



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/16/2002	
PROJ ID: P008778		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Bucharest Water Supply	<b>Project Costs (US\$M)</b>	50	48.8
<b>Country:</b> Romania	<b>Loan/Credit (US\$M)</b>	25	18.9
<b>Sector(s):</b> Board: WS - Water supply (100%)	<b>Cofinancing (US\$M)</b>	0	0
<b>L/C Number:</b> L4079			
	<b>Board Approval (FY)</b>		97
<b>Partners involved :</b>	<b>Closing Date</b>	06/30/2000	12/31/2001

<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

The objectives of the project were to:

- improve the reliability and quality of water supply in Bucharest;
- start to reduce water losses (both physical and commercial); and
- strengthen RGAB's (Bucharest Water and Sewerage Company) operational, commercial and financial management and help it acquire the expertise necessary for the preparation and implementation of future operations.

**b. Components**

The project consisted of the following three components:

- 1. Improvement of water supply reliability and quality (33% of base cost)** - (a) rehabilitation of water treatment plants including the repair and/or replacement of filter and installation of new chlorination and chemical treatment equipment; (b) aqueduct flow control improvement and reservoir upgrading; and (c) rehabilitation of pumping stations and replacement of pumping equipment in other locations.
- 2. Reduction of water losses (57% of base cost)** - (a) primary network repair; (b) secondary network rehabilitation; and (c) metering program.
- 3. Institutional strengthening of RGAB (9% of base cost)** - Technical Assistance to RGAB for (i) carrying out a public awareness and water wastage reduction campaign; (ii) improving the customer account management system; (iii) improving technical service operations; and (iv) providing advisory support to RGAB's Project Implementation Unit (PIU).

In August 1997, the Romanian authorities started discussions with IFC's Private Sector Advisory Services about possible assistance for organizing the privatization of the water and wastewater services. IFC's and the Romanian authorities' efforts were successfully completed in Spring 2000 with the award of a twenty-five year concession contract to ApaNova Bucuresti (ANB), a joint venture of the Bucharest General Municipality and the French Vivendi Group, which took over the responsibility for water supply and sewerage services in November 2000.

**c. Comments on Project Cost, Financing and Dates**

Total project cost at completion is US\$48.8 million compared to the appraisal estimate of US\$50 million. The final amount of the Bank loan is US\$18.9 million and US\$ 6.1 million was canceled largely because ANB was unable to use the funds allocated to it due to internal constraints. The project closed on December 31, 2001, eighteen months after the original closing date.

**3. Achievement of Relevant Objectives:**

The project achieved its objectives of improving the reliability and quality of water supply in Bucharest; reducing water losses, and strengthening RGAB's operational, and financial management.

**Physical:** Most of the physical works were completed on schedule with the exception of Rosu water treatment plant which was dropped.

- Rehabilitation of Arcuda water treatment plant.
- Upgrading of aqueduct and reservoir flow control through the installation of pressure balancing valves, flow meters and control devices on various aqueducts.
- Rehabilitation of pumping stations.
- Repair of primary and secondary network
- Installation of meters.

**Service Delivery:**

- Water supply availability increased from twelve hours to close to twenty four hours per day in most areas of the city. Between 1996-1999, the average number of reported pressure problems decreased by 30%. However, under ANB management, the number of breaks per km in primary and secondary network has not decreased largely because the state of deterioration of the network is very poor in areas not covered by the project.
- The volume of total traceable losses (water produced minus water billed to specific customers) decreased from 45% in 1996 to 35% in 1999.

**Institutional:**

- RGAB's customer account management system was improved through: (a) installation of meters - number of metered connections increases by a factor of 5 between 1996 and 1999; (b) improvement in meter reading and bill recovery procedures including arrears, and (c) establishment of legal claim and disconnection procedures. By the end of 1999, bill recovery rate rose to 92%, up from 80% prior to project inception.
- Training to improve management of treatment plants, pumping stations and leak detection programs was provided.

**Regulatory framework was established with assistance from IFC's Advisory Unit and the "Regulatory Commission for Bucharest" is now operational.**

**4. Significant Outcomes/Impacts:**

None.

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

Water losses are still very high, due to rapid deterioration of the distribution network in areas not covered by the project. The piecemeal approach to rehabilitation of water supply infrastructure will not result in improved services. The rehabilitation of entire network is an enormous task. However, the project did not develop a comprehensive strategy for the water supply sector.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

The Bank and the IFC need to effectively coordinate their activities to promote reforms in the water supply and sanitation sectors. The Romanian authorities went ahead and privatized their water supply and sanitation services, without building adequate regulatory capacity.

**8. Assessment Recommended? ● Yes ○ No**

**Why?** To document project's implementation experience and to draw lessons from privatization of water supply and sewerage services.

**9. Comments on Quality of ICR:**

The quality of ICR is satisfactory. The ICR does not provide indicators for quality of water supply services. The ICR neglected to provide evidence regarding the establishment of regulatory institution to oversee the operations of Apa Nova.

