

SAFEGUARDS AND SOCIAL DIMENSIONS SUMMARY

A. Environment and Social Safeguards

1. The project is classified category B for environment and category C for involuntary resettlement impacts and indigenous peoples impacts pursuant to the Safeguard Policy Statement (SPS, 2009) of the Asian Development Bank (ADB). The requirements for general corporate finance will apply for this project. A qualified and experienced external expert undertook a compliance audit of the corporate and facility environmental and social management practices of Sughdneft Limited Liability Company. The audit covered the operational oil and liquefied petroleum gas (LPG) handling terminal and the six retail fuel stations (RFSs) in Khujand and nearby areas, with one RFS under construction. Sughdneft plans to expand its RFSs in different districts of Sughd region, with seven new RFSs targeted by the end of 2018.

2. **Environment.** Sughdneft does not have specific corporate environmental management codes, but follows the requirements of local legislation and ensures that all relevant regulatory documents are developed and permits. Safety trainings are also provided for all staff in accordance with regulatory requirements. However, it has no specific regulations for the disposal of hazardous tanks or materials excavated during construction. This will be included in the environmental procedures in the environmental and social management system, which will be prepared by the company. Other impacts associated with the construction are expected to be temporary and of short duration, such as increased ambient dust and noise, waste generation, vegetation clearing, and occupational health and safety risks. The most significant environmental concern regarding RFS operation is the potential for accidental release of stored or handled fuel from the underground storage tanks and piping system, which can result in soil and groundwater contamination. Accumulation of petrol and LPG vapor releases may form a flammable atmosphere if mixed with air in certain proportions, and may result in unsafe conditions RFSs and in nearby communities. All operational RFSs are relatively new and have not recorded any environmental or safety issues. However, some of the design aspects (e.g., the vapor vent elevation is only about 1 meter above the ground) and practices (e.g., no clear markings in fuel refilling points to avoid accidental refill with another fuel product) of the current RFSs will need to be improved to minimize safety risks in the future. The engineering design for the new RFSs under ADB funding will adopt international guidelines and practices (e.g., the International Finance Corporation Environmental, Health, and Safety Guidelines for Retail Petroleum Networks¹) to ensure that potential environmental and safety impacts are minimized, particularly as the RFS age. Existing RFSs, with a service center and car wash, have an oil and water separator (OWS) to avoid hydrocarbon contamination in sewage discharge; and a third-party company collects the sludge from the OWS. All new RFSs will be recommended to install an OWS. The environmental management plan will include monitoring for leakage and spillage, emissions, effluent, and occupational hazards. Environmental, health, and safety aspects will be considered in the screening criteria for acquiring existing RFSs.

3. **Involuntary resettlement.** The land for Sughdneft's current facilities was allocated from state land or through the purchase of land use rights from former land users. The audit found no outstanding land issues in Sughdneft's handling terminal and six RFSs covered by the audit. Land allocations for and land procurements by Sughdneft for the existing facilities complied with Tajikistan's laws, and no complaints or legacy issues have been recorded. No informal settlers or former lessees were displaced by lands procured for the company's operations. For the proposed

¹ International Finance Corporation. 2017. *Environmental, Health, and Safety Guidelines for Retail Petroleum Networks*. <http://www.ifc.org/wps/wcm/connect/10f87e804885591b81f4d36a6515bb18/Final+-+Retail+Petroleum+Networks.pdf?MOD=AJPERES&id=1323152536731>

development of new RFSs, Sughdneft will apply for the allocation of empty land plots or purchase existing RFSs from private entities. Land plots for RFSs are relatively small. The area of Sughdneft's existing six RFSs ranges from 0.07 hectare to 0.40 hectare. Land procurement for the RFSs is not expected to entail involuntary resettlement impacts. Sughdneft will conduct the planned land procurement in accordance with the environmental and social management system (ESMS), aligned with the requirements of the SPS.

4. **Indigenous peoples.** The 2010 census of Tajikistan showed that the country has more than 80 ethnic groups (nationalities)—84.2% Tajiks and 13.9% Uzbeks, with other ethnic nationalities such as Kyrgyz, Russians, Turkmen, and Tatars making up the balance. This pattern is similar in Sughd region—84% Tajiks (more than 1.8 million), 14.8% Uzbeks (329,614), 0.6% Kyrgyz (12,896), 0.4% Russians (8,890), 0.1% Tatars (2,600), 0.01% Turkmen (157), and 0.14% others (3,175). All these ethnic nationalities settled in the region many years ago; are fully integrated with the Tajiks; and have the same access to land and natural resources, health and education systems, and social security status. The development of new RFSs in Sughd region will not impact indigenous peoples.

5. **Environmental and social management system.** The review of Sughdneft's ESMS finds the following gaps, which need to be addressed to meet ADB requirements: (i) it does not have corporate environmental and social policies, (ii) it does not screen project environmental and social impacts before investment; (iii) it does not have dedicated environmental and social officers/staff, and (iv) the environmental and social monitoring procedure is limited to the regulatory requirements. Before the first disbursement by ADB, Sughdneft will adopt an ESMS satisfactory to the ADB SPS and other social requirements. This will ensure Sughdneft undertakes effective measures to avoid, minimize, mitigate, and compensate for any adverse environmental and social impacts. Sughdneft will designate qualified environmental and social staff to implement the ESMS.² It will prepare an annual environmental and social performance report on ESMS implementation. In the unlikely event that any project component triggers ADB's social safeguard policies, Sughdneft will submit semiannual reports.

B. Other Social Dimensions

6. The project is categorized as no gender elements. Women comprise 28% (16) of Sughdneft's 57 employees. They account for 13% of management, 60% of support staff, and 27% of RFS employees. Sughdneft offers equal opportunity to men and women qualified for job openings in the company. However, women may find work requiring physical endurance, remote location of facilities, and night shifts unattractive.

7. The project will contribute to the labor market through (i) the creation of new jobs opportunities from the additional RFS operations, and (ii) temporary employment of local workers during the construction or refurbishment of RFSs. Sughdneft and its contractors will comply with national labor laws and, pursuant to ADB's Social Protection Strategy (2001),³ will take measures to comply with internationally recognized core labor standards. Sughdneft will report regularly to ADB on (i) its and its contractors' compliance with such laws and (ii) the measures taken. Information disclosure and consultations with affected people will be conducted in accordance with ADB requirements.

² A detailed discussion of the audit recommendation and corrective action plan is in the Findings of the Corporate Safeguards Audit: Environmental and Social Management System Arrangement (available from the list of linked documents in Appendix 2).

³ ADB. 2003. *Social Protection*. Manila (adopted in 2001).