

## 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 Economy and Finance, Uzbekistan
Implementing Entity:	Uzsuvtaminot JSC		
Project Team Leader:	Zacharias Ziegelhöfer		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Odil Akbarov, OSD - Social Development Specialist; Liu Yang, Project Counsel; Shodi Nazarov, OSD - Financial Management Specialist; Chitambala Sikazwe, OSD - Procurement Specialist; Muzaffar Ahmad, OSD - Environment Specialist; Shukhrat Khojiyev, Team Member; Luiz Eduardo Rodrigues, Alternate Counsel; Yuyou Guo, Project admin		
Completed Site Visits by AIIB:	Nov, 2023 (Nov 6 - 10, 2023) Mission to take stock of implementation progress, provide implementation support and recommend actions to address identified implementation issues. Site visits for water supply and sewerage activities in Qorovulbozor, Alat, Karakul and Jondor districts of Bukhara region were conducted on Nov 7 and 8, 2023.		
Planned Site Visits by AIIB:	Mar, 2024 Physical mission to take stock of implementation progress, provide implementation support and recommend actions to address implementation issues. Sep, 2024 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:	2023/06		

### 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, 2022
Orig. Closing:	Dec. 30, 2025	Rev. Closing (if any):	

### 4. Disbursement Summary (USD million)

Contract Awarded:	18.60	Cancellation (if any):	0.00
Disbursed:	9.77	Latest disbursement (amount/date):	0.08/Oct. 25, 2023
Undisbursed:	375.35	Disbursement Ratio (%) <sup>1</sup> :	2.54

### 5. Project Implementation Update

After initial delays, project implementation progress is accelerating. The key reasons for the delay included i) delay in the Government approval of the project and establishment of the Project Coordination Unit, ii) COVID-19-related impacts on work arrangements of the Project Implementing Entity during the early implementation phase, iii) institutional changes in the sector, which required a change in implementation arrangements of the project, iv) delays in procurement and v) delays in the development of the detailed design of water and sewage activities. The

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

detailed designs and tender documents are being prepared in a staggered approach including four batches for water supply and five batches for sewage to manage the complexity and workload of the Project Coordination Unit (PCU). 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 was signed on December 26, 2022. The detailed design for the water supply and sanitation activities is ongoing with the design of one package (Qorovulbazar district water supply) completed and for three packages (Romitan water supply; Qorovulbazar and Alat sewerage) expected to be completed by end-December 2023. Meanwhile, the tendering of construction works for the water supply activities in Qorovulbazar district is at the final stage and proposals are currently under evaluation. Construction is expected to commence in Q1 2024. The remaining detailed design reports for the water supply and sewage activities are expected between January and March 2024. The completion date of the detailed design contracts is currently March 27, 2024 for the water supply system design and February 7, 2024 for the sewerage system design. Due to the delays encountered in the preparation of detailed design documents, the contract for the design of sewage activities will require an extension, which is currently being discussed between the PCU and the firms. The contract for the design of the water supply activities has been extended from December 27, 2023 to March 27, 2024 to allow for the completion of activities given delay in the design works. After the completion of the detailed design packages, the supervision consultant supports the PCU with the technical review of the designs and the preparation of the tender documents for the respective packages. Tendering for all remaining packages is expected to start in the first semester of 2024. The PCU is commended for piloting AIIB's newly developed Project Procurement Management System (PPMS) and has commenced to migrate procurement activities to the system by uploading legacy documents. The PCU will complete the exercise by the end of December 2023 and all new procurements will be processed through PPMS. The PCU is fully staffed, after the recent recruitment of a new Monitoring and Evaluation Specialist. The position became vacant due to the promotion of the previous Specialist to the position of Acting PCU Coordinator. To accelerate project implementation, the PCU and AIIB have agreed on key time-bound milestones for 2024. 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 as well as physical implementation support and monitoring missions.

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, pumping stations and distribution networks.	The detailed design report for Qorovulbazar water supply has been completed and the tendering for construction works is at the final stage. The detailed design reports for the remaining packages are expected as follows: Romitan (Dec 2023), Peskhu (Jan 30), Bukhara and Kagan (Feb 2024) and Jondor (March 2024). Construction in Qorovulbazar is expected to start in Q1 2024.	The consultant has submitted the draft Environmental and Social Impact Assessment (ESIA), Livelihood Restoration Plan (LRP) and Gender Action Plan (GAP) for BWSP- W20 Qorovulbazar district. The Bank reviewed and provided its comments and the ESIA, LRP and GAP have been finalized by PCU. During the mission in November 2023, the visit included the location of a water distribution unit in Jarkok, which is currently informally occupied by a family, which needs to be resettled. To mitigate this impact, the consultant has prepared an LRP. AIIB was informed about the allocation of a land plot with a newly constructed house for the	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 and gaps in the Feasibility Study (FS), which was conducted in 2019; (ii) availability of baseline data and (iii) approvals required from state authorities to confirm selected land plots for the projects (cadaster and architecture). The PCU raised its concern about the

		<p>family by the regional and district Hokimiyat. The Project Team visited the location of the new house but was not able to meet the affected family. The house is already connected to public utilities such as gas, power supply, and water. To ensure compliance with AIIB Environmental and Social Standards, AIIB requested the PCU to prepare an LRP implementation completion report and provide the legal documentation confirming the house transfer. The PCU is working with district Hokimiyat to complete the LRP implementation before the next mission visit.</p>	<p>delays, the change in the consultant’s team, the absence of TUMAS staff in-country, and the lack of key proposed local staff including design engineers in Bukhara. The PCU requested the consultant to fully mobilize its team to accelerate progress and hire local subcontractors to speed up the process. TUMAS indicated that it would complete one volume (Romitan) by the end of 2023 and the remaining volumes by March 2024 if required approvals and clearances from the authorities could be obtained timely. TUMAS also committed to mobilizing a representative of TUMAS to be present in the country until the completion of the assignment and contracted local subcontractors to speed up the completion of the remaining volumes. As the contract is due to end on December 27, 2023, a contract extension is required.</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>The detailed design reports are expected to be completed as follows: Qorovulbazar (Dec 2023), Alat (Dec 2023), Karakul (Jan 2024), Romitan (Feb 2024), Gijduvan (March 2024). The WWTP conceptual design reports for Qorovulbazar, Alat and Karakul are ready, but final approval of WWTP sites is pending with authorities. The conceptual design reports for Romitan and Gijduvan is expected in Feb 2024. Physical</p>	<p>All national EISs (ZVOS) are obtained for all 5 subprojects: Qorovulbazar, Alat, Karakul, Jondor and Gijduvan. The consultant is currently preparing the ESIA for the Qorovulbazar subproject and started the preparation for the Alat subproject.</p>	<p>The detailed design consultant for the sewage works, Nicholas O’Dwyer Ltd., which commenced work on August 8, 2022, with a planned completion date of February 8, 2024, expects to complete the design reports as indicated in the second column of this table.</p> <p>The consultant raised concerns about the interpretation of the applied effluent standards for wastewater discharge, which is applied in a more stringent interpretation than effluent standards</p>

	<p>progress will start after the completion of tendering for works contracts.</p>		<p>applicable in most advanced economies, including the European Union, and highlighted the requirement of tertiary treatment to be compliant with the applicable effluent standards. If the project is to comply with the current interpretation of the effluent standards, this would result in increased investment, operation, and maintenance costs, and complexity of operation, with a higher risk of the wastewater treatment plants not being operated adequately.</p> <p>AIIB raised this issue with the Acting Chairman and Deputy Chairman of Uzsvtaminot and recommended seeking clarification from the competent authority (Ministry of Ecology, Environmental Protection and Climate Change). AIIB is also in dialogue with Development Partners World Bank, Asian Development Bank, and Agence Francaise de Developpement, which are facing similar issues in their projects. Similar to the water supply design, the contract execution of the sewerage consultant is delayed, requires acceleration of progress, and will likely require a contract extension.</p>
<p>Component 3. Project Implementation and Management Support. Project management and implementation support to assist the Implementation</p>	<p>The PCU is fully staffed, after the recent recruitment of Akzamov Bakhtiyor as Monitoring and Evaluation Specialist, which became vacant due to the promotion of the previous Specialist, Mukhammad Ali</p>	<p>TOR of detailed design consultant include preparation of subproject ES documents; Grievance 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</p>

<p>Agency in ensuring seamless coordination, efficient implementation and compliance with the relevant policies.</p>	<p>Musadinov to the PCU Coordinator. The Project Team was actively involved in reviewing the selection of the proposed candidate, which has been found acceptable. It was agreed that the PCU would draft TOR and submit it for review for hiring individual consultants to work on environmental and social monitoring aspects of the project. 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>continues to engage with the client to streamline the procurement process and to provide support for contract management.</p>
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#### Financial Management:

The PCU has established satisfactory financial management arrangements for the project. Quarterly Interim Unaudited Financial Reports (IUFRs) are submitted regularly and have been found acceptable to the Bank. As per the latest submitted IUFR, as of September 30, 2023, the PCU paid USD 8,639,930.90 (or 2.24 %), including interest fees and other charges from the approved amount of USD 385,117,000. PCU uses the 1C accounting program for project accounting. The operational budget for FY2024 will be finalized and submitted to the MoEF in December 2023. PCU has two finance staff members: a finance manager and an accountant-cashier. The finance manager has gained strong experience in AIIB's FM and disbursement policies and procedures. The PCU submitted the project audit report for FY2022 on time. 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 were acceptable to the Bank. The project audit for FY2023 is due on June 30, 2024.

#### 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. Operating procedures for grievance management have 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)

**Remarks:**

No physical progress yet, but progress is expected to accelerate in 2024 as construction starts in Qorovulbazar and more tender processes will be launched and completed. Currently, proposals for water supply construction works for Qorovulbazar are under evaluation with expected start of construction in Q1 2024.

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Project Indicators	Objective	Indicator level	Unit Measure	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	0												1050		Annually	MHCS		
People provided with access to safely managed sanitation services	Project	No. (1,000)	2019	0												105		Annually	MHCS		
O&M cost recovery ratio	Project	No.	2019	<1												>1		Annually	MHCS		

Project Indicators	Intermediate	Indicator level	Unit Measure	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	0												1260		Annually			
Length of water supply pipelines rehabilitated	Project	km	2019	0												850		Annually			
Number of water intake structures constructed/rehabilitated	Project	No.	2019	0												1		Annually			
Number of WDUs constructed and rehabilitated	Project	No.	2019	0												43		Annually			
Increase in the volume of water production capacity	Project	m3 (1,000)	2019	0												125		Annually			