Global Environment Facility | **State Committee for Nature Protection of the Republic of Uzbekistan** | **United Nations Development Programme**

Project of

Mainstreaming biodiversity into Uzbekistan's oil-and-gas sector policies and operations

(PIMS 4280, # 00076189)

Mid-Term Review (MTR)

Final Report

Dated 19 August 2013

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And Mr.Eugeniy Peregontsev, Independent Consultant

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Annexes

List of Acronyms

AFA	Administrative and Financial Assistant
APR	Annual Project Report
BD	Biodiversity
EA	Executing Agency
FFI	Fauna and Flora International
GEF	Global Environment Facility
Gosbiokontrol	State inspection on protection and rational use of fauna and flora of Republic of Uzbekistan
Goskompriroda	State committee of Republic of Uzbekistan on nature protection
IA	Implementing Agency
IWG	Inter-agency Working Group
MTR	Mid-Term Review
O&G	Oil and Gas
PIR	Project Implementation Report
PM	Project Manager
QPR	Quarterly Progress Reports
SNCP	State Committee for Nature Protection
ToRs	Terms of Reference
UNDP	United Nations Development Programme
UNDP-CO	UNDP Country office

Executive Summary

Purpose of the MTR

This Mid-Term Review (MTR) is initiated by UNDP-Uzbekistan as the Implementing Agency of the UNDP/GEF Project "Mainstreaming biodiversity into Uzbekistan's oil and gas sector policies and operations", referred to as "the Project" in this report with the aim of providing the project partners (the Project Implementation Unit, UNDP-Uzbekistan and UNDP-GEF) with strategy and policy options for more effectively and efficiently achieving the project's expected results and for replicating them. It also provides the basis for learning and accountability for the project manager and the project's partners. This MTR is conducted according to the guidance, rules and procedures established by UNDP and GEF.

As per the Terms of Reference (ToRs) for this evaluation, the objective of this MTR is to measure the up-to-date effectiveness and efficiency of project activities in relation to the stated objective, and to produce possible recommendations on how to improve the management of the project until its completion in 2014. The outputs of the review are accordingly aligned with the UNDP and GEF approach for evaluation and is based on the analysis and rating of the following criteria: Outcomes, Effectiveness, Efficiency, M&E, I&E Execution , Sustainability , Relevance and Impact.

Methodology of the MTR

The MTR evaluation team is composed of the Team Leader, Dr. Lamia Mansour, International Consultant and Team Member, Mr. Eugeniy Peregontsev, National Consultant. A mission to Tashkent was conducted from 7-15 June 2013. Initial contacts were established with the project prior to the mission, extensive consultations with the project partners were conducted during and following the mission to ensure a good understanding of the project's results; leading to the submission of the draft MTR report, for eventual review and finalization.

Project background

Uzbekistan's steppes are one of the last remaining samples of the globally threatened dry temperate grassland biomes and constitute one of the greatest global conservation priorities. The primary threat facing the Uzbek steppes is Oil and Gas (O&G) exploration that is increasingly being targeted there. While the country has in place a network of protected areas, the network cannot provide security to the vast swathes of steppes that continue to lie outside the system.

Long-term and immediate development objectives of the Project

The long-term objective of the project is to fully integrate biodiversity (BD) conservation requirements in on-going and future oil and gas development in the Uzbek steppes. Given that the oil and gas sector is an important engine of economic growth for the country, it is critical that the industry and associated stakeholders have the capacity to apply the "avoid-reduce-remedy-offset" principle. The immediate objective of the project is to mainstream biodiversity conservation into Uzbekistan's oil and gas policies and operations by demonstrating this in the Ustyurt Plateau.

The project proposes the following components to meet its objective:

- *Component 1: Enabling policy, legislative, and institutional environment for mainstreaming biodiversity conservation considerations in the oil-and-gas sector,*
- *Component 2: Demonstrating biodiversity mainstreaming technologies in oil-and-gas operations on the Ustyurt Plateau,*

The Project Summary Table is presented below:

Project title:	***Mainstreaming biodiversity into Uzbekistan's oil-and-gas sector policies and operations***			
			at endorsement (Million US$)	***at mid-term (Million US$)***
UNDP Project ID:	*76189 /60502*	***GEF financing:***	*0.95*	*0.95*
Country:	*Uzbekistan*	***IA/EA own:***	*0.17*	*0.20*
Region:	*Europe and CIS*	***Government:***	*6.00*	*6.00*
Focal Area:	*Biodiversity*	***Other:***	*1.226*	*1.226*
FA Objectives, (OP/SP):	*SO-2, SP-4 Strengthening policy and regulatory frameworks for mainstreaming biodiversity*	***Total co-financing:***	*7.396*	*7.426*
Executing Agency:	*State Committee for Nature Protection (SNCP), UNDP*	***Total Project Cost:***	*8.346*	*8.376*
Other Partners involved:	*Uzbekneftegas, Flora and Fauna International (NGO), Ministry of Economy, and private sector oil and gas companies (Lukoil, PetronasCarigali, Gazprom, Aral Sea, KNOC, KOGAS, and CNPC)*	***Project Document Signature (date project began):***		*09 November, 2010*
		(Operational) Closing Date:	*Proposed:* *July 2014*	*Actual:* *July 2015*

Key findings

Project formulation and Implementation

The MTR has analyzed key strengths and challenges in Project formulation and Implementation facing the project based on several aspects including Conceptualization and Design, Stakeholders participation, the Implementation Approach and Adaptive management, focusing more specifically on the project Inception Mission and the operation of the Project Implementation Unit, Monitoring and Review, Partnership arrangements as well as Assumptions and risks. As per UNDP/GEF requirements, the overall rating for project formulation and implementation is summarized in the Table of Rating of Project Formulation and Implementation below:

PROJECT COMPONENT OR OBJECTIVE	***Rating[1]***	***Justification***
PROJECT FORMULATION		
Conceptualization/Design	***MS***	*Quality technical content but some limitations are found in the assessment of the national set up*
Stakeholder participation	***MS***	*Identification of key stakeholders but limitations in the clear identification of roles and responsibilities*
PROJECT IMPLEMENTATION		
Implementation Approach	***S***	*A positive and constructive momentum for project implementation among project partners and PIU*
The use of the logical framework	***S***	*The logframe is used as a basis for planning and monitoring*
Adaptive management	***S***	*A solid basis for adaptive management*
Use/establishment of information technologies	***S***	*A solid information basis is underway*
Operational relationships between the institutions involved	***S***	*Strong relationships with all concerned institutions*
Technical capacities	***S***	*Identification of appropriate technical capacities*
Monitoring and review	***MS***	*An ambitious Results Frameworks requires to be revised to set realistic targets*
Stakeholder participation	***S***	*A solid basis for stakeholders' participation*
Production and dissemination of information	***S***	*An extensive awareness campaign to be complemented with information related to the Project's results*
Local resource users and NGOs participation	***S***	*Active cooperation with local users*
Establishment of partnerships	***S***	*Solid modalities for mobilization of partners*
Involvement and support of governmental institutions	***MS***	*Concrete involvement of all related Governmental departments requires additional time*

[1]Highly Satisfactory (HS): no shortcomings; Satisfactory (S): minor shortcomings; Moderately Satisfactory (MS); Moderately Unsatisfactory (MU): significant shortcomings; Unsatisfactory (U): major problems; Highly Unsatisfactory (HU): severe problems

Financial planning

The MTR has assessed the Project's expenditures and showed that the project has spend by June 2013 the amount of $378,440 of a total in cash funds of $1,120,000, which is equivalent to 34% of the total funds. The MTR indicated that the expenditures rates have been the highest at the level of Outcome 1 of the project, with expenditure rates of 61%, while the expenditures at the level of Outcome 2 have been limited to 23%.

The MTR highlighted that the tight timeline of the project and the delay in the effective initiation of the activities have affected the project planning process and as such the project has been forced to plan high yearly disbursement targets at the beginning of each year and was not able to meet these targets given the complexity of the situation. This has affected the delivery rates of the project which have been very low compared to the initially planned annual targets, whereby in 2011 the project was only able to deliver 35% of its targets. However, the MTR also noted the effective budget planning and delivery in 2012 (which is equivalent to 67%) which reflect adequate planning and management of the project.

Project Cofinancing

The total cofinancing allocations at project planning phase was equivalent to $7.396 million; the cofinancing sources included $0.170 million in-cash contribution from UNDP-TRAC, $1.226 million in-kind contribution from Fauna and Flora International (FFI) and $6 million in-kind contribution from SCNP.

At the Project's MTR, the total cofinancing allocations are estimated at around 12% of the total cofinancing initially committed at project development phase. While the cofinancing commitments by UNDP and FFI are satisfactory, the Government cofinancing allocations are estimated at 5% and remain very low. As such, the MTR has reflected the need from the Project to follow up with concerned project partners to address this situation, as this will have negative ramifications on the Project, given that the cofinancing constitutes an important part of the project boundaries.

Results of the MTR

Overall results (Attainment of objectives)

*The project has initiated the implementation of its workplan in line with the set outcomes and outputs as per the project document. The MTR has documented the project deliverables at the level of each output and compared these deliverables to the planned results at the level of each output. This has allowed the MTR to provide a comprehensive analysis of the project results and their impact. It also allowed the MTR to provide an "**Overall rating of Project objective and outcomes",** in accordance with the UNDP and GEF guidelines. As such the MTR has provided the Status and rating of objective/outcomes delivery as per the measurable indicators defined in the Project Result Framework. As such, the Overall Results of the project have a "Satisfactory" rating, given the active follow up and progress achieved to date.*

Rating of project results

The MTR has also analyzed the project results based on the criteria requested by UNDP/GEF namely the Overall project achievement, Relevance, Effectiveness and Efficiency, Sustainability and Impact. The MTR provided needed evidence at the level of each criterion to highlight the key achievements and challenges facing the project in order to meet its objective and set results. This has also allowed the MTR to provide ratings of the project results at the level of each criterion which are summarized in the Table below:

Criteria	*Rating*	*Justification*
Overall project achievement[2]	*Satisfactory*	*This is based on the ratings given at the level of the project outputs and measured by the impact indicators.*
Relevance[3]	*Relevant*	*The project is highly relevant given the important of the O&G sector and its impact on the Steppes' BD.*
Effectiveness and Efficiency[4]	*Satisfactory*	*Despite low delivery rates at the MTR, the project has proven to be efficient and effective given the complexity of the project and the ambitious framework design.*
Sustainability[5]	*Likely*	*The environmental and financial sustainability is anchored as part of the project's intervention.*
Impact[6]	*Significant*	*Despite limitations in the impact monitoring of the project, the project is expected to reach a clear impact.*

Recommendations of the MTR mission

Focus the review of the legal framework on priority regulations related to mainstreaming BD in the operations of the O&G sector. *The project has initiated the review of large number of laws whereby it reflected the principles of "avoid-reduce-remedy-offset" in extractive industries. At this point, given the tight timelines of the project, the key priority is to provide a substantive review of the regulation on Environmental Examination No.491/2001 and support the finalization of the Draft Regulations for the ecological audits (as requested in the Law 73/2000 on Environmental examination). The project should also proceed with the consolidation of the different laws and regulations which govern the environmental considerations of the O&G sector including the mainstreaming of BD within this sector.*

Activate the support of the project for the legal and administrative establishment of the Saigachy Protected Area. *The Project should activate its support for the establishment of the Saigachy Protected Area at the national level (following Category 1B of IUCN), in accordance with the Decree No 142 of the Government issued in May 2013. By speeding up the issuance of the legal basis, the Project will be able to allocate needed resources for infrastructure and equipment which were planned for this activity. This is equally important to ensure the negotiation of any future offset scheme of the Saigachy Protected Area which will be established through the project between the O&G sector and the Government.*

Focus the cooperation with the O&G Companies and anchor this cooperation within the appropriate institutional set up. *The current operations of the O&G sector in the Ustyurt Plateau are restricted to two areas: Shakhpakhty area, where the operating companies are Uzbekneftegaz and Zarubejneftegaz and Kyrk-kyz area, where the operating company is Uz-KorGaz Chemicals. At this point, it is important for the project to focus its cooperation with the companies active in this area and to ensure that the cooperation modalities are anchored within the appropriate institutional framework, i.e. the relevant departments within the SCNP of Uzbekistan, the SCNP of Karaklpakstan (governing the Ustyurt Plateau) and the industries.*

[2] **Overall Achievements Ratings:** Highly Satisfactory (HS): no shortcomings; Satisfactory (S): minor shortcomings; Moderately Satisfactory (MS) Moderately Unsatisfactory (MU): significant shortcomings; Unsatisfactory (U): major problems; Highly Unsatisfactory (HU): severe problems

[3] **Relevance Ratings :** Relevant (R), Not relevant (NR)

[4] **Efficiency and Effectiveness Ratings**: Idem reference 18

[5] **Sustainability Ratings:** Likely (L): negligible risks to sustainability; Moderately Likely (ML):moderate risks; Moderately Unlikely (MU): significant risks; Unlikely (U): severe risks

[6] **Impact Ratings:** Significant (S), Minimal (M), Negligible (N)

Revise the targets of the impact indicators at the level of the project objective

i. ***For the indicator: "Amount of funds invested by O&G companies in BD conservation, to reduce habitat destruction and fragmentation, maintenance of ecosystem services and connectivity, and reversals in loss of native vegetation",*** *the MTR recommends to change the planned target as follows: "By the project end total investments of oil and gas sector into preservation of biodiversity reached USD 1 million". This will allow the project to confirm the project's objective to mobilize the O&G sector in BD conservation in a realistic and feasible way in both pilot areas as the project has set over-ambitious targets at its formulation.*

ii. ***For the indicator: "Square of the territory of Uzbek steppe ecosystem over which the O&G operations integrate biodiversity conservation considerations",*** *the MTR proposes to change the planned target as follows: "As result of project implementation land area over which oil-and-gas operations integrate biodiversity conservation considerations increased to 1.3 million hectares". The MTR confirms that the proposed modification will allow the project to meet its objective given the extensive surface area till under consideration and given that this revised surface area has already been reported in the Project Implementation Report (PIR) of 2012.*

Establish the baseline for BD Monitoring and revise the BD indicators as part of the Project Result Framework. *While the design of monitoring system seem to provide a solid basis for the monitoring of the project's indicators, the Project has not established to date a clear baseline for the indicators which are part of its logical framework; and the MTR has provided the following recommendations with regards to each indicator:*

i. ***For BD Indicator 1: By end of project, no decrease populations of indicator species in the project territory,*** *it is of utmost importance for the project to consolidate the results of the monitoring campaigns at the level of each plot and to establish the baseline and compare it with the results of the 2012 and 2013 BD surveys in order to track the developments of the project. Although the Project has confirmed the impact of the oil and gas sector on biodiversity in each sampling spot by comparing the conditions of biodiversity on the disturbed and undisturbed sites, it is important to provided needed analysis to confirm the impact of the Project itself on the BD of the plots under consideration.*

ii. ***For BD Indicator 2: By end of project, 50% of the area which earlier adversely affected by habitat destruction and fragmentation along pipelines, has in place measures aimed at regeneration and recovery of native vegetation,*** *the BD surveys have showed that the BD along the pipelines has naturally recovered and that there is no need to apply special measures for the regeneration and recovery of native vegetation along pipelines. As such, the MTR recommends to eliminate this indicator given its redundancy and in light of the extensive BD monitoring activity conducted for the BD Indicator 1 above.*

iii. ***For BD Indicator 3: By end of project, 40% decrease of poaching incidents in project area compared with baseline levels,*** *this indicator should be deleted and the project should continue to support the efforts for conservation and monitoring of saigas based on relevant methodologies and with active partners, given that it is very challenging to measure this indicator due to the large surface area under consideration and the delays in the establishment of the Saigachy Protected Area.*

iv. *The MTR also recommended to continue the cooperation and support of on-going and planned efforts of different partners such as FFI and the UNDP-Kazakhstan to monitor the Saiga population in general and along the borders with Kazakhstan in specific, in light of the building a fence along the border of the two countries which can affect Saiga*

migration and to investigate the possibility of including BD indicators which could measure the impacts of climate change on the biodiversity of Ustyurt plateau.

Link the awareness-raising activities and replication strategy to the capacity development programme. *While the project has conducted an extensive awareness campaign which can be used as a basis for future information, it is important to include awareness activities as part of a wider programme for communication and capacity building. As such, it is possible to seek the involvement of the Public Relations (PR) specialist of the project, under the responsibility of the Project Coordinator and the Technical Coordinator, to develop and implement a wider communication and training programme, taking into consideration the priority needs of the project.*

Extend the project till July 2015. *The MTR considers that it is very important for the project to proceed with a project extension till July 2015, which will allow it to catch up with the delay incurred in 2010 as well as allow the project to set realistic planning targets in view of the challenging topic it is addressing.*

Include a Critical Risk in the Project Risk Log. *While the MTR concurs with most of the Risks' Ratings of the project, and given the constraints and challenges faced by the project in the first-half of its duration, the MTR proposed to include the following as a "Critical Risk": "Key government actors/institutions are fully engaged and committed to the project strategy" and to ensure close monitoring of the following related mitigation measures.*

Conclusion and Lessons learned

The MTR has provided the opportunity for the Project to review its actual results and plan its future activities. However, given that the project has not initiated the consolidation of its results to date and will require additional time to be able to reflect lessons learned from its experience, the MTR can envisage the following key issues to be of main importance as potential lessons learned from the Project:

- *The Project's documentation on mainstreaming of biodiversity in the O&G sector, specifically with regards to the piloting conducted in the Ustyurt Plateau, can be readily applied to O&G operations in other areas in Uzbekistan.*
- *The Project can greatly contribute to national and regional initiatives for the conservation of BD in general and the Saiga population in the steppe ecosystems in specific. The Project can accordingly provide a solid basis for information sharing regarding BD and Saiga population in specific and can support needed policy dialogue and decision making for BD conservation at national and regional levels (Russia, Uzbekistan, Kazakhstan and Turkmenistan).*
- *The Project can also establish an important platform for learning for similar initiatives outside Uzbekistan related to mainstreaming BD in the O&G operations, such as the UNDP/GEF project in Russia for mainstreaming biodiversity into oil-and-gas, coal, and hydropower sectors. The positive cooperation with the Governmental as well as the private sector initiated by the Project will allow it to inform other similar initiative and provide a basis for piloting mainstreaming of BD in the O&G sector.*

1. Introduction

1.1. Purpose of the MTR

This Mid-Term Review (MTR) is initiated by UNDP-Uzbekistan as the Implementing Agency of the UNDP/GEF Project "Mainstreaming biodiversity into Uzbekistan's oil and gas sector policies and operations", referred to as the Project, in this report with the aim of providing the project partners (the Project Implementation Unit, UNDP-Uzbekistan and UNDP-GEF) with strategy and policy options for more effectively and efficiently achieving the project's expected results and for replicating them. It also provides the basis for learning and accountability for the project manager and the project's partners.

This MTR is conducted according to the guidance, rules and procedures established by UNDP and GEF, specifically the GEF Monitoring and Evaluation policy[7] and the UNDP Handbook on Monitoring and Evaluation Policy[8]. The MTR also reflects UNDP's Evaluation Guidance for GEF- Financed Projects[9].

As per the Monitoring and Evaluation (M&E) policy at the project level in UNDP/GEF, a Mid-Term Review (MTR) is responsive to GEF Council decisions on transparency and better access of information during implementation and should focus on four objectives:

ii) to monitor and evaluate results and impacts;
iii) to provide a basis for decision making on necessary amendments and improvements;
iv) to promote accountability for resource use;
v) to document, provide feedback on, and disseminate lessons learned.

A mid-term evaluation is expected to serve as a means of validating or filling the gaps in the initial assessment of relevance, effectiveness and efficiency obtained from monitoring. The mid-term evaluation provides the opportunity to assess early signs of project success or failure and prompt necessary adjustments.

As per the ToRs for this evaluation attached in **Annex 1** of this report, the objective of this MTR is to measure the up-to-date effectiveness and efficiency of project activities in relation to the stated objective, and to produce possible recommendations on how to improve the management of the project until its completion in 2014.

The Mid Term Review Report is expected to provide further advice on how to:

- strengthen the adaptive management and monitoring function of the project;
- ensure accountability for the achievement of the GEF objective;
- enhance organizational and development learning; and
- enable informed decision-making.

[7] http://web.undp.org/evaluation/documents/guidance/GEF/UNDP-GEF-TE-Guide.pdf
[8] www.undp.org/eo/documents/HandBook/ME-HandBook.pdf
[9] UNDPEvaluation Office, 2012.Guidance for Conducting Terminal Evaluations of UNDP-Supported GEF-Financed Projects.

1.2. Key outputs of the MTR

This MTR has been conducted as part of the Monitoring and Evaluation plan of the Project, as stated in the M&E plan in the CEO Endorsement/Approval document[10]which indicates that: "*The project will undergo an independent Mid-Term Evaluation at the mid-point of project implementation. The Mid-Term Evaluation will determine progress being made toward the achievement of outcomes and will identify course correction if needed. It will focus on the effectiveness, efficiency and timeliness of project implementation; highlight issues requiring decisions and actions; and present initial lessons learned about project design, implementation and management*".

The outputs of the review are accordingly aligned with the UNDP and GEF approach for evaluation and is based on the analysis and rating of the following criteria: Outcomes, Effectiveness, Efficiency, M&E, I&E Execution , Sustainability , Relevance and Impact as indicated in the **Table 1** below.

Table 1. Criteria and Rating scales adopted by the MTR

Ratings for Outcomes, Effectiveness, Efficiency, M&E, I&E Execution	***Sustainability ratings:***	***Relevance ratings***
6: Highly Satisfactory (HS): no shortcomings 5: Satisfactory (S): minor shortcomings 4: Moderately Satisfactory (MS) 3. Moderately Unsatisfactory (MU): significant shortcomings 2. Unsatisfactory (U): major problems 1. Highly Unsatisfactory (HU): severe problems	4. Likely (L): negligible risks to sustainability 3. Moderately Likely (ML):moderate risks 2. Moderately Unlikely (MU): significant risks 1. Unlikely (U): severe risks	2. Relevant (R) 1.. Not relevant (NR) ***Impact Ratings:*** 3. Significant (S) 2. Minimal (M) 1. Negligible (N)

1.3. Methodology of the MTR

The MTR evaluation team is composed of the Team Leader, Dr. Lamia Mansour, International Consultant and Team Member, Mr. Eugeniy Peregontsev, National Consultant. A mission to Tashkent was conducted from 7-15 June 2013. Initial contacts were established with the project prior to the mission, extensive consultations with the project partners were conducted during and following the mission to ensure a good understanding of the project's results; leading to the submission of the draft MTR report, for eventual review and finalization.

The MTR was conducted through the following methodological approach:

i. An initial review of project documentation provided by the project was conducted prior to the mission to Tashkent in May 2013.

ii. A mission to Tashkent was conducted from 7-15 June 2015, and provided necessary opportunity to conduct meetings and interviews with key stakeholders. The mission did not include a field visit to the pilot area (the Ustyurt Plateau) due to complex administrative procedures required to allow the visit and in view of optimizing the

[10]UNDP/GEF, 2010. Request for CEO Endoresment/Approval of the Project "Mainstreaming biodiversity into Uzbekistan's oil and gas sector policies and operations"

evaluation mission, given the long distance and difficulty to access the pilot area. The mission has however met with the concerned national as well as local project partners, at the level of the SCNP as well as the UNDP-CO. This has allowed a clear understanding of the project's strategy, dynamics and results. The mission also met with a large number of representatives of the Oil and Gas sector which are directly involved in the project. The mission has also met other key institutions involved in the project such as the Academy of Science in addition to all project staff and consultants to ensure an overall review of the project dynamics. The programme of the evaluation mission and list of persons interviewed is attached in **Annex 2** of this report.

iii. Additional data collection and analysis was conducted following the mission to Tashkent and required additional time for the identification of the available deliverables at the level of the project and the different stages in which they exist. This is specifically relevant to this project as the main results of the different components of the project include reports which have been submitted in draft form, in final form, in English and in Russian. It should be noted that this includes an extensive number of reports which were important to identify accurately. Based on this phase, a full list of documentation of the project is provided in **Annex 3**. This phase has also allowed to consolidated and validate the key achievements of the project by the project's team.

iv. Submission of the Draft Evaluation report based on the results of the mission and the additional data collection conducted following the evaluation mission. The report is drafted in accordance with the ToRs and the UNDP/GEF guidelines. The MTR report also includes as requested by UNDP/GEF the signed Agreement Forms by the MTR Consultants confirming to abide by the Code of Conduct for Evaluation in the UN System (**Annex 4**).

v. The draft Evaluation Report will be subject to the review ofthe project partners in view of its finalization by the evaluation team.

1.4. Structure of the MTR report

The MTR report is structured in line with UNDP's guidance and covers the following Sections:

- Executive summary
- Introduction
- Project description and development context
- Findings
  - Project Design / Formulation
  - Project Implementation
  - Project Results
- Conclusions, Recommendations & Lessons
- Annexes

Annexes prepared as part of the report are also aligned with the ToRs and include, in addition to the key annexes which respond to the requirements of the UNDP/GEF M&E policy, several technical annexes which were also included in the MTR review to complement the report.

2. The Project and its development context

2.1. Project background

Uzbekistan is a landlocked country, located in Central Asia, and bordered by Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, and Turkmenistan with a total surface area of 448,844 km^2. Uzbekistan is covered by the following main ecosystem types: dry temperate grasslands (steppes) and lowland deserts (both of which constitute 65% of the country), as well as mountain and inland water ecosystems. The country is part of two WWF Global 200 Eco-regions namely, the Middle-Asian Montane Steppe and Woodlands, and the Central Asian Deserts. More than 27,000 species are found in Uzbekistan, including over 15,000 animals and 4,500 higher plants.

Uzbekistan's steppes are one of the last remaining samples of the globally threatened dry temperate grassland biomes. The Millennium Ecosystem Assessment (2005) concluded that while most global biomes had lost 20-50% of their area to cropland conversion, temperate grasslands had lost more than 70% of their natural cover by 1950, with a further 15.4% lost since then. These findings make the temperate grasslands one of the greatest global conservation priorities.

The primary threat facing the Uzbek steppes is oil and gas exploration that is increasingly being targeted there. While the country has in place a network of protected areas, the network cannot provide security to the vast swathes of steppes that continue to lie outside the system.

The UNDP/GEF Project "Mainstreaming biodiversity into Uzbekistan's oil and gas sector policies and operations" was initiated with the objective to mainstream biodiversity conservation into Uzbekistan's oil and gas policies and operations by demonstrating this in the Ustyurt Plateau. The Ustyurt Plateau is the steppe bordering Kazakhstan; it covers about 16% of the country with a surface area of approximately 7 million ha. (See **Figure 1** below for the geographical location of the Ustyurt Plateau).

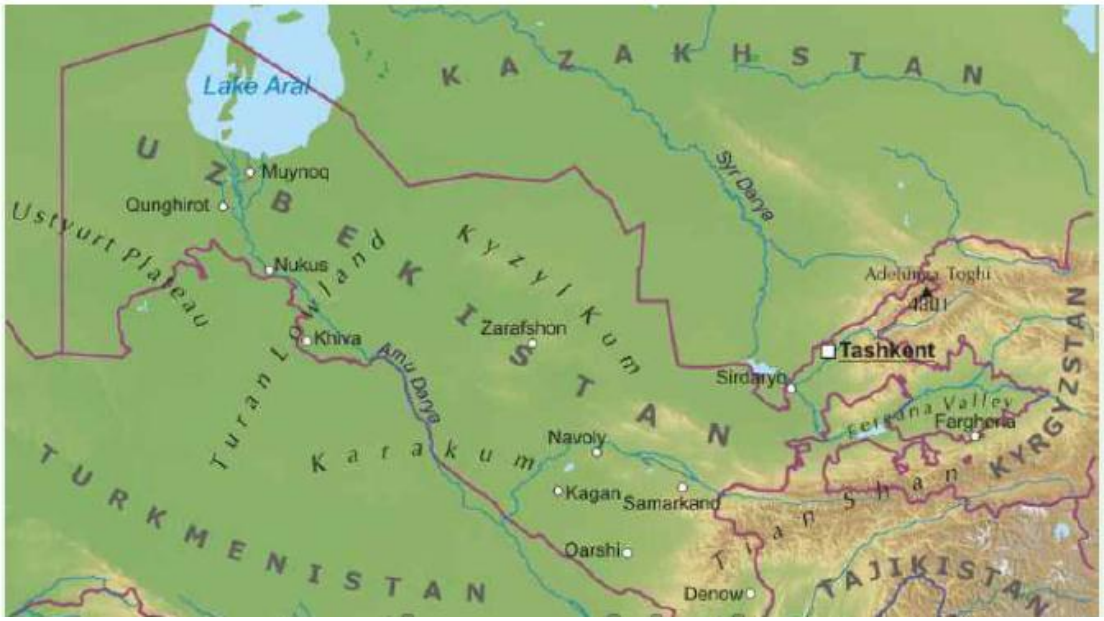

Figure 1. Geographical Map of Uzbekistan[11]

[11] www.theworldatlas.net

2.2. Project start and its duration

This MSP project has a total project cost of $8.346 million with GEF financing of $0.95 million and with a duration of 4 years. The project was initiated in November 2010 and its proposed closing date is July 2014. The Project is funded under the ***GEF-4 Strategic program:*** SO-2, SP-4 Strengthening policy and regulatory frameworks for mainstreaming biodiversity.

The Project's Executing Agency is the State Committee for Nature Protection. Other partners involved in the Project include Uzbekneftegas, Flora and Fauna International (FFI), Ministry of Economy and private sector oil and gas companies. **Table 2** below provides the Project's summary table.

Table 2. Project Summary Table

<table>
<tr><td>Project title:</td><td colspan="4">Mainstreaming biodiversity into Uzbekistan's oil-and-gas sector policies and operations</td></tr>
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<tr><td>FA Objectives, (OP/SP):</td><td>SO-2, SP-4 Strengthening policy and regulatory frameworks for mainstreaming biodiversity</td><td>Total co-financing:</td><td>7.396</td><td>7.426</td></tr>
<tr><td>Executing Agency:</td><td>State Committee for Nature Protection, UNDP</td><td>Total Project Cost:</td><td>8.346</td><td>8.376</td></tr>
<tr><td rowspan="2">Other Partners involved:</td><td rowspan="2">Uzbekneftegas, Flora and Fauna International (NGO), Ministry of Economy, and private sector oil and gas companies (Lukoil, PetronasCarigali, Gazprom, Aral Sea, KNOC, KOGAS, and CNPC)</td><td colspan="2">ProDoc Signature (date project began):</td><td>09 November, 2010</td></tr>
<tr><td>(Operational) Closing Date:</td><td>Proposed:
July 2014</td><td>Actual:
July 2015</td></tr>
</table>

2.3. Problems that the Project seek to address

This project aims at addressing threats to facing the Uzbek steppes' biodiversity outside protected areas. The primary threat is oil and gas exploration that is increasingly being targeted in the steppes.

According to the project document[12], Uzbekistan is ranked as the world's 8th largest gas mining country. The oil-and-gas sector is officially recognized as one of the key drivers of the country's economic development. There are 194 discovered oil-and-gas reserves, with a gross economic potential of US$ 1 trillion; and the country plans to increase investments in identifying new reserves. Annual exploratory drilling, (currently 10,000 meters of drilled distance per year), is predicted to increase to 220,000 meters by 2012.

At the level of the steppes of the Ustyurt Plateau, the Uzbek National Oil-and-Gas Holding Company: Uzbekneftegaz, along with the major Russian companies Lukoil and Gazprom has agreed on a plan for exploration of vast natural gas deposits.

The oil and gas developments are threatening the globally significant steppe biodiversity directly through destruction and fragmentation. Other secondary threats associated with oil-and-gas mining include illegal hunting due to infrastructure development (railroads, roads) linked to the oil-and-gas mining operations as well as increasing human settlements.Other indirect threats on steppes biodiversity and vegetation destruction include, among others, unpaved roads.

The project is based on the fact that there is very little active attention being given to addressing threats to biodiversity outside protected areas from oil-and-gas operations. While there is a legal foundation for protecting vulnerable/ threatened biotopes and species outside protected areas, this is not explicit in terms of holding the oil-and-gas industry accountable for adverse impacts on biodiversity. There are State institutions with the mandate to implement the environmental legal framework, but experience and capacities for effectively integrating ecological considerations in the conduct of economic activities is lacking. As a result, biodiversity outside protected areas is still threatened by habitat destruction and conversion, driven by oil-and-gas operations in the wider landscape.

The project will therefore aim at addressing the following two barriers for mainstreaming biodiversity conservation in the oil-and-gas operations in Uzbekistan:

(i) Legislative, policy and institutional gaps

(ii) Inadequate knowledge and absence of tested approaches for biodiversity mainstreaming technologies in the oil-and-gas sector.

2.4. Long-term and immediate development objectives of the Project

The long-term scenario sought by the project is to fully integrate biodiversity conservation requirements in on-going and future oil and gas development in the Uzbek steppes. Given that the oil and gas sector is an important engine of economic growth for the country, it is critical that the industry and associated stakeholders have the capacity to apply the "avoid-reduce-remedy-offset" principle (see **Figure 2** below). Under this principle, the first step is to locate extraction projects so as to avoid damage altogether. Where damage cannot be avoided, the next step is to reduce impact. Where some impacts are unavoidable, the next step is to remedy unavoidable damage

[12] Idem reference 4

from fuel extraction and transportation. And finally, companies can use biodiversity offsets as a conservation tool to manage adverse impacts.

The long-term goal of the project is to contribute to all on-going and future oil-and-gas operations in Uzbekistan and minimize their adverse impacts on biodiversity so that the conservation prospects of the affected ecosystems are greatly improved. The objective of the project is to mainstream biodiversity conservation into Uzbekistan's oil and gas policies and operations by demonstrating this in the Ustyurt Plateau.

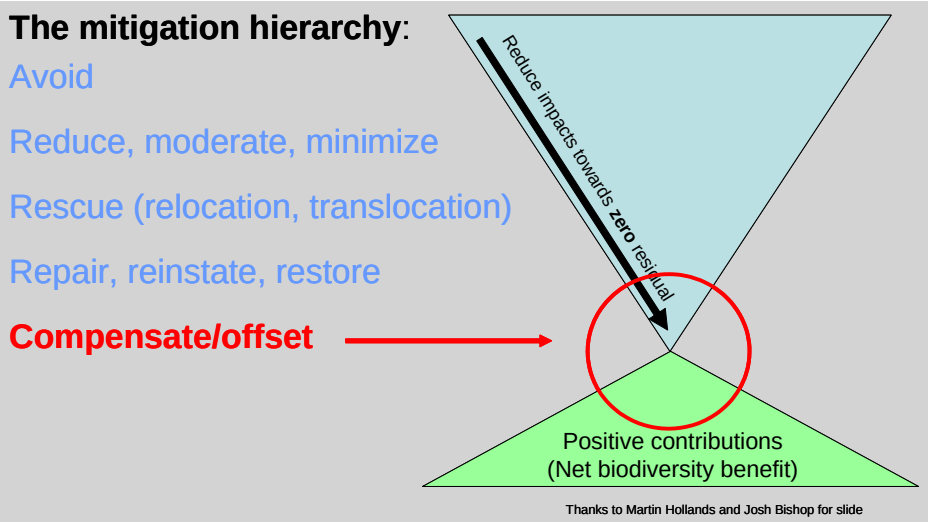

Figure 2. Biodiversity offsets and impact mitigation: principleof "avoid-reduce-remedy-offset"[13]

2.5. Main Project's stakeholders

The project document has identified the following key national stakeholders to as part of the institutional framework of the project:

- The State Committee for Nature Protection (SCNP) is responsible for environmental policies at the national level. It plays a leading role in the development of the regulations on State Ecological Examination and voluntary Environmental Impact Assessment.
- Each district has a local branch of the SCNP, represented by "Local Nature Inspectors" who oversee the compliance of land-users with environmental requirements and implement enforcement (including fines and other sanctions for non-compliance).
- The Ministry of Economy is responsible for supervising the "Programme of development of the oil-and-gas industry from 2007 through 2012", which was approved by the Cabinet of Ministers in 2007, and outlines the development of the oil-and-gas industry in Uzbekistan. All foreign investors working in the oil-and-gas sector in Uzbekistan must sign an agreement with the Ministry of Economy.
- Uzbekneftegaz (Uzbek National Oil-and-Gas Holding Company) is the main institution responsible for the implementation of the "Programme of development of the oil-and-gas industry from 2007 through 2012". Uzbekneftegaz also plays a major role in initiating and drafting oil andgas policies.

[13] Business and Biodiversity Offsets Program (BBOP) website (http://bbop.forest-trends.org/offsets.php)

- Uztyazhneftechim project is a research institute under the Ministry of Economy dedicated to applied research and technology advancement in the oil-and-gas industry.
- Other research institutes of such as the National Academy of Sciences (i.e. zoology, botany) may be subcontracted by the investors or State Committee for Nature Protection to undertake dedicated ecological research in areas of existing or potential impact on ecosystems.

2.6. Expected Results of the Project

The project proposes the following components and outputs to meet its objective.

Component 1: Enabling policy, legislative, and institutional environment for mainstreaming biodiversity conservation considerations in the oil-and-gas sector, this component includes the following Outputs:

- Output i: Law on Subsurface Resources, Law on Territorial Planning (aspects related to location of industrial activity), and Laws on Protection and Use of Flora and Fauna amended with regulations on (a) the "avoid-reduce-remedy-offset" principles in extractive industries, including development of norms and methodology for determining indirect negative impacts on flora and fauna[14], and (b) a mechanism for independent assessment of biodiversity (ecological audit and public ecological examination) during fuel extraction and transportation.
- Output ii: National map of areas where: (a) oil and gas sector development is to be avoided altogether; (b) oil and gas extraction projects are allowed, but should have mitigation measures to reduce biodiversity impacts; and (c) restoration or offset scheme is needed
- Output iii: Amendments to State Ecological Examination and EIA screening instruments to require a thorough check of biodiversity impacts of proposed oil-and-gas projects
- Output iv: Capacities of staff from key state and private institutions engaged in oil-and-gas investments are developed

Component 2: Demonstrating biodiversity mainstreaming technologies in oil-and-gas operations on the Ustyurt Plateau, this component includes the following Outputs:

- Output i: Guidebook on biodiversity conservation approaches in the oil and gas sector in Uzbek specific ecosystems (steppe and deserts)
- Output ii: Biodiversity risk mitigation measures demonstrated at one active oil and gas extraction site in Shakhpakhty, Ustyurt Plateau
- Output iii: Avoidance and mitigation technologies integrated in the design of the one prospective major oil and gas development on the Ustyurt Steppe Plateau
- Output iv: Biodiversity offset scheme to compensate for damages from existing and proposed oil and gas operations in the Ustyurt Plateau is operationalized
- Output v: Results of mainstreaming in demonstration areas monitored on a periodic basis and verified by independent subcontractors
- Output vi: Documentation of lessons-learned, implementation of awareness-raising activities and replication strategy

[14] Under current legislation, there are some compensatory fees for direct impacts, but there is no regulation for indirect impacts.

3. Key findings

3.1. Project formulation

Conceptualization and Design

While the project formulation has provided extensive technical details with regards to the project background and the project activities; the project design is characterized by a high degree of general information based on international standards and practices which might not be applicable to the national situation in Uzbekistan, and makes the project implementation very challenging, given the high standards requested through the different Outputs and Activities and the existing situation which needs to be taken into consideration.

As an example, one of the key regulatory tools for mainstreaming BD in the O&G sector has been identified in the project and an Output under Component 1 is dedicated to it, namely "*Output I-iii: Amendments to State Ecological Examination and EIA screening instruments to require a thorough check of biodiversity impacts of proposed oil-and-gas projects"*. While this could be seen as a very important step of the project, the analysis of the situation and the proposed activities fall short from responding to the problems underlining this issue and therefore requires the project team to evaluate the situation in more details during implementation in view of proposing adapted modalities for moving forward.

In this case, the project document states the following: "Although Uzbekistan has in place a State Ecological Examination process and EIA screening instruments, these do not address biodiversity conservation concerns". Such a statement is not based on clear analysis of the situation, especially that the EIA system in Uzbekistan is in place since 1993 and it is officially approved by decree since 2001. While it is widely agreed that gaps for the conservation of BD under the current regulation do exist[15], however, these gaps have not been clearly indicated in the project document in view of addressing them.

As such, the activities proposed under this output remain at the general level and reflect mainly international good practices for EIA, and not current national practices and related procedures. The Output specifies the following intervention: "Through this output, the project will integrate biodiversity conservation considerations into the State Ecological Examination process and into the seven key stages of the EIA Process[16]". While such a situation could be addressed by an in-depth assessment of the related legal framework and its implementation in Uzbekistan, this is not called upon as stand-alone activity of the project and is rather integrated as part of a multitude of activities requested by the project team and the project consultants.

This same approach can be witnessed across the different Outputs of the project. A very ambitious capacity development and training programme is proposed for different institutions and covering several areas including: (i) principles of avoidance, mitigation, and remediation of biodiversity, (ii) EIA planning and enforcement, (iii) investment options in biodiversity conservation by oil-and-gas companies, (iv) application of biodiversity offsets, (v) monitoring of biodiversity at oil-and-gas extraction and transportation sites.

Again, while such a capacity development programme can be seen as a very important and needed one, it is important to ensure that a capacity needs assessment is conducted prior to the establishment of such a programme and that a tailor-made and specific training programme is delivered based on the outcomes of the needs assessment. As such, the MTR can conclude that the project design has created a challenging framework for intervention by the project: on one had

[15] Communication during the MTR with the Main Public Environmental Examination Authority (Glavgosekoekspertiza)
[16] Source: Adapted from the Energy and Biodiversity Initiative (EBI)

the project definition is general and aims to tackle many aspects at legal, institutional and technical level, on the other hand this is a MSP with limited time and resources; and the pressure on the project team and its consultants to deliver a maximum of results does not allow room for manoeuvre.

This has extensively affected the project momentum as will be discussed in the sections below in several ways:

- The project documents offers a good technical framework for action but does not provide the needed operational modalities for implementation
- The project document does not provide a clear understanding of the expected results and the proposed activities should be complemented by an in-depth assessment of the situation related to the specific outputs envisaged by the different activities.

Stakeholder participation

In terms of project design, the project document has covered all key stakeholders concerned with the mainstreaming of biodiversity conservation in the O&G sector.

However, the MTR questions the proposed modalities for cooperation with the O&G sector to implement the proposed activities and outputs in the project document. A major component of the project aims at establishing a direct cooperation with the O&G industries under "*Component 2: Demonstrating biodiversity mainstreaming technologies in oil-and-gas operations on the Ustyurt Plateau"*.

In a more simple and specific way, this component aims at the following:

- Developing an implementation plan and defining biodiversity risks mitigation measures at one active oil-and-gas extraction site by providing guidance to the staff from the oil-and-gas operations.
- Integrating the principles of avoidance and mitigation technologies in the design of the one prospective major oil-and-gas development on the Ustyurt Steppe Plateau.
- Developing a biodiversity offset scheme to compensate for damages from existing and proposed oil and gas operations in the Ustyurt Plateau. A Memorandum of Understanding will be signed between the government and the industry formalizing its 5 year financial commitment towards the scheme.

While the piloting aspects of this component is very promising and could produce the required up-scaling of the experience at the level of the whole sector, it is important that the cooperation modalities are anchored within the appropriate institutional framework, i.e. the relevant departments within the SCNP of Uzbekistan, the SCNP of Karakalpakstan (governing the Ustyurt Plateau) and the industries.

As in the case of the definition of the overall project framework, the institutional responsibilities of the concerned stakeholders have not been clearly defined in the project document and this has accordingly caused lack of clarity with regards to the roles and responsibilities of the SCNP, more specifically the Main Public Environmental Examination Authority (Glavgosekoekspertiza) and the State inspection on protection and rational use of fauna and flora (Gosbiokontrol), both of which have different roles in following up on the aspects related to mainstreaming BD in the O&G sector.

It should be noted that the basis for work of the O&G companies are the "Production Sharing Agreement" which are signed between the company and the Ministry of Economy, based on the

GoU conditions. These conditions include environmental considerations in line with the Law on Environmental Examination No.73-II/2000 and its Regulations on Environmental Examination according to the Decree on Ecological examination No.491/2001. Several other laws and regulations also govern the environmental considerations of the O&G sector including the mainstreaming of BD within this sector.

Accordingly, O&G Companies submit EIAs to SCNP in line with Uzbekistan's regulations as well as international regulations (International Finance Corporation, Equator Principles and ADB Safeguards), depending on the nature of the company.

As such, the entry point for any piloting at the level of the O&G sector remains the "Agreements of Shared Production" and the SCNP conditions binding these operations, this is a building block of the project within which the institutional responsibilities need to be clarified in order to achieve the project objectives.

3.2. Project Implementation

Implementation Approach and Adaptive management

The project Inception Mission

The project document was signed and initiated in November 2010, with the recruitment of the first project manager, who did not stay within the project.

In March 2011, the current project manager was recruited and the project inception mission was conducted in April 2011. Although the actual date of the start of the Project is November 2010, the Project Inception mission[17] has considered that the effective starting date of the project is indeed March 2011 and not November 2010. This is an important aspect of the project implementation, as it can be considered that the project has already started with almost 1 year of delay.

The Project Inception mission has introduced some minor amendments in the Project which can be summarized by the following:

- A position of a "National Technical Coordinator" was introduced as part of the Project Implementation Unit (PIU).
- Minor amendments to the indicators have mainly aimed at the redefinition of the baseline and targets of the initial indicators, as seen appropriate at the time of the Inception mission. This did not however modify the indicators themselves.

As such, the Inception Mission did not lead to any major redefinition of the Project's strategy and results, and the challenging aspects of the project's design identified in this MTR were not addressed at the inception phase.

The Project Implementation Unit

According to the Project Document, the Project Implementation Unit (PIU) will be established comprising permanent staff for management only, including the Project Coordinator and Project Assistant. A team of technical staff were envisaged to be recruited by the project on part-time

[17]UNDP/GEF, 2011.Inception Report of the Project "Mainstreaming BD in Uzbekistan's O&G sector policies and operations".SCNP.Prepared by Mr.JavlonTashpulatov. May 2011.

basis and included the following experts: Chief Expert on Biodiversity and Ecosystem Management, Chief Expert on the Oil-and-Gas Sector. It was planned that these experts will supervise a team of national and international specialists, who will implement specific activities of the project at the local level. This would allow the Project Coordinator and national specialists to spend a large portion of their time in the field, and the Project Coordinator to have sufficient time to liaise with communities engaged in the project.

During the implementation phase of the project, it became clear to the Project Coordinator and the Project partners the need to strengthen the PIU, as such, in addition to the Full-time National Technical Coordinator, a Full-time Public Relations Expert was recruited at the level of the PIU. **Table 3** below provides a summary of the modifications which took place at the level of the Project in the recruitment of national experts including their profiles and their levels of intervention.

As such, the Project has reflected a high level of flexibility and response in the provision of needed technical expertise at the national and international level which confirms a high level of adaptive management by the project partners, namely UNDP and SCNP.

Table 3. Profile of National Experts recruited by the Project and their level of intervention

Profile of National Experts recruited by the Project	**Level of intervention at project formulation[18]**	**Level of intervention at Project MTR**
Project Coordinator	100%	Full-time
Chief Biodiversity and Ecosystem Management Expert	44%	Replaced by a Full-time National Technical Coordinator
Specialist on Environmental Laws of Uzbekistan	30%	The legal expert has been extensively recruited in the initial phase of the project
Chief Expert on the Oil and Gas Sector	35%	Several BD experts and a GIS expert were recruited
Specialist on Environmental Impact Assessment and Environment Management Systems	27%	2 National consultants were recruited to date
Consultation Facilitator, Rapporteur and Networking Specialist	27%	Replaced by a Full-time Public Relations Expert

3.3. Financial planning

Project expenditures

With a total in cash funds of $1,120,000 ($950,000 from GEF and $170,000 from UNDP-TRAC), the project has spend by June 2013 the amount of $378,440, which is equivalent to 34% of the total funds (refer to **Table 4** below for expenditure rates since project initiation). The expenditures rates have been the highest at the level of Outcome 1 of the project, with expenditure rates of 61%, while the expenditures at the level of Outcome 2 have been limited to

[18]The percentages indicate the time allocation to each position in the project document

23%. It should be noted that the initial planning of the budget has allocated a substantive part of the project budget to the Outcome 2, with around 70% of the total project resources.

Table 4. Budget and expenditure rates since project initiation of the GEF and UNDP funds

Outcome	Planned (in US$)	Expenditures in 2010 (in US$)	Expenditures in 2011 (in US$)	Expenditures in 2012 (in US$)	Expenditures by June 2013 (in US$)	Total Effected expenditures (in US$)	% Effected Expenditures of Total Planned
Outcome 1	90,000	398	15,608	32,526	6,559	55,091	61
Outcome 2	770,000	13,842	23,416	102,674	33,975	173,907	23
Outcome 3	260,000	4,481	57,310	61,840	25,811	149,442	57
Total	**1,120,000**	**18,721**	**96,334**	**197,040**	**66,345**	**378,440**	**34**
% Expenditures by year		**2**	**9**	**18**	**6**		**34**

With the limited delivery of the project by June 2013, it is clear that the project requires an extension of 1 year in order to be able to complete its activities. In fact the delivery rate of the project by its Mid-Term should be around 50% in order for the project to be able to complete its activities and achieve its objectives. However, the project was only able to effectively launch its activities and reach a cruising rate in 2012 (with a delivery rate of 18%), as compared to delivery rates of 2% and 9% in 2010 and 2011 respectively (refer to **Table 4** above).

Although the project is expected to reach a good delivery rate in 2013 in light of substantive preparation initiated in the first part of the year, it is not foreseen that the project would be able to meet its planned targets for 2013 which is very ambitious, as it is equivalent to $432,560 which is around 40% of the total budget. This is a very high target regardless of the low delivery rates of the project.

In fact, the tight timeline of the project and the delay in the effective initiation of the activities have also affected the project planning process and as such the project has been forced to plan high yearly disbursement targets at the beginning of each year and was not able to meet given the complexity of the situation.

As such, the project's yearly expenditure plans have been drastically affected by this situation, and this is reflected by the major modifications in the financial plans. This has also affected the delivery rates of the project which have been very low compared to the initially planned annual targets, whereby in 2011 the project was only able to deliver 35% of its targets, while in 2013, with the ambitious targets, the project in at only 15% of its set targets (refer to **Table 5** below). However, the MTR notes the effective budget planning and delivery in 2012 (which is equivalent to 67%) which reflect adequate planning and management of the project.

Table 5. Yearly budget planning and delivery of the Project

	Total (US$)	Planned in 2011 (US$)	Effected in 2011 (US$)	Planned in 2012 (US$)	Effected in 2012 (US$)	Planned in 2013 (US$)	Effected by June 2013 (US$)	Planned in 2014 (US$)
Yearly Budget	1,120,000	279,580	96,334	293,020	197,040	432,560	66,345	359,209
% Effected of planned by year			34		67		15	
% Planned of total budget		25		26		39		32

Accordingly the MTR considers that it is very important for the project to proceed with a project extension till July 2015, which will allow it to catch up with the delay incurred in 2010 as well as allow the project to set realistic planning targets in view of the challenging topic it is addressing.

In order to do so, the MTR has reviewed the management costs needed for such an extension especially that the project has only used 57% of its management budget by June 2013, and that the required budget for the management will not require more than the available resources (the recurrent management costs are estimated at around $70,000/year). It should also be noted that UNDP has increased its contribution for the project which are allocated to the management costs of the project; UNDP's contribution increased from $170,000 to $200,000, which allows the project to proceed with the 1 year extension at no cost.

Project Cofinancing

The total cofinancing allocations at project planning phase was equivalent to $7.396million; these were allocated to the different outcomes of the project as follows:

- $2.070 m (96% of total budget of Outcome 1),
- $4.585 (86% of Outcome 2),
- $0.739 (89% of Outcome 3)

The cofinancing sources included the following:

- UNDP-TRAC cash contribution of 0.170 million allocated to Outcome 3 (project management)
- FFI in-kind contribution of $1.226 million allocated to Outcome 2
- SCNP in-kind contribution of $6 million allocated across the different Outcomes

The actual status of the cofinancing (refer to **Table 6** below) can be summarized as follows:

- UNDP has already provided around 75% of its commitments and have also increased its contribution from $170,000 to $200,000,
- FFI has contributed to date with $453,000 of cofinancing which was spent on the following activities: biodiversity and socio-economic assessment, rangeland assessment, workshop, publications and others… This constitutes around 37% of the total

commitments towards the project. It is expected that about $300,000 from FFI will be provided through UNDP as cash contribution to the project. But the issue is not resolved yet. At the moment only the discussions on this issue is being carrying out. This constitutes another 25% of the initially planned contribution of FFI.

- With regards to SCNP, the actual contribution committed to the different Outcomes has been estimated at around $315,471, which constitutes 5% of the planned cofinancing contribution of SCNP and it is distributed as follows:
    - $0.008m under Outcome 1, this can include support of SCNP in the development of laws, development of national map, capacity building activities and training
    - $0.301m under Outcome 2, this can include support by SCNP to the development of the guidebook, demonstration of risk mitigation in active or new developments in Ustyurt plateau, biodiversity offset scheme in SaigaZakaznik, awareness raising and PR activities
    - $0.006 m under Outcome 3, this can include support of NPC, office space and other facilities

As such, at the Project's MTR, the total cofinancing allocations are estimated at around 12% of the total cofinancing initially committed at project development phase. While the cofinancing commitments by UNDP and FFI are satisfactory, the Government cofinancing allocations are estimated at 5% and remain very low. The MTR recommends that the Project investigates the initial allocations and ensures that the initial commitments can be mobilized for supporting the Project's results and objective.

The Project should follow up with concerned project partners to address this situation, as this will have negative ramifications on the Project, given that the cofinancing constitutes an important part of the project boundaries.

Table 6. Planned and Actual Cofinancing of the Project

Cofinancing (Type/ Source)	**IA own Financing (mil US$) UNDP**		**Government (mil US$)** ALL SOURCES FROM GOV		**Other (mil US$)**		**Total Disbursement (mil US$)**	
	Planned	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**
Grants	0.170	0.127	-	-			0.170	0.127
Loans/Concessional(compared to market rate)								
In-kind support			6.000	0.315	1.226	0.453		
Other (*)								
Total	**0.170**	**0.127**	**6.000**	**0.315**	**1.226**	**0.453**	**7.396**	**0.895**
% of Total		**75%**		**5%**		**37%**		**12%**

3.4. Monitoring and Review

The Project has used the Project Result Framework revised at the inception mission as a basis for planning and monitoring of its activities. This has been an important basis for the development of the Annual Planning and Quarterly Progress Reporting for the years 2012 and 2013.

It should be noted that the Project has faced a challenge in meeting its annual plans and targets and therefore its annual budget plans due to ambitious targets set for the project as follows:

i. an ambitious Results framework has been proposed in the project document, in line with the overall ambitious scope of the project. As an example, the project document called upon the development of a BD monitoring system which will enable the project to "*establish a formalized system to measure and monitor the effects of the piloting in the oil-and-gas operations and reliably indicate the positive conservation impact of the biodiversity risk mitigation measures undertaken in the pilot area (Outputs II.ii, II.iii, and II.iv)*". At the same time, the Project document did not provide the baseline value for such a BD monitoring (although it provided several technical recommendations for doing so), and accordingly the responsibility of establishing the baseline was planned as a project activity to be established in Year 1.

ii. the inception mission made changes to some of indicators, however this did not lead to substantive modifications of the indicators and the planned targets, on the contrary, it seems that the inception mission has confirmed the feasibility of establishing a BD monitoring plan for the mainstreaming activities by Year 2 of the project. The inception mission also set very high targets for monitoring the regeneration of native species by 50% of the affected areas and a 40% decrease of poaching incidents by Year 4 (refer to **Table 7** below for the planned targets for the indicators under Component 2).

iii. it became clear to the project that it is difficult to obtain data for a number of the species planned under these indicators, this would not only require extensive funding, but also some of the indicator species are rare, and it is very difficult to obtain reliable information on the territory of several million of hectares[19]. It also became apparent to the Project and its partners that it is difficult to compare data by year, as the difference will depend on the accuracy of recorded data each year.

Table 7. Revised planned target for the indicators under Component 2 of the project

Indicator	Baseline	Revised Planned Target
No decrease populations of indicator species in the project territory.	Baseline figures will be determined in year 2	By Year 2: No decrease over baseline values observed.
% of square of the area earlier adversely affected by habitat destruction and fragmentation along pipelines, has in place measures aimed at regeneration and recovery of native vegetation.	Baseline to be documented in year 1.	By Year 2: 10% regeneration achieved By Year 3: Another 15% regeneration achieved By Year 4: A total of 50% regeneration and recovery of native vegetation
% of decrease of poaching incidents in project area compared with baseline levels.	Baseline to be documented in year 1.	By Year 2: 10% decrease of poaching By Year 3: 15% decrease of poaching By Year 4: A total of 40% decrease of poaching

[19]UNDP/GEF, 2012.Project Implementation Report of the Project for 2012.

Despite the challenges faced by the project in planning and monitoring its activities, the MTR is positive regarding the quality of the Monitoring and Review mechanisms established by the project given the support obtained by the project by UNDP-CO, UNDP-GEF and its project partners, in terms of technical as well as management support provided for the project.

As the Project is gaining knowledge and experience of the different parameters pertaining to the timely and effective implementation of the project activities, the MTR finds that the project will be able to review its targets for the remaining duration of the project in a way it can ensure that its Monitoring and Review targets are realistic and aligned with the Project's results and objectives.

3.5. Partnership arrangements

The Project has established the needed platform and mechanisms for promoting an effective partnership among the concerned Project stakeholders.

The "Project Board" was convened as called upon by the Project Document: "*The Project Board will be responsible for making management decisions for the project, in particular when guidance is required by the Project Coordinator*". Two meetings of the Project Board were organized in timely manner in December 2011 and December 2012 and brought together concerned representatives of the SCNP, UNDP-CO and the Project Implementation Unit.

In addition to the Project Board, the Project has established the Interdepartmental Working Group (IWG) in order to support communication and cooperation among key stakeholders. The IWG has also met on a yearly basis; its members include the National project coordinator (NPC), representatives of relevant ministries, national and foreign oil and gas companies and NGOs. The IWG is considered as an important mechanism which allows an open dialogue between the public and the private sector, and constitutes a real opportunity for discussing environmental issues and planning common actions in the framework of the Project.

3.6. Assumptions and risks

The project recorded 7 risks in Atlas, but as none of the risks in Atlas is considered as critical, the Project has not entered any measures to mitigate the risks in the Atlas Risk Log, although the Project did report on its risk mitigation strategy as part of its Annual Reports and Work Plan for 2012 and 2013. The project document has identified five "Low Risks" and two "Moderate Risks", the "Moderate risks" are the following:

- Full co-operation (financial and manpower) from oil-and-gas industry in implementing the project
- Lack of expertise to implement some of the biodiversity conservation technologies in Component 2

The MTR concurs with most of the Risks' Ratings, and highlights the need to report on the two "Moderate Risks" in the PIR as well as in the Atlas Risk Log.

Moreover, and given the constraints and challenges faced by the project in the first-half of its duration with regards to the limited co-financing engaged by the Government to date and the delay which can take place in the formulation and approval of legal frameworks, the MTR proposes to include the following as a "Critical Risk": "*Key government actors/institutions are fully engaged and committed to the project's strategy*". The MTR has provided some guidance

regarding the key aspects which could be taken into consideration and which the Project could use to ensure close monitoring of the following related mitigation measures:

- The development and approval of legal and regulatory frameworks project's results are not delayed by political changes in the Government.
- The Project activities for the Saigachy PA are not delayed by the legal and administrative condition required for securing sustainability of the Project's results.
- Government Cofinancing is mobilized and monitored by the Project. To date, only 5% of the initially planned Government cofinancing has been committed to support the Project's activities and objective. The Project should investigate the basis for the initial allocations of Government cofinancing and clarify if the initial commitments can be mobilized for supporting the Project's results and objective. The Project should also assess and mitigate the risks related to the lack of mobilization of initially planned Government cofinancing.

3.7. Overall rating for project formulation and implementation

As per UNDP/GEF requirement, the overall rating for project formulation and implementation is shown in **Table 8** below.

Table 8. Rating of Project Formulation and Implementation

PROJECT COMPONENT OR OBJECTIVE	Rating[20]	Justification
PROJECT FORMULATION		
Conceptualization/Design	**MS**	Quality technical content but some limitations are found in the assessment of the national set up
Stakeholder participation	**MS**	Identification of key stakeholders but limitations in the clear identification of roles and responsibilities
PROJECT IMPLEMENTATION		
Implementation Approach	**S**	A positive and constructive momentum for project implementation among project partners and PIU
The use of the logical framework	**S**	The logframe is used as a basis for planning and monitoring
Adaptive management	**S**	A solid basis for adaptive management
Use/establishment of information technologies	**S**	A solid information basis is underway
Operational relationships between the institutions involved	**S**	Strong relationships with all concerned institutions
Technical capacities	**S**	Identification of appropriate technical capacities

[20]Highly Satisfactory (HS): no shortcomings; Satisfactory (S): minor shortcomings; Moderately Satisfactory (MS); Moderately Unsatisfactory (MU): significant shortcomings; Unsatisfactory (U): major problems; Highly Unsatisfactory (HU): severe problems

Monitoring and review	**MS**	An ambitious Results Frameworks requires to be revised to set realistic targets
Stakeholder participation	**S**	A solid basis for stakeholders' participation
Production and dissemination of information	**S**	An extensive awareness campaign to be complemented with information related to the Project's results
Local resource users and NGOs participation	**S**	Active cooperation with local users
Establishment of partnerships	**S**	Solid modalities for mobilization of partners
Involvement and support of governmental institutions	**MS**	Concrete involvement of all related Governmental departments requires additional time

3.8. Overall results (Attainment of objectives)

The project has initiated the implementation of its workplan in line with the set outcomes and outputs as per the project document.

Under Outcome 1: "Enabling policy, legislative, and institutional environment for mainstreaming in oil-and-gas sector", the following output are planned:

Output (i) Relevant Laws to reflect the "avoid-reduce-remedy-offset" principles in extractive industries, including development of norms and methodology for determining indirect negative impacts on flora and fauna

At project mid-term, the amendments to 11 laws (instead of targeted 7) were prepared incorporating biodiversity conservation principles, and more specifically reflecting the principles of "avoid-reduce-remedy-offset" in extractive industries, including development of norms and methodology for determining indirect negative impacts on flora and fauna. The amended laws are the following, (a detailed list laws amended and of the next steps is presented in **Annex 5**):

1. Law of the Republic of Uzbekistan№ 754-XII 'On Nature Protection' of 1992
2. Law of the Republic of Uzbekistan № 837-XII 'On water and water use' of 1993
3. Code of Administrative Responsibility of the Republic of Uzbekistan № 2015-XII of 1994
4. Law of the Republic of Uzbekistan № 2018-XII 'On Subsurface Resources' of 1994
5. Law of the Republic of Uzbekistan № 353-I 'On the protection of atmospheric air' of 1996
6. Law of the Republic of Uzbekistan№ 543-I 'On the Protection and Use of Flora' of 1997
7. Law of the Republic of Uzbekistan№ 545-I 'On the Protection and Use of Fauna' of 1997
8. Code of the Land of the Republic of Uzbekistan, № 598-I of 1998
9. Law of the Republic of Uzbekistan№ 770-I 'On forests' of 1999
10. Law of the Republic of Uzbekistan№ 73-II 'On Environmental examination' of 2000
11. Law of the Republic of Uzbekistan № 362-II "On waste" of 2002
12. Law of the Republic of Uzbekistan 'On Protected Natural Territories'

The proposed amendments were already approved by 3 ministries and agencies; these include the SCNP, Academy of Sciences, and the State Committee of the Republic of Uzbekistan on Geology and Mineral Resources. The amended laws will be further reviewed by the other concerned line

ministries and agencies for Cabinet approval and eventual submission to the Parliament for its approval.

Output (ii) National map of areas where: (a) oil and gas sector development is to be avoided altogether; (b) oil and gas extraction projects are allowed, but should have mitigation measures to reduce biodiversity impacts; and (c) restoration or offset scheme is needed

A Map including a proposed zoning of the Ustyurt Plateau was prepared by the consultants on GIS and Biodiversity as well as the project technical coordinator based on data received on Ustyurt Plateau and monitoring materials. The Map was approved at the Inter-Agency Working Group with participation of oil-and-gas companies, State Committee for Nature Protection of Republic of Uzbekistan and Republic of Karakalpakstan.

Three types of zoning have been proposed (refer to **Figure 3**below) and include:

- Zone 1: lands that should be off-limit to exploration and drilling; this zone includes the Saigachy protected area and unique ecosystems that need to be protected all around the Ustyurt, in addition to some areas in Shakhpakhty and Kyrk-Kyz where there is a presence of O&G operations. Moreover, there are two other important areas included under zone 1 but which have no O&G operations, these are: (1) a key ornithological territory – the Assake-Audan cavity which is located near Shakhpakhty; and (2) the Chink of the Ustyurt, which is located at a sufficient distance from the construction site of the Ustyurt gas chemical complex (Kyrk-Kyz).
- Zone 2: lands where extraction is allowed but requires mitigation measures
- Zone 3: lands where restoration or offset scheme is needed

Figure 3. Proposed zoning of the Ustyurt plateau

To date, the map has not been officially presented to the Ministry of Economy awaiting the finalization of consolidation of zones 2 and 3. The project is planning to discuss the necessity for consolidation of zones 2 and 3 with an international consultant, following this; the Map can be submitted to the Ministry of Economy, through SCNP, as a reference for the preparation/monitoring of the "Agreements of Shared Production" with oil-and-gas companies.

In order to strengthen the proposed zoning, the project has actively supported the SCNP to develop the required regulation to convert SaigachyZakaznik (IUCN Category 4) into a Protected Area with a national legal status. In consultation with SCNP, the Project will support the establishment of the Saigachy Protected Area at the national level (following Category 1B of IUCN); this is in accordance with the Decree No142 of the Government issued in May 2013.

Output (iii) Amendments to State Ecological Examination and EIA screening instruments to require a thorough check of biodiversity impacts of proposed oil-and-gas projects

At Mid-Term, the project has conducted the following:

- Amendments to the regulation on Environmental Examination No.491/2001 were proposed by the national EIA expert[21]; however these have not been discussed by the concerned departments of SCNP in Tashkent or Karakalpakstan.
- Draft Regulations for the ecological audits (as requested in the Law 73/2000 on Environmental examination) which were prepared by the EIA department of SCNP prior to the start of the Project were shared with the project. However, the Project has not been able to provide views/comments regarding this draft regulation.
- The national EIA expert[22] has prepared a different version of the Regulations on ecological audit to the one initially provided by the EIA department of SCNP. However, these new draft regulations were not discussed with the concerned departments of SCNP to date.

Output (iv) Capacities of staff from key state and private institutions engaged in oil-and-gas investments are developed

The Project team is actively working on establishment of mutual collaborative partnership with oil-and-gas companies.Extensive cooperation with the Russian University for Oil and Gas, the Tashkent Chemical Technological Institute (TCTI) - Department of Oil and Gas Refining technology, the Tashkent State Technical University – Department of oil and gas, was initiated through the awareness programme for students and will be followed up as part of training activities.

The project has also organized a study tour to Victoria State in Australia in December 2012 to the system for biodiversity offset which has been implemented in Victoria since 2006 and investigate ways of adapting this scheme to the Uzbekistan conditions. Participants of the study tour included the SCNP, Uzbekneftgas, UNDP and the Project Coordinator.

The study tour allowed the participants to benefit from Victoria's experience in regulatory and policy frameworks for the adoption of biodiversity offsets, as well as technical methods for the assessment of biodiversity impacts, credits and site management requirements. The delivery of aggregate offsets through the design and implementation of new protected areas were also reviewed during the study tour.

Under Outcome 2: Demonstrating biodiversity mainstreaming technologies on the ground in the Ustyurt Plateau, the following outputs are planned

Output (i) Guidebook on biodiversity conservation approaches in the oil-and-gas sector in Uzbek specific ecosystems (steppe and deserts)

A draft training module has been prepared by the project and will be further revised by national and international experts. The Training module aims at mainstreaming BD in the O&G sector. The first draft of the module has focused on the following issues:

- Principles of avoidance, mitigation, and remediation of biodiversity
- EIA planning and enforcement
- Investment options in biodiversity conservation by Oil and Gas companies
- Application of biodiversity offsets
- Monitoring of biodiversity at Oil and Gas extraction site

The preparation of the training module was done internally by the Project team based on the information available in the project document and as such no capacity needs assessment was not

[21]Refer to the report of the National EIA consultant, Mr.Sharafutdinov, dated 2012.
[22] Idem 9

made to prepare the training module. The training module was jointly developed with the representatives of SCNP (Department Gosbiokontrol) and the Academy of Sciencein cooperation with the Project Technical Coordinator. This first version of the module should be revised by an international consultant for further additions and will be presented to O&G companies for review. Once the training module is finalized, the Project will initiate the training sessions based on the final version of the training module.

Output (ii) Biodiversity risk mitigation measures demonstrated at one active oil-and-gas extraction site in Shakhpakhty, Ustyurt Plateau
Output (iii) Avoidance and mitigation technologies integrated in the design of the one prospective major oil-and-gas development on the Ustyurt Steppe Plateau
Output (iv) Biodiversity offset scheme to compensate for damages from existing and proposed oil-and-gas operations in the Ustyurt Plateau is operationalized

The above outputs constitute the backbone of the project for piloting the mainstreaming of BD considerations in the O&G sector. The project has planned different activities in this context as clearly indicated at the level of each output. As such, the project has called upon the development of activities which concretely intervene in the design, implementation and monitoring of O&G activities. The project has conducted extensive discussions with the O&G companies. The key findings of the discussions are documented in **Annex 7** for the records and for future follow up. The main issues which can be indicated and which provide a potential basis for further cooperation with the O&G companies include the following:

- With Zarubezhneftegaz, a possible interest in biological recultivation.
- With UzKorGas Chemical, a Biodiversity Action Plan (BAP) has been developed by the company with a total budget of $600,000 over the 4years of the construction phase.
- With Uzbekneftegaz, the cost of rental of lands covers an advance for the remediation of the impact of activities conducted by the companies; this includes restoration of lands as well as minimization of impacts.

In addition to the continuous discussions and dialogue with the O&G Companies, the Project has also reviewed the Biodiversity Action Plan being developed by UzKorGasChemical Company; the main comments provided by the Project on the Biodiversity Action Plan for the Surgil Project included the following:

- Avoid-remedy-reduce-offset principle needs to be realized
- Roads must be only hard surfaced for avoiding habitat areas degradation
- Construction of pipe-line must be conducted only in short-length sections for preventing saigas' extinction
- Participate in monitoring of impact on biodiversity in oil-and-gas sector
- Keep operations 2 km away from chink for conserving its unique biodiversity

Output (v) Results of mainstreaming in demonstration areas monitored on a periodic basis and verified by independent subcontractors.

The project has established its BD monitoring in 2011 and initiated a first campaign of surveys in the spring of 2012. The second survey was conducted in spring 2013; the results of the BD monitoring campaign of 2013 are still being processed. While all the reports on BD monitoring are in Russian, the analysis of the monitoring system was conducted by the MTR with extensive support from the MTR national consultant and the Project team.

The BD monitoring plan was designed by the project based on previous experience of conducting similar activities in the Ustyurt plateau by the project consultants. The consultants have also called upon the experience of foreign professionals from the CIS countries to identify relevant bio-indicators for monitoring hydrocarbon pollution in Western Siberia, as well as the Business and Biodiversity Offset Program (BBOP) which is currently carrying out the programmes on the effect of industry on biodiversity, including in the O&G sector.

The monitoring system is conducted at the level of 8 plots (the project had initially selected 10 plots) based onselected indicator species for fauna and flora monitoring; the geographical location of the plots is indicated on the map of **Figure 3** above. The plots were selected in a way to account for the activities of the O&G sector and its impact on biodiversity. The plots are equally distributed across the Ustyurt Plateau.

The monitoring of state of vegetation and animals has been conducted at the level of undisturbed sites (control) and in the affected sites (experimental) in order to identify the impact of the O&G activities on biodiversity. Further details of the BD monitoring system, the selection of indicators for monitoring the flora and fauna and the results for one plot can be found in **Annex 6.**

The project is also planning to procure high resolution satellite images for the Shakhpakhty and Kyrk-kyz sites, in view of improving the monitoring and analysis of the impact of the O&G sector on the BD.The high resolution satellite pictures will show the condition of vegetation and mammal burrows and will allow us the project to measure indicators which are not possible to do through on-the-ground or air-visual methods, such as vegetation index of plants and others.

The project had also planned to conduct aerial surveys of the Saiga population; however, the available flight conditions do not UNDP to proceed with this activity due to safety standards. As such, the Project has to investigate other options for conducting this activity.

The project has called upon renowned national BD experts in their field to establish and conduct the BD monitoring activities in order to optimize the project's resources and ensure that the best qualified expertise is made available for supporting the project's activities. .

In 2013, the Project has shared the Draft BD Monitoring Action Plan with the Institute of Gene Pool for their comments in view of ensuring adherence of this important national institution to the Project's findings. In terms of the monitoring results and establishment of the baseline for tracking the Project's indicators, the MTR has provided an analysis of a sample of the monitoring results at the level of 1 plot in the Shakhpakhty area. In this case, **Table** 9 below summarizes the BD monitoring results.

Table 9. Results of BD monitoring survey of 2012 in the Shakhpahty plot

	Control plot	**Disturbed plot**
Flora	5 groups of plants 19 species of plants	1 group of plants (Ruderal species) 2 species of plants (Chenopodiaceaefamily - *Climacopteralanata*and *Halimocnemussmirnovii)*
Fauna	Great Gerbil (*Rhombomisopimus*): 0.31 animal/ha Northern Mole Vole (*Ellobiustalpinus*): 0 animal/ha	Great Gerbil (Rhombomisopimus): 0 animal/ha Northern Mole Vole (Ellobiustalpinus): 0 animal/ha

As such, the project has concluded in 2012 the negative impact is manifested as follows:

- reduction in species group composition in disturbed areas and
- reduction in the number of these species in group in disturbed areas compared with undisturbed areas.

While the monitoring system and the results provide a solid basis for identification of project results, the Project has not established to date a clear baseline value for the indicators which have been considered as part of its logical framework; however the following issues could be noted as the level of the indicators under component 2:

- Level of decrease populations of indicator species in the project territory. In 2011, the monitoring sites and indicator species, which are considered as a baseline level, were identified. In 2012 and 2013 respectively, the influence of the oil and gas sector on biodiversity was identified by using indicator species as tool for each monitoring point; this was done through the establishment of control and experimental sites (disturbed and undisturbed sites). As such, the Project has determined the impact of the oil and gas sector on biodiversity in each sampling spot by comparing the conditions of biodiversity on the disturbed and undisturbed sites.
- % of square of the area which earlier adversely affected by habitat destruction and fragmentation along pipelines, has in place measures aimed at regeneration and recovery of native vegetation. During its 2012 BD survey expedition to pipelines in the Ustyurt Plateau, the Project's experts surveyed an area of "destroyed" territory along the pipelines of around about 460 hectares. Given that all of these pipelines were laid long time ago during the former Soviet Union, the survey showed that the BD along the pipelines has naturally recovered and that there is no need to apply special measures for the regeneration and recovery of native vegetation. .
- % of decrease of poaching incidents in project area compared with baseline levels. In 2012, no cases of saigas and other rare mammals poaching were registered by the SCNP of Uzbekistan. As such, the Project has concluded that the official figures do not provide adequate information on poaching incidents of saigas and other rare mammals. The fact that the area of the plateau is about 7 million hectares, and that there is a small number of inspectors of the SCNP of Karakalpakstan does don't facilitate a reliable monitoring system to be put in place. However, although unofficial data indicates that there are cases of saiga poaching, it is not possible to make a year-by-year comparison of unofficial data, given that the surveys are not conducted regularly and given that they are not conducted using a specific methodology. Therefore, the project cannot determine the change in level of poaching.

It should also be noted that the project should reconsider some of the existing indicators under Component 2 as they will not be able to support the M&E strategy of the Project. This will be further discussed under the recommendations.

Output (vi) Documentation of lessons-learned, implementation of awareness-raising activities and replication strategy

The project has been very active in the organization of a large campaign to disseminate the information about project, BD in the Ustyurt Plateau and Saigachyzakaznik through mass media (TV, radio, newspapers, posters, flyers, etc) and social media. Between April 2012 and April 2013, the project has conducted the following activities:

- Quiz on the theme biodiversity and the oil and gas industry

- Contest regarding the issue of biodiversity conservation with 3 nominations
- Publication of article about project in the most influential newspaper of Uzbekistan - 'Narodnoeslovo'
- Prepared a booklet (in 3 languages), newsletter (in 3 languages) as well as project PR materials and knowledge disseminating materials
- Press releases about the Projectt on the UNDP-Uzbekistan website
- Close partner relations has been established with:the State committee for Nature Protection, National Holding Company Uzbekneftegaz, oil and gas companies
- Blogging on UN-teamworks (the UNDP platform)
- Information on the activities of the project on the Web site of the UNDP in Europe and Central Asia
- Publication of materials about the project in Karakalpakstan
- Visit to the villages of the Ustyurt plateau and meetings with the local authorities and population (August 16-21, 2012)
- Development of cooperation with NGOS and other organizations involved in environmental protection activities, including on the Ustyurt Plateau
- The second meeting of the Interagency Working group
- Meeting-discussion 'The oil and gas industry and the environment: a gender perspective'
- Production of the «The Steppe Tale» cartoon and its premiere in Panorama Hall, Tashkent
- Cartoon presentation at TIS16 and at school 60
- Gubkin RSUOG Tashkent Branch Students Best Presentation Contest dedicated to the International Day for Biodiversity
- Participation in Eco-week 2012 and 2013
- Banners and billboard (altogether 25) in different locations of Tashkent.

This is impressive scale of awareness activities can be used as a basis for future information, communication and education activities in view of responding to priority needs of the project.

The Project has already planned to prepare and publish in the second half of the year an Album-Atlas of the Ustyurt biodiversity with materials on ecosystems and species with brief annotations, of high quality, for distribution among politicians and the management of the oil and gas companies.

3.9. Overall rating of objective and outcomes

Based on the above, and in accordance with the UNDP and GEF guidelines, the MTR has provided the Status and rating of objective/outcomes delivery as per measurable indicators in **Table 10** below. As such, the Overall Results of the project have a "Satisfactory" rating, given the active follow up and progress achieved to date.

Table 10. Status and rating of objective/outcome delivery as per measurable indicators

Objective	Indicator	Baseline	Planned Target	Level at MTR of project	Rating[23]
To mainstrea	Amount of funds invested by O&G	Zero of investments	By the project end total investments of oil-and-	Project conducted discussions with	S

[23]Highly Satisfactory (HS): no shortcomings; Satisfactory (S): minor shortcomings; Moderately Satisfactory (MS); Moderately Unsatisfactory (MU): significant shortcomings; Unsatisfactory (U): major problems; Highly Unsatisfactory (HU): severe problems

m biodiversity conservation into Uzbekistan's oil-and-gas policies and operations by demonstrating this in the Ustyurt Plateau	companies in BD conservation, to reduce habitat destruction and fragmentation, maintenance of ecosystem services and connectivity, and reversals in loss of native vegetation.	by oil-and-gas companies in biodiversity conservation.	gas sector into preservation of biodiversity reached USD 2 million.	several companies. Clear funding for BD includes a $0.6 million of UzKorGas for BD Action Plan activities. The planned target should be revised as indicated in the Recommendations.	
	Square of the territory of Uzbek steppe ecosystem over which the O&G operations integrate biodiversity conservation considerations	Absence of land area over which oil-and-gas operations integrate biodiversity conservation considerations	As result of project implementation land area over which oil-and-gas operations integrate biodiversity conservation considerations increased to 1.7 million hectares	The Saigachy PA will cover 1million ha. Other area where BD measures will be adopted will be identified as part of on-going activities with O&G companies. The planned target should be revised as indicated in the Recommendations.	S
Outcome 1	**Indicator**	**Baseline**	**Planned Target**	**Level at MTR of project**	**Rating**
Enabling policy, legislative, and institutional environment for mainstreaming in oil-and-gas sector	Number of amended laws and policy documents are analyzed, complemented by biodiversity conservation requirements and submitted to the Government for approval.	No amended Laws that facilitate the incorporation of BD conservation in O&G operations	At least 7 Laws reviewed to incorporate biodiversity conservation.	The amendments to 11 laws (instead of targeted 7) were prepared in order to incorporate biodiversity conservation principles.	S
	Availability of Amendments on biodiversity conservation requirements made to State Ecological Examination process and EIA screening instruments and submitted to the Goskompriroda for approval.	No amended state mandated ecological screening processes and instruments for monitoring BD impacts of O&G projects.	The State Ecological Examination process and EIA reviewed and submitted to the Goskompriroda for review and subsequent approval.	1. Amendments to the Regulations on Environmental Examination were prepared but not finalized. 2. A first version of the regulations on Ecological Audit were developed but not discussed with concerned departments	MS
	Availability of	No such	The State Programme	The Project has	S

	mapping for inclusion to the Oil-and-gas Sector Development Plan for 2013-2017 with 3 zoning types.	mapping in current plan	of Development of the Oil-and-Gas Industry includes the Map with the proposed zoning.	defined 3 zones of the project area through geo-referenced mapping.	
	Number of Officers from Uzbekneftegaz, Inspectors from SCNP, Environmental Officers of leading oil-and-gas companies trained in principles of avoid-reduce-remedy-offset in the oil-and-gas operations.	No government and industry staff trained in principles of avoid-reduce-remedy-offset in the O&G operations.	3 Officers from Uzbekneftegaz, 25 Inspectors from SCNP, 7 Officers of O&G companies trained. The training modules submitted for inclusion into curriculum of special educational institutions.	Project team is actively working on establishment of mutual collaborative partnership with oil-and-gas companies. Cooperation with several universities was initiated through the awareness activities for students.	MS
Outcome 2	**Indicator**	**Baseline**	**Planned Target**	**Level at MTR of project**	**Rating**
Demonstrating biodiversity mainstreaming technologies on the ground in the Ustyurt Plateau	No decrease populations of indicator species in the project territory.	Baseline figures will be determined in year 2	No decrease over baseline values observed.	The results of the baseline of the indicator species are available but not clearly documented by the project.	S
	% of square of the area which earlier adversely affected by habitat destruction and fragmentation along pipelines, has in place measures aimed at regeneration and recovery of native vegetation.	Baseline to be documented in year 1.	At least half of this area has in place measures aimed at regeneration and recovery of native vegetation	Given the results of the BD survey, this indicator will provide a similar result to the one at the objective level: "*Square of the territory of Uzbek steppe ecosystem over which the O&G operations integrate biodiversity conservation considerations*". This will be reflected in the Recommendations.	Indicator to be deleted
	% of decrease of poaching incidents in project area compared with baseline levels.	Baseline to be documented in year 1.	Poaching incidents decreased by 10% to baseline.	As indicated above, measuring of poaching incidents is not feasible in the context of this project. This will be reflected in the Recommendations.	Indicator to be deleted

3.10. Relevance

This Project is highly relevant initiative for the conservation of BD in the steppes of Uzbekistan and the national commitments recorded throughout the interviews with Governmental institutions and the private sector confirm the relevance of the project strategy and its objectives. The two-pronged approach for mainstreaming BD conservation in the related policies as well as through piloting in the Ustyurt Plateau also seem to be a welcomed approach by all stakeholders, although to date, most of the activities of the project have been focusing at the policy level and limited tangible results have been obtained in terms of piloting the mainstreaming aspects within the O&G sector.

The MTR has been able to document the importance of reviewing the legal framework, and highlighted the concerns of the different stakeholders to not only to review key laws and more specifically the Law on Environmental Examination No.73-II/2000 and its Regulations on Environmental Examination according to the Decree on Ecological examination No.491/2001. Several other laws and regulations also govern the environmental considerations of the O&G sector including the mainstreaming of BD within this sector. Their development, implementation and monitoring still face several challenges due to the large number of regulations, unclear procedures and lack of necessary definition of measures to apply the principles of prevention and reduction of adverse effects on biodiversity as well as the rehabilitation of degraded ecosystems and the compensation for irreplaceable biodiversity loss.

As an example, the MTR has compiled a comparison (refer to **Table 11** below) which indicates the large range of regulations and standards used for the monitoring of the O&G operations and which prove that different stakeholders are using different regulation in the monitoring and reporting of the O&G operations. It should be noted that some of the regulations have been used by more than one institution (highlighted in grey in the **Table 11**) while other have been only followed separately by each institution.

It should be noted that the Uzbek laws and regulations (decrees of the Cabinet of Ministers) requirements are mandatory for all legal entities and individuals in the territory of the Republic of Uzbekistan. As such, O&G companies conduct their monitoring plans based on the conclusion of the Main State Environmental Examination Authority (Glavgosekoekspertiza), and dependingon the complexity of the issues raised in the examination conclusion, the reporting may be different. Still, the need for the standardized reporting procedures is clearly a priority.

Table 11. Comparison of regulations used by different stakeholders

SCNP-Karakalpakstan	**Uzltineftigaz**	**Aral Sea**
Decree 508/2004 for definition of fines on BD	Decree 508/2004 for definition of fines on BD	
Law on statistics 441/2002 Article 13 Statistics report & Environmental reporting	Law on statistics 441/2002 Article 13 Statistics report & Environmental reporting	
Law 754/1992 on Env. Protection. Article 28/29/32		Law 754/1992 on Env. Protection, Article 32
Decree 293/1995 Accounting value of harm	Decree 199 Environmental standards	Decree 111/2002 Common monitoring of ecology
Decree 491/2001 Environmental examination		Laws on the use of Flora and Fauna 543/1997 and 545/1997
Decree 2292/2011 Monitoring Programme		

3.11. Effectiveness and Efficiency

Despite the low delivery of the project in terms of budgetary expenditure, which are equivalent to 34% by the MTR, and the project has been able to improve its budgetary planning and has been able to deliver 67% of its planned financial targets in 2012 as compared to 34% of its targets in 2011.

In fact, the MTR endorses the recommendation of the inception mission to consider that the effective date of initiation of the Project is March 2011 and not November 2010, which justifies the low delivery rates to date as well as the weaknesses in the financial planning in 2011.

Beyond the financial delivery, the MTR has confirmed the effectiveness and efficiency of the project in the planning and delivery of project activities and outputs in an efficient and cost-effective manner. As such the project has established ToRs and initiated the recruitment of some consultants; the project did not hesitate to conclude the contractual engagement of the consultants when the deliverables have not been in line with the project requirements and needs.

Such trends were reflected during the MTR in the discussions for the procurement of different activities which proved proper management and high standards in securing the alignment with the rules and regulations, some examples include the following:

- The procurement of satellite images has been subject to extensive assessment to ensure alignment with national regulations and provide the best quality product for the project, this has led to the procurement of best available high resolution images
- The activity related to conducting aerial survey was is also subject to extensive assessment of safety and conditions of the UN regulations and it was concluded not to proceed with this activity given the safety risks connected to this activity.

However, as a general observation of the MTR, and given that the project has followed the guidance and ToRs provided in the project document, there is trend for adopting very ambitious ToRs and which do not provide a concrete focus for the requested deliverables of the consultancies.

This becomes more problematic as the project document did not call upon conducting in-depth situation analysis for the specific activities, such as capacity needs assessments for the training manual, an institutional assessment for the Environmental Examination and EIA activity, and a review of the "Production Sharing Agreement" including the environmental considerations binding the operations of the O&G industries.

The MTR has raised its concerns regarding the ambitious and general scope of the project document which has significantly affected the smooth delivery of the project. Specific recommendations regarding different Outputs and Outcomes are therefore provided in the "Recommendations" section to address this aspect and ensure that the project can focus its activities on realistic and feasible results for its remaining duration.

3.12. Sustainability

The aspect of sustainability has been reflected as an essential element of the Project throughout the discussion of the MTR and has been priority for the project team and its partners.

In terms of environmental sustainability, the policy reform and the piloting of the mainstreaming of BD in the O&G sector will lead to substantive environmental benefits and long-term sustainability of these efforts. As the project is addressing the policy, institutional as well as technical aspects of the O&G operations, the environmental sustainability of the project's activities is anchored as part of the strategy and results of the Project.

In terms of financial sustainability, and as the project is piloting the establishment of biodiversity risks mitigation measures and an offset scheme, it is important to review existing environmental financing markets in Uzbekistan which were identified as part of the evaluation of the operation of the Republican Fund for Nature Protection (RFNP)[24]. In fact, the RFNP evaluation has shown that the revenue collected by the RFNP are very low ($2.7 million in 2009) compared to other environmental Funds or Projects ($96 million for the Land Reclamation Fund and $ 128million for SCNP's Project for Mines), as shown in **Table 12** below.

As the current penalties from the operating O&G companies are collected at the local level by the Regional representations of the SCNP and these are partly feeding the RFNP, it is important to assess how such financing can support BD conservation initiatives.

The project will also investigate direct financial support for the conservation of BD affected by the O&G sector taking through the offset scheme, into account the current financial modalities in place and ways of reforming it in view of ensuring that charges from the O&G sector would be directed towards BD conservation, in line with enacted environmental legislation and policy.

Table 12. Overview of active environmental financing mechanisms

Name	Purpose	Level and source of funding
Land Reclamation Fund	Established in 2007 by Presidential Decree	Yearly allocation of US$96 million in 2010 from state budget
SCNP Project for Mines	Based on the resolution #212/2008 for the ecological improvement of former mines	Total of US$ 128 million from state budget allocations for 3 mines
The utilities agency "Uzbekkommunkhizmat" Project	Construction and reconstruction of water supply infrastructure	Total of US$ 4.7 million in 2010 from state budget allocations
The RFNP and 14 Local Funds for Nature Protection	Various environmental initiatives	Collection of revenues since 1993. Revenues in 2009 equivalent to US$2.7 million

3.13. Impact

At the MTR, and despite the fact that the some of the project results have not been possible to achieve and that the impact indicators have not been able to provide measurement of project impacts, several indications can be given by the MTR to confirm the will reach its planned impact for mainstreaming BD in the O&G sector and lead to national and global environmental benefits; these include:

- Initial discussions with the O&G sector for piloting the mainstreaming activities have proven to be feasible and cooperation with the O&G sector will be possible to achieve substantive results

[24]UNDP, 2010.UNDP/GEF Project of"Strengthening National Capacity in Rio Convention Implementation throughTargeted Institutional Strengthening and Professional Development in Uzbekistan". Report of Upgrading the operational management of the Republican Fund for Nature Protection of Uzbekistan: Area 4: Spending Strategies. Prepared by JürgKlarer, September 2010.

- The project will be able to up-scale and disseminate the piloting results at the national level through its cooperation with the concerned departments within SCNP and other concerned national institutions
- The project is also addressing the policy aspects needed for reforming the permitting and compliance of the O&G sector (by reviewing more specifically the Law on Environmental Examination No.73-II/2000 and its Regulations on Environmental Examination according to the Decree on Ecological examination No.491/2001).
- The project is also planning a series of institutional capacity development activities which will have a real impact and allow the Project to meet its objectives

3.14. Rating of project results

The ratings of the project results are presented in **Table 13** below as per UNDP/GEF requirements.

Table 13. Rating of project results

Criteria	Rating	Justification
Overall project achievement[25]	Satisfactory	This is based on the ratings given at the level of the project outputs and measured by the impact indicators.
Relevance[26]	Relevant	The project is highly relevant given the important of the O&G sector and its impact on the Steppes' BD.
Effectiveness and Efficiency[27]	Satisfactory	Despite low delivery rates at the MTR, the project has proven to be efficient and effective given the complexity of the project and the ambitious framework design.
Sustainability[28]	Likely	The environmental and financial sustainability is anchored as part of the project's intervention.
Impact[29]	Significant	Despite limitations in the impact monitoring of the project, the project is expected to reach a clear impact.

4. Recommendations of the MTR mission

4.1. Focus the review of the legal framework on priority regulations related to mainstreaming BD in the operations of the O&G sector

The project has initiated the review of large number of laws whereby it reflected the principles of "avoid-reduce-remedy-offset" in extractive industries. At this point, given the tight timelines of the project, the key priority is to provide a substantive review of the regulation on Environmental Examination No.491/2001and support the finalization of the Draft Regulations for the ecological audits (as requested in the Law 73/2000 on Environmental examination).

[25]**Overall Achievements Ratings:** Highly Satisfactory (HS): no shortcomings; Satisfactory (S): minor shortcomings; Moderately Satisfactory (MS) Moderately Unsatisfactory (MU): significant shortcomings; Unsatisfactory (U): major problems; Highly Unsatisfactory (HU): severe problems
[26]**RelevanceRatings :** Relevant (R), Not relevant (NR)
[27]**Efficiency and Effectiveness Ratings**: Idem reference 18
[28]**SustainabilityRatings:** Likely (L): negligible risks to sustainability; Moderately Likely (ML):moderate risks; Moderately Unlikely (MU): significant risks; Unlikely (U): severe risks
[29]**ImpactRatings:** Significant (S), Minimal (M), Negligible (N)

The project should also proceed with the consolidation of the different laws and regulations which govern the environmental considerations of the O&G sector including the mainstreaming of BD within this sector. The MTR has compiled a comparison which indicates the large range of regulations and standards used for the monitoring of the O&G operations and which proves that different stakeholders are using different regulation in the monitoring and reporting of the O&G operations. While this is not an exhaustive list, the project should support the harmonization of current practices in view of supporting the permitting and compliance systems in place for the O&G sector.

The project should take into account the issues raised by the Main Public Environmental Examination Authority (refer to **Annex 8.** Minutes of the Meeting with the Main Public Environmental Examination Authority as part of the MTR, dated 14 June 2013), which confirmed that the current law does not include concrete instructions on the procedure of the assessment of impact, including on biodiversity; therefore it is necessary to develop a document including a methodology for conducting an EIA. The Authority has also indicated the need to identify methods for environmental assessment of possible violations, and ways of calculating and determining "Maximum levels of environmental effects/impact allowed" which can indicate the level of permissible maximum exposure, after which no restoration works will be possible.

As such, the MTR mission has reviewed the ToRs of the coming up international expert mission in order to reflect the above priorities (attached in **Annex 9** of the report). In this context, the MTR has consolidated the responsibilities requested under the missions of the two planned international consultants as initially planned in the project document in view of focusing the responsibilities of the international consultant on the priority support needed for the review of the legal framework.

As indicated in the revised ToRs, only one international expert will be called upon for 3 consecutive missions to respond to thekey priorities policies which need to be strengthened including the regulation on Environmental Examination No.491/2001, the Draft Regulations for the ecological audits (as requested in the Law 73/2000 on Environmental examination)and the aspects related to designing a biodiversity offset for extractive and other industries facilities in conditions of Uzbekistan, in addition to the support in preparing and delivering a training plan based on the identified training needs for the concerned Governmental institutions as well as for the O&G companies.

The MTR has considered that the responsibilities related to BD monitoring including mapping can be adequately covered by the team of national experts already engaged by the project and who can continue to provide needed support for complementary aspects of the legal framework. Moreover, it should be noted that the needed expertise and experience are different in the case of the expert required to support of the legal framework and those for the BD expert.

As such the MTR recommends calling upon one international expert only for supporting the legal framework instead of two different experts as initially planned.

4.2. Activate the support of the project for the legal and administrative establishment of the Saigachy Protected Area

The current status of the Saigachyzakaznik (as a Category 4 of the IUCN nomenclature) does not allow it to benefit from financial and technical support from the project, as it is not established as an independent entity, and accordingly there is no sustainability basis for the provision of equipment and other financial support which has been planned as part of the project activities.

In consultation with SCNP, the Project should activate its support for the establishment of the Saigachy Protected Area at the national level (following Category 1B of IUCN), in accordance with the Decree No142 of the Government issued in May 2013.

By speeding up the issuance of the legal basis, the Project will be able to allocate needed resources for infrastructure and equipment which were planned as part of the project. This is equally important to ensure the negotiation of any future offset scheme of the Saigachy Protected Area which will be established through the project between the O&G sector and the Government.

4.3. Focus the cooperation with the O&G Companies and anchor this cooperation within the appropriate institutional set up

The current operations of the O&G sector in the Ustyurt Plateau are restricted to two areas:

- Shakhpakhty area, where the operating companies are Uzbekneftegaz and Zarubejneftegaz
- Kyrk-kyz area, where the operating company is Uz-KorGaz Chemicals

At this point, it is important for the project to focus its cooperation with the companies active in this area and to ensure that the cooperation modalities are anchored within the appropriate institutional framework, i.e. the relevant departments within the SCNP of Uzbekistan, the SCNP of Karaklpakstan (governing the Ustyurt Plateau) and the industries.

Given that the basis for work of the O&G companies are the "Production Sharing Agreement" which are signed between the company and the Ministry of Economy, and that these Agreements include the environmental considerations which the O&G Companies should abide by, including the submission of an EIAs to SCNP in line with Uzbekistan's regulations as well as international regulations (as appropriate depending on each company), the entry point for any piloting at the level of the O&G sector remain the "Agreements of Shared Production" and the SCNP conditions binding these operations. Although the project does not have access to the Production Sharing Agreements as these documents are classified and are for official use only, all of the aspects associated with the protection of the environment (including biodiversity conservation) can be follow up within the framework of the environmental examination associated to the Production Sharing Agreements.

This is a building block which the project should use for piloting activities with the O&G sector and these should be closely coordinated with the appropriate institutional set up for permitting and monitoring of the activities of the O&G sector.

4.4. Revise the targets of the impact indicators at the level of the project objective

- ***For the indicator: "Amount of funds invested by O&G companies in BD conservation, to reduce habitat destruction and fragmentation, maintenance of ecosystem services and connectivity, and reversals in loss of native vegetation"***

Considering the limited duration remaining (even with a project extension) for project implementation, the MTR recommends to change the planned target as follows: "*By the project end total investments of oil and gas sector into preservation of biodiversity reached USD 1 million*".

As the MTR has confirmed the major challenges facing the project in reaching concrete and tangible results within a limited time frame and given that the activities of O&G industries are

already defined as part of the EIAs submitted to SCNP, the MTR has documented several potential sources for investment in BD conservation by the O&G companies including the following:

- With Zarubezhneftegaz, a possible interest in biological recultivation.
- With UzKorGas Chemical, a Biodiversity Action Plan (BAP) has been developed by the company with a total budget of $600,000 over the 4years of the construction phase.
- With Uzbekneftegaz, the cost of rental of lands covers an advance for the remediation of the impact of activities conducted by the companies; this includes restoration of lands as well as minimization of impacts.

As such, the MTR proposes to reduce the target to $1 million and ensure that during the remaining lifetime of the project, the BD conservation efforts at the second pilot area in Shakhpakhty are documented at the final evaluation. This will allow the project to confirm the project's objective to mobilize the O&G sector in BD conservation in a realistic and feasible way in both pilot areas as the project has set over-ambitious targets at its formulation.

- ***For the indicator: "Square of the territory of Uzbek steppe ecosystem over which the O&G operations integrate biodiversity conservation considerations"***

The MTR proposes to change the planned target as follows: "*As result of project implementation land area over which oil-and-gas operations integrate biodiversity conservation considerations increased to 1.3 million hectares*".

The MTR confirms that the proposed modification will allow the project to met its objective given the extensive surface area till under consideration and given that this revised surface area has already been reported in the PIR of 2012. This will allow the project to meet it objectives and consolidate its efforts on a more realistic target.

4.5. Establish the baseline for BD Monitoring and revise the BD indicators as part of the Project Result Framework

The project has established its BD monitoring in 2011 and initiated a first campaign of surveys in the spring of 2012. The basis of the monitoring system has been provided in **Annex 7**. The second survey was conducted in spring 2013; the results of the BD monitoring campaign of 2013 are still being processed.

In terms of the monitoring results and establishment of the baseline for tracking the Project's indicators, the MTR was provided with a sample of the monitoring results at the level of 1 plot in the Shakhpakhty area, which was presented in the **Table 9** above. The results of BD monitoring survey of 2012 in the Shakhpakhty plot were measured at the level of a "Control plot" and a "Disturbed plot". For the Flora, the BD monitoring results covered 5 groups of plants and 19 species of plants, for the Fauna, it measured two species: the Great Gerbil (*Rhombomisopimus*): and the Northern Mole Vole (*Ellobiustalpinus*).

While the design of monitoring system seem to provide a solid basis for the monitoring of the project's indicators, the Project has not established to date a clear baseline for the indicators which are part of its logical framework; and the MTR has provided the following recommendations with regards to each indicator:

- ***For BD Indicator 1: By end of project, no decrease populations of indicator species in the project territory:***

With regards to this indicator, it is of utmost importance for the project to consolidate the results of the monitoring campaigns at the level of each plot and to establish the baseline and compare it with the results of the 2012 and 2013 BD surveys in order to track the developments of the project. Although the Project has confirmed the impact of the oil and gas sector on biodiversity in each sampling spot by comparing the conditions of biodiversity on the disturbed and undisturbed sites, it is important to provided needed analysis to confirm the impact of the Project itself on the BD of the plots under consideration.

The MTR also proposes to track the changes of the status of BD at the level of activities which area already underway by the O&G companies as part of their on-going programmes and which could be documented by the project as part of the project's boundaries, given the Government's commitment to ensure adherence of the O&G industries to BD conservation. As such the project should be able to document the impact on BD resulting from some components by the end of the project's duration in 2015. Even if a full restoration is not possible to take place by then, as this should be a long-term objective which will probably take between five to ten years.

For this purpose, the project could focus its efforts on the two pilot areas, and cooperate with the two concerned companies in the pilot areas to provide evidence of BD conservation activities in these areas. The MTR is positive that the project and its partners can provide evidence of BD improvements in the pilot areas by the end of the project given the commitment of the different partners to the objectives of the project and proposes to keep this indicator as initially stated.

- ***For BD Indicator 2: By end of project, 50% of the area which earlier adversely affected by habitat destruction and fragmentation along pipelines, has in place measures aimed at regeneration and recovery of native vegetation.***

With regards to the indicator related to "monitoring of areas which were earlier adversely affected by habitat destruction and fragmentation along pipelines", as indicated in the previous sections, the BD surveys have showed that the BD along the pipelines has naturally recovered and that there is no need to apply special measures for the regeneration and recovery of native vegetation along pipelines. In the 2012 PIR, it has been proposed by UNDP/GEF[30] that this indicator on restoration of area under pipelines may be revised into an indicator for restoration of land damaged by roads. However, it should be noted that it will be difficult for the project to monitor the impact of mitigation measures implemented by the O&G companies within the lifetime of the project, given the short timing remaining for the project in addition to the existence of a very large number of dirt roads since the former Soviet Union times in the Ustyurt plateau which makes it difficult prove that these roads are the results of the activities of the current companies working in Ustyurt.

As such, the MTR recommends to eliminate this indicator given its redundancy and in light of the extensive BD monitoring activity conducted for the BD Indicator 1 above.

- ***For BD Indicator 3: By end of project, 40% decrease of poaching incidents in project area compared with baseline levels.***

As explained in the previous sections, the indicator related to the "monitoring of reduction decrease of poaching incidents in project area compared with baseline levels" is also very challenging to measure, given the large surface area under consideration and the delays in the establishment of the Saigachy Protected Area including a management team for supporting the project's efforts in addressing poaching incidents especially that the official figures on poaching do not provide adequate information on poaching incidents of saiga and other rare mammals.

[30]UNDP/GEF, 2012. Project Implementation Report of the Project.

As such, this indicator should be deleted and the project should continue to support the efforts for conservation and monitoring of saigas based on relevant methodologies and with active partners. The Project should aim at supporting and complementing on-going and planned efforts for saiga conservation and monitoring, taking into considerations the work of FFI to tracking migration routes of saiga, the difficulty for the project for conducting areal monitoring and potential cooperation with the UNDP/GEF project for BD conservation of the Steppes in Kazakhstan.

Accordingly the MTR recommends seeking the support of the UNDP/GEF unit to provide oversight to the national BD monitoring team in conducting the following:

- Consolidate the results of the monitoring campaigns, establish the baseline and compare it with the results of the 2012 and 2013 BD survey
- Continue the cooperation and support of on-going and planned efforts of different partners such as FFI and the UNDP-CO in Kazakhstan to monitor the Saiga population in general and along the borders with Kazakhstan in specific, in light of the building a fence along the border of the two countries which can affect Saiga migration.
- Investigate the feasibility of including BD indicators which could measure the impacts of climate change on the biodiversity of Ustyurt plateau. This could include the migration of some species from the south of Turkmenistan (e.g. honey badger), the transition of some nesting birds associated with the general softening of the winter climate, the disappearance of certain species of animals and plants and the disappearance of unique habitats and endemic species. Although this issue might be difficult to implement at this point of the Project's life since the BD monitoring plan is in place, the MTR proposes to assess the possibility for adding potential species or groups of species which could support the establishment of initial understanding of the impact of CC in the Ustyurt Plateau.

This will improve the final review of the GEF BD2 Tracking Tool (Mid-Term Tracking Tool is attached in **Annex 10** as requested by UNDP/GEF requirements.

4.6. Link the awareness-raising activities and replication strategy to the capacity development programme

While the project has conducted an extensive awareness campaign which can be used as a basis for future information, it is important to include awareness activities as part of a wider programme for communication and capacity building. This would respond to the need for conducting a capacity needs assessment prior to the finalization of the "Training module for mainstreaming BD in the O&G sector" given that such a training module and the related training programme should be based on the identification of training needs of the concerned institutions.

As such, it is possible to seek the involvement of the PR specialist of the project, under the responsibility of the Project Coordinator and the Technical Coordinator, to develop and implement a wider communication and training programme, taking into consideration the priority needs of the project.

This programme should be based on a training needs assessment of the concerned institutions as well as on the key communications tools which could be adopted by the project in view of responding to its objective.

4.7. Extend the project till July 2015

Although the project was initiated in November 2010, with the recruitment of the first project manager, the MTR confirms the conclusions of the Project Inception mission which considered that the effective starting date of the project is March 2011 and not November 2010.

This is an important aspect of the project implementation, as it can be considered that the project has already started with almost 1 year of delay. In fact, the tight timeline of the project and the delay in the effective initiation of the activities have affected the delivery of the project (34% expenditure rate of the total budget by the date of the MTR). This has also affected the project planning process and as such the project has been forced to plan high yearly disbursement targets at the beginning of each year and was not able to meet given the complexity of the situation.

Accordingly the MTR considers that it is very important for the project to proceed with a project extension till July 2015, which will allow it to catch up with the delay incurred in 2010 as well as allow the project to set realistic planning targets in view of the challenging topic it is addressing.

In order to do so, the MTR has reviewed the management costs needed for such an extension especially that the project has only used 57% of its management budget by June 2013, and that the required budget for the management will not require more than the available resources (the recurrent management costs are estimated at around $70,000/year). It should also be noted that UNDP has increased its contribution for the project which are allocated to the management costs of the project; UNDP's contribution increased from $170,000 to $200,000, which allows the project to proceed with the 1 year extension at no cost.

4.8. Include a new Critical Risks in the Project Risk Log

While the MTR concurs with most of the Risks' Ratings of the project, and given the constraints and challenges faced by the project in the first-half of its duration, the MTR proposed to include the following as a "Critical Risk": "*Key government actors/institutions are fully engaged and committed to the project strategy*" and to ensure close monitoring of the following related mitigation measures:

- The development and approval of legal and regulatory frameworks project's results are not delayed by political changes in the Government.
- The Project activities for the Saigachy PA are not delayed by the legal and administrative condition required for securing sustainability of the Project's results.
- Government Cofinancing is mobilized and monitored by the Project. The difference between the Government cofinancing committed at project development phase and that delivered at the end of the project should be justified at the Final Evaluation.

5. Conclusion and Lessons learned

The MTR has provided an opportunity to analyze and document the results of the Project to date and has confirmed that the overall the Project's achievements as well as its effectiveness and efficiency are satisfactory. The MTR also confirmed that the Project will be able to reach tangible impacts and deliver sustainable interventions at the environmental as well as the financial levels (refer to **Table 13**. Rating of project's results).

The MTR has also indicated the challenges facing the Project which are mainly due to fact that the Project design and conceptualization was over ambitious and did not provide sufficient in-depth analysis of the root causes which prevent the mainstreaming of BD conservation in the O&G operations.

The MTR has raised concerns regarding the project formulation which created a challenging framework for implementation and which can be summarized as follows:

- The project document provides a high level of general information reflecting international standards and practices which might not be applicable to the national situation in Uzbekistan, and as such were not always relevant to the specific national context and national needs.
- This has led to lack of a clear and focused implementation strategy of the project and to ambitious results which were translated in operational modalities for implementation and activities. This has made the project's implementation very challenging and has been reflected by extensive mandates and responsibilities requested by the different experts called upon by the Project and who could not always respond to the requested tasks given the extensive scope of these tasks.
- The Project did not call upon complementary in-depth assessments of the situation related to the specific outputs envisaged by the different activities including a capacity needs assessment of the institutional responsibilities of the concerned stakeholders in the Project. This has accordingly caused lack of an in-depth understanding of the roles and responsibilities of the main Project's stakeholders with regards to mainstreaming BD in the O&G operations and a clear identification of the capacity development needs which the Project should respond to.
- The ambitious framework of the Project is characterized by an ambitious set of indicators of the Project's impact on BD which does not take into account the time needed to establish and implement the needed interventions in the O&G sector as well as the time needed for reaching tangible results and a real impact of the Project on the status of BD.

Despite the above challenges facing the Project, the MTR has provided a set of recommendations which will allow the Project to focus its efforts on an important basis for work of the O&G companies which are the "Production Sharing Agreement" signed between the company and the Ministry of Economy, and which reflect the GoU's conditions. These conditions include environmental considerations in line with the Law on Environmental Examination as well as several other laws and regulations which also govern the aspects related to mainstreaming of BD the O&G sector. The recommendations have thus oriented the Project towards focusing on priority policy and institutional capacity needs, specifically at the level of SCNP's Main Public Environmental Examination Authority (Glavgosekoekspertiza) as well as the State inspection on protection and rational use of fauna and flora (Gosbiokontrol), both of which have different roles in following up on the aspects related to mainstreaming BD in the O&G sector.

Finally, as the Project has not consolidated its results to date and will require additional time to be able to reflect lessons learned from its experience, the MTR can envisage the following key issues to be of main importance as potential lessons learned from the Project:

- The Project's documentation on mainstreaming of biodiversity in the O&G sector, specifically with regards to the piloting conducted in the Ustyurt Plateau, can be readily applied to O&G operations in other areas in Uzbekistan. Moreover, the variety of Project's interventions in terms of legal reform, institutional strengthening, capacity development, and on-the-ground demonstrations will be able to support a real policy process and can allow the Project's approach to be replicated to other existing and planned O&G operations.
- The Project can greatly contribute to national and regional initiatives for the conservation of BD in general and the Saiga population in the steppe ecosystems in

specific. The Project can accordingly provide a solid basis for information sharing regarding BD and Saiga population in specific and can support needed policy dialogue and decision making for BD conservation at national and regional levels (Russia, Uzbekistan, Kazakhstan and Turkmenistan).

- The Project can also establish an important platform for learning for similar initiatives outside Uzbekistan related to mainstreaming BD in the O&G operations, such as the UNDP/GEF project in Russia for mainstreaming biodiversity into oil-and-gas, coal, and hydropower sectors. The positive cooperation with the Governmental as well as the private sector initiated by the Project will allow it to inform other similar initiative and provide a basis for piloting mainstreaming of BD in the O&G sector.

Annex 2. Itinerary and List of persons interviewed by Ms. Mansour, MTE Team Leader and Mr. Peregontsev, Assistant to MTE

Time	*Institution associated to the meeting*	*Venue of meeting*	*Persons interviewed*
Day 1. 08 June(Saturday)			
09:00 – 16:00	Evaluation Preparation		-Ms.Lamia Mansour, -E. Peregontsev, Assistant to MTE
Day 2 09 June(Sunday)			
09:00 – 16:00	Evaluation Preparation		- Ms.Lamia Mansour, -E. Peregontsev, Assistant to MTE
Day 3. 10 June(Monday)			
09:30 – 11:30	Meeting and interviews with project team	State Biological Inspection. Project office	Project core staff, PM,NTC, PR, AFA
11:30 - 12:30	Meeting with Head of State Biological Inspection of State Committee for Nature Protection the Republic of Uzbekistan, project National Project Coordinator	State Biological Inspection	-A.A. Grigoryants
12:30– 14:00	Lunch		
14:30 – 16:00	Meeting with Deputy Chairman of State Committee of Republic of Uzbekistan of Nature Protection	State Committee for Nature Protection of the Republic of Uzbekistan (SCNP)	- K.Sadikov, Deputy Chairman of SCNP -A.Grigoryants Head of State Biological Inspection
16:30 – 18:00	Working meeting at the project team	Project office	PM, NTC, PR, AFA
Day 4. 11 June(Tuesday)			
09:30 – 11:00	Meetings with project consultants	State Biological Inspection	-Mr. Bykova, - Mr. Magdiev, -Mr. Ayubov
11:00 – 13:00	Meeting with manager and environmental specialist of "UzKorGas Chemical" company	Office of "UzKorGas Chemical" company	-Mr.Ilgar Mammadli, (Health, Safety and Environment Manager of Uz-Kor Gas Chemical), -Mr Khabibullo Khamdamov (Environment specialist of Uz-Kor Gas Chemical)
13:00 – 14:00	Lunch		

14:30 – 16:00	Meeting with representatives of NHC "Uzbekneftgaz", head of industrial and ecological safety department of OJSC "Uzlitineftgaz"	Office of "Uzlitineftgaz"	-Mr. L. I. Khegay
16:30 – 18:00	Meeting with project's national consultant	Project office	-Mr. E.Bykova
Day 5. 12 June(Wednesday)			
09:30-10:30	Meeting with director and deputy director of science of "Flora and Fauna Institute of GenoPool of Academy of Science of the Republic of Uzbekistan"	Institute	-Mr. B. Yo.Tukhtaev -Mr. E. Shakarbaev
11:00-13.00	Meeting with project's national consultant	Project office	-Mr. U.Ayubov
13:00 – 14:30	Lunch		
14:30 – 16:00	Meeting with representatives of "Lukoil Uzbekistan Operating Company"	"Lukoil Uzbekistan Operating Company" office	D.L. Kim-ecologist
16:30 – 18:00	Working meeting in the project team	Project office	PM, NTC, PR, AFA
Day 6.13 June(Thursday)			
09:00 – 10:30	Meeting with chairman of State Committee for Nature Protection of the Republic of Karakalpakstan	State Biological Inspection office, Tashkent	-Mr. P.D. Aytmuratov
10:45 – 12:00	Meeting with Head of Secretary of Council of Ministers of the Republic of Karakalpakstan on Agricultural and Water Management Issues	State Biological Inspection office, Tashkent	-Mr M.K. Mukhanov
13:00 – 14:30	Lunch		
14:30 – 16:00	Meeting with representatives of "Aral Sea Operating Company"	State Biological Inspection office, Tashkent	-Mr. B.Sh. Shukurov
16:30 – 18:00	Working meeting with the project team	Project office	PM, NTC, PR, AFA
Day 7. 14 June(Friday)			
11:00-12:00	Meeting with Deputy Head of the Main State Environmental Examination Authority (Glavgosekoekspertiza) of the State Committee for Nature Protection of Uzbekistan	State Committee for Nature Protection of the Republic of Uzbekistan (SCNP)	-Ms.N.Koroleva, Deputy Head
13:00 – 14:00	Lunch		
14.30 – 17:00	Briefing on MTE mission and preliminary results for project staff and representatives of UNDP CO and agreement on next steps	Office UNDP CO Uzb	- Ms.R. Bayhanova, Climate Change Specialist of EEU of UNDP CO Uzb, - Ms.G.Khodjaeva, Programme Associate of

			EEU of UNDP CO Uzb - PM, PR, NTC
Day 8.15 June(Saturday)			
10.00 – 12.30	Working meeting in the office	Project office	Project staff
13:00 – 14:00	Lunch		
14.00 – 17.00	Analysis of issues and proposals on preliminary results of MTE. Collection of additional information and documentation.	Project office	Project staff

ANNEX 4: EVALUATION CONSULTANT CODE OF CONDUCT AND AGREEMENT FORM

Evaluators:

1. Must present information that is complete and fair in its assessment of strengths and weaknesses so that decisions or actions taken are well founded.
2. Must disclose the full set of evaluation findings along with information on their limitations and have this accessible to all affected by the evaluation with expressed legal rights to receive results.
3. Should protect the anonymity and confidentiality of individual informants. They should provide maximum notice, minimize demands on time, and respect people's right not to engage. Evaluators must respect people's right to provide information in confidence, and must ensure that sensitive information cannot be traced to its source. Evaluators are not expected to evaluate individuals, and must balance an evaluation of management functions with this general principle.
4. Sometimes uncover evidence of wrongdoing while conducting evaluations. Such cases must be reported discreetly to the appropriate investigative body. Evaluators should consult with other relevant oversight entities when there is any doubt about it and how issues should be reported.
5. Should be sensitive to beliefs, manners and customs and act with integrity and honesty in their relations with all stakeholders. In line with the UN Universal Declaration of Human Rights, evaluators must be sensitive to and address issues of discrimination and gender equality. They should avoid offending the dignity and self-respect of those persons with whom they come in contact in the course of the evaluation. Knowing that evaluation might negatively affect the interests of some stakeholders, evaluators should conduct the evaluation and communicate its purpose and results in way that clearly respects the stakeholders 'dignity and self-worth.
6. Are responsible for their performance and their product(s). They are responsible for the clear, accurate and fair written and/or oral presentation of study imitations, findings and recommendations.
7. Should reflect sound accounting procedures and be prudent in using the resources of the evaluation.

Evaluation Consultant Agreement Form[1]

Agreement to abide by the Code of Conduct for Evaluation in the UN System

Name of Consultant: __Lamia Mansour_____

Name of Consultancy Organization (where relevant)**:** __UNDP-Uzbekistan_____

I confirm that I have received and understood and will abide by the United Nations Code of Conduct for Evaluation.

Signed at *Beirut* on *17 July 2013*

Signature: 

[1] www.unevaluation.org/unegcodeofconduct

Anne 5. List of laws amended by the Project

Law, Title, number and date	**Amendments made**	**Next steps:** **Decree Title, Number, Date** **Amendments needed**
1. Law of the Republic of Uzbekistan **№ 754-XII 'On Environmental Protection'** of 1992	Articles 4, 16, 18, and 41 are complemented by the principle and requirement **-prevention, reduction of adverse effects on natural sites and complexes, rehabilitation of degraded and impacted natural objects and complexes, compensation for irreplaceable biodiversity loss**	**1.** Development of a draft of a new document "**Procedure for developing action plans for the conservation of nature and/or compensation schemes for irretrievable loss of biodiversity**" is required The document should contain a list of requirements, action plans and schemes, the timing, manner of development, agreement and their approval. A draft of this document must be submitted for approval to the Cabinet of Ministers of the Republic of Uzbekistan (CMRU). **2.** Regulations on the use of the objects of flora, import and export them out of the Republic of Uzbekistan and Regulations on the use, import and export of fauna outside the Republic of Uzbekistan and running of hunting-fishing farm approved by CMRU of 28.10.2004 N 508 should be the documents which reflect these requirements.
	Article 6 is supplemented by a special new requirement **Special use of natural resources except for use by individuals for their own use, should be undertaken on the basis of plans agreed with the authorities for the protection of nature in the order determined by the legislation.**	Development of a draft of a new document **"Procedure for development of special environmental management plans"**is required. The document should contain a list of the requirements reflected in the plans, timing, manner of development, agreement and approval. A draft of this document must be submitted for approval to theCMRU.
	New article 6-1 **Access to environmental information** is added. The article defines the General conditions of access to environmental information at the level set by the CMRU by public bodies, legal entities and individuals	Development of a draft of a new document is required. It is necessary to determine in it a list of open and publicly available environmental information and the frequency of its updates and submitt it for approval to the CMRU
	Article 12: The rights and responsibilities of citizens in the field of environmental protection is defined in a new edition	1. To ensure the participation of citizens the Regulation on Environmental Examination of RU (Decree No. 491 / 31.12.2001) must be complemented by requirements in what cases public hearings are held, the timing and manner of its conduct, order, and conditions of provision of materials to public etc. 2. It is necessary to develop and adopt a new documents on the order of conduction of public ecological examination.
	New article 31-1. Rights of officials of State bodies	**Rules of direct action any amendments of other acts not required**

	performing State control in the field of nature protection is added	
2. Law of the Republic of Uzbekistan № 837-XII **"On water and water use** 1993	**Article 99. Protection of water and water bodies from pollution and waste** is complemented by new requirements for rationing water quality**:** **-the maximum permissible concentrations of polluting substances and biological organisms in water for people and environmental objects.** **-maximum permissible discharges of pollutants, biological organisms in water bodies**	Standards of maximum permissible discharges of pollutants, biological organisms in the water for each of the pollutants and biological organisms which are developed by enterprises, institutions, organizations and approved by the State Committee for nature protection of RU and the Ministry of health respectively
3. the Administrative Responsibility **Code** of the Republic of Uzbekistan № 2015-XII of 1994	**In article 96. Violation of requirements for environmental (environmental sanitation) expertise** it is proposed to introduces responsibility **for not conducting of environmental audit compulsory or no fullfilment of its conclusion** Article 261. Nature protection authorities. To include the right of quards-employees of state reserves with a status of a legal entity to impose fines	**Rules of direct action any amendments of other acts not required**
4. Law of the Republic of Uzbekistan **№ 2018-XII** '**On Subsurface Resources**' of **1994**	**New article 39-1. Basic environmental requirements when using the subsoil, which includes prevention, reduction of adverse effects on natural sites and complexes, rehabilitation of degraded and exposed natural objects and complexes, compensation for irreplaceable biodiversity loss** is added It is required that the subsoil users are obliged in accordance with the law to develop and approve action plans for the conservation of nature and/or compensation scheme for adverse impacts on biodiversity.	Development a draft of a new document "Procedure for developing action plans for the conservation of nature and/or compensation schemes for irretrievable loss of biodiversity" is required. The document should contain a list of requirements reflected in action plans and schemes, the timing, manner of development, agreement and approval. A draft of this document must be submitted for approval to the CMRU
5. Law of the Republic of Uzbekistan № 353-I **"On the protection**	A new provision is added to part one of article 22. According to the new provision, the location, design, construction, renovation and operation of enterprises, buildings, roads and other facilities must comply with the legislation on air protection **and requirements on prevention and reduction the adverse impacts on the natural objects and complexes, rehabilitation**	Development a draft of a new document "Procedure for developing action plans for the conservation of nature and/or compensation schemes for irretrievable loss of biodiversity" is required. The document should contain a list of requirements, action plans and schemes, the timing, manner of development, agreement and their approval. A draft of this document must be submitted for approval to

of atmospheric air" of **1996**	**of degraded and impacted natural objects and complexes, compensation for irreplaceable biodiversity loss.**	the CMRU.
6. Law of the Republic of Uzbekistan № 543-I '**On the Protection and Use of Flora' of** 1997	Goals are added to **Article 2** - **ensuring a sound sustainable use and reproduction of the plant world** - **Prevention of the impacts of genetically modified organisms on flora**	Regulations on the use of objects of flora, import and export them out of the Republic of Uzbekistan approved the Decree of the CMRU of 28.10.2004 N 508 should be a document reflecting these requirements.
	Part 2 is added to Article 3. It regulates ownership on wild plants grown by legal entities and persons on the land allocated to them, as well as products obtained as a result of the legitimate use of flora	Regulations on the use of objects of flora, import and export them out of the Republic of Uzbekistan approved the Decree of the CMRU of 28.10.2004 N 508 should be a document reflecting these requirements
	It is complemented by article 4-1. Participation of NGOs and citizens in the protection, use and reproduction of flora	Regulations on Environmental Examination of RU (Decree No. 491 / 31.12.2001) must be complemented by requirements in what cases public hearings are held, the timing and manner of its conduct. It is necessary to develop and adopt a new documents on the order of conduction of public ecological examination.
	Article 11 is complemented by new requirements to limit, suspend the use of the objects of flora.	Regulation on the use of objects of flora, import and export them out of the Republic of Uzbekistan approved the Decree of the CMRU of 28.10.2004 N 508 should be a document reflecting these requirements
	Article 19 clarifies the basis for termination of the right to use flora in case of violations of the terms of use and the requirements for their protection.	Regulations on the use of objects of flora, import and export them out of the Republic of Uzbekistan approved the Decree of the CMRU of 28.10.2004 N 508 should be a document reflecting these requirements
	Article 21 is complemented by a prohibition on relocation of plant species out of the borders of Uzbekistan in a natural environment and their hybridization with wild plants for subsequent resettlement in nature	Regulations on the use of objects of flora, import and export them out of the Republic of Uzbekistan approved the Decree of the CMRU of 28.10.2004 N 508 should be a document reflecting these requirements
	Law is complemented with article 22-1. Botanical gardens, which stipulates that Botanical gardens are formed as schietific-research organizations with the aim to preserve, study, acclimataze, reproduce in specially created conditions and efficient use. Introduction of species which grow in botanical gardens and do not belong to wild-growing flora of the Republic of Uzbekistan into nature is forbidden.	**Rules of direct action any amendments of other acts not required**
	Law is complemented with article 22-2. Dendrologic parks, which stipulates that parks are formed as schietific-research	**Rules of direct action any amendments of other acts not required**

	organizations with the aim to preserve and study of trees and bushes in order to use them more efficient for sceince, culrure and recreation. Introduction of species which grow in parks and do not belong to wild-growing flora of the Republic of Uzbekistan into nature is forbidden.	
	Law is complemented with article 22-3, which stipulates general conditions of flora protection and the sites where plants grow : -Avoidance of adverse impact on flora objects and the sites where plants grow; - the reduction of adverse impact on flora objects and the sites where plants grow; - the restoration of flora objects which were hegatevely impacted and the sites where plants grow; - the compensation for the irreplaceable losses of flora objects and the sites where plants grow.	It is necessary to develop new documents determining: 1. number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset. 2. "Procedure for developing action plans for the conservation of nature and/or compensation schemes for irretrievable loss of biodiversity" indicating in it timing, frequency of update, requirement for the content of plans.
	Law is complemented with article 24-2. Reproduction, restoration of flora objects and the sites where plants growth, the compensation for irreplaceable losses which norms are the folowiwng: - - Assistance in reproduction of flora; - there is a natural process of preservation of qualitative and quantitave composition of plant communities which is achievable through designed for it measures; - restoration of flora and areas flora species grow is artificaial process of restoration through phytoremediation. - Compensation for irretrivable losses of flora and areas includes restoration activities of flora and its areas on other (s) site(s)).	It is necessary to develop new documents determining: 1. number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset. 2."Procedure for developing action plans for the conservation of nature and/or compensation schemes for irretrievable loss of biodiversity" indicating in it timing, frequency of update, requirement for the content of plans.
	Article 28. Responsibility for violation of legislation on protection and use of flora is complemented with a new requirement on compensation for indirect harm, expressed in making harm to flora objects through worsening land conditions where they grow	It is necessary to develop a new order on indirect harm to flora, including ways of determining the degree of degradation of lands where plants grow and get it approved by the resolution of government
7. Law of the Republic of Uzbekistan	Article 3 is complemented with a norm according to which fauna objects withdrawn from the natural habitat in accordance with rules and being kept in half-free conditions in the	**Rules of direct action any amendments of other acts not required**

№ 545-I **'On the Protection and Use of Fauna'** of 1997 "	artificially created environment can be state or private property.	
	Articles 3, 8, 11, 31 are complimented with the principle of sustainable use of fauna	Regulations on the use, import and export of fauna outside the Republic of Uzbekistan and running of hunting-fishing farm approved by CMRU of 28.10.2004 N 508 should be a document reflecting this principle.
	Article 5. Participation of non-governmental noncommercial organizations and citizens in the protection of fauna and its habitat is complemented with new conditions	1. Regulation on Environmental Examination of RU (Decree No. 491 / 31.12.2001) must be complemented by requirements in what cases public hearings are held, the timing and order of conducting. 2. It is necessary to develop and adopt a new document on order of conduction of public ecological examination
	Article 11. Basic requirements on protection and use of fauna and its habitat is complemented with new requirements on: -Avoidance of adverse impact on fauna and its habitat; - the reduction of adverse impact on fauna and its habitat; - the restoration of fauna objects which were negatively impacted and its habitat; - the compensation for the irreplaceable losses of fauna and its habitat.	Number and conditions for realization of activities aimed at avoiding, reducing, remedying and offseting are determined in the order established by legislation**.** It is necessary to develop new documents determining: 1. number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset. "Procedure for developing of action plans for the conservation of nature and/or compensation schemes for irretrievable loss of biodiversity" indicating in it timing, frequency of updates, requirements for the content of plans.
	The basis for termintaion of the right to use flora if rules of use and requirements on its protection were violated is clarified in article 27	Regulations on the use, import and export of fauna outside the Republic of Uzbekistan and running of hunting-fishing farm approved by CMRU of 28.10.2004 N 508 should be a document reflecting this principle.
	Article 30. Measures on protection of fauna is complemented with new requirement on avoidance, reduction of adverse impact on fauna, the restoration of fauna and/or compensation for the irreplaceable losses of fauna.	It is necessary to develop new documents determining: 1. number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset. 2. Procedure for developing of action plans for conservation of nature and/or compensation schemes for irretrievable loss of biodiversity" indicating in it timing, frequency of updates, requirements for the content of plans.
	Law is complemented with article 30-1. Reproduction, restoration of fauna objects and its habitat: - Assistance in reproduction of fauna and its habitat; - restoration of fauna species and objects; - restoration of habitat through phytoremediation.	**Measures on assistance in reproduction, restoration and compensation are conducted in the volumes and in the order determined by legislation**

	- Compensation including compensation measures such as restoration activities of fauna and its habitat on other (s), analogous in terms of climate and nature site(s)	
	Article 31. Requirements on the activities which may have impact on the state of fauna is complemented with new requirements - avoidance, reduction of adverse impact; - restoration of fauna species and its habitat; - compensation for the irreplaceable losses of fauna objects; - preservation of biological variety and integrity of the associations of animals in the state of natural freedom; - conservation of habitats, conditions and areas of reproduction, migration routed, areas of concentration of animals; - reproduction of fauna	It is necessary to develop new documents determining: - number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset. - Procedure for developing of action plans for the conservation of nature and/or compensation schemes for irretrievable loss of biodiversity" indicating in it timing, frequency of updates, requirements for the content of plans.Внести дополнения в Regulations on the use, import and export of fauna outside the Republic of Uzbekistan and running of hunting-fishing farm approved by CMRU of 28.10.2004 N 508 should be a document reflecting this principle.
	Article 34 Measures on preservation of habitat and conditions for reproductios is complemented with new requirements on: - to avoidance of harmful effect on habitat; - reduction of harmful impact on habitat; - restoration of the negatively impactedhabitat, including measures on land recultivation and phytoremediation; - compensation for the irreplaceable losses of habitat.	It is necessary to develop new documents determining: - number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset.
	Article 35. The preservation of migration routes, places of inhabiting and reproduction areas of wild animals is complemented with new requirements on: - plans and projects of activities aimed at preservation of migration routes, natural habitats and reproduction areas of wild animals should be subjects of state ecological examination - organization of protected natural territories for the protection of habitat and migratory routes of animals	Regulations on Environmental Examination of RU (Decree No. 491 / 31.12.2001) must be complemented by said object of the examination
	Law is complemented with new article 36-2. Introduction and hybridization of wild animals, their import into the Republic of Uzbekistan and the removal from the Republic of Uzbekistan The introduction of the wild animals, that do not relate to the	**Rules of direct action any amendments of other acts not required**

	fauna of the Republic of Uzbekistan, for reasons of scientific research, culture and enlightenment and for economic purposes is allowed only into the culture in the established order under the resolution of the specially authorized public body on the basis of the conclusion of the Academy of science of the Republic of Uzbekistan. Introduction into nature and hybridization of wild animals in the state of natural freedom is forbidden.	
	Article 39. Responsibility for violation of legislation on protection and use of fauna is complemented with new requirement on the compensation for indirect harm, expressed in putting harm on the fauna objects through worsening their habitats.	It is necessary to develop a new order on indirect harm to fauna, including ways of determining the degree of degradation of its ghabitat get it approved by the resolution of government
8. **The Land Code** of **the Republic of Uzbekistan**, confirmed by the Law of the Republic of Uzbekistan № 598-I of 1998	Article 6. The competence of regional state bodies in the fieild of regulation of land relations is complemented with prohibition for them to withdraw the lands of nature-conservation, health-improvement, recreational and historical-cultural designation, lands of the suburban and green zones of cities	**Rules of direct action any amendments of other acts not required**
	Article 79. The content and the order of protection of lands is complemented with a new requirement on the measures, directed toward avoidance, reduction of impact, restoration of the degraded and impacted lands, other natural objects and complexes during the use of lands and other activities.	It is necessary to develop new documents determining: - number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset.
9. Law of the Republic of Uzbekista № 770-I **"On forest"** of 1999	Article 32. The protection of forests is complemented with a requirement on the adoption of measures for avoiding and reducing the adverse impact on natural objects and complexes, restoration of natural objects and complexes, compensation for the irreplaceable losses of biological diversity during the use of forest use and other activities	It is necessary to develop new documents determining: - number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset.
	Article 38 is complemented with a requirement according to which arrangement, design, building and putting into commission of the new and reconstructed enterprises, construction and other units, and also introduction of the new technologies, having influence on the state and reproduction of forests, are accomplished with the guarantee of measures for	It is necessary to develop new documents determining: - number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset.

	protection and reproduction of forests, directed toward avoiding and reducing the adverse impact on natural objects and complexes, restoration of natural objects and complexes, compensation for the irreplaceable losses of biological diversity during the use of forest use and other activities	
10. Law of the Republic of Uzbekistan № 73-II **"On Environmental examinatio" of** 2000	Article 3. The goals of ecological examination are complemented with a new goal which is avoiding and reducing of adverse impact on natural objects and complexes, restoration and compensation for irreplaceable losses of biological diversity.	Regulations on Environmental Examination of RU (Decree No. 491 / 31.12.2001) must be complemented by this goal of ecological examination.
	Article 15. Materials, presented for conducting of state ecological examination is complemented with a requirement on the content of the materials, presented for conducting state ecological examination, including measures for avoiding and reducing the adverse impact on natural objects and complexes, restoration of natural objects and complexes, compensation for the irreplaceable losses of biological diversity.	Regulations on Environmental Examination of RU (Decree No. 491 / 31.12.2001) must be complemented by the indicated requirement for the materials presented for state ecological examination
	Article 24. Environmental Audit is compelmented with requirements on goals, types (voluntary and obligatory), cases for conducting obligatory audit, means of its realization .	**It is necessary to develop a new document on Environmental Audit, indicating in it the requirements for workers conducting audit, the periods of conducting, requirement on Audit Conclusion, the order of payments for audit services.**
11. Law of the Republic of Uzbekistan № 362-II **"On waste"** of **2002**	Article 17. Ensuring safety when dealing with waste is complemented with a requirement according to which when dealing with waste the measures on avoiding and reducing of the adverse impact on natural objects and complexes, restoration of natural objects and complexes, compensation for the irreplaceable losses of the biological diversity must be ensured	It is necessary to develop new documents determining: - number and conditions for realization of acivities aimed at avoid, reduce, remedy, offset.
	Article 13. Establisment, reorganization and termination of protected natural territories is complemented with conditions for reorganization. Division and allotment are allowed if new sizes of protected natural territories ensure conservation of protected natural objects and complexes	**Rules of direct action any amendments of other acts not required**
	Article 17. The organization of the protection of the protected natural territories stipulates that the protection of state reserves with a status of a legal entity will be conducted by quards.	**Rules of direct action any amendments of other acts not required**

	Article 47. Financing of the protected natural territories is complemented with new conditions of financing of both state and non-state protected natural territories	**Rules of direct action any amendments of other acts not required**

Annex 6. Key findings of the discussions of the project with the O&G companies

Extensive and documented discussions with the O&G companies were conducted during the visit of the international expert October-November 2011[1]. These are summarized in the Table below:

Company	**Scope of cooperation**
Zarubezhneftegaz – GPD Central Asia	Potential interest in biological recultivation at the site of the temporary settlement
Lukoil	Interventions cover prevention of flooding during the flood season. This is done by that the foundation for the drilling rig and the road running towards it are based on a high dam several meters above the former Aral Sea bottom.
Uzbekneftegaz	Territory is quite heavily ridden over; spills of oil lubricants are present, technical constructions clutter up the area. Positive aspects include the collection of chemical reagents for the slurry (including bentonite and other types of clay) reservoirs. An agreement has been reached; that the company provides several mobile houses for the security officers of the natural reserve after it actually starts functioning.
Kogas	No preliminary agreements were reached with Kogas
Petronas	Limited information was made available about the company's plans due to some complications which had risen between Petronas and the Uzbekistan Republic government during a period of transition.
CNPC	No negotiations were engaged with CNPC, although they are important given that CNPC will be established on the Saigachiy natural reserve, specifically the territory of the main Ustyurt of the saiga population habitat during winter and spring periods. CNPC has scheduled most of the prospection works for 2012, in particular, seismic research. Negotiations should be focused on adjustment of the schedule of seismic works (whether based on shock-vibration impact or on use of explosives) to periods of seasonal migrations of the Saiga into the Kazakhstan part of their habitat.

[1] UNDP, 2011. UNDP/GEF Project «Mainstreaming biodiversity into Uzbekistan's oil-and-gas sector policies and operations». Report on biodiversity monitoring, mapping and offsets on I stage and mission results 30.10.2011 – 15.11.2011 Prepared by I. Ryzhov, International expert.

During the MTR, meetings were held with several companies, these include:

UzKorGas

A Biodiversity Action Plan (BAP) has been prepared as part of the ESMP submitted in line with Uzbekistan's regulations as well as international regulation (International Finance, Equator Principles and ADB Safeguards): 1st step in 2007, 2nd step in 2009, ESMP in 2012. A public consultation was held in June 2012. The baseline survey was conducted by the consulting firm (Texnet in 2010-2011) and and the Academy of Science of Karkalpakistan in 2011. The full budget for the implementation of the ESMP is $11.5 million

The BAP focused on the following:

- Protection and conservation of Saiga population
- PA and sensitive areas
- Birds
- Recruitment of an ecology warden

The BAP has been allocated a total budget of $600,000/4years construction phase. The BAP implementation will be initiated mid-2013.

Uzltineftgaz

Uzbekneftigas has shares with UzKorGas, Russian Nefti and UzbekNefti. Rental of lands includes BD conservation activities covering in advance the remediation of the impact of activities conducted by the companies, this could include restoration of lands as well as minimization of impacts.

Lukoil

Exploration activities in Karaklpakstan were put on hold in 2012. Lukoil followed Uzbekistan's environmental regulations as well as IFC's standards. An international firm (ERM) has been called upon in 2012 as independent monitoring as per the IFC requirements. Lukoil is ready to provide support for Government's programmes including environmental initiatives as part of its corporate responsibility.

Aral Sea Operating Company

The company responds to Uzbekistan's regulations for reporting on environmental issues. It submits a yearly workplan, quarterly reports and an annual report to SCNP-K, based on the "Conclusions" of the EIA which was submitted to SCNP-U. The company conducts its own internal monitoring activities and needed field work for restoration purposes based on national regulations. The company does not have a policy for corporate responsibility for an environmental programme in the area.

According to the project document, the agreement of "The Aral Project" was signed in May 2006 between a group of investors to launch a large scale oil-and-gas exploration project located in the Vozrozhdenie Peninsula (Aral Sea). This project will be jointly implemented by Uzbek, Russian, Chinese, South Korean and Malaysian investors. Gazprom has agreed to invest 1.5 billion USD whereas Lukoil will invest 1 billion USD in this exploration project.

Annex 7. Basis for the BD monitoring system and the results for one plot

Introduction

The project has established its BD monitoring in 2011 and initiated a first campaign of surveys in the spring of 2012. The second survey was conducted in spring 2013, the results of the 2013 BD monitoring campaign are still being processed. While all the reports on BD monitoring are in Russian, the analysis of the monitoring system was conducted by the MTR with extensive support of the Project team.

The BD monitoring plan was designed by the project based on previous experience of conducting similar activities in the Ustyurt plateau by the project consultants. The consultants have also called upon the experience of foreign professionals from the CIS countries to identify relevant bio-indicators for monitoring hydrocarbon pollution in Western Siberia, as well as the Business and Biodiversity Offset Program (BBOP) which is currently carrying out the programmes on the effect of industry on biodiversity, including in the O&G sector.

The monitoring system is conducted at the level of selected indicator species initially at the level of 8 plots (the project had initially selected 10 plots); the geographical location of the plots is indicated on the map of **Figure 3** of the MTR report. The plots were selected in a way to account for the activities of the O&G sector and its impact on biodiversity. The plots are distributed equally into two sections, in the North and South of the Ustyurt Plateau.

The monitoring of state of vegetation and animals has been conducted at the level of undisturbed sites (control) and in the affected sites (experimental) in order to identify the impact of the O&G activities on biodiversity. Monitoring shall be conducted simultaneously in undisturbed and disturbed sites in the same expedition. The monitoring sites include a combination of as unaffected or only slightly affected by the industrial action areas both in terms of originality and richness of landscape, flora and fauna complexes (Sarykamysh, Kartpaykum, Churuk, Beleuli, Almambet), and areas under the serious impact of the O&G sector (Ashan-Mazar, Shakhpakhty, Gazprom, Duan-Aktumsyk).

Characteristics of the monitoring plots

The project area was roughly divided into two sections, North and South.

In the Southern Section, the following plots were selected:

- Ashan-Mazar (gypsum desert)
- Sarykamysh (northern coast) (coastal, rifts, buttes, ravines)
- Shakhpakhty (trough, plain plaster)
- Kartpaykum (sandy desert)

In the Northern Section, the following plots were selected:

- Gazprom (gypsum desert)
- Churuk (Saxaul woodlands)
- Beleuly (gypsum desert, takyr)
- Almambet (gypsum desert)
- Duane-Aktumsyk (Chink (rift) of the Ustiurt plateau).

Basis for monitoring of the vegetation

The purpose of the vegetation monitoring included the following:

- Identification of plant response, and, above all, the rare, valuable species (herbs, etc.) and indicator species to the anthropogenic impacts;
- Determination of the abundance of plant species in the area of anthropogenic impacts in order to determine the amount of damage in the destruction of these species and their habitats in the course of work;

- Monitoring the populations of protected species in the protected areas (such as the Saigachiy protected area) situated near the exploited area.

The vegetation monitoring objects included:

- The background landscape-plant species, selected as indicator species;
- Populations of rare and endangered plant species listed in the Red Book of the Republic of Uzbekistan;
- Ruderal species, that serve as indicators of human impact.

Table 1. List of monitoring plant species to assess the negative impact of gas production

The group of plants	Species of plants, name	Remarks
Ruderal species	*Halimocnemus smirnovii* *Suaeda arcuata* *Climacoptera lannata*	The presence of these species on the exposed areas of shows about technogenic disturbances
Edificators	*Anabasis salsa*	The most common plant of Ustiurt. Pay attention to the biological status (normal, depression, the number of plants which dropped out of 1 sq m, age structure) and biometrics (plant height, crown diameter, the length of annual shoots). The data, obtained on the test plot are compared with the data on the control plot.
Rare and endemic species	*Malococarpus crithmifolius, Climacoptera ptiloptera, Euphorbia sclerocyathium, Salsola chiwensis, Crataegus korolkowii, Crambe edentula, Allium ravenii*	Pay attention to the number of plants, the age structure of coenopopulations. It should pay particular attention to rare species of Ustiurt - *Malococarpus crithmifolius and Allium ravenii.*

Basis for monitoring of animals

The selection of indicators of animals was done based on the fact that animal species area one of the most dynamic and important components of terrestrial ecosystems, and can have a direct influence of human activity, and is sensitive to any changes in the environment.

The purpose of the animals monitoring included the following:

- Assessment of the impact of the human in the zone of gas production on the state of habitats.
- Assessment of populations of rare species of animals included in the list of IUCN and Red Data Book of the Republic of Uzbekistan;
- Assessment of the populations of hunting species
- Assessment of the state of populations of indicator species (dominant communities synanthropes);
- Prediction of populations of rare species of animals and their habitats in the affected area of gas production;

The animals monitoring objects are:

- Habitats of rare species, including seasonal migration routes;
- Populations of rare species (or species groups) that are in the zone of influence of gas production;
- Habitat indicator species (the dominant community and synanthropic species);
- Populations of indicator species (the dominant community and synanthropic species).

Table 2.List of species of vertebrates - the objects of environmental monitoring in the area of gas production in the Ustyurt plataeu

Group of monitoring species	Group of indicator species	
	Species	Recommended methods of accounting
Mammals		
Synanthropic species	Mus musculus	The method of trap-lines (per 100 traps / day) The method of collection and analysis of regurgitates.
Indicator species - the background species	Rhombomys opimus	Route-colonial method
Rare and endemic species	Saiga tatrica	Counts on permanent transects The method of accounting with the shuttle car
	Gazella subguturosa	The method of accounting with the shuttle car
Amphibians and reptiles		
Виды-индикаторы - фоновые виды	Phrynocephalus helioscopus	Method hiking route registration
	Trapelus sanguinolentus	Method hiking route registration
	Testudo horsfieldi	Method hiking route registration
	Bufo viridis	Method hiking route registration

The classification of types of industrial facilities in the Ustyurt Plateau

Two types of industrial structures are accounted for:

i. Nonlinear structures, these include:

- Gas fields including long-mined deposits; newly developed (working well), and where development is completed;
- Localities including settlements and farms
- Factories including Kungrandsky Soda Plant (Sodium Factory) and the Ustyurt Gas Chemical Complex on the field Surgil

ii. Linear structures, these include the following:

- Roads including Dirt roads that are used by oil and gas companies, Small road, Medium-size roads, Large driveway, High-speed paved road and Railroad
- Pipelines, including existing (Shakhpakhty-Qoraqalpoghiston, CA Center) and those in the process of reconstruction (Bukhara-Urals)
- Electric-Power Lines

Results of the monitoring of vegetation conducted in 2012 in Shakhpakhty

In the undisturbed site: Species composition includes 5 species groups: trees, shrubs, subshrubs, herbaceous perennial plants, and annual plants. Number of species: 19 plant species, which belong to groups of trees, shrubs, subshrubs, herbaceous perennial plants, and annual plants, grow here.

In the disturbed site: Species composition includes 1 species group: annual plants. Number of species: only 2 species of annual plants grow (these plants belong to the Chenopodiaceae family - *Climacoptera lanata* and *Halimocnemus smirnovii).*

As such, the negative impact is manifested as follows:

- reduction in species group composition in disturbed areas and
- reduction in the number of these species in group in disturbed areas compared with undisturbed areas.

In this case, it was found out that there is a negative impact of the oil and gas sector on vegetation, which has resulted in a reduction in the number of species (from 19 in the control plots to 2 in the disturbed plots) and reduction in species group composition (from 5 in the control plots to 1 in the disturbed plots). The detailed monitoring results are presented in **Table 3**.

Table 3. Monitoring of vegetation in the undisturbed site in Shakhpakhty

Association	Artemizia-anabasis-saxaul
Coordinates	N 42º39.120' E 056º23.570'
Lot dimensions, m	10X10
Projective cover, %	50,0
Ground cover in %, mosses	5,0
The area occupied by trees, %	10,0
shrubs, %	5,0
Subshrubs, %	25,0
Grasses, %	5,0
Trees height, sm	80-180
Height of shrubs, sm	20-50
Height of subshrubs, sm	10-35
Grassy tier height, sm	5-30
List of species	
Trees	
Haloxylon aphyllum	Sp3
Shrubs	
Convolvulus fruticosus	Sol
Halothamnus subaphylla	Sol
Atraphaxis spinosa	Sp1
Salsola arbuscula	Sp1
Subshrubs	
Anabasis salsa	Sp2
Artemisia diffusa	Sol

A. terrae-albae	Sp2
Salsola orientalis	Sp1
Herbaceous perennial plants	
Anabasis brachiata	Sp1
Capparis spinosa	Sol
Haplophyllum obtusifolium	Sp1
Ferula foetida	Sol
Zigophyllum pinnatum	Sp1
Scorzonera pusila	Sp1
Annual plant	
Astragalus sp.	Sol
E. orientale	Sp1
Ceratacarpus utriculosus	Sp2
Arnebia decumbens	Sol
19 species	

Results of monitoring of mammals conducted in 2012 in Shakhpakhty

The monitoring covered two indicator species – in the undisturbed (control) and in the disturbed (experiment) for all 10 sites. These are the Great Gerbil (Rhombomis opimus) and the Northern Mole Vole (Ellobius talpinus)

In the undisturbed site, the number of Great Gerbil is 0.31 animals per 1 ha

In the disturbed site, there were no residential colonies of Great Gerbil, as such, the number of animals is 0 per 1 hectare.

In this case, the negative impact of the oil and gas sector is shown itself in the reduction in number of the Great Gerbil (*Rhombomis opimus)* species from 0.31 animals per 1 hectare to 0 animals per 1 hectare. The detailed monitoring results are presented in **Table 4**.

Table 4. Monitoring results of Great Gerbil and Northern Mole Vole in Shakhpakhty

Rodent species	Length of route (km)	Studied area (ha)	Colonies found		The habitability of the colonies (%)	Number (animals/ha)
			Inhabited	uninhabited		
A disturbed site - experiment (near pipeline facilities and roads)						
The Great Gerbil *Rhombomis opimus*	1,8	3,6	0	3	0	0
the Northern Mole Vole *Ellobius talpinus*	1,8	3,6	0			
An undisturbed site - control						
The Great Gerbil *Rhombomis opimus*	1,8	3,6	1	4	20,0	0,31
the Northern Mole Vole *Ellobius talpinus*	1,8	3,6	0			

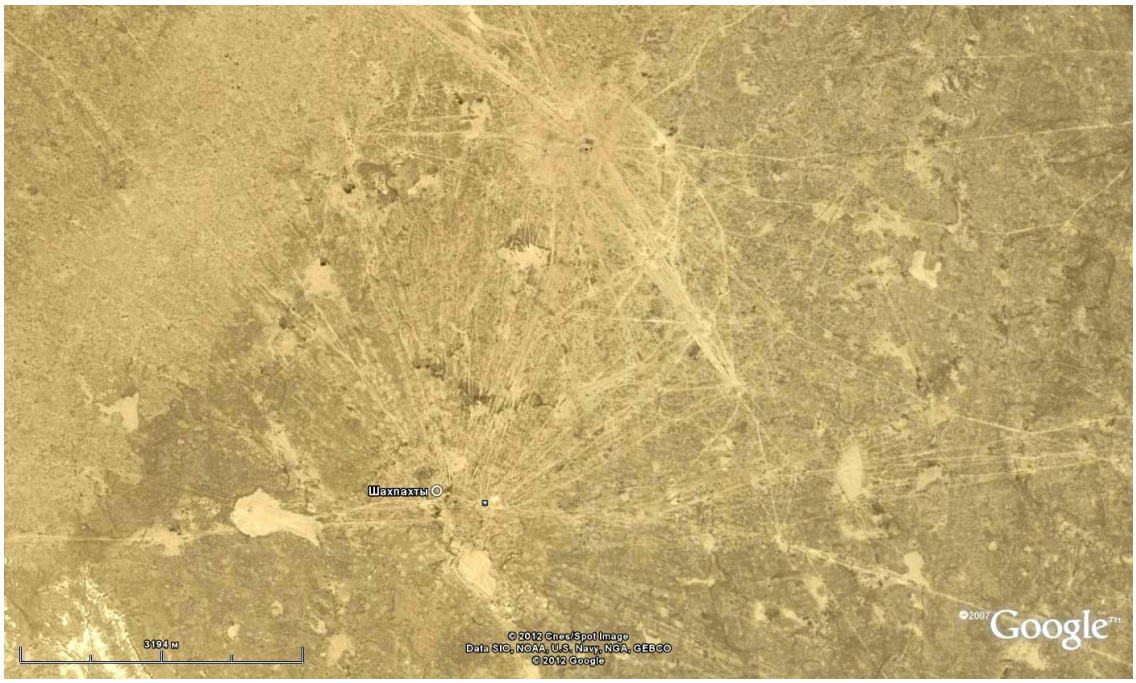

Figure 1. Satellite picture showing a large number of unpaved roads and other man-made objects, which destroy vegetation cover in Shakhpakhty

Photo 1. A representative area near Shakhpakhty

Photo 2. Vegetation in disturbed areas near Shakhpakhty

Annex 8. Minutes of the Meeting with the Main Public Environmental Examination Authority

Participants:

Ms. N. Korolyeva, Deputy Head of the Main Public Environmental Examination Authority (Glavgosekoekspertiza), SCNP-Uzb

Ms. L. Mansour, Int. Consultant for the Mid-Term Review

Mr. E.Peregontsev, Nat. Consulant for the Mid-Term Review

Mr. Kh. Sherimbetov, Project Manager, Project for "Mainstreaming BD in the oil and gas sector" Project

Ms. S. Sharapova, Public Relations Specialist, Project for "Mainstreaming BD in the oil and gas sector" Project

Place:

Main Public Environmental Examination Authority (Glavgosekoekspertiza), SCNP Uzb,

5, Mustakillik Str., 6th floor, Tashkent 100159

Date and time:

June 14, 2013, from 11.00 -12.00

Purpose of the meeting

The meeting was called upon by the UNDP project for "Mainstreaming BD in the oil and gas sector" as part of the Mid-Term Review mission of the project for "Mainstreaming BD in the oil and gas sector" Project

Convention on Environmental Impact Assessment in a Transboundary Context (Espoo, 1991)

- Ms. Korolyeva clarified that a new EIA law similar to other European laws is needed, because in the Republic of Uzbekistan there is no legislation on order and conditions of conducting EIA, the content of project EIA and methodology for conducting EIA.
- It was clarified that there is Convention on Environmental Impact Assessment in a Transboundary Context (Espoo, 1991) which is a United Nations Economic Commission for Europe (UNECE) convention signed in Espoo, Finland, in 1991. Among the 5 countries of Central Asia: Uzbekistan, Tajikistan, Turkmenistan, Kazakhstan and Kyrgyzstan; 2 countries (Kazakhstan and Kyrgyzstan) have joined the convention.

Current procedures for EIA

- Since 1993, EIA has been conducted in Uzbekistan. In 2000, the Law on Environmental Examination, which contains requirements for submission of EIA materials during the

state ecological examination, was adopted and in 2001, the Cabinet of Ministers approved Regulations on State Environmental Examination (Decree # 491)

- The list of activities which require environmental examinations is determined by the Regulations. Based on their impact on the environment, the activities fall into one of the four categories:
    - 1st category: the projects with high risk impact;
    - 2nd category: projects with middle risk impact;
    - 3rd category: projects with low risk impact
    - 4th category: projects with local impact.
- According to the Regulations, it is the Main Public Environmental Examination Authority (Glavgosekoekspertiza) (which is under direct supervision of the Chairman of SCNP-Uzb) which is in charge of the EIAs of projects under Categories 1 and 2, while the Environmental Examination Units at the regional level (Karakalpakstan, Tashkent city and other regions) are responsible for the EIA of projects under categories 3 and 4.
- The EIA process consists of three phases:

  1 phase - Project of Environmental impact Statement (prepared at the stage of ideas)

  2 phase - Environmental impact Statement

  3 phase - Ecological consequences Statement (the final stage, prepared before the project is operational)

- The current procedures for EIA are operating efficiently; however, the current law does not contain the concrete instructions on the order/ procedure of the assessment of impact, including on biodiversity; therefore it is necessary to develop a document on the content and methodology of conducting of EIA.

- Regarding the oil and gas developments and biodiversity, there are 3 main areas of concern which need to be addressed:
    - The area of degraded lands
    - During oil and gas developments, native vegetation is destroyed and different types of weeds are replacing it
    - Works conducted near the areas where water sources /rivers exist may lead to oil spills and other negative impacts on the water resources
- It is important to identify methods for environmental assessment of possible violations, identify ways of calculating and determining "Maximum levels of environmental effects/impact allowed" which indicates the level of permissible maximum exposure, after which no restoration works will be possible. It is important to conduct the necessary studies during biodiversity impact assessment in the zone of influence of the projected and acting objects.

Reporting procedures for oil and gas

- The EIA report and other reporting requirements for oil and gas sector were discussed and are summarized in the following sections.

- Any company wishing to work in the sector should submit an EIA to SCNP-Uzbekistan as part of its permit requirements
- The EIA is prepared in close coordination with SCNP at the regional level, (the discussion used the example of SCNP-Karakalpakstan as a regional SCNP for easy reference).
- It is important to ensure that the inspectors of SCNP-K must be involved in the preparation process of the EIA and their signatures must be on the documents in order for it to be adopted /accepted by SCNP-U. This would confirm that the EIA submitted to SCNP-U is also agreeable to the SCNP-K.
- As it was said above EIA consists of 3 phases. Let's use as an example a company which is willing to build a plant.
    - The company has just an idea of building a plant but has not done anything yet then this is the 1st phase and at this stage the company must submit **Project of Environmental impact Statement** to Main Public Environmental Examination Authority (**Glavgosekoekspertiza**) SCNP Uzb. Glavgosekoekspertiza reviews this document and issues "**Conclusion"** which contains a list of ecological conditions and requirements in the object/project implementation, the justification of admissibility (positive conclusion) or inadmissibility (negative conclusion) of the arrangement of the object on this territory.
    - If **Conclusion** is positive towards the idea, the company goes further and for instance buys en equipment, etc. Phase 2 works, when **Environmental impact Statement** is required, are conducted only when there is the need for fulfilling of additional engineering searches. As a rule, there is no need to do additional searches, meaning no phase 2.
    - Before the plant becomes operational, it comes the 3 phase when Ecological **consequences Statement** must be prepared. This Ecological consequences Statement includes a **"Monitoring Plan"** and standards (for example Standards of maximum permissible discharges of pollutants, etc). On the basis of **Ecological consequences Statement** Main Public Environmental Examination Authority (Glavgosekoekspertiza) SCNP Uzb issues "**Conclusion" (the second and now the final one)** which includes all the conditions to be adhered to by the company. This "**Conclusion"** is signed by the Chairman of SCNP-U (by the way a Chairman heads at the same time the Main Public Environmental Examination Authority (Glavgosekoekspertiza)) and sent to the company and to the SCNP-K.
- Once the above "**Conclusion"** is issued, the SCNP-K is responsible for submitting to SCNP-U on quarterly and yearly basis reports based on the statistics got from the company and "**Monitoring Plan".**
- For this purpose, a "**Group of inspectors**" is then appointed by SCNP-K who will gather statistics from the company, jointly with company monitor the operations and submit reports. Most of the time, the group of inspectors includes those who signed the EIA submitted to the SCNP-U.
- The companies should submit their "**Plan of implementation of work"** based on the "**Monitoring Plan**" to SCNP-K, based on the biding "**Conclusion"** of Glavgosekoekspertiza signed by the Chairman of SCNP-U and they will submit quarterly and yearly reports to the SCNP-K also based on the "**Conclusion"** of Glavgosekoekspertiza signed by the Chairman of SCNP-U.

Environmental Audit procedures

- Environmental audits are biding as part of the environmental examination law
- No application decree for environmental audits are available to date

- A draft Regulations on environmental audit has been prepared but has not been submitted for consideration to the concerned ministries and agencies

Prepared By Sevara Sharapova and Lamia Mansour, on 24 June 2013

Annex 9. ToRs of the coming up international expert mission

Background

As part of the "Agreement of Shared Production" signed between O&G companies and the Ministry of Economy of the GoU, it is mandatory for O&G companies to submit an EIA to the SCNP based on the Law on Environmental Examination of 2000 and its Regulations on Environmental Examination (Decree No. 491 / 2001). Several other laws and regulations also govern the environmental considerations of the O&G sector including the mainstreaming of BD within this sector.

Companies submit EIAs in line with Uzbekistan's regulations as well as international regulations (International Finance Corporation, Equator Principles and ADB Safeguards). However the development, implementation and monitoring of the EIAs still face several challenges due to the large number of regulations, unclear procedures and lack of necessary definition of measures to apply the principles of **prevention and reduction of adverse effects on biodiversity as well as the rehabilitation of degraded ecosystems and the compensation for irreplaceable biodiversity loss.**

The project has initiated legal and institutional support including:

- Draft amendments of 11 related Laws
- Draft amendments to the regulation 491/2001 for the environmental examination
- Draft Regulations for the ecological audits prepared by the EIA department of SCNP in prior to the project
- Draft Regulations on ecological audit prepared by the project and different to the one initially prepared by the EIA department of SCNP
- A first draft of the Training module for mainstreaming BD in the O&G sector

Responsibilities

Under the responsibility of the Project Manager, and in collaboration with the following team of national experts as appropriate:

- National legal expert
- National expert in O&G sector
- National training institution

The International consultant shall perform the following responsibilities:

- Capacity needs assessment of staff of the Main Public Environmental Examination Authority (Glavgosekoekspertiza) which is in charge of the EIAs of projects under Categories 1 and 2, as well as of the Environmental Examination Units at the regional level in Karakalpakstan responsible for the monitoring of the EIA implementation
- Review the proposed amendments to the laws and the proposed amendments to the current EIA regulations as well as the proposed ecological audit Regulations and advise on best ways to integrate the aspects required for mainstreaming BD in the O&G sector within the proposed regulations. This should ensure that the provision of additional materials on international experience (BBOP, EIB and other necessary materials) allowing to assess direct and indirect impact on biodiversity;

- Identify and analyze other regulations under other laws that are used as part of the EIA process and propose modalities to align and simplify the EIA process and ensure that it integrates needed aspects to assess direct and indirect impact on biodiversity;
- Propose technical modalities for the processes adopted in applying EIA in the O&G sector, specifically with regards to mainstreaming BD resources at the level of the three phases:
    - 1st phase - Project of Environmental impact Statement (prepared at the stage of ideas)
    - 2nd phase - Environmental impact Statement
    - 3rd phase - Ecological consequences Statement (the final stage, prepared before the project is operational)
- Identify methods for environmental assessment of possible violations, identify ways of calculating and determining "Maximum levels of environmental effects/impact allowed" which indicates the level of permissible maximum exposure, after which no restoration works will be possible.
- Identify important studies which should be conducted during biodiversity impact assessment in the zone of influence of the projected and acting objects.
- Propose technical modalities for the processes adopted in applying environmental audit and monitoring in the O&G sector, specifically with regards to mainstreaming BD resources at the following levels:
    - Modalities proposed in the "Conclusion" and "Monitoring Plan" as part of the "Ecological consequences Statement"
    - Role and responsibilities of regional SCNP in reporting on quarterly and yearly basis based on the statistics obtained from O&G companies.
    - Role and responsibilities of the "Group of inspectors" appointed by SCNP to gather statistics from the company, jointly with company monitor the operations and submit reports.
    - Quality of reports obtained from O&G companies to respond to the "Conclusion" and "Monitoring Plan" as part of the "Ecological consequences Statement"
- Prepare proposals on development of the general approach to designing a biodiversity offset for irreplaceable biodiversity losses, both direct and indirect, for extractive and other industries facilities in conditions of Uzbekistan, and especially for the Project territory of the Ustyurt Plateau as a whole and for the Surgil Project executed by UzKorGasChemical as well as for the Shakhpahty site in the Ustyurt Plateau, as well as on stakeholders participation in design and implementation of the offset.
- Prepare a training plan based on the identified training needs for the concerned Governmental institutions as well as for the O&G companies. This should include the review and finalization of the Draft Training Manual on biodiversity conservation approachs in oil and gas sector prepared by the project and advising on other training materials needed.

Deliverables	Duration
➢ Desk review of studies and reports ➢ Proposed methodology for consultation and capacity needs assessment	5 days (home based)
➢ Conduct capacity needs assessment of key SCNP departments (Tashkent and Karkalpakstan) and other concerned stakeholders ➢ Hold working meeting to discuss amendments of laws and of EIA regulation, draft ecological audit regulations, analysis of other regulations, analysis of procedures adopted as part of the EIA process and gaps in the process for mainstreaming BD in the O&G sector ➢ Present draft training plan and provide comments on the training manual and propose other training tools	15 days (In-country mission)
➢ Prepare revised EIA regulation and ecological audit regulation ➢ Prepare draft technical modalities for the EIA processes adopted in the O&G sector, specifically with regards to mainstreaming BD resources at the level of the three EIA phases ➢ Prepare methods for environmental assessment of possible violations, identify Prepare draft procedures for calculating and determining "Maximum levels of environmental effects/impact allowed" ➢ Prepare proposals on development of the general approach to designing a biodiversity offset ➢ Prepare training plan, integrate comments on the training manual and prepare other training tools	10 days (home based)
➢ Hold needed consultations to present and discuss the revised procedures including : ➢ Revised EIA regulation and ecological audit regulation, ➢ Revised technical modalities for the EIA processes adopted in the O&G sector, specifically with regards to mainstreaming BD resources at the level of the three EIA phases ➢ Proposed methods for environmental assessment of possible violations, identify Prepare draft procedures for calculating and determining "Maximum levels of environmental effects/impact allowed" ➢ Proposed approach to designing a biodiversity offset ➢ Training plan, including the revised training manual and other training tools	15 days (In-country mission)
➢ Submit final documents including: ➢ Final EIA regulation and ecological audit regulation ➢ Final technical modalities for the EIA processes adopted in the O&G sector, specifically with regards to mainstreaming BD resources at the level of the three EIA phases ➢ Final methods for environmental assessment of possible violations, identify Prepare draft procedures for calculating and determining "Maximum levels of environmental effects/impact allowed" ➢ Final proposals on development of the general approach to designing a biodiversity offset ➢ Final Training plan, including the revised training manual and other training tools	10 days (home based)