



The World Bank

Syrdarya Water Supply Project (P111760)

REPORT NO.: RES34059

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SYRDARYA WATER SUPPLY PROJECT
APPROVED ON MARCH 1, 2011
TO
REPUBLIC OF UZBEKISTAN

WATER

EUROPE AND CENTRAL ASIA

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I. BASIC DATA

Product Information

Project ID P111760	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 01-Mar-2011	Current Closing Date 30-Jun-2019

Organizations

Borrower Republic of Uzbekistan	Responsible Agency Kommunkhizmat Agency, State Unitary Enterprise "Suvokova" of Syrdarya Region
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Project Development Objective (PDO)

Original PDO

The Project development objective (PDO) is to improve the availability, quality and sustainability of public water supply services in selected districts of the Syrdarya region.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-48690	01-Mar-2011	16-Sep-2011	14-Jan-2012	30-Jun-2019	80.99	59.18	14.57

Policy Waiver(s)

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

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES



Project Status

1. The project was approved by the Board on March 1, 2011 and became effective on January 14, 2012. The project closing date was extended on November 16, 2017 by 18 months till June 30, 2019. The project has total IDA commitments of US\$81 million equivalent for four components: (A) Improvement of Water Supply Infrastructure; (B) Institutional Strengthening and Capacity Building; (C) Feasibility Studies for Future Investments; and (D) Project Management. The PDO is "to improve the availability, quality and sustainability of public water supply services in selected districts of the Syrdarya region." The project was designed to benefit 280,099 people in five districts of the Syrdarya region.
2. Progress towards achievement of PDO is currently rated Moderately Unsatisfactory, reflecting delayed progress against service coverage and sustainability indicators. Water production facilities have been fully rehabilitated and equipped with chlorination facilities. Parts of the system have been commissioned and are currently in operations, supplying water through public standpipes to around 82,000 people. In addition, the completion of the Beshbulok pump scheme has allowed improved service delivery for additional 95,000 people in 12 settlements. However, these results currently fall short of the design targets, which include individual metered household connections for some 280,000 beneficiaries. Other PDO indicators including those focused on institutional strengthening, have been achieved or are on track to be achieved by the project closing date.
3. Implementation progress is rated Moderately Unsatisfactory, reflecting civil works delays limiting achievement of planned results. The project funds are fully committed and total disbursements are at US\$58.1 million (or 80 percent of total IDA credits). The progress of water supply civil works is around 75 percent. Out of 11 contracts, three contracts are complete, six contracts are at advanced stage and nearing completion, and two contracts (SRV/W/20 lots 1 and 2) are still in early stages of implementation due to prolonged procurement and contract registration processes and co-financing delays. These two contracts along with the Government-financed package (SRV/W/13) are on critical path. With 9 months remaining prior to the project closing date, the undisbursed balance is around US\$15.7 million (20 percent). The project still lags behind projected disbursement rates, mainly due to historical procurement delays affected in part by frequent changes in authorizing and regulatory environment. Implementation progress has also been affected by persistent issues with processing Government co-financing payments to the contractors.
4. Institutional strengthening activities under Component B designed to support improvements in utility management, professional capacity and operational performance are progressing well. The institutional restructuring of the utility was completed in 2016, through the creation of a regional water company (called Syrdarya SUE Suvokova) under an aggregated service delivery model. Several activities such as training and capacity building activities, stocktaking of customer database have been completed. On-going installation of automated accounting and billing systems are expected to be completed by the project closing date. SECO co-financing technical assistance (TA), which commenced in August 2018, will leverage further institutional support and corporate development of the Syrdarya Suvokova improving sustainability of the investments and more generally quality of services across the region.
5. The responsible agency has overdue entity audit reports for 2017 due to delayed procurement and implementation of auditing services. However, audited project financial statements were submitted to the Bank on October 10, 2018. The Government authorities were notified of this issue and potential remedial actions in the Bank's Management Letter dated September 7, 2018. Following this, a time bound action plan for completing the auditing activities was prepared, jointly by the implementing entities and the auditor, and submitted to the Bank. The Auditing activities are in progress and as per the action plan schedule, the audited entity financial statements for the year ending December



31, 2017 are to be submitted before the end of December 2018. PMFM and WFAFO manager clearance has been obtained to proceed with restructuring notwithstanding overdue audits.

Changes

6. This restructuring package is part of broader water sector portfolio improvement action plan, combining cancelations, extensions and changes in disbursement percentages, representing an acceptable compromise between the Bank’s interest and the Government of Uzbekistan’s priority to complete the projects. The proposed action plan will help to address the situation of three on-going water and sanitation projects that were heavily impacted by frequent changes in procurement regulations, institutions and authorizing environment since 2017, and will allow overall portfolio to be brought back to a more satisfactory path.

7. The proposed Level 2 restructuring includes adjustment to the financing agreement to increase the percentage of remaining expenditures to 100 percent from the IDA resources for categories (1), (2) and (3) to be effective from the date of the Government's request, i.e. September 10, 2018. This will be the third restructuring under the project. This change will help to ensure full utilization of IDA funds, free-up Government budgetary resources for completion of unfinished works (after the closing date), and remove issues associated with delayed co-financing towards accelerating completion of infrastructure activities, to allow improved delivery of water services to the target population.

8. The requested adjustment will be complemented by a course of supporting actions agreed with the Government required for successful completion. These actions include vigilant supervision and contract management to ensure timeliness for completion of on-going civil works, remedial measures to address pending fiduciary and safeguards management issues, strengthening the PCU capacity, activities to incentivize and facilitate service connections at the local level and other measures discussed and agreed with the Government during the August-September 2018 supervision mission.

9. The proposed restructuring and associated performance improvement activities, will enable accelerated progress towards achievement of results. However, some civil works activities including household connections, are likely to extend beyond the project closing date. The Government has committed to financing any remaining works, after the closing date to ensure completion of the full project as designed to support sustainable water service delivery to the entire target population in the Syrdarya region. The Bank will not extend the closing date, but will consider delaying Implementation Completion Report (ICR) by around 6 months to ensure full results of the project are captured, addressing expected disconnect between the project status at closing and full completion.

III. DETAILED CHANGES

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Ln/Cr/TF	Current Expenditure Category	Current Allocation	Actuals + Committed	Proposed Allocation	Disbursement % (Type Total)
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				Current	Proposed	
IDA-48690-001 Currency: XDR	Works	45,101,774.15	33,004,913.11	45,101,774.15	70.84	100
	Goods-Parts A.2(b) through (f)	1,200,000.00	787,241.74	1,200,000.00	70.84	100
	Goods-other Parts of the Pr.	150,000.00	68,816.69	150,000.00	83.33	100
	CS,TR and IOC	5,710,000.00	5,177,006.74	5,710,000.00	83.33	100
	UNALLOCATED	0.00	0.00	0.00		
	Total	52,161,774.15	39,037,978.28	52,161,774.15		