Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 05-Oct-2018 | Report No: PIDISDSC22927

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Tajikistan	P163734		Dushanbe Water Supply and Wastewater Project (P163734)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
EUROPE AND CENTRAL ASIA	Mar 04, 2019	Apr 30, 2019	Water
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance, Republic of Tajikistan	State Unitary Entity "Obu Korezi Dushanbe"	

Proposed Development Objective(s)

The PDOs are to (i) improve the water supply and wastewater services in selected areas in Dushanbe; and (ii) improve the utility financial management and overall performance.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	40.00
IDA Grant	40.00

Environmental Assessment Category	Concept Review Decision
B - Partial Assessment	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Tajikistan, with a population of 8.7 million and an annual Gross National Income (GNI) per capita of US$990 in 2017, is classified as a low-income country.** The country is landlocked with mountains covering over 90 percent of its surface. Official statistics suggests that the economy grew on average by 7.7 percent per annum between 2000 and 2017, and monetary poverty declined from 83 percent to 29.5 percent over the same period; the rate of improvement observed in recent years has been slow suggesting weakened growth elasticity of poverty. Poverty rates vary between urban (23 percent) and rural areas (35 percent) and among the country's regions (ranging from 20 percent in Dushanbe to 39 percent in Gorno-Badakhshan Autonomous Oblast). In absolute terms, poverty in Tajikistan remains a largely rural phenomenon with about 2.2 million of rural population living below the national poverty line.

2. **Relatively high economic growth rates have been sustained mainly due to a program of fiscal stimulation while the progress on structural reforms remained weak.** Economic growth in Tajikistan's continues to be largely dependent on remittances, as evidenced by real GDP growth accelerated in 2017 to 7.1 percent (from 6.9 percent in 2016), and further sustained at 7 percent during the first quarter of 2018 mainly due to a robust recovery in remittances driven by a resumption of growth in Russia and an improved regional dynamic. This recovery underlines the country's continued vulnerability to exogenous shocks in the absence of investment-based growth and limited space for private sector development.

3. **The country's progress in reducing multi-dimensional poverty has been less evident.** Limited or no access to secondary and tertiary education, heating, and water and sanitation are the main contributors to non-monetary poverty in the country. Lack of adequate maintenance, and investment gaps have caused a serious degradation of the country's infrastructure following its independence in 1991 and a devastating civil war from 1992 to 1997. Lack of access to these services (including access to piped water, a toilet connected to a sewer system) and their often-poor quality remain among the most unevenly distributed across urban and rural areas. The real challenge for Tajikistan is not only to sustain high rates of economic growth, but to pursue public policies that promote inclusiveness and share the benefits of growth.

Sectoral and Institutional Context

4. **Tajikistan's total actual renewable water resources were estimated at 21.9 billion cubic meters per year in 2014.** Annual water withdrawals in 2006[1] were estimated at around 11.49 billion cubic meters of which 91% were used in agriculture; 5.6% in domestic use and the remainder in industry. While the country has abundant water resources, the internal renewable fresh water resources per capita have declined from 9,842 m^3 in 2002 to 7,588 m^3 in 2014 mainly due to the observed population growth. Although such reduction is not seen as an immediate concern, in the long run, coupled with the expected impacts of climate change (already experienced as increasing temperatures, heightened extreme weather conditions, glacier retreats and more severe and frequent

[1] FAO Aquastat data have not been updated since 2006.

droughts) may cause severe water shortages and expansion of desert areas.

5. Climate change poses a significant threat to Tajikistan, adversely affecting the predictability of the annual river flow, which is mainly formed through seasonal glacial melt and snow supply, and increasing the vulnerability of the country's growing population to extreme weather-related shocks. In the business-as-usual scenario in conventional climate change models, Tajikistan is forecasted to experience high water stress, with water availability deteriorating over time[2]. Improved management planning and development of water resources, as well as improvements in water use efficiency in Tajikistan will be necessary to increase adaptive capacity and resilience to climate change risks.

6. **Tajikistan has made significant progress in increasing access to improved water services from 55 percent of the population in 2000 to 74 percent in 2015, which, however, was reportedly insufficient for the country to meet the MDG on drinking water.** As confirmed by the WHO/UNICEF Joint Monitoring Program data, the observed progress has been largely driven by improvements in service levels. The progress in access to improved water sources has been geographically uneven. In 2016, 87 percent of urban households had access to an improved water source on premises, as opposed to only 36 percent of rural households. Access to improved water sources was lowest in the Gorno-Badakhshan Autonomous Oblast (GBAO) and Khatlon regions and highest in Dushanbe. However, even when households have access to an improved water source, they face problems with the reliability and continuity of the service. According to the results of the *Poverty Diagnostic of Water Supply, Sanitation and Hygiene (WASH) Conditions in Tajikistan* (WASH Poverty Diagnostic), even in Dushanbe, capital of Tajikistan, where 98 percent of households have access to improved water on premises, only 61 percent report that water from this source is available when needed.

7. **Although access to water and wastewater services in Dushanbe is high, access to safely managed water supply services (which is the yardstick for measuring Sustainable Development Goals) is significantly lower.** The WASH Poverty Diagnostic found that only 49 percent of the water supply services is safely managed in Dushanbe. The current Second Dushanbe Water Supply Project is improving drinking water quality as measured by reliability of services (24 hours supply), bacteriological quality and turbidity levels reported by customers; however, the needs are much larger than the project can support. Planned expansion of the city and its changing landscape are likely to result in a rapid increase of the city's population and affect access to water and wastewater services.

8. **Access to improved sanitation in Tajikistan has improved over the last years, yet the share of households connected to a sewer network remains low.** The census maps indicate that sewage connections levels across Tajikistan are equally low across urban settlements, with over 80 percent of the urban population in each district not having access to a sewer. Findings of the WASH Poverty Diagnostic indicate that around 19 percent of the population in Dushanbe do not have access to sewage services; in absolute terms, the largest number of urban population without sewer connection resides in Dushanbe. Official records of the DVK suggest that coverage with wastewater services is estimated at 60-70 percent.

9. **Tajikistan's water sector has suffered from decades of chronic under-investment that have resulted in weak institutions and a deterioration of the infrastructure assets.** The high cost to operate and maintain water supply infrastructure poses a significant fiscal burden, as revenues cover only a small share of the system's

[2] World Resources Institute, Aqueduct Water Stress Rankings Project, August 2015

operational and maintenance costs, resulting in low service quality, low willingness to pay, underfunded operating budgets and lack of investment funding. Inadequate and unequal access to water supply and sanitation (WSS) is estimated to cost the country about US$275 million per year (or 3.9% of GDP).[3] [4]

10. **Given the sector's weak performance, inherited institutional bottlenecks and large investment needs requiring better planning and operation capacity and transition towards service-oriented approach, reform of the water sector has been identified as a priority.** The GoT has adopted the 2016-2025 Water Sector Reform Program that aims to ensure: (i) the use of integrated water resources management (IWRM) with river basins as the organizing principle in the sector; (ii) regulatory bodies are established to ensure effective coordination between different stakeholders and enable the transition to IWRM; (iii) the establishment of transparent and accountable water governance institutions responsible for policy and strategic guidance. The establishment of the Ministry of Energy and Water Resources (MEWR) in 2013 was a first step in this reform process. GoT is presently drafting a new legal framework for the sector with the draft Water code, Law on Water User Associations and Drinking Water Law completed and currently being reviewed internally within the GoT. The draft decree on the division of responsibilities in the water sector further defines the responsibilities of the "authorized state bodies" in the water sector with the aim to develop a more robust system of permits and water use control. In addition, the MEWR has launched the preparation of the National Water Sector Strategy for the period of 2018-2030 to update the sector plans in line with the recently adopted National Development Strategy for 2016-2030.

11. The Water Sector Development Strategy (2006) and Drinking Water Supply Improvement Program (2008-2020) are the two key program documents that outline specifically sub-sector's objectives and outcomes. There is no specific program document for wastewater/sanitation and/or detailed analysis/needs assessment covering this sub-sector even in Dushanbe. While development of the Comprehensive Master Plan for Development of Dushanbe city for the period until 2040 have been completed and endorsed in April 2017, accompanying plans for water supply and wastewater services are yet to be developed.

12. **The sector relies heavily on international funding to fill the existing financing gaps.**[5] Numerous donors are providing investment support to water supply and sanitation sectors in the country. The total donor commitments in the water supply sector are around US$146 million, of which the majority is made up by the European Bank for Reconstruction and Development (EBRD) lending which provides US$89 million for urban water supply sector. Other development partners include the Swiss Development Corporation (SDC) and the Japanese Investments Cooperation Agency (JICA), both these partners prioritizing investments in relatively large urban centers outside of Dushanbe. At the same time, the Asian Development bank (ADB) is joining the efforts of the Work Bank in supporting improvements of the water supply and wastewater services in Dushanbe. The efforts of the donors in the urban water supply sector have been largely disjoint and require stronger coordination from the Government. The proposed Project will build on the ongoing long-standing partnership of the World Bank with the Municipality of Dushanbe and the water utility – State Unitary Entity "Dushanbe Vodokanal" (DVK). The Project is part of a more comprehensive Bank lending water program agreed with the GoT which

[3] Central Asia Water Series – Volume 2: Economic Impact Assessment of Inadequate Water Supply and Sanitation Services in Central Asia, World Bank, June 2016 (draft analytical report).
[4] Comparable costs of poor access to WASH services in other countries in the region are significantly lower: 0.38% of GDP in Kazakhstan; 1.79% in Kyrgyz Republic; 0.94% in Turkmenistan; and 1.24% in Uzbekistan.
[5] UNDP's Tajikistan Water Public Environmental Expenditure Review estimated that in 2014 70 percent of total public expenditure in the water sector was funded through donor funding.

will also link to the World Bank funded Rural Water Supply and Sanitation Project (P162637)[6] providing water and sanitation services in rural areas and building sectoral capacity at the national level.

13. **The Dushanbe WSS utility (DVK) is set up as an independent State Unitary Enterprise**. It is operating de facto under close control of the Municipality. Dushanbe features a fairly developed yet degraded WSS infrastructure. Decades of underinvestment with limited technical and managerial capacity have caused the company to be financially and operationally inefficient. Most residents have a home or yard connection, but the availability of water is still an issue also due to the large water losses in the water distribution network. System pressure is often insufficient, and service frequently discontinued in summer.

14. The Bank has supported DVK since 2002 through the first Dushanbe Water Supply Project (DWSP, P057883) initially implemented through a private-public partnership. DWSP and its Additional Financing closed in 2011 with an overall Moderately Unsatisfactory rating. Partial service improvements were achieved through emergency rehabilitations, accompanied by a decline in the incidence of waterborne diseases. Despite some visible improvements in the quality of service achieved through these years, service in large parts of the city was still marred by chronic or seasonal service interruptions and water quality issues. Due to failed filters at the main water treatment plant (WTP), water distributed in 35% of the city did not meet potable standards. On the other hand, only marginal gains in utility performance and sustainability were secured through the first intervention. DVK revenue and efficiency were in particular far from the levels required to service the on-lending debt contracted by the DVK with GOT. As a result of long unmanaged water waste and losses, utility operations were highly inefficient, with water demands approaching 1,000 liter/capita/day in 2010.

15. DWSP2 and its AF were prepared as a needed follow-up operation to address urgent water quality and efficiency priorities, while improving financial performance of the DVK. Under the on-going DWSP2 the construction of 50 percent of Samotechnaya Water Treatment Plant was completed which improved drinking water quality in the city. The DWSP2-AF is on track to completion of the second 50 percent of Samotechnaya Treatment plant with sound technical quality. At the same time, improved utility management in terms of more stringent focus on billing and collection performance, coupled with three tariff increases since 2011, have resulted in major DVK financial performance improvements. The situation is expected to improve further due to the recently adopted decree on the increase of tariffs in Dushanbe city by 30 percent in October 2018 and transition to fully metered connections by 2020.

16. **Corporate governance and financial accountability still show weaknesses.** The DVK's independent auditors have rendered qualified opinions on its financial statements in the past owing to inability to sufficiently account for its revenues because of systemic and accountability issues. Auditors have also observed deficient technical capacity in the company's financial management unit impeding maintenance of proper accounting records and preparation of credible financial statements. Issues have included weaknesses in the accounting and internal control environment; deficient knowledge and application of accounting standards; and incomplete records of inventories, property, plant and equipment.

17. With the support of the World Bank, DVK made progress in implementing a financial management improvement plan (FMIP) and succeeded in obtaining an audit opinion. In particular, with support of the ongoing DWSP2 the DVK revised the company's accounting policies and procedures to be consistent with International

[6] With a total cost of US$ 48 million and expected Board date on Q3FY19.

Financial Reporting Standards (IFRS) and managed the process of 2017 financial statements preparation in accordance with IFRS. The WB current project supported DVK to achieve progress toward completing integration of the Accounting and Billing and Collections systems and generating financial statements directly from the integrated system. To sustain the progress achieved, there is a need to update and systematically implement the FMIP to enhance the quality and effectiveness of accounting, financial reporting and internal controls. These include further improvements in revenue management system to ensure completeness of billing; revenue collection and banking; and maintenance of receivables accounts. Proposed actions include support toward FM staff capacity and performance, enhancing the internal audit function and reorganizing the company's corporate governance arrangements for improved financial performance oversight and monitoring by those charged with governance – the company's Board of Directors.

Relationship to CPF

18. The Project is fully aligned with the upcoming World Bank Country Partnership Framework (CPF) 2019-2023, as it focuses on prioritizing social investments and improving basic public services and infrastructure to build a strong foundation for higher-yielding human capital in a longer term. The project will also support the CPF objective to address deep-rooted development constraints emanating from the weak institutional framework of the water sector and low efficiency of the public institutions.

19. The Systematic Country Diagnostic completed in preparation of the new Country Partnership Framework for 2019-2023 identifies access to basic public services, such as education, health, energy, potable water, sanitation, and transport as a key determining factor of non-monetary poverty. Improved access to water and wastewater will help to improve security and poverty reduction; both are part of the criteria that define multi-dimensional poverty in the country. By addressing inadequate access to basic services, the project supports the Bank's Twin Goals. Access to improved water and wastewater services also provides households with better health outcomes, while enhancing their resilience to natural disasters and climate change by using water resources more optimally.

20. The Project would also contribute towards the Sustainable Development Goals that calls for universal and equitable access to safe and affordable drinking water, sanitation and hygiene by 2030. Access to water services also provides poor households with better health outcomes (through safer drinking water supplies) and allows them to undertake more productive activities, while enhancing their resilience to climate change by increasing the use of scarce water resources more optimally.

PROPOSED PDO/RESULTS

C. Proposed Development Objective(s)

The PDOs are to (i) improve the water supply and wastewater services in selected areas in Dushanbe; and (ii) improve the utility financial management and overall performance.

Key Results (From PCN)

21. Achievement of the PDO will be monitored using the following indicators:

- People with existing connections benefiting from more reliable water (hours of supply)

- People provided with access to improved wastewater services under the project
- Dushanbe Vodokanal operating cost coverage ratio improved
- Audited financial statements reflect progressively reduced financial accountability issues

D. Concept Description

22. The proposed project will support activities to sustain the gains achieved under the previous projects and will complete the ongoing activities. The activities included under the proposed project are targeting well justified priorities for improving reliability of water supply services, reducing water demand and NRW, optimizing operating costs with the objective to improve the DVK's sustainability. The proposed project will include three components: Component 1: Institutional strengthening and capacity building (ISCB); Component 2: Water and Wastewater Systems Improvements; and Component 3: Project Management

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project is located mainly in Sino district of Dushanbe city, representing largely built-up environment. The suburb of the district also represent agricultural area, with no natural and undisturbed environment present there.

B. Borrower's Institutional Capacity for Safeguard Policies

DVK, as the project implementing agency, is already implementing World Bank funded Second Dushanbe Water Supply Project (P118196). The Agency is therefore familiar with the Bank's safeguards policies and retains moderate capacity to implement projects. A dedicated Project Implementation Unit for Dushanbe Water Supply Project is also responsible for on-the-ground implementation of environmental and social instruments. Supervision consultants and contractors on this project have acquired specialist services by hiring environmental and social specialists to adequately implement the project. A similar arrangements under the existing PIU will be continued for the implementation of proposed project.

C. Environmental and Social Safeguards Specialists on the Team

Kristine Schwebach, Social Specialist
Javaid Afzal, Environmental Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project scope is limited to support rehabilitation and/or replacement of the existing main water supply pipelines and booster pumps, sewer collectors/pipelines and installation of household water meters. It is therefore anticipated that majority

		of the adverse environmental impacts will be associated with construction related activities. These impacts will be site-specific, temporary and reversible and could easily be managed by applying appropriate mitigation measures. The project has therefore been categorized as B. DVK will be asked to prepare an Environmental and Social Impact Assessment (ESIA). The bank safeguards requirements will be included in the scope of the terms of reference for both the development of Wastewater Concept Plan for Dushanbe city and Integrated Urban Water Resilience Plan. Creation of Environmental and Social Unit within DVK to integrate environmental and social sustainability into the water supply and sewerage system infrastructure development will be expected in the recommendations of the two Plans.
Performance Standards for Private Sector Activities OP/BP 4.03	No	Not relevant.
Natural Habitats OP/BP 4.04	No	The project is located within Dushanbe city and does not have any natural or critical habitat located within. The Policy is therefore not triggered.
Forests OP/BP 4.36	No	No forests as defined in the Policy are located within the project area. The Policy is therefore not triggered.
Pest Management OP 4.09	No	The project activities will not result in the use of or promote the use of pests as defined in the Policy. Therefore the Policy is not triggered.
Physical Cultural Resources OP/BP 4.11	TBD	During the preparation of ESIA, DVK will present analysis on the presence and project's impact, if at all, on any physical cultural resource as defined in the Policy. Therefore at project appraisal, it will be confirmed whether this Policy is triggered.
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	Yes	The project activities do not envisage any resettlement as they mainly envisage replacement/rehabilitation of existing water supply and sewerage network. However, as rehabilitation or /and reconstruction works may require rerouting of existing pipes, they may have effects closely associated with resettlement - temporary or permanent loss of land, crops, and other means of income generation and hence, it is recommended to prepare a Resettlement Policy Framework (RPF) together with the ESIA laying out the key principles of the World Bank's OP 4.12 and a strategy to fulfill the policy's requirements that are mutually agreed upon. Resettlement Action Plans (RAP) if needed, will have to be prepared during

		project implementation for each sub-project that is found to trigger land acquisition, displacement and/or loss of physical/economic assets, once the project site (s) is identified.
Safety of Dams OP/BP 4.37	No	The project activities do not involve any interventions on the existing dams or construction of a new dam. The Policy is therefore not triggered.
Projects on International Waterways OP/BP 7.50	Yes	Majority of the water sources for water supply originate from rivers. The project scope does not involve interventions in the development or rehabilitation of water source. However, as per the ESIA preparation, it will then be determined whether the project can benefit from the exception to notification requirement set forth under para 7a of OP 7.50.
Projects in Disputed Areas OP/BP 7.60	No	The project is not located in Disputed Areas as defined in the Policy. The Policy is therefore not triggered.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Dec 31, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The project ESIA covering component 2 and installation of household meters will be prepared by DVK by December 31st, 2018. The RPF will be prepared prior to appraisal. Draft ESIA report will be consulted and disclosed locally and at the World Bank before the project appraisal. Appropriate safeguards instruments (ESIAs) for the Wastewater Concept Plan for Dushanbe city and Integrated Urban Water Resilience Plan will be undertaken during the project implementation. ToR for these Plans will, however, be prepared before the project appraisal and will be included in the project ESIA.

CONTACT POINT

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APPROVAL

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