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**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR UZBEKISTAN
**REPORT ON THE INVITATION TO THE
PUBLIC TO COMMENT**

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1. INTRODUCTION

The objective of this report is to summarise key comments received from stakeholders during the consultation period on the Bank's Strategy for Uzbekistan and provide the Bank's management responses. The comments received during the public consultation period were reviewed by the Bank's management and reflected in the Strategy as appropriate.

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Uzbekistan was posted on the EBRD website in English and Russian for 45 calendar days from 5 July 2018. The public was invited to submit comments on the draft Strategy no later than 19 August 2018.

The Memorandum of Understanding regarding cooperation between the Bank and the Uzbek authorities signed in March 2017, which set out the areas where potential new projects were to be identified, was made available for information on the website in English and Russian at <http://www.ebrd.com/where-we-are/uzbekistan/overview.html>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

Four sets of written comments on the draft Strategy for Uzbekistan were received during the public consultation period.

In line with the Bank's increased efforts to involve civil society at an early stage of Country Strategy development, the EBRD organised consultative meetings with civil society organisations on 22 February 2018 in Tashkent and on 9 March 2018 in London to gather civil society's feedback during the preparatory phase for developing the draft Strategy. The consultation provided a platform for dialogue between civil society representatives and EBRD staff involved in the Strategy preparation process, including senior management, senior political counsellors and economists. A summary of the meetings and list of participating organisations are provided in the Annex to this report.

2. PUBLIC COMMENTS AND STAFF RESPONSES

Comment	EBRD Response
Executive Summary and Country Strategy Priorities	
<p>Some CSOs suggest that the Bank should change the emphasis of its strategic approach from identifying bankable opportunities to promoting and strengthening governance, human rights, and inclusion – as a way of operationalising its Article 1 mandate. Specifically, some CSOs emphasise that good governance (institutional and corporate) remains a critical transition challenge and suggest that it should translate into an operational priority.</p> <p>According to some CSOs, the Strategy underestimates the risk that weak governance and a lack of transparency and inclusion represent for the sustainability of the Bank’s operations.</p> <p>Some CSOs mention that, when considering investment projects, particular attention should be paid to the risks of infringement on property rights and expropriation.</p>	<p>Bankability is a key element of the EBRD operations across all its countries. The scope of the Bank’s activities is also defined by its mandate, as determined by its shareholders. The political aspects of EBRD’s mandate stress the principles of multi-party democracy, pluralism and market economics, which we believe to be conducive to the development of democracy and improved social conditions in the long run. While governance was not identified as a primary transition challenge underpinning the three specific operational priorities chosen following the country diagnostic, those priorities do set out (p. 11-14) the areas where the Bank intends to work for improvement with regards to good governance and inclusion. The areas of human rights, property rights and transparency are assessed in the Political Assessment (p.19-27). Reform progress/challenges in these fields are noted in the Country Strategy. Specifically, the Bank will address property rights and transparency by supporting improvements in the investment climate, also in coordination with other IFIs as noted on p. 11 and p. 15 in the Country Strategy document. However, it is outside of the remit of the Bank to prescribe specific actions or priorities in the political sphere.</p> <p>A sentence has been added in the Executive Summary to emphasise that opportunities for capacity building measures will be sought to address structural challenges, including opportunities to strengthen governance. The area of corporate governance is specifically noted in the Activities and Results Framework (p. 12-14). The Bank contributes to improving transparency and good governance through the implementation of its projects and policy dialogue activities.</p>
<p>According to a CSO comment, the Bank’s operations are particularly welcome in the following areas/sectors: water supply and sanitation, waste management, energy supply, and development of Small and Medium Enterprises. In general, the Bank should focus on private sector support and avoid projects requiring state guarantees.</p>	<p>The Bank welcomes the suggestions, notes that they are in line with many of the priorities identified for the forthcoming strategy period, and will take them into account for the development of operations in the Municipal and Environmental Infrastructure sector, including water and wastewater and solid waste; its activities supporting cleaner and more efficient energy generation, transmission and distribution; renewable energy solutions; and energy connectivity. SME development will be supported throughout the regions of the country.</p> <p>Supporting private sector development is part of the Bank’s mandate. The EBRD Strategy for Uzbekistan aims to strengthen the private sector’s role in the economy as a priority area, and operations in the country will aim at increasing commercialisation</p>

	<p>and private participation in state-dominated sectors as well as improving the business environment. These objectives are also in line with the Uzbek Government's commitment to reforms to reduce the state's presence in the economy. At the same time, private sector development benefits from engaging with the public sector, including with state-owned enterprises. In the forthcoming strategy period, the Bank's engagement with the public sector, including through policy dialogue, to promote governance, transparency and improved financial and operational performance, aims to deliver wider reform benefits including increased private sector participation in the economy.</p>
<p>Key transition challenges</p>	
<p>According to CSOs, the Bank should address inclusion challenges which remain particularly acute for women and people in rural areas, and tackle youth unemployment.</p> <p>CSOs urge the Bank to take into account governance challenges, in particular corruption and integrity concerns, when designing its operations, including institutional and administrative capacity building measures, which CSOs regard as much needed.</p> <p>The EBRD should set an example for high standards in transparency, accountability and inclusiveness through its investment operations and stakeholder engagement activities.</p>	<p>The Bank is committed to promoting inclusive growth, opportunities to enhance inclusion, and gender equality across its operations, in line with the EBRD's Economic Inclusion Strategy and its Strategy for Promotion of Gender Equality, which aim to deliver the benefits of economic growth to all segments of society. Challenges relating to employment and gender inequality are noted on p. 9 and will be taken into account in the design of the Bank's operations in Uzbekistan.</p> <p>Furthermore, as part of its Economic Inclusion Strategy, the Bank supports the economic inclusion of women, young adults and people living in economically less-developed regions through direct investments and associated policy dialogue, including high-quality local training, opening up paths to employment. As part of its Strategy for Promotion of Gender Equality, the EBRD supports women's economic inclusion, namely through access to finance, access to employment and skills, and access to services.</p> <p>The Bank consistently applies sound banking principles and fosters high integrity, transparency, high standards of corporate governance and best industry practices in all its operations in Uzbekistan, as is the case in all EBRD countries of operations. These standards are reflected in the terms of the Bank's legally binding financing agreements with all of its clients. The Bank will also give emphasis to capacity building measures in identified reform priority areas, equally reflecting CSO comments.</p> <p>In line with the EBRD Environmental and Social Policy, the Bank provides for full and participatory stakeholder engagement and requires that its clients conduct stakeholder engagement on the basis of providing stakeholders with access to timely, relevant, understandable and accessible information.</p>
<p>Annex 1 – Political Assessment</p>	

<p>While many CSOs acknowledge that the Government has demonstrated commitment towards multiparty democracy and pluralism since launching its reform programme, CSOs suggest that the Political Assessment should emphasise the continued need for reform. Some CSOs perceive the tone of the Political Assessment to be too optimistic and not adequately reflecting the uncertainty about the implementation of the Government's reform plan, concerns about remaining human rights challenges and the centralisation of power. Some CSOs request clarification about how reform progress will be tracked in the absence of benchmarks.</p> <p>CSOs suggest that the Bank should set out specific steps that the Uzbek authorities should take to apply Article 1 principles. Reform progress should be operationalised through indicators to be integrated in the Bank's strategic approach, linking the challenges identified in the Political Assessment to the Bank's strategic priorities and planned activities, e.g. responding to a lack of reform progress by reducing investment.</p>	<p>The Political Assessment reflects conclusions consistent with relevant international documents and assessments, including those of international organisations such as the EU, the OSCE and the UN and its specialised agencies. It recognises that reform progress in the areas of political pluralism and human rights has started from a low base and clearly describes the areas where further progress is expected.</p> <p>The Bank engages in policy dialogue with the authorities related to its mandate, including its political aspects, and may raise areas of significant concern. The prescription of specific priorities and indicators in the political sphere is outside of the remit of the Bank. The Bank's engagement is determined by developments in the country - the implementation of reforms will allow the Bank to further strengthen its engagement in the country and vice versa.</p>
<p>CSOs recommend that the Political Assessment should list in greater detail specific obstacles (and measures to overcome these obstacles) in the areas of independent civil society and media/internet freedom (e.g. relating to CSO registration, and accreditation of media outlets and reporters). In particular, while CSOs welcome the recently announced relaxed procedures for CSO registration, they are concerned about implementation and recommend that the need for the Government to fully implement announced revisions in the CSO regulatory framework is reflected in the Political Assessment.</p> <p>Access to information and transparency issues require particular attention and the Bank should monitor these not only on the project level and on the country level, according to CSOs.</p> <p>Regarding the areas of access to justice and civil and political rights, CSOs suggest that the Political Assessment should make reference to a requirement for the authorities to release all persons imprisoned on politically motivated charges, to ratify the Optional Protocol to the Convention Against Torture, to combat the systemic use of torture and ill-treatment and to improve the treatment of detainees and convicted prisoners, as well as to introduce accountability measures in the criminal justice system to this effect. The criminal code should be revised to bring it in line with the country's international obligations. It should furthermore be noted that the Uzbek authorities should allow the International Committee of the Red Cross (ICRC) to resume its work in monitoring prison conditions free of interference. Measures should be taken to uphold the independence of the legal profession. CSOs furthermore suggest that reference should be made to the need to eliminate remaining instances of forced labour, end all quotas and provide for grievance</p>	<p>The Bank acknowledges the concerns raised by CSOs in the context of Article 1 and the Political Assessment reflects the existence of serious problems in the political sphere, such as restrictions on the ability of independent civil society to operate, obstacles to the exercise of a pluralistic and independent media, concerns in the area of access to justice and civil and political rights including the treatment of detainees and convicted prisoners, and the use of forced labour - as expressed by international bodies responsible for monitoring human rights. The Bank nonetheless recognises the positive developments and reform progress, while starting from a low base, that has been achieved since the launch of comprehensive reforms at the end of 2016.</p> <p>The section of the Political Assessment related to the operating environment for civil society (p. 22) has been revised reflecting CSO comments about measures announced that could lead to a relaxation in the CSO regulatory framework, depending on implementation.</p> <p>Additional specific points and recommendations made by CSOs are noted and taken into account by the Bank, however many of these are too detailed to be listed in the Political Assessment, which assesses reform progress in the areas set out by the Bank's Political Methodology. Nevertheless, the Bank will continue to monitor political developments, progress with implementation of reforms and the environment for civil society in Uzbekistan. The Bank will continue to follow closely the reform progress and will liaise with the Government as appropriate.</p>

<p>systems and independent monitors. CSOs request the Bank to carefully monitor developments on the issue of forced labour, in all sectors of the economy, and labour conditions overall.</p>	
<p>Some CSOs call for a process of national reconciliation and investigation of human rights abuses, including restitution for those who suffered abuses.</p>	<p>The Bank acknowledges the comment and notes that such a process is of a sovereign nature and outside the remit of the Political Assessment and the Bank's operations.</p>
<p>General remarks</p>	
<p>CSOs emphasise that progress against strategic objectives should be monitored systematically ensuring that operations are in line with best international practice on environmental and social standards. Potential environmental and social impacts need to be carefully considered during project appraisal. Regular consultation meetings with CSOs and independent experts about the implementation of/ compliance with environmental and social safeguards are recommended.</p> <p>Some CSO comments received raise concerns about specific Bank projects in Uzbekistan, and the application of EBRD's Governance Policies. Furthermore, some CSOs mention concerns about some of the tools listed in the envisaged activity areas, such as monitoring challenges for intermediated finance, corruption and integrity concerns regarding Private-Public Partnerships, risks of cronyism and corruption when lending to Small and Medium Enterprises, potential social impacts and the lack of an adequate basis for consultation mechanisms for hydropower developments, state interference and cronyism in the agribusiness sector, and lack of transparency and appropriate procurement standards in the Information and Communications Technology sector. In general, CSOs stress the importance of monitoring, including monitoring of human rights on the project level.</p>	<p>The Bank carries out detailed appraisal of all projects prior to their approval. All EBRD projects are structured to comply with the Bank's Environmental and Social Policy (ESP), which includes monitoring of projects' potential social and environmental impacts and corresponding mitigation measures. Where gaps are identified the Bank works with its clients to put in place remedial actions. The EBRD is furthermore fully committed to the principles of meaningful stakeholder participation processes, which are undertaken in compliance with the Bank's ESP; the Bank systematically requires its clients to elaborate stakeholder engagement plans to build and maintain a constructive dialogue with locally affected communities, CSOs and other stakeholders. Also in accordance with its ESP, the Bank recognises the responsibility of its clients' business activities to respect human rights and conducts corresponding monitoring.</p> <p>The Bank has stringent policies and performance requirements in place to ensure that projects financed are designed and carried out in line with the principles of good governance, due diligence and transparency, and promotes high ethical standards promoting integrity in all its business operations. The Bank closely monitors all its projects to ensure their compliance with its policies and requirements.</p> <p>As per usual practice, specific project level issues raised in comments received will not be covered in detail in the Report on the Invitation to the Public to Comment, but will be addressed in a different format as appropriate. At the strategy level, implementation risks are noted alongside their environmental and social implications on p. 16.</p>
<p>Some CSOs suggest that the Bank should provide additional support to local civil society groups, for instance by engaging them in a monitoring capacity.</p>	<p>The EBRD recognises civil society as a key stakeholder in achieving its mandate and engages extensively with local and international CSOs. Through its Civil Society Capacity Building Framework, the Bank supports the transfer of skills and awareness raising among the local civil society sector in technical cooperation projects that are linked to specific EBRD-financed investments or policy engagement initiatives. Monitoring by local CSOs is one of the tools employed in the Bank's CSO capacity building work. The Bank will look for opportunities to conduct such CSO capacity</p>

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	building in Uzbekistan if and when applicable.
A CSO comment inquired about opportunities for independent experts to provide economic analysis and feasibility studies of EBRD projects, including from representatives of independent civil society organisations.	EBRD provides procurement opportunities for consultancy services, which are also open to civil society organisations. Opportunities are published on the Bank's website as well as the EBRD Client e-Procurement Portal: https://eceptt.ebrd.com/ .
A CSO comment inquired whether the Uzbekistan Resident Office had a dedicated website and whether a CSO specialist is based in the Resident Office in Tashkent.	The Bank's dedicated webpage for its activities in Uzbekistan is http://www.ebrd.com/uzbekistan.html . The EBRD's engagement with civil society is coordinated and facilitated by a dedicated Civil Society Engagement (CSE) Unit, which is based in London. You can contact us at cso@ebrd.com .

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Summary of EBRD meetings with civil society on 22 February in Tashkent and 9 March in London

As part of the public consultation process, the EBRD held a series of consultation meetings that were attended by 22 civil society representatives. On 22 February 2018 the Resident Office in Tashkent hosted a consultation meeting with local CSOs active in the areas of civil society development, legal advocacy, economic policy research, socio-economic development and environmental issues. On 9 March 2018 a consultation roundtable was held in London with international CSOs focusing on Article 1 issues. The discussions provided an opportunity to discuss the Bank's plans to strengthen its engagement in Uzbekistan and strategic aspects of the forthcoming Strategy, as well as to discuss views about the recent context for political and economic reform and analyses of the political and human rights situation in Uzbekistan.

Civil society participants broadly welcomed the Bank's intention to strengthen its engagement in Uzbekistan.

Strategic directions and operational standards

CSOs were broadly supportive of Bank's renewed engagement and the envisaged strategic priorities for the forthcoming strategy period. CSOs encouraged the Bank to pay particular attention to inclusive development, which remains a substantial challenge - with many people in the regions, especially women and youth, not yet benefitting from reforms. CSOs considered green projects to be a priority, but encouraged the Bank to carefully consider their financial viability on a case by case basis. CSOs also pointed out that the EBRD has an important role to play in the area of standard setting through its investments and policy engagement, and that environmental and social safeguard policies need to be applied carefully at the due diligence, implementation and monitoring stages of all investment projects. CSOs strongly emphasised the importance of policy dialogue on governance and transparency issues as well as the need for institutional and administrative support and capacity building measures. Some CSOs were concerned about envisaged support activities to commercial banks as this area can be characterised by a lack of transparency, according to a CSO comment. CSOs highlighted that the sustainable development of cultural heritage and related infrastructure is a welcome innovation.

Article 1 issues

CSOs broadly viewed the Uzbek authorities' commitment to pushing forward with reform, including political reform, as a window of opportunity for the Bank (and other international organisations) to engage with Uzbekistan and support ongoing reform efforts. CSOs encouraged the Bank to lead with a "principled approach". CSOs have noted that some steps have been taken by the Uzbek authorities indicating a relaxation of restrictions, especially in the area of freedom of speech, the release of persons recognised as political prisoners by the international community and the ban on using evidence obtained through torture in court.

At the same time, CSOs remain concerned about Uzbekistan's human rights record, the restrictive environment for civil society and the state of rule of law in the country. There is concern about the implementation of reform pledges and envisioned legislative changes. Many concerns were raised about the systematic nature of human rights violations; about a "revolving door" of releases and imprisonments on politically motivated charges; the continued use of torture and ill-treatment in the criminal justice system; restrictions on the operation of CSOs, human rights activists, journalists and opposition members as well as restrictions in the area of media freedom; the lack of guarantee of freedom of religion; and the persistence of forced labour in particular in the cotton sector as well as labour rights challenges; as well as transparency and accountability issues and grant corruption.

Some CSOs therefore urged the Bank to "operationalise" its Article 1 mandate as part of the Country Strategy through specific indicators measuring reform progress against meaningful, clear and tangible commitments. Some CSOs argued that the EBRD should use its leverage to press for reform progress in the political sphere and in particular on human rights. Some CSOs provided suggestions for action-oriented political benchmarks to be identified and recommended that a system for publicly monitoring these benchmarks should be considered by the Bank, specifically suggesting that public sector lending should be linked to authorities' compliance with such benchmarks. Specifically, CSOs suggested that the strengthened engagement by the Bank should be linked to the Government demonstrating clearly defined reform measures in the following areas: the human rights situation, including torture and ill-treatment and forced labour; the release people detained on politically motivated charges; rule of law and judicial reform; pluralism and media freedom; the environment for civil society and human rights defenders, including their ability to operate freely; transparent management of public finances; and full corporate transparency.

General remarks

CSOs pointed out that the Bank should ensure that stakeholders who may want to express concerns about the Bank's projects enjoy safe access to the Bank's accountability mechanisms.

CSOs stressed the need for international scrutiny of the implementation of reform commitments by the Government. Some CSOs pointed out that accountability for past crimes is required as a basis for long-term sustainable reform.

Some CSOs were interested in exploring cooperation opportunities with the Bank, especially in the fields of economic inclusion and skills transfer, environmental monitoring, and microfinance activities.

List of CSO represented at the consultation meetings

Tashkent

- Centre for Economic Development
- Centre for Legal Studies
- “Development Strategy” Center
- Ecoforum - Union of environmental NGOs/ Ecological Movement of Uzbekistan
- Ecosociety “Ecolandscape”
- Institute of Forecasting and Macroeconomic Research (IFMR)
- National Association of non-governmental non-profit organisations of Uzbekistan
- NGO Democracy and Human Rights
- Sabr - Republican Centre for Social and Economic Development

London

- Amnesty International
- Association for Human Rights in Central Asia (in writing)
- CEE Bankwatch Network
- Human Rights Watch
- International Partnership for Human Rights
- International State Crime Initiative (ISCI) at Queen Mary University of London
- Open Society Foundation
- Reporters Without Borders (RSF)
- Uzbek-German Forum