

Program Safeguard Systems Assessment

September 2016

UZB: Affordable Rural Housing Program

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PROGRAM SAFEGUARD SYSTEMS ASSESSMENT

A. Introduction

1. This program safeguard systems assessment (PSSA) has been carried out for the Affordable Rural Housing Program (ARHP), proposed for financing by the Asian Development Bank (ADB) using a results-based lending (RBL) modality. The RBL program will be a slice of the broader government rural housing program formed by the selection of the financial intermediaries through which ARHP will operate in the rural areas of 8 out of 13 regions in the country. Construction of houses in housing complexes under the ARHP may trigger ADB's environmental safeguards. The assessment covers environmental safeguards only, as no land acquisition, involuntary resettlement, or indigenous peoples impacts are envisaged under the program.

2. The objectives of PSSA are to determine whether the program systems can manage and mitigate the environmental and social impacts of the overall program or have areas that need to be improved. Gap-filling measures will form required actions as part of the Program Action Plan (PAP).¹ In preparing this PSSA, the environmental safeguard systems of the executing agency, the Ministry of Economy (MOE), of the related agencies including the State Committee for Nature Protection (SCNP), as well as of the implementing agencies (IAs)—the three participating commercial bank (PCBs) and Qishloq Qurilish Invest (QOI)—were analyzed. The PSSA was developed by ADB staff and consultants through extensive consultations with development partners and concerned government agencies. Consultations were also undertaken with relevant government agencies at the regional level during field visits in the following seven regions: Kashkadarya, Samarkand, Fergana, Jizzakh, Khorezm, Bukhara, and the Republic of Karakalpakstan. The PSSA is built on existing knowledge of ADB, development partners and the Government of Uzbekistan (GOU), as well as specific analysis carried out during preparation of the RBL program.

3. With specific reference to climate change impacts, mitigation and adaptation, development of the PSSA also included consultations with relevant institutions, which among others included the State Committee for Architecture and Construction (SCAC) and the Hydrometeorological Center at the Cabinet of Ministers (Uzhydromet).

B. Summary of Program Description

4. The RBL program scope will be confined to financing construction of houses in housing complexes in 8 of the 13 regions, working with three of the six commercial banks participating in the government housing program. ADB supported interventions will add value through (i) improved sustainability of rural housing financing through bank and financial sector reforms in housing finance; (ii) institutional strengthening of government procurement systems; (iii) institutional strengthening of government planning and performance monitoring systems; (iv) improved transparency and equity, including social and gender equity, in prioritizing and selecting beneficiary families; (v) acceleration and expansion of climate friendlier options such as green energy standards and climate risk assessments into the rural housing sector, together with capacity building of regional governments on climate change factors and site selection; and (vi) strengthened capacity of relevant government agencies and local government personnel in gender issues, program management, service delivery, and M&E. The program outcome will be

¹ Program Action Plan (accessible from the list of linked documents in Appendix 2).

an increased number of rural populations benefiting from affordable housing in line with standards of equity, transparency, and quality.

5. The Executing Agency will be the MOE, which will have with a management and monitoring unit (MMU) to manage and monitor the program. The three PCBs—Qishloq Qurilish Bank (QQB), National Bank of Uzbekistan (NBU), and Ipoteka Bank—and the government's engineering company, QQI—will be the IAs. Sites for housing complexes are being selected by a government multi-sector commission and then provided to QQI for construction of houses and associated infrastructure. Home buyers get loans from the PCBs and sign contract with QQI for construction of their houses. Currently, QQI is responsible for complying with the national environmental regulations applied to site selection and housing construction. PCBs are also engaged in monitoring the progress of housing construction but not covering associated environmental and social issues. To comply with ADB Safeguard Policy Statement (SPS) 2009, an ESMS will be required at each IA to avoid and manage environmental and social risks.

C. Program Environmental and Social Impacts and Risks

6. Based on site selection criteria, any construction activities that may generate significant and irreversible environmental impacts will not be included in the program. Site selection is undertaken by a multisector commission which includes representatives of the SCNP to make sure that no environmentally sensitive sites or sites that may generate significant or irreversible environmental impacts are selected. Uzhydromet will provide an assessment of projected climate risk and sites with high risk will be avoided. See Annex 1 for details.

7. Construction of houses in various housing complexes may result in minimal or moderately adverse environmental impacts. Adverse environmental impacts will be temporary, limited to the period of construction, localized within construction sites, and can be mitigated through appropriate construction practices. The following impacts are anticipated:

- (i) generation of dust and localized atmospheric pollution during site preparation and housing construction;
- (ii) generation of waste during construction, potentially including synthetic materials used as insulation materials;
- (iii) wastewater discharge which could cause minor contamination of soil and water bodies;
- (iv) increase in noise and vibration level creating nuisance for local residents and commercial establishments;
- (v) impact on access roads and traffic due to increased movement of vehicles bring in construction materials and carrying away debris and waste products; and
- (vi) usage of borrow sites and disposal site of spoil soils during site preparation.

8. The program has been classified as category B for environment, category C for involuntary resettlement, and category C for indigenous peoples. All policy principles of ADB's environmental safeguards which are likely to be triggered by the program will be assessed. Only the first policy principle of ADB's involuntary resettlement policy will be triggered for screening to rule out any sites with potential involuntary resettlement impacts, which will be excluded from the program. No principles of ADB's indigenous peoples' policy will be triggered. Environmental

screening criteria have been developed to ensure that any activities which could fall above government's environment category 1, 2, or 3² will be excluded from the program.

D. Safeguard Policy Principles Triggered

9. This section identifies the SPS policy principles applicable to the RBL program, and presents in a matrix form how the environment related safeguards principles are triggered by the RBL program (Table 1).

Table 1: Safeguard Policy Principles Triggered

Policy Principles	Current System (Policy and Legal Frameworks) / Practices	Gaps between ADB and Uzbekistan requirements
ENVIRONMENT		
<p>1. Use a screening process for each proposed project, as early as possible, to determine the appropriate extent and type of environmental assessment so that appropriate studies are undertaken commensurate with the significance of potential impacts and risks.</p>	<p>Regional and district governments (<i>hokimyats</i>) are responsible for identification and allocation of state land for housing complexes, following specific site selection criteria for screening, which, among others, include environmental screening criteria that ensure rejection of environmentally sensitive sites or critical habitats and sites that may generate significant environmental impacts. The SCNP provides Conclusion only for those sites that are in conformity with Category 4 of Uzbekistan's laws and regulations.</p>	<p>NO GAP in screening requirements and procedure. However, the ESMS Manual provides additional detailed environmental and climate screening checklists to exclude potentially risky sites for ADB funding</p>
<p>2. Conduct an environmental assessment for each proposed project to identify potential direct, indirect, cumulative, and induced impacts and risks.</p> <p>Assess potential transboundary and global impacts, including climate change.</p> <p>3. Avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts. Prepare an environmental management plan (EMP) that includes the proposed mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators.</p>	<p>Initial environmental examination (IEE)/ZVOS for each housing complex is undertaken by QQI. The IEE/ZVOS is reviewed by SCNP. Conclusion and approval for construction of housing complexes issued by SCNP includes specific recommendations to be observed during construction. QQI includes these recommendations in the construction contracts to be followed up by the contractor. QQI is responsible for supervision and monitoring of construction contractors.</p> <p>Climate change risk assessment is not included in the selection criteria. The quality and coverage of IEE/ZVOS is deficient in many respects, including absence of (i) a definition of the impact area, (ii) map showing land use within the area of impact, (iii) specificity with respect to nature and magnitude of environmental impacts, and (iv) environmental management plan (EMP).</p> <p>Two of the three IAs (QQI and Ipoteka Bank) do not have ESMS to guide them in ensuring compliance with environmental safeguards. PIU and QQI will need capacity building support to develop and operationalize their ESMSs.</p>	<p>GAPS:</p> <p>(i) IEE/ZVOS quality: EMP should be included in the IEE produced by QQI for each housing complex and regular monitoring and reporting of the environmental safeguards should be undertaken on a regular basis. ESMS of each IA must include provisions to that effect;</p> <p>(ii) Absence of an ESMS at two (Ipoteka Bank and QQI) of the four IAs (3 PCBs and the QQI). Capacity constraint in developing and operationalizing the ESMS; and</p> <p>(iii) Climate change is not included in the selection criteria. Capacity constraint in</p>

² The environmental classification of development activities, procedure of preparation and evaluation of environmental assessment, and environmental approval of development activities are regulated by Cabinet of Ministers Resolution No. 491 adopted in December 2001 (amended in 2005 and 2009, Decree No. 152/5 of June 2009).

	<p>It has been reported that the Regional SCNP conducts regular monitoring of overall environmental compliance requirements throughout the region and submit reports on a quarterly basis. However, no specific monitoring and reporting on housing complexes was found to be available.</p>	<p>Uzhydromet to provide science-based projections.</p>
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Policy Principles	Current System (Policy and Legal Frameworks) / Practices	Gaps between ADB and Uzbekistan requirements
<p>4. Examine alternatives to the project's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed. Also consider the no project alternative.</p>	<p>Selection criteria as applied to the housing complexes take account of all possible alternatives and select the sites that are environmentally benign or generate minimal localized impacts which are temporary in nature and can easily be mitigated.</p>	<p>GAP related only to having climate change consideration included in selection criteria</p>
<p>5. Carry out meaningful consultation with affected people and facilitate their informed participation. Ensure women's participation in consultation. Involve stakeholders, including affected people and concerned NGOs, early in the project preparation process. Continue consultations with stakeholders throughout project. Establish a grievance redress mechanism (GRM) to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental performance.</p> <p>6. Disclose a draft environmental assessment (including the EMP) in a timely manner, before project appraisal, in an accessible place</p>	<p>Requirements for the GRM are provided in the Law "On the Appeals of Individuals and Legal Entities" (No. 378, 3 December 2014) to address appeals from individuals and legal entities. According to the Law "On Environmental Expertise" (2000), disclosure and public consultation is not required for projects of Class 3 and Class 4. At the same time, according to the Laws "On State Environmental Expertise" and "On Ecological Control", public environmental review can be carried out on the initiative of NGOs and citizens in any field and for all types of project categories, which needs to be environmentally justified. Public environmental review can be carried out regardless of the state ecological expertise. Conclusion of public environmental review has recommendatory nature. However, disclosure was not documented in the IEE/ZVOS.</p>	<p>GAP: Stakeholder consultation or public disclosure as part of the preparation of IEEs/ZVOS is not documented.</p>

and in a form and language(s) understandable to affected people and other stakeholders. Disclose the final environmental assessment and its updates, if any, to affected people and other stakeholders.		
7. Implement the EMP and monitor its effectiveness. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.	<p>It is reported that monitoring and reporting is undertaken on a quarterly basis by the regional SCNP through inspectors and compliance reports are produced. However, there is no specific monitoring and reporting conducted for housing complexes</p> <p>Monitoring of environmental compliance has reportedly been undertaken by QQB and NBU, and it is based on the information provided by the regional branches as guided by ESMS established for these two banks. However, these are not undertaken in accordance with an EMP which is not available as part of ZVOS.</p> <p>QQI and Ipoteka Bank have not established a monitoring system and rely on monitoring carried out by the Regional SCNP.</p>	GAP: Absence of EMP in the IEEs/ZVOS and inadequate enforcement regarding monitoring and reporting by QQI.
8. Do not implement project activities in the vicinity of environmentally-sensitive areas such as critical habitats, protected landscapes, important biodiversity reserves and forest areas, or sites of historical or cultural significance	One of the criteria for the selection of housing complexes quite clearly states that housing complexes cannot be located near any environmentally sensitive areas, such as protected landscapes, important biodiversity reserves and forest areas ³ , cultural sites, religious sites such as graveyards and cemeteries, or sites of historical importance including national or world heritage sites.	NO GAP in principle. However ESMS provides more details in an environmental screening checklist.
9. Apply pollution prevention and control technologies and practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges.	The Law "On Wastes" (2002) addresses waste management, exclusive of emissions and air and water pollution, and confers authority on the SCNP concerning inspections, coordination, and ecological expertise and establishing certain parameters with regard to the locations where waste may appropriately be processed.	NO GAP in requirements for ZVOS, but enforcement is not in place. Monitoring of EMP implementation will be required by ESMS.
10. Provide workers with safe and healthy working conditions and prevent accidents, injuries, and disease. Establish preventive and emergency preparedness and response measures to avoid, and where avoidance is not possible, to minimize, adverse impacts and risks to the health and safety of local communities.	<p>Conclusion and approval for construction of housing complexes issued by SCNP reiterates standard operating procedures during construction to ensure worker safety and healthy working conditions and prevent accidents, injuries, and disease.</p> <p>Despite these provisions, Preventive and emergency preparedness and response measures are inadequate at each housing complex to minimize, adverse impacts and risks to the health and safety of local communities</p>	GAP: 1. Inadequacy of preventive and emergency preparedness and response measures 2. Requirements for checking compliance will be included in ESMS manual.

³ This will include any sites that may be considered as critical habitats including: habitat for endangered or critically endangered species, areas having special significance for endemic or restricted range species, sites critical for the survival of migratory species, areas supporting globally significant concentrations or numbers of individuals of congregatory species, areas with unique assemblages of species or that are associated with key evolutionary processes, or provide key ecosystem services, and areas having biodiversity of significant social, economic or cultural importance to local communities.

	during construction.	
11. Conserve physical cultural resources and avoid destroying or damaging them by using field-based surveys that employ qualified and experienced experts during environmental assessment.	Uzbekistan has acceded to the Convention on Protection of the World Cultural and Natural Heritage (22 December 1995) and enacted a Law “On Protection and Usage of Cultural Heritage Objects” (30 August 2001, No. 269-II). Environmental Conclusion decisions includes clear instructions to the effect that physical cultural resources, if any, will not be destroyed or damaged.	NO GAP
INVOLUNTARY RESETTLEMENT		
Screen the project early at the site identification stage and identify past, present, and future resettlement impacts and risks.	Each proposed subproject will be screened using a screening checklist to exclude any housing complex/subproject with potential involuntary resettlement impacts. This will be the only involuntary resettlement safeguard principle that will be triggered by the program and will be taken into account at the time of site identification.	
INDIGENOUS PEOPLES		
None	The country does not have indigenous peoples communities as defined in ADB’s Safeguard Policy Statement (2009) for operational purposes. No indigenous peoples policy principle will be triggered by the program.	

EMP = environmental management plan, ESMS = environmental and social management system, GRM = grievance redress mechanism, IA = implementing agency, IEE = initial environmental assessment, NBU = National Bank of Uzbekistan, PCB = participating commercial bank, QQB = Qishloq Qurilish Bank, QQI = Qishloq Qurilish Invest, SCNP = State Committee on Nature Protection, ZVOS = state environmental assessment report.

E. Diagnostic Assessment

1. Assessment Methodology and Resources

10. A comprehensive assessment of the current national environmental impact assessment procedures and safeguards practices applicable to ARHP in relations to ADB’s SPS was undertaken by ADB staff and consultants through a desk review of existing reports, national policies, and safeguard systems, as well as through meetings and interviews with key staff of MOE, SCAC, SCNP, and the IAs. Field visits to representative sites were undertaken for a better understanding enforcement of the regulations. The assessment also included review of reports and data from ongoing ADB and other development partners’ projects, equivalence assessments of ongoing government programs. An assessment of applicable and relevant laws, regulations, rules, and procedures for managing and mitigating the environmental impacts applicable to the program were analyzed with specific reference to implementation practices including capacity and commitment to plan, implement, monitor, and report on the safeguard measures. Review of the environmental and social management systems of NBU and QQB, which participated in the previous ADB-supported MFF, the Housing for Integrated Rural Development Investment Program (HIRDIP), was also undertaken. The environmental impact assessment reports prepared by consultants supported by QQI and the Conclusion provided by SCNP were reviewed to understand the environmental due diligence process employed in site selection and the construction of housing complexes.

2. Environment

11. The assessment comprises (i) an overview of environmental safeguards policies and legislation in Uzbekistan including preparation of IEE/ZVOS reports, stakeholder participation and public disclosure, sanitation and hygiene, waste disposal, atmospheric pollution and health and safety regulations, monitoring and reporting, (ii) institutional arrangements; (iii) management of risks and mitigation measures, and (iv) capacity enhancement. A review of initial environmental examination (IEE)/ZVOS reports for a sample of housing complexes

produced by QQI revealed deficiencies in terms of (i) the absence of a clearly demarcated area of environmental impact, (ii) absence of a map showing the location of the housing complex and associated land use features relevant to environmental examination within the area of impact, (iii) non-specificity potential environmental impacts, (iv) absence of stakeholder consultation and disclosure, and (v) absence of an environmental management and monitoring plan. During field visits, it was observed that enforcement of regulations with specific reference to waste disposal and worker safety needed improvement and closer monitoring.

12. The review also concluded that the national and regional environmental management agencies, the State and Regional Committees for Nature Protection, have the requisite environmental assessment and monitoring capacity. These agencies ensure that the environmental impacts resulting from construction of housing complexes are limited to Environmental category 4 of Uzbekistan's environmental regulations. As a result, all possible alternatives are considered and only the sites that are environmentally benign or generate minimal local impacts which are temporary in nature and can easily be mitigated are selected. However, consideration of climate change risks is not included in the selection criteria.

13. According to the national regulations, commercial banks are not required to have an ESMS. However, each of the two PCBs involved in HIRDIP—NBU and QQB—did establish an ESMS to meet ADB's requirements. An assessment of these ESMSs was conducted to determine their appropriateness vis-a-vis the ARHP. It was concluded while that the two PCBs have ESMS coordinators at their headquarters to plan, implement, monitor, and report on the safeguard measures through their ESMS, the level of understanding of the ESMS at the regional level was inadequate. This inadequate understanding of ESMS of the PCB staff in the regions and districts results in an ineffective compliance of environmental safeguards and should be addressed through capacity building training and awareness raising workshops.

14. The assessment also revealed that the third PCB involved in the ARHP, Ipoteka Bank, and QQI do not have ESMSs. These two IAs will need technical support initially to ensure development and establishment of ESMSs within their organizations to ensure compliance with environmental safeguards requirements.

3. Institutional Arrangements

15. Under the ARHP, the designated environmental coordinator of the MMU of the EA will coordinate implementation of environmental safeguards with the three PCBs and QQI. The environmental coordinator of the project implementation unit (PIU) of the MOE for HIRDIP has 3 years of experience in working with ADB. The PIU reviewed annual ESMS performance reports before submitting them to ADB. The environmental coordinator of the PIU was also tasked to ensure that a section on safeguard performance was included in quarterly progress reports of the program, based on the PCBs' reports from their regular field visits (twice per month for each housing complex). However, the PIU does not have experience in the following areas: (i) ensuring establishment and implementation of ESMSs by the PCBs; (ii) conducting site environmental inspections during program implementation; (iii) preparing annual safeguard monitoring reports based on reports submitted by the PCBs; and (iv) the knowledge and additional responsibility for safeguard compliance under the RBL modality. Capacity building support will be needed to enhance the capacity of the MMU in the areas mentioned under items (i) to (iv) above.

16. QQI, the government's engineering company, is responsible for construction contract management. However, QQI does not have an ESMS. QQI undertakes an IEE/ZVOS for each

housing complex with the assistance of a consultant (see para. 11 above on deficiencies of the ZVOS). The IEE/ZVOS is submitted to the regional SCNP. The regional SCNP reviews the IEE/ZVOS, seeks input from the district Committee on Nature Protection, and visits the site, if needed, and either approves or rejects it. In its Conclusion for construction of housing complexes, the SCNP makes specific recommendations for compliance with environmental safeguards.

17. PCBs are responsible for financing construction of houses for homeowners under a mortgage arrangement. For the PCBs, QQI facilitates selection of the homeowners using criteria that, among other things, include creditworthiness. Within HIRDIP, NBU and QQB have developed and implemented an ESMS. NBU and QQB each has a designated ESMS coordinators, who is assisted by a specialist for monitoring progress of construction projects. According to the annual safeguards monitoring reports, NBU and QQB conducted regular training to strengthen the implementation of their ESMSs and allocated funds for training staff on the implementation of ESMS as required and within the business plan. ESMS coordinators have been designated by the two banks in all their regional headquarters. The banks allocated adequate budgetary resources for monitoring housing complexes through 14 designated employees. The frequency of monitoring is reported to be twice a month. The designated ESMS staff collected information about compliance with environmental safeguards. At the end of the year an annual report on ESMS was prepared and submitted to MOE through the PIU. A ESMS manual has been developed to improve the existing ESMS of NBU and QQB and guide the development of the ESMSs for QQI and Ipoteka Bank.

4. Climate Change Impacts

18. Climate change impacts under various projected scenarios are likely to be variable for various agro-ecological zones of the country. As presented in Uzbekistan's Second Communication to the United Nations Framework Convention on Climate Change, all regions in Uzbekistan are vulnerable to the impacts of climate change. The impacts may be in terms of temperature extremes, variability in the magnitude, frequency, and timing of precipitation (rain and snow), rapid glacial melt that may result in flash floods, mudflows, and landslides, and shortage in the supply of drinking water. Currently, no climate risk assessment is undertaken in any of the regions. It is therefore imperative that climate change scenario analysis be undertaken as part of the site selection process so that the sites which may be vulnerable to major threats and at high risk are avoided and in case there are no alternatives, climate change adaptation and mitigation measures are put in place to ensure their resilience to climate change. The exact adaptation and mitigation interventions would depend on the nature and magnitude of projected impacts as reflected in the climate change risk analysis. Given the significance of climate risk screening and the need for climate risks. It was agreed that Uzhydromet would undertake climate risk analysis for specific sites proposed for 2017. Uzhydromet will also be included as a member in the regional selection commissions. While Uzhydromet does have some capacity to undertake climate risk screening, there is a need for further enhancement of this capacity through provision of state of the art equipment, necessary software for more accurate and site-specific scenario analysis, training, and dissemination of information.

5. Summary Assessment

19. The GOU has a sound system of environmental review and appraisal including relevant legislation and regulations. The responsibility for overall environmental management is vested with the SCNP at the national, regional, and district level. In the case of the ARHP, QQI is responsible for the preparation of IEEs/ZVOS and SCNP is responsible for approval. The

IEE/ZVOS produced by QQI with the assistance of a consultant needs to be further strengthened as it does not include all the elements of a comprehensive IEE/ZVOS.

20. QQI and one of the three PCBs (Ipoteka Bank) do not have an ESMS. This gap in compliance with environmental safeguards will be addressed through the development and implementation of an ESMS. A manual for development and implementation of ESMS has been provided.

21. Currently, no climate risk assessment is undertaken in any of the regions. It is, however, imperative that climate change scenario analysis be undertaken as part of the site selection process so that the sites which may be vulnerable to major threats and at high risk are avoided and in case there are no alternatives, climate change adaptation and mitigation measures are put in place to ensure their resilience to climate change. Inclusion of Uzhydromet in the site selection committee will ensure that information on climate risks is factored into site selection decisions.

22. There is no legal constraint in stakeholder consultation and public disclosure as part of the preparation of IEEs/ZVOS reports. However, there was no reference to such consultation or public disclosure in the reports prepared by QQI.

23. While some monitoring and reporting is undertaken by the SCNP, NBU, and QQB, the absence of an EMP in the IEEs/ZVOS and inadequate enforcement regarding monitoring and reporting by QQI needs to be addressed.

24. Major gaps in ensuring environmental compliance include the following:

- (i) Two of the four IAs do not have an ESMS to ensure compliance with environmental safeguards. An ESMS manual has been developed to provide guidance;
- (ii) The IEE/ ZVOS produced by QQI does not include all the relevant elements of a comprehensive environmental assessment, including the absence of definition of the area of impact, map of the impact area, absence of an EMP; the quality of IEE/ZVOS needs improvement; currently, no climate risk assessment is undertaken in any of the regions. It is however, imperative that climate change scenario analysis be undertaken as part of the site selection process so that the sites which may be vulnerable to major threats and at high risk are avoided and in case there are no alternatives, climate change adaptation and mitigation measures are put in place to ensure their resilience to climate change;
- (iii) The IEE/ZVOS reports have not documented any consultation with affected people or public disclosure of IEEs/ZVOS. The ESMS must also ensure continued consultations with stakeholders throughout project implementation and public disclosure. These should be made part of the IEE/ZVOS process;
- (iv) There is a need for capacity building of PIU, QQI, PCBs for the development and operationalization of their respective ESMS, and that of Uzhydromet to undertake climate risk screening as part of the selection process.

F. Safeguard Program Actions

25. The gap analysis carried out is discussed in the section on Diagnostic Assessment. Based on these findings, safeguard related actions are proposed in the Program Safeguards Action Plan presented in Annex 2. The gaps generally pertain to (i) the absence of an ESMS in

QQI and Ipoteka Bank; (ii) the comprehensiveness and quality of the IEE/ZVOS of the housing complexes carried out by QQI; and (iii) the capacity constraints in effective implementation.

26. Absence of an ESMS in QQI and Ipoteka Bank is a moderate gap. This can be addressed by the development and operationalization of ESMSs tailored to their needs. In the absence of an ESMS, effective implementation of environmental compliance requirements will be compromised. An optimal level of understanding of the rationale for establishing an ESMS and its operationalization will be required. Moreover, updating of the ESMS in QQB and NBU will also be necessary to ensure consistency in implementation across the PCBs. According to SPS 2009, no disbursement will be made until the ESMSs are acceptable to ADB. Therefore, the confirmation of satisfactory ESMSs in all four IAs is a condition for loan effectiveness.

27. The inadequate information in the IEE/ZVOS compromises its quality and therefore constitutes a moderate risk, which needs to be improved to ensure effective environmental compliance including monitoring and reporting and the inclusion of an EMP in the IEEs. This should also include meaningful stakeholder consultation and disclosure in the process of IEE/ZVOS preparation and finalization.

28. Absence of climate risk assessment by Uzhydromet as a member of the selection commission so that the risk can be factored into the selection process is a moderate risk. This can be addressed by Inclusion of Uzhydromet as a member of the regional selection commission.

29. Given the capacity constraints, the IAs responsible for environmental safeguards compliance, in particular Ipoteka Bank and QQI, will need technical assistance in the development and operationalization of their ESMSs. This can be accomplished through regular training workshops to help develop the ESMSs as well as enhance understanding of the rationale for its operationalization. Technical assistance will be needed to address these constraints. Moreover, Uzhydromet's request for capacity enhancement should be considered and technical assistance should be provided by ADB. Terms of reference for an environmental specialist is provided in Attached Technical Assistance.⁴

30. The safeguards-related program actions are provided in Annex 2, including screening of the subproject sites to exclude any sites that would trigger environment Category A; and to rule out any IR impacts. The draft PSSA will be disclosed on the ADB website prior to the Management Review Meeting and the final PSSA will be disclosed together with the program document after the program's approval by ADB's Board of Directors.

31. Development and effective implementation of an ESMS by Ipoteka Bank and QQI and update on existing ESMS by QQB and NBU is a moderate risk. Accordingly, mitigation of this risk by establishment and operationalization of ESMS by these two IAs will be included as a condition of loan effectiveness. Moreover, it is imperative that QQI adopt an updated template for preparation of IEEs/ZVOS presented in its ESMS to ensure development of a complete and comprehensive report. An Integrated Risk Assessment Matrix is presented in Annex 3 and highlights these risks.

⁴ Attached Technical Assistance (accessible from the list of linked documents in Appendix 2).

ANNEX 1: SITE SELECTION CRITERIA

The environment specific selection criteria that are to be applied in the selection of housing complexes include exclusion of sites that (i) are productive agricultural land or forest land; (ii) displace existing settlement(s) or economic activity and have been vacant for less than two years and may result in involuntary resettlement; (iii) are located in the vicinity of sown or cultivated major crops; (iv) are a regulatory distance from objects/developments that may have negative health impacts; and (v) are in proximity to environmentally sensitive objects or habitats¹ such as protected areas, graveyards, world heritage or national heritage sites, or sites of cultural or historical significance. Table 1 shows the site identification and selection process.

Table 1: Site Identification and Selection Process

Agency	Responsibility
District Local Government (<i>hokimiyat</i>) assisted by district staff from the State Committee for Architecture and Construction	Based on the selection criteria, identify possible land for residential complexes from available land reserve for non-agricultural activities. (The minutes of the meeting will be used to make a decision for allocation of land. In some locations, the meeting is chaired by the Deputy Governor.)
District Geology, Hydrology and Cartography Committee	Provide assessment on geology and hydrology conditions. Assess land use for prior years to confirm that the land has been unproductive for at least two years, is not a forest land or agricultural land, and is classified as state reserve land, to determine suitability of the area for development of a housing complex.
Regional Committee for Architecture and Construction	Issue Confirmation on Residential block into 2 volumes: Vol. 1. Siting/location of residential block with clear demarcation of its borders. Vol. 2. Siting/Location of residential block with clear required connection to basic utilities (gas pipeline, electricity, roads).
District Nature Protection Committee	Reviews applicable policies and legislation pertaining to the proposed site and furnishes a report to the District <i>Hokimiyat</i> with appropriate recommendation regarding site suitability or otherwise.
Regional QQI/QLL	Recruit a consultant to prepare an Initial Environmental Examination (IEE)/ZVOS report together with an Environmental Management Plan (EMP) to justify that the proposed activities generate only local impacts) and submit it to the Regional Nature Protection Committee.
Uzhydromet	Based on climate change projections' based initial risk screening, advise the Commission of the projected impacts of climate change so that an informed decision is taken regarding selection of the site.
Regional Ecology and Nature Protection Committee	Based on the report of the district Nature Protection representative, evaluation of the IEE (ZVOS) prepared by QQI (Consultant), and site visits, issues opinion (Conclusion) on suitability of the area for housing and instructs District Nature Protection Staff to monitor certain indicators during site preparation and construction in accordance with the EMP.

¹ This will include any sites that may be considered as critical habitats including: habitat for endangered or critically endangered species, areas having special significance for endemic or restricted range species, sites critical for the survival of migratory species, areas supporting globally significant concentrations or numbers of individuals of congregatory species, areas with unique assemblages of species or that are associated with key evolutionary processes, or provide key ecosystem services, and areas having biodiversity of significant social, economic, or cultural importance to local communities.

ANNEX 2: PROGRAM SAFEGUARDS ACTION PLAN

Risks/Gaps	Proposed Action	Responsibility	Monitoring Indicators	Time Frame for Action
Two of the four IAs (Ipoteka Bank and QQI) do not have an ESMS to ensure compliance with environmental safeguards.	<p>1. Develop and implement an ESMS based on the guidance provided in the ESMS Manual.</p> <p>2. Provide technical assistance to (i) IAs on ESMS; (ii) EA in endorsing ESMS and annual reports of the IAs.</p>	Ipoteka Bank and the QQI for development of their ESMS; QQB and NBU to update their ESMS.MMU of the EA	<p>ESMS established and operational. Endorsement by the EA. (To ensure the EA's capacity, ADB will review for quality assurance one ESMS.)</p> <p>Annual Reports submitted to the EA in accordance with the template in the ESMS manual</p>	<p>Prior to loan effectiveness</p> <p>Reporting annually, at the end of each year</p>
The IEE/ZVOS produced by QQI does not include all the required elements of an appropriate environmental evaluation required for effective environmental safeguards management, including EMP and its monitoring.	IEEs must follow national laws and regulations with guidance provided in the ESMS manual. Template with additional requirements for ZVOS of the housing complexes will be provided in the ESMS manual. Specifically, this should ensure that the IEEs include EMPs and a monitoring program and indicators.	QQI to follow the template provided in ESMS manual, in consultation with the State Committee for Nature Protection (SCNP) at the regional level.	<p>Number of housing complexes that have used the recommended procedures for preparation of IEEs/ZVOS reports are reflected in the Annual Report</p> <p>Annual ESMS performance reports and Annual safeguard monitoring reports</p>	<p>At the time of preparation, review and approval of ZVOS by SCNP.</p> <p>Annual reports</p>
Stakeholder consultation and public disclosure as part of the preparation of IEEs/ZVOS are not documented in the reports prepared by QQI	Ensure stakeholder consultation and public disclosure during the process of the preparation of IEE/ZVOS by QQI	<p>All IAs</p> <p>EA for disclosure of annual safeguard monitoring reports</p>	Number of IEEs/ZVOS reports that have undertaken and documented stakeholder consultation and disclosure and reflected in the Annual Report	<p>Consultation during IEE/ ZVOS preparation, prior to its submission to SCNP.</p> <p>Disclosure of IEE/ZVOS after approval.</p> <p>Disclosure of annual ESMS reports after submission to MMU.</p> <p>Disclosure of annual safeguard monitoring reports after submission to ADB.</p>
Projected climate change risks are not factored into selection criteria partly due to limited role of Uzhydromet and partly due to capacity constraints for climate projections, scenario analysis and risk assessment.	Enhance Uzhydromet's capacity to ensure that climate risk screening is factored into selection of sites for housing complexes	<p>Regional <i>Hokimyat</i> to include representation of Uzhydromet in the Selection Commission.</p> <p>ADB to provide technical assistance for capacity building of Uzhydromet to facilitate climate risk assessment</p> <p>QQI to document the housing complexes that have been subjected to climate risk screening</p>	<p>Number of housing complexes assessed for vulnerability and risks due to projected impacts of climate and reflected in the Annual Report of QQI</p> <p>Technical assistance provided for capacity enhancement of Uzhydromet</p>	By November 2016
Involuntary resettlement	Screening of the proposed sites for housing complexes/subprojects and exclusion of sites that involve involuntary resettlement	All IAs	Completion of the screening template in the ESMS.	At the time of identification and selection of sites for housing complexes.

ANNEX 3: INTEGRATED RISK MATRIX

Risks	Rating without Mitigation Measures	Key Mitigating Measures
Absence or inadequate ESMS of the four IAs (3 PCBs and the QQI) to ensure compliance with environmental safeguards and the inadequacy of the IEE/ZVOS reports	Moderate	<ol style="list-style-type: none"> 1. ESMS manual to provide guidance to EA and IAs on the development and effective implementation of an ESMS. ESMS of QQI to include updated template currently used for preparation of IEEs/ZVOS to ensure development of a complete and comprehensive report. 2. Establish ESMS at QQI and Ipoteka Bank as a condition of loan effectiveness.
Capacity constraints of EA and IAs for safeguard and climate change management	Moderate	<ol style="list-style-type: none"> 1. TA to MMU and IAs on ESMS: Consultant advisory and training service. 2. TA to Uzhydromet to facilitate climate risk assessment in site selection.

ESMS = environmental and social management system, IA = implementing agency, PCB = participating commercial bank, IEE/ZVOS = initial environmental examination/state environmental examination report, MMU = management and monitoring unit, QQI = Qishloq Qurilish Invest, TA = technical assistance.