

In accordance with the Resolution of the President of the Republic of Uzbekistan No. PQ-330 dated October 10, 2023, "On Measures to Further Improve the Road Sector," and the General Procurement Notice of the Asian Infrastructure Investment Bank (AIIB) dated September 27, 2019, the "Restoration of the Local Road Network in the Republic of Karakalpakstan and Khorezm Region" project is being implemented.

Executive Summary

The Government of the Republic of Uzbekistan (RUz) is preparing to receive a proposed investment loan from the Asian Infrastructure Investment Bank (AIIB) to finance the Rehabilitation of the Local Roads Network in Karakalpakstan and Khorezm Project.

The Project is assumed period of 3 years construction (2025-2027), followed by a two-year maintenance after operation and afterwards 22 years of operations (2028-2049).

Planned activities under the proposed AIIB-financed Project include investments in reconstruction and reconstruction 516 km of local roads in the Republic of Karakalpakstan (encompassing 23 road sections spanning 328 km across 11 districts) and in the Khorezm Region (16 road sections covering 188 km across 9 districts). Additionally, the Project includes capacity building activities for the PIU and the development of a digital geospatial platform and Women and Youth Empowerment Program.

The Project aims to enhance connectivity among communities by integrating specific local roads into both international and regional road networks. This integration will grant local communities improved access to vital social services and promote economic development. This initiative will significantly contribute to the creation of a reliable and secure internal and regional transportation network within the regions.

The Project consists of three components:

Component 1. Reconstruction of the Local Roads in Karakalpakstan and Khorezm. This component focuses on the reconstruction of local roads in the Republic of Karakalpakstan and the Khorezm region. The reconstruction works include pavement reconstruction, bridge repair and construction, drainage improvements, and the installation of road safety measures such as signs, barriers, pedestrian crossings, and bus stops. Where necessary, sidewalks will be added to improve pedestrian safety.

Climate resilience measures, such as the use of durable pavement materials and enhanced drainage systems to cope with higher temperatures and seasonal flooding, will be integrated. No capacity expansion is planned, and road reconstruction will remain within the existing corridors.

The Project also includes two years of road maintenance to ensure sustainability and aligns with the Government's strategy to involve the public sector in road maintenance. Timely maintenance will help mitigate damage from extreme weather due to climate change, enhancing the climate resiliency of the roads.

Additionally, the component will fund the hiring of a Construction Supervision Consultant to oversee the entire construction process, including the review of climate-resilient measures to ensure proper adaptation and mitigation efforts are in place, as well as the Road Safety Audit (RSA) in overseeing compliance with contractual obligations and ensuring quality and safety standards. There are three sub-components:

Sub-component 1.1. Reconstruction Works of the Local Road Network in the Republic of Karakalpakstan

Sub-component 1.2. Reconstruction Works of the Local Road Network in Khorezm Region

Sub-component 1.3. Construction Supervision Consultancy

Component 2. Institutional Strengthening and Capacity Building. This component will support RC's efforts to operationalize the PIU to ensure the quality implementation of the Project. This component will also support institutional strengthening and capacity building for PIU, financial audit and other operational costs of the PIU.

Component 3. Development of Digital Geospatial Platform and Women and Youth Empowerment Program. There are two sub-components:

Sub-component 3.1. Development of Digital Geospatial Platform

The objective of this sub-component is to create a sophisticated, web-based Geographic Information System (GIS) platform that serves multiple purposes:

Provide an interactive, online tool for construction supervision, enabling real-time monitoring of project implementation, and generating progress and financial reports with visualizations.

Support the evaluation of social and economic benefits derived from improved connectivity, including enhanced access to healthcare, education, and tourism facilities, and the increase in public facilities accessible to the community.

Visualize climate vulnerability and risks affecting each road section to be rehabilitated, while tracking the implementation of climate resilience measures.

Streamline grievance registration and monitoring, allowing PIU, supervision consultants, and RC to manage incoming complaints, generate alerts, and track responses in real-time.

Sub-component 3.2. Women and Youth Empowerment Program

This sub-component focuses on fostering social and economic inclusion, particularly for women and youth, by leveraging the Project's interventions. Key activities to be implemented by the PIU include:

Conducting a scoping study and skills needs assessment to identify potential business and livelihood opportunities for women in the surrounding areas.

Developing a women's entrepreneurship program based on the needs assessment, along with participant selection criteria and a list of potential participants.

Identifying potential sources of grant financing for women entrepreneurs.

Providing training on climate resilience and road maintenance, targeting residents in Project-affected areas, with a special focus on women and youth.

Organizing engaging road safety awareness programs for young people, incorporating educational materials and campaigns on traffic rules and pedestrian safety.

Implementation Arrangements.

The Road Committee (RC) is the Project Implementing Entity (PIE) responsible for overall project coordination with government agencies and high-level decision-making authorities to ensure timely implementation, and for liaison with AIIB and other development partners.

Avtoyulinvest Agency (AYA) as a department under RC, manages the Project's general management and implementation, including progress monitoring, procurement supervision, and works plan review. RC has established a Project Preparation Unit (PPU) under AYA. To date, a Project Coordinator, a Procurement Specialist, and an ES Specialist have been hired. . Upon loan effectiveness, PPU will transform into a full-fledged PIU. The PIU and local sub-PIUs will be responsible for managing the day-to-day project implementation activities, including ensuring the ES compliance of the Project.

Other related to this subcomponent stakeholders include hokimiyats, "Main Road Department of the Republic of Karakalpakstan", "Main Road Department of the Khorezm Region", The Ministry of Ecology and Environment Protection and Climate Change of the Republic of Karakalpakstan (RoK) and Khorezm region (MEEPCC), Toza Hudud State Unitary Enterprise, which will be involved in evaluation process to ensure their active involvement during project implementation.

Implementing Agency (IA) and Project Implementation Unit (PIU) will be supported by a Construction Supervision Consultant (CSC). The PIU will be responsible for implementation of ESMPF and ESMPs to comply with AIIB safeguards requirements and environmental, social, labour and land acquisition national regulations. Present unit has Environmental and Social Specialist (E&S). Each region's sub-PIU will have, (i) one ES Specialist/Officer and, (ii) one H&S officer.

The PIU's E&S will be assisted by the E&S and H&S specialists of the CSC in overseeing the development of ESMPs. The cost for EIA (local standards) and ESMP will be financed by the project. PIU is responsible for overall environmental and social compliance with AIIB ESF (2019, 2022).

Contractors will be responsible for implementing mitigation measures. Site-specific Environmental and Social Management plans (SSESMPs) will be developed by the Contractors under the guidance of the CSC, and be endorsed by CSC before submission to PIU for approval. During construction, the Contractors will retain their expertise of a full-time and qualified Environmental Engineer, a full-time Environmental and Social Officer (ESO) and H&S specialist to implement and continually update the SSESMPs, and to report on the implementation of mitigation measures throughout the contract period.

The PIU will prepare and submit semi-annual reports to AIIB.

Project Category. The Project is proposed to be supported by the Asian Infrastructure Investment Bank (AIIB, or the Bank). The Project has been proposed Category "B" in accordance with AIIB's Environmental and Social Policy due to the limited number of potentially adverse environmental and social (ES) impacts, which will be limited to the Project area and can be managed using conventional ES risk management.. The Project applies of Environmental and Social Standard (ESS) 1 – Environmental and Social Assessment and Management and ESS 2 – Involuntary Resettlement (which includes land acquisition).

The national Law "On Environmental Expertise" and RCM # 541 require preparation of the environmental assessment report for all type of activities which may have environmental impact. This project was classified as the Category III (low risk) - (Roads and bridges of

regional and urban significance, with the exception of the city of Tashkent.). Therefore, national EIA will be required prior commissioning of the construction works. Preliminary Environmental Impact Statements (PEIS, environmental assessment document required for Category III projects or (PZVOS) will be prepared by PIU at AYA (with support of a national company) and submitted to the MEEPCC situated in RK and Khorezm region. Environmental Appraisals (Environmental Permission) is expected to be obtained by the end of 2024. AYA PIU will ensure that Environmental Appraisal is obtained before startof civil works.

Proposed safeguard instruments. AS the projectis classified as Category B for all sub-project screening and due-diligence procedure will apply. After screening local EIA and ESMPs will be developed. ESMPF includes screening procedure, guidance on development of ESMPs. Hence, the project adopts a framework approach and the corresponding instruments are: ESMPF and RPF.

Project Area of Influence. According to the AIIB Environmental and Social Framework (ESF), an area of influence (AoI) includes the territory likely to be affected by the project components including permanent and temporary facilities, its ancillary aspects, and unplanned developments. The Project AoI on this stage will be the twenty-two project districts. In Karakalpakstan Republic in the Kanlykul, Kegeyli, Takhtakupyr, Shumanai, Daukhara Dfh-Borshetov, Amurdarya, Beruniy, Nukus, Karauzak, Kungrad, Muynak districts and Bagat, Gurlan,Koshkupir, Urgench,, Khiva, Khazarasp, Shavat, Yangiarik, Yangibazar districts in Khorezm region , therefore the number of project stakeholders is large and includes all project impacted settlements and organizations located in the above mentioned project districts.

The scope of the ESMPF. The ESMPF will guide the ESMPs process and covers the following: rules and procedures for environmental and social screening of subprojects; guidance for conducting subprojects’ ESMPs; mitigation measures for possible impacts of different proposed activities and types of subprojects to be supported by the project; requirements for monitoring and supervision of implementing of ESMPs, implementation arrangements. The ESMPF has also an overview of the capacity of the PIU and local involved institutions for E&S risk management. Based on this review, the ESMPF specifies capacity building activities that would includeall these parties as well as activities on strengthening the capacity of participating local institutions on mitigating potential environmental and social risks and conducting subproject-level ESMPs.

Stakeholder Engagement Plan. The Project is responsible for ensuring that relevant processes are in place for stakeholder engagement in accordance with AIIB requirements. This is an ongoing obligationto ensure that the Stakeholder Engagement Plan (SEP) remains relevant throughout the lifetime of the Project. The SEP will act as a live document, requiring updates as Project circumstances or stakeholderdynamics evolve. The SEP is designed to ensure that Project Company identifies all stakeholders and establishes an effective engagement strategy during the development and life of the Project. The goal of this SEP is to build meaningful and trusting relationships with the local community and other interested stakeholders based on a transparent and timely supply of information and open dialogue. The following list of key stakeholders have been identified:

Table 1 Stakeholders List

Stakeholder Groups	Direct/Indire	Description of the Stakeholder
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Project affected stakeholders		
Local Communities in the Project area	Direct	<p>The local communities are expected to directly benefits from the project through improvements to the local roads, facilities, road safety, access to material and social resources. Local community residents are potential source as workforce for implementation of the project activities.</p> <p>Local communities within the project influence area to be affected by construction and reconstruction works and activities of the project. The activities associated with the project will directly influence the daily lives of the impacted residents.</p>
Local companies and organizations in the Project area	Direct	<p>These include private businesses interested in improving the condition of roads and structures, farms that can use reconstructed roads to transport goods and workers, enterprises that can improve logistics by reducing transport costs and time spent on transportation or open new businesses (for example, trucking, public transport, taxis).</p>
Makhalla Leaders	Direct	<p>This stakeholder is an institution holding traditional power. It is headed by a chief/ chairman and play an important role in Uzbek community.</p>
Schools	Direct	<p>Most schoolchildren walk along the roads to the schools and will be impacted by the project.</p>
Organizations and/or individuals whose assets may be impacted in connection with project activities	Direct	<p>These include organizations (private farms, other entities) or individuals whose assets might be impacted due to project activities (both formal and informal owners).</p>
Other Interested stakeholders		
Road Committee (RC)	Direct	<p>Acts as the Executing Agency (EA) responsible for overall project coordination with government agencies and high-level decision-making authorities.</p>
Avtoynvest" Agency (AYA)	Direct	<p>Acts as the Implementing agency and is responsible for the implementation of the project, including the execution of works and overall management.</p>
Main Road Department of the Republic of Karakalpakstan and Khorezm Region,	Direct	<p>Subordinate organization of RC, the owners of the project and responsible for project implementation, and local roads exploitation after project completion.</p>

Local Government Organizations: <ul style="list-style-type: none"> ▪ Cabinet of Ministries of Karakalpakstan Republic; ▪ Khokimiat of Khorezm region, ▪ Ministry of Foreign and Trade Affairs; ▪ Ministry of Transport of the Republic of Uzbekistan; ▪ The Agency for Strategic Reforms. ▪ Project District Khokimiats; ▪ Project District Land Cadastre Offices; ▪ Project District branches of the Ministry of Ecology, Environmental Protection and Climate Change (MEEPCC); ▪ Sanitary-Epidemiological Peace and Public Health Service of Karakalpakstan, Khorezm Region and district branches; ▪ Karakalpakstan Ministry of Employment and Labour Relations. ▪ Ministry of Employment and Labour Relations of Uzbekistan 	Indirect Indirect Indirect Indirect Direct Direct Direct Indirect Direct Indirect Indirect	<ul style="list-style-type: none"> ▪ Interested in developing of socio-economic situation in the region; ▪ Interested in business development in the region; ▪ Approvals for and assistance in Project activities within each of the authorities' remit (land issues, road conditions, energy, investment support, etc.) ▪ Potential assistance in interaction with other authorities and local population/organizations ▪ Assistance in monitoring of appliance with local labor and sanitary regulations.
Local and regional Construction Companies	Direct	Construction Companies interested to participate in the bidding for project implementation
Workforce	Direct	Project employees, contractors, and their workers engaged in the project construction activities.
International Lenders/ International	Indirect	Lenders are interested in the successful implementation of the project while applying environmental and social requirements.

Organizations: AIIB		
Regional and Local CSOs/NGOs (Women's Committee, Association of Business Women of Uzbekistan, Center for Youth Initiatives and etc.)	Indirect	Interested in monitoring the impact of the project, monitoring the application with E&S requirements.
Media	Indirect	This refers to news and information media which could influence public opinion.
Vulnerable/Disadvantage Groups or Persons		
Unemployed people in project area. Women headed families, families with many children (more than 5), Low-income families, disabled persons, elderly people with nobody to care etc.	Direct	Groups or Individuals who may be disproportionately impacted or further disadvantaged by the project(s) as compared with any other groups due to their vulnerable status, and that may require special engagement efforts to ensure their equal representation in the consultation and decision-making process associated with the project.

The PIU will set up a project-level **Grievance Redress Mechanism (GRM)** following the policy requirements of AIIB¹ and laws of the RUz². The GRM shall respond to the inquiries and resolve appeals and complaints of people who believe they have been or are likely to be adversely affected by social and environmental impacts of the project activities, and/or have complaints about the project's information disclosure and public consultation process.

The project-level GRM shall respond to the inquiries and resolve appeals and complaints of people in prompt, impartial and mutual consensus manner at the project level. This will help to respond to the issues of citizens, to track a problem and avoid potential escalation of project affected people's complaints, and risks for delay and complaint related to the costs in the project implementation.

The appeals/complaints eligibility for handling through the project-level GRM shall meet the following criteria: (i) issues related to the project's social, involuntary resettlement and environmental impacts and performance outcomes, and (ii) issues, related to the project's information disclosure and public consultations process. Appeals/complaints, related to crime, fraud, and corruption issues, will be registered in the grievance logbook, however they are not

¹ https://www.aiib.org/en/policies-strategies/download/environment-framework/AIIB-Environmental-and-Social-Framework_ESF-November-2022-final.pdf

² The Law of the RUz "On Appeals of individuals and legal entities" No. LRU-378 dated December 3, 2014 (No. LRU-445 as amended from 09 November 2017)

eligible for handling under the project-level GRM and shall be handled as defined by laws of the RUz and relevant policies of the AIIB.

The project-level GRM does not override the complainants' rights to demand grievance redress as defined by national legislation. The complainant at one's discretion may choose to seek the complaint consideration through the judicial system of the RUz at any time of the grievance redress process provided hereby.

Subcomponent 3.1 of the project ToR included Development of Digital Geospatial Platform. The objective of this subcomponent is to create a sophisticated, web-based GIS platform that serves multiple purposes as well as a streamline grievance registration and monitoring, allowing the Project Implementation Unit, supervision consultants, and the Committee for Roads to manage incoming complaints, generate alerts, and track responses in real-time.

The AYA will be responsible for effective operation of the project-level GRM will establish a data base of all received grievances and ensure monitoring of its consideration, analysis and reporting in the project implementation, social and environmental safeguards reports. Other stakeholders of the project, as the Main Road Department of the Republic of Karakalpakstan and Khorezm Region, contractor(s), CSC shall take an active part in resolving grievances and appeals.

Contractor(s), CSC, and project district road authorities shall register and report each case of grievance they received from complainants, to the PIU under the AYA, who will have a general database of all grievances and monitoring their status, as described in below sub-sections.

A two-tier project-level GRM will be established during the project preparation phase. **Tier-1: Local Grievance Redress Committee.** The Tier 1 Grievance Redress Committee (GRC) will comprise of: (Supervision engineer (with E&S staff in charge), Representative of the contractors (member), Head of the makhalla foundation (member), Representative of district Khokimiat, Representative of district Road Service organization as a GFP for the subject district.

Tier-2: Second Level Grievance Redress Committee. The Tier-2 includes the GRC at the PIU central level at AYA that will be formed by the end 2024 and include the followings: Project Coordinator, PIU, Chairperson; Social and environmental specialist, PIU, member; Chief specialist of Karakalpakstan and Khorezm Region Government department, member; Head of the department for the coordination of works on land acquisition and compensation of the Karakalpakstan and Khorezm Region, member; Staff of the information service of Main Road Department of the Republic of Karakalpakstan and Khorezm Region.