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ANNUAL PROJECT REPORT 2012

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Executive summary

The TajWSS is now in final stage of implementation and generally on track to achieve its objectives, although large challenges remain. These challenges are largely known, anticipated and being planned for by the TajWSS steering committee, which has a strong understanding and experiences with the dynamic and complex nature of the political economy of rural water supply in Tajikistan. While all potential risks cannot be mitigated for, a process of building partnerships and continuous discussion and assessment of potential risks will contribute to changing approaches to address the policy landscape.

The project has built up a substantial amount of policy documentation and research which would now benefit from being refined into a more streamlined policy focus and bring together in order to develop more coherent positions and communications.

In the result of two IMCC meetings eight joint initiatives for improving legislation in the WSS sector were improved and submitted to the GoRT by the IMCC, which were on the following issues: (a) Manual on administrative procedures and permits for construction of drinking WS systems, (b) policy brief on “A focal agency-regulator-coordinator for drinking WSS sector” and the “order for registry and reporting for drinking WSS sub-sector”, (c) policy brief on ownership and operational management rights, (d) pro-poor an full-cost recovery tariff policy, (e) institutional framework for the rural drinking WSS sector, (f) methodology for technical inventory of drinking WSS systems, (g) vital systems roster of drinking WSS systems and (h) human rights based approach to water governance – strengthening accountability, transparency and citizen participation in drinking WSS management.

During the reporting period the two policies (a) and (b) were approved, endorsed and put in practice by the GoRT, which provide good foundations for further drinking WSS sector development. This is a 50% approval based on initial targets of 90%. The unachieved recommendations are anticipated to be approved during the following reporting period before the project end.

The policy work has been a main focus in the first phase, as a means to support the objectives that relate to sustainability – in particular, the work in pilot districts. This has been necessary to create “sound footing” for the construction work in districts (related to the model water supply systems), and to avoid making mistakes of the past. All counterparts thought this was a reasonable approach, and supported this strategy.

Positive change has already been brought about as a result of TajWSS, and that because policy and legal frameworks are being challenged, some changes will be slow. A new culture of knowledge and sharing of experiences, and jointly targeting policy change has been appreciated and there is evidence of “buy-in” to the concept of TajWSS at all levels, which will likely result in changes that are real, sustainable, and slow, despite the fact that at this point that policy change is largely untested. The TajWSS network has also given an opportunity to discuss issues which have not been discussed openly before, such as corruption in the water sector.

Another success has been that through undergoing a phase of research and data collection, the TajWSS project has been able to act a “virtual” location for knowledge management and sharing in the RWSS, including past experiences and research, and gathering of relevant policies related to the rural water sector. This is useful considering that in the past, a key challenge identified was a lack of single institutional home for the RWSS.

Other promising results which are now evident as a result of the TajWSS project, some of these include the following:

- Institutional Frameworks: “Operator” definition widened (e.g. to include communities and private sector) instead of state institutions only and introduction of role of “Regulator” into national policy (although this role is not independent);
- Establishment of the the IMCC (through the Prime Minister’s Office) – bringing different groups together, coordination between Ministries yet the IMCC’s work is early in process (3 meetings held to date);
- Draft amendment to the water law on ownership of potable water supply infrastructure
- Integration with IWRM process shows good opportunities to raise profile of drinking water against competing uses;
- Support and advocacy for fiscal decentralization through work on the national tax code;
- A large degree of “buy-in” at all levels is evident, as Ministers and government staff are leading the individual policy initiatives and present findings themselves at network meetings and to their counterparts. This same process is found in the monitoring process where government staffs are involved in conducting monitoring work and presenting findings.

In discussion with government stakeholders it is evident that the policy work has led to shift in mentality (from infrastructure to service delivery) which will likely support future work. In particular, the clear concept of owner, operator and facilitator and process of resolving ownership issues will greatly contribute to this.

The TajWSS project is following international lessons in sustainability but there are some areas which could be further developed in the future – in particular, understanding and planning for life-cycle costs through disaggregating cost information as well as integrating consumer’s ability to pay – to further sustainability objectives.

Assumptions, Risks and Threats:

There are a number of changes in policy environment and national context which could potentially affect TajWSS. Some concerns include the following:

- The severity of the economic crisis could have an impact on water sector reform, as well as financing plans currently underway. This could affect the project on two levels: through reduced international financial flows to support capital expenditures; and through further deepening poverty levels of the rural poor whose economic progress is largely dependent on remittances gained through the construction industry abroad (e.g. Russia), which would undermine local financial flows through tariffs and financing recurrent costs;
- Sector reform and decentralization still needs to take place. This is a slow, unclear process, although TajWSS advocacy in the revision of the tax code is a good first step in transferring capacity to the district level, and development of district water trust boards. Wider technical and managerial capacity issues at district level are a concern, and TajWSS is planning to address this;
- TajWSS has highlighted a clear conflict of interest in the regulator role and is very concerned with finding ways to address this. While it is a positive outcome that this new role has been introduced into the policy environment, the identification of KMK as regulator (while continuing to exist as operator) has created tension. The political implications of this power shift could potentially compromise future policy work;
- Good donor coordination and stakeholder engagement based on continued advocacy work to convene people around the concept of the project will continue to be relied on stakeholders, particularly government and outside donors such as the World Bank and EBRD, that continue to be interested furthering the cause of sustainability, and are aware of TajWSS work.
- Sustainability of the project itself is a concern, as the project reaches its end, a phase out plan will be needed, and further alignment with the governments own sector plans (such as their 2020 strategy) will need to be further developed.

I. Context

During the reporting period, the expected results of “Tajikistan Water Supply and Sanitation” (TajWSS) are pursued in line with NDS/PRS objective/ benchmarks – “Section 6 – Development of human potential (social block): Expansion of access to water supply, sanitation, and housing and municipal services”.

As per NDS the following objectives have been set: (a) reform the system as a whole through the improvement of sectoral policy and the creation of new ownership entities; (b) make the sector more attractive from an investment standpoint; (c) make effective use of the sector’s existing potential. More specifically, in the medium term Poverty Reduction Strategy of the RT for 2010-2012 (PRS) the goal is to establish economic and administrative mechanisms to implement the first stage of restoring the water supply and sanitation systems, and housing and municipal services. Civil society and the business community need to participate in the housing and municipal services reform. The main task at this stage of the reform is to introduce to the public the sense of ownership and interest in the management of the housing stock.

The project is intended to support the realization of the overall UNDAF outcome - “National and trans-national agreements and policies addressing environmental and natural resources are better designed and implemented” in close partnerships with other UN Agencies (UNECE, UNICEF).

Project resources have been applied towards the achievement of CPAP outcome #6 – “Improved environmental protection, sustainable natural resource management, and increased access to alternative renewable energy” and CPAP output 6.1. – “Government is provided with capacity building support to negotiate, ratify and implement major international conventions, transnational policy and legal frameworks on sustainable natural resource management (including climate change, water management and biodiversity).

This is demonstrated by progress towards the intended (project) aim of building the capacity of the Government of Tajikistan and relevant ministries to reach an agreement on a more sustainable future for water and sanitation governance. The project’s annual objectives were the following - (1) Establishment and capacity building of the Inter-Ministerial Coordination Council (IMCC) and its members, and (2) Legal framework for water supply and sanitation sector is improved.

UNDP’s specific role in TajWSS project is to strengthen policy development and reform at the national level in the sphere of water supply and sanitation management and governance in Tajikistan. UNDP will enable this through providing support to the Government of Tajikistan, through the Inter-Ministerial Coordination Council (IMCC) on drinking water supply and alongside the TajWSS network of stakeholders, in the development of legislative frameworks and strengthening of institutions in water supply and sanitation management and governance.

At the policy level, UNDP had been interacting with government counterparts, with the pivotal role of the Ministry of Land Reclamation and Water Resources (MoLRWR). Other partners to be engaged in the work to be carried out by UNDP, will include: Ministry for Economic Development and Trade, Committee for Environmental Protection, Ministry of Finance, Ministry of Health (Sanitary Epidemiological Service), Ministry of Agriculture, Ministry of energy and Industry, Agency on standardization, metrology and certification, Committee on emergency situation and civil defence, State Committee for Investments and Management of State Property, Agency for Construction and Architecture, Geology Department, State Unitary Enterprise “Khojagii Manziliyu Kommunalii”, Parliament and oblast level Hukumats.

II. Performance review

Progress review

1. Overall progress towards the CPAP outcome and output(s)

As mentioned in previous section, the project is built in line with the NDS/PRS and CPAP outcomes and outputs, and is generally designed to create an enabling policy environment towards sustainable development of the drinking water supply and sanitation sub-sector. TajWSS project contributes to achievement of indicated objectives through (1) establishment and capacity building of the Inter-Ministerial Coordination Council (IMCC) on drinking water and water supply, and (2) improving legal framework for water supply and sanitation sector.

Specifically, in 2012, two IMCC meetings were conducted, supported by a series of TWG meetings in the result of which nine joint initiatives for creating an enabling environment and improving legislation in the WSS sector were submitted to the GoRT by the IMCC. Those were on the following issues: (a) Law of RT “On drinking water and water supply”, (b) Manual on administrative procedures and permits for construction of drinking WS systems, (c) policy brief on “A focal agency-regulator-coordinator for drinking WSS sector” and the “order for registry and reporting for drinking WSS sub-sector” , (d) policy brief on ownership and operational management rights, (e) tariff policy, (f) institutional framework for the rural drinking WSS sector, (g) methodology for technical inventory of drinking WSS systems, (h) vital systems roster of drinking WSS systems and (i) human rights based approach to water governance – strengthening accountability, transparency and citizen participation in drinking WSS management.

From among submitted policy initiatives, the first three (a), (b) and (c) were approved and endorsed by the GoRT, which provide good foundations for further drinking WSS sector development. While, the Law of RT “On drinking water and water supply” had been endorsed back in 2010, the remaining issues are aimed to ensure adequate mechanisms are in place (by-laws, regulations, methodologies etc) to support implementation of the adopted law.

2. Capacity development.

TajWSS project is strategically posed to strengthen the capacity of the GoRT to lead the sub-sector development. The joint initiatives submitted to the GoRT specifically address (i) institutional strengthening, legislative improvements, policy regulation guidance, full-cost recovery, on-the-job mentoring and etc.

3. Impact on direct and indirect beneficiaries.

UNDP had been responsible for Policy Development component of the project which directly affects the entire rural population of Tajikistan, and as necessary, the GoRT is suggested to replicate the experiences to urban setting. Such coverage is fully in line with the initial project targets.

Implementation strategy review

1. Participatory/consultative processes

The project facilitated dialogue in two platforms: (a) in bi-monthly TajWSS Network of stakeholders meetings where public, private, civil society and other sectors were invited to voice concerns for the sub-sector, and (b) in the IMCC meetings – the platform consisting Government and the line ministries and agencies to enhance coordination mechanisms and maintain unified policy development in the sub-sector. In those platforms, UNDP ensured that any duplication of activities is avoided and coordination between stakeholders are improved and made complementary of each other.

2. Quality of partnerships

The project implementation is designed to be carried out in partnership with Oxfam GB in the framework of a Third-Party Cost-Sharing Agreement with the UNDP. Simultaneously, another agreement had been signed between the Donor – SDC and the Ministry of Finance (on behalf of the GoRT), in which the Ministry for Land Reclamation and Water Resources of the RT had been designed as the focal agency for project steering and implementation.

The agreement with the government agency proved effective, as the focal agency responsible (MoLRWR) was the most relevant at the policy level. However, UNDP's approach to partnership with Oxfam GB has proven to be problematic in implementation in various ways given the different level of partner's involvement and comprehension in dealing with policies and strategies with the state institutions. The fact that UNDP had been undersigned as accountable (sub-contractor) to Oxfam GB for TajWSS Policy Development component led to frequent disagreements with consequent delays due to principally different views in tackling policy issues. Donor organizations must adequately take into account the range of experience UNDP employs partnering with Government institutions; and therefore, in any policy project UNDP should be on lead with proposed partners accountable to it, not vice versa.

3. National ownership

At the onset of the project implementation, UNDP facilitated the establishment and consequent support of the Inter-Ministerial Coordination Council (IMCC) on drinking water and water supply, specifically to ensure there is GoRT's ownership over all initiatives raised under the project. The IMCC consists solely of government agencies and ministries with members from President's Executive Office. Through the IMCC related GoRT institutions are invited to assist in design and implementation of state policy on development of drinking water supply and sanitation, as well as carry out results monitoring for implementation of the drinking water laws and other programs and strategies endorsed by the GoRT. In doing so, the GoRT is consulted on possible supportive interventions to strengthen capacity of the IMCC members, and related local and international expertise to develop policies and strategies towards sustainable WSS sub-sector development.

4. Sustainability

See the previous section.

Management effectiveness review

1. Quality of monitoring

The project progress is regularly reported during the bi-monthly Network Meetings and quarterly IMCC meetings, where all stakeholders are given opportunity to feedback concerning the adopted strategy and approaches to implementation. In addition, Oxfam GB have organized a monitoring and evaluation group consisting of independent members from public, private and civil society organizations that assessed the progress made with occasional field visits to project sites (Rudaki and Muminobad). The feedbacks provided in the result of this M&E exercise had been useful and generally reflected the actual situation reported in projects' quarterly and operational reports.

2. Timely delivery of outputs

Not all targets had been reached during the reporting period due to delayed launch in technical inventory in pilot district of Muminobad. Since the TajWSS is operating at the national level, and working between a number of Ministries and agencies, there are obvious challenges in instigating change – gaining consensus between groups of sometimes diverse experiences, and implementing decisions while navigating existing procedures which are often bureaucratic processes has proved to be major challenge in the TajWSS project. For instance, all processes must go through the Chairman of the IMCC, who observes existing government processes. As an example, a proposal was put forward in April and approved in December. This causes obvious problems when working with donor money on a project with predicted outputs according to timelines.

3. Resources allocation

The project costs had largely been of 'soft' nature as designed at the onset. The project staff and running costs in total are roughly at %20, and most project funds had been spent on consulting fees and institutional contracts purposed to provide technical assistance to the GoRT through IMCC.

4. Cost-effective use of inputs

The projects expenses had been channelled in a way to give more opportunity for recruiting policy consultants and professional institutions. This had been an effective approach which provided reasonable flexibility in mobilizing required expertise for project implementation. However, because the responsibility between 'soft' and 'hard' components of TajWSS had been divided between UNDP and Oxfam GB respectively, the consecutive piloting of raised policy initiatives in target districts with 'hard' component had been limited. UNDP suggested that integrated planning takes place to ensure 'hard' components take into account the outcome of policy recommendations ('soft' part) in maximizing impact of local interventions.

III. Project results summary

The project implementation is operationally on schedule, though decisions on some policy briefs would only be achieved after carrying out a full-scale inventory process in pilot districts in 2013. Specifically, on the basis of those results, policy briefs on (a) ownership and operational management rights, (b) roster of vital WSS systems, (c) District development planning for drinking WSS sector, and (d) methodology for technical inventory of drinking WSS systems would be re-submitted to the GoRT and concrete actions would be proposed for their implementation.

Activity Result #1: Establishment and capacity building of the Inter-Ministerial Coordination Council (IMCC) on drinking water and water supply

Activity 1.1: Maintaining IMCC meetings on quarterly basis.

During the reporting period the IMCC convened on two occasions to discuss elaborated proposals on various issues supported by the project. The first meeting was conducted on March 2nd, 2012 in Dushanbe and the other on 24th October 2012 in Sanatorium “Bakhoriston”, Kayrakkum basin of Soughd oblast, in both of which more than 40 individuals representing public, private and civil society sectors in drinking WSS took part. Specifically, during those meetings the following issues and proposals had been discussed and decided upon:

- i. Mechanisms for implementation of the GoRT endorsed decree (#2828, as of 06 May 2009) concerning construction activity by the principle of ‘single window’, and preparation of recommendations for introduction of changes to the Regulations on allotment of land parcels for WSS systems.
- ii. With the purpose of harmonious operations and coordination among district level affiliates, institutions and organizations, the participants of the meeting discussed the proposed draft institutional structure for district-level governance and management of the WSS sector.
- iii. Draft proposals for subsidized taxation in the framework of the newly drafted Tax Code of the RT for drinking WSS sector, in the result of which more recommendations were formulated on the issue.
- iv. Review of present legislation regulating issues of tariff policy and price setting, available methodologies for tariff setting and their respective application on the ground by major operators.
- v. Based on conducted overviews the members discussed recommendations to improve the present tariff system in Tajikistan, in particular measures to achieve full-cost recovery for the drinking WSS sector.
- vi. For effective realization of human right to water the participants of the meeting discussed mechanisms to apply Human Rights Based Approach (HRBA) to water governance and reviewed specific recommendations to improve good governance, foremost, within organizations providing WSS services in Tajikistan.

On 24th October, during the second part of the meeting IMCC members visited the WSS systems of Makhram and Lohuti villages in Kanibadam districts of Soughd oblast, where more detailed discussions were held concerning tariff collection strategies, use of water meters, and community mobilization in systems management. The aim of this visit was to demonstrate successful tariff and governance schemes implemented by the International Secretariat to Water (ISW) in the framework of the “*Rural Water Supply and Sanitation Project*” (RWSSP). Such a visit was proved to be successful, and the project collaborated closely with the delegation. Delegation then visited the office of State Communal Unitary Enterprise “Khujandvodokanal” (KVC) where a presentation was delivered about KVC’s

experience towards full-cost recovery and achievements in application of water meters throughout Khujand city. Based on the results of the meeting, the IMCC Secretariat was tasked to facilitate the finalization of reports and proposals and submit to Council Chairman for further deliberation with the GoRT.

The IMCC meeting was aired on Regional Soughd TV and a full page article was published in National Newspaper Asia-Plus (#86, 773).

To further communicate the conducted policy work UNDP and Oxfam GB jointly offered a presentation during the National Policy Dialogue dedicated to Integrated Water Resource Management on 15 November 2012. Further to this purpose, on 5 December 2012, UNDP had conducted a presentation on IMCC progress to the Steering Committee of the project "*Promoting Integrated Water Resources Management and Transboundary Dialogue in Central Asia*". TajWSS project progress received a positive feedback and acknowledgement towards the policy work on drinking WSS sector.

To ensure adequate conditions for regular meetings of the IMCC and its working groups, a tender for cosmetic renovation of the IMCC conference hall within the Ministry for Land Reclamation and Water Resources (MoLRWR) was conducted and completed by May 30, 2012, and renovation works completed before end of August 2012.

Activity 1.2: Capacity development of governmental authorities from selected ministries.

The given activity had so far been complemented through the first two phases of Study Tours already carried out during the previous years (2010 and 2011). During those phases general concepts and thematics for policy development and strategic vision for drinking WSS sub-sector had been discussed. The expected policy briefs on tariff policy improvement and a learning-by-doing exercise of technical inventory would present additional opportunities for the following reporting period.

The Institute for Civil Servants Training had failed to perform under agreed contract to deliver specialized trainings to the IMCC members, and therefore had been terminated. The proposed trainings were on themes of (a) Policy development, (b) mandates of GoRT, ministries and agencies, (c) effective conduction of negotiations and coordination between line ministries and agencies, and (d) elaboration of evidence-based strategies and reform in the area of drinking WSS.

While the proposed thematics remain important for members of the IMCC, the training institutions in Tajikistan lack expertise to deliver in quality. UNDP had attempted to mobilize some funding through its GoAL WaSH project "Applying Human Rights Based Approach to Water Governance in Tajikistan" to contribute in implementation of proposed training programme, as well as seeks to invite TajWSS policy advisor (through Oxfam GB) along with additional consultants to conduct needed trainings.

Activity 1.3: Conduct analysis of implication, advantages and disadvantages of the potential changes and reform of the governance of the WSS sub-sector building on the research carried out by TajWSS network members

Five Thematic Working Groups (TWGs) continued their activities over the reporting period and improved the proposed policy briefs and recommendations. A brief summary of progress per each TWG is as follows:

(a) TWG for developing a methodology for the technical inventory of WSS facilities:

Following preliminary approval of the draft methodology for technical inventory, UNDP and its partners agreed to field test in Muminobad district with anticipation of replicating the

experience in other districts. While this is considered a pilot exercise, it is designed as a full-scale inventory which will result in implementation of series of norms in the Law on drinking water and water supply.

Specifically, the inventory results will lead to (a) identification of owners for systems that under certain circumstances have not been maintained due lack of documented ownership; (b) more accurate information concerning the current financial, technical and operational state on the basis of which District Development Plans for WSS sector could be enhanced; (c) needed databases and rosters would be developed and responsible agency identified for their regular maintenance and update.

For this purpose, UNDP sub-contracted State Unitary Enterprise “Housing and Communal Services” (SUE KMK) through an open tender, and launched the preparatory phase of the process since November 2012, which includes the following activities (with indication of progress):

- A detailed work plan for technical inventory was developed for Muminobad district, which was agreed with the UNDP beforehand. The detailed work plan includes information about the date and time to be spent in each population area and related specialists involved.
- Required specialists and/or organization of inventory commission, working groups had been established and mobilized.
- Two-day trainings for application of the “Methodology” for members of the working group were conducted on 6th and 7th December 2012.
- Thorough review and assessment of available materials and documentation (legal and financial) available within responsible organizations concerning the drinking WSS systems is on-going.
- Provision of health and safety instructions for inventory personnel completed;
- Where necessary uniforms, digital cameras, instruments, equipment, supplies, and etc were procured or made available.

It is expected that field activities will commence as weather conditions allow in March 2013, and complete with reporting and related draft resolutions later in May 2013.

(b) TWG on developing a manual on issuing permits for implementation (and construction) of drinking water supply and sanitation projects:

Following the approval of the manual on issuing permits for implementation (and construction) of drinking WSS by the National Agency for Construction and Architecture under the GoRT (NACA) on January 11, 2012, the Agency issued a consecutive order for all related agencies, organizations and individuals which enforces the application of the manual as mandatory. Such order was issued on April 23, 2012.

Meanwhile, the UNDP and Oxfam have agreed to support the implementation of endorsed regulations designed to simplify procedures in issuing permits in the sphere of drinking WSS systems construction. As an initial step, through Oxfam’s support, the architects are being equipped and trained in pilot districts to fulfill their duties in support of simplified procedures. UNDP is also to conclude on the number of copies to publish the manual and disseminate for each district architect throughout Tajikistan. Due lack of funding, the part of the volume is to be published through GoAL WaSH project’s funding.

(c) TWG on Ownership and operational management rights:

The policy package drafted through UNDP support consists of - (a) draft overview and analysis of legislative frameworks regulating ownership and operational management rights

in WSS, and (b) draft changes to the legislation concerning improvements in ownership and operational management rights in WSS sector management.

Following the review of the policy package by the IMCC members, it was agreed to submit recommendations on legislative changes at a later stage of the project (2013, preferably), but begin with implementation of operational activities after the inventory had been carried out in pilot districts.

(d) TWG on Economic Policy in WSS (Taxation, Tariff)

Tariff policy improvement

UNDP supported the TWG on tariff policy improvement consisting of related government agencies, local experts and Consumers' Union to undertake the following reviews/analysis: (a) Review of legal and institutional framework for tariff and price setting, (b) Economic analysis of tariff schemes implementation within key water supply operators, and (c) Review of methodologies for tariff and prices setting. To further complement this work TajWSS project invited an International Consultant tasked to provide international expertise and standards to the current framework. Based on those reviews, a draft policy package was developed and presented during the Third IMCC meeting in which members had also discussed the proposals for further improvements and action.

Specifically, the policy package (a) addresses improvements to the current legal framework, (b) proposes an action plan to strengthen accountability, transparency and citizen participation, and (c) suggests elaboration of a unified methodology for tariff and price setting in the area of drinking WSS. Drafts on each of the above issues had been provided and being finalized for final review. Specifically, the first draft of a unified methodology was submitted on 26 December 2012, and is yet to be reviewed during the TWG meeting in January 2013.

Simultaneously, the invited International Consultant, Ms. Marie Korner, provided her first draft report which provided an external view to the work done and a series of recommendations to improve the overall tariff systems with concrete proposals to enhance implementation of tariff policies for DWSS operators. In sum, based on discussions in the IMCC meeting and the International Consultant's analysis the following must be elaborated and put in action to achieve full-cost recovery: (a) a unified methodology for tariff and price setting specific for drinking WSS sector must be elaborated with consideration of recommendations provided by the TWG members, and (b) the draft "*Action plan on improving good governance, transparency, accountability and citizen participation*" is to be finalized after field testing in at least on pilot location. Further programming must promote the implementation of the plan throughout Tajikistan.

Subsidized Taxation

During the reporting period the policy brief on subsidized taxation and recommendations for its optimization within the framework of the new Tax Code had been completed and discussed during the Second meeting of the IMCC. Following the related improvements, the brief was submitted to the Ministry of Finance through the IMCC Chairman, Minister for LRWR on 30th of March 2012. The submitted brief is an extension of earlier submitted 'preliminary' recommendations back on 23rd of February 2012.

Following the release of the new Tax Code, UNDP embarked upon its comparative analysis against the proposed recommendations by TajWSS. Detailed analysis indicate that most recommendations had not be accepted by the GoT, therefore, currently UNDP seeks to further negotiate with the Ministry of Finance and President's Executive Office on possible alleviation of tax burden on drinking WSS operators.

Activity 1.4: Formulate policy recommendations through research and preparation of policy briefs

During the reporting period five policy briefs had been developed and which are at various stages of endorsement, field testing and implementation:

- (i) Methodology for technical inventory of WSS systems;
- (ii) Manual for undergoing administrative procedures to implement WSS projects;
- (iii) Roster of vital WSS systems;
- (iv) Subsidized taxation and government support to WSS sector development;
- (v) Tariff policy improvement.

More details on the purpose and progress over these briefs are provided in previous sections.

Activity Result #2: Legal framework for water supply and sanitation sector is improved

Activity 2.2: A methodology for the inventory of WSS objects will be developed with the TajWSS network and agreed with the IMCC. That approach will be tested through inventorying all WSS objects in the two pilot districts

See details in previous section “(a) TWG for developing a methodology for the technical inventory of WSS facilities”

IV. Implementation challenges

Uncertainties concerning the implementation of the GoRT decree establishing KMK as the lead regulator in drinking WSS sector still remain and provide further obstacles to a unified approach in policy development. Such a decree is in conflict with a number of legislative acts referring to the mandate of the MoLRWR, and more importantly, the KMK's strategic vision is in conflict with decentralization policy promoted by the on-going reform.

Following GoT's decision on December 31, 2011, assigning sole regulator-coordinator of the drinking WSS sector through decrees #679 and #680, the GoT issued another decree on 18 May 2012, #247 "On introduction of changes and additions to series of GoRT decrees" to address any contradictions in the legal framework and interpretations by competing agencies. Specifically, by this decree the GoT transfers the Department for Rural Drinking Water Supply and Sanitation (Tojikobdehot) from MoLRWR to SUE KMK with all respective assets, endorsing KMK as the sole operator for both urban and rural drinking WSS systems. The mandate of the MoLRWR had also been addressed respectively to remove responsibility for operation of rural WSS systems. TajWSS facilitated and provided technical expertise in preparation of the given policies.

Despite the given policy decisions, SUE KMK's new function as sole regulator has serious limitations, given that such role is currently implemented by various specialized agencies (NACA for construction norms, SES for water quality, AMA for tariff regulation, etc).

Moreover, some of the major policy recommendations from the TWG on tariff policy improvement stress that tariffs are established and regulated based on subsidiarity principles. According to this principle, the project calls for delegation of authority by Antimonopoly Agency (AMA) responsible for tariff endorsement to district level governments, while the AMA would retain its regulatory role through conducting audits (randomly, or regularly). This proposal is found to be difficult to accept by AMA for obvious reasons. The project expects to finalize the final report by the International Consultant and submit to Government of the RT (at various level) to seek for further reactions.

The Project is seeking ways to consult all parties on a unified collaborative approach to drinking WSS sector management at the existing platforms (IMCC, Water & Energy Council, National Policy Dialogue), and the GoRT is approached to discuss the long-term vision in governance structure based on conducted policy reviews and identified gaps.

V. Lessons learnt and next steps

In agreement with respective donors (EC, SDC, SIWI) the UNDP's water related projects were designed and implemented in accordance with the guiding principles of water sector reform, i.e. – (a) integrated water resources management, (b) water resource use that equally benefits all categories of consumers, (c) transfer from administrative to hydrographic management, (d) separation of roles to operations/maintenance, regulation and policy development, and (e) decentralization/delegation of authority to strengthen local level governance structures and institutions. Such strategic programme transformation had successfully been implemented within the Water Cluster during 2011. The projects TajWSS, GoAL WaSH, BCPR and TF HPS each are coherently interlinked under the umbrella of the IWRM project. Projects are complementary of each other and directed towards achieving maximum results for less financial contribution. This can be seen from local level activities which are linked from various projects in a single pilot zone.

Consequently, the UNDP had reasonably succeeded in linking also the platforms for policy dialogue which were different to various sub-sectors. The existing platforms, such as Water & Energy Council (W&EC), National Policy Dialogue on IWRM (NPD), Inter-Ministerial Coordination Council on drinking water (IMCC) established and supported in the framework of various projects, are now reasonably linked and coherent in agenda and work in progress.

Despite the overall successes, the reform process is still lagging behind. This is largely due to lack of evidence on proposed approaches to the context of Tajikistan. To fill this gap, UNDP's water projects are leading several studies and researches, as well as dialogues on the ground to support the evidence based reform process in the water cluster. For example, before embarking on any reform process potential costs and benefits must have been studied. The first important step was to take inventory of all water infrastructure and facilities for which TajWSS facilitated development of methodologies for technical inventory of drinking water supply infrastructures which are now been field tested in Muminobod district. The outcome of such initiative must provide clarity on inter-farm infrastructure management needs, ownership status, investment needs and technical feasibility of proposed reform.

Finally, while focusing heavily on policy reform in the water sector during the past several years it has become evident that more work needs to be done to strengthen integrity in the water resources management. Good governance approach guided by the principles of transparency, accountability, and citizen participation are critical towards full-cost recovery of the water sector. UNDP's approach towards the water sector development must transform to take account of the need for good governance. The studies conducted by the project IWRM and TajWSS indicate that the planned reforms cannot be successful without establishing (a) needed mechanisms for good governance and (b) water integrity.

VI. Financial status and utilization

Delivery as of 31 December 2012 is estimated at around 85% of annual target, i.e. USD 102,738 (See table below “Total Spent in 2012”). All funds planned for 2012 were expected to be delivered by the end of the project period, however due to delayed consultation process on the approach to technical inventory and extended tender process part of the 2012 funds were moved to 2013.

In addition, during the reporting period, Oxfam GB initiated a no-cost extension process with the Donor, and on that basis invited the UNDP for an extension from January through August 2013. Since UNDP required an additional funding of USD 54,999 for the extension period, a cost-extension for Policy Dialogue component had been agreed with Oxfam GB. The detailed budget breakdown for this period is also reflected in the table below (See “Cost Extension for 2013”).

Following the calculated balance of project funds at the end of December 2012, a revised budget had been proposed to ensure planned project activities are feasible for implementation (see “Revised Project Balance”).

Table 1: TajWSS Budget Report (based on CDRs and Atlas, by activity, by years and with revisions)

Description	PRINCIPAL BUDGET	TOTAL SPENT IN 2010 and 2011	TOTAL BALANCE FOR 2012	REVISED BALANCE FOR 2012	TOTAL SPENT IN 2012	TOTAL BALANCE FOR 2012	COST EXTENSION FOR 2013	OVERALL PROJECT BALANCE	REVISED PROJECT BALANCE
Activity 3: Management Costs									
E&E Programme Manager	2,389	1,954	435	-	-	-	-	-	
National Programme Officer	35,854	46,241	(10,387)	13,517	23,781	(10,264)	11,600	1,336	8,836
Senior Economic Development Officer	2,988	1,000	1,988	-	-	-	-	-	
Monitoring, Evaluation & Reporting officer	2,343	1,000	1,343	-	-	-	-	-	
Technical Officer	-	-	-	-	-	-	5,800	5,800	
Project/admin assistant (100%)	18,021	717	17,304	-	-	-	7,200	7,200	5,500
Driver (70%)	4,333	1,500	2,833	-	-	-	-	-	
Total for Activity 3: Management Costs	65,928	52,411	13,517	13,517	23,781	(10,264)	24,600	14,336	14,336

Activity 1: Establishment and capacity building of the Inter-Ministerial Coordination Group									
International Advisor	16,350	13,390	2,960	-	-	-	-	-	
Local contractor	12,262	(6,782)	19,044	-	-	-	-	-	
Local Experts	16,350	8,884	7,466	13,000	9,024	3,976	4,000	7,976	6,500
Equipment and Rehabilitation	24,525	8,205	16,320	15,000	15,973	(973)	-	(973)	
Travel -in Country	3,270	2,058	1,212	2,021	-	2,021	1,000	3,021	954
Transportation cost	4,087	5,579	(1,492)	-	547	(547)	3,080	2,533	700
Publications and translations	4,087	6,569	(2,482)	-	2,576	(2,576)	-	(2,576)	
Stationery and meetings	6,540	1,539	5,001	-	1,826	(1,826)	-	(1,826)	
Sub-total for Activity 1	87,471	39,442	48,029	30,021	29,947	74	8,080	8,154	8,154
Activity 2: Legal Framework for Water Supply and Sanitation sector is improved									
International Advisor	32,700	21,885	10,815	-	-	-	-	-	
Local contractor	12,262	12,211	51	25,500	9,248	16,252	-	16,252	25,000
Local Experts	16,350	7,215	9,135	24,000	14,101	9,899	8,000	17,899	15,000
Travel - Study Tour abroad	65,400	46,264	19,136	-	-	-	-	-	
Travel -in Country	3,270	2,623	647	2,500	7,438	(4,938)	1,000	(3,938)	1,000
Transportation cost	4,089	220	3,869	7,000	4,231	2,769	3,212	5,981	1,000
Publications and translations	8,175	3,074	5,101	6,000	6,742	(742)	2,000	1,258	4,571
Stationery and meetings	6,936	696	6,240	8,002	1,038	6,964	4,000	10,964	4,000
Sub-total for Activity 2	149,182	94,189	54,993	73,002	42,798	30,204	18,212	48,416	50,571
Activity 3: Overhead costs									
Bank charges (1%)	3,026	1,156	1,870	1,870	1,425	446	509	954	731
GMS (7%)	21,393	13,107	8,286	8,286	4,788	3,498	3,598	7,096	5,165
Sub-total for Activity 3: Overhead Costs	24,419	14,263	10,156	10,156	6,213	3,943	4,107	8,050	5,896
GRAND TOTAL	327,000	200,304	126,696	126,696	102,738	23,958	54,999	78,957	78,957

Annexes

Annex 1: AWP 2012

Annex 2: Budget 2012