

# Social Safeguards Report

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## UZB: Surgil Natural Gas Chemicals

Social Safeguards Audit Report  
January 2012

Prepared by Uz-Kor Chemical LLC

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# ADB Social Audit Report

Surgil Environmental and Social Impact Assessment

January 2012  
Uz-Kor Gas Chemical LLC



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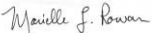



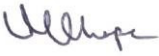


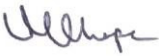

Surgil Environmental and Social Impact Assessment

January 2012

Uz-Kor Gas Chemical LLC

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Uzbekistan

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# 1. Introduction

## 1.1 Overview

The Uzbek-Korean Joint Venture (JV) "Uz-Kor Gas Chemical" LLC (hereafter referred to as 'Uz-Kor') has commissioned Mott MacDonald Ltd (MML) to act as the International Environmental Consultant (IEC) to conduct the international environmental and social impact assessment (ESIA) and other services in support of development and construction of facilities for the production of polyethylene and polypropylene primarily utilising gas from the Surgil gas field (the 'Surgil Field') in the semi-autonomous Karakalpakstan region of the Republic of Uzbekistan (the 'Surgil Project' or 'the Project'). Services include the production of this social audit report required by the Asian Development Bank (ADB) for purposes of assessing project lending potential.

## 1.2 Project Description

### 1.2.1 Components

The Surgil Project involves the development of three distinct yet interrelated components:

- **Upstream:** Drilling and development of gas production wells and associated production infrastructure for the Surgil Field, including the extension of the existing Complex Gas Treatment Unit (CGTU) for the removal of hydrocarbon condensate and water from the gas;
- **Pipelines:** Construction and operation of below ground gas and condensate pipelines to connect the Surgil Field to the new Ustyurt Gas Chemical Complex (UGCC). Further connecting pipelines will be constructed to two other gas fields within the Aral Sea Basin, the East and North Berdakh Gas Fields;
- **Downstream:** Construction and operation of the UGCC and associated infrastructure (i.e. workers camp, rail connection, raw water supply line connection, sales gas line, wastewater storage pond and electrical line connection, etc.);

The Project will also receive gas and condensate from other gas fields including the East and North Berdakh fields, which are located approximately 25 km from the Surgil Field. The East Berdakh Field is currently in operation and has a fully developed CGTU. The North Berdakh Field will be exploited over time. All fields other than the Surgil Field are outside the Project financing scope and will remain under their current ownership structure (East and North Berdakh fields are owned by Ustyurtgaz). Although these fields will supply the Project with gas and condensate, the development of these fields is not dependent upon the realisation of the Project. The East Berdakh field is already being developed and commercially exporting sales gas and condensate. The other fields, including the Berdakh Fields, are therefore not classified as associated projects to the Project and, being outside the Project Finance scope, they are not considered in detail within this report. Any additional pipeline connection from the East Berdakh CGTU to the Surgil Project is considered within this audit as an associated project.

### 1.2.2 Project Location

The Project is located within the Ustyurt region of the Republic of Karakalpakstan, a semi-autonomous area in the west of the Republic of Uzbekistan. Karakalpakstan borders with the Republic of Kazakhstan in the north and west, the Navoi region in the east, the Khorezm and Buhkhara regions in the south-east and with Turkmenistan to the south. The location of Karakalpakstan within Uzbekistan and the wider region is illustrated within Figure 1.1.

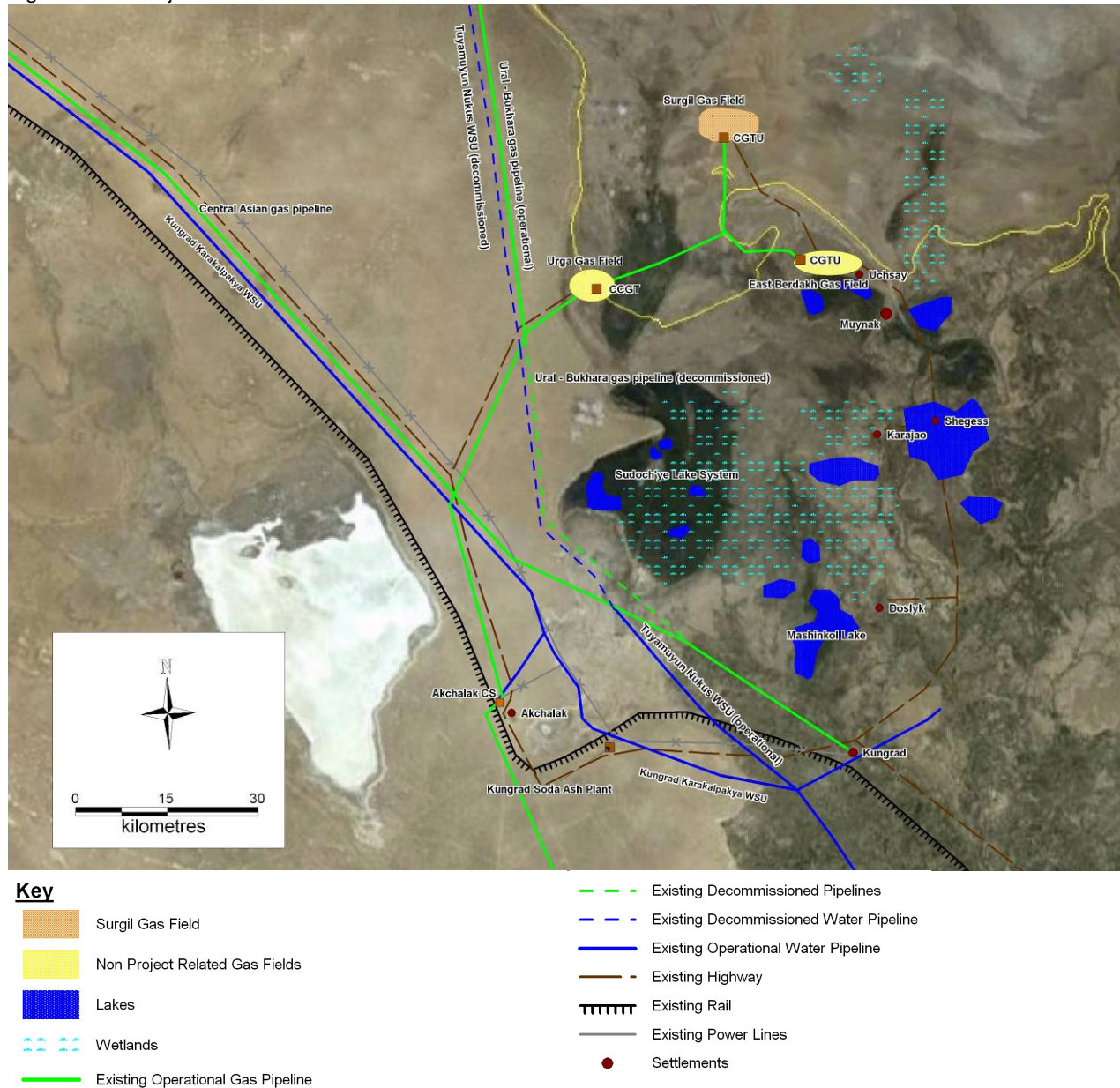
Figure 1.1: Location of Project Within Uzbekistan



Source: Honam/Uz-Kor

The Surgil Field is located in the administrative district of Muynak. The proposed UGCC site is located in the Kungrad district. The location of key project components in relation to the wider Project area is shown in Figure 1.2.

Figure 1.2: Project Area



Source: MML with Google Earth base map reproduced under licence

The northern part of the Project, comprising the upstream component of the project (Surgil Field) and the northern section of the pipeline route, is located to the south of the existing Aral Sea remnants. The Aral Sea is a landlocked basin that has reduced significantly in area and volume since the 1960s, initially as a result of poor water resource management within the former Soviet Union. The Surgil Field is located within the former footprint of the Aral Sea. The area is typically characterised by a flat, dry arid landscape and is low in vegetation cover. The plains are typically of high salinity. Further specific details are provided within the environmental baseline constituting part of the ESIA.

The nearest settlement to the Surgil Field is the small village of Uchsay, 31 km from the Surgil CGTU, with a population of approximately 1 450 people. Uchsay is the most northerly settlement within Uzbekistan and is approximately 9 km north-west of the town of Muynak.

The southern extent of the Project, comprising the UGCC and southern section of the pipeline route, is located on the Ustyurt Plateau. The Ustyurt Plateau is an area of elevated land that stretches from the Aral Sea and Amu Darya river delta in the east to the Caspian Sea in the west and spans both Uzbekistan and neighbouring Kazakhstan. In total, the plateau extends approximately 200,000 km<sup>2</sup> and has an average elevation of 150 metres. The plateau in the vicinity of the Project site consists primarily of flat, monotonous stony desert and drops sharply to the former bed of the Aral Sea, presenting a cliff-like appearance.

The nearest settlement to the UGCC site is the village of Akchalak, located approximately 5 km to the south-west with a population of approximately 950 inhabitants. Akchalak is located approximately 50 km west of the town of Kungrad.

The pipeline route area is uninhabited and completely undeveloped other than oil and gas operations. Local inhabitants of Akchalak keep livestock which is grazed on the plateau. This is small scale activity with typically a number of families combining small livestock herds with a herder hired for seasonal migration. These are generally small scale agricultural practices that have experience in traversing pipeline routes during construction and once completed.

### **1.2.3 Project Status and Plans**

#### **1.2.3.1 Upstream Surgil Gas Field**

Much of the Surgil Field infrastructure, including a Central Gas Treatment Unit (CGTU) has already been built. The development of the Surgil Field has progressed to date under the responsibility of Ustyurtgaz (UG), a subsidiary of Uzbekneftegaz (UNG), the state-owned holding company of Uzbekistan's oil and gas industry. The Surgil field ownership will transfer from Ustyurtgaz to Uz-Kor with the realisation of the Surgil Project.

In addition to the Surgil CGTU, existing facilities include the 28 operational wells (as at March 2011) currently drilled in the Surgil field. A further 10 wells are in the process of being drilled and commissioned. It is understood that the Project will result in the drilling and development of a total of 133 wells by 2020.

All gas and condensate from the Surgil Field wells is transferred to the Surgil CGTU (either via the Gas Gathering Stations or routed directly) where hydrocarbon condensate and water is removed from the gas stream. The Surgil Field CGTU will be expanded within the existing site boundary to handle up to 9 million cubic metres of gas per day (m<sup>3</sup>/d) (from a current capacity of 6 million m<sup>3</sup>/d). The Surgil Field is anticipated to have a production life of approximately 40 years.

Construction and drilling operations for the Surgil Field and pipeline components of the Project commenced in 2007. An operational works settlement (living quarters for 72 people) is planned for 2011 and the extension to the CGTU is planned in 2013.

### 1.2.3.2 Gas Chemical Complex

Construction of the UGCC has not yet commenced as plans for the complex are still at the design stage. The main complex site boundary will occupy a total of 850,000 m<sup>2</sup> greenfield development site located on the Ustyurt Plateau. The nearest settlement to the site is Kyrkkyz/Akchalok, located approximately 5 km south west of the UGCC site.

Approximately 6 km south-east of the UGCC site and adjacent to the El'abad settlement is the Kungrad Soda Plant.

The UGCC will be designed to receive a combined 4.5 billion cubic metres (bcm) of natural gas per year. The plant will also receive a total of 162 kilo tonnes per annum (KTA) un-stabilised external condensate. The UGCC consists of a number of process activities culminating in the High Density Polyethylene (HDPE) Plant for the production of polyethylene pellets and the Polypropylene Plant (PP) for the production of polypropylene pellets. These pellets, plus any associated sales gas, will then be exported to international and national markets.

### 1.2.3.3 Pipelines

The Project involves the construction and operation of approximately 115 km of below ground pipelines for the transfer of gas and condensate from the gas fields to the UGCC. Ancillary infrastructure including telecommunication lines and overhead electricity supply lines will be constructed to run in parallel with the pipelines. The completed pipelines will traverse the former bed of the Aral Sea at an elevation of approximately 50 metres (Baltic datum), ascend the Vostochniy 'Chink' Usturta (plateau escarpment) at Urga and cross the Ustyurt Plateau. The plateau is understood to range in elevation from approximately 147 to 160 metres.

### 1.2.4 Need for the Project

At present, Uzbekistan imports polypropylene for use in manufacturing and produces a basic amount of its own polypropylene. For instance, it is understood that the existing Shurtan Gas Chemical Complex currently produces up to 125 000 tonnes of polyethylene per year. As such, investments made in this Project for the production of high density polypropylene (HDPP) and HDPE products could replace the burden and risk associated with heavy reliance on importation. Moreover, significant opportunities have been identified for the sale of polypropylene to the markets of other Commonwealth of Independent State (CIS) countries, Russia, Western Europe and China. Markets for other types of polyethylene, including low density (LDPE) and linear low density (LLDPE) are understood to be less attractive.

The Project developers have identified that the rich untapped natural gas resources of the Surgil, East and North Berdakh Fields provide an ideal opportunity for the provision of natural gas raw material for the production of industrial polypropylene and polyethylene products. These products, plus any associated sales gas, can then be exported to national and international markets.

The economy of the region, formerly heavily dependent on fisheries, is now supported by cotton, rice and melons. The Aral Sea was formerly one of the fourth largest lakes in the world with an area of 68 000 square kilometres (26 300 sq mi). However, the Aral Sea has been steadily shrinking since the 1960s after the rivers that fed it were diverted by Soviet Union irrigation projects. The region's once prosperous fishing industry has significantly declined, bringing unemployment and economic hardship to the remaining

communities in the area. The Aral Sea region is also heavily polluted, a legacy largely associated with pesticide and fertiliser residue that have accumulated within agricultural lands surrounding the former Aral Sea basin causing polluted dust clouds with consequent serious public health problems. The town of Muynak close to the project region once had a thriving harbour and fishing industry that employed approximately 30,000 people; now it lies approximately 100km from the shore of the remaining Western basin of the Aral Sea.

Some success has been achieved by Kazakhstan in stabilising and restoring the Northern part of the Aral Sea through repair of the Syr Darya irrigation works and the construction of the Dike Kokaral dam. Similar ambitions for the Amu Darya basin through Uzbekistan would entail a substantial reduction in the area of irrigated agriculture which is currently considered socially and politically unmanageable and unacceptable.

The most pressing environmental and social problems currently being faced by Uzbekistan is the crisis in the Aral Sea basin. Poor water management over an extended period of time has resulted in partial drying up of the sea and its contamination by agricultural chemicals. This is now having a strong negative impact on economic activity and on the general health of the population in Uzbekistan's regions neighbouring the Aral Sea.

Irrigation water requirements are the determining factor for alleviating environmental pressures on the Aral Sea. In order to achieve success in reducing irrigation demands, it is necessary to increase the productivity of water, measured in tons of product per cubic meter of water. This can only be achieved with significant investment in irrigation infrastructure and the agricultural sector, which requires increased revenues from across the economy.

The exploitation of oil and gas reserves in Karakalpakstan, with associated export of product and consequential injection of funds from outside the region, has the potential to generate a major source of income for the region. This income provides a potential revenue stream for improvement into schemes designed to modernise irrigation infrastructure and agricultural practices, thus improving the overall productivity of water. Such practices would go some way to raising the overall socio-economic well-being of the region. In addition, this may result in a reduction in the amount of water diverted from the Aral Sea, possibly facilitating re-charge of the sea and partial alleviation of the acute environmental problems faced by the region.

### **1.2.5 ADB Assistance**

The Asian Development Bank (ADB) has been approached by Uz-Kor to provide assistance for (i) existing facilities and/or business activities that already exist and will form part of the future Project proposed for ADB financing; and (ii) development of the UGCC on land or sites that has been in part allocated prior to ADB consideration of the Project.

Existing facilities include the 28 wells currently drilled in the Surgil field and also the Surgil CGTU. The Surgil field ownership will transfer from Ustyurtgaz to Uz-Kor with the realisation of the Surgil Project. Land allocated for the project to date includes most of the downstream project area where the UGCC will be located.

### 1.3 Objectives and Scope of the Report

This report is being prepared to comply with the 2009 ADB Safeguards Policy Statement (SPS) Safeguards Requirements 4 covering Special Requirements for Different Finance Modalities (SPS, SR 4, paragraph 12). The audit aims to (i) identify past or present concerns related to impacts on involuntary resettlement (physical or economic displacement) and ethnic minorities/Indigenous Peoples; (ii) determine whether actions were in accordance with ADB's SR 2 and SR3 principles and requirements; and (iii) prepare a corrective action plan (CAP) containing necessary remedial actions, the budget for such actions, and the time frame for resolution of non-compliance.

### 1.4 Methodology

The following activities were undertaken for the purposes of conducting this audit:

- Site visit to existing facility locations;
- Site visit to land allocations for downstream elements of the Surgil Project;
- Interviews with relevant Uz-Kor members of staff including:
  - Alisher Kasimov, Project Finance Manager, JV Uz-Kor Gaz Chemical;
  - Leonid Evdokimov, First Deputy Chairman, JV Uz-Kor Gaz Chemical;
  - Zhamshid Sharapov, upstream manager, JV Uz-Kor Gaz Chemical; and
  - Olim Orinbaev, Member of BOD from UNG.
- Consultation meeting with Kundrad Hakim (Khakim Oralbay Satbaevich Nurimbetov);
- Consultation meeting with Muynak Hakim (First Deputy Khakim Mr. Taulat Mambetmouratov);
- Review of national and local laws / regulations and procedures relating to land allocation;
- Review of official land allocation documents and permits; and
- Review of Kungrad and Muynak official statistics describing ethnic / cultural and socio-economic profile of the districts within which the Surgil Project lands and facilities are located.

The following represents a list of documents reviewed in the completion of this assignment:

- Constitution of the Uzbekistan Republic of 08.12.92;
- Land Code of the Republic of Uzbekistan (approved by Law No 598-1 of 28.08.98);
- Land Code of the Karakalpakstan Republic (29.08.06);
- Socio-Economic Passport of Muynak province as of January 1, 2010;
- Socio-Economic Passport of Kungrad province as of January 1, 2010;
- Land resources decision 44.4, April 2, 2009, Unofficial translation of the Decision of the Cabinet of Ministers of Republic of Karakalpakstan for a land allotment, 2 April 2009;
- Decision of the Governor of Kungrad province, Unofficial translation of the Decision of the Governor of Kungrad province for a land allotment, 4 March 2009;
- World Directory of Minorities and Indigenous Peoples - Uzbekistan : Overview (available during Nov 2010 at <http://www.unhcr.org/refworld/country,,,COUNTRYPROF,UZB,,4954ce1723,0.html>);
- Country Profile: Uzbekistan, Library of Congress – Federal Research Division, February 2007; and
- Human rights reports: Various available on the web including from the TANDIS (Tolerance and Non-Discrimination Information System) accessed Nov 2010 at <http://tandis.odhr.pl/?p=country,uzb,doc>.

## 2. Audit Findings – Involuntary Resettlement

### 2.1 Scope of Prior Land Acquisition and Extent of Involuntary Resettlement Impacts

The upstream part of the Project is located on land which was up until thirty to forty years ago, seabed. Other than oil and gas infrastructure it is uninhabited and unused because of its high soil salinity results in it having a very low productive value for agriculture.

The area proposed as the Surgil Gas Field is currently being used by Ustyurtgaz/UMD (both subsidiaries of UNG) who were allocated land rights to develop and operate the existing field from the Muynak district government. The upstream land permits are in the process of being transferred from UNG to Uz-Kor and this process is expected to be completed by June 2013. The land permit will include existing and proposed wells and will cover the entire Surgil Field. The new land allocation will provide Uz-Kor with land rights for the duration of the Project.

Moving downstream, the Project pipeline will cross the plateau as the land becomes semi-desert wilderness. No land has been allocated for the pipelines as of June 2011 however it will be Government owned land that will be allocated. Pipeline design work is expected to be finalised by October 2011 and the land allocation process is expected to be complete by early 2012. The application process is expected to take approximately two weeks. This land has some of the lowest value in the Kungrad and Muynak Districts with little scope for agriculture use other than herding. Near the existing settlement of Akchalak, there are a small number of livestock herders who move among the various nearby areas. Based on the fact that land for herding is plentiful and the existing pattern of movement is rotational, stakeholders consulted through the ESIA process have indicated that access to alternative land is not a problem.

The buried pipeline route will be 115 km long. This will include two pipelines (one for gas and one for condensate) being laid adjacent to each other: 1,020 mm and a 168 mm in diameter respectively. Hence a linear area of land will be affected temporarily during excavation and laying of the pipes and then be returned to its original state. The location of pipelines split between the Kungrad and Muynak Districts is presented in Table 2.1 below.

Table 2.1: Location of Pipelines split between the Kungrad and Muynak Districts

Pipeline Section	Kungrad District	Muynak District	Total
115 km gas/condensate pipelines from CGTU to UGCC	60.9%	39.1	100%

Source: Uz-Kor

In accordance with regulation KMK 3.06.08-97 Transit Pipelines (KMK is national Construction Codes and Regulations of Uzbekistan), after the pipeline has been laid the contractor will reinstate all collecting channels, drainage systems, snow-retaining facilities and roads located in the right-of-way or crossing it as well, in order to recultivate the area and restore the natural landscape.

The UGCC is in Kungrad District and the District Government has already allocated land to Uz-Kor for certain aspects of the Project (see Table 2.2). These land area allocations were confirmed by Decision No. 118/3 dated 4th of March 2009 issued by the Kungrad District Hakim, and the Resolution of Cabinet of Ministers of Republic of Karakalpakstan, Nukus city (Ref. No: 44/4) dated April 2, 2009. The approval of the land allocation is for the purpose of the construction of a gas chemical complex and all necessary

engineering, communications, service utilities and power supply networks for the Joint Venture UzKorGasChemical Limited Liability Company. Table 2.2 provides details of this decision.

Table 2.2: Land Currently Allocated for the UGCC and Associated Infrastructure

Facility	Length (m)	Width (m)	Total area allocated (ha)
Ustyurt gas chemical complex	980	867	85
Camping area	1,000	700	70
Railroad network	7,000	21	14.7
Road	5,000	18	9
Power supply network	10,000	10,000/50*10m <sup>2</sup>	0.2
Water supply pipeline	5,000	23	11.5
<b>Total</b>			<b>190.4</b>

Source: Resolution of Cabinet of Ministers of Republic of Karakalpakstan, Nukus city Ref. No: 44/4. Date: April 2, 2009

The land allocation requirements and status of allocation progress for the Project is summarised in Table 2.3. A detailed summary of all land allocation for the Project is provided in Table 2.4.

Table 2.3: Land Allocation Requirements and Status of Allocation Progress for the Surgil Project

Project Component	Intended Land Use	Existing Land Use	Land Area Required (ha)	Status of land Allocation to Uz-Kor
Surgil Field	Gas field - Drilling and CGTU	Formerly seabed until 30-40 years. Low value land with existing allocation to Ustyurtgaz. Currently there is the Surgil CGTU and 28 wells have been drilled.	161.55 ha currently allocated with total of 780.36 ha permanent allocation required. During construction, a further 365.54 ha will be temporarily allocated to the Project to facilitate well drilling. All allocation will be from Muynak District.	Part of the field is allocated (51 wells and 2 GGS) to Ustyurtgaz and upon financial close will be reallocated to Uz-Kor. Uz-Kor will progress with the remaining allocation applications as the field development is progressed.
UGCC	Gas Separation Plant; Ethylene Plant; High Density Polyethylene Plant; Polypropylene Plant; Utilities and offsites (including waster treatment systems).	Mainly unused (some ambulatory herding) and uninhabited	190 ha for the UGCC and related facilities have been allocated. See Table 2.2 for more details on the amount of land acquired. An additional 215.6 ha is required to accommodate all required infrastructure.	190 ha already allocated to Uz-Kor under Decision No 118/3 of March 2009. Uz-Kor will progress with the remaining allocation applications as the downstream development is progressed.
Surgil Field to UGCC pipelines (including spur from Berdakh CGTU)	Transport of gas and condensate	Moving downstream the land changes from former seabed of the Aral Sea to the desert wilderness of the Ustyurt Plateau. For 68 km of its length, the pipeline follows existing pipeline corridors including the former route of the Ural Bukhara pipeline.	A total of 1,017 ha land allocation will be required for the pipeline component of the Project (gas and condensate pipelines and electricity supply). This will require allocation from both Muynak and Kungrad districts.	Preliminary design documentation illustrating the route selection are expected to commence in October 2011 with design completion being anticipated in early 2012. Following this, allocation is expected to be completed within 2-4 weeks.

Table 2.4: Detailed Summary of all Land Allocation for the Surgil Project

Infrastructure	Units	Number	Land allocation during construction (per piece / km)	Land allocation during construction (total)	Permanent Land allocation during operation (per piece / km)	Permanent Land allocation during Operation (total)
<b>Upstream Surgil Field (Allocation from Muynak)</b>						
Gas Wells	pieces	133	2.1	279.3	0.36	47.88
Well Pipelines (Diameter = 108mm)	km	191.6	1.7	325.72	1	191.6
Collector Pipelines (Diameter = 351mm)	km	13.9	2.3	31.97	2.3	31.97
Collector Pipelines (Diameter = 273 mm)	km	4.5	2.3	10.35	2.3	10.35
Access road to sites CGTU	km	14.7	1	14.7	1	14.7
Surgil Field electricity transmission network	km	210	2.1	441	2.1	441
Gas Gathering Stations	pieces	6	1	6	1	6
Security valves	pieces	6	0.1	0.6	0.1	0.6
Surgil CGTU	pieces	1	6	6	6	6
Surgil Workers Accommodation	pieces	1	1	1	1	1
Access Road to Surgil CGTU from Uchsay	km	29.26	1	29.26	1	29.26
<b>Upstream Sub-Total</b>				<b>1145.9</b>		<b>780.36</b>
<b>Pipelines (Allocation from Muynak and Kungrad)</b>						
Gas pipeline from Surgil CGTU to UGCC (Diameter = 1020mm)	km	115	3.2	368	3.2	368
<i>Within Kungrad area. (60.9%)</i>	km	70	3.2	224	3.2	224
<i>Within Muynak area (39.1%)</i>	km	45	3.2	144	3.2	144
Condensate pipeline from Surgil CGTU to UGCC (diameter = 168mm)	km	115	2.3	264.5	2.3	264.5
<i>Within Kungrad area. (60.9%)</i>	km	70	2.3	161	2.3	161
<i>Within Muynak area (39.1%)</i>	km	45	2.3	103.5	2.3	103.5
Condensate pipeline from Berdak CGTU to the tie-in with Surgil pipeline	km	26	2.3	59.8	2.3	59.8
Gas pipeline from Berdakh CGTU to the tie-in with Surgil pipeline	km	26	3.2	83.2	3.2	83.2
10 kV electricity supply for pipeline	km	115	2.1	241.5	2.1	241.5
<i>Within Kungrad area. (60.9%)</i>	km	70	2.1	147	2.1	147
<i>Within Muynak area (39.1%)</i>	km	45	2.1	94.5	2.1	94.5
<b>Pipelines Sub-Total</b>				<b>1017</b>		<b>1017</b>

254793/RGE/GEV/08/A July 2011

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Infrastructure	Units	Number	Land allocation during construction (per piece / km)	Land allocation during construction (total)	Permanent Land allocation during operation (per piece / km)	Permanent Land allocation during Operation (total)
<b>Downstream UGCC (Allocation from Kungrad)</b>						
Rail-road spur	km	7	1.47	10.29	1.47	10.29
Wastewater Storage Pond	pieces	1	128	128	128	128
Water pipelines between UGCC and Wastewater Storage Pond	km	5	2.6	13	2.6	13
Water supply Pipeline to UGCC (from Kungrad water supply pipeline)	km	12	1.7	20.4	1.7	20.4
Water supply Pipeline to UGCC (from Nukus water supply pipeline)	km	20	1.7	34	1.7	34
Gas sales pipeline from UGCC to Akchalak GCS	km	9	2.6	23.4	2.6	23.4
UGCC access road from Kungrad-Beineu highway	km	5	1.05	5.25	1.05	5.25
Solid waste storage area	pieces	1	8.16	8.16	8.16	8.16
Water supply / disposal from Akchalak settlement to UGCC	km	5	1.7	8.5	1.7	8.5
Workers accommodation in Akchalak extension	pieces	1	70	70	70	70
UGCC site	pieces	1	85	85	85	85
<b>Downstream UGCC Sub-Total</b>				<b>406</b>		<b>406</b>
<b>Total allotment of land to Uz-Kor</b>				<b>2568.9</b>		<b>2203.36</b>
<b>Allocation from Kungrad</b>				<b>938</b>		<b>938</b>
<b>Allocation from Muynak</b>				<b>1630.9</b>		<b>1265.36</b>

Source: Uz-Kor

In summary, the review of the allocation of the land certificates and the current use of the land plots and land rights show that the land for the gas field was previously allocated for the development of gas drilling, the land for the pipelines is an established area of pipelines traversing the region, and is Government land, and the pipelines will not cross any settlements and the UGCC will be constructed on land which has not previously been developed in any way. Therefore it is concluded that there will be no need for involuntary resettlement, either physical or economic displacement. As the Project will not result in any physical or economic displacement of people, ADB Safeguard Requirement 2: Involuntary resettlement is not triggered.

Project site photos are attached in Appendix A.

## 2.2 Applicable Laws and Regulations Governing Transfer of Land to the Project

According to the 1998 Land Code of the Republic of Uzbekistan, all land in Uzbekistan is state property and permits for use of land are granted and monitored by the State through the rayon and oblast administrations.

National legislation envisages the following types of land transfers: for use, lease, or ownership by legal entities (only with objects of trade and services infrastructure); and for lifelong inheritable ownership (with housing), use, or lease by individuals. While all land transactions are subject to State regulation, some transactions occur with special permission of the State.

The laws and procedures for expropriating agricultural and urban land are treated differently under Uzbek Law. While agricultural land issues are covered and treated under the Land Code, urban land issues are covered under the Civil Code, the Housing Code, and the Urban Construction Code.

The Land Code identifies several categories of land users, who are eligible for compensation for losses and damages in connection with land acquisition:

- Land tenants – citizens who were allocated land plots for individual housing construction and/or dehkan farming on the basis of life-long tenure;
- Lessees (leaseholders) – farmers, who were allocated land plots for agricultural production purposes, on the basis of a long-term lease;
- Land owners – users of land plots occupied by trade and services infrastructure, which are used as private property. Land, occupied by trade and services infrastructure, however, may not be sold separately from the latter; and
- Land users – all other enterprises, organizations and institutions, which are entitled to use non-agricultural lands. This is the largest category, which includes enterprises and institutions of all types (private and public). Examples include hospitals, schools, private enterprises, and factories.

Legislation envisages compensation for damages to land users in full, including lost profits, in the following instances: (a) seizure, purchase or temporary occupation of land; (b) limitation of the rights of users; (c) deterioration of land quality due to the effects of construction works, servicing, and other activities that lead to reductions in the quantity or quality of agricultural products.

Under Article 8 of the 1998 Land Code, land resources found in the Republic of Uzbekistan are subdivided into the following categories according to land use:

- Lands for agricultural purpose - lands granted for agricultural needs or meant for these purposes are subdivided into irrigated and non - irrigated lands; arable lands; lands taken up by hayfields, pastures, established orchards and vineyards;
- Lands of populated areas (towns, settlements towns and rural populated areas ) - lands located within town and village boundaries and also within the limits of rural populated areas (settlements);
- Lands of industry, transport, communication, defence and other purpose - lands, granted to juridical persons to be used with the mentioned purposes;
- Lands of nature, health protection, recreation purpose - lands taken up by protected natural territories possessing natural medical factors and also lands used for recreation and tourism;
- Lands of historical and cultural purposes - lands taken up by historic and cultural monuments;
- Forest land resources - lands covered with forest and also non - covered with forest but granted for needs of the forestry economy;

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- Water lands resources - lands taken up by water objects, water economy structures and derivational canals along water objects; and
- Reserve lands.

Karakalpakstan, although an autonomous region, is understood to adhere to the Uzbekistan Land Code.

The lands for this Project will be “Lands of industry, transport, communication, defence and other purposes” As mentioned above, land allocation certificates have been provided or are underway from the Government based on the payment of a land allocation tax which incorporates land value. No compensation or entitlements have been or are expected to be paid to other land users as there is no land use other than herders who use a small section of the land near the UGCC on a rotational and non-uniform basis and have access to alternative lands.

## 3. Audit Findings: Indigenous Peoples

### 3.1 Project Context

Uzbekistan is made up of a number of traditional populations of Turkic (Uzbeks, Kazakhs, Karakalpaks), Semitic (Bukhara Jews) and Iranian origins (Tajiks), as well as more recent minorities which arrived in the country during the Russian and Soviet domination (Russians, Crimean Tatars, Meskhetian Turks, Koreans and some Jews).

According to 2010 estimates for the Republic of Uzbekistan, Uzbeks are the main ethnic group representing 80% of the population, with Russians and Tajiks representing about five percent of the population, with Kazakhs and Karakalpak's each representing about three percent of the population. Some 74.3 percent of the population speaks Uzbek, 14.2 percent Russian, and 4.4 percent Tajik. About 88 percent of the population is Muslim and 9 percent Russian Orthodox. Most Uzbek Muslims practice a type of mystic Sufism that is Sunni, introspective, and distinctly non-political. Uzbekistan also has between 15,000 and 20,000 practitioners of other religions.

The United Nations High Commission for Refugees (UNHCR) reports that in the recent past, minorities have left Uzbekistan in very large numbers, as a consequence of both the political regime and because of the limited opportunities for minorities often linked to discriminatory practices by authorities in favour of the Uzbek majority.

The Project is located within the Ustyurt region of the Republic of Karakalpakstan, a semi-autonomous area in the west of Uzbekistan. The population is estimated at 1,500,000. About a third are of Karakalpak ethnic group origin, another third are Uzbek (the area borders with Uzbekistan) and just short of a third are Kazakh. There is also a small Korean population that was established during the Russian control of the area.

The upstream components of the Project are located in the Muynak District which in 2010 had a population estimated to be 28,300 people. The population density is 0.8 persons per square km and about 46 percent of the district's population were classified as 'urban dwellers' and 54 percent as 'rural dwellers'. The ethnic breakdown of the population showed 62 percent being Karakalpak, 37 percent being Kazakh, and less than one percent being Russian, Uzbek, Tatar, Korean or Turkish.

The nearest settlement to the Surgil Field is the small village of Uchsay, with a population of approximately 1,500 people. Uchsay is the most northerly settlement within Uzbekistan and is approximately 9 km north-west of the town of Muynak. Despite the jobs created by the oil and gas sector, the area suffers from high unemployment which is closely linked to the shrinking of the Aral Sea. Muynak was once the largest port on the Aral Sea and a significant portion of the seas fish yield was processed and canned providing many jobs and local taxes. Within Muynak it is estimated that 10,000 jobs have been lost in less than forty years. Despite this, education levels are comparatively high with many young people having qualifications and skills in oil and gas sector operations. Water availability is a problem for the nearby communities.

The downstream components of the Project are located in the Kungrad District which in 2008 had an estimated population of 113,500, just over 72,000 of whom were classified as 'urban dwellers' and almost 41,000 were 'rural dwellers'. The estimated population density per square kilometre was 1.5 persons and the number of working age was 62,400. Kungrad has about 5,000 more women than men. The population

is almost 25 percent Karakalpak, 40 percent Uzbek and 35 percent Kazakh, with a very small number of Russians, Tatars, Ukrainians, Korean and Turks.

The nearest settlement to the UGCC site is the village of Akchalak about five kilometres to the south-west with a population of approximately 1,000 inhabitants. Akchalak is located approximately 50 km west of the town of Kungrad and is under the administration of the Kungrad District Government. Akchalak (Kyrkkyz rail station) is strategically located on the international rail route leading to Moscow and is situated adjacent to existing industrial facilities. Most of the working population of the settlement depend on these employers for their livelihoods. Similar to the Surgil area, the biggest social problem in and around Akchalak is unemployment; this is despite the high prevalence of young graduates. The settlement is the currently under-resourced in terms of health and education facilities.

The vast majority of the pipeline route area is uninhabited and completely undeveloped other than oil and gas operations. There are cattle herders who migrate up to the plateau in the summer for their animals to access fresh grazing land. These are generally large scale agricultural businesses that have experience in traversing pipeline routes during construction and once completed. To the east of the pipeline beyond the immediate vicinity are fishermen at Lake Sudoche.

### **3.2 Ethnic Profile and Impacts on Ethnic Minorities or Indigenous Peoples**

The ethnicity of each of the local communities varies noticeably; in the upstream settlement of Uchsay the overwhelming majority of people are Kazakh (93.1%), as is the case in the downstream settlement of Akchalak, although with a smaller majority (58.4%). The situation in Elabad (the community least affected by the Project) is different, with the majority of people being Karakalpak who consist of 41.3% of the population, compared to 8.9% in Akchalak and 6.7% in Uchsay.

The average percentage of Karakalpak people in the three project affected communities is only 19% and these are concentrated in the Elabad settlement (41.3%) which is the least affected by the project out of the three. Uchsay (upstream) and Akchalak (downstream) settlements consist of 6.7% and 8.9% Karakalpak peoples, respectively.

This section explores the extent to which the Karakalpaks could be considered to meet the ADB definition of Indigenous Peoples (IPs) and therefore the potential for triggering ADB SR3 on IPs. The ADB's defining characteristics for (IPs) is as follows:

"A distinct, vulnerable, social and cultural group possessing the following characteristics in varying degrees:

- (1) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
- (2) Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories;
- (3) Customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and
- (4) A distinct language, often different from the official language of the country or region."<sup>1</sup>

<sup>1</sup> ADB Safeguard Policy Statement, June 2009.

Each of these characteristics is discussed in relation to the Karakalpaks in the sub-sections below.

### **3.2.1 Identification as Members of a Distinct Indigenous Cultural Group**

The Karakalpaks were formerly nomadic herders and fisher-folk whose distinct identity was first recorded in the 16th century. They are a heterogeneous people, their appearance ranging from European to Mongoloid. They are a confederation of many tribes, organised into two major divisions or 'aris', the On To'rt Uriw (meaning fourteen tribes) and the Qon'irat. Within each tribe are a number of clans, or 'koshe', of several extended families claiming descent from a common ancestor. The Karakalpaks actually refer to themselves as Qaraqalpaqs, whilst the Uzbeks call them Qoraqalpogs.

Karakalpaks have their own culture and traditions, cultural dress and they come from a nomadic culture and still carry on some traditions associated with that, even though very few still travel<sup>2</sup>. Clan identity remains very important to the Karakalpaks up to the present day and children are taught to value and respect their clan from an early age. The Karakalpaks are very proud of their ethnic and cultural identity, which is also respected as distinct by Uzbeks, Kazakhs and Russians living in the region. In conclusion, the Karakalpaks are considered to meet the first characteristic of ADB's definition of indigenous peoples in terms of self-identification as members of a distinct indigenous cultural group and recognition of this identity by others.

Despite their strong sense of clan identity, the Karakalpaks appear not to have a strong nationalistic identity as Karakalpaks.<sup>3</sup> In fact, their sense of nationhood is said to be the weakest among Central Asian groups.<sup>4</sup> In that sense, the Karakalpaks maintain more of a pan-Turkic identity than a narrow sense of Karakalpak nationhood, and they do not really look on the Uzbeks and Kazakhs as an alien people.

Overall, the Karakalpak sense of loyalty to their tribe or a clan is far more intense than any generic sense of ethnic identity as Karakalpaks, and individual clans live interspersed among Uzbeks, Kazakhs other ethnic groups within society and don't stay together in one area.<sup>5</sup>

The Karakalpaks are very close to the Kazakhs and they interact and even intermarry in some cases. There have been studies carried out to show that Uzbeks and Karakalpaks have been living together and helping each other (for example for projects that will be mutually beneficial) for centuries.<sup>6</sup>

In conclusion, the Karakalpaks meet the defining ADB characteristic of cultural distinctiveness, whilst recognising that that this cultural identity is not reflected in nationalist ambitions or segregation from other ethnic groups on a day to day basis. Although Karakalpaks are considered to be culturally distinct they are socio-economically integrated with other ethnic groups within Uzbek society.

<sup>2</sup> From an interview with Shamil Amirov, an expert in Archaeology from the Institute of History, Archaeology and Ethnography of Karakalpak Branch of Uzbek Academy of Sciences (considered a global expert).

<sup>3</sup> Philips, J., *People on the move: Introducing the nomads of the world*, 2002.

<sup>4</sup> <http://www.everyculture.com/Russia-Eurasia-China/Karakalpaks-Orientation.html>

<sup>5</sup> Olsen, JS and Pappas, NC, *An ethnical dictionary of the Russian and Soviet Empires*; Greenwood Press, Westport 1994.

<sup>6</sup> From interview with Shamil Amirov an expert in Archaeology from the Institute of History, Archaeology and Ethnography of Karakalpak Branch of Uzbek Academy of Sciences (considered a global expert).

### 3.2.2 Collective Attachment to Geographically Distinct Habitats or Ancestral Territories

Recent archaeological evidence indicates that the Karakalpaks may have formed as a confederation of different tribes at some time in the late 15th or the 16th centuries at some location along the Syr Darya or its southern Zhany Darya outlet, in proximity to the Kazakhs of the Lesser Horde. This would explain why their language, customs and material culture are so very similar to that of the Kazakhs.

Today the Karakalpak population is mainly confined to the central part of Karakalpakstan that is irrigated by the Amu Darya River.<sup>7</sup> They have lived here since the 18th century when they were driven from their homelands in the Syr Darya river valley by the Kazakhs<sup>8</sup>. The largest communities live in Nukus, the capital of Karakalpakstan, and the surrounding large towns, such as Khodzeli, Shimbay, Takhiatash, and Kungrad. Rural Karakalpaks mainly live on former collective or state farms, most of which have been recently privatised. Many rural Karakalpaks have been seriously affected by the desiccation of the Aral Sea, which has significantly affected the local fishing industry along with much of the grazing and agricultural land in the north of the delta.

Karakalpaks are taught from a young age that the northern Aral area is their “paternal homeland” and they have a psychological attachment to the whole area of Karakalpakstan, and in some cases the areas where their paternal ancestors lived.<sup>9</sup> However, for approximately the past 100 years, none of the Karakalpak peoples in Uzbekistan have been dependant on traditional pastoral (nomadic agriculture) activities for their subsistence or livelihoods.<sup>10</sup>

When asked in November 2010, the Kungrad and Muynak District Hakimyats acknowledged that the Karakalpaks have a collective attachment to the Karakalpakstan region as a whole and specifically the original Aral Sea (the remaining part of the sea, that is the dried up areas of sea bed, is barren and uninhabitable other than through specialist camps and the Karakalpaks do not go there), however they stated that none of the land in the project area is being visited or used by Karakalpaks for traditional cultural or lifestyle activities. This information was verified by the specialists consulted to inform this ESIA who - when the project location was described to them - all stated that the Karakalpaks did not have a collective attachment to these specific areas because they had been uninhabited by local communities for a long time<sup>11</sup>.

In summary, whilst the Karakalpaks do have a collective attachment to Karakalpakstan as a whole, and in some cases specific areas, this attachment does not translate into cultural practices and or pilgrimages to these areas away from their homes (which are largely in urban or semi-urban areas). Furthermore, Karakalpaks do not have a collective attachment to any of areas in the Project footprint. In conclusion, Karakalpaks are not thought to meet this characteristic of IPs in relation to this Project, and therefore

<sup>7</sup> Cernea, MM and Kudat, A, Social Assessments for Better Development, World Bank, 1997.

<sup>8</sup> Knowlton, M, Uzbekistan, 2006.

<sup>9</sup> From an interview with David Richardson, a scientist who is currently writing a book on the ethnography of the Karakalpak people (he is considered an emerging specialist)

<sup>10</sup> Karakalpakstan State Art Museum in Nukus.

<sup>11</sup> From interviews with David Richardson, a scientist who is currently writing a book on the ethnography of the Karakalpak people (he is considered an emerging specialist) and Shamil Amirov an expert in Archaeology from the Institute of History, Archaeology and Ethnography of Karakalpak Branch of Uzbek Academy of Sciences (considered a global expert).

Project would not trigger ADB SR3 on the grounds of having impacts on the 'territories or natural or cultural resources' that Karakalpaks 'own, use, occupy or claim as their ancestral domain' (ADB SR3 Paragraph 9).

### **3.2.3 Separate Customary Cultural, Economic, Social, or Political Institutions**

The Karakalpak Autonomous Oblast was created on February 19, 1925 by separating lands of the ethnic Karakalpaks from the Turkestan Autonomous Soviet Socialist Republic and Khorezm People's Soviet Republic. In 1932 the oblast became the Karakalpak Autonomous Soviet Socialist Republic, and it was joined to the Uzbek SSR in 1936. It is because of that transfer that Karakalpaks entered into the sphere of Uzbekistan at the latter's independence in 1991, instead of their more closely related Kazakhs.<sup>12</sup>

There is widespread recognition that Karakalpaks have never enjoyed any political independence as an ethnic community<sup>13</sup>. The specialists consulted to inform this ESIA explained that Karakalpakstan is in theory a semi-autonomous Republic within Uzbekistan and has its own parliament and legislature, but in fact all of the major decisions are made in Tashkent and are merely 'rubber-stamped' in Karakalpakstan<sup>14</sup>.

Also as a result of the Soviet legacy, the Karakalpakstan government is ethnically varied and integrated. During the Soviet Union all government offices and institutions were made up of teams of people from different ethnic groups. Now it is not a strict rule any more, but this practice continues today in political and economic institutions<sup>15</sup>.

As well as being politically integrated, the Karakalpaks also participate in most economic institutions, and the widespread poverty in region was shared by a number of ethnic groups and not distinct to ethnic Karakalpaks<sup>16</sup>.

The most defining institutions of the Karakalpaks are socio-cultural, namely the tribe and the clan, and its distinct practices, the most notable of which is exogamy. Exogamy is the social arrangement where marriage is allowed only outside of a social group, which in the case of Karakalpaks is the clan and tribe.

Exogamy has always been a strong tribal characteristic of Karakalpaks who in general were required to marry up to seven generations outside of the clan of their mother. Karakalpak children always aspartain to the tribe of their father and it is forbidden to marry with all representatives of the tribe of the father regardless of their location of residence and the number of generations passed since direct real kinship.

Girls and boys from same tribe were (and are at present) considered as sisters and brothers. Rare cases of breach of exogamy among Karakalpaks have in the past been strongly punished by public disgrace and expulsion from the settlement. There are only two clans where tribal exogamy was not in use: the Qarly

<sup>12</sup> [www.karakalpak.com](http://www.karakalpak.com)

<sup>13</sup> Olsen, JS and Pappas, NC, An ethnical dictionary of the Russian and Soviet Empires; Greenwood Press, Westport 1994.

<sup>14</sup> From an interview with David Richardson, a scientist who is currently writing a book on the ethnography of the Karakalpak people (he is considered an emerging specialist).

<sup>15</sup> From an interview with Shamil Amirov, an expert in Archaeology from the Institute of History, Archaeology and Ethnography of Karakalpak Branch of Uzbek Academy of Sciences (considered a global expert).

<sup>16</sup> [www.karakalpak.com](http://www.karakalpak.com)

clan from Kypshaq tribe, and Qayshly clan from Qtay tribe. However, this is generally denied by members of these tribes as it is considered a source of shame.

Exogamy is not only practiced by Karakalpaks, but also by Kazakhs, Kyrgyz and Altay Turkic people. A Soviet ethnologist in 1960s and 1970's undertook research that identified that these other groups tended to reduce the degree of exogamy from seven to three or four generations. However, Kazakhs living in Karakalpakstan have been influenced by Karakalpak marriage rites and culture, and they now practice the same degree of exogamy as the Karakalpaks<sup>17</sup>.

In summary and conclusion, the Karakalpaks are considered to share and participate in the same socioeconomic and governance institutions of mainstream society, within which a number of ethnic groups are politically and economically integrated in accordance with Soviet traditions. The clan and tribe is the distinctive socio-cultural institution of Karakalpaks, which has different practices from modern Uzbek society, the most notable of which is exogamy. However, other ethnic minorities in the project area, such as Kazakhs also share the practice of exogamy and it is not considered uncommon or unusual. Overall, it is concluded that the Karakalpaks do not meet this third defining characteristic of IPs. The one area where there could potentially be grounds for triggering SR3 in relation to the presence of this characteristic would be if the project would affect the socio-cultural institution of the tribe or the clan, however such potential impacts are not considered to be likely as a result of the Project.

### **3.2.4 Distinct language that is Different from the Official Language of the Country or Region**

The Karakalpaks' language belongs to the Kipchak family of Turkic languages, and they are closely related linguistically and culturally to the Kazakhs. Their written language is Turkic used commonly by all Turkistan people until the end of the nineteenth century, and their spoken language is very close to Kazakh language and Kyrgyz language.

Karakalpak language had become a written language in the Soviet period for the first time and an alphabet was developed that was based on the Arabic letters at first. In 1972 Karakalpak was used as the medium of instruction at all levels in the schools of Karakalpakstan.<sup>18</sup> The transition to the Latin letters has been accelerated in a movement to remove the influence of the Russian language from everyday life. While Karakalpak and Uzbek are both official languages in the autonomous republic, the government of Uzbekistan has recently been replacing the Karakalpak names of populated places, geographical features, and administrative divisions with Uzbek language names only.

Karakalpak culture was suppressed during the process of Sovietisation however one of the positive legacies from the Soviet period is that the overwhelming majority of children still go to school and adult literacy is extremely high. However following Uzbek independence it is no longer obligatory to teach Russian and many good schools now attempt to teach English as an alternate foreign language. In the past many older rural Karakalpaks never learnt to speak Russian and now it is common to find young people in the cities who can only speak Karakalpak.

<sup>17</sup> From an interview with Shamil Amirov an expert in Archaeology from the Institute of History, Archaeology and Ethnography of Karakalpak Branch of Uzbek Academy of Sciences (considered a global expert).

<sup>18</sup> Akiner, S, Islamic Peoples of the Soviet Union, 1983.

Specialists consulted to inform this ESIA stated that having a separate language does differentiate the Karakalpaks from other ethnic groups and mainstream society, and that this language is used in day to day interactions between Karakalpaks.<sup>19</sup> However Karakalpaks can all speak Uzbek and or Russian, and in some cases in urban areas they cannot speak Karakalpak.

### 3.2.5 Conclusion

In conclusion, the Karakalpaks meet the fourth defining characteristic of ADB's definition of indigenous people as they have a distinct language that is different from the official language of the country. Karakalpaks meet the first and the fourth defining ADB characteristics of IPs in relation to having a distinct cultural identity and language respectively, however the project is not expected to affect either of these characteristics and therefore SR3 is not triggered on these grounds.

In relation to the second defining ADB characteristic of collective attachment to geographically distinct territories in the project area; whilst Karakalpaks have a collective attachment to Karakalpakstan as a whole and to the homelands of their forefathers, they do not have a collective attachment to any specific area within Karakalpakstan. Furthermore, there are no areas which fall within the Project footprint to which attachment of any definition is held given that the project areas have long been uninhabited or on the whole used by local populations. Therefore, overall the Karakalpaks do not meet this defining characteristic.

Considering the third defining ADB characteristic, it is concluded that the Karakalpaks do not have separate economic or political institutions. They do have distinct socio-cultural and customary institutions in the form of the tribe and clan and the related practices, most notably of exogamy. However, the practice of exogamy is also shared by other members of society in the project area such as ethnic Kazakhs. The project is not expected to affect the tribe or clan structure, or the related socio-cultural practices, therefore SR3 will not be triggered on the grounds of this characteristic.

Overall, the Karakalpaks do not meet all four of the ADB's defining ADB characteristics of IPs as defined in paragraph 6 of SR3 and it is therefore concluded that they are not IPs according to the ADB definition. For those characteristics which the Karakalpaks do partially meet; ADB's Safeguard Requirement (SR) 3: Indigenous Peoples is only triggered if:

“...a Project directly or indirectly affects the dignity, human rights, livelihood systems, or culture of the Indigenous Peoples or affects the territories or natural or cultural resources that Indigenous Peoples own, use, occupy, or claim as an ancestral domain or asset.”

The project is not expected to directly or indirectly affect the dignity, human rights, livelihood systems or culture of the Karakalpaks or the resources or territories that they use, occupy or claim as their ancestral domain as stipulated in SR3 3 paragraph 9, therefore it is concluded that SR3 is not triggered by this Project. The project is likely to be classified by the ADB as Indigenous Peoples 'Category C – no impact'. Rather, the social benefits identified in the SIA, such as employment generation and provision social and community infrastructure and services, is considered to have the potential to address the existing situation of high levels of unemployment and poverty in the Karakalpak region, and for people of Karakalpak

<sup>19</sup> From an interview with Shamil Amiro, an expert in Archaeology from the Institute of History, Archaeology and Ethnography of Karakalpak Branch of Uzbek Academy of Sciences (considered a global expert).

ethnicity living in the local project affected communities. However, it would be difficult to attribute developmental outcomes which disproportionately benefited Karakalpak peoples directly to the Project specifically.

## 4. Audit Findings: Other Social Considerations

### 4.1 Overview

Other social considerations were addressed in this review. Results relating to gender relations, labour force protection and human trafficking are presented below.

### 4.2 Gender relations

Equal opportunity is a principle addressed in Uzbekistan's Constitution. Each district has a women's council and the chairwoman of the council is automatically designated deputy district head. However, in daily living, gender relations are affected by the local challenges households and communities face with providing decent living standards and with addressing water pressures and employment problems. Women tend to have limited control over money which is exacerbated by lack of household income. They tend to work in low paying sectors or at low paying levels. One gender assessment in the region earlier in the decade found that women had low levels of economic independence and were affected by gender stereotypes and domination by ethnic Uzbeks who are more patriarchal in comparison with Karakalpakstan people. Women in Karakalpakstan have limited access to fertile lands in remote areas.

Two active women's groups were identified in the local project affected communities, one in the Akchalak Gas Compressor Station and the other in the Akchalak settlement itself, of which the Hakimyat is a woman. The role of these groups is to look for supporting female employment, enhance the gender relations and also to protect women's rights.

It is estimated that there are 78 women looking for work in the Akchalak settlement that could be employed by the Project. Some of these women are reported to be educated and skilled, and typical jobs they could fill in Project such as this are laboratory workers that are part of teams responsible for automation equipment and environmental management.

All of the women interviewed through the ESIA consultation process have been supportive of the project and hope that it will bring employment (both directly and through secondary service provision such as laundry and catering), training and infrastructure and service benefits to the area that will further empower women.

### 4.3 Labour force protection

With both national and Korean investment, the Project intends to employ an Uzbekistan labour force for the upstream components and a mixed Uzbek / Korean labour force for downstream components. The Republic of Uzbekistan is a member of the International Labour Organization since 1993 and as of January 2010, it was a signatory to 13 conventions of the ILO. In March 2008 Uzbekistan ratified the two ILO conventions on child labour: on Minimal Age of Employment (№138) and on Prohibition and Immediate Action for Elimination of the Worst Forms of Child Labour (№182). The minimum age for employment is 16 years old. Article 77 of the Labour code provides that for the purpose of preparing youths to work a person of 15 years of age can be hired, with the written consent of a parent or guardian, for work that does not cause harm to his health and development while also not infringing the educational process. Forced labour in the agricultural and construction industries is a recognised problem in Uzbekistan. The Project will meet all Uzbek standards for labour force protection and applicable ILO conventions.

#### **4.4 Human trafficking**

Uzbekistan is a source country for the trafficking of women and girls to Kazakhstan, Russia, Middle East, and Asia for the purpose of commercial sexual exploitation. Men are trafficked to Kazakhstan and Russia for purposes of forced labour in the construction, cotton, and tobacco industries. The US has categorised Uzbekistan as a Tier 2 Watch List Country which means it does not fully comply with their minimum standards, but are making significant efforts to bring themselves into compliance with those standards.

## 5. Conclusions and Recommendations

### 5.1 Conclusions

#### 5.1.1 Involuntary Resettlement

The Audit found that involuntary resettlement has been avoided which is the objective of SPS SR2. Land for the Project construction and operation is uninhabited, state-owned non-agricultural land. The land allocated is generally of poor quality and there are no known competing interests for its use. The Project has been and is in the process of finalising the land allocation processes with the Government. This land allocation complies with Republic of Uzbekistan Land Code (and therefore also the Karakalpak Land Code). The Project will contribute to the establishment and improvement of more infrastructures in a remote location.

#### 5.1.2 Indigenous Peoples

The Karakalpak ethnic people are not expected to be adversely affected in a disproportionate manner and no other indigenous peoples or ethnic minorities have been identified in the Project area and hence SPS SR3 requirements are not triggered.

#### 5.1.3 Other Social Considerations

Women in Uzbekistan tend to receive low wages or be hired at low positions. The Project will need to use a wage scale that is based on experience and skill level not gender.

The Project will provide much needed jobs to the area. The use of forced labour and potential gender discrimination is a concern. There is an opportunity for the Project to address local unemployment and underemployment for the upstream component and to an extent in the downstream component (certainly through sub-contracting and secondary services).

Human trafficking is a general country wide concern and the Project area is close to the border.

### 5.2 Recommendations

Uzbekistan is a country where human rights abuses receive attention, including from the Government which has been making efforts to address the upholding of human rights. The Project needs to contribute to these efforts by having clear commitments and processes that ensure non-discrimination and equal opportunity in the recruitment, contracting, termination of employment or retirement, training and disciplinary phases of employer management. In particular there needs to be fair and equal pay for equivalent work carried out by women.

The establishment of these commitments and processes will be the responsibility of the Human Resource Director. They should be established prior to tendering for contractors. Similar commitments and processes will be required by contractors and it will be the Project Manager's responsibility to ensure they are outlined with appropriate contract clauses. Additional measures to safeguard the fair treatment and safety of workers will need to be developed in the environmental and social impact assessment management plans.

The Project should not hire people under the age of 18 (to allow completion of secondary school) and should consider introducing an apprenticeship and short work placement program for youths aged 15 to 18. Such a program would contribute to the development of local skills. All construction workers should be provided with a summary of their employment service and training activities as a means to finding continued employment and to help prevent trafficking of forced labour.

To support labour monitoring, the Project will be keeping a record of the workforce profile, which should include reporting on gender, ethnicity, and location source of workers (for instance from the district, from the Karakalpakstan area, from Uzbekistan and other countries). Contract conditions should detail maternity and paternity leave entitlements with other benefits. The Korean subcontractors should allow for both spouses to be employed and provide family accommodation for such situations.

The presence of the Korean workforce in an area where jobs are anticipated could create some social conflict. It will be important that cultural training for integration, including guidance from representatives of the existing Korean community, as well as an employee code of conduct, are implemented.

The Project needs to make a commitment that contractors and subcontractors will not use forced labour. The employee code of conduct will need to address sexual harassment and prostitution practices. Involvement in human trafficking should be case for immediate dismissal (on the provision of some form of reliable evidence).

# Appendices

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## Appendix A. Photos of Land Use in Project Area

Figure A.1: Wellhead Christmas Tree in Surgil Field



Figure A.2: View from the Surgil Field



Source: MML

Figure A.3: Area Proposed for the UGCC



Source: MML