

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB6962

Project Name	ADDITIONAL FINANCING MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT
Region	EUROPE AND CENTRAL ASIA
Country	Tajikistan
Sector	Water supply (80%); Solid waste management (10%); Sub-national government administration (5%); Sanitation (5%)
Project ID	P127130
Parent Project ID	P079027
Borrower(s)	Republic of Tajikistan
Implementing Agency	State Unitary Enterprise “Khochagii Manziliu Kommunalii” (KMK) Project Management Unit (PMU) 56 Karabaeva Street, Dushanbe, Tajikistan Contact: Mr. Alimurod Tagoimurodov, Director General, KMK Mr. Jamshed Tabarov, Director, PMU Telephone No.: +992-37-233-13-30 Fax No.: +992-37-233-85-25 Email: office@midp.tj
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

Tajikistan’s municipal sector features substantial infrastructure gaps and degradation, as well as low institutional capacity, particularly in urban water supply, sanitation and solid waste management. Although by official accounts 95% of urban residents had access to an improved form of sanitation in 2008, sanitary conditions in many small towns are dire.¹ Recent assessments of small towns provided by KMK for 2011 in the Khatlon Region indicate water supply coverage as low as 14%, solid waste coverage of 1% and sanitation coverage of 0-1% in some towns. For a majority of towns such services fall under the responsibility of State Unitary Enterprise “Khochagii Manziliu Kommunalii” (KMK) through its local subsidiaries (branches) in the regions. Laws passed in 2009 and 2010 support the decentralization and transfer of public service responsibility from KMK to local governments, but are not being effectively enacted on the ground, due to various factors including the lack of capacity and sufficient funding. Most utilities thus continue to be ambiguously subordinated to both the central administration of KMK and to the Mayor’s office.

¹ World Bank, 2011 “Tajikistan, Sanitation in Small Towns”

The Government of the Republic of Tajikistan (GoRT) is currently seeking to strengthen service regulation functions. Legislation was recently passed² to update service standards for improved efficiency of water use, and to clarify the responsibilities and rights of utilities and consumers. Despite the passing of key laws in the 2009 and 2010 in support of improving communal services, implementation of such laws have not come to fruition for a variety of reasons, including lack of capacity and insufficient funding at the local utility (local branches of the KMK) level.

The GoRT recently introduced regulations to improve water use efficiency by updating per capita consumption and service standards, and clarified responsibilities of utilities and the rights of consumers. KMK is mandated to implement these acts over the next two years. It also intends to pilot initiatives to improve financial sustainability of its branch utilities and to enhance KMK's management and oversight functions.

The Project is included in the current Country Partnership Strategy (CPS) for Tajikistan (FY2010-2013), which points to the third overarching objective of the Poverty Reduction Strategy (PRS) to promote sustainable improvements in living standards, particularly of vulnerable groups. The proposed AF is consistent with the pursuit of the CPS result indicator *“improving the provision of safe water to Dushanbe and select municipalities”* with a focus on smaller towns in the country.

2. Objectives

The original PDO will be revised to reflect the changes in scope of the AF. The revised PDO is to “improve the availability, quality and efficiency of basic municipal services for the population of the towns which participate in the project. An added objective, as an urgent response to the floods of the Spring of 2012, is to contribute to their mitigation with the supply of emergency materials”.

The geographical scope of the AF will be reduced to five urban centers which include cities previously covered by MIDP (Dangara, Kulyab, Kurgan-Tube and Vose) and Farkhor. In order to enhance the development impact of the AF physical investments in water supply, solid waste management, and sanitation will be limited to Vose and Farkhor and activities will be scaled up with respect to the institutional support provided to the GoRT in improving the institutional capacity of the communal services sector.

3. Rationale for Bank Involvement

The proposed AF would enhance MIDP's impact through a strategic scale-up of activities and investments by contributing to one of the CPS objectives aimed at promoting sustainable improvements in living standards, particularly among vulnerable groups. Alternatives to

² Under the Local Governance and Citizen Participation program supported by USAID landmark laws were passed in August 2009 (“Law on Local Self Government in Towns and Townships” and the “Law on Housing Associations”) and a recent presidential Decree “Concept of Housing and Communal Services Sector Reform (2010-2015)” was passed in July 2010. Law on “Potable Water and Its Supply” dated December 16, 2010, “Regulation on the use of water supply and sewerage networks in the Republic of Tajikistan” dated April 30, 2011”

financing the scaling-up of the MIDP have been considered and the AF was found to be the most appropriate instrument to scale up activities of the ongoing project.

MIDP has made a noticeable contribution to improving living conditions in the eight towns (Kurgan-Tube, Kulyab, Dangara, Istarafshan, Garm, Vose, Kanibadam, Vakhdat) where it is active. However, the potential impact the project could have had on beneficiary populations was diluted by the spread of investments and the lack of attention given to strengthening the central and local institutional capacities. To ensure depth of intervention and greater impact in improving the living standard of targeted populations as measured by access to basic urban (municipal) services, the proposed AF will focus on an urban integrated development approach in two towns –Farkhor and Vose, with investments in water supply, solid waste management, sanitation, and on institutional development. The proposed AF will also enhance the ability of the GoRT to better respond to disruption in services due to flooding, severe cold weather (snow) and earthquakes by financing utility services maintenance equipment, cement, fuel and gabion wire mesh. The equipment will be located at regional centers with easy access to district KMK branches and the civil protection system, as part of comprehensive preparedness and emergency activities. In response to a request from GoRT for emergency preparedness support, request was received by the Bank to use the proposed AF as the vehicle for retroactive financing up to US\$500,000 for acquiring goods needed to help support the Ministry of Land and Water Resources prepare for anticipated excessive spring flooding in 2012.

The AF is financing a Municipal Sector Strategy and institutional strengthening pilots for improved service delivery. The GoRT has long acknowledged the deteriorating state of its communal services in drinking water supply, sanitation, solid waste management and district heating. In July 2010, it passed Presidential Decree #321 titled “Concept of Housing and Communal Sector Reform (2010-2015).” An Inter-Agency Working Group led by KMK was established to lead its implementation.

The AF is a transition project towards broader involvement of the World Bank and other donors in improving the operational and financial sustainability of the sector. It goes beyond rehabilitating the water supply, sanitation and solid waste services in two towns. It responds to a request from the GoRT to pilot institutional strengthening measures that could potentially be scaled up nationally in a follow-up operation and will encompass the following:

- (1) Municipal Sector and Communal Services Reform including - i) development of a Municipal Sector Strategy; ii) designing a financing mechanism (Fund or financing instrument) to support the development of communal services to attract and implement donor contributions to the sector; and iii) installing a Monitoring Information System for KMK to oversee the service and operating performance of local utilities;
- (2) Initiatives to increase the sustainability and performance of water supply service delivery, including - i) the piloting of a metering and demand management program through the systematic installation of water meters in Farkhor; ii) the piloting of a Household Connection Subsidy program for small towns to improve coverage and equity of access to water supply; and iii) the piloting of modern

billing and collection technology in secondary towns, with handheld controller terminals and electronic kiosks payment facilities.

4. Description

The AF will have the following components:

Component A: Municipal Infrastructure Rehabilitation

This component would finance improvement of municipal services in an integrated manner in the towns of Farkhor and Vose. It will include rehabilitation and limited expansion of the water supply network to improve service quality and coverage; improvement of solid waste collection and disposal services; provision of public toilets for apartment blocks; introduction of a household connection subsidy; and acquisition of emergency services response equipment and materials.

Component B: Technical and Institutional Strengthening

This component will finance the implementation of a pilot metering program; piloting the use of modern billing and collection technologies in the water utilities; the installation of a Monitoring Information System in KMK; introduction of IBNET benchmarking of water utilities; installation of an automated accounting system; communication campaigns; development of a Municipal Sector Strategy; training and institutional strengthening and feasibility studies.

Component C: Implementation Support:

This component will finance the Project Management Unit already established under the original project, the Implementation Consultant contract and other consulting services.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	1.20
IDA Grant	10.50
Total	11.70

6. Implementation

It is expected that MIDP-AF would be implemented over a period of 3 years commencing in August 2012, the expected time of effectiveness of the IDA Grant. The institutional arrangement would remain the same as in the on-going MIDP wherein the project will be implemented under the responsibility of KMK. The Project Management Unit (PMU) established under MIDP would continue to manage and implement the proposed project. The PMU which reports to the KMK is headed by a PMU Director who manages staff responsible for procurement, disbursement and financial management. An Implementation/Supervision Consultant will be hired to support the PMU in project implementation.

7. Sustainability

MIDP-AF will build on the achievements and experience of MIDP to improve the sustainability of project investments and operations of the local branches of the KMK by focusing on the following:

a. Sustainability of project investments: Scope of investments was discussed and agreed with the client with a view to reduce water losses, increase coverage and improve the water quality at intakes by increasing operational revenue. An Implementation/Supervision Consultant will be hired to support the PMU in project implementation to supervise the quality of design and works. The proposed project is designed to have an overall positive impact on the financial performance of the companies through: i) improving the service-level of water supply in Farkhor and Vose and thereby increasing amount of water to be sold resulting in an increased willingness to pay for the water supply services provided; ii) introduction of electronic billing and collection system in Kurgan-Tube and Kulyab which assumingly will increase the fee collection rates; iii) implementation of automated accounting and billing system in all five towns covered under the AF which will improve management control and thereby collection efficiency.

b. Institutional sustainability: The water utility companies in especially the two main project towns of Farkhor and Vose are in a low stage of institutional development. To improve the efficiency of management of the project companies, the Bank would also support implementation of automated accounting systems in all five towns covered under the AF complemented by the training of the staff to create improved management control. Development of a Municipal Sector Strategy including exploration of innovative financing mechanisms for Communal Services Development to leverage the funding of other donors will also help the GoRT secure the sustainability of the investment and support the reforms required to improve sector performance in the near future.

8. Lessons Learned from Past Operations in the Country/Sector

There is a critical need to improve institutional capacity and management quality of the utility companies in Tajikistan to secure the sustainability of their operations. The proposed additional financing, therefore, will support capacity building of KMK and local utilities, with specific focus on improving utility management, operations and maintenance and financial sustainability.

9. Safeguard Policies (including public consultation)

The following Safeguard Policies were triggered: i) Environmental Assessment (OP/BP 4.01), ii) Involuntary Resettlement (OP/BP 4.12) and iii) Projects on International Waterways (OP/BP 7.50).

The proposed expanded and new activities of the AF do not raise the environmental category of the project nor trigger any new safeguard policies and is a Category B. All proposed investments are related mostly to rehabilitation and limited extension of water supply and sanitation systems, construction of a small scale temporary waste deposit point and sludge drying bed in the existing

landfill (in Farkhor), and procurement of transformers at water intake, as well as solid waste management and sanitation equipment. Environmental issues associated with the above interventions are minor, short-lived, and primarily limited to the project sites (except for movement of equipment and materials to/from the site). These issues are primarily: dust, noise, disposal of waste material and/or older equipment, some traffic disruption (depending upon specific location), worker safety (e.g. welding operations) etc. All these impacts are addressed with good engineering and construction practices and with mitigation measures specified in the project Environmental Management Plan (EMP) to be applied by contractors with close supervision of compliance by the Project Management Unit (PMU).

The project will also bring positive social impacts as the proposed activities would improve social conditions for the population and would contribute to improving local population livelihoods. The ongoing project triggered OP 4.12 and Resettlement Action Plans (RAPs) were prepared and implemented in 3 towns of Vahdat, Kurgan-Tube and Istarafshan. The implementation has been satisfactory to date and the PMU has gained capacity to understand the requirements of RAPs. Project Affected Persons (PAPs) were satisfied and payments of compensation were complete and satisfactory to the Bank. For the Additional Financing of investments in Farkhor and Vose a Resettlement Policy Framework (RPF) has been developed to set out the policy to compensate and assist any persons that may be affected by land acquisition. The RPF was disclosed to the public on January 30, 2012 and consultations conducted on February 3, 2012 in Dushanbe and February 7, 2012 in Vose and Farkhor.

The applicability of World Bank Operational Policy 7.50, "Projects on International Waterways" was reviewed with the Legal Department of the World Bank, and a waiver on notifying riparian states was granted. The project will not include any irrigation and the proposed investments would instead reduce water abstraction from rivers and canals by reducing leakages in the system. Although the project includes the construction of new storage tanks and limited extension of the water supply distribution network in Vose and Farkhor abstraction of water will be less than the original designed capacity at intakes. In addition, there will be minimal increase in water consumption from underground sources (not expected to exceed 15%) as a net result of new household connections on the one hand, and the installation of water meters expected to reduce consumption on the other. An extension of the exception to the external notification requirements of OP 7.50, set forth in paragraph 7(a) for the AF has been approved by the ECA Regional Vice President on March 6, 2012.

10. List of Factual Technical Documents

- a) Institutional assessments and preparation of feasibility studies and engineering designs (GWCC-General Water Consult Corp., 2012);
- b) Engineering Designs for infrastructure investment in Vose (Loihai OB, 2012);
- c) Integrated Safeguards Data Sheet;
- d) Resettlement Policy Framework;
- e) Environmental Management Plan.

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