

Project Implementation Monitoring Report (#8)

Reporting Period From 2024/01 To 2024/06

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:	Mehek Marwaha		
Responsible DG:	Konstantin Limitovski		
Responsible Department:	PSC2		
Project Team Members:	Liu Yang, Project Counsel; Shodi Nazarov, SFD - Financial Management Specialist; Chitambala Sikazwe, SFD - Procurement Specialist; Muzaffar Ahmad, SFD - Environment Specialist; Ercan Ozbulut, SFD - Social Development 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. Mar, 2024 (Mar 11 – 15, 2024) Mission to take stock of implementation progress, provide implementation support and recommend actions to address identified implementation issues.		
Planned Site Visits by AIIB:	Sep, 2024 Physical mission to take stock of implementation progress, provide implementation support and recommend actions to address implementation issues. Mar, 2025 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:	2023/12		

Project Implementation Monitoring Report (#8)

Reporting Period From 2024/01 To 2024/06

Brief justifications for assigned red flags:	Slow disbursement progress.
--	-----------------------------

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 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:	10.91	Latest disbursement (amount/date):	0.35/Jun. 26, 2024
Undisbursed:	374.20	Disbursement Ratio (%) ¹ :	2.83

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.

Project Implementation Monitoring Report (#8)

Reporting Period From 2024/01 To 2024/06

5. Project Implementation Update

After initial delays, project implementation progress is accelerating. Contracts with a contract value of USD 18 million have been awarded. The construction works for the water supply activities in Qorovulbazar district have started. 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 detailed designs and tender documents are being prepared in a staggered approach including seven batches for water supply and five batches for sewage to manage the complexity and workload of the Project Coordination Unit (PCU). 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 completed the exercise at the end of December 2023 and all new procurements are now processed through PPMS. 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 water supply works package for Qorovulbazar is under implementation. Two contracts comprising equipment for water supply systems and sewerage systems have been awarded with delivery expected to be completed by Q2 of 2025. Two other equipment procurements did not result in the selection of a supplier. The respective specifications will be revised, and the procurement approach revisited to identify and invite qualified manufacturers. The detailed design for the water supply and sanitation activities is ongoing with the design of one package (Qorovulbazar district water supply) completed. For the Romitan water supply package, the design was accepted by the sectoral technical council with the tendering package has been prepared and is expected to be launched by mid-August, 2024. Two sewerage packages (Qorovulbazar and Olot sewerage services) are expected to be accepted by the sectoral technical council in August 2024. For the remaining packages, detailed designs are under preparation and are expected to be completed between August and October 2024. 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 between September and December 2024. 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	The detailed design report for Qorovulbazar water supply has been completed based on which tendering for construction works was completed and construction has commenced. The detailed design report	The ES instruments for Qorovulbazar have been cleared and are under implementation. Training on AIIB ES and OHS requirements have been provided to the construction contractor. For the next sub-project in the pipeline, ES review and comments have been shared with PIU for the Romitan District. During 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

Project Implementation Monitoring Report (#8)

Reporting Period From 2024/01 To 2024/06

<p>stations and distribution networks.</p>	<p>for Romitan water supply has also been completed, tender process is to start by mid-August 2024. Remaining packages are expected as follows: Peskhu, Jondor and Central Buildings (September 2024), Bukhara and Kagan (September 2024).</p>	<p>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 and other assistance for the family by the regional and district Hokimiyat (to be verified during the next mission visit). The PT wishes to emphasize that there is no land acquisition for the water distribution unit in Jarkok. There is one informal household in the project area that requires resettlement. The PCU submitted the Project Implementation Report on July 22, 2024. According to the implementation report, the resettlement of the informal household has been initiated in alignment with ESS2, and no complaints have been received from the household to date. PT will follow up on the implementation during the next site mission. 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 legalization of title. The PCU is working with district Hokimiyat to complete the LRP implementation before the next mission visit. In addition, actions for the construction period within the Gender Action Plan (GAP) for Qorovulbazar have not yet been implemented. The project team will provide necessary support for accelerating the gender actions during construction.</p>	<p>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 delays, the change in the consultant’s team, the absence of consultant’s 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. The consultant indicated that it would complete the remaining volumes if required approvals and clearances from the authorities could be obtained timely. The consultant also committed to mobilizing a representative 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. The procurement process for Package 3 (Emergency Vehicle, Mobile Laboratory and Leakage Detection) and RFQ (Dredger) were unsuccessful calling for a revision of the specifications and revisiting procurement approach to identify and invite qualified manufacturers is required. The project team will continue having regular project meetings with the PCU to monitor progress towards key milestones.</p>
--	--	--	--

Project Implementation Monitoring Report (#8)

Reporting Period From 2024/01 To 2024/06

<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 have been completed for Qorovulbazar and Alat, currently pending the approval from State expertise. The remaining detailed design works are expected as follows: Karakul (August 2024), Romitan (September 2024), Gijduvan (September 2024). Physical progress will start after the completion of tendering for works contracts.</p>	<p>All national EISs (ZVOS) are obtained for all 5 subprojects: Qorovulbazar, Alat, Karakul, Jondor and Gijduvan. The consultant is currently preparing the detailed design and the ES instruments for subprojects.</p>	<p>The detailed design consultant for the sewage works, 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. 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 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. AIIB raised this issue with the Uzsvtaminot management 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, and IFC, which are facing similar issues in their projects. Similar to the water supply</p>
---	---	---	--

Project Implementation Monitoring Report (#8)

Reporting Period From 2024/01 To 2024/06

			design, the contract execution of the sewerage consultant is delayed, requires acceleration of progress, and requires a contract extension. The project team will continue having regular project meetings with the PCU to monitor progress towards key milestones.
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.	The PCU is fully staffed. 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.	TOR of detailed design consultant include preparation of subproject ES documents; Grievance Redress Mechanism (GRM) at the PCU level established.	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.

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. The PCU uses the 1C accounting program for project accounting. PCU has two finance staff members: a finance manager and an accountant-cashier. Both FM staff members have gained strong experience in AIIB's FM and disbursement policies and procedures. The PCU submitted the project audit report for FY2023 before the deadline. 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.

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 Uzsvtaminot website and official social media pages. No grievances have been received to date.

Project Implementation Monitoring Report (#8)

Reporting Period From 2024/01 To 2024/06

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, but progress is expected to accelerate in H2 2024 as construction has started in Qorovulbazar and more tender processes will be launched and completed. Subsequently, actual values of the indicators will be collected.

Project Objective Indicators	Indicator level	Unit of 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 Intermediate Indicators	Indicator level	Unit of 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	