



REPORT NO.: RES44686

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
UZBEKISTAN BUKHARA AND SAMARKAND SEWERAGE PROJECT
APPROVED ON AUGUST 4, 2009
TO
REPUBLIC OF UZBEKISTAN

Water Global Practice

Europe and Central Asia Region

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**ABBREVIATIONS AND ACRONYMS**

AF	Additional Financing
BOD	Biochemical Oxygen Demand
BSSP	Bukhara and Samarkand Sewerage Project
BWWTP	Bukhara Wastewater Treatment Plant
ESMP	Environmental and Social Management Plan
ICR	Implementation Completion and Results report
IFR	Interim Financial Report
INT	World Bank Integrity Department
IRI	Intermediate Results Indicator
ISR	Implementation Status Report
MS	Moderately Satisfactory
PCU	Project Coordination Unit
PDO	Project Development Objective
SWWTP	Samarkand Wastewater Treatment Plant

**BASIC DATA****Product Information**

Project ID	Financing Instrument
P112719	Investment Project Financing
Original EA Category	Current EA Category
Partial Assessment (B)	Partial Assessment (B)
Approval Date	Current Closing Date
04-Aug-2009	31-Dec-2020

Organizations

Borrower	Responsible Agency
Ministry of Finance	BUKHARA REGIONAL PRODUCTION ENTERPRISE SUVOKOVA,SAMARKAND REGIONAL PRODUCTION ENTERPRISE SUVOKOVA,Project Coordination Unit,Kommunkhizmat Agency

Project Development Objective (PDO)

Original PDO

The project development objectives (PDO) are to mitigate the environmental impact from wastewater pollution and improve the efficiency and sustainability of wastewater management in Bukhara and Samarkand. This will be achieved through (a) rehabilitating select sections of the sewerage system that are deteriorated; (b) limited expansion of the sewerage system into currently unconnected central historical areas, (c) installing more energy-efficient equipment such as wastewater pumps and aeration systems at the wastewater treatment plants and pumping stations; and (d) improving the capacity of the water utilities (vodokanals) in the areas of management, communications and public outreach.

Current PDO

The proposed PDOs are to reduce wastewater pollution and improve the performance of utilities responsible for wastewater management in Bukhara and Samarkand.

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-56980	23-Jun-2015	13-May-2016	12-Aug-2016	31-Dec-2020	89.83	52.72	37.60
IDA-56990	23-Jun-2015	13-May-2016	12-Aug-2016	31-Dec-2020	.17	0	0
IDA-46330	04-Aug-2009	26-Nov-2009	01-Apr-2010	30-Jun-2019	53.45	50.89	0

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This restructuring paper seeks a project closing date extension by eleven months for Bukhara and Samarkand Sewerage Project, to provide additional time to complete critical contracts needed to achieve the Project Development Objective and deliver the project outcomes, following COVID-related delays. If approved, the proposed extension will be the project's fourth restructuring, which will bring the cumulative closing date extension to 29 months, requiring Regional Vice President (RVP) approval. The 1st restructuring was approved on June 23, 2015 and included additional financing of US\$105 million (with extension of closing date to June 30, 2019) and revision of the results framework. The 2nd restructuring was completed on November 2, 2018 and included an extension of the project closing date by 18 months, changes of disbursement percentage, and adjustments of the results framework. The 3rd restructuring was processed on May 9, 2020 and included cancellation of SDR10,864,713.42 (equiv. to US\$15 million) and reallocation of funds between disbursement categories. Although there were delays in project implementation, the COVID-19 global pandemic has further exacerbated these delays, necessitating a project closing date extension.

A. Project status

2. The parent Project was approved by the World Bank Executive Board of Directors on August 9, 2009 and became effective on April 1, 2010. The Project had original IDA credit (IDA-46330) of US\$54.24 million and original closing date on December 31, 2015. An Additional Financing (AF) of US\$105 million (around US\$90 million from IDA-56980 and US\$15 million from IDA-56990) was approved on June 23, 2015 and became effective on August 12, 2016. The AF was designed to scale up activities under the Project, to modify its development objective (PDO), to revise results monitoring framework and to extend the Project's closing date to June 30, 2019. The original credit (IDA-46330) had been fully disbursed and the credit was closed on June 30, 2019
3. Implementation of the activities financed under the Project's additional financing (AF) experienced significant delay from the start (June 2015) due to low readiness for implementation, as well as operational delays due to



(i) sector reforms and institutional changes, (ii) issues in contract management and (iii) recently by the COVID-19 pandemic. The AF experienced 14-month delay at the start of its implementation due to the need for compliance with Government internal requirements for investment projects requiring preparation of project national feasibility studies, issuance of Government decision for project implementation before signing the financing agreement and then, the fulfillment of effectiveness conditions. Moreover, by the time of declaration of effectiveness by the Bank, the detailed designs of all works were not ready. The following years of implementation were also affected by institutional sectorial reforms which resulted in the establishment of 14 regional Unitary Enterprise Suvokovas, the Ministry of Housing and Communal Services (MHCS) and the change in the status of the Project Implementing Entity. Moreover, waves of reforms on public procurement and international financed investment projects implementation procedures substantially impacted implementation across all Bank's portfolio. The aforementioned issues have collectively led to delays of all AF works, where the earliest works contract was signed after February 2017 only. These delays were addressed through the 2nd restructuring that resulted in the closing date extension by 18 months. This extension has helped in progressing some delayed works contract. However, COVID-19 pandemic has significantly delayed the project's implementation pace because of severe restrictions on movement, manufacturing and importation of necessary goods (pipes, pumps and equipment). Resulted delays have badly affected the completion of the rehabilitation of the second phase of Bukhara Wastewater Treatment Plant (BWWTP) and the second phase of Samarkand Wastewater Treatment Plant (SWWTP), as well as major wastewater collection sewerage networks in Bukhara that poses a significant risk to the achievement of the PDO.

4. **With the recent reopening and ease of restrictions, pending goods have been manufactured and shipping to Uzbekistan commenced, with the expectation that all goods will be received by late December 2020.** While the completion of the remaining works will need nine months, the extra two months, from the proposed extension, will allow for preliminary testing and commissioning SWWTP and BWWTP as well as serving as buffer against any unforeseen delay including the harsh weather during the winter season.
5. **Undisbursed balance under the project AF has been almost fully committed (98 percent) with current disbursement at 58.3 percent.** The Project is financing fifteen works contracts (eight in Samarkand and seven in Bukhara), nine completed (four are completed and closed and five have been amended for additional works), and two will be completed with slight delay by February 28, 2021. The remaining four contracts are behind implementation schedule and need special attention: (i) SOV/ICB/W-1, (2nd phase of rehabilitation of SWWTP) is showing very good physical progress 67 percent, and the plant commissioning is expected by March 31, 2021; (ii) BVK/ICB/W-1 (2nd phase of BWWTP reconstruction and upgrade) is at 28 percent physical progress, mainly due to disputes between the contractor and the employer which are at final settlement stage by appointed dispute board, and the plant commissioning is expected by September 30, 2021; (iii) BVK/ICB/W-3 (construction of sewer collection) - progress is around 75 percent, but it has suffered from very slow progress during the last 12 months (poor contractor performance). Hence, the contract was terminated on October 15, 2020, feasible alternative to complete the remaining works has been finalized and remaining works will be awarded to a well-performing contractor under the project, and the works will be completed by end of June 2021; and (iv) BVK/ICB/W-4 (replacement of sewer collection) has been terminated due to the consistent poor performance (32 percent progress) of the contractor which was exacerbated by COVID-19 pandemic. The remaining works have already been awarded to a good-performing contractor in similar contract under the project, and works are expected to be completed by September 30, 2021.
6. **Three out of total ten PDO of the original project have been achieved, two substantially achieved and two (redundant) were dropped at the first restructuring. Nine out of total eleven PDO indicator targets (indicators plus sub-indicators), and four out of eleven Intermediate Results Indicators (IRIs) are yet to be achieved, with**



high likelihood to be achieved. These indicators are directly related to the completion of Bukhara and Samarkand Sewerage Project, Bukhara Wastewater Treatment Plant and the sewerage network in Bukhara (BOD removal quantity and coverage related indicators). All other indicators have already been met through the rehabilitation, replacement, and expansion of the sewerage network including the construction of new efficient pump stations.

7. **Procurement, Environmental and Social Safeguards compliance are all rated Moderately Satisfactory (MS).** The project is regularly submitting quarterly progress reports. Directives and guidance provided by the World Bank for the implementation of COVID-19 Pandemic related precautions and measures to ensure the safety of workers have been adopted by the project coordination unit (PCU), contractors, and consultants in the workplace. An environmental safeguards specialist in the supervision consultant team regularly visits the project area. Gaps in the implementation of site-specific Environmental and Social Management Plans (ESMPs) and safety risks at various active contracts, reported in June 2020 ISR, have been successfully addressed. Furthermore, no accidents have been reported on any work site throughout the Project implementation. The Financial Management is rated MS, Quarterly IFRs have been submitted timely and the documentation of advances to the designated account has been regularly updated. The project audit report for 2019 has been submitted timely with no qualification and was found acceptable to the Bank. Legal covenants are substantially met (nine covenants have been met while the remaining two regarding the revenue to operating ratio and debt/revenue ratio are partially met). The project has an INT registered case prevented fraudulence. The final INT investigation report dated September 28, 2020 did not substantiate findings against the implementing entities but concluded fraud practice of a joint venture competing for works contract that was not awarded the contract and was finally debarred as a result of the full investigation.

B. Rationale for Restructuring

8. **The proposed eleven-months extension of closing date until November 30, 2021 will provide more time to complete outstanding project activities, which will enhance the prospects of achieving the PDO.** The completion of sewerage network rehabilitation and installation of service connections will benefit 500,000 people, as well as enable achievement of all intermediate level targets. The extension will also allow for two months to preliminary testing and commissioning of the wastewater treatment plants and sewerage network as well as carrying out a meaningful customer satisfaction surveys in both areas to assess the impacts of full completion of the project activities. This will better inform the project implementation completion and results report.
9. **There is a clear path to successful completion, primarily because the project finally has improved contract management, and all materials are in-route to the Project sites.** All goods (equipment and material) related to the completion of the four delayed contracts have been ordered and paid for. While some goods have already been delivered to the site, the remaining electrical and electromechanical equipment as well as pipes are being shipped to Uzbekistan and are expected to be delivered by the end of December, 2020. This eliminates further import risks that can be imposed in the event a new wave of COVID-19 arises. In addition, contract management has been improved through the engagement of proven good performing contractors after the termination of the aforementioned contracts. The ongoing dispute related to BVK/ICB/W-1 for the 2nd phase of BWTP rehabilitation is being settled through the appointed dispute board. The requested closing date extension will be complemented by a course of tailored actions included in the comprehensive action plan for completion that was agreed with the Ministry of Housing and Communal Services (MHCS), and Bukhara Water Utility (BWU) to remedy the situation. These actions include vigilant supervision and contract management to ensure timely completion of on-going civil works. As agreed, PCU and BWU will conduct weekly meetings with the contractors and supervision consultants/engineers with frequent visits of representatives of the MHCS supported by regular monthly



consultation meetings with the Bank team. In addition, the action plan necessitated the update of the implementation schedule by all active contractors which showed that all remaining civil works will be completed and commissioned by end of November, 2021.

10. **The Uzbek authorities including Ministry of Housing and Communal services, Ministry of Investment and Foreign Trade as well as the implementing entity (Uzcommunkhizmat) have put all efforts and measures in place to ensure satisfactory project closing.** This includes but not limited to: (i) issuing special permits for movement of contracts' transportation to construction sites and organized charter flights from abroad to bring international service providing specialists. Due to GoU's efforts, implementation has continued to move forward albeit at slower pace given COVID constraints; (ii) ensure the delivery of all remaining goods to the project sites by the end of December 2020; and (iii) active monitoring the implementation of the action plan. The PDO remains achievable.
11. **As filed in the last ISR dated June 18, 2020, the current Project's DO and IP ratings are MS and will be retained if the proposed extension is warranted.** However, without the proposed extension, the ratings will be downgraded. Table 1 below summarizes the likelihood of PDO targets achievement with and without the proposed closing date extension.

Table 1. Status of PDO indicators till November 1, 2020

PDO Indicator	Target	Progress	Achievement Status Likelihood Dec 31, 2020	Achievement Status Likelihood around 9-11 months extension
Direct project beneficiaries to improved sanitation	Total (500,000) people	436,000	Substantial	High
Volume (mass) of BOD pollution loads removed by the treatment plant	BVK (2,000) tons/year	1,710	Substantial	High
	SVK (3,100) tons/year	2,450	Substantial	High
Energy efficiency at the treatment plant	BVK (3.0) kWh/kgBOD5	2.5	Achieved	N/A
	SVK (3.0) kWh/kgBOD5	4.0	Moderate	High
Operating cost coverage ratio of utility	BVK: (1.45)	0.74	Low	Moderate/Substantial subject to Tariff review
	SVK (1.40)	1.26	Substantial	Substantial/High subject to Tariff review
Number of sewer blockages per year	BVK (600)	659	Substantial	High
	SVK (700)	310	Achieved	N/A
Percent of customers satisfied with the services	BVK (60%)	30	<u>Low</u>	High
	SVK (60%)	30	<u>Low</u>	High

II. DESCRIPTION OF PROPOSED CHANGES

**A. Closing Date Extension**

12. The project closing date will be extended to November 30, 2021, and the deadline for withdrawal applications to March 31, 2022.

B. Adjustment of Results Framework

13. The achievement dates of delayed targets will be adjusted from December 31, 2020 to November 30, 2021. The results framework remains relevant and no change will be introduced to the definition, wording or target of any indicator.

C. Adjustment of Disbursement Estimates

14. The disbursement estimates will be adjusted to reflect the extended implementation period and project progress as illustrated in Section III of this Restructuring Paper. The AF approved amount is XDR67.9 million (US\$95.44 million equivalent). However, due to the partial cancellation (XDR4,064,713.42) and XDR exchange rate fluctuation against the US\$, the current value is US\$89.89 million as of November 30, 2020.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓



Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-46330	Closed	31-Dec-2015	30-Jun-2016, 30-Jun-2019, 04-Feb-2020		
IDA-56980	Effective	30-Jun-2019	31-Dec-2020	30-Nov-2021	30-Mar-2022
IDA-56990	Effective	30-Jun-2019	31-Dec-2020		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2010	0.00	0.00
2011	2,662,515.82	2,662,515.82
2012	4,616,567.65	4,616,567.65
2013	9,618,817.95	9,618,817.95
2014	9,417,830.60	9,417,830.60
2015	13,071,366.30	13,071,366.30
2016	15,612,901.68	15,612,901.68



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Uzbekistan Bukhara and Samarkand Sewerage Project (P112719)

2017	4,210,684.14	4,210,684.14
2018	10,390,336.51	10,390,336.51
2019	24,169,069.00	16,442,867.00
2020	44,153,273.00	13,441,882.39
2021	18,414,734.10	30,000,000.00
2022	0.00	11,000,000.00



Results framework

COUNTRY: Uzbekistan

Uzbekistan Bukhara and Samarkand Sewerage Project

Project Development Objectives(s)

The proposed PDOs are to reduce wastewater pollution and improve the performance of utilities responsible for wastewater management in Bukhara and Samarkand.

Project Development Objective Indicators by Objectives/ Outcomes





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Uzbekistan Bukhara and Samarkand Sewerage Project (P112719)



Intermediate Results Indicators by Components



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Action: This indicator has been Revised								
Pilot SCADA system installed and operational (Text)		None	Operational	Operational	Operational	Operational	Operational	Operational
Action: This indicator has been Revised								
Feasibility studies and detailed engineering design for future investments completed (Yes/No)		No	No	No	No	No	Yes	Yes
Action: This indicator has been Revised								
Component B. Physical Investments								
Cumulative length of sewer lines replaced in Bukhara (Kilometers)		0.00	0.00	0.00	3.00	19.50	34.00	82.70
Action: This indicator has been Revised								
Cumulative length of sewer lines replaced in Samarkand (Kilometers)		0.00	27.75	34.35	34.35	34.35	35.35	34.35
Action: This indicator has been Revised								
Cumulative length of new sewer lines constructed in Bukhara (Kilometers)		0.00	0.00	1.40	3.00	7.60	12.40	41.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Action: This indicator has been Revised								
Cumulative length of new sewer lines constructed in Samarkand (Kilometers)		0.00	5.20	31.20	36.10	59.20	79,130.00	59.20
Action: This indicator has been Revised								
New household sewer connections constructed under the project (CRI, Number)		0.00	0.00	1,700.00	1,700.00	2,382.00	2,930.00	4,500.00
Action: This indicator has been Revised								
New household sewer connections constructed under the project (CRI, Number)		0.00	2,675.00	4,327.00	5,938.00	7,780.00	8,000.00	14,000.00
Action: This indicator has been Revised								

* 2015 is the referenced baseline year (when AF was processed).

-- Revisions have to do with the end dates of the targets only.



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