

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CWSS

TA No., Country and Name		Amount Approved: \$500,000	
TA4465-AZE: Institutional Strengthening of the Water Supply and Sanitation Sector in Secondary Towns		Revised Amount:	
Executing Agencies: AzerSu Joint Stock Company for Agdash and Goychay Towns, and City Setting and Architecture Committee (CSAC) for Nakhchivan Town	Source of Funding: JSF	Amount Undisbursed: \$92,692	Amount Utilized: \$407,308
TA Approval Date: 07 Dec 2004	TA Signing Date: 29 Nov 2005	Fielding of First Consultant: 01 Mar 2006	TA Completion Date Original: 30 Jun 2006 Actual: 30 Aug 2007 Account Closing Date Original: 30 Jun 2006 Actual: 31 Dec 2007
<p>Description: The TA was an advisory support to <i>Loan 2119(SF)/2120-AZE: Urban Water Supply and Sanitation Project</i> (approved for \$30 million equivalent). It aimed to help the Government to implement institutional reforms for effective operation and management of water supply and sanitation (WSS) services in the secondary towns, and to establish open-type joint stock companies (JSCs) within the context of effective legal, regulatory, administrative, and institutional frameworks.</p> <p>Expected Impact, Outcome and Outputs: The expected long-term impact of the TA was to raise public health standards and promote economic growth in the project towns. The outcome was to facilitate the delivery of safe, reliable, and sustainable WSS services to the project towns with successful implementation of institutional reforms. The specific outputs of the TA included (i) establishment and development of the JSCs in three project towns; (ii) the legal and institutional framework, human resources management strategy, and financial and accounting measures for the closure and liquidation of the existing SuKanals; (iii) transaction advisory services for the management contractor (MC) who was to be engaged to run the JSCs in the early years, including measurable performance criteria and an incentives-based remuneration structure; and (iv) project management support, and public awareness campaign on WSS tariffs increases and water conservation.</p> <p>Delivery of Inputs and Conduct of Activities The key inputs of the TA were consulting services (13 international and 26 national person-months). The Government provided counterpart staff with appropriate expertise. For the establishment and development of the JSCs, TA prepared detailed discussion papers with recommendations on the development of a customer service and complaints management program for the JSCs, the corporate development plan for each JSC, human resources and staffing. Regarding the Liquidation of SuKanals, the TA prepared a discussion paper on the issues arising from the liquidation of the former SuKanals and the treatment of historic assets and liabilities. For the Transaction Advisory Services, TA prepared detailed discussion paper and transaction strategy for the MC, developed performance measures and targets for the MC, and prepared bidding documents for recruiting MC, and Terms of Reference for an International Utility Advisor for Nakhchivan. In respect of the Project Management Services, the TA prepared the Request for Proposal and detailed Terms of Reference for the Loan Consultants, the Project Administration Manual, and a summary of training needs for the Project Management Units (PMUs).</p> <p>Evaluation of Outputs and Achievement of Outcome The TA generated inception, interim and final reports with discussion papers on customer service and complaint management system, corporate development plans, organizational development and human resource, MC strategy, and liquidation of SuKanals. Overall the original scope remained generally intact except for the following:</p> <ul style="list-style-type: none"> (i) TA suggested amendments in the existing Charter of Agdash and Goychay JSCs, which were incorporated and approved by ADB and the Government; (ii) Training was conducted for JSCs' staff but not for the Board of Directors (BODs) because they were constituted only after the TA period. It is now included in the MC's contract to train the BODs; and (iii) Since the recruitment of MC was delayed due to delay in the project implementation, the TA could not assist in the actual transaction process except preparing transaction strategy, developing performance measures and targets for the MC and bidding documents MC's recruitment. Now the loan consultants recruited in February 2008 will help the Government in this transaction. 			

During the TA implementation, mainly the contingencies remained unutilized. Thus, there was a saving of about \$92,700.

TA completion was delayed by 14 months mainly due to delay in the implementation of the loan project and slow progress on the institutional reforms. AzerSu extended assistance to the consultants when needed and ADB provided consistent guidance despite some changes in the team leadership.

Overall Assessment and Rating

Although some key actions were taken in establishing JSCs, finalizing JSCs' Charters, conducting training for the staff, and preparing some discussion papers and recommendations, the TA could not assist the Government in providing transaction advisory services for the MC who was not recruited due considerable delays in the commencement of the project implementation. Therefore, TA is rated as partially successful.

Major Lessons

Advisory TAs should commence only when there is evident government commitment for timely project implementation. Otherwise, the TA objectives would not be achieved due to inconsistent timeframes.

Recommendations and Follow-Up Actions

Developing sustainable JSCs will require serious commitment by the EAs and the Government. The Government and the EAs must ensure to create an environment that allows the JSCs to operate independently, yet at the same time must provide the support and oversight to enable the JSCs to develop the capacity for sustainable operations, as set out in the Corporate Development Plan (CDP). Once the infrastructure development process is started, ADB will need a consistent follow-up ensuring that the EAs and JSCs implement all the recommended institutional reforms as per CDP.

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