Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 04/26/2019 | Report No: ESRSA00156
**BASIC INFORMATION**

**A. Basic Project Data**

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uzbekistan</td>
<td>EUROPE AND CENTRAL ASIA</td>
<td>P166447</td>
<td></td>
</tr>
</tbody>
</table>

**Project Name**

Uzbekistan: Strengthening the Social Protection System

**Practice Area (Lead) & Financing Instrument**

<table>
<thead>
<tr>
<th>Social Protection &amp; Labor</th>
<th>Practice Area (Lead)</th>
<th>Financing Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Project</td>
<td></td>
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</tbody>
</table>

**Estimated Appraisal Date**

5/8/2019

**Estimated Board Date**

6/18/2019

**Borrower(s)**

- Ministry of Finance

**Implementing Agency(ies)**

- Ministry of Employment and Labor Relations

**Proposed Development Objective(s)**

The Project Development Objective (PDO) is to improve inclusion of poor and vulnerable people in the social assistance system and labor market, including those affected by the economic reforms in Uzbekistan.

**Financing (in USD Million)**

<table>
<thead>
<tr>
<th>Total Project Cost</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>50.00</td>
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</tbody>
</table>

**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 proposed project is expected to support the Government of Uzbekistan in strengthening its SP system for poor and vulnerable households, including measures to limit and mitigate the adverse impact of various economic shocks due to the on-going economic reforms. Therefore, the project will have the twofold goal of protecting the poor and vulnerable and preventing the near poor from falling into poverty. The overall objective of the project will be achieved through the implementation of activities in three components to develop, consolidate, and roll out key SP operational systems, implement selected key labor market interventions, and develop and implement a monitoring system. The project will comprise three components to achieve the development objective: Component 1. Modernizing the Social Safety Net in Uzbekistan (approximate IDA credit amount: US$5 million). The objective of this component is to...
improve the effectiveness of key social interventions by better identifying the poor and vulnerable and providing a timely and predictable benefit to address their needs. The component will be implemented through two subcomponents: (i) enhancing and rolling out the single registry and (ii) improving the effectiveness of social benefits.

Component 2. Improving the Effectiveness of Active Labor Market Programs (approximate IDA credit amount: US$ 41 million). The objective of this component is to support a larger number of jobseekers to achieve higher rates of job placement through improved effectiveness of the public employment services (ESC) and ALMPs targeted to vulnerable jobseekers implemented by the ESCs in partnership with the private sector. This component addresses a major challenge the Government is facing as a result of the economic reforms under implementation and the slow job creation in the economy; an increasing number of vulnerable and near poor population is expected to be laid off as a result of some reforms, particularly the restructuring of the SOEs, many of which are expected to be privatized, liquidated, or restructured. To mitigate the risk of increased number of unemployed among youth and displaced workers as well as high inactivity rates among women and social assistance beneficiaries, this component will contribute to government’s efforts to expand the supply and quality of employment programs and services for vulnerable groups in need of social support. To achieve these objectives, the proposed project will support the MELR through four interrelated subcomponents: (i) Enhance the Capacity of Employment Support Centers to Implement Job Intermediation Services; (ii) Financial Support to Promote Employment; (iii) Entrepreneurship Skills Training; and (iv) Develop and Implement an Integrated Labor Market Information System (LMIS).

Component 3. Project Monitoring and Management (approximate IDA credit amount: US$ 4 million). The objective of this component is to support the Government in monitoring labor market interventions and managing the overall IDA project. This component will include the development and implementation a set of activities and tools to enhance Government’s monitoring capacity of social protection and labor interventions; as well as financing a fully staffed Project Implementation Unit (PIU).

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The project scope is country-wide (14 provinces and 200 districts) to improve the social and productive inclusion of the poor and vulnerable people, including those negatively affected by the economic reforms in the country. This assumes significance in the context of Government of Uzbekistan embarking upon a broad market-oriented reform program (since late 2016) covering five priority policy areas: improving public administration and state-building, safeguarding the supremacy of the law, maintaining economic growth and liberalizing the economy, enhancing social safety nets (SSN), and ensuring security. While the reform agenda is gaining ground, more than half of the households in the poorest quintile think that their financial situation is worse now than two years ago. Poor and near poor, being buoyant to the changes, are affected in the transition process and expect support to enhance their resilience, particularly in the area of labor and employment. While the unemployment rate is decreasing over time, the slow job creation continues to be a key area of concern. Labor force participation is low for youth (46 percent) and women, particularly in the lowest two quintiles (49 percent). Only 56 percent of the working-age population is employed, and only 40 percent of working-age women. Total and youth unemployment are high at over 10 and 20 percent respectively (2017) – these figures that would be higher if the estimated 2 million Uzbek job migrants are taken into account. About 10 percent of youth are discouraged (compared to 0.5 percent in OECD countries). Job quality and inclusiveness remain a concern, as average wages are low (US$362 average in 2017) and almost half of Uzbek workers are in the informal sector. More than half of agricultural workers are subsistence farmers. Lack of jobs as well as the low salaries are raised as main concerns especially among the poorest and the beneficiaries of social assistance. Social profile and labor market situation reveals the following as significant from social risk management perspective: (i)
Uzbekistan is a multinational state—different nations and nationalities live in this country, rendering it ethnically diverse; (ii) though Uzbeks form the majority group (80%), several smaller subgroups do exist reflecting high degree of diversity; (iii) regional disparities as well as rural-urban differentials are quite high in respect of poverty; (iv) demographic analysis show more number of elderly women relative to men; (v) Human Development Index (HDI) for the country is relatively higher, but Gender Inequality Index (GII) is quite low; (vi) though overall unemployment is lower, youth and women remain away (disproportionately) from formal quality employment and integrating them adequately into labor markets bear significant strategic implications. In respect of the project components, there is one change between the Concept and Appraisal stage. Civil Works meant to repair and rehabilitate Employment Centers have been dropped. Instead, the inclusion agenda has assumed full significance. Thus, the project has three components. (i) Enhance the Capacity of Employment Support Centers (ESC) to Implement Job Intermediation Services; (ii) Financial support to promote employment; (iii) Entrepreneurship Skills Training; and (iv) Develop and Implement an Integrated Labor Market Information System (LMIS).

D. 2. Borrower’s Institutional Capacity

The implementing agency for the project is the Ministry of Employment and Labor (MELR) Relations. The Ministry is responsible for the implementation of the labor market programs, including the administration of employment centers and selected training interventions. Programs are implemented by administrative units within the Ministry, including the Public Works Fund and the State Fund for Employment. This is Bank’s first project with the Ministry. The client therefore has limited capacity to apply Bank’s ESR on the project. The MELR has agreed to establish a PIU to steer the implementation. The Borrower’s capacity to manage the risks have been specifically assessed during the project preparation, gaps identified and capacity building measures drawn. The PIU will comprise, among others, a Social Development Officer (SDO) and a Community Liaison Officer (CLO) who will be responsible for all social development activities. These Officers will be drawn from the market and will be trained to address the project’s requirements.

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

A. Environmental and Social Risk Classification (ESRC) Moderate

Environmental Risk Rating Low

The project components are environmentally benign. The environmental risk rating has been lowered from Moderate at Concept Stage to Low due to the fact that the project under subcomponent 2A will no more support renovation of some of the existing Government buildings. Since the project does not have activities that will generate any adverse impacts or risks on human population and environment, the project is classified as Low risk from environmental perspective and as defined under the Bank's ESR.

Social Risk Rating Moderate

Social Risk Rating is lowered relative to that accorded during the Concept Stage. Earlier, it was 'substantial' as the risks related to Inclusion was assumed to be significant. Now, as the project designing unfurled, the whole project is meant to ensure Inclusion. Social Assessment has informed the design amply and inclusion/exclusion errors identified fully PDO and the components are all designed such as to encompass and address the issue of Inclusion. Hence, rating is recorded as 'moderate'.

The project has identified elaborately the poor and vulnerable sections and has drawn interventions to reach out to them. The key aims of which include: (i) low income families through strengthening social assistance system; and (ii)
unemployed individuals and those who might become unemployed due to the economic reforms by providing them with temporary employment opportunities and job training. The interventions will be in the form of: profiling and intermediation, wage subsidies, start up subsidies, entrepreneurship training as well as the development of a labor market information system to improve the information on vacancies and skills supplied. Rolling out a single social registry is proposed to address inclusion/exclusion errors as well as to ensure accountability and transparency. This will also enable accurate profiling of the beneficiaries who are expected to be disadvantaged and vulnerable, being currently unemployed (or expected to be unemployed) or inactive (some of them might be under social benefits), living in urban and rural areas, they may be unskilled or with some skills. This may include some vulnerable groups for whom finding a job may be difficult, including women and youth. Capacity support and capacity building of Employment Centers too is envisaged which will enhance the MELR’s outreach.

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 project will not support any rehabilitation/renovation of existing Employment Centers as was foreseen at the Concept stage. There will therefore be no adverse risks and impacts on environment or human population, The screening therefore led to conclude that the client does not need to prepare an environmental management plan to mitigate potential environmental impacts arising out of proposed rehabilitation/renovation activities at the ECs. From Social Perspective, key risk identified during the Concept stage was related to Inclusion. Accordingly, risk mitigation, the following mitigation measures had been drawn. Three major instruments were envisaged: (i) Social Management Plan (SMP) including an Inclusion Plan; (ii) Stakeholder Engagement Plan (SEP); and (iii) Labor Management Plan (LMP). Towards preparing the SMP, a Social Assessment was undertaken which enabled in: (i) identifying the stakeholders, evincing their expectations, issues and concerns; (iv) conducting institutional analysis – analyze the existing institutions for SWOT; and (v) assessing implementation arrangements. Based on the Assessment, appropriate adjustments were made, specially, to the institutional and implementation arrangements in order to ensure effective service delivery and avoidance of risks.

ESS10 Stakeholder Engagement and Information Disclosure

Stakeholder Engagement Plan (SEP) has been prepared which includes: (i) stakeholder identification and analysis; (ii) planning for stakeholder engagement; (iii) consultations and disclosures; (iv) grievance redressal systems; and (v) continuous interface with and reporting to the stakeholders. Being a country wide program, developing a SEP was quite a challenging task. Hence, a cascading strategy has been adopted which encompasses several Government Authorities (Other Parties) to imbibe Stakeholder Engagement as a part of their main stream activity. Accordingly, links have been established vertically across different lines of administration. SEP has unearthed impediments to meaningful stakeholder engagement including the ability/willingness of the client in identifying and engaging with key stakeholders including the potential social groups who may be denied access to relevant labor market services due to their social/cultural/ethnic traits. All these have helped in preparing a Stakeholder Engagement Plan (SEP) which lays bares the methods and timings to reach out to different stakeholders. SEP will also draw upon the experience and expertise of thought leaders and influencers from government, civil society, and the private sector. Overall, SEP is expected to help in developing a common shared understanding among all sections as well as
sustained constructive relationships enabling avoiding risks. SEP ensures that all consultations are inclusive and accessible (both in format and location) and through channels that are suitable in the local context. The client will maintain, and disclose, a documented record of all stakeholder engagement activities. SEP includes mechanisms for setting out a Grievance Redressal Mechanism (GRM) which would help the beneficiaries/affected individuals to express their concerns and grievances and provide the borrower to address them effectively.

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

ESS2 Labor and Working Conditions Project was expected to encompass the following categories of workers: direct workers, contracted workers and primary supply workers. As civil works have been dropped, only one category - direct workers - remain relevant. The direct workers could be either government civil servants or those deployed as ‘technical consultants’ by the project for the Project Implementation Unit (PIU). The former will be governed by a set of civil services code, the latter by a set of mutually agreed contracts. The client has prepared labor management procedures which details plan for enlisting consultants. Total number of consultants are expected not to exceed 10. This means, most activities will be shouldered by the regular government servants. A GRM has been designed and will be formally established by project effectiveness. Complaints received and resolved will be reviewed during the implementation support missions.

ESS3 Resource Efficiency and Pollution Prevention and Management

Potential environmental risks and impacts associated with this ESS have been screened and determined to be not currently relevant given the Project’s current context and timing.

ESS4 Community Health and Safety

As no civil works are envisaged, this standard is not relevant.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

As no civil works are envisaged, this standard is not relevant.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Potential environmental risks and impacts associated with this ESS have been screened and determined to be not currently relevant given the Project’s current context and timing.

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

This ESS applies to distinct social and cultural groups identified as per a set of criteria. And these are labelled in the ESS as indigenous peoples/sub-Saharan African historically undeserved traditional local communities (IPs). The
provisions of ESS applies when IPs are present in the project area or have a collective attachment to the proposed project area. Uzbekistan has no such distinct groups and hence ESS is not applicable. This has been confirmed by the screening done in respect of the risks and impacts associated with this ESS. Hence this ESS is not applicable.

ESS8 Cultural Heritage
Potential environmental risks and impacts associated with this ESS have been screened and determined to be not currently relevant given the Project’s current context and timing.

ESS9 Financial Intermediaries
Potential environmental risks and impacts associated with this ESS have been screened and determined to be not currently relevant given the Project’s current context and timing.

B.3 Other Relevant Project Risks
At this stage, no other risks are envisaged.

Should "Other Relevant Project Risks" be disclosable? No

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

<table>
<thead>
<tr>
<th>DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESS 1 Assessment and Management of Environmental and Social Risks and Impacts</td>
<td></td>
</tr>
<tr>
<td>ORGANIZATIONAL STRUCTURE: Establish an organizational structure with qualified staff to support management of risks including social specialists responsible for ensuring full compliance with the relevant instruments.</td>
<td>08/2019</td>
</tr>
<tr>
<td>Maintain Organizational Structure as necessary throughout Project implementation.</td>
<td>06/2024</td>
</tr>
<tr>
<td>Implement Social Management Plan as agreed with the Bank</td>
<td>06/2024</td>
</tr>
<tr>
<td>GBV AND SEA RISKS: Develop and implement measures and actions to assess and manage the risks of gender-based violence (GBV) and sexual exploitation and abuse (SEA).</td>
<td>06/2024</td>
</tr>
</tbody>
</table>
### ESS 10 Stakeholder Engagement and Information Disclosure

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEP Preparation: Prepare and disclose a Stakeholder Engagement Plan (SEP).</td>
<td>05/2019</td>
</tr>
<tr>
<td>SEP IMPLEMENTATION: Implement the SEP throughout project implementation.</td>
<td>06/2024</td>
</tr>
<tr>
<td>PROJECT GRIEVANCE MECHANISM (GRM): Develop and implement the arrangements for the grievance mechanism.</td>
<td>06/2024</td>
</tr>
<tr>
<td>Ensure implementation, monitoring, and reporting on the Project GRM.</td>
<td>06/2024</td>
</tr>
<tr>
<td>CONSULTATION ON ESS INSTRUMENTS: Detailed stakeholder consultation on all ESF Instruments (SA/SMF, SEP and LMP) conducted by completion of Project Appraisal.</td>
<td>06/2019</td>
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</table>

### ESS 2 Labor and Working Conditions

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop Labor Management Procedures</td>
<td>04/2019</td>
</tr>
<tr>
<td>Adopt labor management procedures (LMP) for inclusion in the Project Operations Manual (POM).</td>
<td>07/2019</td>
</tr>
</tbody>
</table>

### ESS 3 Resource Efficiency and Pollution Prevention and Management

### ESS 4 Community Health and Safety

### ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

### ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

### ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

### ESS 8 Cultural Heritage

### ESS 9 Financial Intermediaries

**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:
Uzbekistan’s Environmental and Social Framework is not being proposed to be applied in whole or in part for this project.

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners
As of now, there are no other financing partners

IV. WORLD BANK ES OVERSIGHT

Corporate advice/oversight will be provided by an Environmental and Social Standards Adviser (ESSA) during project preparation Yes

V. CONTACT POINTS

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Borrower/Client/Recipient
Borrower: Ministry of Finance

Implementing Agency(ies)
Implementing Agency: Ministry of Employment and Labor Relations

VI. FOR MORE INFORMATION CONTACT
VII. APPROVAL

Task Team Leader(s): Manuel Salazar, Maddalena Honorati