Initial Poverty and Social Analysis

Project Number: 56231-001
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Uzbekistan: Distribution Network Digital Transformation and Resiliency Project

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CURRENCY EQUIVALENTS  
(as of 28 September 2022)

Currency unit – sum (SUM)  
SUM1.00 = $0.00009072  
$1.00 = SUM11,023

ABBREVIATIONS

ADB – Asian Development Bank  
GW – gigawatt  
JSC – Joint-Stock Company  
kV – kilovolt  
PMU – project management unit  
PPP – public–private partnership  
REPN – Regional Electrical Power Networks

NOTE

In this report, "$" refers to United States dollars.

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## Initial Poverty and Social Analysis

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### I. Poverty Impact and Social Dimensions

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The proposed project is aligned with the government’s National Development Strategy for 2022–2026, which entails further development of the economy, including its further liberalization, improving competition, eliminating monopoly, attracting more foreign investment, stabilizing prices, and decentralization. It directly contributes to the government’s goal of accelerating socioeconomic development and enhancing the living standards of Uzbekistan’s population through (i) ensuring reliable, efficient, and affordable energy supply, which will improve livelihood options; (ii) modernizing old and deteriorating electricity supply infrastructure; and (iii) pioneering and supporting energy sector reform measures, particularly, promoting private sector investments. The project aims to modernize the critical infrastructure, stabilize the energy supply reliability, and improve efficiency of energy use. The project aligns well with ADB’s country partnership strategy for Uzbekistan, 2019–2023 by supporting the move toward a vibrant and inclusive market economy, modernizing energy infrastructure, and increasing energy efficiency.

#### B. Poverty Targeting

- **General Intervention**
- **Individual or Household (TI-H)**
- **Geographic (TI-G)**
- **Non-Income MDGs (TI-M1, M2, etc.)**

The ultimate beneficiaries of the project are the general population of Uzbekistan. Uzbekistan is 100% electrified, but an aging and overloaded electricity system has caused a sustained supply–demand gap, especially in rural areas. Improved reliability and quality of electricity services will enable the population to use electricity appliances, and encourage them to set up businesses, both of which will raise living standards. Improved energy services would benefit especially (i) the poorer households, who currently bear the high cost of energy substitutes (kerosene lamp, battery-powered lamps, candles, and diesel generators); (ii) women who work or stay at home more often than men and suffer from light, energy and time poverty; and (iii) kindergartens, schools, and other educational institutions, as well as health facilities who will be able to use teaching materials and health equipment full time. The project is also expected to improve financial performance and operational efficiency of the power sector companies by introducing technological innovation and capacity-building activities.

#### C. Poverty and Social Analysis

1. **Key issues and potential beneficiaries.** Uzbekistan’s aging and overloaded electricity system causes a sustained power demand–supply gap and disruption of reliable electricity supply, especially in rural areas. There are blackouts for up to a few hours a day in rural areas and cities from December to February, when electricity demand is highest. Schools and hospitals are unable to operate fully from November to February because of lack of affordable and reliable electricity, putting educational and health care systems at risk.\(^a\) Sufficient and stable electricity supply will expand livelihood options, boost local economic development, and reduce poverty and inequality. More than 32% of firms operating in Uzbekistan identify the lack of reliable electricity as a major constraint to doing business. According to the World Bank Enterprise Survey 2019, electrical outages happen twice a month, lasting 2.3 hours each on average.\(^b\) Losses caused by outages amount to 3.0% of enterprises’ annual sales, and small enterprises suffer more because of the expensive operating cost of diesel backup generators. Removing infrastructure bottlenecks will be important for creating jobs and increasing productivity.

2. **Impact channels and expected systemic changes.** Reliable, clean, and affordable electricity supply will contribute indirectly to regional economic growth, an improved investment climate for the private sector, and enhanced job opportunities in the productive sectors.

3. **Focus of (and resources allocated in) the transaction TA or due diligence.** The project contributes to addressing key poverty and social issues by delivering renewable energy to the national grid. Due diligence will focus on generating gender-inclusive job opportunities, and supporting local economic growth in the program area.

4. **Specific analysis for policy-based lending.** Not applicable.

### II. Gender and Development

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? A reliable electricity supply improves women’s efficiency and productivity in carrying out household tasks...
such as cleaning, cooking, and laundry; and diverts their time and efforts to income-generating activities. Uzbekistan still has a gender gap in the workplace. In 2019, the government lifted bans on women’s employment in certain industries to promote an enabling environment for women to enter male-dominated sectors. Women are underrepresented in the energy sector and, when employed, are typically assigned to domains traditionally considered for females such as accounting, customer relations, and unskilled work. The overall tendency is that a higher proportion of men than women receive higher education and technical training in fields that are experiencing growth (industry, transport, information and communication technology, and agriculture), which suggests that women may not have equal access to better jobs in the future. As women are underrepresented as energy professionals and as science, technology, engineering, and mathematics students, few women hold decision-making positions in the energy sector.

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women access to and use of opportunities, services, resources, assets, and participation in decision-making? ☒ Yes ☐ No

The project has a potential to promote gender equality. It may offer extended job and capacity development opportunities during the course of the project implementation.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? ☐ Yes ☒ No

4. Indicate the intended gender mainstreaming category:

☐ GEN (gender equity) ☒ EGM (effective gender mainstreaming)
☐ SGE (some gender elements) ☐ NGE (no gender elements)

III. PARTICIPATION AND EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? General households, communities in the project area, business community, community-based organizations, local governments, and social institutions such as schools and hospitals.

2. Who are the key, active, and relevant CSOs in the project area? Makhallas (village societies) and local women’s groups, as community-based organizations, will play the role of liaison between the projects and civil society to disseminate project information and collect any concerns, complaints, and grievances.

3. Are there issues during project design for which participation of the poor and vulnerable is important? ☐ Yes ☒ No If yes, what are these issues?

4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues?

Stakeholders' consultations through community meetings, discussions, and interviews will be conducted during the project preparation and implementation. Strategies to encourage poor women's participation as individual consumers or as representative of interested groups will be encouraged. Targeted vocational training may be provided to women. Consultations will be carried out with, but not limited to, the representatives of the project company, local cadaster office, and district Khokimiyat (district government); Women’s Committee; representatives or leaders of Makhallas; and representatives of business, educational, and health facilities.

5. What level of CSO participation is planned during the project design?

☐ H Information generation and sharing ☐ H Consultation ☒ M Collaboration ☐ L Partnership

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category ☐ A ☒ B ☐ C ☐ FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☒ Yes ☐ No

The project activities will be located within the existing power distribution facilities and right-of-way. There may be limited land acquisition requirement from the private land users for the installation of the distribution lines or temporary use of land during construction. However, the project has been categorized as B for the involuntary resettlement safeguard in anticipation of any adverse social impacts during the project implementation, which will be reconfirmed after social due diligence. If resettlement impacts are triggered, a resettlement plan will be prepared that will outline compensation measures for any losses. The grievance redress mechanism is a requirement of the country’s legal system. Currently, while the EA has experience in an ADB-funded project, capacity of the EA for addressing resettlement impacts is limited to a given high staff turnover rate. Information disclosure and consultation requirements take effect, as the Khokimiyat informs the affected persons through an official messenger, should land acquisition be required.
2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

- Resettlement plan
- Resettlement framework
- Social impact matrix
- Environmental and social management system arrangement
- None

B. Indigenous Peoples Category

- Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No
- Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No
- Will the project require broad community support of affected indigenous communities? Yes No
- What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?

- Indigenous peoples plan
- Indigenous peoples planning framework
- Social impact matrix
- Environmental and social management system arrangement
- None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

- Creating decent jobs and employment (H)
- Adhering to core labor standards (H)
- Labor retrenchment
- Spread of communicable diseases, including HIV/AIDS (L)
- Increase in human trafficking
- Affordability (L)
- Increase in unplanned migration
- Increase in vulnerability to natural disasters
- Creating political instability
- Creating internal social conflicts
- Others, please specify

2. How are these additional social issues and risks going to be addressed in the project design? The project is expected to generate positive impacts on the local economy and livelihoods in terms of employment, skills enhancement, and local business opportunities through the procurement of goods and services. Direct job opportunities will be available during construction. Those hired to work on the project implementation will have an advantage when seeking jobs at similar projects because of the experience and any training received through this project. Local procurement will primarily benefit the hospitality and service industries, such as accommodation, catering, cleaning, transport, and security services. The contractors will be bound by, and will adhere to, the International Labour Organization’s Core Labor Standards. Relevant provisions are in the project-related agreements. During due diligence, the project team will confirm the core labor standards adherence of the project, and should there be any deficiency, appropriate measures will be discussed and agreed with the EA.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks? Are the relevant specialists identified?

- Yes
- No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? The existing TA resources will be utilized to conduct detailed analysis on the poverty and social impact, gender, and other social risks.©

ADB = Asian Development Bank, CSO = civil society organization, EA = executing agency, TA = technical assistance.


Source: ADB.