Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 06/02/2023 | Report No: ESRSA02841

BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Uzbekistan	EUROPE AND CENTRAL ASIA	P180432	
Project Name	Innovative Carbon Resource Application For Energy Transition		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Energy & Extractives	Investment Project Financing	5/31/2023	6/27/2023
Borrower(s)	Implementing Agency(ies)		
The Republic of Uzbekistan	Ministry of Finance, UzHydromet, Ministry of Energy, Ministry of Investments, Industry and Trade, Ministry of Economy and Finance		

Proposed Development Objective

The project development objective is to reduce carbon emission through subsidy reforms and leveraging policy-based climate and carbon funds.

Financing (in USD Million)	Amoun
Total Project Cost	46.2

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The Project has two interrelated components: (a) Payments for emission reductions (ERs) - Climate Finance (estimated US$20 million) and (b) Payments for Internationally Transferred Mitigation Outcomes (ITMOs) - Carbon Finance (estimated US$26.25 million). Results-based payments would be made against the ERs measured, reported, and verified, which would result from more efficient energy use incentivized by energy subsidy reforms. The description of specific components is outlined in the following paragraphs.

Component 1: Payments for measured, reported and verified emission reductions (ERs) - Climate Finance (estimated US$20 million). This component encompasses the results-based payments under the Emission Reductions Payment Agreement (ERPA). ERs will be generated due to the change in end-user energy demand and energy intensity resulting from the gradual adjustment of electricity and natural gas tariffs. Annual payments will be made based on the amount of ERs generated and contracted in the preceding year. The payments will reflect the volume and price outlined in the ERPA to be agreed between the GoU and TCAF contributors. The generated ERs under this component will remain in Uzbekistan and will be used for the country's NDC goals.

This component directly supports Uzbekistan's plans in both its NDC and Climate Change Strategy with respect to engaging international cooperation and mobilizing climate finance . In addition, the ERs and respective payments under this component would serve as a simulation of carbon trading, while all ERs would remain in Uzbekistan and would not affect the country's climate commitments under its updated NDC. Furthermore, it would pave the way for a real pilot carbon transaction under the Component 2, as outlined below.

Component 2: Payments for measured, reported, and verified Internationally Transferred Mitigation Outcomes (ITMOs) – Carbon Finance (estimated US$26.25 million). Similar to the Component 1, under the Component 2 payments would be made for measured, reported, and verified ERs resulting from energy tariff reforms. The key difference from the Component 1 is that the ERs under the Component 2 will be transferred out of Uzbekistan and become ITMOs, i.e. Uzbekistan will sell ERs and TCAF donor(s) (contributors) will buy the same.

The underlying activity, measurement, reporting, and verification of ERs and payments schedule will be outlined in the Mitigation Outcomes Purchase Agreement (MOPA) to be signed between the World Bank with the GoU. The underlying activity—the change in end user energy demand and energy intensity resulting from gradual adjustment in electricity and natural gas tariffs—for this agreement is the same as for the Component 1. The basis for payments under the MOPA is the authorization and international transfer of verified ERs by the GoU, and accordingly payments will be made annually to the GoU. Accordingly, under this Component, the GoU will need to authorize and transfer a portion of ERs to TCAF for distribution to carbon market buyers. This will require the GoU to undertake the necessary tracking, measuring and reporting as required by the Paris Agreement and the transferred portion of ERs will become ITMOs, which will not be used by Uzbekistan for its NDC.

Component 2 will therefore pilot an international carbon market transaction of Uzbekistan under Article 6.2 of the Paris Agreement. This will require that Uzbekistan comply with the accounting and reporting requirements of the Paris Agreement. The associated technical assistance (see the next section for details) will support Uzbekistan's Article 6 readiness efforts in line with its NDC commitments and relevant state programs outlined in the background section above.

Technical Assistance (TA). This Project will be accompanied by a technical assistance with an estimated amount of up to US$2 million to be funded by TCAF and administered by the World Bank. The TA will play a critical role in developing the institutional capacity, systems and infrastructure for the GoU stakeholders to fulfill its NDC goals and those outlined in relevant state programs toward the development of a state system of inventory, reporting, and control of GHG emissions. The TA also aims to support the GoU in developing a robust MRV framework in compliance with the Article 6 of the Paris Agreement. A draft Policy Implementation Support Plan (PISP) has been prepared by the GoU toward that goal, which provides stepwise actions to prepare for Article 6 collaboration. It is structured around two main sections: (a) strategizing for Article 6 engagement, which explores high-level opportunities, risks, and conditions for such engagements and identifies key areas to be explored for an engagement strategy and (b) governing Article 6 collaboration, which explores the necessary governance and institutional frameworks that need to be developed to guide and implement Article 6 collaboration.

The Project is in line with the overarching goal of Uzbekistan's County Partnership Framework (CPF) 2022–2026 to support the implementation of the next phase of reforms in the transition toward an inclusive and sustainable market economy in the country. Specifically, the Project would contribute to the following objectives of the Uzbekistan CPF 2022–2026: (a) Objective 1.4: Improve the infrastructure for competitiveness and connectivity; (b) Objective 3.1: Decarbonization and the greener development of industry and the economy; and (c) Objective 3.3: More efficient use of natural resources.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The geographical scope of the proposed Project is nationwide and will to support policy reforms on energy tariffs through payments of verified Emission Reductions (ERsUzbekistan is a landlocked country in Central Asia with a lower-middle income and a rich abundance of natural resources. It shares borders with all other Central Asia countries and Afghanistan and has a population of about 34.5 million, making it the most densely populated country in Central Asia. The country's geographical area is 458,000 sq km and is mostly occupied by vast plains, while the Tien Shan and Altay Range mountains occupy the rest. Its climate is characterized by dry, hot summers, cool and wet autumns, and relatively cold winters.

The Project is supporting policy-level intervention to generate emission reductions and will not finance any physical investments and/or any technical assistance for such investments in the future. The Project aims at increasing the efficiency of energy use by gradual increase of tariffs to end users and reform the energy sector. The Project will have a beneficial impact by reducing emissions of Green House Gases (GHGs). The reduction in GHGs will have a dual benefit by responding to the demand to reduce GHG emissions to address climate change at the global level and addressing air pollution at the local level. However, there may be certain groups who may be impacted as a result of energy tariff increases if mitigation measures, such as social protection and/or differentiated tariffs strategy are not put in place and/or poorly targeted.

The energy sector in Uzbekistan is highly dependent on natural gas, accounting for 86 percent of total primary energy consumption, and more than 80 percent of the electricity mix. The price of natural gas for domestic consumption is kept at about 50 percent of the prevailing rate for international export, thus it entails significant implicit subsidies. At the current pace of consumption, the existing proven gas reserves will be depleted within 20 years. Thus, it is crucial to contribute to the country's energy security by improving the efficiency of energy consumption in the sector.

The Poverty and Social Impact Assessment (PSIA) undertaken under the for the Uzbekistan Advancing Uzbekistan's Economic and Social Transformation Project (P179007) found that with rising inflation-adjusted electricity and gas tariffs, poor households are expected to devote a growing share of their household budget to energy and electricity. An assessment of the poverty and distributional impact of introducing cost-recovery electricity tariff rates conducted by the World Bank in 2022 suggested that in the absence of effective mitigation measures as many as 515 thousand people would be pushed into poverty at that time (using the national poverty line of 498K som per person per month). In addition, some especially vulnerable social groups are disproportionately affected by tariff increases. A World Bank assessment found that female-headed households in Uzbekistan find it significantly harder to pay for utilities and in response to shocks are more likely to reduce their food consumption and to need to borrow to pay for basic needs. At the same time, due to higher consumption levels among higher income households the same assessment found that approximately 29 percent of the ongoing (pre-reform) implicit subsidy on electricity consumption accrued to the highest income quintile, compared to less than 13 percent of the benefits accruing to the lowest income quintile. Thus, while increased tariffs would be expected to increase poverty rates if mitigation measures are not designed properly, reversing subsidies would also have distributionally progressive impacts. Hence, critical elements of social risk mitigation under the energy reforms include putting together various measures to protect the poor and vulnerable from any financial shocks associated with use of energy, and inform them on options to seek support.

Reforms in the sphere of social protection since 2017 have strengthened the administration of the social protection system and helped define priorities more clearly. The new social protection strategy for Uzbekistan which codifies the system of basic social protection for all citizens through 2030. It outlines that (i) social protection is extended to all members of society with links between social insurance, social assistance, social care services, and labour market programs; (ii) social protection priorities are aligned with needs and rights; and (iii) designates the form of coordination among agencies involved in social protection design and delivery. With respect to social assistance, the new policy defines the universe of social assistance programs through 2030, and the targeting principles to be used. It also designates the Single Registry as the core administrative mechanism to implement all social assistance programs and is currently strengthening the system to identify and select beneficiaries to reduce exclusion and inclusion errors. The coverage and budget allocated to the low income family allowances almost doubled in 2018 compared to 2015. However, issues associated with exclusion errors still persist. It is estimated that only one out of three poor people receives any form of social assistance and that 37 percent of poor families receive family allowances (Uzbekistan: Strengthening the Social Protection System Project – P166447). This signals potential areas of improvements that need to go hand-on-hand with the proposed energy reforms being supported by the operation.

D. 2. Borrower’s Institutional Capacity

The Ministry of Economy and Finance (MoEF) has been leading the preparation of the proposed project and will also lead the project implementation along with the Ministry of Energy (MoE). Based on Presidential Decree #436, dated December 2, 2022, the MoEF is the authorized state body in charge of coordinating the green growth agenda and will facilitate the efforts in preparation for the establishment of a national legal framework for carbon trade and accessing carbon markets and piloting the first carbon transaction under this proposed project as part of Article 6 of the Paris Agreement. A PIU will be established under the MoEF for the overall coordination and day-to-day implementation of the Project.

Other ministries and agencies will have roles including the MoE, responsible for implementation of the priority energy reforms, using the proceeds of this proposed project. The MoEF and MoE have been involved directly in World Bankfinanced project and have gained experience in the World Bank's regulations, including environmental and social policies and operating procedures.

The Agency for Strategic Reforms (ASR), a sole shareholder of power and gas companies, is a lead state body responsible for design and implementation of energy sector reforms, including to be funded through the proceeds of the proposed Project. The Ministry of Investment Industry and Trade (MIIT) is a central coordinating state body responsible for coordinating of activities of international financial institutions and foreign government financial organizations as well as implementation of the state investment policy programs. UzHydromet (UHM), the state focal point for NDC and the Paris Agreement, will lead the activities on assessing, quantifying, verifying, and reporting the expected results of the operation, including potential GHG reductions according to Article 6 of the Paris Agreement.

A governmental working group was established in 2022 specifically to prepare the proposed project jointly with the World Bank. The working group is led by MoEF and comprises representatives from MIIT, MoE, and UHM. The working group has been providing overall strategic and policy guidance as well as facilitating coordination among different ministries and agencies. Following the recent administrative reforms in Uzbekistan, the GoU will update the composition of the working group to reflect the above-mentioned roles and responsibilities of different agencies pertaining to the Project.

The proposed Project is expected to build on the previous and ongoing World Bank projects and activities. The Energy Sector Strategy Programmatic Advisory Services and Analytics (Energy PASA, P168487) co-funded by Electricity Sector Management Program (ESMAP) has been central to providing support to reform areas. The Modernization and Upgrade of Transmission Substations Project (MUTSP, P156584) and Electricity Sector Transformation and Resilient Transmission Project (ESTART, P171683) aim to address bottlenecks in the power grid and enable the large-scale renewable energy integration. Scaling Solar and Wind programs support the deployment of large-scale renewable energy. Clean Energy for Buildings (CEBU, P176060), Industrial Energy Efficiency (UZEEF, P118737), District Heating and Energy Efficiency (DHEEP, P146206) collectively tackle the high energy intensity issue in the main sectors. Of these the MUTSP, UZEEF, and DHEEP were supported under Safeguards Policies. Projects under the Environmental and Social Framework (ESF) include ESTART and CEBU.

The success of the Project, including its intended environmental and social outcomes, hinges on both the national and sub-national government stakeholders' ability to effectively coordinate across ministries and sectors to promote an integrated approach to address drivers of emissions. Hence, strong engagement, consensus and trust building as well as creation of incentives and enabling environments for key stakeholders, including communities, to accept increases higher tariffs from energy from oil and gas and adopt low emission development represent a crucial building block that the project will needs to have in place, strengthen, and continue to maintain. Potential challenges are anticipated in areas where relevant reforms are coordinated to achieve their intended objective in the context of complex institutional and political contexts in Uzbekistan.

The proposed project will need to ensure meaningful stakeholder engagement, focusing on inclusive outreach with key stakeholders and to broaden safety nets to cover those in need and how these are publicly communicated in a clear, transparent and inclusive manner. The project will mobilize resources to support MoEF's in managing public communication campaign and broader stakeholder engagement including the feedback mechanism. This will include the hiring of a social specialist and other relevant experts, including public communication, as needed.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) Moderate

Environmental Risk Rating Low

The environmental risk is rated Low. Project activities will not support or design any kind of physical intervention or civil work. There are four major activities: (i) payments for measured, reported and verified (MRV) Emission Reductions (ERs) generated through reduced use of energy due to the gradual increase of end-user tariffs, (ii) payment from international carbon market for ERs following Article 6.2 of the Paris Agreement, (iii) support implementation of Policy Implementation Support Plan to establish a framework for international engagement, and (iv) distribute funds for Energy Sector Reform Program. All these activities will have positive outcomes by reducing Greenhouse Gas Emissions, which have global and national implications to address climate change and air pollution.

Social Risk Rating Moderate

The social risk has been classified as moderate on account of potential downstream impacts of energy tariffs reforms on the poor and vulnerable if mitigation measures are not in place and/or poorly targeted. The project is envisaged to generate positive outcomes from subsidy reform which is expected to create sustainability of the sector and reliability of energy supply and by incentivizing reduced emissions. It is anticipated that the changes to the tariffs from electricity and gas will incentivize energy conservation behaviours from end users (residential, private, commercial, public). The increase in tariffs will be differentiated for residential vs other end users with residential users the increases expected to be marginal and gradual. However, even marginal increases will likely disproportionately impact vulnerable and poor households who are relying on social safety nets or will require support from social safety nets. Micro, small and medium enterprises (MSMEs) may also be disproportionately impacted from the increased tariffs to non-residential end users. As the PSIA has shown that with rising inflation-adjusted electricity and gas tariffs, poor households are expected to devote a growing share of their household budget to energy and electricity. That in the absence of effective mitigation measures many would be pushed into poverty at that time. In addition, some especially vulnerable social groups are disproportionately affected by tariff increases in particular that female-headed households find it significantly harder to pay for utilities and in response to shocks are more likely to reduce their food consumption and to need to borrow to pay for basic needs. The changes to tariffs related to electricity and gas is expected to result in an increase in uptake from lower cost energy from renewables and therefore investment in the renewables sector mainly in solar and wind. However, those who will be disproportionately impacted from the tariffs will be the least likely to have resources and know-how to invest in renewables for lowering their energy costs. These would be the same vulnerable and poor households and MSMEs. If increases in tariffs, and how such increases are differentiated for different groups, is not well communicated, there may be increasing tension and increase in complaints when impacts are felt. Lack of inclusive engagement and participation of affected stakeholders, including end users and particularly amongst those who may stand to lose out or adversely impacted, may add to the risk level. There is also the potential for unrest and protest from those who will be feeling the impacts of the increases in tariffs as well as the near-poor and middle class. It will be key to ensure targeted communication campaigns to these groups, and that those groups that will be disproportionately impacted are meaningfully engaged and informed of what measures are in place including through social safety nets. An initial Stakeholder Engagement Plan (SEP) has been prepared for to communicate information on the Project, including on tariff increases, as well as for social protection measures that will be available. The draft plan will be disclosed prior to appraisal and revised to incorporate details from the communication strategy that is yet to be developed as well as details of the selected Project Feedback and Grievance Redress Mechanism (FGRM). There will be no investments in physical infrastructure nor procurement of any goods for management systems related the Measurement, Reporting, and Verification (MRV) system for the energy sector to be established through the proposed Project. The only support is expected to be through capacity building and through the TA. As such only civil servants and consultants will be the workers for Project. There will be no land acquisition which would result in any economic or physical displacement nor restrictions on land use.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The proposed Project seeks to support the planned GoU's policy on energy tariffs reforms by leveraging policy-based climate and carbon funds to facilitate clean energy transition and efficient use of energy nation-wide. The project will result in payments of verified Emission Reductions (ERs) generated through policy-based interventions on the energy reforms. Hence, the project's interventions will not have any physical components and hence, result in any site-specific risks and/or impacts. The proposed mitigation measures will be implemented at a policy-level, through strengthening social assistance to mitigate the impacts of energy reforms on the poor and vulnerable, complemented by stakeholder engagement activities under the project.

The project will provide up to US$45 million as payments for verified ERs. The emission reduction is expected to be achieved by gradual increase in end user tariffs and reforming the Energy Sector. The Carbon transaction envisaged under this operation will be a first-of-its-kind-of operation in Central Asia and will pave the way for further replicating such operations not only in the energy sector but also economy-wide as well as in neighboring countries, per the countries' climate commitments under the Paris Agreement.

The overall social and environmental risk is classified as moderate. There will be no investments in physical infrastructure nor procurement of any goods for management systems. The following Environmental and Social Standards (ESSs) are considered relevant: ESS1 Assessment and Management of Environmental and Social Risks and Impacts; ESS2 Labor and Working Condition; ESS4 Community Health and Safety; and, ESS10 Stakeholder Engagement.

The environment risk is classified as low. The project will positively impact by improving energy use efficiency with direct implication to reduce Green House Gases.

Potential social risks and impacts mainly relate to impacts of changes to tariffs and potential impacts from resultant of scaling up of renewable energy sources. The increase in tariffs, even if marginal and gradual, have the potential to disproportionately impact vulnerable and poor households who are relying on social safety nets or will require support from social safety nets. MSMEs may also be disproportionately impacted from the increased tariffs to non-residential end users. As the PSIA has shown, female-headed households in Uzbekistan find it significantly harder to pay for utilities and in response to shocks are more likely to reduce their food consumption and to need to borrow to pay for basic needs. This would result in adverse impacts to health and well-being of these households with vulnerable members of the household most at risk.

The changes to tariffs related to electricity and gas is expected to result in increase in uptake from of energy from renewables and investment in the renewables mainly from solar and wind. However, those who will be disproportionately impacted from the tariffs will be the least likely to have resources and know-how to invest in renewables for lowering their energy costs. These would be the same vulnerable and poor households and MSMEs.

To understand any disproportionate social impacts and risks as a result of increases in tariffs analysis as undertaken for the PSIA and will be similarly done for this Project and prior to increase in the tariffs. Based on the findings of the analysis measures could be designed or existing measures revised to address the impacts. This will require co-ordination and co-operation with agencies providing social safety nets and which is expected to be facilitated through the Bank's projects on social protection and specifically the roll out of the Single Registry of social protection and works on strengthening the social assistance delivery systems. This will be also supported by the Bank's analytical and operational engagement in social protection. Capacity could also be built for regular monitoring and undertaking of the analysis with relevant stakeholders in government including those who are responsible for the monitoring of social safety nets.

Lack of inclusive engagement and participation of affected stakeholders, including end users and particularly amongst those who may stand to lose out or adversely impacted, may add to the risk level. It will be key to ensure targeted communication campaigns, and that those groups that will be disproportionately impacted are meaningfully engaged and informed of what measures are in place including through social safety nets. A communications strategy will be developed for the Project with communication campaigns expected to take place prior to any increases to energy tariffs. Currently the draft SEP sets out in general terms the communications to various groups on the reforms planned as part of this Project, as well as measures put in place to address any risks and impacts as well as benefits. This SEP was disclosed by MoEF on their website on 15 May 2023. Furthermore, the SEP will be regularly revised to include updated information on the communications strategy and details of the campaigns as well as messaging on social safety nets and who would be legible for any benefits. There will be ongoing consultations including with representatives of end users and sample of end users. As agreed in the ESCP, the project SEP will be revised, redisclosed and adopted by the MoEF within six (6) months from the date of the execution of the ERPA and, where applicable, the MOPA prior to the first Transfer and Payment of Contract verified Emission Reductions (VERs). MoEF will coordinate with relevant agencies to implement the SEP throughout Project implementation.

An Environmental and Social Commitment Plan (ESCP) has also been prepared and was disclosed by MoEF on their website on 15 May 2023.

ESS10 Stakeholder Engagement and Information Disclosure

The draft SEP currently provides a preliminary understanding of stakeholders (affected and interested) including vulnerable groups. Stakeholder include: all residents of Uzbekistan; urban and rural population (local communities and rural activists); low-income and vulnerable groups of the population; business community, including industrial and commercial organizations (small and medium businesses, individual entrepreneurs); state, national, regional and district authorities, local governments; energy companies; international organizations and partners; and the media and public opinion makers. The SEP will continue to capture different stakeholders including any academic institutions and civil society organization particularly those representing end users on costs of energy. As part of the regular updating of the SEP more analysis will be undertaken to understand different vulnerabilities and related groups.

The draft SEP is also informed from a study commissioned by the World Bank towards a report on "Inputs for a Communication Strategy on Tariff Reforms in the Energy Sector of Uzbekistan" in 2022. The report was informed through research of public opinion and perceptions of the energy sector reform and quality of energy, gas and hot water consumption was conducted in February-April 2022. The draft SEP also captures engagement to date, the approach to engagement for implementation including information on the communication strategy which is planned to accompany the proposed subsidy reforms. A series of communications campaigns will be undertaken, with each campaign being carried out prior to any increases in energy tariffs . The campaigns will be informed by the findings from surveys that will be undertaken to understand the public perception of energy services, their concerns and willingness to pay. The SEP will be revised regularly during implementation to capture specific planned activities relating to the communications campaign as well information to be shared on measures to address risks and impacts, including on safety nets.

The MoEF will be leading the implementation of the SEP, along with MoE. MoEF is leading an inter-governmental working group with an overall mandate for coordination and strategic and policy guidance. MoE, through its Public Relations Department, will be responsible for communicating priority energy reforms, and hence, will be responsible for the overall public communication and engagement for the purpose of the reforms in coordination with other agencies, including MoEF's department managing social protection programs. To support the overall coordination and capacity requirements, including resource allocation, the project will have a provision to strengthen MoEF and MoE's capacity and skills through additional consultants or advisors (individuals and/or firms). The additional consultants or advisors will be used for strengthening the MoEF and MoE's capacities, through the working group, on stakeholder engagement for the energy reforms and associated impact mitigation measures.

The draft SEP currently provide information on various channels used or feedback and grievance redress (FGRM) by the MoEF and MoE. As part of the finalization of the SEP, these channels are currently being assessed in terms of their effectiveness and suitability for the proposed energy reforms and will be calibrated to ensure that such channels are fit-for-purpose and enable effective management of grievances, particularly with regards to social protection programs. The SEP will be revised to provide details of the selected FGRM. The FGRM will also be communicated as part of the messaging as part of the communications strategy on tariff increases and that is still be developed

Under the project, the FGRM will serve the following main functions:

- Provide affected stakeholders with access to information and avenues to enable their views and voices to be captured as part of the energy reform plan, including any associated strategy and reform design(s).
- Provide channels to affected people, particularly the poor and vulnerable groups, to seek redress and/or access to support in case that they are excluded. These grievance channels will be calibrated with potentially existing grievance mechanisms for social assistance programs.

For this purpose, the choice of channels, including complementary engagement activities through community outreach activities and engagement and potentially media monitoring will be designed to also capture feedback and grievances as they arise from such engagements. The project will mobilize resources to support MoEF's in managing public communication campaign and broader stakeholder engagement including the feedback mechanism. This will include hiring of a social specialist and other relevant experts, including public communication, as needed. A public communication team will also be in place. Together they will to ensure that consultations, engagements, feedback, and grievances are documented systematically including responsive resolution of issues as well as to enable institutional learning under the project. This report will provide a summary of all public consultation issues, grievances received and progress of resolution. These will form part of the regular reporting to the Bank.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The project will involve only civil servants and consultants. The Project will not be supporting any works or procurement of goods and hence, will not involve activities with potential Occupational Health and Safety (OHS) risks as these workers will mostly be responsible for reform design and implementation and delivery of technical assistance. Civil servants will remain subject to the terms and conditions of their public sector employment. The ESCP captures requirements with respect to relevant labour and working conditions and as they apply to the Project workers.

While a low risk, the ESCP has captured measures for prevention of SEA/SH through Codes of Conduct, the grievance mechanism, training and and awareness-raising. Given the low nature of the risks considered under this Standard, no standalone Labor Management Procedure (LPM) are required for this project. Relevant provisions of this Standard are reflected in the ESCP.

ESS3 Resource Efficiency and Pollution Prevention and Management

The standard is not relevant. The project won't support any physical activity or civil work so no pollution or inefficient utilization of resources expected.

ESS4 Community Health and Safety

Increases in energy tariffs will likely impact poor and vulnerable households disproportionately. Whilst the increases to residential end users are expected to be marginal and gradual these will still adversely impact these groups. These will have resultant impacts on health and well-being of vulnerable individuals and households as they make decisions on what to prioritise out of the household budget.

The PSIA already identifies female-headed households in Uzbekistan find it significantly harder to pay for utilities and in response to shocks are more likely to reduce their food consumption and to need to borrow to pay for basic needs. This would result in adverse impacts to health and well-being of these households with vulnerable members of the household most at risk. These assessments will be undertaken regularly as part of project implementation and the information is generated to better understand impacts based on different vulnerabilities and improvements made to ensure they are included in the social protection measures. For those who are already in receipt of benefits and others who will likely need this support it will be important to co-ordinate with the relevant agencies and ensure information is made available so that those entitled can access benefits from social safety nets. To support this co-ordination and access to benefits it is expected that the Project will rely on ongoing work in the social protection sector, specifically Strengthening Social Protection Systems Project (SSPS P166447) which among other things supports the roll out of the Single Registry of social protection and works on strengthening the social assistance delivery systems. This will be also supported by the Bank's just in time analytical engagement in social protection through the Uzbekistan's Social Protection Strategy implementation support (P179948).

While a low risk, the ESCP has captured measures for prevention of SEA/SH through Codes of Conduct, the grievance mechanism with associated training and and awareness-raising.

Finally, there is also the potential for unrest and protest from those who will be feeling the impacts of the increases in tariffs as well as the near-poor and middle class. This could result in community health and safety risks and impact. The revised SEP will contain information on the targeted communication campaigns and social safety net programs that will need to be effectively implement to allay any fears and address any concerns.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant. The project will support electricity and gas support tariff reform. This will not result in any land acquisition or restrictions on land use.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The standard is not relevant. The proposed project will not finance any civil work that will have adverse impacts on biodiversity and natural habitats

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant as there are no Indigenous Peoples, who meet the definition of this standard, in Uzbekistan.

ESS8 Cultural Heritage

This standard is not relevant. The project will support electricity and gas support tariff reform. This will not result in any impacts or risk to tangible and intangible cultural heritage.

ESS9 Financial Intermediaries

This standard is not relevant. The project does not support any financial intermediaries.

B.3 Other Relevant Project Risks

All relevant risks that have been identified are summarized against each of the standards.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

B.3. Reliance on Borrower's policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?	No

Areas where "Use of Borrower Framework" is being considered:

The Borrower's framework will not be used in part of full for this Project. However, the proposed Project will comply with relevant national legal and regulatory requirements.

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: The Republic of Uzbekistan

Implementing Agency(ies)

Implementing Agency: Ministry of Finance

Implementing Agency: UzHydromet

Implementing Agency: Ministry of Energy

Implementing Agency: Ministry of Investments, Industry and Trade

Implementing Agency: Ministry of Economy and Finance

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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