

## Uzbekistan : Bukhara Road Network Improvement Project (Phase 1)

### 1. Project Information

|                                |   |                        |   |
|--------------------------------|---|------------------------|---|
| Project ID:                    | P000313   | Instrument ID:         | L0313A                                      |
| Member:                        | Uzbekistan  | Region:                | Central Asia                                |
| Sector:                        | Transport   | Sub-sector:            | Roads                                       |
| Instrument type:               | <input checked="" type="checkbox"/> Loan:165.50 US Dollar million<br><input type="checkbox"/> Guarantee   | Lead Co-financier (s): |   |
| ES category:                   | B   | Borrowing Entity:      | Ministry of Economy and Finance, Uzbekistan |
| Implementing Entity:           | Committee for Roads under the Ministry of Transport of the Republic of Uzbekistan   |                        |   |
| Project Team Leader:           | Runze Yu  |                        |   |
| Responsible DG:                | Xiaohong Yang   |                        |   |
| Responsible Department:        | PSC2  |                        |   |
| Project Team Members:          | Carsten Huttche, SFD - Environment Specialist;<br>Jessica Halim, Team Member;<br>Odil Akbarov, SFD - Social Development Specialist;<br>Christopher Damandl, Project Counsel;<br>Luiz Eduardo Rodrigues, Alternate Counsel;<br>Yogesh Malla, SFD - Financial Management Specialist;<br>Chitambala Sikazwe, SFD - Procurement Specialist;<br>Tim Bassanets, Team Member;<br>Hayoung Kim, Team Member;<br>Yanyang Shi, Project admin |                        |   |
| Completed Site Visits by AIIB: | May, 2022<br><br>Nov, 2022<br><br>Jun, 2023<br>Kick-Start Supervision Mission to Tashkent and Bukhara Region<br><br>Oct, 2023<br>Supervision Mission<br><br>Feb, 2024<br>ES Mission<br><br>Jun, 2024<br>Supervision Mission<br><br>Sep, 2024<br>Supervision Mission<br><br>Feb, 2025<br>ES Mission  |                        |   |

|                                   |   |
|-----------------------------------|---|
|                                   | Mar, 2025<br>Technical Mission<br>Jun, 2025<br>Implementation Support Mission |
| Planned Site Visits by AIIB:      | Nov, 2025<br>Planned Implementation Support Mission                           |
| Current Red Flags Assigned:       | 0   |
| Current Monitoring Regime:        | Regular Monitoring  |
| Previous Red Flags Assigned:      | 0   |
| Previous Red Flags Assigned Date: | 2025/03   |

## 2. Project Summary and Objectives

The Government of Uzbekistan requested AIIB to finance a comprehensive investment program in the road sector across the Bukhara region, Khorezm region, and the Republic of Karakalpakstan. The Bukhara Road Network Improvement Project (BRNIP) Phase 1 rehabilitates 78 km of international road A380 in and around the Bukhara City. The Project objective is to improve road efficiency, safety, and climate-resilience of major international cross-border roads in Bukhara and road networks in Karakalpakstan and Khorezm regions.

The Project has the following components:

Component 1: Rehabilitation and maintenance of 78km section of the international road A380;

Component 2: Construction supervision and technical audit consultancy;

Component 3: Phase 2 project preparation;

Component 4: Institutional strengthening, capacity building, and costs of the Project Implementation Unit (PIU); and

Component 5: Purchase of equipment related to quality and quantity measurements for innovative contracting methodologies for roads.

## 3. Key Dates

|                |               |                        |               |
|----------------|---------------|------------------------|---------------|
| Approval:      | Jun. 22, 2020 | Signing:               | Dec. 15, 2021 |
| Effective:     | Feb. 14, 2022 | Restructured (if any): |               |
| Orig. Closing: | Jun. 30, 2026 | Rev. Closing (if any): |               |

## 4. Disbursement Summary (USD million)

|                   |        |                                    |                    |
|-------------------|--------|------------------------------------|--------------------|
| Contract Awarded: |        | Cancellation (if any):             | 0.00               |
| Disbursed:        | 63.59  | Latest disbursement (amount/date): | 1.42/Sep. 02, 2025 |
| Undisbursed:      | 101.91 | Disbursement Ratio                 | 38.42              |

|  |  |                    |  |
|--|--|--------------------|--|
|  |  | (%) <sup>1</sup> : |  |
|--|--|--------------------|--|

## 5. Project Implementation Update

The implementation progress of the Project, by components, is outlined below:

### **Component 1: Rehabilitation and Maintenance of 78 km Section of the International Road (USD 134.7 mn)**

Component 1 is the core component of the Project, covering rehabilitation and maintenance works over a 78 km stretch of the A380 highway. It consists of three lots with a total contract amount of USD 122,257,952.37 (excluding VAT). Civil works contracts for all three lots were signed on March 28, 2023 between AvtoYolInvest Agency (AYA) and the Joint Venture of China Road and Bridge Corporation – CCCC Third Highway Engineering Co. Ltd. Works for all three lots commenced in July 2023 with original completion dates set for June-July 2025. Implementation across all three lots has been modestly delayed by earlier under-mobilization, material shortages, pending tree restoration, and design changes. Corrective measures have improved management, but progress remains behind schedule. Accordingly, completion dates for Lots 1 and 2 have been revised to late 2025; while Lot 3 is under review and may extend to end-2026, subject to the Engineer's determination. Going forward, Lots 1 and 2 will require steady monitoring to ensure completion by late 2025, while Lot 3 will remain a focus area for resolving design issues, finalizing variations, and concluding the EOT review.

#### **Contract Overview** [amount; dates of commencement – completion, original / revised]

- **Lot 1:** USD 49,213,993.80; July 1, 2023 – June 20, 2025 / December 20, 2025
- **Lot 2:** USD 25,793,630.01; July 1, 2023 – June 20, 2025 / August 23, 2025
- **Lot 3:** USD 47,250,328.56; July 10, 2023 – July 9, 2025 / December 2026 (proposed)

#### **Progress as of 15 September 2025**

- **Lot 1:** Physical 59.61% actual vs 96.4% planned; Financial 51.36% actual vs 92.4% planned.
- **Lot 2:** Physical 83.43% vs 100%; Financial 61.59% vs 99.4%.
- **Lot 3:** Physical 33.03% vs 99.8%; Financial 28.41% vs 99.2%.

#### **General Causes of Delay & Mitigation Measures**

- **Contractor mobilization and planning:** Initial under-mobilization across all lots caused slippages of several months. While additional resources were gradually deployed in 2024, performance remains inconsistent. Engineer has been enforcing weekly micro-plans to improve delivery.
- **Material sources and testing:** Early borrow pits were rejected due to excess fines and high sulphate content, delaying embankment/sub-base works by several months. Alternative sources were approved and are now used, but the time lost in early 2025 has not been recovered.
- **Tree restoration:** Restoration works have been suspended since 20 March 2025 due to seasonal restrictions, delaying full site access by about 3–4 months. For mature trees, the Client has worked with the Contractor to replant as many as possible in accordance with the disclosed ESMP. For bushes and shrubs, the agreed approach has been removal with new planting elsewhere at a ratio of 1:10. To date, at least 17,937 items of vegetation have been restored, including 5,131 replanted trees, with ~3,000 additional trees newly planted and around 1,000 more scheduled for late autumn 2025. While the

<sup>1</sup> Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

revised Tree Management/Planting Plan still requires a clearer recording system (e.g., tag IDs to track location and survival), the Client and Contractor are actively addressing this under the Bank's supervision, with improvements expected before restoration resumes.

### **Component 2: Construction Supervision and Technical Audit Consultancy (USD 6.5 mn)**

The Construction Supervision Consultant (CSC) has been proactive in supervision and responsive to delays, but frequent contract amendments highlight continued staff turnover and adjustments in expert inputs. Despite these changes, supervision coverage has been maintained, including expanded scope through iRAP and OHS expertise. The technical audit consultancy, led by IRD Engineering, is on track, with the first mission completed and the final report expected by October 2025.

***Sub-component 2a: Construction supervision consulting (on-site)*** The CSC, Sheladia Associates Inc., mobilized in January 2023, with Rhythm Plus LLC as sub-consultant. A full multi-disciplinary team was deployed near km 228 to oversee works on all three lots.

#### **Key Activities:**

- Completed inception and design review (Feb–Mar 2023).
- Reviewed and approved work programs, safety and E&S plans.
- Identified delays (e.g., Lot 1 structures and pavement) and pushed for corrective measures (e.g., night shifts, added equipment).
- Coordinated design and quantity changes (e.g., replacing overpasses with U-turns, lighting modifications).
- Monitored implementation of E&S measures and compliance.

#### **CSC Contract Amendments:**

Five amendments have been processed or are underway, covering team restructuring, updated expert inputs, TOR enhancements (including iRAP), and cost adjustments.

***Sub-component 2b: Technical audit*** Negotiations were concluded with IRD Engineering, and a contract was signed on July 7, 2025, becoming effective on July 14, 2025. The consultant has already completed the first of two planned missions. A draft report of the initial mission findings has been submitted to the PIU for review, with the final report expected by October 1, 2025.

### **Component 3: Phase 2 Project Preparation (USD 1.5 mn)**

Preparation is advancing for both P000811: Bukhara Road Network Improvement Project Phase 2, also called M37) and P000871 (Karakalpakstan and Khorezm Local Roads Network Reconstruction Project, also called KK) projects.

**M37:** The component has financed the ESIA consultancy. The process has advanced to the RFP stage, with proposals due September 30, 2025. The PIU will conduct technical and financial evaluations, seek AIIB no-objection, and proceed to negotiations and contract award to mobilize the consultancy for project appraisal.

**KK:** The component has financed the preparation and update of safeguards instruments (ESMPF, RPF, SEP). Loan agreement for Tranche 1 financing was signed on September 2, 2025. Drafts reflecting the E&S staffing changes in the final ESMPF have been concluded and ready for public disclosure on September 24, 2025, fulfilling the Project's Tranche 2 effectiveness conditions.

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#### **Component 4: Institutional strengthening, capacity building, and costs of the Project Implementation Unit (USD 5.5 mn)**

Institutional strengthening is underway with a dedicated AIIB PMO fully staffed, although capacity-building activities have been delayed at the request of the Road Committee (RC).

***Sub-component 4a: Institutional Strengthening*** AIIB initiated capacity-building support under this sub-component. On April 29, 2025, AIIB sent a letter to Mr. Jamshid Tursunov, Chairman of the Committee for Roads, inviting representatives of RC, AvtoyulInvest, and the PMO to Beijing for a Strategic Consultation and Training Event. The letter proposed sessions on procurement, FM, safeguards, and project management, as well as technical visits. All participation costs were to be financed under Component 4. RC has requested to postpone the event to a later time.

***Sub-component 4b: PIU – establishment, and staffing*** Implementation is ongoing. Pursuant to Order No. 92 dated September 30, 2024, the RC has restructured its management of MDB-financed projects by consolidating individual PIUs into centralized, MDB-specific PMOs under AYA. For AIIB-financed projects, this resulted in the creation of a dedicated “AIIB PMO,” staffed with full-time technical, fiduciary, and safeguards experts. Each project is overseen by a Deputy Director responsible for day-to-day implementation, ensuring leadership and inter-agency coordination.

***Sub-component 4c: Review and update of current design and works standards and specification A*** contract with Sirway Ltd. for the review and update of current design standards and specifications for asphalt pavement was signed on September 11, 2025. The contract documentation has been submitted to MIIT for registration, with effectiveness expected by October 1, 2025.

#### **Component 5: Equipment Purchase (USD 3 mn)**

Following the previously unsuccessful procurement process, the Client has submitted revised draft Technical Specifications for the purchase of road and bridge testing equipment. The proposed list includes: (i) multifunctional vehicles for assessing road surface conditions; (ii) a mobile laboratory for bridge diagnostics; and (iii) laboratory equipment for quality control of works. The Bank Team confirmed that the proposed equipment is consistent with the requirements of the Project. All equipment will be handed over to the Institute under the RC for Project-related activities, with ownership retained by the Institute for future use. The Bank Team has provided its no-objection to the revised Technical Specifications. However, inclusion of additional equipment requires formal clearance, and the Road Committee plans to send a letter to the Cabinet of Ministers seeking authorization to proceed under the updated scope before end of September 2025. Procurement has not yet commenced and remains pending this approval.

| <b>Components</b>   | <b>Physical Progress</b>   | <b>Environmental &amp; Social Compliance</b>  | <b>Procurement</b>   |
|---|--|---|--|
| Component 1: Rehabilitation and maintenance of 78km section of the international road A380 (USD 134.7 | Lot 1 – Physical 59.61% actual vs 96.4% planned; Financial 51.36% actual vs 92.4% planned. Engineer granted 173-day EOT, | Land Acquisition & Resettlement (LAR) <ul style="list-style-type: none"> <li>• Lots 1–2: only temporary access issues.</li> <li>• Lot 3: 19 private + 10 public structures affected. Draft Updated</li> </ul> | Procurement of works contracts for Lots 1, 2 and 3 completed. Works are delayed and did not complete by original intended completion |

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| mn)  | <p>new completion 20 Dec 2025.</p> <p>Lot 2 – Physical 83.43% actual vs 100% planned; Financial 61.59% actual vs 99.40% planned. Engineer granted 54-day EOT, new completion 23 Aug 2025.</p> <p>Lot 3 – Physical 33.03% actual vs 99.8% planned; Financial 28.41% actual vs 99.2% planned. Contractor seeks 521-day EOT to Dec 2026, under Engineer’s review.</p> | <p>RP submitted Aug 2025; compensation started. Environmental Management &amp; HSE</p> <ul style="list-style-type: none"> <li>• SSESMP updates by Contractor lagged, but monitoring improved after Engineer’s July letters.</li> <li>• OHS lapses recorded during previous AIIB missions (Lot 3 in February 2025) were not addressed in OHS Compliance Report (July/August 2025).</li> <li>• To allow AIIB to ascertain compliance with AIIB’s ESF and good international industry practice, the Bank requested written documents including but not limited to: (i) standard operating procedures (SOPs), e.g., safe lifting procedures (ii) the OHS work plan, (iii) the updated Site-Specific Environment and Social Management Plan (SSESMP) and (iv) the emergency response plan.</li> <li>• Material testing pass rates remain high (~100%).</li> <li>• Traffic management plans active; one traffic accident reported in July.</li> </ul> <p>Gender &amp; Community</p> <ul style="list-style-type: none"> <li>• Gender-sensitive training and awareness activities conducted in July 2025.</li> </ul> <p>Grievance Redress Mechanism (GRM)</p> <ul style="list-style-type: none"> <li>• Active in handling complaints (dust, traffic disturbance, access, compensation). Engineer issued corrective actions in July.</li> </ul> | <p>period. Finalization of EOTs and Contract Addenda underway for Lots 1, 2 and 3.</p>   |
| Component 2: Construction supervision and technical audit consultancy (USD 6.5 mn) | <p>The Consultants have been performing and submitting deliverables in accordance with the contract.</p> <p>Technical Audit consultant (IRD Engineering) is hired and conducted the first</p>  | <p>The Construction Supervision Consultant (CSC) is delivering the required services but needs to further enhance its capacity. An OHS Specialist has recently been appointed following AIIB’s no-objection. The International Social Safeguard Specialist has also been replaced with AIIB’s no-objection. Replacement of the International</p>   | <p>CSC contract signed in January 2023. Several amendments concluded to change key staff and augment supervision team. Technical Audit consultant contract signed July 2025 and assignment underway.</p> |

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|  | mission out of two. The first mission report is expected to be submitted by October 1, 2025.   | Bridge and Structural Engineer and the Deputy Team Leader/Road Engineer is ongoing, with AIIB's no-objection already obtained. |  |
| Component 3:<br>Phase 2 project preparation (USD 1.5 mn)   | <p>Ongoing.</p> <p>KK and M37 preparation is ongoing. KK: Tranche 1 signed Sept 2, 2025; Tranche 2 pending triggers. Safeguards (ESMPF/RPF/SEP) are being updated per approved FSR staffing changes;</p> <p>M37: For ESIA preparation RFP was issued, proposals due Sept 30, 2025.</p>       | Not applicable.  | <p>Karakalpakstan and Khorezm Local Roads ESMPF consultant contract signed August 2024 and completed.</p> <p>PIU staff for KK and M37 have been hired.</p> |
| Component 4:<br>Institutional strengthening, capacity building, and PIU costs (USD 5.5 mn)   | <p>Ongoing.</p> <p>Sub-component 4a: RC approval on capacity building event in Beijing is pending.</p> <p>Sub-component 4b: PIU is established, staffed and fully functioning.</p> <p>Sub-component 4c: The contract with the consultant (Sirway Ltd.) was signed on September 11, 2025.</p> | Not applicable.  | Consultant contract for 4c signed September 2025 and to commence by October 2025.  |
| Component 5:<br>Purchase of equipment related to quality and quantity measurements for innovative contracting methodologies for roads (USD 3 mn) | <p>Ongoing.</p> <p>After an earlier failed procurement, revised technical specifications were submitted for road and bridge testing equipment. The Bank confirmed alignment with the Project and issued no-objection. As additional items require clearance, the Road</p>                    | Not applicable.  | The equipment specifications have been revised and the tender is expected to be relaunched in Q4 2025.   |

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|  | Committee will seek Cabinet of Ministers' approval before launching procurement, which is currently pending. |  |  |
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**Financial Management:**

The Audited Project Financial Statements (APFS) FY2024 has been submitted on a timely basis, and the auditor has issued an unmodified audit opinion. The Project needs to prioritize the timely preparation and submission of Interim Unaudited Financial Reports (IUFRs). For FY2025, three quarterly IUFRs need to be submitted. Considering the PMO approach, the common costs such as staff and operations costs need to be appropriated to the individual project and claimed accordingly from the loan. The PMO needs to prepare the basis of such cost allocation and share with AIIB.

**6. Status of the Grievance Redress Mechanism (GRM)**

The GRM is fully operational and follows a multi-tier structure to ensure effective grievance handling and resolution. The structure operates as follows:

- Tier 1: Field-Level Grievance Redress Committee (GRC): At this level, the Construction Supervision Consultant (CSC) and the Civil Works Contractor are required to appoint Grievance Focal Persons (GFPs), who serve as members of the Tier 1 GRC.
- Tier 2: Second-Level GRC: The PIU's appointed Environmental and Social (E&S) Specialist also acts as the GRM Coordinator and GFP at Tier 2.

The GRM operates under established principles, including the requirement for the contractor to maintain a separate GRM for their workers, including subcontractors, and to report accordingly. Additionally, the CSC and the Contractor's E&S team have established a dedicated Telegram group (the most popular social media platform in the region) to enable representatives of local districts (makhalla) to relay grievances received from community residents.

During the reporting period (monthly progress report July 2025), there were complaints on (i) the limited access roads to residential areas, (ii) bad road conditions of the access roads, (iii) closed pedestrian crossings in makhalla Istiqlol and Uba Chuli, (iv) lack of pedestrian crosses in Kagan, (v) increased dust level, and (vi) open trench due to the transfer of telecommunication lines. In addition, there were also complaints from local workers related to relationships of local workers with the Contractor's foremen on site at Lot 3.

All the complaints received were resolved within the established period and mechanism. PMU and Construction Supervision Consultant / Contractor have communicated with all the complainants to study the details of complaints and participated in decision making process for closing / solving the complaints.

A GRM audit was conducted by the International Social Specialist from June to July 2025, which found that the GRM was full compliance with AIIB's ESS1, but still needed further corrective actions, including:

- Updating visual materials.
- Formalization of grievance box opening reports and "zero" reports.
- Conduct final documented training.
- Activation of digital channels for complaints at the contractor level.
- Implementation of KPIs for strengthening employee protection.
- Transition from a declarative requirement to a full-fledged system.

- Ensuring accessibility, safety and efficiency.
- Fast and fair resolution of complaints.

**7. Results Monitoring**

N/A

**Project Objective:** To improve cross-border and intercity connectivity and enhance accessibility to selected tourist and employment centers of Bukhara Region.

**Project Objective Indicators**
**Monitoring end year : 2027**

| Indicator Name   | Unit of Measure | Baseline | Actual (Previous) | Actual (Current) | Current Target | End Target |
|--|-----------------|----------|-------------------|------------------|----------------|------------|
| Road condition- Reduction in vehicle operating costs on the project road         | %               | 0        | 0                 | 0                | 10             | 15         |
| Increase in average IRAP star rating of the project road                         | Number          | 0        | 1                 | 1                | 3              | 3          |
| Climate resilience - Kilometers of road upgraded with climate-resilient measures | Km              | 0        | 45                | 58               | 78             | 78         |

Comments:

**Intermediate Result Indicators**
**Monitoring end year : 2027**

| Indicator Name   | Unit of Measure | Baseline | Actual (Previous) | Actual (Current) | Current Target | End Target |
|--|-----------------|----------|-------------------|------------------|----------------|------------|
| Component 1: Road Improvement and Maintenance - Reduction in average International Roughness Index (IRI) for finished sections | Number          | 4        | 4                 | 4                | 3              | 2          |
| Component 1: Road Improvement and Maintenance - Kilometers of road rehabilitated / improved of 4 lanes, with                   | Km              | 0        | 35                | 60               | 60             | 60         |

|  |        |     |     |     |     |     |
|--|--------|-----|-----|-----|-----|-----|
| climate resilient measures   |        |     |     |     |     |     |
| Component 1: Road Improvement and Maintenance - Kilometers of road constructed / upgraded to 6 lanes, with climate resilient measures  | Km     | 0   | 5   | 13  | 18  | 18  |
| Component 2: Construction Supervision - Construction supervision regularly conducted   | Yes/No | Yes | Yes | Yes | Yes | Yes |
| Component 3: Preparation for Phase 2 -Detailed designs prepared for: o 78 km of the southern section of M37; o 80 km of the north segment of M37, and o 647 km of road sections in Karakalpakstan and Khorezm regions using traditional input type of contracting. | Yes/No | No  | Yes | Yes | NA  | NA  |
| Component 4 : Technical Assistance - Grievances registered related to delivery of the project addressed, with disaggregated data by gender   | %      | 0   | 100 | 100 | 100 | 100 |
| Component 4 : Technical Assistance - Total number of RC staff received training on OPBRC and related topics  | Number | 0   | 20  | 20  | 65  | 70  |
| Component 5: Equipment Purchase - Purchase of OPBRC/DBMOT-related equipment and technology completed   | Yes/No | No  | No  | No  | Yes | Yes |

Comments:

**Remarks:**

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