



1. Project Data

Project ID	Project Name	
P104994	BISHKEK AND OSH URBAN INFRASTRUCTURE	
Country	Practice Area(Lead)	Additional Financing
Kyrgyz Republic	Social, Urban, Rural and Resilience Global Practice	P122811,P122811
L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-50380,IDA-H3580,IDA-H7540	30-Jun-2012	33,007,500.00
Bank Approval Date	Closing Date (Actual)	
18-Mar-2008	31-Dec-2015	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	12,000,000.00	0.00
Revised Commitment	27,352,605.36	0.00
Actual	26,181,878.96	0.00

Sector(s)

Water Supply(58%):Urban Transport(23%):Sub-National Government(14%):Waste Management(3%):Central Government (Central Agencies)(2%)

Theme(s)

Urban services and housing for the poor(40%):Municipal governance and institution building(40%):City-wide Infrastructure and Service Delivery(20%)

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2. Project Objectives and Components

a. Objectives

The original PDO was to "improve the living conditions of residents of novostroiki in the Cities of Bishkek and Osh through the development of infrastructure of the Bishkek and Osh Municipalities pertaining to road networks, drainage systems, supply of clean and safe water and other such infrastructure as well as the rehabilitation and upgrading of said infrastructure." (Financing Agreement April 30, 2008, first para, Schedule 1, p. 5).

The revised PDO was to "increase the availability of basic urban services in semi-formal settlements known as new housing developments



(novostroiki) in the cities of Bishkek and Osh, as well as in selected small towns of the Kyrgyz Republic, and to increase the availability of social infrastructures in the cities of Bishkek and Osh and in both the selected small towns and in other towns.” (Additional Financing Agreement May 3rd, 2012, first para, Schedule 1, page 5).

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

12-Jan-2012

c. Components

Original components:

The project had four components:

Component A: Basic Infrastructure (Cost at appraisal: US\$ 11.3 million; Actual: US\$ 22.4 million)

The component financed upgrading and/or expansion of water supply, road and other basic infrastructure as well as rehabilitation and/or upgrading of service equipment required for improving the availability of basic services in selected novostroiki settlements. It included three sub-components:

- Bishkek Basic Infrastructure;
- Osh Basic infrastructure; and
- Detailed design studies, bid documentation, and technical supervision.

Component B: Community Investments (Cost at appraisal: US\$ 1 million; Actual: US\$ 5.1 million)

This component financed small-scale investments in neighborhood social infrastructure and equipment identified and implemented with the active involvement of residents of novostroiki areas in both Bishkek and Osh following approaches used by other Community Driven Development (CDD) type Bank operations in the Kyrgyz Republic. The component was to include two subcomponents:

- Bishkek Community Investments; and
- Osh Community Investments.

Component C: Institutional Development (Cost at appraisal: US\$ 1 million; Actual: US\$ 1 million)

The component financed technical assistance and other form of institutional support to the Bishkek and Osh Municipalities. The component included two sub-components:

- Bishkek Institutional Development; and
- Osh Institutional Development.

Component D: Operational Support (Cost at appraisal: US\$ 1 million; Actual: US\$ 1.6 million)

This component supported project implementation by financing:

- The contracting of local experts to assist the Community Development and Investment Agency of Kyrgyz Republic (ARIS) and the Municipal Project Units (MPUs) established by the Bishkek and Osh Municipalities in the implementation of the project investment programs;
- The creation and maintenance of a Monitoring and Evaluation System (M&E) to continuously monitor and evaluate the performance and results of the project;
- The project related operating costs of ARIS, including consulting fees, in-country travel expenditure and mandatory employer contributions to the Kyrgyz Social Fund as well as the purchase of a limited amount of office equipment and vehicles;
- Training for ARIS staff and other persons associated with project implementation; and
- Annual audits and accounts.

Revised components:

As a result of the Level I Restructuring on 01/12/2012, the geographic scope of activities was expanded to include selected small towns for Component A and B. Component D was revised to be more specific in its description. No changes were made to component C.

Additional activities included:



Component A: (Total planned cost after additional financing US\$ 22.4 million)

- Carrying out works and services to complete the rehabilitation of the Bashkarasuu Water Intake and Treatment Plant, including procuring and installing water pumps and other technical equipment for the operation of the plant, constructing a power transmission line and transformer stations, and constructing an aqueduct to connect the plant with the Bishkek Vodokanal (BVK) network.
- Carrying out the development of basic infrastructure for road rehabilitation and maintenance works, constructing and repairing water supply and sewerage networks and installations, and providing equipment for municipal services in Osh.
- Carrying out engineering and related design studies for project activities under Component A and D.
- Carrying out road rehabilitation and maintenance works, constructing and repairing water supply and sewerage networks and installations, and providing equipment for municipal services to selected small towns.

Component B: (Total planned cost after additional financing US\$ 5.1 million)

Carrying out small-scale investments in the new housing developments of the cities of Bishkek and Osh, as well as both in the selected small towns and in other small towns of the Kyrgyz Republic, to improve the living conditions of residents of said areas.

Component D: (Total planned cost after additional financing US\$ 1.6 million)

Provision of technical assistance to ARIS in the implementation of the project, including financing of operating costs and audits, for the purpose of managing and monitoring project activities, as well as provision of training and workshops for the purposes of improving the capacity of ARIS to prepare, evaluate and develop infrastructure investments

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost, Financing and Borrower Contribution:

The total planned project cost at appraisal, including the Borrower's contribution, was US\$ 14.3 million, of which the IDA contribution would be US\$ 12 million and the Borrower's contribution would be 2.3 million. The Bank subsequently provided US\$ 15.8 million in additional financing, increasing the total planned IDA amount to US\$ 27.8, of which US\$ 26.2 million had been disbursed at the time of the ICR. At the time of the ICR, US\$ 1.6 million was still undisbursed. At the time of the ICRR (email conversation with the project team referring to the project portal), all funds had been disbursed, except for US\$ 300K, which was cancelled due to exchange rate differences. The total borrower contribution was US\$ 6 million; bringing the total actual cost of the project up to US 32.2 million. There were no co-financiers to this project.

Dates:

The project was approved on 03/18/2008 and effective on 07/29/2008. The Original closing date was 06/30/2012 and the actual closing date was 12/31/2015, i.e. 3.5 years (42 months) after the planned closing date at appraisal.

The project underwent six restructurings:

A Level-I restructuring in January of 2012, where the PDO and key outcome indicators were amended, additional funding was allocated for scale up and geographic expansion, and a three-year (36 months) project extension from June 30, 2012 to June 30, 2015 was granted.

In addition to the Level-I restructuring, the project underwent five Level-II restructurings in order to

- revise allocations of proceeds among disbursement categories in April 2009, September 2012 and March 2014;
- extend the project closing date with another six months to December 31,
- cancel uncommitted funds due to devaluation of currency (approximately US\$ 300,000 equivalent or 1 percent of project funds) in December 2015.

3. Relevance of Objectives & Design

a. Relevance of Objectives

Approximately 37 percent of the loan proceeds were disbursed at the time of the level I restructuring. Relevance, Efficacy and Efficiency are therefore assessed against both the original and revised PDOs, and the results are weighted in order to arrive at the overall outcome rating. Relevance of both the original and revised PDO is **Substantial**. Both PDOs were relevant to national priorities and to the Bank's strategies at the time of design and restructuring, and both were still relevant to the CPS at closure.

Owing to uncertainties in the country that followed the political turmoil and violence of April-June 2010, Bank Group activities in FY11 were



guided by a Joint Economic Assessment (JEA) and during FY12-13 by an Interim Strategy Note (ISN). The JEA concentrated mainly on the country's emergency post-conflict needs for budget support, humanitarian aid, and infrastructure repair and rehabilitation, and the PDO of this project responded directly to the third topic of infrastructure repair and rehabilitation. The ISN served as a bridge between the JEA's post-crisis recovery strategy and the full Country Partnership Strategy (CPS) for FY14-17, which marked the Bank Group's return to a standard assistance framework for the Kyrgyz Republic. The CPS for FY14-17 emphasizes support for improved governance and is centered on the three broad areas of engagement; i) public administration and public service deliver; ii) business environment and investment climate; and iii) natural resources and physical infrastructure. The PDO for this project is relevant under two of these three areas (i.e. under i) and iii)). Both PDOs were still relevant at project closure to the National Sustainable Development Strategy, which aims at improving efficiency, integrity and quality of essential public services in its Chapter 2.6, and to the current CPS (2014-17) which highlights the support of integrated urban development and communal services.

Rating
Substantial

Revised Rating
Substantial

b. Relevance of Design

Relevance of Design – both the original and the revised design – are rated **Substantial**.

Relevance of Design is rated Substantial, as the project's original and revised components and activities (Basic Infrastructure, Community Investment, Institutional Development and Operational Support) were relevant to and consistent with the stated Objectives (Increased availability of basic infrastructure/ Increased availability of basic urban services and social infrastructure). The components and activities under the project were necessary and sufficient to achieve the project's original and revised development objectives. Relevant and adequate revisions to the results framework were undertaken during the restructuring to reflect the changes in activities and objectives. Both statements of objectives were clear and linked to intermediate and final outcomes. The causal chain between funding and outcomes is clear and convincing, and achievement of the PDOs would contribute to the higher level objective of "improved living conditions".

Rating
Substantial

Revised Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
Objective 1
Original Objective

The original PDO for Objective 1 was to "improve the living conditions in selected semi-informal settlements (novostroiiki) in Bishkek and Osh, the two largest cities of the Kyrgyz Republic, by increasing the availability of basic infrastructure to the residents of these areas."

The original PDO had a higher level objective: "improved living conditions" and the final outcome was "increased availability of basic infrastructure" to the residents of selected semi-formal settlements (novostroiiki) in Bishkek and Osh.

The indicator of the PDO outcome at approval was the "improved availability and quality of basic local infrastructure services (water and urban roads) in the novostroiiki areas", measured through:

- Increase in number of households with 12-hour access to potable water (Baseline: 0, Original target: 88%);
- Increase in number of households with access to piped potable water within a distance of less than 150 meters (Baseline: 0, Original target: 100%);
- Increase in number of households with access to roads with public transport at a distance less than 500 meters (Baseline: 0, Original target: 80,000;)and
- Number of direct beneficiaries of improved infrastructure services. (Baseline: 0, Original target: 208,088).



The PDO revised at Level 1 restructuring was to “increase the availability of basic urban services in semi-formal settlements known as new housing developments (novostroiki) in the cities of Bishkek and Osh, as well as in selected small towns of the Kyrgyz Republic, and to increase the availability of social infrastructure in the cities of Bishkek and Osh and in both the selected small towns and in other towns.”

As shown in the table below, the intermediate indicators were changed both in wording and in the targets to accommodate the scale-up of activities and to align them with the new key indicators. Five new core indicators were added to Component A. One indicator was dropped under Component B as it was redundant, one was revised and five added. More specific targets were developed for Component C to reflect the institutional building activities that were prioritized by participating towns. There were no changes to intermediate indicators related to Component D. All intermediate indicators are at output level.

The main difference between the two PDOs is that “social infrastructure” was added in the revised PDO.

Rationale

The rationales for the assessments for both the original and restructured PDOs are made together in the following boxes.

Rating

Substantial

Revised Objective

Objective 1: Increased availability of basic infrastructure/urban services

Revised Rationale

Outcomes:

Key outcome indicators, original and revised:

Indicator	Baseline	Original target	Revised target	Actual/ achieved
Percentage of people in project areas provided with access to improved water sources under the project (core indicator) – <i>new indicator added at restructuring.</i>	0	n/a	100%	128%
Percentage of population in project areas with 24-hour access to potable water (custom indicator) – <i>new indicator added at restructuring.</i>	n/a	n/a	90%	100%
Percentage of population in project areas with at least 12-hour access to potable water (custom indicator) – <i>indicator retained.</i>	0	88%	100%	100%
Number of people in urban areas provided with access to all-season roads within a 500-meter range under the project (core indicator) – <i>indicator retained.</i>	0	80,000	30,745	30,745
Number of direct project beneficiaries (core indicator) – <i>indicator retained.</i>	0	218,088	218,088	262,998
Percentage of households in project areas with access of improved water source within 150 meters or less – <i>indicator retained but as intermediate level indicator (see first indicator in table under Outputs).</i>	0	□100	100□	□100

All key outcome indicators were achieved or surpassed. The target value for the number of people in urban areas provided with access to all-season roads within a 500-meter range (the fifth indicator in the table above) was reduced during restructuring to allow road construction work to be carried out at a higher technical standard with increased investment cost per unit, reducing the km rehabilitated and the number of beneficiaries.

Outputs:

Intermediate Indicators, original and revised:

The indicators and their achievements are detailed in the table below:

Indicator	Baseline	Original	Revised	Actual/
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		target	target	achieved
Percentage of households in project areas with access to improved water sources within 150 m or less (<i>retained</i> , was PDO indicator at appraisal)	0	100%	100%	□ 100%
Length of urban roads constructed and/or rehabilitated in Km (<i>new</i> , core)	0	n/a	21.50	21.52
Number of improved community water points; constructed and/or rehabilitated (<i>new</i> , core)	0	n/a	229	216
New piped HH water connections (<i>new</i> , core)	0	n/a	n/a	23,295
Existing HH water connection benefited from rehabilitation works (<i>new</i> , core)	0	n/a	26,461	32,236
Number of water utilities that the project is supporting (<i>new</i> , core)	0	n/a	6	8
Number of TOS ensuring full disclosure of procurement and use of financial resources (<i>redundant and dropped</i>)	-	-	-	-
Number of km pipeline recorded and modeled in the system (<i>new</i>)	0	n/a	1,300	602.8
Number of Bishkek Municipal Territorial Administrations that introduced the system of electronic registration and database (<i>new</i>)	0	n/a	22	2
Number of active users of electronic document management system in Osh municipality (<i>new</i>)	0	n/a	50	50
Number of working trucks of the Solid Waste Management Utility (Spetsavtobaza) in Osh equipped with GPS trackers by the Project (<i>new</i>)	0	n/a	28	36
Number of customers recorded in the billing system introduced for the first time in the project (<i>new</i>)	0	n/a	120,000	199.088
Number of departments in the utility operating automated accounting system 1C introduced by project (<i>new</i>)	0	n/a	2	2
Numbers of customers recorded in the billing system in Osh (<i>new</i>)	0	n/a	14,000	14,000
Ratio of ARIS operating expenses to investments for basic infrastructure (<i>retained</i>)	0	4	4	4
Number of people in urban areas provided with access to regular solid waste collection (<i>new</i>)	0	n/a	38,500	38,500
Bishkek city administration streamlining plan and implementation timetable approved (<i>dropped</i>)	-	-	-	-
Osh city administration streamlining plan and implementation timetable approved (<i>dropped</i>)	-	-	-	-

Revised Rating
Substantial

Objective 2

Objective
Objective 2:
Increased availability of social infrastructure

Rationale

The assessments of both the original and revised PDOs are provided together in the following boxes.



Rating
Substantial

Revised Objective
Objective 2:
Increased availability of social infrastructure

Revised Rationale
Outcomes:

Indicator	Baseline	Original target	Revised target	Actual/ achieved
Number of communities (as administrative entities or municipalities) with improved social infrastructure (custom indicator) – <i>new indicator added at restructuring.</i>	0	n/a	88	173

Outputs:

Indicator	Baseline	Original target	Revised target	Actual/ achieved
Number of community investments successfully completed (<i>retained</i>)	0	n/a	166	173
Number of direct beneficiaries of community investments (<i>new</i>)	0	n/a	450,000	542,000
Percentage of residents that have attended a participatory forum under the project (<i>new</i>)	0	n/a	1.90%	1.94%
Percentage of participants to forums that are women, youth (<i>new</i>)	0	n/a	50%	70%
Percentage of beneficiaries that are women, youth, and vulnerable (lowest-income, female headed households) (<i>new</i>)	0	n/a	50%	88%
Number of micro-project committees established in benefitting communities (<i>new</i>)	0	n/a	160	173

All targets were achieved or surpassed.

Revised Rating
Substantial

5. Efficiency

The ICR presents a sound efficiency analysis of the project, presenting quantitative data and ERR estimates (at both appraisal and closure) in addition to relevant qualitative findings from beneficiary surveys which indicate users' considerable satisfaction with services.

The ex-ante economic analysis of the project included an assessment of the economic viability of the Component A investments, focusing on improvement of water supply infrastructure, using the subproject in Bishkek as an example. The ex-post economic analysis includes a separate assessment of the economic viability of water supply assessments in all towns and of road improvement investments in Bishkek, both activities under Component A. The ERR estimate at appraisal of 14.1 exceeded that of the ERR at closure of 13.0. While this was not a substantial difference, both ERR estimates exceeded the rate of return to capital of 10-12% historically used by the Bank. They exceeded by a substantial margin the rate of return floor of 5% more recently adopted by the Bank.

A beneficiary survey also indicates positive economic returns under Component B (Community Investment Program), although direct economic benefits under this component were not accounted for in the economic analysis. The Beneficiary survey reported a reduction of expenses on payment for sports activities due to increased access to nearby recreation areas, increased comfort and safety of movement (construction of pavements, etc), reduction of time and financial expenses due to increased availability of nearby medical facilities, and increased earning and job opportunities linked to increased availability of kindergartens.

The project was significantly delayed: 3.5 years in total, i.e. 42 months, however; the project underwent 5 restructurings including one level-1 restructuring with Additional Financing and the project scope was expanded.



Efficiency Rating
Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	14.12	0 <input checked="" type="checkbox"/> Not Applicable
ICR Estimate	✓	13.00	0 <input checked="" type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of Objectives is rated **Substantial** for both the original and restructured PDOs, Relevance of Design is rated **Substantial** for both the original and restructured PDOs, as the components and activities under the project were necessary and sufficient to achieve the project's original and revised development objectives, and the project's theory of change is logical and convincing. Each of the two objectives (increased availability of urban services and increased availability of social infrastructure) were **Substantially** achieved under both the original and restructured project, and Efficiency is rated **Substantial** as per the economic analyses presented in the ICR.

a. Outcome Rating
Satisfactory

7. Rationale for Risk to Development Outcome Rating

The overall Risk to Development Outcome is rated **Significant** due to three main factors:

- **Technical risk:** Despite enhanced capacity due to the project (e.g. management capacity of the Bishkek vodokanal's network and operations have improved, other utilities' capacity to detect and prevent leakage, water disinfection, maintenance of pumps and storage tanks, and waste collection have increased), technical capacity and operational efficiency of the utilities remains weak. In addition, distribution networks are old and the quality of infrastructure facilities is low, which will require further substantial financial investments.
- **Financial risk:** Despite improvements to the cities' revenue collection due to the project (e.g. the introduction of the electronic waste management billing system in Osh and the introduction of an asset management system in Bishkek both led to immediate increases in revenue), most utilities and towns do not have adequate financial resources and sector financing remains low. Due to financial constraints, many utilities are not in a position to fund their network replacement programs.
- **Political risk:** Although currently settled, there is a risk of some political instability. Also, due to the recent social unrest when the Government attempted to raise electricity tariffs, the Government is unlikely to increase tariffs soon or by much despite the need for better cost recovery.

Since sector financing is unlikely to increase in the short run, improving operational efficiency becomes critically important to ensure sustainability. The Bank has initiated discussions with the State Agency for Architecture, Construction and Communal Services (SAACCS) and with the utilities on introducing demand-side measures aimed to improve operational efficiency, such as reduction of non-revenue water and regulation of consumption. The ICR does not present any risk mitigation measures that might have been introduced nor to what extent they may have been effective.



- a. Risk to Development Outcome Rating
Substantial

8. Assessment of Bank Performance

a. Quality-at-Entry

The quality at entry was moderately satisfactory and the project was well designed in that it responded to actual needs and national priorities. Project design took lessons from earlier projects into consideration, and was consistent with both the Government's development priorities and the Bank's CPS. Alternative designs were considered and rejected. The implementation arrangements were adequate, however, the policy and institutional aspects were not sufficiently taken into consideration (e.g. policy and practice regarding tariffs were not conducive to financial sustainability and weak institutional capacity at the utilities was not taken into account). Risk and mitigation measures were adequately identified and mitigated with one exception; the capacity of the local engineering and construction industry was overestimated and mitigation measures were inadequate. Safeguards and fiduciary mitigation measures were appropriately designed and the overall quality of project preparation was satisfactory. Readiness was high and the Bank mobilized a Policy and Human Resources Development (PHRD) Grant for project preparation. Identified indicators were relevant and the M&E framework sufficiently developed for adequate monitoring of project progress and achievement of objectives.

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

The Bank undertook 15 supervision missions during the eight years of project operation. The TTL was based in Bishkek during most of the implementation period, which facilitated proactive and hands-on supervision throughout implementation. The Bank mobilized external technical inputs when needed to complement the expertise available within the team. The team prepared the restructuring of the project including additional financing in response to the Government's request following the turbulence that materialized with the civil unrest of 2010. The design of the restructuring was relevant and of good quality and it provided adequate flexibility to facilitate success. The Bank furthermore facilitated the quick scale-up of project activities to secondary towns.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

The Government's commitment to the project remained strong throughout preparation and implementation. The Government ensured that project implementation was in accordance with the Financing Agreement and the fiduciary and safeguards requirements. Despite the political unrest in 2010, the Government contributed to the project's timely implementation and scale-up. Counterpart funding from the Treasury was always on time as agreed, and counterpart funding from local governments was also provided as agreed, albeit with some delay. Towards the end of project implementation, the Government demonstrated its commitment by assigning the urban policy mandate to the State Agency for Architecture, Construction and Communal Services (SAACCS), and by establishing Directorates for water and utilities within SAACCS, which closed an important institutional gap. This facilitated the initiation of a policy dialogue on urban development which is expected to continue under future Bank investments.



Government Performance Rating
Satisfactory

b. Implementing Agency Performance

The project was implemented by the Community Development and Investment Agency of the Kyrgyz Republic (ARIS). ARIS was sufficiently staffed and provided adequate fiduciary controls, ensured safeguard compliance and led an efficient dialogue with sector stakeholders, the central and municipal governments and with the Bank. It supervised the work of the two implementation units in Bishkek and Osh. ARIS maintained an M&E specialist throughout the life of the project who carried out regular monitoring and reporting. Well-qualified ARIS experts mobilized communities, trained leaders and facilitated implementation of the sub-projects. Furthermore, ARIS implemented an effective safeguards monitoring system which allowed for screening of sub-projects, identification of problems and ensuring compliance. ARIS was less suited to perform direct technical construction supervision and despite the recruitment of external technical expertise, issues related to the technical quality of designs and works persisted throughout implementation. ARIS staff demonstrated resilience and dedication to their work during the political unrest in 2010, contributing to the strong performance and satisfactory completion of the project.

Implementing Agency Performance Rating
Satisfactory

Overall Borrower Performance Rating
Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E design was appropriate to the project. Both the original and revised Project Development Objectives were clearly specified. Relevant indicators were identified at appraisal, and they were adjusted adequately to mirror the changes in design at the Level-I restructuring. The Results Framework in the PAD is sufficiently detailed with relevant indicators measurable in terms of numbers and timing. The proposed data collection methods were appropriate for the purpose and enabled regular monitoring of project progress and achievements.

b. M&E Implementation

The M&E implementation was adequate; the project operated a well functional M&E system overseen by an M&E specialist, and the detailed reporting in the ICR shows functionality and implementation of the M&E system. The PAD-enumerated indicators were actually measured and indicators were added and adjusted in accordance with the revised PDO when the project was restructured.

c. M&E Utilization

The ICR states that M&E was used both for project implementation adjustments and for decision-making. There is no information as to whether the M&E findings were communicated to the various stakeholders. The findings of M&E measured both outputs and outcomes, and did not focus on inputs and activities. The restructuring of the project and the subsequent amendments of indicators and M&E framework were partly made possible by the clear M&E reporting prior to restructuring.

M&E Quality Rating
Substantial

11. Other Issues



a. Safeguards

At appraisal, the project triggered OP 4.01 Environmental Assessment and was classified as category B.. An Environment Management Framework (EMF) was prepared and disclosed in January of 2008 and Environment Management Plans (EMPs) were prepared for each investment and included as part of the bidding documentation.

The Level-1 restructuring triggered OP 4.12 Involuntary Resettlement as it was expected that works could result in temporary and minor encroachment on private land, temporary relocation of economic activities and restrictions to land use. A Resettlement Policy Framework (RPF) was prepared and disclosed in October 2011, and four specific Resettlement Action Plans (RAPs) were prepared during implementation. There were nine project-affected people and only one complaint received. The complaint was addressed at the first grievance redress instance.

Environmental and social safeguards remained satisfactory reports throughout the life of the project.

b. Fiduciary Compliance

Financial Management

Financial Management was satisfactory throughout the life of the project and it was carried out in accordance with project design and the Financing Agreement. The project was in compliance with financial covenants (timely submission of IFRs and annual audit reports, adequate staffing). The Financial Management Systems (budgeting, accounting, internal controls, funds flow, auditing and reporting) were satisfactory and acceptable to the Bank's Financial Management requirements. Annual project audits were carried out and received in a timely manner, and contained unmodified audit opinions on the project financial statements.

Procurement

The procurement risk at appraisal was assessed to be substantial and related to the lack of internal competition due to the high cost of doing business in Central Asia and delays due to multiple procurement packages. Some of these risks materialized during implementation but were overcome. Experienced procurement staff in ARIS was familiar with the Bank's procurement requirements and procedures. Procurement remained in the satisfactory range throughout implementation. Procurement reviews performed by the Bank (post reviews, mission reviews and MTR) confirmed compliance with the Bank's procurement guidelines.

c. Unintended impacts (Positive or Negative)

The ICR does not report on any unintended impacts.

d. Other

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Satisfactory	Moderately Satisfactory	There were some moderate shortcomings in the Quality at Entry.
Borrower Performance	Satisfactory	Satisfactory	---
Quality of ICR		Substantial	---



Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The following lessons are selected from those presented in the ICR (p30-32), with some modification of language:

- 1. To enhance the capacities of the local industry, it would be beneficial to offer structured trainings in the early stages of project implementation.** Trainings to strengthen the capacity of the private engineering and construction industry focusing on planning, design, implementation and supervision of urban works and procedural requirements for procurement in World Bank financed projects offered in the latter stages of this project generated significant interest among the local industry and participants requested follow-up trainings on various topics such as design techniques, approaches during construction and installation, on-site verification and controls, energy efficiency measures, etc., indicating strong demand for knowledge transfer.
- 2. When the country and sector context are less conducive to reforms, simple, straightforward projects with achievable objectives are more likely to close with satisfactory results.** Although Bank supported programs should be cognizant of the need for deepening the institutional and policy dialogue over time, it is important to first ensure a minimum level of basic services for the population, while in parallel exploring opportunities for further reforms.
- 3. Demand-side measures like reduction of water waste and changes to consumption norms are necessary to reduce water waste and improve the commercial operation of the water utilities.** Water consumption norms across the Central Asia region are extraordinary high, a legacy from the Soviet period, resulting in excessive water use and wastage.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR is well written, concise and with relevant and clear information. It is internally consistent and consistent with OPCS guidelines. It is furthermore candid. The description of the context and of the project is sufficient, and the analysis is clear and evidence based. The lessons are clearly based on evidence and empirical experience. Relevant background data and evidence are presented in a concise manner. There were only some slight inconsistencies in the presentation of the figures for planned and actual costs and financing, which were clarified during the meeting between IEG and the project team.

- a. Quality of ICR Rating
Substantial