

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA25985

Project Name	Tajikistan Second Dushanbe Water Supply Project - Additional Financing (P154729)
Parent Project Name	Second Dushanbe Water Supply Project (P118196)
Region	EUROPE AND CENTRAL ASIA
Country	Tajikistan
Sector(s)	Water supply (100%)
Theme(s)	Urban services and housing for the poor (100%)
Lending Instrument	Investment Project Financing
Project ID	P154729
Parent Project ID	P118196
Borrower(s)	MINISTRY OF FINANCE
Implementing Agency	Dushanbe Vodokanal
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	12-Jun-2015
Date PID Approved/Disclosed	13-Jun-2015
Estimated Date of Appraisal Completion	12-May-2015
Estimated Date of Board Approval	30-Jun-2015
Appraisal Review Decision (from Decision Note)	The review did authorize the team to appraise and negotiate
Other Decision	As part of the decision review meeting held on May 12, 2015, the team is authorized to (i) upgrade the April 13-22, 2015 pre-appraisal mission to appraisal, and to (ii) proceed to initiate technical discussions that can be upgraded to negotiations, provided and as soon as Ministry of Finance and Municipality of Dushanbe reach an agreement on on-lending terms.

I. Project Context

Country Context

Tajikistan is one of the youngest and fastest growing countries in the Europe and Central Asia (ECA) region, with a population of over 8 million people, of which about 70 percent live in rural areas. Following independence in 1991 and the end of a devastating civil war in 1997, the country undertook reforms which led to sound economic growth averaging 7 percent over the last 15 years. Remarkable poverty reduction was achieved from 81 percent in 1999 to 36 percent in 2012. With a Gross National Income (GNI) per capita of USD 980 in 2013, Tajikistan remains the poorest

country in ECA, and due to the economic slowdown in Russia, where about 40 percent of the working age population seeks employment, short term prospects are challenging. Growth is expected to slow to 3.2 percent, while GNI is expected to drop by 4.2 percent in 2015.

Sectoral and institutional Context

Tajikistan's water supply and sanitation (WSS) sector is the least developed in the ECA region. Official 2012 data measures access to water supply service at 93 percent in urban areas and 49 percent in rural areas, whereas sanitation service is only accessed by respectively 20 percent and 5 percent of the urban and rural populations. Most infrastructure assets date back to the Soviet era and are highly degraded as a result of aging, poor maintenance and under-investment, leading to widespread service inadequacies. Sanitation systems are typically less developed and more neglected than water infrastructure, resulting in locally dire sanitary conditions. Sector organization and governance are weak, with most central sector functions concentrated in a low capacity Communal Services Agency (KMK), except for tariff regulation entrusted to the Anti-Monopoly Commission (AMC). Tajikistan will not meet the 2015 Millennium Development Goal for water, largely because of insufficient policy focus to date on the rural service gap. Poor availability and quality of WSS services is a major factor of non-monetary poverty, and the socio-economic burden, calculated in terms of health impacts, coping costs and opportunity losses, is estimated at 3.9 percent of GDP in 2012. The Swiss Cooperation, EBRD and JICA are, along with IDA, the main donors supporting the sector. Outside of Dushanbe, IDA also supports water and urban infrastructure needs of secondary cities through the Municipal Infrastructure Development Project and the Communal Services Fund Project.

The capital Dushanbe (approximately 800,000 inhabitants) benefits from extensive WSS infrastructure built in Soviet times, which to this day affords quasi-universal access to piped water service. Service quality, reliability and sustainability are however among the worst of any ECA capital. This is largely due to the degradation of aging assets from lack of maintenance and renewal. Networks are on average 50 years old. As a consequence of the lack of filtration at the main Samatechnaya (SAM) water treatment plant (WTP), non-potable water is distributed to 40 percent of the population, and high-turbidity "brown water" occasionally reaches customer taps after strong rains. Water inefficiencies are among the highest on record due to unmetered consumptions and network leaks, and affect service pressure and continuity especially in the summer and in the upper floors of apartment buildings. Despite some improvements in recent years, the performance of municipal utility Dushanbe Vodokanal (DVK) remains low, impaired by capacity and governance weaknesses, obsolete practices and limited accountability. Until recently, customer service relied on door-to-door controller visits to issue handwritten bills for cash payment, achieving very low collection levels. A recently completed water supply master plan assesses investment needs at USD 0.5 billion in the next two decades.

IDA has supported DVK since 2002 through a first Dushanbe Water Supply Project (DWSP, P057883, USD 25 million) initially implemented through a private-public partnership (PPP) and complemented by Islamic Development Bank (IDB) co-financing. At inception, DVK's system was on the verge of collapse and limited funding had to be focused on emergency measures to ensure the distribution of disinfected (i.e. bacteriologically safe) water, and restore service availability through rehabilitation of selected intakes, network sections and booster pumps. The project contributed to a drop in waterborne diseases (typhoid cases decreased from 379 in 2002, to 177 in 2004, 22 in 2009 and 0 in 2010), to increased service availability and to partial reduction of "brown

water” events. The planned IDB financing to rehabilitate the SAM filters was however cancelled, leaving part of the city with unfiltered, thus not potable, water supply. The PPP failed and utility efficiency and financial performance objectives were missed. DWSP and its AF closed in 2011 with an overall Moderately Unsatisfactory rating. At closing, DVK’s income was well below the levels required to service the on-lent debt contracted with the Government of Tajikistan (GOT).

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The project development objective is to improve water utility performance and water supply services in selected areas of Dushanbe

B. Proposed Project Development Objectives – Additional Financing (AF)

The project development objective is to improve water utility performance and water supply services in selected areas of Dushanbe.

III. Project Description

Component Name

Component 1. Metering and Demand Management

Comments (optional)

Under Component 1. Metering and Demand Management, the AF will finance:

- a) Installation of 10,000 meters in completion of metering program in south Dushanbe
- b) Implementation of energy efficiency upgrades
- c) Network sectorization, mains replacement and leak reduction
- d) Communications strategy and ICT-based reporting system
- e) Annual customer satisfaction surveys

Component Name

Component 2. Water Quality Improvement

Comments (optional)

Under Component 2. Water Quality Improvement, the AF will finance:

- a) Reconstruction of additional 50% tranche of filters at SAM WTP and associated inlet and outlet structures
- b) Automation of coagulation dosage at SAM WTP
- c) Installation of in-network re-chlorination systems

Component Name

Component 3. Institutional Strengthening & Capacity Building

Comments (optional)

Under Component 3. Institutional Strengthening & Capacity Building, the AF will finance:

- a) Tariff and connection fee study
- b) Technical Assistance for corporate development, financial management and customer service
- c) Technical assistance for operational improvements, including NRW reduction strategy
- d) Training program for operational and administrative capacity building

Component Name

Component 4. Implementation Support

Comments (optional)

Under Component 4. Implementation Support, the AF will finance:

- a) Project Management Consultant, design and supervision services
- b) Project Administration Unit operating costs
- c) Annual Audits

Component Name

Unallocated contingency

Comments (optional)

An unallocated contingency budget is included to face cost increases and potential continued currency exchange losses.

IV. Financing (in USD Million)

Total Project Cost:	12.00	Total Bank Financing:	10.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			2.00
International Development Association (IDA)			5.50
IDA Grant			4.50
Total			12.00

V. Implementation

The Second Dushanbe Water Supply Project (DWSP2) was prepared in 2010 as a follow-up operation needed to address DVK’s unresolved water quality issues while improving its financial performance and demand management. Necessary priority investments were estimated at USD 40 million, which exceeded available IDA resources at the time. After inconclusive attempts to mobilize co-financing partners, DWSP2 was approved in June 2011 to be funded by a USD 16 million IDA grant and by USD 3 million co-financed by the Municipality of Dushanbe (MoD). The project has been effective since October 2011.

The Dushanbe Vodokanal, operating under the control of the Municipality of Dushanbe, is the implementing agency for the project and the manager of project assets. The Municipality of Dushanbe provides co-financing for the project. Implementation responsibilities are delegated by DVK to an international Project Management Consultant (PMC) also providing advisory technical assistance to utility management and operations. Within DVK, a Project Administration Unit (PAU) ensures project coordination and communications needs.

DVK retains the responsibility of data collection for the monitoring and evaluation activities of AF DWSP2. DVK collects the data, and the PMC compiles the updated data in regular project reports and in conjunction with World Bank missions.

The financial management arrangements established for the ongoing DWSP2 are satisfactory and can be replicated for the proposed Additional financing DWSP2. Under the ongoing DWSP2, the PCU is responsible for the financial management function. The chief accountant of DVK is responsible for the project financial management system, with the assistance of a financial management consultant, provided by the PMC in establishing effective project accounting system and in maintaining the system during project implementation. DVK is involved in the payments process through approval of invoices and works completion statements as well as issuance of

payment requests as prepared by the PMC in coordination with PAU.

The procurement implementation arrangements would remain the same as under the original Project. Procurement activities will be carried out by the existing PMC in coordination with PAU, as there is still little procurement capacity at DVK. The PMC and the PAU include procurement staff. Overall procurement capacity for implementation of procurement under the Additional Financing is assessed as Satisfactory.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50	x	
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

The activities financed by the AF should not have any new potential environmental or social impacts, and there are no changes in triggered safeguards policies. Safeguards documents already publicly disclosed apply for the AF. DWSP2 was granted an exemption for the notification requirement under OP 7.50 International Waterways. AF activities do not introduce any new condition or impact that may cause the DWSP2 exemption criteria not to be met. The exemption of the AF from the notification requirements of OP 7.50 was approved on May 14, 2015.

VII. Contact point

World Bank

Contact: Pier Francesco Mantovani
 Title: Lead Water and Sanitation Spec
 Tel: 473-8320
 Email: pmantovani@worldbank.org

Borrower/Client/Recipient

Name: MINISTRY OF FINANCE
 Contact: Abdusalom Qurbonyon
 Title: Minister
 Tel: (992 37) 221-14-17
 Email: Min_fin@tajjikiston.com

Implementing Agencies

Name: Dushanbe Vodokanal
 Contact: Fayzullokhon Isupov
 Title: Director
 Tel: 221-09-92221-77-45

Email: dwspcu@gmail.com

VIII. For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>