

Uzbekistan : Bukhara Region Water Supply and Sewerage Project

1. Project Information

Project ID:	P000314	Instrument ID:	L0314A
Member:	Uzbekistan	Region:	Central Asia
Sector:	Water	Sub-sector:	Water supply, sanitation, and wastewater treatment
Instrument type:	<input checked="" type="checkbox"/> Loan:385.12 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier(s):	
ES category:	A	Borrowing Entity:	Ministry of Finance and Economy, Uzbekistan
Implementing Entity:	Uzsuvtaminot JSC		
Project Team Leader:	Zacharias Ziegelhöfer		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Nurzhan Serik, Team Member; Odil Akbarov, OSD - Social Development Specialist; Liu Yang, Project Counsel; Shodi Nazarov, OSD - Financial Management Specialist; Zhixi Zhu, OSD - Environment Specialist; Chitambala Sikazwe, OSD - Procurement Specialist; Gabriel Giacobone, Co-PTL; Luiz Eduardo Rodrigues, Alternate Counsel; Gabriel Giacobone, Back-up PTL; Yuyou Guo, Project admin		
Completed Site Visits by AIIB:	Aug, 2020 Virtual mission to take stock of implementation progress, to identify and discuss issues, and recommend actions to be taken to address issues of project implementation. Nov, 2020 Virtual mission to take stock of implementation progress, to identify and discuss issues, and recommend actions to be taken to address issues of project implementation. Apr, 2021 Virtual mission to take stock of proposed change to implementation arrangements, implementation progress, to identify and discuss issues, and recommend actions to be taken to address issues of project implementation. Sep, 2021 Virtual mission to take stock of changes to implementation arrangements, implementation progress, to identify and discuss issues, and recommend actions to be taken to address issues of project implementation. Dec, 2021 Virtual mission to take stock of implementation progress, to identify and discuss issues, and recommend actions to be taken to address issues of project implementation. May, 2022 Physical mission to take stock of implementation progress, to identify and discuss issues, and recommend actions to be taken to address issues of project implementation. Oct, 2022 Physical mission to take stock of implementation progress, to identify and discuss issues, and recommend actions to be taken to address issues of project implementation. Mar, 2023		

	Virtual mission to take stock of implementation progress, to identify and discuss issues, and recommend actions to be taken to address issues of project implementation. Apr, 2023 Physical mission to take stock of implementation progress, provide implementation support and recommend actions to address implementation issues.
Planned Site Visits by AIIB:	Nov, 2023 Physical mission to take stock of implementation progress, provide implementation support and recommend actions to address implementation issues.
Current Red Flags Assigned:	1
Current Monitoring Regime:	Regular Monitoring
Previous Red Flags Assigned:	1
Previous Red Flags Assigned Date:	2022/12

2. Project Summary and Objectives

The project objective is to provide access to safely managed water and sanitation services in the Bukhara region and strengthen the operational performance of the water utility of Bukhara region. The project is expected to benefit 1.15 million residents of the prioritized areas in the Bukhara region. The proposed project will comprise the following components:

Component 1. Investment in Water Supply Infrastructure. Construction and rehabilitation of main water lines, well fields and intakes, associated electric facilities, water treatment plants, pumping stations, water reservoirs, distribution networks including house connections and equipment. The water supply component covers the districts Bukhara, Rometan, Peshko, Jondor, Kogon and Qorovulbozor.

Component 2. Investment in Sewage Infrastructure. Construction of centralized sewage systems in district centers consisting of house connections, collectors, pumping stations and mechanical-biological sewage treatment plants as well as discharge facilities, optionally tertiary treatment for reuse purposes. The sewage component covers the district centers of Qorakol, Olot, Qorovulbozor, Rometan and Gijduvon.

Component 3. Project Implementation and Management Support. Project management and implementation support to assist the Project Implementing Entity (PIE) in ensuring seamless coordination, efficient implementation and compliance with the relevant policies and standards. Based on the feasibility study, the detailed design for the activities under Component 1 and 2 of the project will be prepared through the consulting services under this component. The consulting services will also ensure construction supervision during implementation.

Changes from Approval. Non-material Project Changes were approved in 2021 and 2022 to 1) extend a dated covenant in the legal document; 2) reflect changed implementation arrangements resulting from changed institutional arrangements in the water sector; and 3) regulate the treatment of social charges and taxes relating to the Project Coordination Unit (PCU). Related amendments to the legal documents have been signed in the same years.

3. Key Dates

Approval:	Apr. 03, 2020	Signing:	Sep. 30, 2020
Effective:	Nov. 26, 2020	Restructured (if any):	Oct. 13, 2021

Orig. Closing:	Dec. 30, 2025	Rev. Closing (if any):	
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4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	7.32	Most recent disbursement (amount/date):	0.11/Jul. 19, 2023
Undisbursed:	377.79	Disbursement Ratio (%) ¹ :	1.90

5. Project Implementation Update

After initial delays, project implementation progress is accelerating. The contracts for design services were signed on May 13 and 17, 2022 for water and sewage respectively. The contract for the services for tender documentation, project management, and construction supervision has been signed on December 26, 2022. The detailed design for the water supply and sanitation activities are ongoing with the design of one package for water supply and one package for sewerage under completion. Meanwhile, the tendering of construction works is expected to start in the second semester of 2023.

The detailed designs and tender documents are being prepared in a staggered approach of four batches for water supply and five batches for sewage to manage the complexity and workload for the Project Coordination Unit. The completion date of the detailed design contracts is currently 27 December 2023 for the water supply system design and 7 February 2024 for the sewerage system design. Tender documents for the water supply system are expected for three batches between 6 August 2023 and 30 October 2023. Tender documents for the sewerage system are expected for two batches between 30 August 2023 and 30 October 2023. The consulting firms are expediting the preparation of designs, review and tender documents for the respective packages.

The PCU is fully staffed, after the recruitments of Environmental and Social (ES) Expert, Engineer and Local Coordinator, which were vacant for a substantial part of 2022, have been completed. The PCU and AIIB are conducting regular stock-taking meetings on critical actions and review progress, through virtual meetings and regular submission of quarterly progress reports.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1. Investment in Water Supply Infrastructure. Construction and rehabilitation of intakes, main water lines, water treatment facilities,	Physical progress will start after the completion of tendering for works contracts.	ES subproject documents are under preparation by detailed design consultant who will conduct initial ES screening for each subproject.	The consultant for detailed design services of the water supply activities commenced the assignment in July 2022. The consultant justified the major delays in the progress with the following reasons, namely (i) outdated information

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

<p>pumping stations and distribution networks.</p>			<p>and gaps in the feasibility study, which was conducted in 2017; (ii) availability of baseline data and (iii) approvals required from state authorities (cadaster and architecture). The PCU and Bukhara Suvtaminot raised their concern about the delays. The consultant indicated its readiness to fully mobilize its team to accelerate progress if required approvals and clearances from the authorities could be obtained timely. The tendering for the first works packages is expected to commence in H2 2023 and construction is expected to commence in H1 2024. It was decided that the packages for equipment should be accelerated to achieve implementation progress</p>
<p>Component 2. Investment in Sewage Infrastructure. Construction of centralized sewage systems in district centers, consisting of collectors, pumping stations and sewage treatment plants, as well as discharge facilities.</p>	<p>Physical progress will start after the completion of tendering for works contracts.</p>	<p>ES subproject documents are under preparation by detailed design consultant who will conduct initial ES screening.</p>	<p>The consultant for the services to develop a detailed design for the sewerage activities commenced the assignment in August 2022. Whilst a Draft Interim Design Report was submitted in April 2023, its contents do not meet the requirements of the ToRs. The PCU and the consultant are resolving the matter. The consultant for the detailed design for sewerage reiterated similar concerns as design consultant for water supply such as gaps in the feasibility study and availability of baseline data. AIIB team noted that the consultant’s approach risks some delays later on since it is proceeding based on verbal guidance from the authorities and back-loading the formal</p>

			<p>approvals from authorities. The tendering for the first works packages is expected to commence in H2 2023 and construction is expected to commence in H1 2024. It was decided that the packages for equipment should be accelerated to achieve implementation progress.</p>
<p>Component 3. Project Implementation and Management Support. Project management and implementation support to assist the Implementation Agency in ensuring seamless coordination, efficient implementation and compliance with the relevant policies.</p>	<p>The PCU is fully staffed, after the recruitments of ES Specialist, Engineer and Local Coordinator, which were vacant for a substantial part of 2022, have been completed.</p> <p>With the beginning of design works, more coordination in Bukhara is needed, and the PCU decided to allocate one of the engineers (in addition to the local coordinator) to Bukhara region to work on site for which AIIB team provided its no-objection in February 2023.</p> <p>The design consultants delivered a presentation on the current status and encountered issues during the Project Team’s physical mission to Bukhara in April 2023. The design works have been delayed (see progress update under Procurement column). The two joint ventures of consulting firms shared similar concerns such as gaps in the feasibility study, availability of baseline data and difficulties to receive required</p>	<p>TOR of detailed design consultant include preparation of subproject ES documents; Grievence Redress Mechanism (GRM) at the PCU level established.</p>	<p>The selection process for detailed design services for water supply and sewerage activities has been completed. The selection process for the construction supervision has been completed. The project financial auditor was hired in May 2022. The team continues to engage with the client to streamline the procurement process and to provide support for contract management. Tendering for works contracts expected to start in the second semester of 2023.</p>

	guidance and clearance from local authorities.		
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Financial Management:

PCU has been in continuous dialogue with AIIB Financial Management (FM) specialist to discuss various FM-related matters including the replenishment of designated accounts, processing of direct payments, preparation of Interim Unaudited Financial Reports (IUFs) and Statements of Expenditures, selection of auditors, etc. The PCU has been submitting the quarterly IUFs regularly, which have been reviewed and found to be acceptable to the AIIB. On February 13, 2023, the project has timely submitted the audit report in respect of the financial statements of the Bukhara Region Water Supply and Sewerage Project for the year ended December 31, 2022. The auditor, Tsiar-Finans LLC (Uzbekistan), has issued an unqualified opinion on the project's financial statements. The auditor has also issued the management letter and did not notice any shortcomings and inaccuracies in accounting. The audit report and the accompanying Project financial statements are acceptable to the Bank.

6. Status of the Grievance Redress Mechanism (GRM)

The GRM mechanism has been established at the PCU level. Members for the GRM have been nominated. An "Operating procedures for grievance management" has been developed and used for capacity-building of members. GRM information has been disclosed on the Uzsuvtaminot website and official social media pages. No grievances have been received to date.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

The results will be monitored according to physical progress.

Remarks:

No physical progress yet. Subsequent to the delays in early implementation, implementation progress is expected to accelerate as the change in PIE has been completed.

Project Objectives Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments	
			Baseline		2019		2020		2021		2022		2023		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual				
People provided with access to safely managed water sources	Project	No.(1,000)	2019														1050		Annually	MHCS	
People provided with access to safely managed sanitation services	Project	No. (1,000)	2019														105		Annually	MHCS	
O&M cost recovery ratio	Project	No.	2019														>1		Annually	MHCS	

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments	
			Baseline		2019		2020		2021		2022		2023		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual				
Length of water supply pipelines constructed	Project	km	2019														1260		Annually		
Length of water supply pipelines rehabilitated	Project	km	2019														850		Annually		
Number of water intake structures constructed/rehabilitated	Project	No.	2019														1		Annually		
Number of WDUs constructed and rehabilitated	Project	No.	2019														43		Annually		
Increase in the volume of water production capacity	Project	m3 (1,000)	2019														125		Annually		