

Project Number: 52256-010
Grant Number: 0924
December 2023

Kyrgyz Republic: New Water Intake to the City of Osh

Multisector Activities Support Facility

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Asian Development Bank

ACTIVITY REPORT

1. Basic Data		Project Number: 52256-010	
Facility Name	Multisector Activities Support Facility	Department/Division	CWRD/KYRM
Activity Name	New Water Intake to the City of Osh	Executing Agency	Department of Drinking Water Supply and Sewerage Development under the Cabinet of Ministers of the Kyrgyz Republic
Recipient	Kyrgyz Republic	Implementation Period	September 2023-October 2025
		Subgrant Closing	December 2025
2. Sector(s)		Subsector(s)	
✓ Water and Other Urban Infrastructure Services	Urban Water Supply	ADB Financing (\$ million) 3.00	
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		CO2 reduction (tons per year)	0.1
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate change impact on the activity	Low
✓ Making cities more livable			
		ADB Financing	
		Adaptation (\$ million)	2.55
		Mitigation (\$ million)	0.0
4. Poverty Targeting ✓		General Targeting: ✓ Geographical Targeting: ✓	
5. Sustainable Development Goals ✓		Household Targeting: ✓	
6. Risk Categorization ✓		List applicable SDGs SDG1; SDG 6; SDG 9, SDG 11; SDG 13a	
7. Safeguards ✓		Low risk	
		Environment: B	
		Involuntary Resettlement: B	
		Indigenous Peoples: C	
8. Status of the Facility and Previous Activities			
<p>The facility has 4 approved activities so far, Activity 1 G0704 closed with a committed amount of USD 315,829.64. Activity 2 is active with a committed amount of USD 2,5 million, Activity 3 is active with a committed amount of USD 1,5 million, Activity 4 is also active with a committed amount of USD 800,000, uncommitted funds are USD 4,884,170.36 enough to cover USD 3 million request for this Activity 5. A facility status update is presented in linked document (6) Activity 1 was completed successfully, closed and PCR disclosed on 25 July 2022, Activities 2 and 3 are ongoing with no relevant issues, Activity 4 became effective on 15 November 2023.</p>			

9. Activity Description

Summary. The fifth activity under the facility will support the development of an additional water intake for the city of Osh. Existing intake was completed in September 2016 under the Emergency Assistance for Recovery and Reconstruction project but was not enough to cope with the needed demand in clean and uninterrupted water supply during rainy season and related high-water turbidity. The new water unit with a diameter of 1000mm and a capacity of 1,5m³ per second will be located upstream of the existing one, in a section of the river that will not be affected by the torrential rains that cause the water turbidity on the existing intake, provide 400,000 people with access to safe, clean and reliable water supply. The activity will improve the development impact and sustainability of the project. We considered a costing for Type 2B adaptation as the water intake system was designed in a way to address climate risk and improve water quality by locating the new intake upstream of the affluent that brings turbidity due to enhanced erosion during floods and high precipitations.

Linked ADB-financed projects: In April 2010, the Kyrgyz Republic experienced political disturbance resulting in deaths and injuries, substantial property damage, and a change in government. Community violence that erupted in June 2010 caused even greater casualties, internal displacement of many people, and physical losses. A key objective of the Emergency Assistance for Recovery and Reconstruction project approved in September 2010 was to rebuild the dwellings and improve the essential public infrastructure that were damaged in the disturbances, and a project subcomponent included the rehabilitation of the Osh Water Treatment Plant within the Ak-Buura river. The project completion report concluded that the project was successful, but it recognized that the rectification of the water intake facilities at the Osh–Plotina WTP to provide population with the safe, reliable and uninterrupted access to water remains a priority.

Activity output:

Output 1: Project Sustainability Enhanced - Construction of an upstream water intake and water mains in Osh City.

The design and monitoring framework for the activity is presented in the Appendix.

Value added by ADB assistance and special features. ADB's understanding of the water supply sector helped identify the need to add an additional intake for those rainy periods in which the water turbidity is too high. The national Open Competitive Bidding procurement approach for the fifth activity will allow for an optimal solution at the lowest cost while it ensures a fast implementation of works during the construction window of low water flow in the Ak-Buura river.

10. Implementation Arrangements

Implementing agency Mayor's Office Osh City
Project Management Office (PMO)

The implementation arrangements are described in detail in the activity administration manual (AAM).

Project readiness status. Detailed designs for the water intake are ready, bidding documents are ready and underwent advance procurement through a tender process launched on 16 June 2023, PMO support consultants were hired in November 2023, just in time for the activity approval and effectiveness.

11. Summary Cost Estimates

The activity is estimated to cost \$3.000 million (Table 1). All activity expenditure items are civil works and PMO consultancy support that are eligible for financing under the facility. Detailed cost estimates are included in the AAM. The recipient counterpart contribution is \$2.233 million representing partial civil works amounting to \$1.715 million to be financed through the municipal budget system as a parallel contribution not administered by ADB and \$0.518 million taxes and duties to be provided in the form of exemption.

Table 1: Summary Cost Estimates (\$ million)

Item	Amount ^a
A. Base Cost^b	2.728
1. ADB's share of construction of an upstream water intake and water mains in Osh City	2.553
2. Project implementation support*	0.175
3.	
B Contingencies^c	0.273
Total (A+B)	3.000

1. ^a * Recipient counterpart contribution is \$2.233 million representing partial civil works amounting to \$1.715 million to be financed through the municipal budget system as a parallel contribution not administered by ADB and \$518,000 taxes and duties to be provided in the form of exemption.

^b In mid-2023 prices as of 20 June 2023.

^c Physical and price contingencies, and a provision for exchange rate fluctuation are included.

Source(s): Asian Development Bank estimates.

12. Financing

The activity will be financed by a subgrant not exceeding \$3 million from ADB Special Funds resources (Asian Development Fund). ADB will finance the expenditures in relation to part of the civil works and consultancy services for the activity. List of the key expenditure items are shown in the detailed cost estimates by financier in the AAM.

Table 2: Summary Financing Plan (\$ million)

Sources	Amount
ADB	3.00
Special Fund Resources (ADF grant)	3.00
Counterpart	2.233
Recipient	2.233
Total	5.233

ADB = Asian Development Bank, ADF = Asian Development Fund

Source(s): Asian Development Bank estimates.

13. Due Diligence Summary

Development benefits. The activity will enhance the city water intake capacity at the Ak-Buura river. The water tariff levied by Vodokanal, the city's water utility, can sufficiently cover O&M costs. The economic analysis for the completed project was updated to take into account the additional costs associated with the activity subgrant. The analysis showed that the overall project will remain viable, with an economic internal rate of return of 17.3% compared with the 19.1% reflected on the project completion report for EARR and a financial internal rate of return of 2.3% compared with the initial estimate of 2.8%, as the outputs have not changed, and the increase in capital expenses is negligible in relation to the size of the linked project.

Governance. The overall pre-mitigated financial management risk for the activity is *substantial*. Mitigating measures have been incorporated to ensure that the IA address the following risks: (i) IA lacks experience in implementing ADB-funded projects; (ii) existing IA FM staff lacks knowledge and understanding of ADB's disbursement procedures and financial reporting requirements; (iii)

accounting systems do not incorporate project-specific accounting and financial reporting requirements; (iv) the Chamber of Accounts do not include projects in the annual audit plan; and (vi) it is not definite yet if the project will be included in the annual internal audit plan of the IA and the internal audit lacks the capacity to conduct the project audit.

Safeguards. The safeguard categories of the activity subgrant are *category B* for the environment, *category B* for involuntary resettlement, and *category C* for indigenous peoples.

14. Key Risks

The overall risk for the facility is *low* because of the nature and limited size of the activities to be supported. The key risk factor is the lack of prior experience of the IA with ADB projects, and knowledge and understanding of ADB's policies and procedures. This will be mitigated through initial support by KYRM international and national staff with a focus on procurement. A PMO will be established and mobilized to support the implementing agency with procurement, financial management, and contract management activities. Please see RARMP for the identified key risks of the activity and mitigating measures to address the risks.

15. List of Linked Documents <http://www.adb.org/Documents/RRPs/?id=XXXXX-XX-3>

1. Sub-grant Agreement
2. [Activity Administration Manual](#)
3. [Risk Assessment and Management Plan](#)
4. [Initial Environmental Examination](#)
5. [Resettlement Plan](#)
6. [Summary Poverty Reduction and Social Strategy](#)
7. [Financial Analysis](#)
8. [Economic Analysis](#)
9. [Facility Status Update](#)

DESIGN AND MONITORING FRAMEWORK

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
Outputs 1. Project sustainability enhanced.	1a. One new water intake and 2.4 km pipeline constructed.	1a. Quarterly progress reports	R: Changes in government approval procedures by oversight agency delays project completion.
Key Activities with Milestones 1. Project sustainability enhanced 1.1 Procurement documentation for the water intake completed by Q2 2023 (Completed) 1.2 Selection of consultancy support staff for PMO done in Q4 2023 (Completed) 1.3 BER for civil works submitted and approved in Q3 2023 1.4 Award contracts in Q4 2023 1.5 Complete civil works in Q2 2025 1.6 Complete commissioning by Q4 2025			
Project Management Activities The AAM will include submission: Quarterly progress reports (period Q4 2023 to Q4 2025), Hiring of Audit firm Q3 2023 Annual audit reports (period Q4 2023 to Q4 2025), Midterm review mission by Q4 2024, PCR mission one year after the financial closure of the activity by Q3/Q4 2026.			
Inputs ADB: \$ 3 million (grant) Recipient: \$ 2.233 million ^a ^a The recipient counterpart contribution is \$2.233 million representing partial civil works amounting to \$1.715 million to be financed through the municipal budget system as a parallel contribution not administered by ADB and \$0.518 million taxes and duties to be provided in the form of exemption.			

ADB = Asian Development Bank, DMF = design and monitoring framework, R = risk
 Source: Asian Development Bank.