

Uzbekistan : Bukhara Region Water Supply and Sewerage Project

1. Project Information

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|-----------------------------------|---|------------------|--|
| 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 USD million <input type="checkbox"/> Guarantee | Co-financier(s): | |
| ES category: | A | Borrower: | Ministry of Finance, Uzbekistan |
| Implementing Entity: | Uzsuvtaminot | | |
| Project Team Leader: | Zacharias Ziegelhöfer | | |
| Project Team Members: | Liu Yang, Project Counsel; Véronique Allarousse, Alternate Counsel; Shodi Nazarov, OSD - Financial Management Specialist; Irish Fe Aguilar, OSD - Social Development Specialist; Zhixi Zhu, OSD - Environment Specialist; Chitambala Sikazwe, OSD - Procurement Specialist; | | |
| Completed Site Visits by AIIB: | <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> | | |
| Planned Site Visits by AIIB: | <p>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. If the pandemic situation does not allow for a physical visit, a virtual mission will be conducted instead.</p> <p>Oct, 2022 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.</p> | | |
| Current Red Flags Assigned: | 0 | | |
| Current Monitoring Regime: | Regular Monitoring | | |
| Previous Red Flags Assigned: | 1 | | |
| Previous Red Flags Assigned Date: | 2021 Q2 | | |

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 the construction supervision during implementation.

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): | |

4. Disbursement Summary (USD million)

| | | | |
|-------------------|--------|---|--------------------|
| Contract Awarded: | | Cancellation (if any): | 0.00 |
| Disbursed: | 1.85 | Most recent disbursement (amount/date): | 0.08/Aug. 06, 2021 |
| Undisbursed: | 383.85 | Disbursement Ratio (%) ¹ : | 0.48 |

5. Project Implementation Update

In the previous PIMR, delays due to institutional changes in the context of a sector reform have been identified as a key issue. This issue has been resolved and project implementation is expected to accelerate. Subsequent to the reform decision as per Cabinet of Ministers Resolution, dated March 30, 2021, the Government has requested AIIB to consider a change in the PIE to Uzsvtominat (UZST), a recently created national water company. As per the recent decision on water sector reform, the government-owned company Uzsvtaminot has been tasked with the responsibility of preparation and implementation of all water projects funded by the GoU and IFIs. UZST also owns the regional water companies, including Bukhara Svvtaminot, which are responsible for the operation and maintenance of the water supply and sanitation infrastructure and service provision to the end-users in the respective regions. The Kommunkhizmat, previously responsible for the implementation of IFI-financed projects in the water sector has been dissolved and all assets and liabilities have been transferred to UZST. The project team has assessed the proposed changes to the implementation arrangements and has found the new implementation

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.

arrangements satisfactory. A project change has been completed and the subsequent amendment to the legal agreements have been executed. The selection process for the services to develop a detailed design for the water supply and sanitation activities is expected to be completed in Q1 2022. UZST has reaffirmed a strong commitment to accelerate the project implementation and project implementation is expected to pick up with the completion of the ongoing selection processes. The PCU is providing regular progress updates through virtual meetings and regular submission of quarterly progress reports.

| Components | Physical Progress | Environmental & Social Compliance | Procurement | Financial Management |
|---|---|--|--|---|
| Component 1. Investment in Water Supply Infrastructure. Construction and rehabilitation of intakes, main water lines, water treatment facilities, pumping stations and distribution networks. | Physical progress will start after the completion of tendering for works contracts. | Environmental and Social (ES) subproject documents to be prepared by detailed design consultant. | The selection process for the services to develop a detailed design for the water supply activities is ongoing. The contract award is expected in Q1 2022. The procurement plan for the construction packages has been reviewed and updated according to the new timeline. | PCU has been in continuous dialogue with AIIB FM specialist to discuss various FM-related matters including the replenishment of designated accounts, the revision of the FM Manual, and finalizing the TOR for audit. PCU finalized the revision of the FM Manual in November 2021, and the current version of the FM Manual is acceptable to AIIB and includes the latest updates under the project. PCU received the Bank's no-objection on the Request for Proposals (RfP) for the project audit on December 30, 2021. PCU has planned to notify the short-listed auditors by January 15, 2022, so that the selection process can be launched as soon as possible. AIIB noted that the audit should be completed by June 2022, covering the period of 2020 to |

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| | | | | <p>the end of 2021 as per the Loan Agreement. PCU has been submitting regular quarterly IFRs on time which have been found to be satisfactory to AIIB. The first withdrawal application with SOE to document the advances received was submitted and accepted in November 2021. PCU has been working on the new application to receive the additional advance and close the previous advances and on IFR for 4Q2021. It is expected that AIIB will receive both documents by the end of January 2022.</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 to be prepared by detailed design consultant.</p> | <p>The selection process for the services to develop a detailed design for the sewerage activities is ongoing. The contract award is expected in Q1 2022. The procurement plan for the construction packages has been reviewed and updated according to the new timeline.</p> | |
| <p>Component 3. Project Implementation and Management Support. Project management and implementation support to assist the</p> | <p>The PCU has been established with key experts onboarded. The selection process for detailed design</p> | <p>TOR of detailed design consultant include preparation of subproject ES documents; GRM</p> | <p>The PCU has been established with key experts onboarded. Evaluation Reports for the experts</p> | |

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|--|---|-------------------------------|---|
| Implementation Agency in ensuring seamless coordination, efficient implementation and compliance with the relevant policies. | services for water supply activities has started. | at the PCU level established. | were reviewed by the Bank and NOCs provided. The status of the selection processes for consulting services for detailed design is reported under the respective components above. The selection process for the services for tender documentation, project management and construction supervision is ongoing. The contract award is expected in Q3 2022. The selection process for the project financial auditor is ongoing with contract award expected in Q2 2022. The clients internal review processes are lengthy. The team continues to engage with the client on this matter. |
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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. Capacity-building of members on GRM process has been carried out. GRM information has been disclosed on the Uzsuvtaminot website and official social media pages. No grievances received to-date.

7. Results Monitoring

The results will be monitored according to physical progress.

Project Objective Indicators #1

People provided with access to safely managed water sources (1,000 N°)

| Year | Target | Actual | Comments, if any |
|------|--------|--------|------------------|
|------|--------|--------|------------------|

| | | | |
|---------------|------|---|--|
| Apr. 30, 2025 | 1050 | 0 | |
|---------------|------|---|--|

Project Objective Indicators #2

People provided with access to safely managed sanitation services (1,000)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 105 | 0 | |

Project Objective Indicators #3

O&M cost recovery ratio (percent)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | > 1 | < 1 | |

Intermediate Result Indicators #1

Length of water supply pipelines constructed (km)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 1260 | 0 | |

Intermediate Result Indicators #2

Length of water supply pipelines rehabilitated (km)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 850 | 0 | |

Intermediate Result Indicators #3

Number of water intake structures constructed/rehabilitated (number)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 1 | 0 | |

Intermediate Result Indicators #4

Number of WDUs constructed and rehabilitated (number)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 43 | 0 | |

Intermediate Result Indicators #5

Increase in the volume of water production capacity (1,000 m3)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 125 | 0 | |

Intermediate Result Indicators #6

Length of sewage networks constructed (km)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 1480 | 0 | |

Intermediate Result Indicators #7

Number of sewage pumping stations constructed (number)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 54 | 0 | |

Intermediate Result Indicators #8

Number of sewage treatment plants constructed (number)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2025 | 4 | 0 | |

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.