PAD, an amount of US\$ 4 million from the GPE Multiplier Fund for Uzbekistan would co-finance the implementation of component 2, being US\$ 3 million from the variable part allocated for sub-component 2.1, and US\$ 1 million from the fixed part (readily available upon the declaration of project effectiveness) allocated for sub-component 2.2. This Annex describes the utilization of the variable part for sub-component 2.1.
2. The GPE Multiplier Fund follows the New Funding Model (NFM) introduced in May 2014 by the GPE. The NFM includes a results-based approach intended to leverage GPE funding and catalyze transformational policies that will have a long-lasting impact on the education sector of each country benefitting from it. Consistent with the NFM, the multiplier allocation consists of a **fixed part** (requirements-based) and a **variable part** (incentives-based), making up 70 percent and 30 percent of the Multiplier allocation respectively. Of the US\$10 million allocated from the Multiplier Fund for Uzbekistan, the variable part accounts for US\$3 million. To access resources under the variable part, it is necessary to verifiably prove that implementation of pre-identified actions will lead to greater impact in at least three important areas: (i) equity; (ii) efficiency; and (iii) learning outcomes, using a set of corresponding indicators that demonstrate transformative strategies in these three domains. These indicators can be related to process, outcomes, or outputs. A clear link between the policies and the expected outcomes needs to be proven and the attainment of the indicators needs to be credibly verified.
3. *Disbursement Conditions.* The MPSE would be able to launch procurement packages to be financed by the amount of up to US\$3 million from the variable part, upon achievement of the specified indicators. The funds release rules (disbursement conditions) are specified in this Annex. Once a specified rule is met, the associated procurement packages can be launched. Later, when the respective goods are delivered, and it is time to pay for the issued invoices, funds from the variable part can be used by the MPSE. In case of delays in meeting the stretch indicators, the GoU would face the risk of not benefitting from the totality of the US\$10 million allocation from the Multiplier Fund.
4. When a disbursement condition is met, funds associated with this condition (see Matrix 2, 3 and 4) would become available for the MPSE to launch a new package to procure goods to equip project public preschools in accordance with the Project Procurement Plan. *There will be no pre-financing associated with the utilization of the Variable Part of the GPE Multiplier Fund. These funds would be used to pay for procured goods (inputs financing) after achievement of certain disbursement conditions.*
5. The indicators for the variable part were identified based on national policies and programs aimed at expanding the provision of preschool education services in Uzbekistan. According to the GPE Guidelines, these should be stretch indicators (see more information below), as well as core indicators of the Education Sector Plan (ESP), reflecting progress on key strategies and policies designed to drive overall progress in the sector. The variable part indicators for this Project are aligned with Uzbekistan's ESP 2019 - 2023. It is worth mentioning that Uzbekistan's application for the Multiplier Fund was endorsed by the Local Education Group (LEG) and submitted to the GPE in November 2018.
6. The identified targets of these indicators should demonstrate an achievable stretch and go beyond a mere continuation of current trends. For the proposed Project, the following indicators have been identified:



- *Equity*: access in lagging regions of Uzbekistan, which measures the average preschool enrolment rate in the five regions of the country most in need of preschool education services (as measured by the World Bank's MDPNI 2018).³¹
- *Efficiency*: vacant places in public preschools, which measures the magnitude of under-utilized and inefficient use of capacity in existing public preschools.
- *Learning outcomes*: measurement of child development outcomes, which tracks the status of the process for developing a system for measuring children development outcomes in public, as well as the measurement of those outcomes through a mainstreamed approach.

7. In accordance with the GPE's Guidelines for Education Sector Program Implementation Grants from the Multiplier Fund, the baseline and target values for the three above-mentioned indicators were identified to demonstrate an achievable stretch. Because of this incentives-based characteristic of these indicators, they are not included in the Project Results Framework. However, they will be monitored as any other indicator of the Project Results Framework. The Main Department for Organizing the Activities of Preschools and Strategic Development of the MPSE will be responsible for the measurement of all three stretch indicators and will do this every six months by analyzing administrative data, including data from the PMIS, as well as reports and documents on the implementation of the MELQO instrument. The World Bank team responsible for the supervision of the Project and an independent third-party organization will verify the achievement of the targets. These indicators, their baseline and target values, and the timing for release of the funds are presented below.

Stretch Indicator 1 (on Equity): Access in Lagging Regions of Uzbekistan

8. **Background and Rationale.** While access to preschool in Uzbekistan is low in general at 30 percent, the average preschool enrollment rate is particularly low (22 percent) in several regions of the country. Low rates in lagging regions include 23 percent in Kashkadarya, and 12 percent in Surkhandarya. Inequitable access to early learning opportunities combined with high levels of poverty and vulnerability mean that children in these regions face disproportionate challenges in terms of child development and school readiness.

9. **Activities.** To support the achievement of this stretch indicator's target, the proposed Project would finance major improvements in the quality of early learning environments, including in lagging regions. This is a critical project activity, given the evidence that poor quality learning environments and the lack of access to lower-cost half-day models hinders enrollment. Additionally, the Project will support awareness raising campaigns to raise demand for preschool education among parents. Finally, the Social Impact Bond financed under component 3 would target Uzbekistan's lagging regions for at least half of the SIB operators. Separate from the Project, the GoU has also approved an extensive program for improving the material and technical infrastructure conditions of preschool institutions, including through the establishment of 6,100 half-day groups (which involve lower fees for households), as well as the construction of new preschools in rural areas (the lagging regions are predominantly rural). Furthermore, the GoU is considering expanding its program for subsidizing the fees paid by low-income households for preschool. This would also further address one of the demand-side constraints to enrollment.

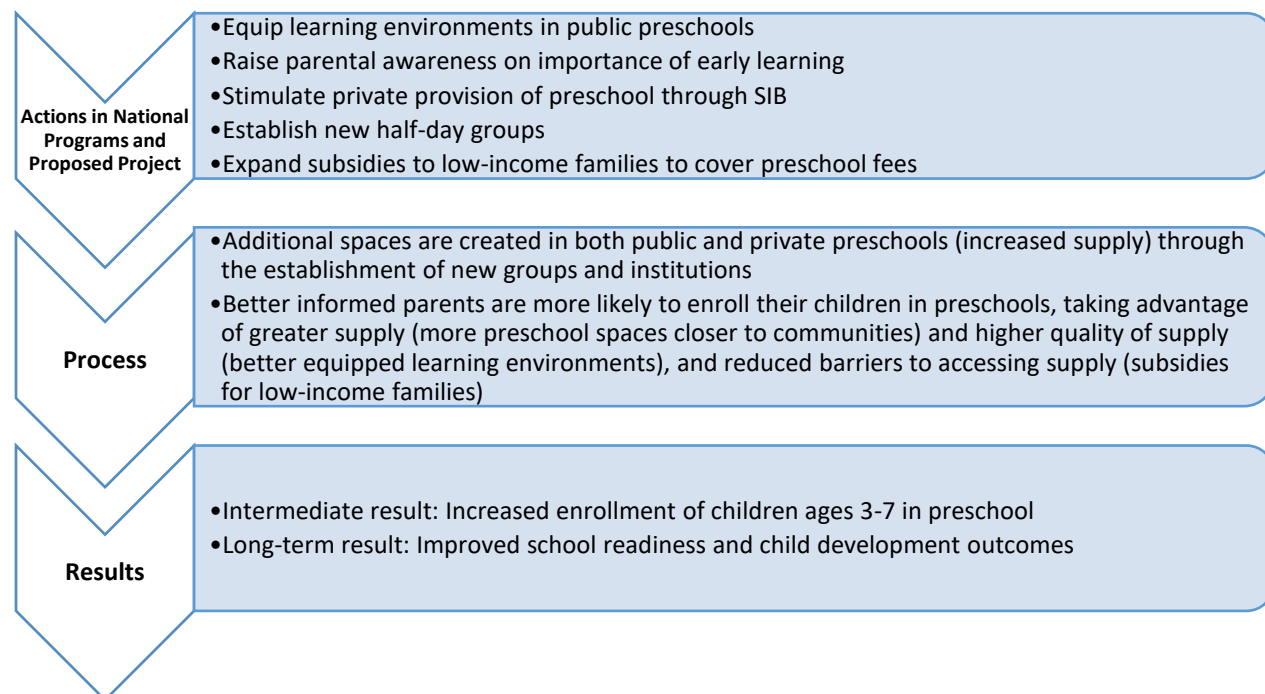
10. **Indicator Description.** The indicator in reference would report on the progress made in terms of increasing the average preschool enrollment rate in the five lagging regions of Uzbekistan (as per MDPNI): Kashkadarya, Jizzakh, Karakalpakstan, Navoi and Surkhandarya. Targets are described in the matrix below.

³¹ See detailed information on lagging regions and MDPNI in Annex 3.



11. **Compliance with GPE Requirements for Stretch Indicators.** Increasing preschool enrollment in lagging regions represents a specific objective of the GoU that is clearly aligned with the GPE's objective for addressing disparities in access to education. The target for this indicator complies with the GPE requirements for an achievable stretch, given the current low level of access and the large disparity in preschool enrollment between lagging and non-lagging regions.

Figure 4: Theory of Change: Increasing Access in Lagging Regions of Uzbekistan



Matrix 2. Framework and Verification Protocol for Indicator on Equity

Stretch Indicator 1 (on Equity): Access in Lagging Regions of Uzbekistan				
	School Years			
	2018/2019 (Baseline)	2019/2020	2020/2021	2021/2022 (Final Target for Stretch Indicator)
Average preschool enrollment rate in 5 lagging regions*	24%	26%	28%	32%
Allocated Amount (US\$)	N/A	N/A	N/A	US\$ 1 million
Indicator Calculation Method: This indicator is calculated by dividing the total number of children enrolled in preschools in lagging regions by the total number of children at preschool education age (3-7) living in those regions. This is equivalent to the preprimary gross enrollment rate.				
Indicator Verification Process: MPSE's database will be the primary source of data for calculating progress towards achievement of the enrollment target. Verification will require the MPSE to provide relevant enrollment and population figures for all three lagging regions so that the World Bank team (involved in the supervision of the Project) can independently calculate and verify the average enrollment rate. Additionally, third-party verification of these indicator's targets will be conducted either by a capable government agency such as SISQE or an independently contracted organization. The LEG would be informed of the results verification prior to the release of funds.				



Funds Release Rule: After verification of evidence and confirmation that the stretch indicator has been achieved, the World Bank will inform the GPE Secretariat, and request that the tranche be released and made available for utilization under the proposed Project, when it is time to pay for the goods associated with the respective procurement package.

*Note: lagging regions are Kashkadarya, Jizzakh, Karakalpakstan, Navoi and Surkhandarya.

Stretch Indicator 2 (on Efficiency): Vacant Seats/Places in Public Preschools

12. **Background and Rationale.** Currently, public preschools in Uzbekistan are operating with under-utilized capacity, amounting to a total of 86,000 vacant seats/places for both full-day and half-day groups. This means that these existing preschools could enroll up to 86,000 additional children, ensuring full occupation of existing capacity, if the related supply and demand-side constraints are addressed as intended by this Project. Uzbekistan spends, as a share of its GDP, on preschool education more than high-performing education systems such as Finland and South Korea, as mentioned in the main text of this PAD. At the same time, the supply of preschool education is almost entirely (96 percent) financed by the state. In this context, underutilized capacity in public preschools represents an inefficient use of resources and a missed opportunity for children in Uzbekistan. In particular, this issue represents a higher per-student cost of preschool relative to the alternative scenario in which preschools are nearly or at full occupancy. Preschools that enroll more students are able to better spread the fixed costs, ensure full utilization of staff and other resources, and take advantage of economies of scale. For this reason, reducing the number of vacant spaces would reduce the per-student cost of preschool relative to the current level, thereby increasing efficiency of expenditure. Although Uzbekistan aims to increase enrollment in general (including through both public and private preschools), reducing the number of vacant seats/places in existing public preschools is important to improve the efficiency of the utilization of public funds allocated for preschool service delivery.

13. **Activities.** To support the achievement of this stretch indicator's target, the Project would finance the purchase of equipment, furniture, and teaching and learning materials to fully equip at least one classroom in each existing 4,940 public preschools. Equipping and improving the quality of existing preschool facilities is expected in and of itself to have a significant impact on addressing supply-side constraints to increasing occupancy of spaces in existing public preschools, while also increasing demand from households. For example, under the ongoing GPE-financed Project that supports preschool education in rural areas, the enrollment rate increased by 50% percent solely due to improved conditions and equipment inside preschool facilities. A recent survey by the MPSE also confirmed that perceived quality is a key determinant of household demand for preschool services. This stretch indicator envisions an increase in the occupancy of existing preschool spaces (i.e. a reduction of 3,750 vacant seats) to be achieved largely through equipping classrooms in existing facilities. On a per-student basis, this is estimated to be approximately 40 percent less expensive³² than building new preschool facilities to accommodate this same number of children, which further indicates that a reduction in vacant seats is a valid measure of increasing occupancy and the efficiency of spending in the system. Separate from the Project, the GoU has also announced an extensive program for improving the material and technical infrastructure conditions of preschool institutions and to establish over 6,000 new half-day groups in public preschools for children ages 5-6. This, combined with the project's investments in equipment and teaching and learning materials will help to improve the quality on the supply side.

³² The cost of creating one seat in an existing preschool is approximately US\$3,250 compared with the cost of US\$5,420 to create one place through the construction of a new preschool.



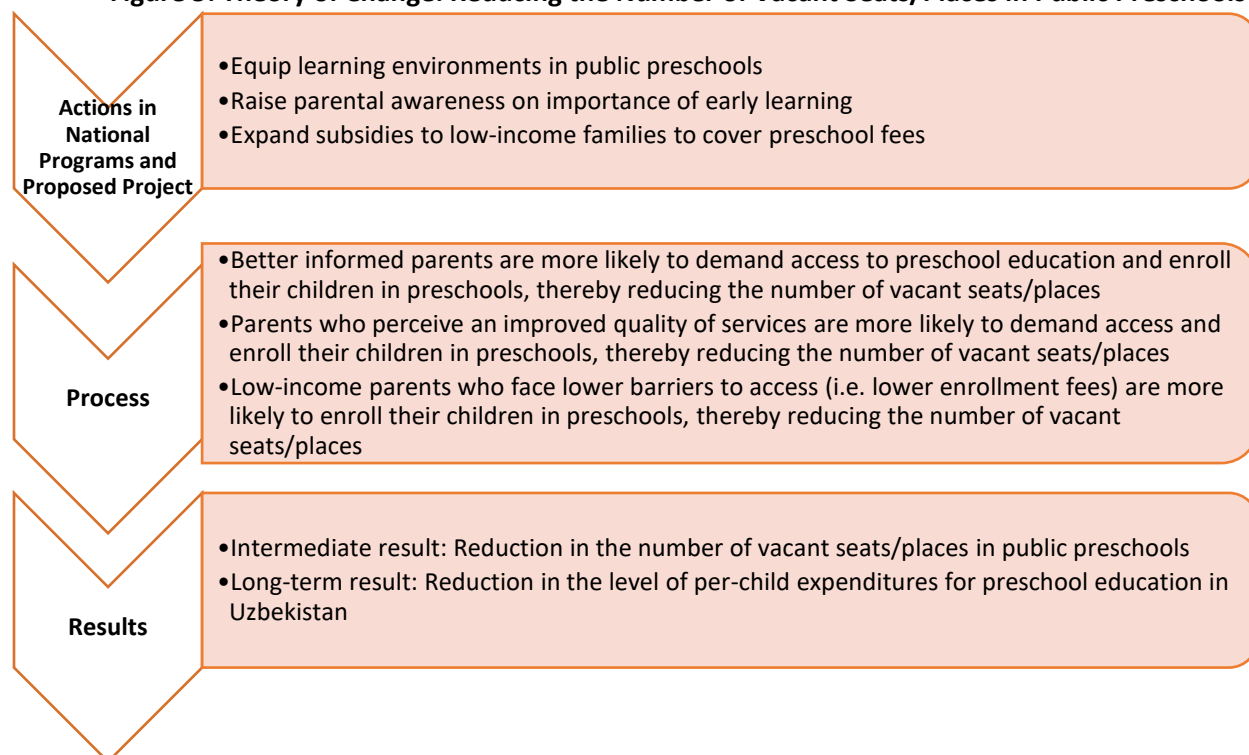
14. In addition to equipping classrooms, the Project would support (i) community-based and home visiting programs, as well as (ii) awareness raising and information campaigns to raise demand for preschool education among parents, which would further stimulate demand. These activities would be supported by the fixed part of the GPE Multiplier Fund, as well as the World Bank. Additionally, the GoU plans to expand its program for subsidizing the preschool education fees paid by low-income households, which will further help to address the demand-side constraints. Taken together, the demand- and supply-side activities supported by the Project as well as the Government's broader program will significantly contribute to improving efficiency.

15. **Indicator Description.** This indicator would report on the progress towards reducing the number of vacant seats/places in public preschools for both full and half-day groups. This indicator would track the decline in vacant seats/places, which represents an improvement in the utilization of capacity and thus an improvement in the efficiency of service delivery. Targets are described in the matrix below.

16. **Compliance with GPE Requirements for Stretch Indicators.** The GPE requirements for the stretch indicator on efficiency state that it should be "defined in relation to access, quality and learning outcomes, as the ratio of outcomes versus resources for these dimensions" although "other dimensions of efficiency with regard to access and quality can be developed, depending on the availability of data." Given that there is no information yet on learning outcomes at the preschool education level in Uzbekistan (though the Project would support the collection of such data), this indicator aims to track improvements in efficiency in relation to access by focusing on the efficiency of *service delivery*, rather than efficiency of *achievement of outcomes*. Reducing the number of vacant seats/places in existing public preschools represents an improvement in the utilization of capacity and the efficiency of expenditures associated with preschool service delivery, and the target for this indicator represents an achievable stretch in terms of improving efficiency. Achieving this target through the abovementioned project activities is also expected to be more efficient than the alternative of building new preschool education facilities. Measuring improvements in the efficiency of outcomes achieved would be possible in the future, after a system for measuring child development outcomes is established.



Figure 5: Theory of Change: Reducing the Number of Vacant Seats/Places in Public Preschools



Matrix 3. Framework and Verification Protocol for Indicator on Efficiency

Stretch Indicator 2 (Efficiency): Vacant Seats/Places in Public Preschools				
	School Years			
	2018/2019 (Baseline)	2019/2020	2020/2021	2021/2022 (Final Target for Stretch Indicator)
Vacant seats/places in public preschool institutions	86,000	Not determined	Not determined	82,250
Allocated Amount (US\$)	N/A	N/A	N/A	US\$ 1 million
Indicator Calculation Method: This indicator is calculated as the sum of all vacant seats/places in existing public preschools in Uzbekistan. This indicator represents the magnitude of under-utilized capacity in existing public preschools.				
Indicator Verification Process: MPSE's database would be the primary source of data for calculating progress towards achievement of the target. Verification would require the MPSE to provide relevant trend data on vacant spaces in public preschools such that the World Bank team responsible for the supervision of the Project can independently calculate and verify the decline in vacancies over time. Additionally, third-party verification of these indicator's targets will be conducted either by a capable government agency such as SISQE or an independently contracted organization. The LEG would be informed of the results verification prior to the release of funds.				
Funds Release Rule: After verification of evidence and confirmation that the stretch indicator has been achieved, the World Bank will inform the GPE Secretariat, and request that the tranche be released and made available for utilization under the proposed Project, when it is time to pay for the goods associated with the respective procurement package.				



Stretch Indicator 3 (on Learning Outcomes): Measurement of Child Development Outcomes

17. **Background and Rationale.** As described above, there is currently no system in place in Uzbekistan to measure quality within the preschool education system. Limited information and capacity to monitor quality hinders policymaking regarding preschool education in the country. Measuring quality is important for assessing whether preschool children are adequately prepared and ready to enter primary schools, as well as to start tracking the level of development of human capital in the country.

18. **Activities.** To support the achievement of this stretch indicator, the Project would finance technical assistance to develop and implement a system for measuring the quality of preschool education in Uzbekistan. This system would be built around the use of objective instruments for measuring the quality of preschool learning environments, as well as children's development outcomes. The assistance would also support the MPSE and SISQE to integrate the quality measurement system into existing monitoring and quality control functions, and to interpret and use the results of these assessments for planning and policy making.

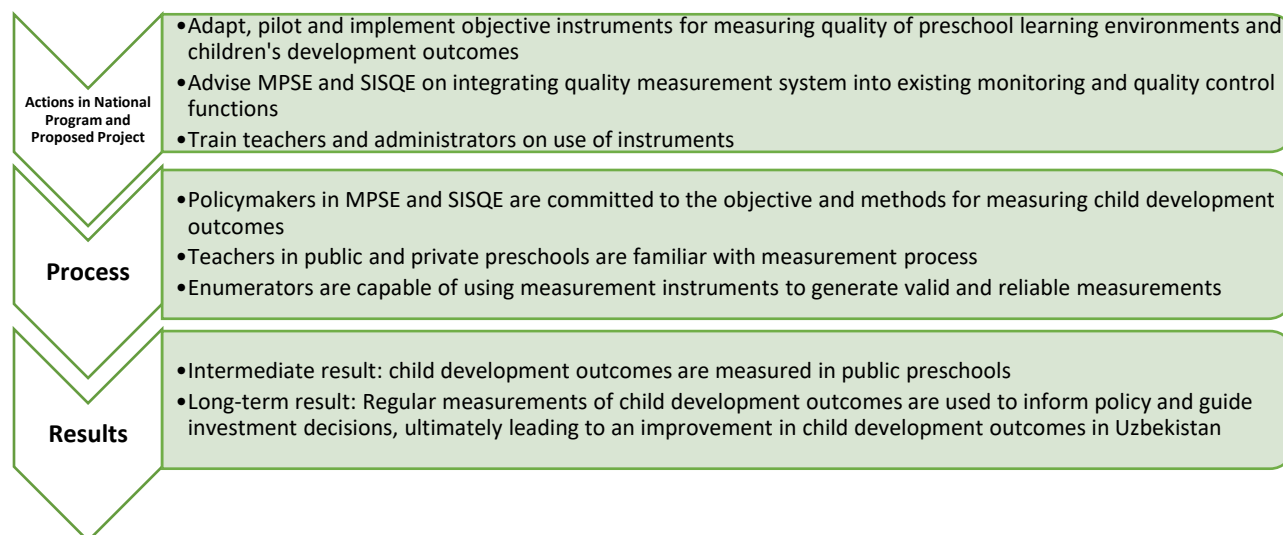
19. **Indicator Description.** This indicator would track the increase in the percentage of preschool teachers trained in the utilization of project-supported quality measurement tools who passed the reliability test for MELE classroom observation tool. MELQO will be implemented in Uzbekistan's preschool education system with co-financing from the GPE fixed part. Preschool education teachers will be trained in MELQO including the utilization of its tools in classrooms as part of the initiative to mainstream this instrument for quality measurement in Uzbekistan. MELE's classroom observation tool is one of MELQO's instruments that is meant to be used in preschool classrooms.

20. This indicator will measure the increase in the percentage of preschool education teachers who are trained in MELQO and passed the reliability test for MELE's classroom observation tool. To pass this reliability test, a trainee needs to perform at least at 85 percent level in both a written and a practical assessment. Data on the training of public preschool education teachers in MELE would be collected and analyzed. Given the current lack of data on MELQO, the baseline will be determined upon completion of the adaptation of MELQO, and the final target will be set depending on the baseline – the smaller the baseline, the greater the final target and vice-versa; the reason being that small increments should be expected for great baselines (see baselines and final targets in the matrix below).

21. **Compliance with GPE Requirements for Stretch Indicators.** The GPE requirements for the stretch indicator on learning outcomes state that this dimension of the variable part of the GPE Multiplier Fund refer to "actions to improve learning outcomes, incentivizing strategies to manage and remedy learning issues." Considering that no system for measuring learning outcomes at the preschool level exists in Uzbekistan, this indicator focuses on tracking the increase in the percentage of preschool teachers trained in the utilization of project-supported quality measurement tools who passed the reliability test for one of these tools. The target for this indicator represents an achievable stretch for Uzbekistan because not all preschool education teachers would be trained in MELQO with Project funds. Funds from other sources would be used to train ¾ of all public preschool teachers. Thus, this target assumes that MELQO is mainstreamed in Uzbekistan's preschool education system (assumes that this measurement mechanism is institutionalized within the framework of the MPSE and its staff).



Figure 6: Theory of Change: Measurement of Child Development Outcomes



Matrix 4. Framework and Verification Protocol for Indicator on Learning Outcomes

Stretch Indicator 3 (Learning Outcomes): Measurement of Child Development Outcomes				
	School Years			
	2018/2019 (Baseline)	2019/2020	2020/2021	2021/2022 (Final Target for Stretch Indicator)
Measurement of child development outcomes	Percentage of MELQO-trained preschool teachers who passed MELE's classroom observation tool reliability test (baseline to be determined)	Any increase from baseline	Any increase from previous measurement	Increase in the percentage of MELQO-trained preschool teachers who passed MELE's classroom observation tool reliability test (final target will vary depending on the baseline – see below)
	If baseline is $\leq 30\%$	Any increase from baseline	Any increase from previous measurement	Final target is 60% increase from the baseline
	If $30\% < \text{baseline} \leq 50\%$	Any increase from baseline	Any increase from previous measurement	Final target is 40% increase from the baseline
	If $50\% < \text{baseline} \leq 80\%$	Any increase from baseline	Any increase from previous measurement	Final target is 10% increase from the baseline
	If baseline is $> 80\%$	Any increase from baseline	Any increase from previous measurement	Final target is 5% increase from the baseline
Allocated Amount (US\$)	N/A	N/A	N/A	US\$ 1 million
Indicator Calculation Method: This indicator is calculated dividing (a) the number of preschool education teachers who were trained in MELQO and passed MELE's classroom observation tool reliability test by (b) the total number				



of preschool education teachers who were trained in MELQO and took this reliability test.
Indicator Verification Process: MPSE project documentation would be the primary source of data for tracking progress towards achievement of the target. Verification will require the MPSE to provide relevant information (e.g. progress reports, MELQO instruments, and results and documents on MELQO training and tests) to the World Bank team so that it can independently verify the progress towards the target. Additionally, third-party verification of these indicator's targets will be conducted either by a capable government agency such as SISQE or an independently contracted organization. The LEG would be informed of the results verification prior to the release of funds. The final target would be determined based on the baseline that will be calculated in year 1 of the project implementation. The different final targets that can be considered for verification purpose are mentioned above.
Funds Release Rule: After verification of evidence and confirmation that the stretch indicator has been achieved, the World Bank will inform the GPE Secretariat, and request that the tranche be released and made available for utilization under the proposed Project, when it is time to pay for the goods associated with the respective procurement package.

Project Activities for which Funding is Tied to the Variable Part

22. After achievement of the above-mentioned indicators' targets, the MPSE will be able to procure goods in the amount of up to US\$3 million. The principles used to determine the allocation criteria for the variable part of the GPE financing are: (i) activities that leverage and scale up ongoing financing in support of a country-owned development program for the education sector; and (ii) activities requiring significant funding and not dependent on the completion of other downstream activities.

23. In line with these criteria, the variable part would solely finance the implementation of part of sub-component 2.1, by scaling up the efforts to improve early learning environments in public preschools. This would include the purchase of modern child-friendly and age-appropriate equipment and furniture, as well as teaching and learning materials for an additional 750 preschool groups at an estimated cost of US\$4,000 per group. This means that upon achievement of the 3 stretch indicators, the Project—through access to the US\$ 3 million variable part of the GPE financing—would be able to benefit an additional 750 preschool groups covering an additional 15,000 children. It is worth mentioning that the achievement of each stretch indicator's target separately would make the respective amount of funds associated to that indicator available (when it is time to pay for the respective invoices), which means that not all three indicators' targets need to be met for the release of the total amount of the variable part (US\$3 million). This information, as well as the timing and amount of disbursements under each of the stretch indicators, is shown in the matrices below.

Matrix 5. Activities and Beneficiaries Associated with Variable Part of GPE Co-Financing

	Total <u>without</u> GPE Variable Part	GPE Variable Part Contribution	Total <u>with</u> GPE Variable Part
Total funding for improving early learning environments in public preschools	US\$40.2 million	+ US\$3 million	US\$ 43.2 million
Number of preschool groups to benefit from intervention	10,050 groups	+ 750 groups	10,800 groups
Number of children to directly benefit from intervention	201,000 children	+ 15,000 children	216,000 children

**Matrix 6. Timing for Unlocking Funds (for Procurement) Related to the Variable Part**

Stretch Indicators	School Years							Total
	2018/19 <i>Baseline</i>	2019/20 <i>Project effectiveness</i>	2020/21	2021/22 <i>Target for Stretch Indicator</i>	2022/23	2023/24	2024/25	
Equity - access in lagging regions				US\$1 mi				US\$1 mi
Efficiency – vacant places in public preschools				US\$1 mi				US\$1 mi
Learning Outcomes – Measurement of child outcomes				US\$1 mi				US\$1 mi
Total				US\$3 mi				US\$3 mi

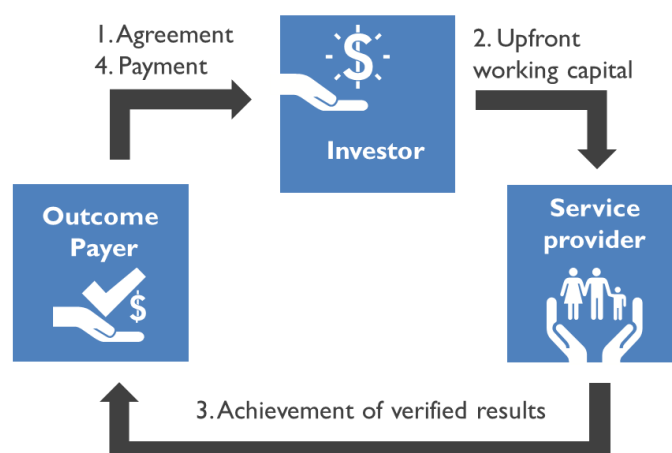


ANNEX 3: Detailed Description of Component 3

1. This Annex presents a detailed description of an innovative Social Impact Bond in Early Childhood Development that is proposed to be implemented through the Project. The paragraphs below detail *the Project Component 3 – Partnering with the Private Sector through a Social Impact Bond*.

2. Project component would provide support to the design and implementation of an innovative impact financing approach – a Social Impact Bond (SIB) - through partnerships with private providers/preschools. A SIB is a Results-Based Financing (RBF) mechanism that ties financial returns and payments to rigorously measured social results. In a SIB, an investor provides a service provider with the upfront capital necessary to deliver a service, and an outcome payer repays the investor contingent on the achievement of previously agreed results. A SIB may have one or more investor and service provider. The investor receives a return only if outcomes are achieved. The achievement of agreed upon results is verified by an independent evaluator. The Figure below shows the key actors and implementation steps of a typical SIB.

Figure 7. Key Actors and Implementation Steps of a SIB



3. *ECD SIB Rationale.* The rationale for the proposed ECD SIB is based on the following principles:

- *Focus on quality of services provision.* By placing the emphasis on the achievement of results, the proposed SIB would allow the MPSE to observe the performance of private preschools, while granting them the flexibility and freedom to pursue a range of approaches to achieve greater impact. SIB preschools, the Lead Contractor, and the investor(s) would be free to invest in necessary overheads, to adapt these approaches to changing contexts. The proposed SIB would provide stakeholders with continuous feedback on the impact trajectory, which is essential for a dynamic performance management that allows adaptations to achieve greater results.
- *Public-private partnerships and efficiency.* One of the priorities of the GoU is to attract private investments to infrastructure and social sectors, while also increasing the efficiency in the utilization of public funds. Recent reforms include a Resolution on PPP in preschool education³³, which allows

³³ Presidential Resolution Number 3651, dated April 5, 2018.



for the establishment and operation of stand-alone private preschools, networks of private preschools, firm-sponsored preschools, and international and domestic private providers. This resolution establishes various models of PPP and includes incentives such as concession of land and/or building infrastructure, tax and customs duty discounts, and access to preferential loans for capital and operational expenses. In the first round of request for proposals, the MPSE received over 1,000 applications, of which over 900 already met the criteria for selection and are being considered for operation. Private sector participation through the proposed SIB is expected to bring accountability and quality to the delivery of preschool services, while ensuring an efficient use of public resources by paying investors only for the results achieved.

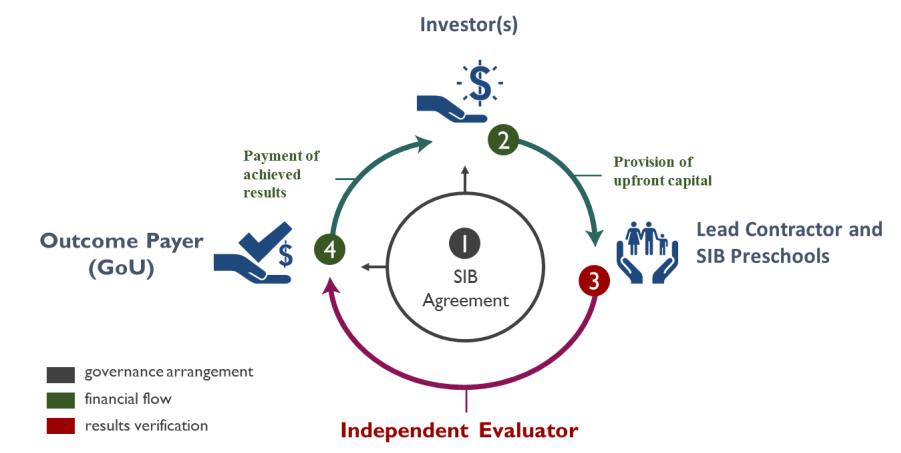
- *Availability of upfront capital.* In a typical RBF, service providers are reimbursed only after the results are achieved, which requires that they demonstrate sufficient financial capacity to invest in the delivery of results, and to continue to operate in the event of delayed cashflows. Such challenge is not observed in a SIB, because the investor provides upfront/seed capital to the service provider. It's worth noting that over time, non-public preschools in Uzbekistan have been facing challenges while trying to access investment capital, which is rare and costly; lending rates for these providers start at 14 percent and can be as high as 20 percent.
- *Pro-equity approach.* The design and accountability mechanisms embedded in the proposed SIB offer great confidence that targeted groups such as low-income families and children with disabilities are equitably included in the GoU's goal of improved national education outcomes. The proposed SIB has a two-pronged pro-equity approach: (i) an intervention model that responds to the specific needs of Uzbekistan's lagging regions³⁴, and (ii) by setting a minimum enrollment requirement for children from vulnerable backgrounds at 25 percent for SIB preschools.
- *Establishment of a data culture in preschool education.* A SIB requires reliable data to measure results under a robust methodology, so that payments can be tied to results. The proposed SIB would contribute to the development of a data culture in Uzbekistan's preschool education system, through its embedded monitoring and evaluation feature and capacity building activities.

4. *ECD SIB Structure.* The structure of the proposed SIB includes a lead contractor in addition to the following key actors already mentioned above: investor, service providers, independent evaluator and outcome payer. The lead contractor would supervise the activities of SIB preschools and ensure that the proposed SIB leads to the achievement of results. The structure of proposed ECD SIB is illustrated in the Figure below.

³⁴ Lagging regions are those with the highest needs of preschool education services in Uzbekistan. According to a measurement carried out by the World Bank in 2018 (MDPNI), the five regions (lagging regions) in Uzbekistan are Kashkadarya (36.5%), Jizzakh (33.2%), Karakalpakstan (32.2%), Navoi (32.1%), and Surkandarya (30.5%).



Figure 8. ECD SIB Structure



5. *Key Roles and Responsibilities.*

- **Investor.** The investor would provide upfront capital for the establishment and operations of SIB preschools, as well as for the operations of the lead contractor.
- **Lead Contractor.** The lead contractor would be *selected by the investor* to supervise the operation of SIB preschools and ensure that the proposed SIB leads to the achievement of results that were agreed upon with the investor, the GoU, and preschools. *The selection of the lead contractor would be done following private sector practices.* Other responsibilities of the lead contractor would be inter alia: (i) to set up and operate a performance management system (see additional information below), (ii) to manage SIB funds, and (iii) to report on SIB implementation progress to key stakeholders (investor, GoU, independent evaluator and the World Bank). The lead contractor would be a domestic or international organization with proven experience and capacity to oversee private preschool providers. It would have sound financial management capacity, as well as the legal commitment and liability to manage funds on behalf of the investor based on the terms defined in the SIB Documents. The details of financial management arrangements specific to SIB, including flow of funds, controls and reporting, would be provided in the SIBOM. The development of SIB Documents, which shall be considered acceptable to the World Bank, would be developed prior to the utilization of IDA and GPRBA funds under this component (see more information below), and would be a disbursement condition under the SIB.

The lead contractor would be responsible for ensuring that an adequate financial management system is maintained at SIB Operators for SIB implementation. Detailed financial management arrangements, including the lead contractor's and SIB Operators' role and responsibilities will be specified in the SIBOM.

- **SIB Operators.** SIB operators would be private preschools located in urban areas of Uzbekistan, which would be selected by the MPSE in accordance with the pre-defined criteria acceptable to the World Bank and defined in the SIBOM. SIB preschools would also need to meet minimum required capacity in financial management and properly follow the financial management arrangements (including flow of funds, controls and reporting) as defined in SIBOM and would follow the technical and operational



guidance provided by the lead contractor. **It is estimated that 140 private preschools would become SIB operators**; there would be three successive cohorts of SIB preschools with the following respective numbers of institutions: **40, 50 and 50** (see more information on these cohorts below).

- *Independent Evaluator.* The independent evaluator would be competitively selected by the MPSE to assess the performance of SIB preschools on predefined metrics. It would be a credible domestic or international organization. The evaluation would be done in accordance with a previously agreed methodology to be defined in the SIBOM, and in Terms of Reference acceptable to the World Bank. The independent evaluator would report to GoU through the MPSE.
- *Outcome Payer.* The GoU through the Ministry of Finance would be the SIB outcome payer. The outcome payer would pay the investor based on the achievement of predefined results.
- *MPSE.* While the proposed SIB would be implemented by the lead contractor (on behalf of the investor), SIB preschools and independent evaluator, the MPSE would be the agency responsible for the implementation of the proposed ECD Project that hosts this SIB. As such, the MPSE would oversee the implementation of the proposed SIB and liaise with all SIB players and the World Bank. The MPSE would be also responsible for the selection of:
 - SIB preschools in accordance with the pre-defined criteria acceptable to the World Bank; these criteria should be included in the SIBOM.
 - Independent Evaluator in accordance with the applicable World Bank's Procurement Guidelines.

6. *Performance Management System.* The Lead Contractor would be responsible for supporting SIB preschools and managing their performance under a systematic approach. It would track key performance indicators, analyze how these contribute to the achievement of intermediate outcomes that ultimately lead to higher levels of occupation rate, better learning environments and children development. Information produced through this exercise is expected to generate insights for SIB preschools optimal operation and overall SIB performance. It would also enable the Lead Contractor and SIB preschools to make dynamic adjustments to the implementation of the SIB. This system would be driven by the following three fundamental factors:

- *Strengthen the theory of change:* the Lead Contractor would build up the theory of change by identifying and focusing on the strongest mechanism of impact, and experimenting with new ones that can be more effective.
- *Respond to efficiency drivers and barriers of/to impact:* the Lead Contractor would study external and internal drivers of and barriers to impacts, and would respond to improve the efficiency of service delivery and achievement of outcomes.
- *Optimize resource allocation:* the Lead Contractor would concentrate efforts to support SIB preschools and/or barriers that require adjustment, based on progress towards the desired outcomes.

7. *ECD SIB Financing.* The proposed SIB would be co-financed by the following sources of funds: (i) the IDA Credit for the host Project, and (ii) a Grant from the Global Partnership for Results-Based Approaches (GPRBA). Additionally, discussions are being held with commercial investors to allocate US\$ 10 million as upfront capital for the proposed SIB, but this amount is not considered as co-financing for the Project. The Tables below show the funding structure of the proposed SIB. IDA and GPRBA funds would be available for the GoU to reimburse the amount invested/upfront capital for previously agreed upon results, when and if they are achieved. IDA funds would



be also used to (i) finance the independent verification of results under the SIB scheme, and (ii) technical assistance for *inter alia* the development of SIB documents and assessments related to the implementation of the SIB. The Government of Uzbekistan would pay for the return to the investor with its own budget. The project component is structured in two sub-components based on the major purpose of funds utilization, as mentioned below.

Table 6. ECD SIB Financing Structure

Expenses	Sources of Funds (US\$ mi)			
	IDA	GPRBA	GoU	Investor
Upfront capital	0	0	0	10
Repayment of upfront capital	5.15 ¹	4.85 ²	0	0
Return to investor	0	0	TBD	0
Independent verification of results	0.9	0	0	0
Technical assistance	0.45	0	0	0
Subtotal	6.5	4.85	TBD	10
Total financed by component 3	11.35		0	0

¹This amount is part of the total IDA Credit for the proposed Project

²This Grant was approved on December 20, 2018

TBD: to be determined during the negotiations between the GoU and the Investor

Table 7. Allocation of IDA and GPRBA Funds

Sources of Funds	Description	Amount (US\$)	Percentage of Financing
IDA	SIB results payments	5,150,000	Up to 100%
	Independent verification of results	900,000	100%
	Technical assistance	450,000	100%
	Total	6,500,000	N/A
GPRBA	SIB results payments	4,850,000	Up to 100%
	Total	4,850,000	N/A

8. Different alternatives were considered for the utilization of funds to be managed through the SIB, and the World Bank and the GoU agreed upon the structure above as the most appropriate, because it is likely to (i) to contribute to the sustainability of the scheme, if the GoU decides to replicate it after the completion of the proposed Project, and (ii) reduce the return to be paid by the GoU, given the multiples sources of funds for outcomes payment.

9. This SIB is a component of the proposed Project and as such, its implementation will be fully completed by the project closing date. As described in the paragraphs below, this SIB will be implemented under a phased approach (there will be three cohorts of preschools), but all its activities will be completed before the closing of the proposed Project.

10. The End Disbursement Date of the Administrative Agreement for GPRBA funds allocated to this Project is December 31, 2021. Therefore, the current GPRBA Grant Agreement Closing Date is June 30, 2021. A process to extend the parent Trust Fund date (Administrative Agreement End Disbursement Date) to fully cover the SIB implementation period is under way and its extension is expected in the following months. The Closing Date of the



GPRBA Grant Agreement will need to be aligned, afterwards, with the respective Administrative Agreement End Disbursement Date.

11. In line with the World Bank initiative to maximize finance for development, funds from the IDA Credit and GPRBA Grant would be used to catalyze private investment into the proposed SIB. This SIB's feature would: (i) leverage greater volume of capital towards preschool education provision than what preschools could mobilize on their own, in the absence of such approach, (ii) lay the foundation for investments to flow into a market that is being underserved by the existing capital market due to perceived risks, (iii) de-risk the proposed SIB, and therefore improve the terms at which private capital is accessed.

12. This SIB's financing model includes a blended capital structure, under which the commercial investor(s) would have their investments mixed with IDA and GPRBA funds, though in different sides of the financing equation. This feature should incentivize the commercial investor(s) to take the risks associated with the SIB. These risks fall into three major categories the: (i) limited experience of the GoU in the international market, (ii) limited private provision of preschool education services in the country, and (iii) newness of the SIB model.

13. This project component is structured as follows:

- *Sub-Component 3.1 – Supporting the SIB Design and Results Verification (total cost = US\$ 1.35 million).* This sub-component would support: (i) technical assistance for *inter alia* the development of SIB documents and assessments related to the implementation of the SIB (US\$ 0.45 million); and (ii) the independent verification of SIB results, i.e. the operation of the independent evaluator (US\$ 0.9 million). It would be fully financed by the IDA Credit.
- *Sub-Component 3.2 – Financing the Payment of SIB Results (total cost = US\$ 10 million).* This sub-component would provide financial support for the payment of SIB results. It would be co-financed (parallel co-financing) by the IDA Credit and GPRBA Grant.

14. *Upfront Capital.* The upfront capital to be provided by the investor (US\$10 million) would finance SIB preschools activities (US\$8.96 million) and the operation of the lead contractor (US\$1.04 million), as detailed below. The activities described below would constitute the EEP for the SIB.

- SIB preschool's start-up activities: (i) purchase of furniture, electronic equipment and other goods, (ii) indoor and outdoor recreation equipment for children, (iii) toys and instructional play materials for children, (iv) teaching and learning materials, (v) SIB pre-launch training for teachers and non-teaching staff, (vi) salaries for teachers and non-teaching staff during the SIB pre-launch period, (vii) marketing and branding, and (viii) SIB orientation including preschool education quality measurement. It is estimated that these start-up activities would cost around US\$54,000 per SIB preschool. *Procurement for these activities would follow private sector practices.* Procurement of training activities would be carried out by the lead contractor, whereas for other activities, either centralized (done by lead contractor) or decentralized (done by each SIB preschool) procurement would be acceptable (details should be defined in the SIBOM).
- SIB preschool's operating activities: (i) annual training and mentoring for teachers and non-teaching staff, (ii) specific training activities for teachers and non-teaching staff, as needed, (iii) other forms of academic and managerial technical support to teachers and non-teaching staff, if needed. It is estimated that these operating activities would cost around US\$5,000 per year, per SIB preschool (around



US\$10,000 per SIB preschool over 2 years). The SIB training program would comprise additional modules in areas such as (to be defined in the SIBOM): (i) child nutrition, hygiene, and immunization; (ii) child protection; and (iii) vulnerability to natural hazards and climate resilience in relation to child safety. Preschool administration staff would be trained in how to run preschools as sustainable enterprises, in addition to training in school management and leadership, financial management and procurement, human resources management, and strategic planning.

- Lead contractor's operating activities: (i) salaries of staff, (ii) operating costs to be detailed in the SIBOM, (iii) performance management system development and operation, (iv) overhead. It is estimated that these operating activities would total US\$1,040,000 for the entire implementation period of the SIB.

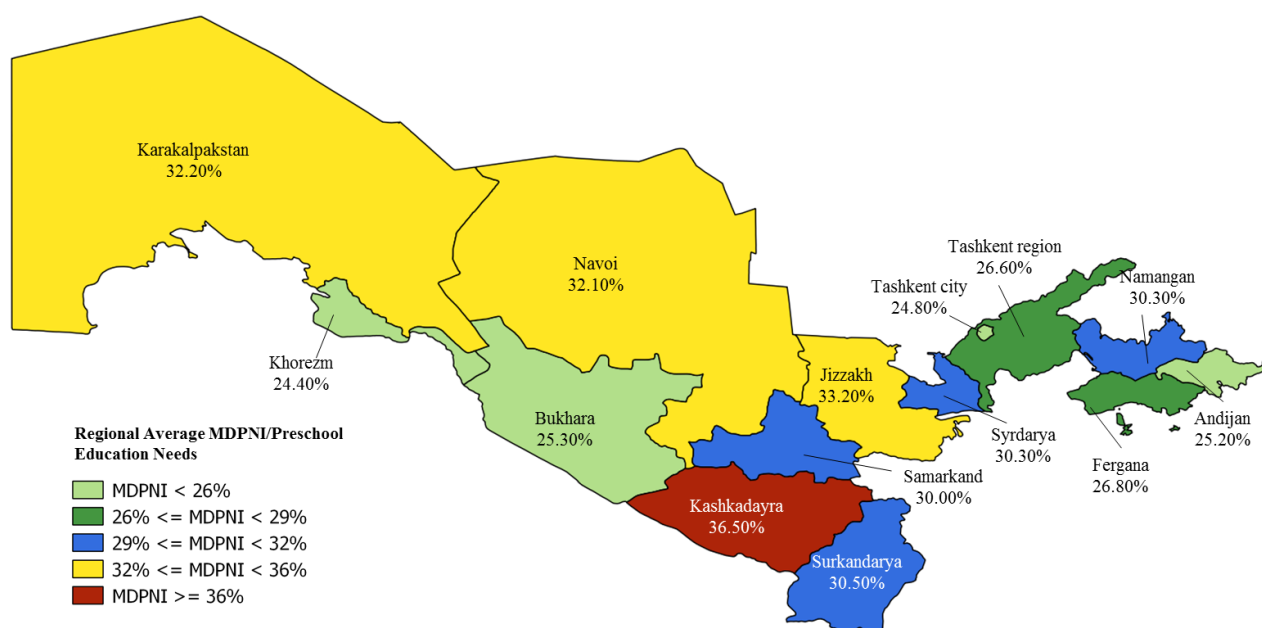
15. *Other Capitals.* In addition to the upfront capital to be provided by the investor, funds from IDA, GPRBA and Government of Uzbekistan would be used through this SIB. Details are provided below.

- *Government of Uzbekistan's Funds.* If the expected results are achieved, the outcome payer would pay the amount invested (US\$10 million) with a return (to be determined) to funds provided by the investor. The repayment of the amount invested/upfront capital would be made by the GoU using IDA and GPRBA funds provided by the Project (see below). The return to the investor would be paid by the GoU with funds from its own budget. The rate of return and the dates for payment would be defined at the time of the negotiations between the GoU and the investor, and will be stated in the SIB Documents.
- *IDA and GPRBA Funds (Co-Financing).* IDA and GPRBA funds would be used to pay for results under this SIB. The respective amounts are US\$5.15 million and US\$4.85 million. These funds would be used under a parallel co-financing approach, with GPRBA funds to be used first then IDA funds. As mentioned above, results payments would be made by the GoU. More details on the payments scheme are presented in the final part of this Annex. There would be conditionalities for the utilization of IDA and GPRBA funds under this SIB, including:
 - SIB Documents are developed and considered acceptable to the World Bank.
 - Payments for results would be made upon achievement of the relevant SIB results, their verification and up to the amounts allocated to each of the results, as specified in SIB Documents.
 - Eligible expenditures for the SIB (see EEP mentioned above) should be available for verification by the World Bank and should correspond to at least the same amount allocated to the results.
 - A SIBOM acceptable to the World Bank is adopted by the MPSE.
 - Disbursed Linked Indicators in the areas of access, equity and quality (see more information below) are defined in SIB Documents.
 - Hiring of the Lead Contractor acceptable to the World Bank.
- *IDA Funds (Alone).* IDA funds alone would be also used to finance the independent verification of results (US\$0.9 million), and technical assistance (US\$0.45 million) for *inter alia* the development of SIB Documents.
 - Independent Verification of Results. Independent evaluator's operating activities to be financed by IDA include: (i) salaries of staff, (ii) logistical support for data collection, (iii) operating costs to be detailed in the SIBOM, (iv) overhead. It is estimated that these operating activities would total US\$900,000 for the entire implementation period of the SIB.
 - Technical Assistance. IDA funds would finance the development of SIB Documents and assessments related to the implementation of the SIB, as needed.



16. *Pro-equity Targeting.* The proposed SIB would be implemented in up to five regions of Uzbekistan, which would be selected considering (i) the need of preschool education services, (ii) the poverty level of each region, and (iii) the availability of private preschools that are eligible to become SIB operators. Half of SIB locations should be Uzbekistan's lagging regions, as per preschool education services needs determined by the World Bank's MDPNI of 2018 (see map below). Selected SIB regions and preschools would be presented in the SIBOM.

Map 1. Uzbekistan Lagging Regions



Source: World Bank MDPNI (2018).

17. *Schedule for SIB Preschools Cohorts.* The following schedule for the implementation of each SIB preschools cohort, which shall be defined in the SIBOM, is recommended:

- cohort 1 with 40 SIB preschools: between January 2020 and December 2022 to allow for the collection of baseline data that will inform the dynamic target setting of the metric on learning environments (see more information below);
- cohort 2 with 50 SIB preschools: between July 2020 and June 2023;
- cohort 3 with 50 SIB preschools: between July 2021 and June 2024.

18. *SIB Metrics.* In line with the development objectives of the proposed Project, payments to the investor would be tied to metrics related to access to and quality of preschool education, as exemplified (final metrics to be defined in SIB Documents) below.



Table 8. SIB Metrics

Metric	Description
SIB Preschools Total Occupation Rate	<p>Definition: proportion of total children attending SIB preschools compared to the total capacity of these preschools at a specific point in time.</p> <p>Formula: The SIB preschool total occupation rate would be calculated for each cohort of SIB preschools and year in the following way:</p> $Total\ occupation\ rate_{cohort\ x,\ year\ y} = \frac{\sum children\ attending\ SIB\ preschools_{cohort\ x,\ year\ y}}{\sum capacity\ of\ SIB\ preschools_{cohort\ x}}$ <p>Notes:</p> <ul style="list-style-type: none"> The formula to calculate the total occupation rate was set in a way that the attendance of a child in a small or big SIB preschool leads to the same payment. Average total occupation rate across preschools was discarded as this would lead to children in smaller preschools having a higher proportional weight, which is undesirable (e.g., having 100% occupation in a preschool for 100 children shouldn't be equally valuable as having 100% occupation in a preschool for 150 children). A possible option is that the total occupation would be measured yearly and paid at the end of the third year of operation of each SIB cohort. In this case, the payment would be based on the average occupation rate of each cohort. If a SIB preschool increases or decreases its capacity within the first 3 years of operation, the original total capacity will be used for the calculation.
Proportion of Disadvantaged Children Attending SIB Preschools	<p>Definition: proportion of total number of disadvantaged children attending SIB preschools compared to the number of children attending these preschools at a specific point in time.</p> <p>Formula: The SIB preschool proportion of disadvantaged children attending would be calculated for each cohort of SIB preschools and year in the following way:</p> $PDCA_{cohort\ x,\ year\ y} = \frac{\sum disadvantaged\ children\ attending\ SIB\ preschools_{cohort\ x,\ year\ y}}{\sum children\ attending\ SIB\ preschools_{cohort\ x,\ year\ y}}$ <p><i>PDCA: proportion of disadvantaged children attending SIB</i></p> <p>Notes:</p> <ul style="list-style-type: none"> The formula to calculate the PDCA was set in a way that the attendance of a disadvantaged child in a small or big SIB preschool leads to the same payment. Average PDCA across preschools was discarded as this would lead to disadvantaged children in smaller preschools having a higher proportional weight, which is undesirable (e.g., having 25% PDCA in a preschool for 100 children shouldn't be equally valuable as having 25% PDCA in a preschool for 150 children). The indicator was set based on the number of children attending and not on preschools' total capacity, as preschools might require some time to reach full capacity. A possible option is that PDCA would be measured yearly and paid at the end of the third year of operation of each SIB cohort. In this case, the payment would be based on the average PDCA of each cohort.
Quality of SIB Preschools'	<p>Definition: yearly average score of the MELE index across SIB preschools.</p> <p>Notes:</p> <ul style="list-style-type: none"> MELE instrument measures the quality of learning environment through several



Learning Environments	<p>domains such as play materials and opportunities, pedagogy, teacher-child interactions, environment and physical setting.</p> <ul style="list-style-type: none"> • Each domain would be weighted according to its relevance and would be integrated into an index (0-100 points). • Payments would be tied to the average score across SIB preschools, meaning that all the preschools would have the same weight. A MELE score would be available for all SIB preschools. • A possible option is that learning environments would be measured yearly and paid at the end of the third year of operation of each SIB cohort.
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19. *Additional Non-Payment Metric.* Other than the payment metrics mentioned above, another one on children development would be measured throughout the SIB implementation cycle. Given the sensitiveness of tying the measurement of children development to payments for outcomes under the SIB and considering the relevance of this metric for informed decision-making in Uzbekistan, the proposed SIB would finance the collection of data and measurement of children development in a sample of SIB preschools. The independent evaluator would be responsible for these tasks.

Table 9. SIB Non-Payment Metric

Metric	Description
Children Development	<p>Definition: average score of the MODEL index across SIB preschools.</p> <p>Notes:</p> <ul style="list-style-type: none"> • MODEL instrument measures children development through areas such as: children executive function, socio-emotional development, pre-academic skills (literacy and mathematics). • Each domain would be weighted according to its relevance and would be integrated into an index (0-100 points). • The average score across SIB preschools would be determined. • Children development would be measured in the first and third years of operation of cohorts 1 and 3, but no payments would be made based on this metric.

20. *Target-Setting Methodology.* The methodology for setting targets for the proposed SIB payment metrics would observe the following principles:

- *SIB Preschools Total Occupation Rate.* A pre-defined increasing target-setting approach would be adopted for this metric. Targets would be set for the three years, at the start of the SIB implementation, as shown in the Table below. These are recommended targets for SIB preschools to allow for a progressive improvement in the occupation rate, but the payments against this metric will be based on the average targeted occupation rate for the duration of the cohort, which is 90%.

Table 10. Targets for Metric on Occupation Rate

Year	Cohort 1	Cohort 2	Cohort 3
2020	80%	Operating from July	Not operating
2021	90%	80%	Operating from July
2022	100%	90%	80%
2023	Not operating	100%	90%
2024	Not operating	Not operating	100%



- *Proportion of Disadvantaged Children Attending SIB Preschools.* A pre-defined fixed target-setting approach would be adopted for this metric. Targets would be set for the three years, at the start of the SIB implementation, as shown in the Table below.

Table 11. Targets for Metric on Proportion of Disadvantaged Children

Year	Cohort 1	Cohort 2	Cohort 3
2020	25%	Operating from July	Not operating
2021	25%	25%	Operating from July
2022	25%	25%	25%
2023	Not operating	25%	25%
2024	Not operating	Not operating	25%

- *Quality of SIB Preschools' Learning Environments.* A *dynamic target-setting approach* would be adopted for this metric. Targets should be adjusted each year, based on performance in previous year and/or previous cohort to incentivize ambitious improvements without transferring excessive risk to investors. Under the proposed dynamic target-setting approach:
 - Results of the 1st year of operations of each cohort would be used to set a benchmark of achievable levels of results. Targets for the 2nd and 3rd years of operation would be set a notch higher than results from the prior year.
 - Results of the 1st cohort would be used to set a benchmark of an achievable trajectory of results. The expected increase from one year to another in a certain cohort can be based on the trajectory of previous cohorts.
 - Because the 1st cohort would be used to set the trajectory benchmark of cohorts 2 and 3, the targets of cohort 1 would follow different rules than the targets of cohorts 2 and 3.
 - Example:
 - Dynamic target-setting for cohort 1:
 - *Target for the 1st year of implementation* would be the average MELE score from the national baseline for private preschools. This target is ambitious in the sense that, within a year, new SIB preschools would need to reach the level of other preschools that have been established for a while. It is realistic, as new SIB preschools would get the support to set the right learning environment.
 - *Target for the 2nd year of implementation* would be the 60th percentile MELE score from the first year of implementation.
 - *Target for the 3rd year of implementation* would be the 60th percentile MELE score from the second year of implementation. If the 60th percentile result from the second year is lower than its target (i.e., the target in year 2 was not achieved even by the 60th percentile preschool), the target for the 3rd year should be equal to the target from the 2nd year.
 - Dynamic target-setting for cohorts 2 and 3:
 - *Target for the 1st year of implementation* would be the average MELE score from the first year of the first cohort.
 - *Target for the 2nd year of implementation* would be the 60th percentile MELE score from the first year of implementation of the same cohort (i.e., result from the first year of cohort 2 for cohort 2; result from the first year of cohort 3 for cohort 3).



- *Target for the 3rd year of implementation* would be the 60th percentile MELE score from the 2nd year of implementation for the same cohort. If the 60th percentile from the 2nd year is lower than the target for the 2nd year (i.e., the target in year 2 was not achieved even by the 60th percentile preschool), the target for the 3rd year should be equal to the target from the 2nd year.

21. *Incentive Scheme for the Lead Contractor and SIB Preschools.* An incentive scheme to incentivize performance is presented below.

- *Incentives to the Lead Contractor.* The Lead Contractor is expected to share the upside as well as the downside of the SIB with the investor(s) by financing a portion of the cost for the operation of the SIB and earning a portion of the outcome payment. In this scenario, the Lead Contractor becomes a co-investor and would be entitled to a share of the outcome payment that is proportional to its investment in the SIB. If the SIB as a whole underperforms, the Lead Contractor, along with the other investor(s), would stand to make a loss, whereas if the SIB meets or exceeds its targets, the Lead Contractor and the investor(s) earn a return. If the Lead Contractor is unable to co-invest, the investor(s) may offer the Lead Contractor performance payments when the SIB exceeds its targets. However, this option would raise the overall cost of the SIB to the GoU compared to the first option described above, as the investor would require a greater return on investment in order to cover the cost of the incentive scheme. A final decision on this incentive shall be made at the time of the negotiations between the investor(s) and the Lead Contractor.
- *Incentives to SIB preschools.* Diverse monetary and non-monetary incentives for SIB preschools were considered. Non-monetary incentives provide the best balance of motivation, reasonable costs and limited impact on the return to be charged by the investor(s). Private preschools already have a financial incentive to perform well in order to attract enough students to make their operation profitable. Rewarding SIB preschools for their performance with public recognition is expected to incentivize each preschool to perform to the best of its ability, regardless the overall performance of the SIB. The type and the extent of the non-monetary incentive should be determined in the POM. Examples of public recognition include:
 - information campaigns highlighting the achievements of the best-performing preschools;
 - public awards ceremonies;
 - opportunities for administrators and staff of the top-performing SIB preschools to participate in public forums to share their experiences; and
 - professional development and growth opportunities for administrators and staff of the top-performing SIB preschools.

22. *Payment Scheme.* The proposed SIB would be implemented in three cohorts of preschools between 2020 and 2024. Each cohort would receive support for three years, and their performance during this three-year period would determine outcome payments to the investor. Payments to the investor would be made in accordance with a schedule agreed under the contract with the GoU, and proportional to investor's contributions. It is suggested that any due payments are made at the end of the 3rd year of operation of each SIB cohort.

23. *Payment Formula.* A payment formula would determine the payouts from the outcome payer to the investor(s) based on the results achieved. In the simplest terms, a payment formula would be the product between the price per unit of result and the units of results achieved, which however should not exceed the actual level of verified EEP. To construct the payment formula, the following parameters should be considered:



- *Payment timeline* showing when payments for each payment metric would occur. For each payment, a target, an expected payment, a price per unit, and a cap needs to be defined.
- *Payment weights* are the proportion of the total payments that are tied to a specific payment metric. For the proposed SIB, the weight for the two metrics on access (total occupation rate and the proportion of disadvantaged children attending) would be 30 percent, whereas the weight for the metric on quality would be 70 percent.
- *Total expected payment* is the amount that the outcome payer (GoU) would pay if targets for each cohort are achieved. This amount should lead a payment that allows the investor(s) to recover their principal and get a reasonable rate of return.
- *Total maximum payment* is the highest amount that the outcome payer (GoU) would pay to the investor(s), even if the results are significantly above the SIB metrics' targets. The maximum payment must be higher than the total expected payment to incentivize the investors to provide effective support and incentives that lead to preschools' overperformance.
- *Price per unit of results* is the monetary value that would be paid for each unit of result achieved.
- *Payment caps* are the maximum amount that the outcome payer would pay for results achieved. Payment caps can be set at the payment metric, cohort, and overall SIB level. They are different from payment weights in the sense that payment weights define the desirable amount to pay for each metric, whereas a payment cap defines the maximum.

24. *Expected Payments.* For each cohort of SIB preschools and metric there is an expected payment equal to a proportion of the total expected payment. It is calculated based on the weight of the metric, the number of years that the metric is being paid for, and proportional size of the cohort. The Table below presents examples of expected payment per cohort, for each metric. These are the amounts that the outcome payer would pay the investor, if targets are met. If targets are surpassed, then higher payments can be obtained up to the payment cap. IDA and GPRBA funds would be used up to the verified total of eligible expenditures.

Table 12. Expected SIB Payments (Examples)

Metric	Expected Payment
SIB Preschools Total Occupation Rate	$\frac{\text{No of SIB preschools in the cohort}}{\text{No of SIB preschools}} * 20\% * \text{Total expected payment}$
Proportion of Disadvantaged Children Attending SIB Preschools	$\frac{\text{No of SIB preschools in the cohort}}{\text{No of SIB preschools}} * 10\% * \text{Total expected payment}$
Quality of SIB Preschools' Learning Environments	$\frac{\text{No of SIB preschools in the cohort}}{\text{No of SIB preschools}} * 70\% * \text{Total expected payment}$

25. *Payment Timeline.* The payment timeline for each metric within a cohort of SIB preschools would consider the following:

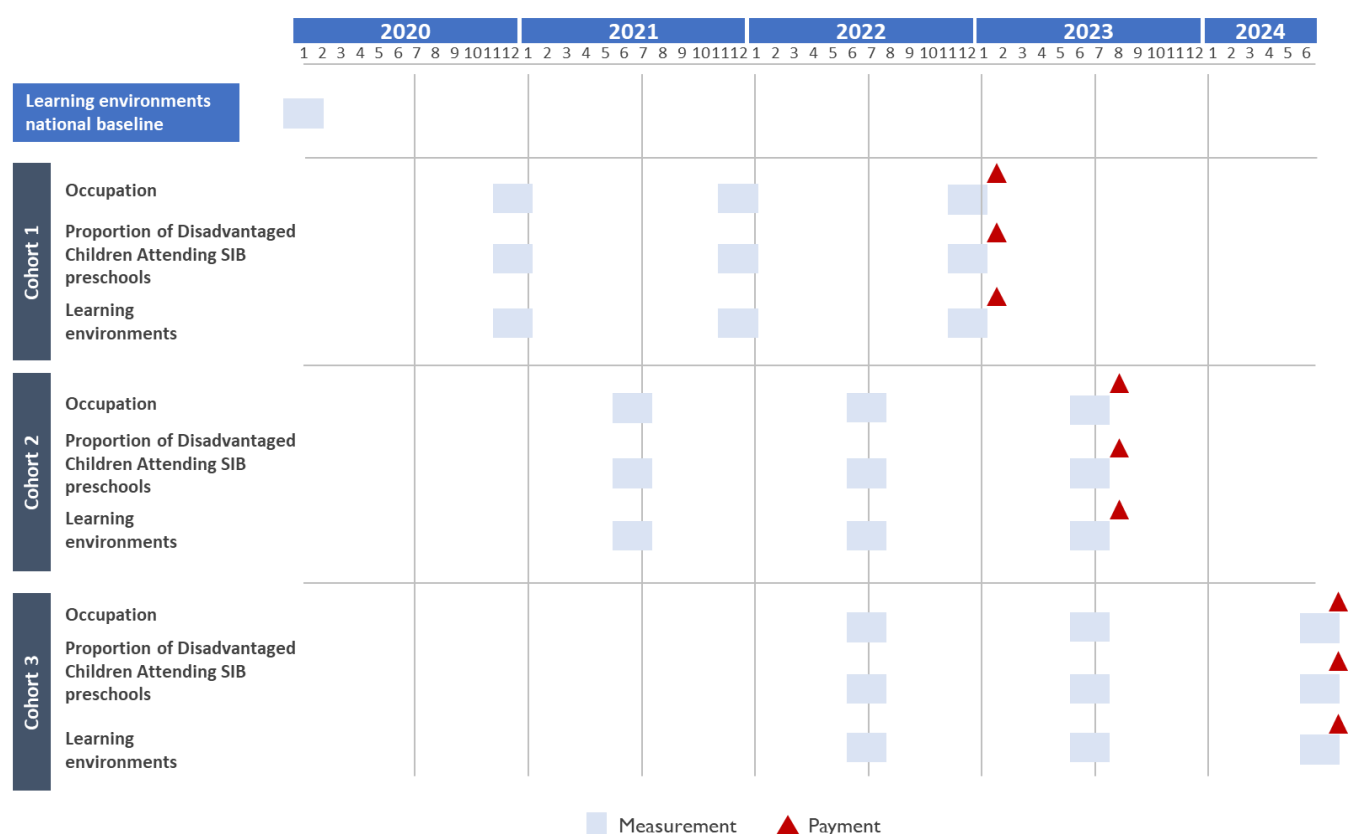
- *SIB Preschools Total Occupation Rate* would be measured yearly for the three years of support given to each SIB preschool to incentivize a high rate is maintained. As a suggestion, payments would be made at the end of the 3rd year of each cohort.



- *Proportion of Disadvantaged Children Attending SIB Preschools* would be measured yearly for the three years of support given to each SIB preschool to incentivize a high rate is maintained. As a suggestion, payments would be made at the end of the 3rd year of each cohort.
- *Quality of SIB Preschools' Learning Environments* would be measured yearly over the three years of support given to each preschool to incentivize good quality over time. As a suggestion, payments would be made at the end of the 3rd year of each cohort.

26. The following Figure shows how the proposed SIB payments would be made. The exact months of measurement and payments are still to be defined.

Figure 9. Suggested Payment Schedule





27. *Sustainability.* The proposed Project that hosts this SIB finances activities to improve the quality of preschool education in Uzbekistan. The wider Project would support capacity building activities to mainstream the monitoring and evaluation of educational data and indicators in preschools. In the absence of a system to measure the quality of preschool education in the country, the proposed Project would be fundamental to address the current challenge in quality. The GoU is expected to mainstream the preschool quality measurement system nationwide with the help of the Project and to use the information produced through this system for policy-making. As mentioned above, under the proposed SIB preschools would receive upfront training and ongoing support, capital investment into furniture, equipment and teaching and learning materials. The accruing benefits of the proposed SIB are expected to spill over into the preschool education sub-sector. The GoU may subsequently adjust the model and the extent of support allocated to other private preschools to ensure the highest impact on quality. The following three possible scenarios are envisioned, as far as sustainability is concerned:

- The SIB model proves successful and more investors, including domestic ones invest in preschool education or other sectors using the SIB model.
- The creditworthiness of private preschools improves. The SIB proves that private preschools are creditworthy, and they are able to borrow domestically at sustainable interest rates.
- The GoU adopts RBF approaches in education or other sectors without upfront capital from investors.



ANNEX 4: Team Members

World Bank Staff	
Ahmed Merzouk	Lead Procurement Specialist
Aigerim Aiguzhina	Country Program Assistant
Aimonchok Tashieva	Social Development Specialist, Safeguard Policies
Elbek Yusupov	Senior Financial Management Specialist
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Fasliddin Rakhimov	Procurement Specialist
Garik Sergeyan	Senior Financial Management Specialist
Inga Afanasieva	Results-Based Financing Specialist
James Gresham	Education Specialist
Janssen Teixeira	Task Team Leader, Senior Education Specialist
Jasna Mestnik	Finance Officer
Julia Liberman	Operations Officer
Katia Maria Herrera Sosa	Senior Economist
Mohammed Nadeem	Legal Analyst
Myrna Machuca-Sierra	Economist
Nina Kolybashkina	Senior Social Development Specialist
Qing Wang	Senior Environmental Specialist
Rumiya Garipova	Program Assistant
Ruxandra Costache	Senior Counsel
Shizuka Kunimoto	Junior Professional Officer
Subhashini Rajasekaran	Young Professional
Sujani Eli	Program Assistant
Ziauddin Hyder	Senior Nutrition Specialist
Consultants	
Ana Carolina Villela	Social Impact Bonds Specialist
Drew von Glahn	Senior Financing Specialist
Inoyat Sadikova	Education Consultant
Instiglio Inc	Impact Bonds Consulting
Iqboljon Ahadjonov	Education Consultant
Sharanya Vasudevan	Education Consultant
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Sina Smid	Data Analyst
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Christine Lao Pena	Senior Human Development Economist
Laura Rawlings	Lead Social Protection Specialist
Manuel Salazar	Lead Social Protection Specialist
Susanna Hayrapetyan	Human Development Program Leader



MAP

