



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Uzbekistan	EUROPE AND CENTRAL ASIA	P176060	
Project Name	Clean Energy for Buildings in Uzbekistan		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Energy & Extractives	Investment Project Financing	3/24/2022	5/24/2022
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance	Ministry of Energy, Department of Energy Efficiency, Intersectoral Energy Savings Fund		

Proposed Development Objective

The project development objective is to support institutional reforms for sustainable energy efficiency financing, and to save energy in public buildings

Financing (in USD Million)	Amount
Total Project Cost	143.00

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 high level objective of the Project is to develop an enabling institutional, regulatory, and market environment for energy efficiency (EE) and distributed renewable energy (d-RE) investments, and to institutionalize a viable sustainable financing mechanism to implement the investments. This will be done through: (1) an extensive TA to operationalize the newly established Intersectoral Energy Savings Fund (the Fund), and support the use of a sustainable financing mechanism; (2) implementation of EE and d-RE investments in pre-schools, public schools, and



public hospitals; and (3) attracting commercial financing to finance the investments in private sector buildings using a partial risk sharing instrument.

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 primary energy sector in Uzbekistan is highly dependent on natural gas, and the building sector is a key consumer. Natural gas accounts for 86 percent of total primary energy consumption, and more than 80 percent of the electricity mix. It is also a major source of commodity exports but is getting depleted. At the current pace of consumption, the existing proven gas reserves will be depleted within 20 years. 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. The buildings sector accounts for 60 percent of the final natural gas consumption, 56 percent of the coal final consumption, and 34 percent of the electricity final consumption. Overall, the buildings sector accounts for 50 percent of total energy final energy consumption in Uzbekistan, followed by the industry and transport sectors at 22 percent and 20 percent, respectively. Thus, it is crucial to contribute to the country's energy security by improving the efficiency of energy consumption in the sector.

Recognizing these challenges, the GoU is committed to the improved use of energy efficiency (EE) and renewable energy (RE) in the country. The GoU has policy to improve overall energy efficiency by 50 percent by 2030 (with 2015 as the baseline line year), raise the share of renewable energy generation to 25 percent by 2030 from the current 10 percent, and reduce greenhouse gas emissions by 10 percent by 2030 with 2010 as the baseline year .

Global experience has shown that EE and distributed renewable energy (d-RE) improvements in the public buildings sector can help stimulate a broader market for EE and d-RE in the buildings sector. Many countries in Europe, North America and Asia have implemented aggressive public building renovation programs as a way to build capacity of the market actors (energy auditors, technical designers and architects, construction firms, energy service companies or ESCOs.), spur market development, and demonstrate results. Uzbekistan is keen to build on its existing laws and programs to follow this experience. Studies in the country have shown that such investments are viable in many cases. For instance, a 2019 World Bank assessment concluded that the overall annual energy savings potential in pre-schools, public schools and health care facilities is estimated to be 7,051 GWh (thermal: 6,809.1 GWh, electricity: 241.9 GWh), and the rooftop solar PV technical potential is estimated to be 2,560.2 MW; and (ii) implementation of EE measures is viable in all categories of public buildings since financial IRRs meet/ almost meet the cost of capital . Similar challenges exist for residential and commercial buildings. Replacing highly inefficient nonstandard gas boilers with modern gas boilers only will reduce residential and commercial gas consumption by about 2.4 billion m3 or about 13 percent of the total residential and commercial gas consumption, and significant additional savings can be achieved by improving thermal insulation of the existing buildings. The simple payback periods to replace the gas boilers for residential and commercial consumers is about 3.4 and 2.7 years.

The geographical scope of the proposed Project is nationwide, however, at this stage, the specific project locations have not yet been definitely identified. However, the planned investments will take place in existing public service buildings only. The expected types of investments to be funded under the proposed project that are relevant to the Environmental and Social Standards (ESSs) will include mainly: (ii) Energy efficiency and distributed renewable energy



investments in public buildings, and (ii) Financing new technologies such as integrated solar PV with heat pumps for heating, solar collectors for hot water heating, and replacement of coal-based heating with clean solutions.

D. 2. Borrower’s Institutional Capacity

In Uzbekistan, the State Committee for Ecology and Environmental Protection (Goskomecologiya) is the state body in the field of ecology, environmental protection, rational use and improvement of natural resources, and reports to the Cabinet of Ministers. The Cabinet of Ministers (CM) is the Executive body responsible for the implementation of state nature protection policy, coordinate development and realization of state programs of socio-economic development. The CM controls their execution and is responsible for registration and evaluation of nature resources. The structure of Goskomecologiya takes the form of a central body in Tashkent with regional branches and agencies providing scientific and technical support. Regional environmental authorities are structured similarly to the Goskomecologiya. The national EIA procedure is regulated by Law on Environmental Expertise and The Regulation on State Environmental Expertise (SEE) approved by Cabinet of Ministry Decree No.541 dated from 7 September 2020. The regulation defines the legal requirements for EIA in Uzbekistan. SEE is a review process conducted by the Center for SEE (‘Centrgosecoexpertiza’) under Goskomecologiya at either the national or the regional level, depending on the project category.

The Borrower’s environmental legislation is sufficiently good and robust, but the enforcement and institutional capacity are still weak in some areas such efficient environmental and social impact assessment, monitoring and control.

The implementing ministry for the proposed project is the Ministry of Energy which is responsible for ensuring that the Project is implemented in an efficient manner, consistent with the Project objectives and agreements signed. The day-to-day project implementation will be delegated to the Department of Energy Efficiency, Intersectoral Energy Savings Fund which will host the Project Management Unit (PMU). The PMU will have responsibility for project management and reporting, procurement, financial management and fiduciary compliance, ensuring compliance with the Environmental and Social Standards (ESS) and technical oversight. This Department does not have any prior experience neither with the Bank’s Safeguards policies nor Environmental and Social Standards. Therefore, significant capacity-building will be needed to build the Borrower’s capacity to manage environmental and social risks through specific training on the ESF and for environmentally and socially responsive sub-projects planning and implementation. For that purpose, ESF capacity building activities will be included into the ESCP and the Borrower’s performance on E&S requirements implementation will be assessed regularly based on project reports and site visits during the implementation phase. The PMU will also hire an environmental and a social specialist.

Public Disclosure

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The project will support Energy efficiency and distributed renewable energy investments in public buildings. It could also finance new technologies such as integrated solar PV with heat pumps for heating, and solar collectors for hot water heating, and replacement of coal-based heating with clean solutions. Overall, the environmental impacts from



the project are expected to be positive given that the energy consumption will be reduced. Furthermore, the energy efficiency will lower greenhouse gas (GHG) emissions and other pollutants, as well as decrease water use. However, some activities may entail potential adverse environmental impacts such as dust and noise generation, vehicle and machines emissions, generation of construction waste including oil, grease, hydrocarbons, old electrical appliances, lead-based paints, etc. However, the impacts related to the project are expected to be temporary, reversible and easily manageable through the application of the national laws as well as the use of the World Bank Environmental, Health and Safety Guidelines (EHSGs) and Good International Industrial Practices (GIIP). Based on that, the environmental risk is assessed as moderate at this stage.

Social Risk Rating

Moderate

The project is expected to provide generally positive social benefits due to energy efficiency and use of cleaner renewable energy. It could also generate economic opportunities for enterprises directly and indirectly involved in or affected by the project. The project investment activities are not expected to require land acquisition, restrictions on land use or involuntary resettlement, as the EE and d-RE investments, technologies and equipment are being placed in existing schools and hospitals and are not expected to cause economic and physical displacement. However, the project will review and confirm this by appraisal. The project is expected to engage direct workers and, possibly, contracted workers for which Labor Management Procedures will be prepared as a part of the ESMF. Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) risks are assessed as low, but will be confirmed by appraisal. Much of the project is focused on TA and the development of systems for commercial financing; the EE and d-RE equipment will be installed by local professionals from the community. Stakeholder engagement will be a key aspect of the project, given its involvement with schools and hospitals; the project will include GRMs for labor-related issues and for complaints about the project’s environmental and social management.

Public Disclosure

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:

This standard is relevant. The operation will support Energy efficiency and distributed renewable energy investments in pre-school, public education and health sector facilities including possibly new technologies such as integrated solar PV with heat pumps for heating, and solar collectors for hot water heating, and replacement of coal-based heating with clean solutions. These planned works will lead to the energy consumption reduction and will lower greenhouse gas (GHG) emissions and other pollutants, as well as a decrease in term of water use. That means environmental impacts of the project are overall expected to be positive. However, some potential adverse environmental impacts are also anticipated. These would be dust and noise generation, vehicle and machines emissions, generation of construction waste including oil, grease, hydrocarbons, old electrical appliances, lead-based paints, occupational health and safety and community health and safety etc. However, the impacts related to the project are expected to be temporary, site-specific, reversible and easily manageable. It should be noted that due attention will be given to ensure appropriate COVID-19 protocols are in place to protect those installing equipment/technologies as well as people in the buildings where project activities are taking place. In addition, no land acquisition or physical displacement is anticipated as works will mainly take place in existing public buildings.



Large labor influx to project sites is also not expected and the SEA/SH risk is assessed as Low. The project largely involves TA activities and development of financing systems; the installation activities will be undertaken by local workers under the supervision of school and hospital staff. The project will implement SEA/SH mitigation measures, including Code of Conduct for workers, a channel in the GRMs to report SEA/SH cases and training and awareness sessions for project workers and affected communities.

Since the details of most of the sub-projects sites are not known with certainty yet, the risks and impacts outlined above will be addressed in the ESMF, SEP and LMP to be prepared by the Borrower during project preparation. The ESMF will outline the guiding principles of environmental screening, assessment, review, management, and monitoring procedures for all envisaged activities. That means the ESMF and the LMP will guide the preparation of site-specific Environmental and Social Assessment (ESA) instruments (e.g. ESMPs, checklist ESMPs), and Contractor's Labor Management Plans (Contractor's LMPs) through the screening procedure, assessment of the anticipated environmental and social impacts associated with the project activities, monitoring requirements as well as roles and responsibilities for ensuring effective implementation of the ESMF requirements throughout the project lifecycle. The project will not finance any sub-projects categorized as Substantial or High environmental and social risk.

The PIU, with the support of technical and supervision consultants, will oversee the preparation of the site-specific ESMPs and Contractor's LMP's. The sub-project specific ESMPs will be a part of the bidding documents and subsequently become part of the construction contract. The awarded contractors will be responsible for the implementation of the ESMPs and LMPs, and relevant elements of SEP as well as setting up a site-specific Grievance Mechanism (GM) for the public in general and the workers more specifically. The PIU will be responsible for the review and approval of all documents and the quality of each ESMP and Contractor's LMP, and overall SEP implementation. It will also be responsible to closely monitor the effective implementation of the site-specific ESA documents and report the status of implementation to the Bank, as agreed in the Environmental and Social Commitment Plan (ESCP) to be prepared by the client.

Since the works will be carried out in existing facilities used by teachers, students, medical staff and patients, there will be temporary disruptions for these users, but economic and physical displacement due to land acquisition is not expected. These impacts will be minimized and managed by timely dissemination of information, collecting feedback through a Grievance Mechanism, and a proactive stakeholder engagement campaign to raise public awareness about Energy Efficiency among these categories of users, as well as community safety measures identified to meet the requirements of ESS4 incorporated into the site-specific ESMPs. This information dissemination, stakeholder engagement and Grievance Mechanism principles and activities will be outlined in the Stakeholder Engagement Plan (SEP) to be prepared by the Borrower.

Areas where “Use of Borrower Framework” is being considered:

The borrower framework will not be used in part or as a whole for this Project. However, the proposed operation will comply with relevant national legal and regulatory requirements.

ESS10 Stakeholder Engagement and Information Disclosure

The project will prepare a SEP to ensure that key stakeholders in the project are informed about and included in discussions about project design and implementation. Given the growing interest in energy efficient and renewables, the project recognizes the need for an effective and inclusive engagement with all of the relevant stakeholders and the population at large. These include relevant government agencies, EE and d-RE enterprises, financial entities and companies, schools and hospitals, and civil society actors. The SEP will include information and analysis about (i)



stakeholders; (ii) planning engagement modalities, namely effective communication tool for consultations and disclosure; (iii) enabling platforms for influencing decisions; (iv) defining roles and responsibilities of different actors in implementing the SEP; and (v) a grievance redress mechanism (GRM). It will be updated throughout project implementation. The GRM will be accessible and transparent, with publicly available records of complaints and their outcomes. It will also be structured to handle confidential and sensitive complaints, such as those that may concern SEA/SH.

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 is expected to include direct workers and, possibly contracted workers. The LMP will be included in the ESMF and include a description of labor terms and conditions, principles regarding nondiscrimination and equality of opportunity, as well as the establishment of workers' associations. The project will not engage forced or child labor. To the extent possible, provisions will be made to hire and train local workers, including unskilled workers. The LMP may be amended at any time during the project implementation to reflect changing conditions. The LMP will also include a grievance mechanism for labor-related complaints.

The ESMF will include sections on OHS, including specific measure or instruments that may need to be prepared prior to commencement of works (checklists, codes of conduct; safety training etc.). The contract will also include industry standard Codes of Conduct to address SEA/SH risks.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant since the anticipated project activities will include some civil works and construction activities of public social service buildings as well as possibly new technologies such as integrated solar PV with heat pumps for heating, and solar collectors for hot water heating, and replacement of coal-based heating with clean solutions. Based on that potential negative impacts associated with these activities could be attributed to dust and noise emissions, generation of construction waste, wastewater, and , hazardous materials and waste (oil, grease, hydrocarbons, old fluorescent publs, old appliances, lead-based paint) . The above works impacts are considered to be temporary and reversible through the use of national regulatory requirements and the application of the World Bank Group EHS general and sector specific guidelines and other Good International Industrial Practices. In this respect, the ESMF and sub-project ESMPs will address (i) establishing and adhering to general good housekeeping, (ii) emissions (including dust, noise, etc.) control, and (iii) proper waste management including hazardous, solid and construction waste management. Measures to ensure resource efficiency (water, energy, construction material) will be also included in the ESMF and will be further detailed in the respective ESMPs prepared for specific sub-project sites.

ESS4 Community Health and Safety



This standard is relevant. Community health and safety risks are based on sub-projects implementation phase, such as noise and air quality, traffic management and waste management. Large scale labor influx and worker accommodation are not expected. The ESMF and the SEP will identify stakeholders and the likely impacts of rehabilitations on community health and safety, as well as mitigation measures, monitoring and reporting requirements. Site-specific ESMPs will include measures addressing disturbance of the community members as well as the staff in the buildings in addition to training programs, relevant stakeholder engagement activities and site safety awareness and access restrictions, depending on the level of risk.

The contractors will be required to appoint a focal person who will keep local communities informed of project implementation schedule, expected impacts and other issues of interest for them, and receive grievances or feedback from them.

At this stage, security forces are not foreseen to be utilized within the Project but during preparation when environmental and social risks are better assessed in the ESMF, usage of security forces will be reassessed. SEA/SH risk was assessed as low. The contractors will be required to implement the Code of Conduct (CoC) and train its employees on the prohibition of SEA/SH. As a part of stakeholder engagement activities, communities will be made aware of the project CoC and channels where they can report SEA/SH cases.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The project's investment activities are taking place within existing schools and hospitals. The project is not expected to involve land acquisition, restrictions on land use and involuntary resettlement, nor will the investment activities result in physical or economic displacement. However, this will be confirmed by appraisal.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant since Energy efficiency works are mainly expected to cover public existing buildings in urban and peri-urban areas. The sub-projects that would result in adverse impacts on natural or critical habitats as per the standard will not be eligible for financing. This will be ensured through the screening procedure set out in the ESMF.

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

This standard is not relevant since there are no indigenous groups in Uzbekistan who meet the definition of this standard.

ESS8 Cultural Heritage

This ESS is not relevant. Energy efficiency and distributed renewable energy investments in public buildings including new technologies such as integrated solar PV with heat pumps for heating, and solar collectors for hot water heating, and replacement of coal-based heating with clean solutions are unlikely to affect built heritage, intangible heritage, or natural heritage. In spite of that chance find procedures will be included in the ESMF and will be part of mitigation measures to be provided in site-specific ESMPs as a precautionary measure.



ESS9 Financial Intermediaries

No Financial intermediaries will be part of the project implementation.

B.3 Other Relevant Project Risks

None

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

OP 7.60 Projects in Disputed Areas

No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

No

Financing Partners

N/A

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

- Preparation, disclosure and consultation on ESMF, LMP, SEP – by November 2021
- Developing an Environmental and Social Commitment Plan (ESCP) – by November 2021

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Development, disclosure and consultation on sub-project specific Bank approved ESA instruments (ESMPs and ESMP Checklists) before any bidding documents are published;
- Inclusion of relevant environmental and social provisions in bidding documents and ensuring contractors’ adherence to the environmental and social instruments;
- monitoring and reporting, including incidents and accidents and contractors’ monthly reports;
- Implementation of SEP with attendant financial and human resources;
- Capacity building to enhance the environmental and social performance of the implementing agency on ESF application and ESS compliance;

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

30-Nov-2021



IV. CONTACT POINTS

World Bank

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Borrower/Client/Recipient

Borrower: Ministry of Finance

Implementing Agency(ies)

Implementing Agency: Ministry of Energy, Department of Energy Efficiency

Implementing Agency: Intersectoral Energy Savings Fund

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Yun Wu, Pedzisayi Makumbe
Practice Manager (ENR/Social)	Varalakshmi Vemuru Recommended on 20-May-2021 at 09:40:35 GMT-04:00
Safeguards Advisor ESSA	Agnes I. Kiss (SAESSA) Cleared on 28-Dec-2022 at 14:32:26 GMT-05:00

Public Disclosure