

Quirguistão

Country:Kyrgyz Republic

Project number:45039

Business sector:Municipal and environmental infrastructure

Notice type:Public

Environmental category:B

Status:Passed concept review, Pending final review

PSD disclosed: 02 Mar 2015

Project Description

The EBRD is considering providing a sovereign loan of up to EUR 2.5 million to the Kyrgyz Republic, to be transferred to Osh City for the benefit of the Osh Water Company to finance wastewater and water supply system improvements.

It is expected that the European Investment Bank would provide an up to EUR 2.25 million parallel loan and that an international donor would provide EUR 4.75 million in the form of a grant to co-finance the project.

The proceeds of the loans and the grant will focus on wastewater improvements as well as water metering and water supply rehabilitation. The sub-project will result in an improved level of wastewater and water supply services and environmental improvements in the City.

This support will be extended under the existing EBRD sovereign framework of up to EUR 20 million, established by the Bank to co-finance with international donors priority water and wastewater rehabilitation sub-projects across the Kyrgyz Republic.

The framework envisages sovereign loans that would be transferred to the cities for the benefit of the water companies involved and would address urgently needed water and wastewater infrastructure rehabilitation needs.

The overall objectives of this sub-project are to: (a) rehabilitate the water supply and wastewater improvements; and (b) improve financial and operational management.

Transition Impact

Transition Impact of the sub-project would be:

- Improved access to basic public utilities;
- Implementation of tariff reform within affordability limits;
- Higher collection rates;
- Further improvement of a contractual arrangement between the city and the Company established during Phase I of the Sub-project;
- Improvement of operational and financial management of the Osh Water Company (including development and adoption of the Internal Audits Management Procedure in line with the best practices, preparation and publication of IFRS and a business plan, training on procurement, etc.); and
- Improvement of a formal consultation process with water users in form of a community based stakeholder participation programme.

The Client

Government of the Kyrgyz Republic, Osh City and the Osh Water Company.

EBRD Finance

Sovereign loan of up to EUR 2.0 million to the Kyrgyz Republic, transferred to Osh City for the benefit of the Osh Water Company. It is expected that the European Investment Bank would provide an up to EUR 2.25 million parallel loan and that an international donor would provide EUR 4.75 million in the form of a grant to co-finance the project.

Project Cost

The total sub-project cost is EUR 10.7 million including technical cooperation.

Environmental and social categorisation, impact, and mitigation

The sub-project has been categorised B in accordance with 2008 Environmental and Social Policy. The environmental and social due diligence (ESDD) for this sub-project included a review of the due diligence documents and reports for the earlier two projects with the Company and an independent environmental and social audit/review of the Company's current management systems, operations and facilities (focusing on the issues identified during the ESDD for earlier projects), and an environmental and social analysis of the proposed priority investment programme.

Currently, 80 per cent of the population have access to treated drinking water, the rest using untreated water. Water supply disruptions are observed in high turbidity periods (20-30 days a year) of Ak-Buura River, which is the main water supply source for the City. Approximately 40 per cent of the population is connected to a centralised sewerage system, while the remaining 60 per cent of population (primarily private houses) is serviced by pit latrines and septic tanks. The Company's facilities are currently in poor operating condition resulting in unreliable and low quality water supply, and high water losses and energy consumption. Existing wastewater collection networks are incomplete and wastewater treatment is inefficient and in need of urgent rehabilitation. There is significant infiltration of surface and/or groundwater into the wastewater collectors resulting in overloading of the wastewater treatment plants. Due to delayed start of Phase I implementation, until now no significant action has been taken to improve the situation.

The sub-project will enable the population benefitting from improved access to potable water supply to increase from 205,960 in 2014 to 226,300 (84 per cent) in 2020. After the 3 year project implementation period it is expected to increase the population connected to the centralised sewerage system to 60 per cent.

Additional further long-term investments into water networks and treatment would be required to bring the potable water quality and supply into full compliance with EU standards. National and EU standards for urban wastewater treatment and sludge management will not be achieved in full due to poor wastewater collection and inefficient wastewater treatment infrastructure, although for some parameters, such as BOD5 and Phosphorous, the effluent quality will improve close to compliance with EU requirements. Existing untreated discharges into River Changet-Say and Ak-Buura will also be partly reduced. Further investments required for Osh to reach full compliance with EU water and wastewater requirements is estimated at EUR 80-90 million, which is beyond the Company's borrowing capacity and affordability of the population. Therefore, due to constraints arising from affordability and limited financial resources, derogation from the EBRD's Environmental and Social Policy is sought.

ESDD confirmed that no EIA is required for the sub-project under Kyrgyz legislation, but an environmental passport is needed. ESAP requires the environmental passport including environmental protection measures to be prepared and relevant permits to be obtained from the state ecological expertise.

The ESDD showed that the sub-project will have a significant positive impact on health and the environment despite the sub-project not being able to bring drinking water quality into EU compliance in the short term. The human health implications of the shortfalls from EU standards are assessed to be minor compared to the benefits of the PIP implementation to deliver a safer and more reliable water supply, improved wastewater collection and treatment to the local population. However, untreated wastewater discharges will remain in the short term and continue to present health risks to the local communities. To minimise the associated health risks to the local communities, awareness raising programmes will be developed as part of mitigation plans and implemented to prevent risks of water borne diseases.

The ESDD showed that so far insufficient progress has been made to implement the ESAP requirements. The Company still has weak EHSS management capabilities and underdeveloped EHSS management systems, and its occupational health and safety and stakeholder engagement practices require further improvement to meet EBRD's Performance Requirements. Lessons learned from Phase 1 will need to be carefully assessed by the consultants of the post-signing TCs to ensure that they can help the Company build its corporate EHSS capacity and implement the ESAP. The Bank will closely monitor the implementation of the post-signing Corporate Development Programme TC to ensure compliance.

The Environmental and Social Action Plan (ESAP) includes the following main actions:

- Develop a corporate EHS management structure and implement an EHS management system at corporate level in line with ISO 14001 and OHSAS 18001.
 - Supplement worker training programme with specific Environmental, Health & Safety issues.
 - Develop and implement an adequate Waste Management System
 - Obtain all necessary permits and licences required for the facilities and operations
 - Prepare and implement a plan for enforcement of protective zones as required in cooperation with local authorities.
 - Upgrade WTP and WWTP laboratories to improve water monitoring practices, and provide necessary training
 - Develop a water and wastewater monitoring programme
 - Establish health and safety risk assessment to identify specific OHS risks and ensure that appropriate risk control measures are implemented.
 - Ensure that sanitary and hygienic conditions for workers and contractors facilities are adequate.
 - Arrange an EHS audit upon commissioning of project facilities against national standards and EBRD's requirements.
 - Update and implement Emergency Preparedness and Response Plan/ procedures to deal with emergencies on and off site,
 - Raise public awareness on health issues caused by poor sanitation and wastewater collection
 - Develop procedures and training for staff on safe handling of asbestos-containing materials to avoid exposure risk.
 - Develop appropriate HR policy and grievance mechanism for employees.
 - Finalise and implement a stakeholder engagement plan (SEP) including a grievance mechanism.
- The Company will provide the Bank with annual environmental and social reports, including updates on the implementation of the ESAP. The Bank may also conduct monitoring visits, as required.

Technical Cooperation

The following technical co-operation (TC) assignments are included as part of this sub-project:

Pre-signing

- Due Diligence services for Osh Water II Sub-Project. Preparation of a financial, technical, environmental and social due diligence (EUR 200,000 financed by the EU Investment Facility for Central Asia);
- Audit and restatement of Osh Water Company's accounts (EUR 8,900 financed by the Bank's own resources).

Post-signing

- Project Implementation Support to the Company to assist with engineering design, procurement, preparation and evaluation of tenders, contract award and administration, financial control, project management and reporting. The estimated cost of the assignment is up to EUR 665,000, proposed to be financed by an international donor or the EBRD Shareholder Special Fund ("SSF");
- Corporate Development, Stakeholder Participation and City Support Programmes to (i) support further institutional strengthening in the form of operational and financial improvements to secure sustainability of the water utilities, (ii) implement a Stakeholder Participation Programme and (iii) implement City Support Programme including Social Support Programme development. The estimated cost of the assignment is up to EUR 350,000, proposed to be financed by an international donor or the SSF.

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Procurement or tendering opportunities

Visit EBRD Procurement

Enquiries: Tel: +44 20 7338 6794; Fax: +44 20 7338 7472, Email: procurement@ebrd.com

General enquiries

EBRD project enquiries not related to procurement:

Tel: +44 20 7338 7168; Fax: +44 20 7338 7380

Email: projectenquiries@ebrd.com

Public Information Policy (PIP)

The PIP sets out how the EBRD discloses information and consults with its stakeholders so as to promote better awareness and understanding of its strategies, policies and operations.

Text of the PIP

Project Complaint Mechanism (PCM)

The EBRD has established the Project Complaint Mechanism (PCM) to provide an opportunity for an independent review of complaints from one or more individuals or from organisations concerning projects financed by the Bank which are alleged to have caused, or likely to cause, harm.

Rules of Procedure governing the PCM | Russian version

Any complaint under the PCM must be filed no later than 12 months after the last distribution of EBRD funds. You may contact the PCM officer (at pcm@ebrd.com) or the relevant EBRD Resident Office for assistance if you are uncertain as to the period within which a complaint must be filed.