Namangan Wastewater Treatment Plant PPP
Request for Expression of Interest August 2020
Agenda

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I. Project Background and Opportunity
I. Project Background

- The Government of the Republic of Uzbekistan ("GOU") through the Ministry of Housing and Communal Services of the Republic of Uzbekistan ("MHCS") is in the process of reforming the infrastructure management system within the Water Supply and Sanitation ("WSS") sector. A large-scale water management strategy has been adopted aiming at corporatization and the transfer of management of water supply and sewerage systems to private operators.

- Two Presidential Decrees have been issued in support of this initiative:
  - #4040 on “Additional Measures on Development of Water Supply and Sanitation System in the Republic of Uzbekistan” to implement “the transfer of water supply and sewage systems in the cities of Samarkand, Bukhara, Namangan and Karshi (the “Four Cities”) to private operators under a PPP scheme, and
  - #4300 on “Measures to further improvement of the mechanisms for attracting foreign direct investment in the economy of the Republic” envisages the realization of PPP project in water and wastewater sector in Namangan region.

- The development of a 75 Mega Liters per Day ("MLD") wastewater treatment plant in Namangan District (the “Project”) under a Public-Private Partnership ("PPP") framework according to the Public Private Partnership Law dated May 10, 2019 (the “PPP Law”) and subsequent PPP Regulation No. 259, and promoted by the Public-Private Partnership Development Agency under the Ministry of Finance of the Republic of Uzbekistan ("PPPDA") is the first PPP project to be developed in the WSS sector of Uzbekistan pursuant to those Presidential Decrees.

- As required by the PPP Law, MHCS prepared a Project Concept Form for the Project, which was approved by the Cabinet of Ministers of the Republic of Uzbekistan on August 13, 2020. The Project is included in Uzbekistan’s register of PPP projects (https://pppd.uz/projects-custom/).
I. Project Background

Advisors

▪ Transaction Advisor
MHCS has mandated the Asian Development Bank ("ADB") to provide advisory services to identify PPP opportunities across the Four Cities, build capacity and to act as transaction advisor (the "Transaction Advisor") on the Project.

As Transaction Advisor, ADB is assisting GOU in structuring the project, and developing and implementing the tender process to procure the Project.

▪ Legal Advisors
ADB has retained the services of international and local legal advisors, namely Allen & Overy and Kosta Legal (the "Legal Advisors") to assist in the review and implementation of the PPP Law and drafting the PPP Agreement and bid documents in line with international standards.

▪ Technical Advisors
ADB has retained the services of Ardurra International and Spectrum Group as technical advisors (the "Technical Advisors") to assist in the preparation of a pre-feasibility study on the Project and to assist in other technical matters.
I. Project Background

Namangan

- With a population of 612,000 Namangan City is situated 295km east of Tashkent, Uzbekistan’s capital city.

- Namangan WWTP Service Area Population and Connectivity: the catchment area for the Project includes Namangan City, Namangan District and 5 adjoining districts:

<table>
<thead>
<tr>
<th>No.</th>
<th>Location</th>
<th>Population (thousands)</th>
<th>Percentage with Sewage System</th>
<th>Connected Currently (y/n)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Namangan City</td>
<td>612.2</td>
<td>217.4</td>
<td>y</td>
</tr>
<tr>
<td>2</td>
<td>Kasansay District</td>
<td>203.9</td>
<td>0.9</td>
<td>n</td>
</tr>
<tr>
<td>3</td>
<td>Yangikurgan District</td>
<td>212.8</td>
<td>0.9</td>
<td>n</td>
</tr>
<tr>
<td>4</td>
<td>Chartak District</td>
<td>194.6</td>
<td>1.2</td>
<td>n</td>
</tr>
<tr>
<td>5</td>
<td>Uychi District</td>
<td>207.7</td>
<td>2.3</td>
<td>n</td>
</tr>
<tr>
<td>6</td>
<td>Namangan District</td>
<td>174.6</td>
<td>2.3</td>
<td>y</td>
</tr>
<tr>
<td>7</td>
<td>Turakurgan District</td>
<td>220.6</td>
<td>2.7</td>
<td>n</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td><strong>1262.4</strong></td>
<td><strong>181.6</strong></td>
<td><strong>9.9%</strong></td>
</tr>
</tbody>
</table>

- The Project includes a potential service area of up to 1.8 million inhabitants, subject to improvements in the sewerage network and increase in connections to be undertaken by the GOU.

- The City’s water and wastewater infrastructure was built mostly during the Soviet era, including an existing 100MLD wastewater treatment plant is no longer functional.
# I. Opportunity – The Project

## Strong Need for the Project
- There has been limited investment in the existing facility since it was built in 1965 (expanded in 1980) and does not meet requirements for the treatment of effluent.
- The current situation is not sustainable, and the Project is needed to remedy this issue.
- The Project will be developed on a stand-alone basis and will not encompass any rehabilitation or demolition works in relation to the existing facility.

## Clear support and commitment from the Government for the sector and Project
- GOU has identified the WSS sector as one of the top priorities for national development and is investing heavily with the support of several Multilateral Development Banks ("MDB")
- The PPP model is being actively promoted in the Republic of Uzbekistan (see establishment of the PPPDA and implementation of the PPP Law in 2019)

## Available Project site with defined catchment area
- The Project size is sufficient for a stand-alone project and situated on land that is already available, with clearly identified site boundaries and room for expansion. There is no requirement of resettlement of any population.
- The Project enjoys a significant catchment area with connections readily available to the sewerage network and growth potential for the Project (broader Namangan region)

## International Best-practice PPP terms
- The Project will be structured on the basis of international best-practice PPP standards:
  - Standard “DBFOM” structure
  - Republic of Uzbekistan as counterparty (represented by MHCS)
  - Take-or-Pay: no volume / demand / tariff risk on private partner
  - Best practice termination and indexation provisions (incl. forex)

## Open, Fair and Transparent Process
- GOU and ADB to ensure open, fair, and transparent international procurement process

## Strong Country Fundamentals
- The Republic of Uzbekistan is on a growth trajectory and has implemented a concerted effort to consistently improve its investment climate.
I. Opportunity – Uzbekistan

- GOU has embarked on an ambitious modernization program over the past three years to transform the economy via a market led growth model by improving the participation of the private sector in the economy.

- A number of structural reforms have been undertaken since 2017 which has resulted in an increase of the GDP growth rate, including a) easing of trade restrictions, b) liberalizing the FX market, c) regulations to improve ease of doing business and d) enactment of the PPP Law to facilitate private sector participation in infrastructure and investment.

- Rated BB- (S&P) and B1 (Moody’s), Uzbekistan is one of the fastest growing economies in Central Asia.

### GDP Growth Rate (% per year)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>5.4%</td>
</tr>
<tr>
<td>2019</td>
<td>5.6%</td>
</tr>
<tr>
<td>2020 forecast</td>
<td>1.5%</td>
</tr>
<tr>
<td>2021 forecast</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

### Per Capita GDP Growth Rate (% per year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Per Capita GDP Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>12.9%</td>
</tr>
<tr>
<td>2020 forecast</td>
<td>3.0%</td>
</tr>
<tr>
<td>2021 forecast</td>
<td>8.7%</td>
</tr>
<tr>
<td>2022 forecast</td>
<td>11.0%</td>
</tr>
</tbody>
</table>
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II PPP Structure and Key Parties
## II. PPP Structure and Key Parties

<table>
<thead>
<tr>
<th><strong>Project Scope</strong></th>
<th>Design, build, finance, operate and maintain (&quot;DBFOM&quot;) of a new wastewater treatment plant (with an anticipated initial capacity of 75 MLD) and a new 7.5km effluent discharge pipeline.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PPP Agreement Term</strong></td>
<td>23 years from Commercial Operations Date (plus construction period)</td>
</tr>
<tr>
<td><strong>Public Partner</strong></td>
<td>MHCS representing the Republic of Uzbekistan.</td>
</tr>
<tr>
<td><strong>Private Partner</strong></td>
<td>A special purpose vehicle (&quot;SPV&quot;) to be incorporated in Uzbekistan by a single legal entity, group of companies, or a consortium that will be prequalified according to financial resources, legal capacity and technical experience in developing similar projects (in accordance with the PPP Law).</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td>It is expected that the Private Partner will arrange financing for the Project through a combination of equity and debt financing.</td>
</tr>
<tr>
<td><strong>Payment Structure</strong></td>
<td>Payments to the Private Partner will be a combination of (i) fixed capacity availability payments; and (ii) variable operating payments based on treated volumes. Overall, payments will be designed to cover all fixed and variable operating costs and capital costs of the Private Partner, subject to performance penalties.</td>
</tr>
</tbody>
</table>
II. PPP Structure and Key Parties

- Ministry of Housing & Communal Services
  - PPP Agreement
  - Capacity & Volume Payments

- PPP Company (SPV)
  - Equity
  - Sub-contracts
  - Debt

- Shareholders
- Lenders
- Construction Company
- O&M Company

Namangan Utility
II. PPP Structure and Key Parties

NAMANGAN WASTEWATER TREATMENT PLANT

OPERATIONAL RESPONSIBILITY

PUBLIC

PRIVATE

PUBLIC

FLOW SCHEMATIC

INFLUENT WASTEWATER

WASTEWATER TREATMENT PLANT

DISCHARGE PIPELINE

RIVER

OVERFLOW/BYPASS

Any volume of influent wastewater that exceeds the hydraulic capacity of the WWTP or does not comply with the specified influent quality parameters and is rejected by the private partner.

WASTEWATER QUALITY MEASUREMENT

Prior to the inlet works of the WWTP to monitor for compliance with the project specification for influent quality that will incorporate limits for industrial discharges to the sewer network.

At the outlet of the WWTP to monitor for compliance with the project specification for effluent quality. This will be the compliance point for the private partner.

At the discharge to the river to monitor the quality of effluent that would include any overflow and out of specification influent that has bypassed the treatment plant. This will be at the discretion of the public partner and has no bearing on the PPP.

WASTEWATER QUALITY MEASUREMENT

Flow meters to measure (1) influent, (2) flow in overflow/bypass, (3) treated effluent at the WWTP outlet and (4) discharge to the river. Actual meter numbers will depend on pipe configuration and metering for payment purposes.
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III Project Technical Highlights
III. Technical Highlights

Site

- The existing site is approx. 21 Ha in total.
- Out of the total, a land area of 6.1 hectares adjacent to the existing WWTP facility has been identified and will be made available for the Project.
- Total land requirement for the initial 75MLD capacity plant is estimated to be 3.12 Ha (Block 1 in the image below).
- The additional land available at the site of the existing WWTP is 3.02 Ha (Block 2 in the image below) which can be used for future expansion.
III. Technical Highlights

Service Area

- The existing treatment plant serves Namangan City and a portion of Namangan District to the south of Namangan City.

- During the 1980s, a series of trunk sewers were partially constructed to connect 5 other districts in Namangan Province, and construction is ongoing to complete the trunk sewers to connect each of these districts (in addition to Namangan City and Namangan District) to the existing Namangan plant.

- Whilst the picture on the right indicates that the service area encompasses a large area and a large total population, currently only about 10 percent of the population is connected to the sewage collection system, and some of those areas are currently not connected to the Namangan WWTP due to the lack of connectivity of the trunk system.
III. Technical Highlights

Capacity

- In order to assess current wastewater volume treatment needs at the Project site, the Technical Advisors have conducted their own flow measurement as there is currently no reliable method of flow measurement to the site (service connections are not metered and there is no meter located at the existing plant).
- The Technical Advisors’ flow measurement involved discrete flow measurements conducted twice daily in the existing influent flow channel.
- The current average of the flow measurements taken for the period from 20 February to 24 May 2020 is approximately 57 MLD.
- A flow projection model has also been developed to model scenarios for expansion within the wastewater collection system.
- The proposed 75 MLD capacity of the Project is based on the estimates, current flows reaching the site and the projected flow increase.
- This is expected to be a first phase of the development with future possible expansion to meet increasing sewage flows.
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IV Tender Process
IV. Tender Process

**EOI**
- Expression of Interest (EOI)
  - General information on potential bidders
  - Some credentials to be submitted

**RfQ**
- Request for Qualification (RfQ)
  - Only parties that have submitted an EOI may be invited (but they can form consortia with partners which have not submitted EOIs)
  - Criteria for prequalification will include standard technical, financial and legal requirements

**RfP**
- Request for Proposal (RfP)
  - Only prequalified bidders shall be requested to submit bids
  - Key Project documents including draft PPP Agreement and pre-feasibility study to be included in the RfP

Note: Tender Commission formed by the Cabinet of Ministers shall evaluate pre-qualification applications & shortlist pre-qualified bidders during RfQ, and evaluate submitted proposals and declare Winner & Reserve Winner during RfP
## IV. Tender Process
### RfQ & RfP Timeline

#### Indicative Request for Qualification (RfQ) Timeline

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue of Invitation for RfQ</td>
<td>September 14, 2020</td>
</tr>
<tr>
<td>RfQ Submission Deadline (2 months)</td>
<td>October 30, 2020</td>
</tr>
<tr>
<td>Prequalified bidders selected and announced</td>
<td>November 10, 2020</td>
</tr>
</tbody>
</table>

#### Indicative Request for Proposal (RfP) Timeline

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release of RfP package</td>
<td>November 2020</td>
</tr>
<tr>
<td>Pre-Bid Conference</td>
<td>December 2020</td>
</tr>
<tr>
<td>Submission of Bids (3 months)</td>
<td>February 2021</td>
</tr>
<tr>
<td>Announcement of Winner</td>
<td>March 2021</td>
</tr>
<tr>
<td>PPP Agreement signing</td>
<td>March 2021</td>
</tr>
</tbody>
</table>
IV. Tender Process

EOI Submission

- Parties interested in the tender should send an Expression of Interest (Form Attached) by no later than **September 11, 2020, 18:00 (Tashkent Time)** by electronic mail to the following recipients:
  
  i. MHCS: info@mjko.uz; uzst_ppp@uzst.uz
  
  ii. PPPDA: zbozorov@ppp.mf.uz; tirgashev@ppp.mf.uz;
  
  iii. ADB: namangan-wwtp@adb.org

- For any inquiries or clarifications, please contact ADB: namangan-wwtp@adb.org

- Parties interested in the tender may submit clarification requests or any inquiries with respect to the Request for EOI and the Project by no later than **September 04, 2020, 18:00 (Tashkent Time)**. Responses to clarifications questions will be shared publicly on MHCS and PPPDA websites (unless it relates to proprietary aspects of the Respondent’s EOI, in which case the response will not be shared).
Disclaimer

The information contained in this Request for Expression of Interest (EOI), document or subsequently provided to the applicant(s), whether verbally or in documentary form by or on behalf of the Republic of Uzbekistan represented by Ministry of Housing and Communal Services (MHCS), assisted by the Public Private Partnership Development Authority (PPPDA), or any of their respective representatives, employees, consultants, agents or advisors ("Representatives"), is provided to applicant(s) on the terms and conditions set out in this EOI and any other terms and conditions subject to which such information is provided.

This EOI is not an agreement and is not an offer by MHCS, PPPDA, or any of their respective Representatives, to applicant(s) or any other person. The purpose of this EOI is to provide applicants with information to assist the formulation of their application.

The timelines provided in this EOI are of indicative nature and may be changed by MHCS any time.

This EOI does not purport to contain all the information each applicant may require. This EOI may not be appropriate for all persons and it is not possible for MHCS, PPPDA, or any of their respective Representatives to consider the investment objectives, financial situation and particular needs of each party who reads or uses this EOI. Certain applicants may have a better knowledge of the proposed Project than others. The assumptions, assessments, statements and information contained in the EOI may not be complete, accurate or adequate. Each applicant should, therefore, conduct its own investigation and analysis and should check the accuracy, reliability and completeness of the information in this EOI and obtain independent advice from appropriate sources which may include but shall not be limited to their own independent financial, legal, accounting, engineering, technical or other experts.

MHCS, PPPDA and their respective Representatives:

– accept no responsibility for the accuracy or otherwise for any interpretation or opinion of law expressed in this EOI;

– make no representation or warranty (express or implied) as to the accuracy, adequacy or completeness of this EOI or any responses to requests for clarifications made by the applicants;

– shall not be liable to any applicant, for any loss, damages, cost or expense which may arise from or be incurred or suffered on account of anything contained in this EOI or otherwise, including without limitation: the accuracy, adequacy, correctness, completeness or reliability of the EOI or any information contained within it; any omission, mistake or error on the part of an applicant; or MHCS’s or PPPDA’s responses to queries or requests for clarifications made by the applicants; or any assessment, assumption, statement or information contained therein or deemed to form part of this EOI or arising in any way from participating in the bidding process; and

– reserve the right to accept or reject any or all submissions or cancel the tender process without assigning any reason and shall not bear any liability whatsoever and shall not bear any liability whatsoever in this regard.