



1. Project Data:		Date Posted : 08/12/2002	
PROJ ID: P045303		Appraisal	Actual
Project Name: Pilot Water Supply	Project Costs (US\$M)	7.4	7.93
Country: Kazakhstan	Loan/Credit (US\$M)	7	6.48
Sector(s): Board: WS - Water supply (100%)	Cofinancing (US\$M)	0	0
L/C Number: L4129			
	Board Approval (FY)		97
Partners involved :	Closing Date	12/31/2001	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
<p>The objectives of the full-scale Aral Sea Community Rehabilitation Project, of which the proposed Pilot Water Supply Project represents an initial learning phase, are to: (i) improve the health of the urban and rural populations of the Kzyl-Orda Oblast through the provision of safe drinking water and improved hygiene education and sanitation facilities; and (ii) to strengthen institutional capacity for the management, operation and financial performance of the regional water supply and sanitation utilities. The objectives of the pilot project were to:</p> <p>(i) gain experience in developing operational methodologies and capabilities in all aspects of project processing, cost recovery, international procurement and contracting, and in project management and implementation under the same conditions as the full-scale project through certain small scale investments which need urgent attention; and</p> <p>(ii) speed up implementation of the full-scale project through early completion of detailed engineering design and preparation of bidding documents.</p> <p>The relevance of these objectives were undermined by the decision not to proceed with a Bank financed full-scale project.</p>			
b. Components			
<p>The project consisted of two components:</p> <ul style="list-style-type: none"> • a small scale investment component to finance a water supply and distribution pilot project in the Aralsk and Kazalinsk Rayons of Kzyl-Orda Oblast, as well as the implementation on a pilot basis, elements of the institutional reform action plan; and • technical assistance for the review of engineering designs, preparation of bid packages, and for the supervision of pilot project. 			
c. Comments on Project Cost, Financing and Dates			
<p>Total project cost at completion was US\$7.93 million slightly higher than the appraisal estimate of US\$7.4 million. The final amount of the Bank loan is US\$6.48 million and US\$ 0.52 million was canceled. The project closed on schedule on December 31, 2001.</p>			
3. Achievement of Relevant Objectives:			
<ul style="list-style-type: none"> • The pilot project provided experience to Committee Water Resources (CWR) and vodocanals in Aralsk and Novokazalinsk in project management and implementation, international procurement and contracting, and developing operational methodologies and capabilities through financing of small scale investments in the water sector, although it would not be applied to a Bank financed full-scale operation. • The revised physical targets for rehabilitation works were achieved. • Detailed engineering designs and bidding documents for the full scale project were completed within an accelerated time frame. • The capacity of Project Implementation Unit (PIU) was substantially strengthened and the PIU served as "the 			

PIU" for five Bank projects in Kazakhstan.

The Bank decided not to go ahead with the full-scale project. Since the full-scale project was not implemented, then the relevance of the objectives of the pilot is modest. Germany and Kuwait are planning to finance the full scale project. Their procurement and contracting practices are different from the Bank's, making much of the experience gained from the pilot project no longer relevant.

4. Significant Outcomes/Impacts:

- The project played a significant role in empowering the State Committee for Water Resources (CWR) and promoting inter-agency coordination between the Water Committee, the Ministry of Finance (MOF), and vodocanals in Aralsk and Novokazalinsk.
- The repair of distribution network in Novokazalinsk has improved the water supply in the project area and resulted in 285 additional consumer connections.
- Improved water supply to medical facilities in Aralsk.
- Adoption of international accounting standards by Aralsk and Novokazlinsk vodocanals.
- Preparation of full scale water supply project to be financed by KfW and Kuwait Fund.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Kazakhstan was a relatively new borrower and was not familiar with Bank operations and requirements and the Bank's sector knowledge for Kazakhstan was limited. The execution of works experienced delays due to the lack of initial counterpart funds.
- There were cost over-runs due to poor quality of feasibility studies. The scope of the project components had to be reduced and revised targets were set.
- The project lacked appropriate performance indicators.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	The project achieved most of its major objectives but with modest overall relevance (see section 3 of the Evaluation Summary).
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Non-evaluable	Currently the water utilities are plagued with weak institutional capacity and poor financial viability which makes sustainability of water investments unlikely. However, the sustainability of investment's financed under the project are highly dependent on the successful implementation of institutional and financial reforms under the full scale project which is currently under preparation and will be financed by other donors. Therefore, the overall sustainability of the project benefits is non-evaluable.
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Due to limited sector knowledge and data availability, the feasibility studies for the pilot may be inadequate. The feasibility study for the full scale project in Kazakhstan brought out many issues with respect to economic feasibility of the Atyrau Water Supply and the state of the Syr Darya River, that had significant implications to project design. Therefore, the investments designed under the pilot may have limited impact on the targeted population.

- Implementation of investments under the pilot, without sufficient consideration of financial issues such as cost recovery, and associated institutional issues, can affect the sustainability of the investments. Although the project objectives included gaining experience on cost recovery aspects, the delays in initiation of the full scale project mean that the financial situation for the water utilities continues to be very difficult.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The report provides a satisfactory picture of project performance, although it does not clarify exactly what the status of the full-scale project is. The appraisal cost estimates in ICR Annex 2 are inconsistent with the cost figures given in Table 3.1 of the SAR. The ICR omits ex-post estimate of economic rate of return (ERR). ERR is an important criterion for judging the efficiency and the overall outcome of the project, especially in water projects with major civil works components.