

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 Limitovskiy		
Responsible Department:	PSC2		
Project Team Members:	Liu Yang, Project Counsel; Shodi Nazarov, SFD - Financial Management Specialist; Chitambala Sikazwe, SFD - Procurement Specialist; Carsten Huttche, SFD - Environment Specialist; Ercan Ozbulut, SFD - Social Development Specialist; Luiz Eduardo Rodrigues, Alternate Counsel; Alisher Kuchiev, Team Member; 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. Sep, 2024 (Sep 16 – 21, 2024) Physical mission and site visit to Karaulbazaar sub-region in Nukhara focusing on ES implementation progress, and recommend actions to address implementation issues. Jan, 2025 (Jan 13-17, 2025) Physical Mission to take stock of implementation progress, provide implementation support and recommend actions to address implementation issues.		
Planned Site Visits by AIIB:	May / June 2025		
Current Red Flags	1		

Assigned:	
Current Monitoring Regime:	Regular Monitoring
Previous Red Flags Assigned:	1
Previous Red Flags Assigned Date:	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:		Cancellation (if any):	0.00
Disbursed:	17.52	Latest disbursement (amount/date):	0.20/Dec. 23, 2024
Undisbursed:	367.60	Disbursement Ratio (%) ¹ :	4.55

5. Project Implementation Update

After initial delays, project implementation progress is now 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) high turnover of the staff in the Project Coordination Unit, v) delays in procurement due to domestic approval procedures, 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 three batches for sewage (reduced from five batches earlier) 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 being 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, the tendering process was launched by October 2024. For the remaining packages, detailed designs are under preparation and are expected to be completed by the end of January 2025. The supervision consultant supports the PCU with final revision of the design to then get the approval by State Expertise and the preparation of the tender documents for the respective packages. Tendering for all remaining packages is expected to start between April and June 2025. To accelerate project implementation, the PCU and AIIB have agreed on key time-bound milestones. 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 Investment	1. in	The detailed design for the Romitan District	<ul style="list-style-type: none"> Karaulbazar Sub-project: The ES instruments for Karaulbazar 	The consultant for detailed design services of the water

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>Water Supply Infrastructure. Construction and rehabilitation of intakes, main water lines, water treatment facilities, pumping stations and distribution networks.</p>	<p>water supply has been completed. Consultant reviews identified discrepancies, including underestimated chlorine pipe volumes and insufficient protective casing. Adjustments are in progress. The construction works in Karaulbazar have commenced as planned, following the approval of detailed design documentation. In Jondor District, the design and estimate documentation had to be complemented by key missing components including hydraulic modeling, population and water demand calculations, and pump station criteria. Draft tender documents for the Ramitan District (BWSP-W/RFB/26-27) were prepared using AIIB's standard tender template for large works (Single-Stage: Two-Envelope). Similar updates are ongoing for the Peshku and Jondor districts to address identified gaps.</p>	<p>District have been cleared and are under implementation. LRP implementation has been prepared and submitted to the Bank in July 2024. The land where a water distribution unit in Jarkok will be built belongs to the Bukhara Suvtaminoti LLC (Local Authority), and an informal family was living in a structure on this land. Alternative land and materials have been provided to build new house to informal household in accordance with LRP. The informal household is living in their new house and the legalization of title is ongoing. During the mission in January 2025, PT confirmed that the relocation activities under the LRP implementation were carried out in accordance with the LRP and AIIB ESS2. The PCU will submit 2nd LRP Implementation Report and 2nd GAP Implementation Report.</p> <ul style="list-style-type: none"> Romitan Sub-project: The Draft ES instruments for Romitan District have been cleared by the Bank to conduct public consultation meeting. An ESIA/ESMP for the Component 1- Subproject at Peshku District (BWSP-W21-25) was received in January 2025 and is currently under review by AIIB. An ESIA/ESMP for the Component 1- Subproject at Peshku District (BWSP-W21-25) was received in January 2025 and is currently under review by AIIB. ES instruments for other packages under the Water Supply Component are still under preparation. 	<p>supply activities commenced the assignment in July 2022. There remain significant delays in completion of detailed design packages. The contract has been extended to 28/02/2025. The procurement process for Package 3 (Emergency Vehicle, Mobile Laboratory and Leakage Detection) and RFQ (Dredger) were unsuccessful and the PCU submitted revised tender documents in January 2025. The project team will continue having regular project meetings with the PCU to monitor progress towards key milestones.</p>
<p>Component 2. Investment in Sewage Infrastructure. Construction of centralized sewage systems in district centers, consisting</p>	<p>The detailed design for Karakul and Gijduvan District sewerage systems was submitted but noted as incomplete due to missing drawings for pumping stations. Comprehensive reviews</p>	<p>Karaulbazar Sub-project: The Draft ES instruments for Karaulbazar District have been received during the mission (January 17, 2025) and reviewed by the Bank. There are no more further comments by the Bank and a 'No Objection' to proceed for the ESIA/ESMP to disclosure and</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, but completion is also still delayed. Challenges over</p>

of collectors, pumping stations and sewage treatment plants, as well as discharge facilities.	and approvals are expected by Q1 2025. The revised tender documents for the Karaulbazar WWTP incorporate FIDIC Yellow Book conditions and AIIB's Standard Procurement Document for Plant Design, Supply, and Installation. These adjustments address feedback from AIIB and PCU stakeholders. Concerns remain regarding the stringent interpretation of effluent standards requiring tertiary treatment. AIIB is coordinating with Uzsvtaminot and other development partners to seek clarification from the Ministry of Ecology, Environmental Protection, and Climate Change. The issue may result in increased project costs and operational complexity.	public consultation has been given (January 20, 2025). The ES Instruments for the remaining four sub-projects under Component 2 are still under preparation by the technical consultants.	Uzbekistan's stringent effluent standards still remain and are being discussed with the wider IFI group. 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, after some gaps and frequent turnover of key officials observed in the past 6 months. It was agreed that with the beginning of design works, more local coordination in Bukhara is needed, and the PCU decided to allocate one of the engineers (in addition to the local coordinator) to the Bukhara region to work on site.	PCU is supported by a Project Supervision/Management Consultant which includes the supervision of the Bank's ES instrument implementation. Two candidates were proposed for two positions by the Project Supervision Consultant, namely 1.) K5/6, International Environment and Social Specialist, and 2.) KM 9, National Occupational Health and Safety (OHS) Specialist. Both candidates were reviewed and approved by the Bank.	Contracts for detailed design services for water supply and sewerage and construction supervision services will need to be extended as needed in light of the delays. 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. During the recent mission in January 2025, the AIIB team recommended augmenting the contract management capacity through the

			engagement of professional PMC firms or individual advisors to support the implementing agencies.
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Financial Management:

The PCU has established satisfactory financial management arrangements for the project. The investment budget for FY2025 will be finalized and submitted to the MIIT, MoEF and the other relevant authorities on January 31, 2025. The operational budget for FY2025 has been finalized and submitted to the MoEF on January 10, 2025. 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. The PCU has requested to allocate funds (around USD 20,000) to modernize the 1C accounting program for all AIIB-financed projects implemented through PCU. The Bank has in-principle agreed to finance it from the available unutilized PPSF Grant proceeds. The formal approval will be provided once AIIB receives the proposed modernization plans by March 31, 2025. 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. The project audit for FY2024 is due on June 30, 2025.

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

7. Results Monitoring

The results will be monitored according to physical progress. Since the project is still at the detailed design stage, the RMF figures have been reflected accordingly.

Project Objective: To improve the living conditions of the population in the Bukhara region by providing access to reliable and affordable water and sanitation services.

Project Objective Indicators

Monitoring end year : 2027

Indicator Name	Unit of Measure	Baseline	Actual (Previous)	Actual (Current)	End Target
People provided with access to safely managed water sources	Number	0			1050
People provided with access to safely managed sanitation service	Number (in thousands)	0			105
O&M cost recovery ratio	No.	<1			>1

Comments:

Intermediate Result Indicators

Monitoring end year : 2027

Indicator Name	Unit of Measure	Baseline	Actual (Previous)	Actual (Current)	End Target
Length of water supply pipelines constructed	Kilometers	0			1260
Length of water supply pipelines rehabilitated	Kilometers	0			850
Number of water intake structures constructed/rehabilitated	Number	0			1
Number of WDUs constructed and rehabilitated	No.	0			43
Increase in the volume of water production capacity	Cubic meters	0			125
Length of sewage networks constructed	km	0			1480
Number of sewages pumping stations constructed	No.	0			54
Number of sewage treatment plants constructed	No.	0			4

Comments:

Remarks:

No physical progress yet, but progress is expected to accelerate in Q3 2025 as construction has started in Qorovulbazar and the remaining tender processes are expected to be launched and completed by Q2 2025. Subsequently, actual values of each of the indicators will be reported.