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IMPLEMENTATION COMPLETION REPORT

SRI LANKA

**COMMUNITY WATER SUPPLY AND SANITATION PROJECT
(Credit 2442-CE)**

June 29, 1999

Infrastructure Sector Unit
South Asia Region

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CURRENCY EQUIVALENTS

Currency Unit	Sri Lanka Rupees (Rs)
Appraisal Year 1992:	US\$1.00 = 44.00 Rupees
Intervening Year 1995:	US\$1.00 = 50.69 Rupees
Completion Year 1998:	US\$1.00 = 68.00 Rupees

WEIGHTS AND MEASURES Metric System

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CBO	Community Based Organization
CWSPU	Community Water and Sanitation Program Unit
CWSSP	Community Water Supply and Sanitation Project
GOSL	Government of Sri Lanka
NGO	Non Governmental Organization
NWSDB	National Water Supply and Drainage Board
OAP	Operational Action Plan
OED	Operations Evaluation Department
PO	Partner Organization
QAG	Quality Assurance Group
PPF	Project Preparation Facility
RWSG-SA	Regional Water and Sanitation Group-South Asia
TSC	Technical Support Cell

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COMMUNITY WATER SUPPLY AND SANITATION PROJECT
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PREFACE

This is the Implementation Completion Report (ICR) for the Community Water Supply and Sanitation Project for which Credit 2442-CE in the amount of SDR 16.9 million (US\$ 24.3 million equivalent) was approved on December 10, 1992, signed on December 21, 1992, and made effective on February 25, 1993.

The Credit was closed on December 31, 1998 according to the original plan. The final disbursement of SDR 105,048.08 (equivalent to US\$142,790.80) was made on May 10, 1999 based on an application received before April 30, 1999. An undisbursed balance of SDR 883.40 (approximately US\$1,190 equivalent) was canceled.

The ICR was prepared by Khawaja M. Minnatullah, Task Leader and Senior Sanitary Engineer (RWSG-SA) and Miriam Witana (SASIN). Tejbir Singh Phool, Financial Analyst/Economist (Consultant), visited Sri Lanka and project sites, had discussions with all stakeholders and prepared an independent assessment which has been incorporated into this report. Vijay Jaganathan (Urban Development Sector Unit, East Asia and Pacific Sector Unit) served as Peer Reviewer. The ICR was revised by Chandra Godavitarne, Municipal Engineer (Consultant), assisted by Janice Williams-Palenzuela, Operations Analyst (SASEG). The report was reviewed by Jelena Pantelic, Team Leader, Urban and Water (Sri Lanka), Frannie Humplick, Sector Director, (SASIN), and Robert Panfil (Quality Assurance, SASIN). The ICR was cleared by Mariana Todorova, Country Director for Sri Lanka, South Asia Region.

Preparation of this ICR was begun in conjunction with IDA's final supervision/completion mission of December 1998. The Borrower contributed to the preparation of the ICR by providing pertinent statistical information and commenting on the draft ICR. The Borrower's evaluation (Implementation Completion Report) and proposed Post Project Activities are given in Appendices D and E, respectively.

IMPLEMENTATION COMPLETION REPORT
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EVALUATION SUMMARY

i. **Introduction.** The Community Water Supply and Sanitation Project (CWSSP) was IDA's first investment operation for rural water supply and sanitation in Sri Lanka. Previous support had been for urban water supply and sewerage. This project was designed as a pilot operation to test the sustainability of a demand-responsive approach with community organizations responsible for the delivery of rural water supply and sanitation. The approach was a departure from the traditional supply-driven approach previously used by the Government of Sri Lanka (GOSL). The strategy required the GOSL to devolve responsibility to community organizations for planning, design and management of rural water supply and sanitation services, with the GOSL playing the role of a facilitator. More project details are provided in Appendix A.

ii. **Project Objectives.** Objectives of the project were to: (a) develop systems and institutions for community-based planning, implementation, operation, and maintenance of cost-effective and sustainable water supply and sanitation; (b) implement community-based schemes in rural areas and smaller towns of Badulla, Ratnapura, and Matara districts; and (c) prepare a follow-on project that would extend the community-based approach, to be developed and tested during this project, to the rest of the country.

iii. **Implementation Experience and Results.**

Physical Achievements. The physical targets of the project were exceeded, and about 950,000 persons benefited by improved water supply and sanitation services in 2,541 villages and 12 small towns. About 64,000 individual family latrines were constructed against a target of 45,000. Water and sanitation facilities were provided to 704 schools.

Independent Evaluation. The project was selected for review by the Bank's Quality Assurance Group (QAG) in FY98. It was commended for good supervision performance and was given a best practice rating. The project was selected as a case study for the Participatory Learning and Action initiative under the Regional Water and Sanitation Group, South Asia. Preliminary findings of this case study draws similar conclusions to those presented in this ICR. The Operations Evaluation Department (OED) which conducted an impact evaluation of the project in late 1997, also corroborates the conclusions in this ICR. The OED study found that in communities with low levels of social capital, special efforts are needed to motivate and mobilize communities to sustain the systems. The OED report also concluded that the project has made a significant difference in the quality of life in the project villages, with a strong impact on public health. The report did not confirm the sustainability of this approach.

Implementation Experience. Despite many challenges, project implementation experience was satisfactory, and was a useful learning experience for all stakeholders. Systems and procedures for community-based service delivery were developed and refined as implementation progressed. The project was successful in mobilizing communities to assume responsibility for their service needs, and delegating to communities responsibility for planning, implementing and managing water supply and sanitation services. The quality of performance of Partner Organizations (POs) and Community-Based Organizations (CBOs) was varied, but was reasonably satisfactory. CBOs developed a sense of pride and ownership in the assets created. This strategy has since been adopted in an Asian Development Bank-assisted rural water supply and sanitation project for six other districts in Sri Lanka. Although CBOs performed well in planning, prioritizing and mobilizing capital cost contributions, they were less successful in organizing maintenance and managing assets.

Implementation Challenges. The project faced a number of project management and implementation challenges. There was an initial shortage of POs (which were mostly non-governmental organizations with capacity and sector specific experience) to act as facilitators for project implementation. Selection criteria had not been strictly observed, and some selected POs lacked necessary technical, social, management and organizational skills to undertake project implementation. Most CBOs lacked skills to organize maintenance, set tariffs, and collect user charges. The project objective regarding a follow-on project implicitly recognized that these aspects would take longer to realize.

In their drive to accelerate project implementation, the district unit in Ratnapura was found to have engaged in a number of financial and procedural irregularities. Several instances of mis-reporting on project progress, implementation starts without prior approval, procurement irregularities, unauthorized cash advances to POs, and general disregard for financial management, documentation and control had taken place. Following this discovery, prompt action was taken by the GOSL to remove the concerned officers and recover unauthorized cash advances. The CWSPU increased the rigor of monitoring, and limited the authority of district units to procure materials. These measures inhibited devolution of responsibilities to communities. IDA came to know of these lapses only towards the end of the project. The annual GOSL audit of the project accounts and financial statements had not reported these irregularities either. The project demonstrated the complexities of social mobilization for participatory development, the need for forming and nurturing community organizations, and the risks of decentralized implementation without adequate monitoring, financial management and controls.

Financial Management and Controls. An investigation carried out by Sri Lanka's Auditor General has confirmed weak financial management in all three districts, especially disregard of financial procedures, but found no reason to fault project staff or procurement procedures. As a result of the investigation, some schemes had to be halted due to unauthorized starts and potential shortage of funds. The Auditor General of Sri Lanka has since determined that some claims on the IDA Credit arising from the disregard of financial procedures may constitute ineligible expenditure.

Curtailment of Technical Assistance. Agreement between GOSL and IDA to terminate or reduce the vital technical assistance inputs for the Technical Support Cell, hygiene education, and for preparation of the follow-on project may have discouraged institution building and realization of full health benefits.

iv. **Project Sustainability.** Project sustainability is uncertain at this time. The project has demonstrated the potential for sustainability of decentralized program implementation with community participation, but further development of social capital would be required to achieve changes in social behavior. Project objectives implicitly acknowledged the long-term developmental nature of this experiment, and the need for consolidation through a follow-on operation. While for the most part the pilot approach has worked well and was fairly well accepted, it is too early to assess whether operation and maintenance of assets can be sustained with resources from beneficiaries alone.

v. **Major Factors Affecting Achievement of Project Objectives.** The following factors affected achievement of project objectives.

- (a) *Institution Building for CBOs.* Some CBOs absorbed the training inputs well and have undertaken complex tasks such as system expansion, mobilizing additional resources, and collection of user charges. Most CBOs were inadequately equipped to deal with tariff setting, cost recovery, asset management, and maintenance of adequate bank balances. CBOs have an urgent need for guidance in financial and administrative management.
- (b) *Quality of Partner Organizations.* Serious limitations in the technical and financial management capabilities of some POs resulted in poorly designed schemes and inadequate supervision.
- (c) *Termination/Reduction of the Technical Assistance Inputs.* The termination and/or reduction of funds for the Technical Support Cell (TSC) and the hygiene education component mid-way during the project, affected the capacity of the CWSPU with regard to program strategy development and project monitoring. This decision appears to have been made without adequate concern for its impact on project implementation and achievement of project objectives.
- (d) *The Follow-On Project and Long-Term IDA Commitment.* Project funds were allocated to prepare the follow-on project, and IDA twice indicated its support for the project. IDA suspended preparation after investigations into weak financial management commenced. The wavering commitment of IDA for the follow-on project has created uncertainty and concern in the GOSL. It is unlikely that the project could be implemented by the GOSL without external assistance. A break in the process has already occurred, and momentum has been lost. In the absence of a follow-on project to build on the experience of this pilot, there is a risk that many of the useful lessons learned may be lost to all stakeholders.
- (e) *Financial Management.* Inadequate financial management marred the otherwise positive aspects of this pilot project. The CWSPU had inadequate capacity for the

financial management requirements of an innovative project involving this level of decentralization, and working with community organizations. Annual statutory audits also failed to discover these lapses. Lack of random procurement and disbursement reviews by IDA specialist staff or consultants allowed these lapses to go unnoticed till near the end of the project.

- (f) *Remedial Works.* Additional remedial works were required in about 106 water supply schemes to replace sub-standard pipes installed in the works at extra cost to the project.
- (g) *Procurement.* Decentralized procurement by the POs faced a number of problems: high demand in the districts for materials caused price rises and higher project costs; quality of galvanized iron pipes, pipe fittings and cement available in local markets was poor; and irregularities in procurement procedures occurred. One of the corrective actions taken by CWSPU was to centralize procurement. Whilst enhancing quality and timely delivery, the new arrangement was at variance with the objective of decentralized implementation.

vi. **Borrower Performance.** GOSL performance is rated as satisfactory based on its commitment to achieving project objectives, its pro-active interventions to ensure a high degree of community participation through delegation of responsibilities, and successful project implementation exceeding the agreed physical targets. The GOSL was generally in compliance with the legal covenants. The strategy has been adopted for another project financed by the Asian Development Bank for six other districts. Although GOSL did not formally advise IDA about the irregularities in one district, it took prompt action to remove errant officers and POs, commenced action to recover unauthorized advances to POs, revised procurement arrangements, and introduced more rigorous monitoring of project activities.

vii. **IDA Performance.** Overall, IDA performance is rated as satisfactory. The project team worked closely with the CWSPU throughout implementation in pursuit of project objectives, highlighted key issues and problems, and was able to obtain reasonable responses from the GOSL. More intensive monitoring and random reviews by specialist staff from IDA would have helped to reduce the damage caused by financial management weaknesses. The project team performance with regard to supervision is judged against OED's detailed evaluation, and the annual government audits, both of which failed to discover the lapses that had occurred. The lack of a firm commitment, and mixed signals by IDA with regard to the follow-on project, (one of the project objectives designed to consolidate the strategy), remains a source of concern for the GOSL. IDA agreement to divert technical assistance funds to physical works may have affected the institution building objective of the project.

viii. **Project Outcome.** Project outcomes include: (i) confirmation of the feasibility of developing mechanisms for decentralized implementation of relatively large projects that entail a high degree of community participation; (ii) completion and surpassing of all the physical targets agreed at appraisal; (iii) development of systems and procedures to involve communities in participatory development; (iv) creation of a cadre of POs with the capacity to act as facilitators for developmental activities; and (v) achievement of a high degree of community ownership.

ix. **Summary of Findings, Future Operations, and Key Lessons Learned.**

- (a) **Findings.** Project objectives have been largely achieved. All physical components were completed benefiting about one million people. The GOSL successfully devolved project implementation responsibilities to communities using partnerships of NGOs and CBOs. The project encountered the expected challenges of community-based development, especially in regard to building social capital, and institutionalizing effective monitoring and financial management.
- (b) **Future Operations.** The GOSL plans to continue its support for the community-based development approach for delivery of rural water supply and sanitation. It plans to: (i) using Government funds and community contributions, complete the schemes that were suspended; (ii) develop a strategy for providing long-term support to CBOs to strengthen their capacity to manage infrastructure; (iii) give CBOs legal status; (iv) improve project management without compromising the key role of communities; and (v) prepare and implement a follow-on project. Expansion of the community-based approach to other areas in Sri Lanka will depend on a decision of IDA's commitment to support the sector, and possible assistance for a follow-on project.
- (c) **Key Lessons Learned.** The main lessons learned from the pilot project include the following: (i) the decentralized community-based development strategy requires further refinement and consolidation; (ii) community-based organizations need intensive training and awareness raising to be fully successful; (iii) re-allocation of technical assistance funds for physical works should be avoided; (iv) strong financial management and controls are essential in community-based projects; (v) consistency is needed between government policies and programs; and (vi) IDA's commitment to sector development objectives should be long-term, and should not be affected by project implementation challenges.

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PART I: PROJECT IMPLEMENTATION ASSESSMENT

A. BACKGROUND

1. *Prior Sector Lending.* The Community Water Supply and Sanitation Project (CWSSP) was the first IDA assistance to the Government of Sri Lanka (GOSL) for rural water supply and sanitation. Previous IDA assistance to the water and sanitation sector comprised three urban water supply and sewerage projects, implemented by the National Water Supply and Drainage Board (NWSDB). In these projects, physical implementation has been generally satisfactory, but financial and operations achievements were less than satisfactory. Until the CWSSP, NWSDB was the primary agency for providing rural water supply and sanitation throughout the country.

2. *Rural Water Supply and Sanitation Investments.* In addition to budgetary allocations to the sector, Sri Lanka has received substantial bilateral donor assistance for rural water supply and sanitation which were implemented largely through the NWSDB, a few other government agencies and non-governmental organizations (NGOs). A multiplicity of institutions has led to contradictory policies, conflicting technologies, coverage gaps, and management deficiencies. Implementation of rural water and sanitation projects by the NWSDB was less successful because it had an urban bias. Rural water schemes were financially unviable due to limited cost recovery. Thus, it became impossible for the NWSDB to provide satisfactory and sustainable services to the rural areas. This constraint led GOSL to search for alternative mechanisms for delivery of water supply and sanitation services to rural areas.

B. EVALUATION OF OBJECTIVES

3. The CWSSP was GOSL's attempt to test the feasibility of fully decentralized water supply and sanitation provision through a pilot project using Partner Organizations (PO) and Community-Based Organizations (CBOs) for implementation and management. The GOSL strategy was to decentralize delivery of rural water supply and sanitation services to communities to plan, implement and manage. CBOs were assisted by POs for scheme planning and implementation. The CBOs took over the assets, set tariffs, levied charges, and operated and maintained the assets. The GOSL played a facilitating role until the process was well established. IDA assisted GOSL through financing a feasibility study to prepare its strategy as well as sharing experiences from similar projects in Pakistan and India. The CWSSP (designed as a pilot investment operation) was promoted, tested, and refined using the "demand responsive approach" for adoption in the rest of the country. The strategy therefore included a follow-on operation to consolidate gains and promote adoption in other districts.

4. *Project Objectives.* Project objectives were to: (a) develop systems and institutions for community-based planning, implementation, operation, and maintenance of cost-effective and sustainable water supply and sanitation; (b) implement community-based schemes in rural areas and smaller towns of Badulla, Ratnapura, and Matara districts; and (c) prepare a follow-on

project that would extend the community-based approach, to be developed and tested during this project, to the rest of the country.

5. *Evaluation of Objectives.* In the context of the prevailing service delivery mechanisms before the project, the objectives were appropriate and provided the opportunity to test a new strategy for service delivery. Project objectives also reflect the GOSL's willingness to test an uncertain but challenging new strategy for service delivery by devolution of responsibilities to communities, so as to create a culture of ownership and responsibility for managing community assets. These objectives were well complemented by project components. The objective of promoting community-based planning and management of water and sanitation was particularly appropriate because: (a) previous investments in supply-driven approaches had not proven to be sustainable; (b) priorities were determined by the government, not beneficiaries; (c) ownership was lacking; (d) maintenance was poor; and (e) systems were unsustainable primarily due to poor cost recovery. The objective of preparing a follow-on project implicitly recognized the importance of consolidation of achievements, refinement and adoption of the strategy in other parts of the country--if the pilot proved successful. Developing decentralized community-based delivery mechanisms to provide services, with communities responsible for their management, remains a desirable and worthwhile objective.

6. In retrospect, other project objectives that may have been appropriate to include in the project are: (i) institutionalization of the systems and procedures within the existing local government framework for mainstreaming implementation in the follow-on projects; and (ii) strengthening of community organizations.

7. *Project Components.* Project components developed to meet the above objectives are summarized below:

- Program Development (US\$1.0 million) for program publicity and promotion, PO selection and development, CBO registration and training, and project planning and management.
- Water Supply (US\$17.2 million) to provide water to approximately 650,000 people in 2,700 villages and 17 small towns using protected wells, hand-pumps, spring source gravity schemes, and pumped supplies.
- Sanitation (US\$1.9 million) to provide grants for villages to establish revolving funds for loans to construct individual latrines in 3,800 villages and 17 small towns; latrines in 224 rural schools in the project districts; upgrading of existing latrines in about half the remaining 1,324 schools; and latrines in up to 1,000 pre-schools.
- Hygiene Education (US\$1.5 million) to finance media campaigns on health and sanitation issues run by the Ministry of Health (MOH); hygiene training, orientation of MOH staff, school teachers, CBO members, community leaders and volunteer workers; purchase of audio visual equipment, vehicles and computer software; specialized training to selected health staff of the hygiene education offices; and training, equipment and educational material to NGO staff undertaking hygiene education.

- Training (US\$0.4 million) for creating capacity development in CBOs for implementation, operation, maintenance and management to finance training for CBO and PO staff, rural technicians, local elected officials, public servants, community leaders, and staff of the CWSPU, including periodic workshops on program experience and development of methodology.

- Project Management (US\$3.3 million) to finance establishment, equipment and operation costs of the CWSPU, including its three district offices.

- Technical Assistance (US\$7.0 million) to finance (a) technical assistance for CWSPU capacity building and for studies, including the Technical Support Cell (TSC) to advise the CWSPU on operations; (b) to assist in the preparation, testing and revision of training materials; (c) to prepare a number of studies and applied research to support project activities; and (d) to refine the strategy and prepare follow-on project incorporating experiences gained.

8. *Project Cost and Financing.* Estimated total project cost, including contingencies, was Rs. 1.4 billion (US\$32 million). IDA advanced a Credit of US\$24 million or 75% of project costs net of taxes and duties. Beneficiary contributions, in cash and kind, were expected to finance about US\$2.5 million or approximately 20% of the capital cost of schemes, comprising about 8% of total project costs. The GOSL was to finance the balance US\$5 million.

9. *Mid-term Review.* A mid-term review was carried out in 1996, and some significant decisions were made. Allocations for water supply was increased to US\$18.4 million, and program development was increased to US\$2.5 million. The allocation for the TSC was reduced to US\$2.6 million; hygiene education was reduced to US\$0.3 million; future project preparation reduced to US\$1 million; the sanitation component and the project management component, were reduced to a combined total of US\$4.9 million. At mid-term, it was found that the population/village system was more than that estimated at appraisal, and that this could lead to a possible cost overrun. The number of systems to be covered was therefore reduced from 1,000 to 850. At project closing, it was found that even with 850 systems, the village population covered was about one million, against the appraisal target of 650,000.

C. ACHIEVEMENT OF PROJECT OBJECTIVES

10. *Objective I: Develop Systems and Institutions for Provision of Community-Based Water Supply and Sanitation.* This objective was substantially achieved. Community-based systems and procedures were developed involving the participation of community organizations. Communities decided priorities, and implementation took place with the assistance of facilitators. Thus, community ownership was developed. The objective of successful operation and maintenance of water supply and sanitation schemes was partially achieved.

11. *Objective II: Implement Water Supply and Sanitation Schemes in Badulla, Ratnapura, and Matara Districts.* This objective was fully achieved. The project exceeded targets set at appraisal, and these were achieved about six months before project closing. The project benefited about 950,000 persons in 2,541 villages and 12 small towns against a targeted village population of 650,000 and 17 small towns; constructed 64,000 toilets against 45,000 planned; and improved water sanitation facilities in 704 schools against a target of 1,348 schools and

1,000 pre-schools to be provided with sanitation. Community contributions for capital cost contribution amounted to about US\$3.0 million (excluding community contribution for sanitation), compared to US\$2.5 million estimated at appraisal.

12. *Objective III: Prepare a Follow-on Project.* This objective has been partially achieved. A follow-on project was under preparation. However, because IDA commitment to the follow-on project has wavered, momentum has been lost. GOSL's future plans include a follow-on project with possible IDA assistance.

13. Overall, the outcomes of this pilot project to test the new strategy are adequate to conclude that objectives have been substantially achieved. In order to fully achieve project objectives, longer term development support is necessary for awareness raising, education, training, and building social capital.. Significant features of the project that contributed to achievement of project objectives are discussed below.

14. *Institution Building for POs and CBOs.* Through implementation of the pilot project, (i) a large number of capable POs have emerged, and have gained experience in collaborative project implementation as small-time contractors/facilitators; (ii) a cadre of capable managers gained valuable experience working in the CWSPU and the district and zonal offices; and (iii) CBOs have been formed to take over responsibility for operation and management of assets created. Notwithstanding weak financial management, the achievements under the project (which includes a demonstration of a sustainable process for decentralized project implementation using a demand-based approach) are judged successful. The process needs however, to be further strengthened and perfected to achieve all the objectives. The Sri Lanka Attorney General's report on weaknesses in financial management reinforces the need to have management of high integrity and commitment, with appropriate remuneration and job security.

15. *Community Ownership.* Communities that have gone through the complete process to implement water supply and sanitation schemes have received great satisfaction in being able to decide their own priorities, select technologies, arrange for implementation and take over the assets. Communities have contributed, in some cases, more than 20% of capital cost for construction, amounting to a total of about US\$3 million (excluding community contributions towards sanitation facilities). The sense of pride and ownership created through this process has improved prospects of sustainability. Active beneficiary participation also contributed to a lowering of scheme costs. Both the greater community contribution, and the lower per scheme cost, allowed enhanced coverage with available funds.

16. *Sanitation Improvements.* It is too early to be able to quantify health benefits accrued due to improved sanitation. However, the increased availability and use of toilets by both adults and children (except for very small children), along with the message conveyed through school children regarding health benefits of sanitation and washing hands after using toilets, are bound to engender good hygiene habits, and in the longer-term, better health. However, curtailment of funds for hygiene education at the mid-term review may have had an adverse impact on achieving greater benefits in health.

17. *Economic Rate of Return.* The recalculated rate of return of 26% is higher than the 21% estimated at appraisal (Table 9). The rate of return for the entire project, excluding the benefits

of other components but including their cost, is estimated at 15%, which is about the same as that estimated at appraisal. The rate of return on the water supply component was re-calculated using the methodology used at appraisal. Under this approach, benefits were estimated in terms of time-savings and costs which comprised cumulative scheme costs.

18. *Environment.* Overall, the project had positive environmental impacts through the provision of improved water supply and construction of a large number of toilets. Project design took necessary precautions to minimize negative impacts from increased use of water and related sullage disposal, and point water sources were sited at a safe distance from the toilets.

19. *Project Identification, Preparation and Appraisal.* The GOSL engaged the services of a consultant to prepare a feasibility study, including the strategy and project components of the project. The proposal was consistent with GOSL's overall rural water and sanitation investment program. IDA provided advice and guidance, shared experiences from other similar operations, and reached agreement on all major issues prior to appraisal. At appraisal, it was agreed that, following this pilot, the strategy--with suitable refinements--would be adopted in other districts in the future. The preparation process was highly satisfactory.

20. *Independent Evaluations by OED and QAG.* An impact evaluation of the project was conducted by the Operations Evaluation Department (OED) prior to Credit closing¹. The study began in November 1997 with a review of available secondary data and was followed by field interviews of focus groups and collection of technical data in a selected sample of villages. Key findings of the study indicate that: (i) rural water infrastructure was in place and functioning; (ii) sanitary conditions have improved substantially; and (iii) institutional development achievements were impressive. The findings also show that the project has followed the participatory approach to a large extent and that "conditions on the ground turned out very much as planned", with communities influencing choice of technology and other decisions on scheme infrastructure. The report specifically concludes "households in communities with the best-performing services belong to a larger number of community groups than households in the worst-performing category." This implies that the majority of the communities are operating their systems satisfactorily and that poorly performing systems are comparatively few in number. The study found that in communities with low levels of social capital, special efforts are needed to motivate and mobilize communities to sustain the systems. The report also concludes that the project has made a significant difference in the quality of life in the project villages, with a strong impact on public health.

21. The project was also selected as a case study for the *Participatory Learning and Action (PLA)* initiative under the Regional Water and Sanitation Group, South Asia. The assessments focussed on six institutional levels: (i) users; (ii) non-governmental social intermediaries; (iii) local government; (iv) district level; (v) state level; and (vi) policy level. Field assessments in selected villages were carried out in late 1998 and initial findings were presented in December 1998. The preliminary findings draw similar conclusions as presented in this ICR. The final report of the PLA assessments is expected by December 1999².

¹ Sri Lanka, *Impact Evaluation Report, 6/30/98, Operations Evaluation Department, The World Bank.*

² *The overall objective of this initiative was to increase the sustainability of water supply and sanitation services for poor communities. Phase I of the initiative was to develop the participatory learning process through assessments*

22. The project was one of 200 projects selected for review by the Quality Assurance Group (QAG) in FY98 for assessing the quality of IDA's supervision work. A commendation was received for good supervision performance and the project was given a best practice rating.

D. MAJOR FACTORS AFFECTING THE PROJECT

23. *The Follow-on Project.* Preparation of a follow-on project to extend the community-based approach to the rest of the country was a project objective. It implicitly recognized the long-term nature of the developmental approach, and the need for nurturing and further strengthening community organizations. A follow-on project, based on the lessons learned from CWSSP, has been under preparation, but has been suspended due to lack of support from IDA. In the absence of sustained support from IDA or other donors, there is a risk that many of the useful lessons learned would be lost to both IDA and GOSL.

24. *Long-Term IDA Commitment.* In July 1997, IDA indicated that there would be no support for a follow-on project. In early 1998, IDA changed its stance and indicated its willingness to support the follow-on project. Soon after project closing, after investigations into weak financial management started, IDA again withdrew support for the project. These mixed signals have caused a degree of uncertainty and an undesirable break in the developmental process, thus frustrating achievement of one of the project objectives, and withdrawal of support for a project that has been independently judged as best practice. The CWSPU also lost key staff and was forced to operate with a skeletal staff during its last year.

25. *Termination of the Technical Support Cell.* The CWSPU recruited a consulting firm at the commencement of the project to provide services of the TCS. The team, comprising international and local consultants, developed implementation programs, monitored progress, and recommended changes in strategy. Their activities also included preparation, testing, and revision of training materials. The package of studies and applied research conducted resulted in several recommendations for improvement in the strategy which were adopted. The services of the TSC was terminated in April 1998. The original terms of reference for the TSC envisaged a reduction in the technical assistance inputs, particularly for management information systems, to "assist in overcoming specific bottlenecks and problems caused by program expansion." Upon the drastic downsizing of the TSC in 1996 by GOSL, (only the Project Manager was retained), with the tacit agreement of IDA, incomplete studies were abandoned and data collected was left unanalyzed and unconsolidated. Another significant shortcoming was the delayed establishment of a systematic mechanism to support and monitor sustainability of schemes. Despite several efforts by IDA, the CWSPU started addressing this shortcoming only in the last few months before project closing, thus limiting the project's ability to improve training of, and support to, CBOs in a pro-active manner.

26. When the TSC was terminated, the funds allocated for the TSC were diverted for physical works. It is a matter of great concern that the TSC was terminated, even though it played a key role in institution building. Having jointly agreed to make significant allocations

carried out in selected projects. Phase II will be to develop a program to improve the capacity of sector agencies to respond to user demands, using gender-sensitive, participatory approaches.

for learning, monitoring and evaluation to support institution building, the GOSL changed its priorities mid-project--placing a higher value for physical investments--thus compromising larger objectives. It is equally disconcerting that IDA agreed to this request, apparently without concern for the impact of this decision on achievement of project objectives.

27. *Project Implementation Problems in Ratnapura District.* The CWSPU head office discovered a number of financial and procedural irregularities in the Ratnapura district office, which had occurred in their drive to achieve results in accelerated project implementation. These include: several instances of mis-reporting on project progress; implementation of sub-projects without sanction; procurement and use of sub-standard pipes requiring subsequent additional expenditures for remedial works; procurement of poly vinyl chloride (PVC) and galvanized iron (GI) pipes at uncompetitive prices; unauthorized cash advances to some POs; and a general disregard of financial management, documentation and control procedures.

28. *Financial Management.* Inadequate financial management marred the otherwise positive aspects of this pilot project. A number of irregularities had occurred in the latter half of the project, specifically during the tenure of a District Manager of the Ratnapura district, which also involved some POs. The GOSL took prompt corrective action against the errant staff and POs, and put in place new measures to improve financial management. IDA came to know about these irregularities only during the final completion/supervision mission in December 1998. Following an IDA-initiated investigation, Sri Lanka's Auditor General reported in June 1999 that there was inadequate financial management in all three districts involving: poor accounting, inadequate financial controls, and lack of authorizations and essential documentation for payments made. It is evident that the capacity of the CWSPU, with respect to financial management, did not match the requirements of a project involving this level of decentralization and working with community organizations. In response to an IDA request at the mid-term review, GOSL appointed an internal auditor in February 1998, but the system put in place was not very effective. As a result, satisfactory project financial management and internal controls were not established during project implementation, and GOSL has made some claims on the IDA Credit for expenditures which the Auditor General considers ineligible. These potentially ineligible expenditures identified by the Auditor General will be further evaluated jointly by the GOSL and IDA, and appropriate action will be decided.

29. *Ineligible Expenditure.* Items involving ineligible expenditure noted by the Auditor General were as follows:

- (i) a number of schemes were started by the CWSPU after the mid-term review in 1996 when IDA had requested that no new projects be commenced because of an anticipated shortage of funds. When cost overruns became inevitable, and a follow-on project did not materialize, the schemes were abandoned, even though IDA funds had been used. The project thus appears to have incurred ineligible expenditures amounting to Rs. 10.3 million (about US\$152,000);
- (ii) advances to POs amounting to Rs. 19.3 million (about US\$284,000) have not been properly accounted for, and have been claimed from the IDA Credit. These are also considered to be ineligible expenditures;

- (iii) formation of new community organizations necessarily proved to be a challenging task. Implementation difficulties arose such as: selection criteria for POs loosely adopted in all districts; capacities and commitment of POs and their managers were inadequate for the size and complexity of the project; performance varied and was not satisfactory in some cases due to inadequate capacity of project managers of the POs; their financial management and accounting was weak; and the POs were unable to engage experienced technical officers which resulted in poorly designed schemes and overestimated costs. Due to constraints and workloads borne by the district and zonal project unit offices, there were lapses in checking designs thoroughly and evaluating quantities of materials and cost estimates prepared by POs. Higher than normal prices, (between 17% to 40% higher), appear to have been paid for PVC and galvanized iron pipes, particularly in the Ratnapura district; and
- (iv) although procedures were established by the CWSPU for record keeping, custody and stores verification, etc., officials of the POs and CBOs were not aware of their roles and responsibilities in regard to: (i) receipts, custody, and correct disposal of project material; (ii) satisfactory storage; and (iii) approvals for use of material. Although every PO was expected to manage materials methodically, it was found that: entries to stock records were not supported; Goods Received Notes were not issued for stock received, nor were appropriately authorized documents used for stock issued; continuous or periodic stock verification did not take place, excess material was not returned, and proper records of these transactions were not kept. The inventories of materials and tools on hand at December 31, 1998, amounting to Rs. 16.1 million (about US\$237,000) may represent an ineligible expenditure.

30. *GOSL Corrective Action on Weak Financial Management.* When lapses in financial management were discovered, the CWSPU took several corrective steps to improve monitoring and financial management: the irregularities were reported to appropriate authorities for necessary action, an internal auditor was appointed in February 1998; errant staff were retrenched or sent back to their parent departments; colluding POs were prevented from participating in future projects; payments to suppliers of poor quality materials were stopped; unauthorized schemes were suspended despite community protests; implementation monitoring was systematically centralized; and action was commenced to recover unauthorized funds received by errant POs, and excess materials issued to POs. Actions taken to date by GOSL have helped to improve monitoring, improved selection and overseeing of POs, and improved financial management. However, they also served to centralize project implementation.

31. *Implementation of Community-Based Projects.* The CWSPU had prepared operational procedures and a financial procedures manual for use by implementation agencies; however, adequate mechanisms for monitoring and supervision, and ensuring compliance were not in place. This left many loopholes and opportunities for mismanagement. The annual statutory audits carried out by the GOSL, the random post reviews of procurement and disbursement by IDA, and the special OED evaluation, did not report any irregularities, perhaps illustrating the difficulties of detection. It also illustrates the importance of effective monitoring and supervision. Based on the experience from the CWSSP, the modality and implementation procedures for the follow-on project should be carefully designed to avoid a recurrence of the problems encountered.

32. *Remedial Works.* Most water supply schemes were well constructed and have been generally well received. Communities displayed a high degree of ownership, and acknowledged that services have improved substantially. However, about 106 out of 847 village water supply schemes required additional remedial works to replace sub-standard pipes installed in water supply schemes, mostly in the Ratnapura District. The additional expenditure incurred by the project because of the sub-standard pipes was about Rs. 10.3 million (about US\$153,000), or about 0.8% of the total expenditure on the schemes. These defects had occurred in schemes constructed mostly during the tenure of a particular manager of the District Unit in Ratnapura and in early stages of implementation. More progressive CBOs have been able to mobilize requisite technical and financial resources to undertake remedial works.

33. *Procurement.* Decentralized procurement by the POs faced a number of problems, and had to be changed during implementation. Problems included: high demand for materials caused price rises and higher project costs; poor quality of galvanized iron pipes and fittings and cement available in local markets; and irregularities in procurement procedures--specifically overpricing. Corrective action was taken to centralize procurement, except for PVC pipes and fittings. Procurement of GI pipes, fittings, and cement was done through the government-owned Building Materials Corporation to ensure procurement efficiency, quality and timely availability. PVC pipes and fittings were procured locally at rates approved by a district pricing committee. Whilst enhancing quality and timely delivery, these procedures were at variance with the objective of decentralized implementation.

34. *Institution Building for CBOs.* Communities achieved varying degrees of success in managing scheme operations. As the schemes were handed over to the CBOs, their staff were trained and assisted in developing mechanisms for collecting tariffs, operations, and minor repairs. Some CBOs have absorbed these inputs well and have undertaken complex tasks such as system expansion, mobilizing additional resources, and continuing collection of user charges. However, most CBOs were inadequately equipped to deal with tariff setting, cost recovery, asset management, and maintenance of adequate bank balances. These CBOs are in urgent need of guidance in financial and administrative management.

35. *Quality of Partner Organizations.* Partner organizations *per se* did not exist in the country as a professional group or as contractors with a social orientation, although some NGOs had experience in operating in this capacity. As a response to the needs of the project, such organizations sprang up. Delegation of responsibilities to the District to select POs may not have been appropriate, as in later stages of implementation, compromises were made in the application of criteria for PO selection under pressure to achieve completion targets. Serious limitations on the technical and financial management capabilities of some POs resulted in poorly designed schemes and inadequate supervision. The services of some POs whose performance was evaluated to be incompetent were subsequently terminated, and the CBOs dealt directly with the project management unit. As a result, the project management unit had to increase its supervision input.

36. *Counterpart Funds Shortage.* The long-standing civil strife and the attendant expenditures affected the GOSL's ability to provide counterpart funding in a timely manner. It affected the pace of project implementation in the third and fourth years of implementation.

However, this problem was resolved through supplementary budget approvals in the final years of the project.

37. *Incentives for POs.* The CWSPU faced challenges in developing an effective working relationship with POs. In the early stages of the project, there was a shortage of POs capable of providing water supply and sanitation facilities. The CWSPU met this challenge by training POs to undertake the responsibility for project implementation, and by developing procedures for reimbursing their costs. Later, the CWSPU recognized that the reimbursement mechanism provided inadequate incentives for speedy implementation, and in consultation with the POs and CBOs, a new performance based program was successfully implemented. The new program increased implementation speed, and helped speed up disbursement to meet the project's disbursement targets.

38. *Formulation of the Sanitation Component.* The project design envisaged a 100% loan program for the sanitation component. This was not consistent with the existing GOSL funding formula for rural sanitation, which provided about 80% grant element. This formulation made the sanitation component a non-starter, and valuable time was lost. Early in the project, the sanitation program was modified to conform to the Government program. Despite this set back, the project exceeded the originally set target for sanitation coverage.

E. PROJECT SUSTAINABILITY

39. Sustainability is rated as uncertain at this time. Based on the outcomes of this pilot project and the innovative and evolving nature of the delivery mechanism tested, it is concluded that considerable sustained efforts would be required to achieve project sustainability. A follow-on project should build on the achievements made under this pilot project. Communities were successfully involved in the planning, design, and implementation of rural water supply and sanitation projects to serve their villages, demonstrating a high degree of ownership and pride in their achievements. The development of CBOs to takeover the assets for operation, maintenance and management was only partially successful, and required a more intensive training and awareness building to develop commitment, and to organize management of infrastructure. The more progressive CBOs demonstrated their ability to: independently establish tariff levels based on operating costs, organize collection of user charges from the community, organize and carry out routine maintenance, and even expand schemes to improve the quality of service.

40. Many CBOs are still organizationally and financially weak as they lack the confidence and experience to organize maintenance services; have been delinquent in collection of user charges; and have little cash reserves in their bank accounts. The project has demonstrated: the potential for sustainability of developmental work with community participation, the need for further training of CBOs, and the necessary consolidation to effect a change in social behavior. In comparison to the previous supply-driven approach, this strategy has resulted in lower capital and recurrent costs, and a sense of ownership and beneficiary satisfaction with the level of service provided. The original project objectives implicitly acknowledged the long-term developmental nature of this experiment, and the need for consolidation through a follow-on operation.

F. IDA PERFORMANCE

41. Despite some shortcomings, overall IDA performance is considered as satisfactory. IDA had invested considerable resources and effort to support the GOSL to test the new strategy involving a high degree of community participation. While the experiment was a success, the dynamics and the complexities of devolution of responsibilities may not have been well understood, specifically with regard to the need for intensive monitoring and financial management in a project with this level of decentralization. The late discovery of financial irregularities illustrates the lack of in-depth supervision, the difficulties of detection, and the need for rigorous monitoring and random post review with specialist staff or consultants. It is noteworthy that the annual audit by the Auditor General also failed to discover the irregularities when they occurred. The operational problems encountered were about normal for IDA-financed projects, and especially so in this innovative experiment.

42. IDA made substantial contributions to project design and refinements based on evolving project implementation experience. Despite the many challenges, project objectives were achieved, and targets exceeded. However, IDA's acquiescence for the termination of services provided through the TSC, and allocation of that portion of the Credit to implement additional physical works may have affected institution building in the longer-term. IDA's wavering commitment towards a follow-on project has created concern in the GOSL, forced the GOSL to abandon some schemes, and adversely affected the morale of the CWSPU. IDA placed more emphasis on project implementation problems rather than the potential gains to sector development from GOSL's unique experiment in participatory development, thus leading to a break in preparation of the follow-on project. However, as the project is still in the lending program, IDA has the opportunity to support this strategy with the appropriate refinements based on lessons learned.

G. BORROWER PERFORMANCE

43. Based on the project outcomes, its commitment to decentralized participatory development, and support to achievement of project objectives, the performance of GOSL is rated as satisfactory. The GOSL put in place systems and procedures to create new CBOs to provide opportunities for communities to participate in the planning and provision of water supply and sanitation services to rural communities. The GOSL has commenced formulation of draft legislation to provide legal recognition to CBOs to facilitate participatory development, and to establish mechanisms for effective water resources management. The GOSL has reinforced its commitment to the principles of participatory development through adopting the same strategy in six other districts in a project financed by the Asian Development.

44. The CWSPU has faced many challenges in the implementation of decentralized development, yet it has addressed these challenges despite some difficulties intrinsic in the process. The GOSL had placed a high degree of confidence in the performance of community organizations and decentralized implementation, which proved to be somewhat fragile, as these institutions were young and were in the process of evolution. Although most schemes were generally well prepared and efficiently implemented at lower costs, the rigor of monitoring and evaluation did not match the needs of this innovative project that involved a high degree of

decentralization. However, the weaknesses in financial management do not negate the soundness of the strategy and the physical achievements.

45. Although the GOSL took action to correct weaknesses in financial management, it did not formally advise IDA of the problems. The GOSL was generally in compliance with legal covenants. Despite its continuing budgetary constraints, it provided necessary counterpart funds.

H. ASSESSMENT OF OUTCOME

46. Overall, project outcome is rated as satisfactory. The primary project outcome is confirmation of the feasibility of developing mechanisms for decentralized implementation of relatively large projects that entail a high degree of community participation in design, implementation, and operation. The project exceeded all the physical targets agreed at appraisal. Other outcomes include: (a) the development of systems and procedures to involve communities in participatory development; (b) creation of a cadre of partner organizations with the capacity to act as facilitators for developmental activities; (c) achievement of a high degree of community ownership that would facilitate achieving sustainability; (d) the recognition of the need for continued support to newly formed community organizations; and (e) the need for financial management and intensive monitoring. Training outcomes were only partially successful.

I. FUTURE OPERATIONS

47. The CWSPU has prepared a plan for Post-Project Activities (Appendix E), which comprises the following main actions: (i) support for CBOs and POs to complete schemes that were started, but halted due to lack of funds; (ii) assistance to CBOs to undertake remedial measures for those deficiencies in schemes already completed; (iii) monitoring CBO performance and developing a strategy for providing long-term support to them; (iv) development of a detailed financial management, financial controls and monitoring system; (v) preparation of streamlined procurement procedures for project implementation; (vi) adherence to the demand-based, participatory approach; and (vii) completion of preparation activities for the follow-on project, incorporating lessons learned from implementing the CWSSP. A summarized Operation Plan is attached as Appendix C.

J. KEY LESSONS LEARNED

48. Key lessons learned from the pilot project include the following:

- ***The Decentralized Community-Based Development Strategy Requires Further Refinement and Consolidation.*** Community- and demand-based participatory approaches for development have good prospects for sustainable development, and can be effectively used to deliver services such as simple rural water and sanitation schemes. Selection, training and consolidation of community organizations take longer than a five- to six-year project period, to be successful.
- ***Community-Based Organizations Need Intensive Training and Awareness Raising.*** Community organizations need time to develop full commitment and acquire experience to manage infrastructure assets. While it is relatively easier for communities to organize themselves for planning design and implementation of

schemes, they are less successful in taking over and managing assets, for which intensive training and awareness raising programs should be incorporated in project design. Project design should also include appropriate pricing guidelines and training to assist CBOs to organize maintenance and manage village infrastructure, with more emphasis on building social capital.

- ***Re-allocation of Technical Assistance Funds for Physical Works Should be Avoided.*** IDA agreement or acquiescence with the Government to divert funds allocated for institutional building sets a bad example and diminishes the potential for achieving project objectives. When the Borrower is unwilling to utilize technical assistance funds allocated for institution building, IDA should reject requests for diversion of the funds for physical works, and cancel that portion of the loan/credit.
- ***Strong Financial Management and Controls in Community-Based Projects are Essential.*** Where decentralized implementation is done with community participation, project design should ensure that adequate financial management and controls, and monitoring with checks and balances, are built in to assure efficient use of funds. IDA should deploy additional specialist staff or consultants for random procurement and disbursement post-reviews so that weaknesses in financial management can be identified and addressed promptly.
- ***Consistency is Needed Between Government Policies and Programs.*** Project design (e.g., sanitation component) should ensure consistency between IDA financed programs and Government programs to ensure similarity in approach and financing terms.
- ***IDA's Commitment Needs to be Long-Term.*** Wavering commitment by IDA does not facilitate achievement of project objectives. Use of community organizations for developmental activities is fraught with teething problems which need to be addressed jointly with the Borrower with the larger picture in view. Projects with a high degree of community participation, require long-term sustained support to assure success and sustainability.

**IMPLEMENTATION COMPLETION REPORT
SRI LANKA
COMMUNITY WATER SUPPLY AND SANITATION PROJECT
(Credit 2442-CE)**

PART II. STATISTICAL TABLES

TABLE 1 - SUMMARY OF ASSESSMENTS

<u>A. Achievement of Objectives</u>	<u>Substantial</u> (✓)	<u>Partial</u> (✓)	<u>Negligible</u> (✓)	<u>Not applicable</u> (✓)
Macro policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sector policies	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical objectives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other social objectives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental objectives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Public sector management	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Private sector development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (capacity building)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 <u>B. Project Sustainability</u>	 <u>Likely</u> (✓)		 <u>Unlikely</u> (✓)	 <u>Uncertain</u> (✓)
	<input type="checkbox"/>		<input type="checkbox"/>	<input checked="" type="checkbox"/>
 <u>C. Bank performance</u>	 <u>Highly</u> <u>satisfactory</u> (✓)		 <u>Satisfactory</u> (✓)	 <u>Deficient</u> (✓)
Identification	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Preparation assistance	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Appraisal	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Supervision	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
 <u>D. Borrower performance</u>	 <u>Highly</u> <u>satisfactory</u> (✓)		 <u>Satisfactory</u> (✓)	 <u>Deficient</u> (✓)
Preparation	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Implementation	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Covenant compliance	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Operation (if applicable)	<input type="checkbox"/>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
 <u>E. Assessment of Outcome</u>	 <u>Highly</u> <u>satisfactory</u> (✓)		 <u>Unsatisfactory</u> (✓)	 <u>Highly</u> <u>unsatisfactory</u> (✓)
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

TABLE 2 - RELATED BANK LOANS/CREDITS

Loan/credit title	Purpose	Year of approval (FY)	Status
Water Supply I (Credit 709-CE)	Help expand water supply facilities in Colombo and construct new facilities in Kalutara and Ambalangoda	1977	Physical works completed satisfactorily, but with delays and with less than satisfactory financial and operational efficiency
Water Supply II (Credit 1041-CE)	Further expand the Colombo water supply system and augment its sewage conveyance facilities	1980	Physical works completed satisfactorily, but with delays and with less than satisfactory financial and operational efficiency
Water Supply and Sanitation (Credit 1700-CE)	Primarily the rehabilitation of Colombo's water and sewerage systems	1986	Physical works completed in 1996, one year behind original scheduled closing date.

TABLE 3 - PROJECT TIMETABLE

Steps in Project cycle	Date planned	Date actual
Identification (Initiating Project Brief)	NA	IEPS 11/90
Pre-Appraisal	9/91	NA
Appraisal	12/91	2/92
Negotiations	3/92	8/4/92
Board Presentation	7/92	12/10/92
Signing		12/21/92
Effectiveness		2/25/93
Project Completion	12/31/97	12/31/98
Loan Closing	12/31/98	12/31/98

TABLE 4 - LOAN/CREDIT DISBURSEMENTS

(SDR million)

	FY93	FY94	FY95	FY96	FY97	FY98	FY99
Appraisal estimate	1.68	1.12	2.38	3.43	4.2	3.99	0.21
Actual	1.426	0.373	1.387	2.346	5.151	4.087	2.130
Actual as % of estimate	85%	33%	58%	68%	123%	102%	1014%
Appraisal estimate cumulative	1.68	2.8	5.18	8.61	12.81	16.8	17.01
Actual cumulative	1.43	1.799	3.186	5.532	10.683	14.770	16.900
Actual as % of est. cumulative	85%	64%	62%	64%	83%	88%	99.4%

The last date of disbursement of SDR 105,048.08 (equivalent to US\$142,790.80) was made on May 10, 1999, with respect to an application received and approved before April 30, 1999.

TABLE 5 - KEY INDICATORS FOR PROJECT IMPLEMENTATION

Items		SAR Estimates	Mid Term or Later Estimates	Latest Estimate
A	Program Development Expenditure Achievements	US\$1.0 million Conduct promotion activities to encourage demand for water supply and sanitation schemes	US\$2.5 million --	US\$2.2 million Demand exceeded project's ability to finance schemes.
B	Water Supply (Villages and Small Towns) Expenditure Population covered	US\$17.2 million 650,000	US\$18.4 million --	19.6 million 1,010,000
B.1	Village Schemes	Not Estimated	850	847
B.2	Small towns Schemes Complete 12/98 Populations covered	17 Not Estimated	12 --	10 36,000
	Schemes Complete 03/99 Populations covered	-- Not Estimated	-- --	12 46,000
C	Sanitation			
	Expenditure	US\$1.9 million	US\$1.7 million	US\$-2.2 million
	Total Latrines	Approximately 50,000		66,000
	Beneficiaries	Not Estimated		360,000
	Village Schemes	Not Estimated		850
	Small towns	17		12
	Rural school and pre-school latrines	1,881		699
D	Hygiene Education			
	Expenditure Achievements	US\$1.5 million Educate beneficiaries on importance of hygienic practices	US\$0.3 million Same	US\$0.3 million Improvements in over half the households surveyed
E	Training			
	Expenditure Achievements	US\$0.4 million Develop implementation capacity	US\$0.4 million Same	US\$0.4 million Implementation partly successful
F	Project Management			
	Expenditure Achievements	US\$3.3 million Establish head office and three regional branches.	US\$3.2 million Same	US\$3.2million Head office, regional branches and sub-regional offices established for greater demand responsiveness.
G	Technical Assistance			
	Expenditure Achievements	US\$7.0 million Technical Support Cell to assist in institutional development, training, financial management strengthening, engineering design, hygiene education, etc.	US\$2.6 million	US\$3.3 million Inadequately utilized
H	New Project Preparation	US\$1.0 million	US\$1.0 million	Financed by PPF

TABLE 6 - KEY INDICATORS FOR PROJECT OPERATIONS

GROWTH OF RURAL WATER SUPPLY PROGRAM

Stage	Cumulative Number of Rural Schemes at the End of Each Year					
	1993	1994	1995	1996	1997	1998
Under Development	108	127	207	438	45	
Under Construction		74	161	353	608	
Completed		17	81	170	305	847
Cancelled for technical issues					21	21
Suspended for lack of funds						111
Total	108	218	449	961	979	979

GROWTH OF SANITATION PROGRAM

Stage	Cumulative Number of Rural Schemes at the End of Each Year					
	1993	1994	1995	1996	1997	1998
Under Construction		62	1,193	5,340	7,912	
Completed		60	588	11,284	37,088	45,000
Total		122	1,781	16,624	45,000	45,000

GROWTH OF SCHOOLS PROGRAM

Stage	Cumulative Number of Rural Schemes at the End of Each Year					
	1993	1994	1995	1996	1997	1998
Under Development/ Construction			2	8	15	258
Completed			4	1	2	505
Total			6	9	17	763

GROWTH OF SMALL TOWNS PROGRAM

Stage	Cumulative Number of Rural Schemes at the End of Each Year					
	1993	1994	1995	1996	1997	1998
Under Development			2	3	7	
Under Construction			4	5	8	2
Completed				1	2	10
Cancelled for technical issues						5
Total			6	9	17	17

TABLE 7 - STUDIES INCLUDED IN PROJECT

	Study	Defined Purpose	Status	Impact of Study
1	Improving School Water Supply and Sanitation in Sri Lanka	Implementation of school program by developing base-line for the state of affairs in a cross section of schools	Study successfully undertaken and resulted in four recommendations	Three recommendations were adopted and resulted in improving community participation, raising awareness, and conducting a hygiene program.
2	Rainwater Harvesting	<ol style="list-style-type: none"> 1. Study Sri Lanka experience and lessons 2. Design new storage system 3. Pilots in two villages 4. Examine demand. 	Ferro-cement tanks developed, pilots carried out and potential customers identified.	The technology was successfully taken from pilot to full scale field implementation in areas that receive adequate rainfall.
3	Water Rights issues	Find ways and means of resolving issues related to water rights that surfaced in village water supply and sanitation sub-program.	Study made five recommendations, four were adopted	Water rights issues made key subject area in training modules, more information collected in household surveys, steps to improve relations between stakeholders, and a follow-up study to improve implementation.
4	Institutional Development of CWSPU	<ol style="list-style-type: none"> 1. Assess efficiency and effectiveness of the CWSSP management 2. Identify distortions and bottlenecks 3. Assess capacity to implement nationally. 	Recommendations for more systematic implementation, improving operations, and ensuring social engineering is of adequate standards.	This study contributed largely to an improvement in the social engineering and the participatory implementation of schemes.
5	Preparation of Legal Water Rights issues.	Provide legal advice to water supply schemes and the CWSPU.	Recommended use of negotiated agreements, and mediation over litigation.	A negotiated agreement approach was to a large extent successful in resolving water rights issues.
6	Research and Demonstration of Rope Pump	Assess the potential of the rope pump as appropriate rural technology.	Recommended publicity and installing demonstration pumps.	Publicity of the rope pump was undertaken, and model pumps were installed.
7	Legal matters related to Small Towns	Mitigating conflicts between CBOs, NWSDB, CWSSP, and local authorities.	Study recommended ways to resolve the existing conflicts.	Tripartite memorandum of understanding between NWSDB, local authorities and CBOs improved implementation.
8	Impact assessment of CWSPU training programs	Assess effectiveness of training programs.	Recommended steps to improve training and self monitoring.	Most recommendations were adopted and improved training program.
9	Performance assessment of POs	Improve the performance of POs	Study recommended steps to improve functioning of POs.	Most recommendations were adopted and improved program for developing and implementing village schemes.
10	Achievement Assessment of CWSSP Schemes	Assess the impact of the Project on beneficiaries	Recommended steps to improve functioning of POs CBOs, CWSSP, and District Offices	Selected recommendations adopted contributed to improving program for developing and implementing village schemes.
11	Economic Analysis of CWSSP	Examine the Economic Rate of Return	Study completed and ERR estimated	ERR greater than anticipated in SAR
12	Effectiveness of Hygiene Education Message	Assess the extent to which hygiene education message was delivered	Study recommended steps to improve hygiene education programs	Selected recommendations were adopted and contributed to the improvement of the hygiene education program.

TABLE 8A - PROJECT COSTS
(US\$ Million)

Components	Appraisal Estimate (US\$M)			Latest Estimate (US\$M)
	Local	Foreign	Total	Total
Program Development	0.7	0.1	0.8	3.9
Water Supply	11.1	2.1	13.2	19.6
Sanitation	1.4	0.0	1.4	2.2
Hygiene Education	1.0	0.2	1.2	0.1
Project Management	2.0	0.6	2.6	4.2
Training and TA	1.7	4.0	5.7	3.3
Physical Contingencies	1.3	.5	1.9	
Price Contingencies	4.8	0.7	5.5	
Total Project Costs	24.0	8.2	32.3	33

TABLE 8B - PROJECT FINANCING
(US\$ Million)

Source	Appraisal Estimate (US\$M)			Latest Estimate (US\$M)
	Local	Foreign	Total	Total
Government	5.5	0	5.5	6
IDA	16.1	8.2	24.3	24
Communities	2.5	0	2.5	3
Total	24.1	8.2	32.3	33

Details on local and foreign breakdown of purchases are not available because CBOs purchased imported materials from distributors and could not report on the domestic or imported origin of these materials.

TABLE 9 - ECONOMIC RATE OF RETURN

	At Appraisal	At Completion
Water Schemes	21.2 %	26.4 %
All Costs	7.3 %	14.9 %

Inputs used to Estimate Benefits

- Per capita water consumption (liter/capita/day): without project: 22 with project: 25-26
- Time spent to collect water (minutes/liter): without project: 0.87-0.94 with project: 0.54-0.61
- Opportunity cost of water collection (Rs/hour); 5.00
- Standard conversion factor for labor and capital: 0.9

Unit Cost Assumptions (In 1991 Rupees)

	At Appraisal		At Completion	
	Investment Cost by Scheme	O&M (per month per household)	*Investment Cost by Scheme	O&M (per month per household)
Gravity Schemes	205,800	10.0	Actual cost for each scheme adjusted to 1991 Rupees	15
Spring Box	n/a	n/a		5
Tube wells	92,000	9.0		15
Dug wells (Protected)	18,400	1.8		5
Piped Pumped Schemes	n/a	50.0		50
Rainwater Harvesting	n/a	n/a		5

*Discounted @10%/annum over 7 years

At appraisal, the economic rate of return for water schemes was estimated to be 21 percent, and for the entire project was estimated to be 7 percent. Benefits were estimated in terms of time saved for collecting water; other benefits, such as reduction in water borne diseases, or changes in property values could not be ascertained. Costs included investment and operating costs. The present analysis relies broadly on the same methodology. The analysis at appraisal estimated the economic rate of return (ERR) for each water supply scheme; in this analysis, the ERR of the entire water supply component was calculated in the absence of less aggregated data on investment cost by scheme. Key assumptions are documented below, and to the extent possible are compared with assumptions made at appraisal.

Actual investment costs for different village and small town schemes have been tabulated. Operating costs have been estimated for current and future years to cover an estimated project life of 20 years. Border prices are calculated using the Standard Conversion Factor of 0.9 for both labor and capital. These costs are re-expressed in constant 1991 terms to facilitate comparison with the analysis conducted in the Staff Appraisal Report.

Benefits are estimated by first tabulating the number of households served and then calculating the economic value of time each household saved for collecting water. This estimate varies by different types of technology. The time saved has been valued at the 1991 rate of Rs. 5 per hour. The time savings realized from avoided collection of water include the per liter savings of both the without project consumption and the incremental consumption facilitated by the project.

TABLE 10 - STATUS OF LEGAL COVENANTS

Agreement	Section	Status	Original Date	Description of Covenant	Comments
Covenant	2.02 (b)	C	8/2/95	Open a special account	Account opened and PPF repaid when credit was declared effective.
Covenant	4.01 (b)	CP	7/1/93	Audit records of each fiscal year, and furnish these, Special Accounts and SOEs to IDA within 6 months.	Audit reports were provided in a generally timely manner, but each report was qualified and required an action plan to correct problems. Further, these audits missed reporting irregularities in Ratnapura district.
Covenant	Schedule 4 Paragraph 7c	CP		CBOs to establish and collect charges from beneficiaries on piped schemes sufficient to cover the cost of O&M and the larger of depreciation or debt service.	CBOs established charges and collected tariffs. However, success in tariff collection is far from uniform across CBOs. Field visits indicate that many CBOs have poor collection ratios and only about one or two months of expenses at hand in cash or in banks.
Covenant	Sched. 4 Para. 8	C	1/1/95	Update Action Plan	Action plan was periodically updated.
Covenant	Sched. 4 Para. 8	C	8/2/95	Apply the policies, criteria and procedures established under the project to all schemes in the project area for rural water supply, sanitation, and hygiene education	Project policies were generally applied to all schemes in project districts and were also largely adopted for a subsequent small towns project in additional districts financed by the Asian Development Bank.

Status Codes: C-complied, CD-Compliance after delay, CP-Partial compliance

TABLE 11 - COMPLIANCE WITH OPERATIONAL MANUAL STATEMENTS

Statement Number and Title	Comments
OD 10.60 Accounting, Financial Reporting, and Auditing	Audits were submitted regularly. These were generally qualified and required follow up action by the CWSPU. Further, the audits failed to report a significant case of mismanagement that adversely affected project implementation.
OP 6.30 Local cost financing and cost sharing	Beneficiaries' contribution of the capital cost of scheme totaled approximately 27% as opposed to the SAR estimate of approximately 20%.
OD 13.55 ICR preparation	The borrower supported the preparation of this ICR and is preparing its own evaluation of the project's achievements.

Table 12 - Estimated IDA Resources: Staff Inputs

Stage of Project Cycle	Actual	
	Staff Weeks	US\$'000
Pre-appraisal	29.9	91.2
Appraisal	28.9	88.0
Negotiations	7.1	23.6
Supervision	145	241
Completion	8	17
Total	220	461

NA - Not available

Table 13 - IDA Resources: Missions

Stage of Project Cycle	Month/Year	Number of Persons	Days in Field	Specialized Staff Skills	Rating Impl Status	Rating Develop. Impact	Types of Problems
Identification	10/90	NA	NA	NA			
Preparation	1/91	NA	NA	NA			
Preparation	10/91	NA	NA	NA			
Appraisal	2/92	NA	NA	NA			
Post Appraisal	6/92	NA	NA	NA			
Supervision	2/93	3	11	EN, CP, PA	1	1	Need for uniform policy
Supervision	7/93	3	7	EN, EN, OA	1	1	TC
Supervision	3/94	4	11	EN, EN, ID, CP	1	1	PS; O&M
Supervision	10/93	3	6	EN, CON, FO	NA	NA	Report not available
Supervision	2/94	3	11	EN, EN, CON	1	1	Disbursement lag, O&M
Supervision	9/94			EN-2, CON-2, CP	NA	NA	Report not available
Supervision	6/95	4	16	MF, EN-2, ID	S	HS	O&M
Supervision	1/96	1	7	EN	S	S	AF
Supervision	7/96	3	10	EN, MF, SA	S	S	AF; O&M
Supervision	11/96	3	12	EN, MF, SA	S	S	AF
Supervision	7/97	3	10	EN-2, MF	S	S	AF
Supervision	3/98	3	8	EN-2, FA	S	S	AF
Supervision	8/98	5	11	EN-2, FA, CP, EC	S	S	Staff turnover
Last Mission	12/98	6	15	EN-3, FA, CP, EC	S	S	O&M

Staff Skills

AR - Architect, CON - Consultant,
 EC - Economist, EN Engineer,
 CP - Community Participation Specialist,
 PA Project Advisor,
 ID - Institutional Development Specialist,
 FA - Financial Analyst, FO - Field Office OP, OA
 Operation Analyst, OP - Operations Officer, PO Project
 Officer, TTL - Task Team Leader,
 MF Municipal Finance Specialist,
 SA - Social Anthropologist

Performance Ratings

1 - Minor or No Problems
 2 - Moderate Problems
 3 - Major Problem
 S - Satisfactory
 HS - Highly Satisfactory

Types of Problems

AF: Availability of Funds
 PS: Progress of Studies
 TC: Technical capacity building
 O & M: Operations and maintenance

**IMPLEMENTATION COMPLETION REPORT
SRI LANKA
COMMUNITY WATER SUPPLY AND SANITATION PROJECT
(Credit 2442-CE)**

PROJECT BACKGROUND DETAILS

1. *The Country.* Sri Lanka's population (18.6 million in mid-1997), has been growing at a rate of about 1.3 percent per annum. About 75 percent of the population live in rural areas. The country has made impressive social gains despite its low annual per capita income of US\$740, due largely to high levels of literacy and education, and free medical services.
2. *Economy.* The Government of Sri Lanka (GOSL) has had an unbroken record of democracy; yet its economic growth was hampered by a continuing ethnic conflict started 16 years ago. The state accounted for about a quarter of total civilian and military employment. Trade liberalization has been pursued and an attractive investment climate has been created; but the government has intervened heavily in agricultural trade pricing. About 70 percent of all land is owned by the state, and pressure on land for housing has been increasing. Budgetary pressures arising from the civil war make it very difficult for the GOSL to meet infrastructure needs of the country, and to maintain levels of health and social services, especially rural areas where an estimated four percent of the population live on less than US\$1 a day.
3. *The Project.* The project was designed to test a strategy for decentralized mechanism for delivery of water supply and sanitation services in the districts of Ratnapura, Badulla and Matara, with participation of communities and community organizations.
4. *Project Cost and Financing.* Estimated total project cost at appraisal, including contingencies, was US \$32.3 million. The project formed part of the GOSL program of rural water and sanitation investments to be implemented over five years, and communities were expected to contribute about 20 percent of the capital cost in the form of cash or labor.
5. *Appropriate Technology.* Technologies adopted were least-cost, simple, and amenable for operation and management by communities. These included for water supply: protected wells, hand-pumps, spring source gravity and pumped schemes; and for sanitation: twin pit pour flush toilets. Another technological option (rain water collection) was developed in response to community demand.
6. *Institutional Arrangements.* The institutional arrangements included: (i) a national steering committee to advise and guide the Community Water and Sanitation Program Unit (CWSPU); (ii) a Technical Support Cell (TSC) in the CWSPU to provide the technical underpinning and support to strategy development by monitoring lessons learned during implementation, refining the participatory planning process, and developing methods for providing support to strengthen CBOs; (iii) a central project unit for project management and coordination, and district offices for delegated implementation responsibilities; and (iv) project implementation by Partner Organizations (POs) in close collaboration with communities.
7. POs included NGOs, NWDB and Pradeshiya Sabhas. The POs helped create CBOs from the pool of beneficiaries; and CBOs took an active role in scheme planning, design, and monitoring implementation. In addition to capital cost contribution, communities were required to assume responsibility for operation, maintenance and management, and to set and collect appropriate user charges to meet expenditures for management of assets. It was also understood that this strategy would apply to other future GOSL or donor-funded rural water and sanitation programs.
8. *Partner Organizations.* POs were selected from among NGOs and local level organizations (Pradeshiya Sabhas, cooperative societies, etc.). They were expected to play a multi-functional role, providing guidance to the CBOs in all aspects of implementation (e.g. planning, designs, procurement, construction, operations). PO selection criteria included the following: (i) legal status; (ii) size of the organization; (iii) in-house experience; (iv) financial

credibility; and (v) management and administrative capacity. Each selected PO had to field a staff of at least three (project manager, community facilitator and technical officer) for each village scheme (Grama Niladhari Division). The CWSSP invited all NGOs, irrespective of their specialization, as it was found that there were only a handful of NGOs with experience in water supply and sanitation. This required a heavy demand for sector-specific training from the project.

9. Success in implementation relied largely on the strength and composition of the partnership formed between the PO and the CBO, and the capability of the PO. The performance of POs varied. Although NGOs were considered less bureaucratic, with no political connections, vis-à-vis government organizations, most had loose administrative setups, which left room for staff mismanagement. This was more evident among the 'local' NGOs (those from the area of operation), but also affected national NGOs, that had to decentralize operations and recruit additional staff to cope with the workload.

10. Three-party agreements (CWSPU, PO and CBO) were signed for the physical implementation of the village schemes and payments were made on a reimbursement basis. A separate agreement was signed between each PO and the CWSPU for the reimbursement of staff remuneration and site administrative costs.

11. An evaluation of PO performance was made in the latter half of 1997, using criteria based on quality of construction, social, technical and financial skills, and effectiveness of the partnership. POs classified as 'incompetent' were discontinued.

12. *Implementation Framework.* The CWSPU developed a framework for project implementation and management comprising: criteria and procedures for selecting POs and CBOs including their roles, responsibilities and obligations; methodology for mobilizing communities, training in dissemination of hygiene education, planning and implementation of sub-projects, and take over and management of assets including financial management. POs were provided training in the various steps of project planning, implementation, and mobilization of communities. The CWSPU undertook the task of publicity and promotion to mobilize communities, and to create demand for water supply and sanitation schemes. Additionally, training was provided to CBO and PO staff, rural technicians, locally elected officials, public servants, community leaders, and staff of the CWSPU. The CWSPU provided final technical and financial sanction for water supply and sanitation schemes prior to commencement of implementation. Completed schemes were turned over to the CBO, for operation and management. CBOs were provided training in management of the assets.

**IMPLEMENTATION COMPLETION REPORT
SRI LANKA
COMMUNITY WATER SUPPLY AND SANITATION PROJECT
(Credit 2442-CE)**

**FINAL SUPERVISION/ICR PREPARATION MISSION
(December 3 -18, 1998)
AIDE MEMOIRE**

A. Introduction

1. An IDA Task Team comprising Miriam Witana, Mallika Samaranayake, Julitta Rasiah, Kirsten Hommann, Tashi Tenzing, Tejbir Singh Phool and K M Minnatullah carried out the Final Supervision and ICR Preparation Mission for the above project during the period December 3 - 18, 1998. The team acknowledges with thanks the support and assistance of the Community Water Supply and Sanitation Project Unit (CWSPU), Community Based Organizations (CBOs), Partner Organizations (POs), the Rural Water and Sanitation Unit of the National Water Supply and Drainage Board (RWS, NWSDB), local authority representatives from the Badulla, Matara and Ratnapura districts and senior staff of the Ministry of Housing and Urban Development (MHUD), the External Resources Department (ERD) and the National Planning Department (NPD). The list of persons met is attached as Annex 1.

2. The mission focused on: (a) the status of actions agreed with the previous IDA mission; (b) physical progress; (c) financial status; (d) special account; (e) post project strategy, and (f) preparations for the ICR.

3. This Aide Memoire summarizes the mission's findings and recommendations, discussed at the wrap-up meeting chaired by Mr. V K Nanayakkara, Secretary Ministry of Housing and Urban Development (MH&UD) on December 18, 1998.

B. Summary of Findings

4. The project has completed 766 village water supply schemes, while 84 are nearing completion. On project completion, a total of 850 village water supply schemes will provide drinking water to about 1 million people, more than 50 percent over the initial SAR target of 650,000. The project will also exceed the target for latrine construction by about 18%. Project disbursement to date is US\$16.6 million which amounts to 98% of the credit. The credit is expected to be fully disbursed. However, in some schemes service delivery has been found to be unsatisfactory due to technical defects and weak management capability of the CBOs. The financial health of the CBOs also appears uncertain in many cases.

5. During the field visits, the mission learnt of alleged irregularities in project procurement, and financial and physical reporting in the Ratnapura District. In executing its fiduciary responsibility, IDA will engage an independent entity to carry out a full investigation of project activities in this district. The GOSL promised that CWSPU will provide access to whatever records, documentation and other information that will be requested by the investigator in connection with the investigation.

C. Detailed Findings

6. Status of actions agreed during the last mission: Data and information required for the ICR has been provided by the CWSPU. The National Policy for Rural Water Supply and Sanitation is yet to be finalized. Background information for the legal and statutory status of the CBOs and regulatory framework for the rural sector is still under preparation. The senior staff positions of Deputy Director, Community Development and Accountant were filled, while the posts of Deputy Director, Technical and Regional Director Ratnapura are still vacant.

7. Field visit: The mission visited several village and small town water supply schemes in the districts of Badulla, Matara and Ratnapura. While all the completed schemes visited are functioning, the mission noted that in some schemes a number of households are not getting adequate water supply. The main reasons are documented in paragraph 16 below.

8. Physical Status: The status of physical progress as of November 30, 1998 is in Annex-2. The overall physical progress of the village water supply component indicates that the target of 850 village schemes will be reached by the project closing date. However, there will be insufficient time for consolidation activities for the recently completed schemes. Sanitation targets have been exceeded by 18% -- a result of the much larger demand for latrines than was envisaged. Nine small town water supply schemes are expected to be operational by project closing, and three are expected to be completed in early 1999. Given that all the necessary materials have already been procured for the on-going schemes, IDA disbursements will not be affected. 80% of the target for the school water supply and sanitation component will be reached by project closing.

9. Financial Status/Disbursements: Project disbursement to date is US\$16.6 million which amounts to 98% of the credit. The credit is expected to be fully disbursed. As per the Credit Agreement CWSPU will be allowed to submit withdrawal applications up to April 30, 1999 for expenditures incurred by December 31, 1998.

10. Recovery of Advances from Partner Organizations (POs): As per the records of CWSPU, SLR 38 million is still outstanding with POs. CWSPU should take immediate action to (i) carry out a complete and detailed review of all outstanding advances with (a) POs that have completed schemes, and (b) POs that have partly completed/suspended schemes; and (ii) take necessary steps to recover all outstanding advances. It has been agreed that CWSPU will provide IDA a detailed report by January 29, 1999.

11. Special Account: CWSPU has initiated action to collect documentation for the SLR 65 million that was advanced to the three district offices. CWSPU agreed to submit to IDA complete documentation for the advanced Rs. 65 million by January 29, 1999.

12. Project Costs: Excluding community contributions, total project expenditure for 1998 (as of end November 1998) is Rs. 498 million. To date, Rs. 336 million (of Rs. 475 million that was requested by CWSPU) has been received from GOSL as Consolidated Funds and Rs. 320 million from IDA, towards this expenditure. Although IDA credit is expected to be fully utilized, CWSPU anticipates that GOSL funds of about Rs. 150 million (including Rs. 139 million that is yet to be released by the Treasury) will remain unutilized by the end of 1998. Excluding community contributions, cumulative project expenditure to date (November 30, 1998) is Rs. 1.8 billion.

13. Community Development: Community participation was found to be fairly high during design, planning and implementation stages. About 80% of labor contribution appears to be by females who were not in employment and could spare the time, while male family members who were generally engaged in casual employment could not provide labor for the project. Women's contribution during construction was significant. However, heavy work associated with dug wells were mostly done by men. In some instances, women have used the time saved for collecting water for income generating activities.

14. PO Capacity: The POs participating in the project are mostly NGOs and a few were Pradeshiya Sabhas or Multi Purpose Cooperative Societies. Field visits and community perception reveal that the capacities of different POs to address the expectations of the project in building social capital varies considerably. The project has addressed this aspect by (i) providing further orientation to the POs to build their capacities; (ii) evaluating the PO's performance; and (iii) discontinuing the services of some of them. The reduction of the number of POs from 86 in 1996 to 65 in 1998 is an indication of such efforts.

15. Sustainability Issues: Although the quality of construction is satisfactory, field visits, discussions with technical staff of the CWSPU and CBOs and findings from various studies indicate that in some schemes service delivery is unsatisfactory due to the following technical and management weaknesses: (i) inaccurate topographical surveys; (ii) lower source yields; (iii) connections taken by influential people without contribution; (iv) inappropriate tariff setting and irregular collection/payments; and (v) ad-hoc O&M by the CBOs. Furthermore for the Small Towns, mechanisms for meter repair and clear definition of roles of the CBO, Pradeshiya Sabha and the

NWSDB is critical. CWSPU and NWSDB agreed to address these issues in the post project strategy to ensure sustainable service delivery.

16. **Operation and Maintenance:** All CBOs collect pre-determined fees for O & M and each CBO has a positive cash balance. However, it has been observed, that the collection of fees for O&M has remained largely ad hoc. While there appears to be a clear willingness to pay a monthly contribution, regular collection of fees is hampered by (a) the reluctance of CBOs to hire full-time caretaker and fee collector; (b) the lack of enforcement of the role for disconnection due to unclear legal status of the CBO; and, in some cases, (c) significant cash balances in the CBO savings account. As indicated in the field visit report in Annex-3, some CBOs appear reluctant to spend the funds for system improvements required, in some instances, to ensure equitable delivery of water to all beneficiary households, as they are unclear about their mandate to utilize the O&M fund. Instead, cash is accumulated in the CBO account, which yields low or even negative real returns in the presence of high inflation rates. A clear mandate, instituted by provision of legal status to the CBO, could remedy this concern.

17. **Cost-Sharing and Levels of Subsidies:** From the field visits and ensuing discussions with both regional staff of the CWSPU and the CBOs, it is not clear if the principles underlying the current cost-sharing arrangements were clearly understood or implemented by both the community, partner organizations, and staff of CWSPU. In some cases it is observed, on an anecdotal basis, that beneficiaries opting for basic service levels are cross-subsidizing those who have chosen a higher service level like house connections. While the extent of this transfer may be difficult to assess in a post-project evaluation, a more simplified and equitable structure for targeting subsidies under the proposed follow-up project is recommended, by the mission and CWSPU.

D. Overall Assessment

18. While the project objectives in physical terms have exceeded the SAR estimates, sustainability needs of schemes, specially the piped systems, remain to be addressed. Systems and institutions for community-based planning and implementation of cost-effective water supply and sanitation were established. CWSPU was established to directly implement rural schemes and to implement small town schemes with the assistance of the NWSDB. A system of selecting and working with POs was developed and improved dynamically to incorporate community demands.

19. **Economic Rate of Return:** The mission conducted a preliminary analysis on the expected economic return of the project that would feed into the economic evaluation for the ICR. For reasons of comparison, the approach adopted for the analysis followed the principles of the economic analysis undertaken at appraisal, and was – similar to the appraisal analysis – conducted in 1991 constant prices. The preliminary results suggest a slightly higher ERR than the initial SAR predictions, confirming the mission's expectation, as significant unit cost savings could be realized for the water supply schemes without compromising on the expected benefits (see paragraph 4 above). As a result of these cost savings coverage could be increased by an additional population of about 350,000 (about 50 percent). Yet, the overall expected benefits arising from the time savings for water collection may be overstated, since in some cases beneficiary households visited have not yet been able to receive sufficient water, mostly due to inadequacies in the design of the water supply schemes. Follow-up consultation and re-designing is already ongoing in some cases, in order to ensure that the expected benefits under the project are fully reaped. Notwithstanding this anecdotal evidence, the preliminary sensitivity analysis suggests the findings to be robust.

E. Next Steps

20. **Post-Project Strategy:** One major weakness of the project is the institutional sustainability at the national, district, and village levels. District and regional committees have been set up during project implementation, with no clear mandate for continuity during the operational phase. An outline strategy for implementation and monitoring post-project operations has been prepared by the CWSPU for the village schemes, and by the NWSDB for the small town schemes. For the village schemes, a program for the rectification of problems and CBO strengthening is included. A draft MOU has been prepared which assigns responsibilities among three parties, the Divisional Secretary (the regional arm of the central government), the Pradeshiya Sabha (the lowest level of local government) and the Community Based Organization. An 'Operations Committee' will also be established comprising representatives from these three parties and other relevant agencies (such as Health Services and Samurdhi). This

committee is expected to meet monthly to review and reach consensus on O&M performance based on identified monitoring indicators, tariff revisions, and other policy matters.

21. For the small towns, the NWSDB regional/district offices will undertake the responsibility of monitoring post-project performance. Three model agreements for implementation in the small town scheme operations have been introduced. Each model assigns responsibility for operating the system to one of three parties (CBO, Pradeshiya Sabha, NWSDB). Representatives from each of the three parties will form an 'O&M Steering Committee'. This committee will have similar functions as the Operations Committee mentioned above.

22. CWSPU should take immediate steps to implement the proposed post-project strategy extensively in the three districts covered and a comprehensive system of monitoring its effectiveness should be introduced simultaneously. Short and long term action plans need to be prepared to address technical and management issues.

23. Status of ICR Preparation: The mission noted with satisfaction, the considerable effort made by the CWSPU in the preparation of base data for ICR preparation. CWSPU and NWSDB have prepared scheme-specific physical and financial data on the water supply and sanitation components. Analyses of the data with respect to project cost/household vis-a-vis cost ceilings for each type of technology has also been carried out. The unit has also prepared a performance/capacity evaluation of the partner organizations involved in the current project. Data on the training and hygiene education components have also been provided.

24. In addition to the above, the mission noted that the following details are required:

(i) Program Development: Reports on promotional activities, registration of POs and CBOs, and development of systems and procedures for this phase;

(ii) Hygiene Education: Reports on the hygiene education and training programs and their impact, reasons for the deviation from the original proposed approach of utilizing the services of the Ministry of Health, and post-project strategy for assessing the long-term efficacy of this component for promoting the demand-driven approach;

(iii) Training: Reports on the post-project strategy for assessing the effectiveness of the training programs carried out and the overall benefits to the sub-sector;

(iv) Technical Assistance: Detailed reports on resources provided by the Technical Support Cell (annually), and an assessment of their effectiveness during project implementation; Reports on subsequent actions on completed studies and research; and

(v) O&M: Data on the existing cash balances for the CBO accounts for operation and maintenance.

25. The mission agreed that a draft ICR will be provided to the GOSL for review by early February, 1999 and the GOSL would also provide its draft completion report to IDA at the same time.

26. A proposed follow-up project is under preparation and, subject to outcome of the negotiations, may become effective in calendar 1999.

**COMMUNITY WATER SUPPLY AND SANITATION PROJECT
IDA FINAL SUPERVISION/ICR PREPARATION MISSION (December 1998)**

LIST OF PERSONS MET

Name	Designation	Office
Hon. Indika Gunawardena Development	Minister	Ministry of Housing & Urban
Mr. V.K. Nanayakkara Development	Secretary	Ministry of Housing & Urban
Mr. F. Mohideen	Director General	Dept. of External Resources
Ms. N. Madanayake	Director	Dept. of External Resources
Mr. Lal Premanath	DGM, RWS	National Water Supply & Drainage Board
Mr. D.S.D. Jayasiriwardene	AGM, RWS	National Water Supply & Drainage Board
Dr. D.U.L.A. De Silva	Dep. Dir.	Ministry of Health
Mr. M. Wickremage	Director	Water Resources Secretariat
Ms. Myrtle Perera	Executive Dir.	Marga Institute
Mr. Halbach		GTZ
Mr. Chanaka de Silva		Nitiya Associates Consultant (Legal)
Mr. Mangala Dias		Praja Navodaya Foundation
Ms. Manel Jayamanne	Program Officer	UNDP
Dr. Nyunt Nyunt Yi	Program Officer	UNICEF
Mr. S. Huda	Scientist	WHO

Officers of the CWSPU:

Mr. W. Piyasena	Project Director
Mr. Susil Somasiri	Deputy Director, M&E and MIS
Mr. Nihal Rambukwella	Deputy Director CD
Mr. Kamal Pathmasiri	Regional Director, Badulla
Ms. D.W.S. de Silva	Regional Director, Matara
Mr. K.S.C. Perera	Acting Regional Director, Ratnapura
Mr. Sunidha Senaratne	Consultant

COMMUNITY WATER SUPPLY AND SANITATION PROJECT

IDA FINAL SUPERVISION/ICR PREPARATION MISSION (December 1998)

Achievement as of November 30, 1998

Description	Badulla	Matara	Ratnapura	Total
VILLAGE WATER SUPPLY AND SANITATION				
No. of Water Supply Schemes				
IDA target*	274	291	285	850
Completed	263	258	245	766
Under Construction	11	33	40	84
In Construction Stage, but suspended due to lack of funds	--	--	81	81
In Development Stage, but suspended due to lack of funds or other problems	6	--	25	31
Total No. of Villages/Beneficiaries				
Villages Covered	858	873	1,218	2,949
Villages Provided with Water Supply	789	774	735	2,298
No. of Beneficiaries	270,031	220,084	396,540	886,655
No. of Latrines				
IDA target*	16,687	13,178	15,135	45,000
Completed	20,467	18,400	14,477	53,344
Under Construction	4,948	429	5,862	11,239
SCHOOL WATER SUPPLY AND SANITATION				
No. of School WSS				
IDA target*	220	300	230	750
Through POs				
Launched	165	86	158	409
On-going	151	63	68	282
Completed	14	23	90	127
Through "Samurdhi"				
Launched	45	62	84	191
On-going	35	53	41	129
Completed	10	9	43	62
Through Education Department				
Launched		163		163
On-going		94		94
Completed		69		69
Total				
Launched	210	311	242	763
On-going	186	210	109	505
Completed	24	101	133	258
SMALL TOWN WATER SUPPLY AND SANITATION				
No. of Small Town WSS				
IDA Target*	3	4	5	12
Launched	3	4	5	12
Completed	2	2	2	6
Construction Ongoing	1	2	3	6

**SRI LANKA
COMMUNITY WATER SUPPLY AND SANITATION PROJECT**

IDA FINAL SUPERVISION/ICR PREPARATION MISSION (December 1998)

REPORT OF THE FIELD VISIT

The mission visited several village and small town water supply and sanitation schemes in the districts of Badulla, Ratnapura and Matara. The mission members were accompanied by the staff of the CWSP Unit, and National Water Supply and Drainage Board (NWSDB), and met the communities, CBOs, Pradeshiya Sabhas (PS), and Provincial Council officers. The mission's main findings are summarized in the tables below. The general issues identified by the mission are:

- *Roles and responsibilities of the stakeholders:* more clarity is required in the respective roles of the CBO, the PS and the CWSPU/NWSDB.
- *Operation and maintenance:* trained and adequately remunerated caretakers should be employed to look after operation and maintenance of the schemes.
- *Legal status of the CBO:* legal recognition of the CBO would be required for CBO ownership and management of assets, including effective enforcement of the CBO's rules and regulations.

BADULLA DISTRICT

Review Areas	VILLAGES		SMALL TOWNS	
	Welanhinna	Paramakankada	Hali-Ela (small town)	Koslanda (small town)
Type of WS Schemes	Gravity Scheme, Dugwells	Gravity Scheme	Gravity Scheme	Gravity Scheme
Community Organization	<ul style="list-style-type: none"> CBO comprised of 15 members; first CBO responsible for implementation has been replaced by a new CBO formed in July 1998; a tripartite agreement on O&M among the CBO, PS and WSSP/NWSDB exists. 	<ul style="list-style-type: none"> 11 members of which 6 are women; a tripartite agreement on O&M among the CBO, PS and CWSSP/NWSDB exists. 	<ul style="list-style-type: none"> 90% of the households are participating in the scheme; the rest 10% are supplied by the Water Board; a tripartite agreement on O&M among the CBO, PS and CWSSP/NWSDB exists. 	<ul style="list-style-type: none"> A tripartite agreement on O&M among the CBO, PS and CWSSP/NWSDB exists
O&M Arrangements	<ul style="list-style-type: none"> The person trained for maintenance has left the village to work in Colombo. The CBO has appointed another worker who is not trained and so the simple plumbing repairs required at the stand-post are not done. CBO pays the worker. 	<ul style="list-style-type: none"> The chairman and the treasurer of the CBO assume the responsibility for O&M on a voluntary basis 		<ul style="list-style-type: none"> The PS is carrying out the operation and maintenance of the system (at the request of the CBO).
Contributions to Investment and O&M	<ul style="list-style-type: none"> O&M accounts have been established and contributions deposited in a bank account. 	<ul style="list-style-type: none"> O&M accounts have been established and contributions deposited in a bank account. 	<ul style="list-style-type: none"> The Community has made contribution to the scheme in kind and cash. 	<ul style="list-style-type: none"> The Community has made contribution to the scheme in kind and cash.
Sanitation	<ul style="list-style-type: none"> Household latrines have been constructed, and are being used. 	<ul style="list-style-type: none"> Household latrines have been constructed, and are being used. 		
Issues	<ul style="list-style-type: none"> More clarity on the division of responsibilities between CBO, PS and CWSPU/NWSDB is needed 	<ul style="list-style-type: none"> More clarity on the division of responsibilities between CBO, PS and CWSPU/NWSDB is needed 	<ul style="list-style-type: none"> The CBO does not have funds to pay for labor to complete the works: bridge crossing, laying transmission mains and completing the construction of the roughing filters. It is unlikely that the works could be completed in time for material provided under the credit not to deteriorate. 	<ul style="list-style-type: none"> The PS's operation of the slow sand filtration plant could be improved: the mission had doubts as to whether regular monitoring of the water quality was being carried out; whether the water was being chlorinated.

MATARA DISTRICT

Review Areas	VILLAGES			SMALL TOWNS
	Pasgoda	Kotapola North	Ihalakiyadhuwa	Pasgoda (small town)
Type of WS Schemes	Gravity Scheme	Gravity Scheme	Gravity Scheme	Piped Pumping Scheme
Community Organization	<ul style="list-style-type: none"> CBO comprises 350 members that pay a membership fee of Rs. 25/year. 	<ul style="list-style-type: none"> CBO has 320 members, and comprises of the president, a treasurer, a secretary (female) and 24 animators (9 of which are women). Members pay a monthly fee of Rs. 5. 	<ul style="list-style-type: none"> CBO comprises of a chairman, a treasurer, a secretary and 16 animators to collect O&M fees. Members pay a monthly fee of SLR 2. CBO conducts community meetings on a monthly basis. An amendment to the CBO constitution is currently under way. 	<ul style="list-style-type: none"> 694 of the 781 families living in the area have obtained CBO membership. For families wanting to participate in the scheme, the CBO has issued consent letters, where the households have to agree in writing on contributions.
O&M Arrangements	<ul style="list-style-type: none"> There are 4 unpaid caretakers. In the future, they are expected to receive a notional compensation of Rs. 500/month. 	<ul style="list-style-type: none"> CBO has 2 caretakers (one is an assistant) that work about 1 to 2 days per week. They are compensated with Rs. 1,000 and Rs. 500 respectively. 	<ul style="list-style-type: none"> There is one caretaker, assisted by household helpers, that does maintenance on an ad hoc basis. The caretaker is currently unpaid, but remuneration of Rs. 500 is considered starting January. 	<ul style="list-style-type: none"> The CBO is in charge for carrying out operation and maintenance.
Contributions to Investment and O&M	<ul style="list-style-type: none"> CBO has a cash balance of Rs. 60,000 in their account households have contributed Rs. 15/month. 	<ul style="list-style-type: none"> The monthly O&M fee is Rs. 15 per household, and has been increased from an initial Rs. 10. The cash balance on the O&M account is Rs. 107,000. 	<ul style="list-style-type: none"> Initially, a monthly fee of Rs. 8/household was charged for O&M, but has been increased to Rs. 15. The CBO holds about Rs. 33,980 on the savings account and Rs. 8,200 in cash. 	<ul style="list-style-type: none"> The CBO holds a balance of Rs. 374,157 in its savings account, which would be used to complete outstanding works. Community's contribution to the scheme has been low (11 percent), deviating significantly from the initial estimate of 46 percent. For households that could not afford connection, the CBO has arranged Bank loans.
Sanitation	<ul style="list-style-type: none"> 116 household latrines have been constructed, to which the project contributed SLR 256,750 and the community SLR. 348,000. 	<ul style="list-style-type: none"> 65 household latrines have been constructed. The CBO wanted to establish a revolving fund for sanitation, where households deposit SLR 250 to become eligible for receiving funds in three installments. Loan recovery information was not available. 	<ul style="list-style-type: none"> 87 households have been provided with a latrine. Demand for additional latrines could not be met. 	
Issues		<ul style="list-style-type: none"> Water pressure is low upstream. 	<ul style="list-style-type: none"> Water pressure is low in the hills, and some households don't receive water. CBO considers an additional line for households uphill. 	<ul style="list-style-type: none"> Many of the water meters provided by the NWSDB installed don't work.

RATNAPURA DISTRICT

Review Areas	VILLAGES			
	Erapola Village	Kadangoda Village	Ekencligoda Village	Sudagala Village
Type of WS Schemes	<ul style="list-style-type: none"> Gravity scheme: 175 yard taps and 27 stand posts Dug wells- 3 	<ul style="list-style-type: none"> Gravity scheme 46 yard taps 16 stand posts 	<ul style="list-style-type: none"> Gravity scheme completed in 1998 May 249 yard taps 	<ul style="list-style-type: none"> Gravity scheme 449 House connections
Community Organization	<ul style="list-style-type: none"> CBO comprises 260 members Originally members attended meetings. Now only the leaders attend. 	<ul style="list-style-type: none"> CBO has a membership of 143 Initiated in 1993 	<ul style="list-style-type: none"> CBO has a membership of 294 with 17 leaders as a core group. 	<ul style="list-style-type: none"> CBO has a membership of 449.
O&M Arrangements	<ul style="list-style-type: none"> Caretaker trained O&M fund operational Used Rs 11,000/- for augmenting supply of water source. Current amount in O&M fund Rs 5000/- 	<ul style="list-style-type: none"> Caretaker trained but needs further training for enhancing capacities. 	<ul style="list-style-type: none"> Caretaker trained Operator / caretaker is paid Rs 500/- per month. O&M fund operational 	<ul style="list-style-type: none"> Caretaker trained O&M fund operational.
Contributions to Investment and O&M	<ul style="list-style-type: none"> Members pay Rs 5/- as membership fee per month. 	<ul style="list-style-type: none"> Members pay Rs 10/- as membership fee and Rs 5/- for maintenance (total Rs 15/- per month) 	<ul style="list-style-type: none"> Members pay membership fee of Rs 10/- per month. About 130 families pay up on time. 	<ul style="list-style-type: none"> Membership fee Rs 5/- per month.
Sanitation	<ul style="list-style-type: none"> Information not obtained. 	<ul style="list-style-type: none"> Household Latrines constructed and in use 	<ul style="list-style-type: none"> 47 Household latrines provided. Selection by the leaders all deserving people. 	<ul style="list-style-type: none"> Phase 1 - 29 latrines provided. Phase 2 - 57 latrines provided
Issues	<ul style="list-style-type: none"> Pipe lines were designed for stand posts. Later the CBO decided on Yard taps. Water distribution network is under designed? Pradeshya Sabha offered to take over the scheme but CBO has refused. 	<ul style="list-style-type: none"> Pradeshya Sabha was PO from 1993 to 95. It did not function efficiently and therefore directly implemented by district office. Technical backstopping needed. 	<ul style="list-style-type: none"> Three people had illegal connections. It was regularized by getting them to pay Rs 5,000/- each for the connections Less participation a problem (about 100 people participated) according to CBO 	

IDA Final Supervision/ICR Preparation Mission
December 3-18, 1998

LIST OF AGREED ACTIONS

SL	ACTIONS	TARGET DATES	REMARKS
1.	CWSPU will provide IDA a detailed report on recovery of Advances from Partner Organizations (POs)	January 29, 1999	
2.	CWSPU agreed to submit to IDA complete documentation for advanced SLR 65 million	January 29, 1999	
3.	Draft ICR will be provided to the GOSL for review	February 5, 1999	
4.	GOSL to provide draft completion report to IDA	February 5, 1999	

Strategies to Address the Issues in Small Towns

District	Small Town	Issues	Strategies
Ratnapura	Kuruwita	1 Low reliability of the Intake Arrangement.	<ul style="list-style-type: none"> a. To assess the water yield per day for a selected period to ascertain the safe yield. b. To increase the installed capacity, if required, from the outcome of (a) above. c. To educate the CBO on the technology used and the facilities provided. d. To arrange for a preventive maintenance and service agreement for the intake arrangement.
		2 Office bearers of CBO working as employees.	<ul style="list-style-type: none"> a. To promote transparency of operation. b. To Include in the CBO constitution relevant clauses preventing such practices. c. O&M steering committee meetings to be regularized and institutionalized.
	Kalawana	1 Less than anticipated service connections.	<ul style="list-style-type: none"> a. To train and guide CBOs for promotional campaign to increase the service connections.
	Pallebedda	1 Low reliability of the Intake Technology.	<ul style="list-style-type: none"> a. To jointly assess the water yields per day for a selected period to ascertain the safe yield. b. To increase the installed capacity, if required, from the outcome of (a) above. c. To educate the CBO on the technology used and the facilities provided. d. To arrange for a preventive maintenance and service agreement for the intake arrangement. e. To promote a continuous program to monitor water quality, especially color and turbidity.
	Arakawa & Calotte	1 Assurance a water quality/quantity	<ul style="list-style-type: none"> a. To educate the CBO regarding the technology and intake arrangements. b. To arrange continuous monitoring of water quality/quantity. c. To train the CBO to record the relevant data in the reporting formats and monitor them. d. Arrange back up support from NWS&DB Regional/District setup.

Strategies to Address the Issues in Small Towns (Continued)

District	Small Town	Issues	Strategies	
Matara	Kirin/Puhulwella	1 Assurance a water quality/quantity	<ul style="list-style-type: none"> a To educate the CBO regarding the technology and intake arrangements. b To arrange continuous monitoring of water quality/quantity. c To train the CBO to record the relevant data in the reporting formats and monitor them. d Back up support from NWS&DB Regional/District set up. 	
		1 Assurance a water quality/quantity	<ul style="list-style-type: none"> a To educate the CBO regarding the technology and intake arrangements. b To arrange for continuous monitoring of water quality/quantity. c To train the CBO to record the relevant data in the reporting formats and monitor them. d Back up support from NWS&DB Regional/District setup. 	
	Hakmana	2 Lack of skills for Operation and Maintenance of HRF.	<ul style="list-style-type: none"> a To provide training to operators and TOs and other selected employees for proper O&M. Display of instructions for O&M at the site. b To arrange for refresher training programme and link with relevant agencies/institution. 	
		1 Assurance a water quality/Quantity	<ul style="list-style-type: none"> a To educate the CBO regarding the technology and intake arrangements. b To arrange for continuous monitoring of water quality/quantity. c To train the CBO to record the relevant data in the reporting formats and monitor them. d Back up support from NWS&DB Regional/District setup. 	
	Kekanadura	Kekanadura	1 Assurance a water quality/Quantity	<ul style="list-style-type: none"> a To educate the CBO regarding the technology and intake arrangements. b To arrange for continuous monitoring of water quality/quantity. c To train the CBO to record the relevant data in the reporting formats and monitor them. d Back up support from NWS&DB Regional/District setup.
			2 Lack of skills for Operation of SSF.	<ul style="list-style-type: none"> a To provide training to operators and TOs and selected additional employees for proper O&M. Display of instructions for O&M at the site.

**SRI LANKA
COMMUNITY WATER SUPPLY AND SANITATION PROJECT
OPERATION PLAN**

PRESENT OR FUTURE ACTION	PERFORMANCE INDICATOR	TARGET DATE (AGENCY)
1. O&M consolidation of Small Towns Water Supply Schemes in Ratnapura District (Kuruwita, Kalawana, Pallebedda, Rakwana, Kaltota); Matara District (Kirinda-Puhubwella, Hakmana, Kekaniadura); Badulla District (Passara, Koslanda, Haliela)	Improvement of water supply facilities	
(a) Assess installed capacity; measure safe yields; assess performance and improve intake and filter arrangements; provide water quality monitoring arrangements; create linkages with responsible institutions to assure protection of water source catchments	Assurance of adequacy of technology requirements	July 1999 (NWSDB)
(b) Train and guide CBO on promotional campaign; educate CBOs on technology options, and facilities provided; train CBOs on operation, maintenance and management of completed assets; provide training to operators and TO's and other selected personnel in O&M; develop and display O&M instructions at site	Assurance of sustainability and building social capital	July 1999 (NWSDB)
(c) Prepare and adapt coordination mechanism between PS and CBOs; regularize and institutionalize O&M steering committee meetings	Participatory development	July 1999 (NWSDB)
2. National Policy for Rural Water Supply and Sanitation	Sector policy framework	
(a) Prepare draft policy, and submit for Parliamentary approval	National consensus	August 1999 (Sector Facilitation Unit)
3. Legal Recognition of CBOs	Social capital development	
(a) Develop consensus for delegation of authority vested with Local Authorities to CBOs to manage and operate water systems	Empowerment of CBOs	January 1999 (CWSPU)
(b) Introduce enabling legislation, ensure consistency in CBO constitutions; convert CBOs to legal entities	CBOs converted to legal entities	December 2000 (CWSPU)
4. Development of CBOs - Village Water Supply Systems	Community capacity building	
(a) provide tariff setting and financial management guidelines	Improved CBO management	February 1999 (CWSPU)
(b) Form CBO apex organization; prepare and launch proposals for diversifying activities	Community development and strengthened CBOs	December 1999 (CWSPU/CBOs)
5. Strengthening of Other Stakeholders	Capacity building	
(a) Train sector-specific units under District Secretaries and Local Authorities and establish monitoring committees at the village level comprising representatives from Divisional Secretariat, PS, CBO and other peoples organizations	Capacity building at village level	August 1999 (CWSPU/LAs)
(b) Establish separate units under Provincial Councils to facilitate sustainability of facilities provided	Capacity building in Provincial Councils	December 1999 (CWSPU/Prov. Councils)
(c) Promote private sector participation in O&M activities	Partnership building with private sector	December 2000 (CWSPU/Private Sector)
6. Expansion of Water Supply and Sanitation Coverage	Sector Development	
(a) Prepare and secure donor funding for follow-on projects	Expansion of coverage	July 1999 (continuing) (CWSPU)

SRI LANKA'S IMPLEMENTATION COMPLETION REPORT

COMMUNITY WATER SUPPLY & SANITATION PROJECT (Credit 2442-CE)

Prepared by Community Water Supply & Sanitation Project Unit, Ministry of Housing & Urban Development (January 1999)

SECTION 1 - INTRODUCTION

1.1 Background. The Community Water Supply & Sanitation Project (CWSSP) implemented by the Government of Sri Lanka under the IDA Credit 2442 CE, with the explicit objective of improving the quality of life through the provision of pure and adequate drinking water & sanitation facilities to the rural poor in three districts came to a closure in December 1998. This report is an evaluation of the project's execution and initial operations, costs and benefits, Bank's and GOSL's performance on their respective obligations under the Loan Agreement, and the extent to which the purposes of the loan were achieved.

1.2 Project Objectives. As stated in the Staff Appraisal Report of World Bank (Nov. 1992), the objectives of the CWSSP were to: (a) develop systems and institutions for community-based planning, implementation, operation & maintenance of cost effective and sustainable water supply & sanitation; (b) implement community-based water supply & sanitation schemes in rural areas and small towns in Badulla, Matara and Ratnapura Districts; and (c) prepare a follow-up project, which will apply the community-based approach, to be developed and tested during CWSSP, to complete the coverage in the above districts and to extend this approach to the rest of the country.

The immediate objectives of the project were to: (i) provide water supply facilities to 650,000 people living in 2,700 villages, and additionally to 17 small towns; (ii) assist 3,800 villages to construct satisfactory sanitation facilities; and (iii) assist 650 rural schools to have satisfactory water supply and sanitation facilities in the Districts of Ratnapura, Matara & Badulla. Additionally, the project was expected to pioneer the community-based demand driven approach to be followed by sector projects funded by other donors, and an agreement was reached during credit negotiations that the policies, concepts and procedures adopted by the CWSSP would apply to other projects undertaken by GOSL with other donors, to ensure consistency.

1.3 Project Description. The CWSSP was designed in 1992 to address the rural water supply & sanitation issues in a novel and innovative way through a process of active beneficiary participation in planning construction, operating and managing the facilities.

1.3.1 Project Partners. CWSSP was implemented over a period of six years (from Feb 1993 to December 1998) by the Community Water Supply & Sanitation Project Unit (CWSPU) established under the Ministry of Housing & Urban Development. Project preparation was carried out over the period from May 1992 to Feb 1993. The project was implemented in several stages of implementation; the pilot implementation stages, small scale. Implementation stages and large-scale implementation stages. This was due to the need of gaining experience and learning lessons, with a view to improve the implementation procedures which have not been tested earlier.

The project was implemented through intermediary organizations called Partner Organizations in partnership with Community Based Organizations (CBOs). Different Partner

Organizations were entrusted different types of sub projects: (i) village water supply—NGOs, cooperative societies or Pradeshiya Sabhas; (ii) small towns water supply and sanitation—NGOs, and local authorities through the NWSDB; (iii) school water supply and sanitation—Divisional Secretaries or Education Department of Sri Lanka; and (iv) directly by community-based organizations

Community Based Organizations (CBOs) comprising members of the beneficiary communities actively worked with the Partner Organizations in the village and small town sub programmes. In the case of schools, School Development Societies comprising parents and teachers played the role of the CBO.

1.3.2 CWSSP is the first ever concerted effort initiated in addressing rural water supply and sanitation issues in Sri Lanka in a broader perspective; (ii) the project was implemented using a demand-based approach; (iii) initiatives were taken by the user communities and they were actively involved in all phases of the project (Planning, Construction and Consolidation); (iv) GOSL played the role of a facilitator in the process including setting up national policies, procedures and strategies, while providing financial and technical support; (v) the project was implemented through a strong partnership arrangement among the Government, User Communities represented by the CBO and the Partner Organizations; (vi) during the planning process, a CBO was formed within a sub project area (Grama Niladhari Division) to undertake the overall responsibility of the project planning and implementation management; (vii) a minimum of 20% contribution of construction cost was expected from the user communities; and (viii) the full responsibility of the operation and maintenance of the facilities is with the CBO.

SECTION 2 - PROJECT DESIGN AND APPRAISAL

2.1 **THE PROCESS.** The implementation process mainly comprises of 2 types of activities. They are: (i) initial activities, and (ii) village level activities

2.1.1 *Initial Activities.* Initial activities at the national and district level include the pre qualification of POs based on agreed selection criteria, conducting awareness campaigns for the public, selection of villages based on an agreed criteria, setting up of monitoring & supervision procedures and payment procedures and establishing coordinating mechanisms at appropriate levels. At village level, the initial activities begin with a self-assessment of the status of water supply and sanitation by the communities. This is followed by a request submitted to the project unit for assistance. The project unit having justified the request based on a set of criteria, assigns a pre qualified PO with whom an agreement is reached for provision of services to the selected community throughout the sub project cycle.

2.1.2 *Village Level Activities.* The sub project cycle in the village/small town consists of 3 sub phases namely development phase, construction phase and consolidation phase. PO is expected to facilitate the beneficiary community through out the sub project cycle.

Some of the key activities performed in each phase are given below;

Planning Phase. (i) mobilization of the communities and community action. (ii) formation & registration of the CBO; (iii) hygiene education; (iv) identification of technology options for water supply and selection of the most suitable option; (v) preparation of the project proposal consisting of detailed designs and cost estimates; and (vi) preparation of the sanitation proposal

Pre Construction Phase. (i) approval of the project proposal; (ii) selection of the caretaker; (iii) mobilization of funds for cash contribution (if any); (iv) signing of construction agreement, among PO, CBO, CWSPU; and (v) organizing O&M fund

Construction Phase. (i) material procurement; (ii) construction of water supply systems; (iii) on the job training to caretakers; (iv) construction of latrines; (v) hygiene education activities; (vi) testing & commissioning of the scheme; (vii) preparation of completion report; (viii) preparation of "as built drawings" of the scheme constructed; and (ix) preparation of the O&M plan of the scheme

Consolidation Phase. (i) signing of an agreement between CBO & CWSSP demarcating the responsibilities of both parties with regard to consolidation activities, to be effective until 31 December 1998; (ii) rectification of social and technical defects (if any); (iii) routine O&M; (iv) conflict resolution; (iv) caretaker training on long term O&M; (v) financial management training to CBOs; and (vi) signing a memorandum of understanding between CBO/Pradeshiya Sabha (Local Authority) & the Divisional Secretary (to represent the Government) to ensure efficient functioning of the schemes and their sustainability.

Project Activities of a Typical CWSSP Village Scheme

No	Activity/ Phase	Period in Months													
		2	4	6	8	10	12	14	16	18	20	22	23	26	28
1	Community Development and Planning Phase	■	■	■											
2	Pre-construction Stage				■										
3	Construction of Water Supply					■	■	■	■	■					
4	Consolidation										■	■	■	■	■
5	Construction of Latrines					■	■	■	■	■	■	■			
6	Hygiene Education	■	■	■	■	■	■	■	■	■					

2.2 Components of the Project. The components of the project were as follows: (i) programme development; (ii) water supply; (iii) sanitation; (iv) hygiene education; (v) training, research and studies; (vi) project management; and (vii) technical assistance.

2.3 Appraisal of the Project Design. (i) The objective of the project was in agreement with the overall objectives of the GOSL, and the selected districts were as per the priority assigned by the GOSL; (ii) The size and the scope of the investments proposed, in consideration of the pilot nature of the project and the time period allocated, could be considered as suitable. However, when considering the requests for the facilities still being received from communities of the three districts, it is obvious that the total demand of the project area is not fully addressed; (iii) The project design was based on community-centred, community-managed and community-owned concept creating a genuine sense of ownership, and thereby building a conducive environment for the beneficiary

communities to undertake entire responsibility of O&M. This is one of the major deviations from the conventional pattern of project implementation giving rise to new thinking; (iv) The involvement and the contribution of the Partner Organisations (PO) was expected at a high level, with the presumption that the capacity and competence of them were adequate. However, it was found that the capacity of the POs, especially in technical aspects was inadequate. This has resulted in a greater involvement of the CWSPU in implementation process, forcing the CWSPU to increase its staff and entrust heavy workload on them.

SECTION 3 - PROJECT IMPLEMENTATION PROGRESS AND EXPERIENCE

3.1 Programme Development. This component covered the cost of publicity in the project, assessment of Partner Organisations, registration of Community Based Organisations and payments to Partner Organisations for their services throughout the project cycle. Under this component the project unit gave a vast publicity on the project through mass media as well as through other ways which created a huge demand for facilities. Nearly 80 Partner Organisations worked with the project and their performances were assessed periodically. Contracts were terminated with a few POs on poor performance. 959 CBOs had been registered with CWSPU by end of December, '98. A sum of Rs. 205.48 Million, which is 10% of the total cost was spent on programme development.

3.2 Water Supply. The project provided potable water supply facilities to nearly one million people living in 2,541 villages (within 847 GNDs) and to 12 small towns. The population served has exceeded the original target which was 650,000 people. A sum of Rs. 1272.69 Million was spent for water supply construction which is 62% of the total expenditure.

3.2.1 Following are the different technology options used in water supply for above population: (i) protected dug wells (shared by 4-6 families); (ii) tube wells; (iii) gravity supplies; (iv) pumped supplies; (v) extensions from existing water supply systems; and (vi) rain water harvesting systems

The majority of the beneficiaries have selected protected dug wells (shared) and gravity supplies and few have selected the pumped supply option, tube wells and extensions from existing systems. Household rainwater tanks was a popular option in the Badulla district.

The Table 1 presents the technology options provided under the project. CWSSP promoted innovative technologies such as construction of ferro cement tanks instead of reinforced concrete tanks and construction of dug wells with rope pumps, which had proven to be very cost effective. Construction of water supply schemes in the villages had been done through a contract signed between PO, CBO and the CWSPU.

3.2.2 Small Town Water Supply. In the case of small towns, the responsibility of implementation was given to the National Water Supply & Drainage Board (NWSDB). The NWSDB selected the deserving small towns in each district in consultation with CWSPU based on an agreed selection criterion, after considering the requests from the communities and district level authorities. The sources were identified by the NWSDB, followed by source investigations. After confirmation of the technical feasibility, the POs were selected from a list obtained from the CWSPU who are operating in a particular district. The technical designs of the schemes were done by the NWSDB. Construction of scheme was done by CBOs and the Contractors. The CBO was given the opportunity to construct components which they are capable of, on agreed payment basis. The agreed community contribution was provided by the community by way of labour and cash. The target was 12 schemes, and 10 were completed by the end of the project period, while the construction of the other two are being completed by the NWSDB.

3.2.3 Schools Water Supply. The provision of water supply facilities to schools was made with the co-operation of School Development Societies, after selecting the schools with the concurrence of the Department of Education. Provision of water supply facilities to 704 schools was covered under this component. (This is against a target of 650 schools).

3.3 Sanitation. Under the sanitation component the project provided funds in the form of a grant to eligible beneficiaries through CBO's based on a proposal submitted by the CBO. Under this component individuals in communities have constructed 64,135 latrines by end of December 1998. (This is against a target of 45,000 latrines). The majority of the households had constructed water sealed single pit latrines. A sum of Rs.143.28 Million had been spent for sanitation, which is 7% of the total expenditure. Provision of sanitation facilities to 704 schools was also covered under this component.

3.4 Hygiene Education. With the objective of educating the beneficiaries on the expected health benefits from the project, CWSSP attempted through its hygiene education component to impart the knowledge on hygiene practices using various training techniques. A self-evaluation exercise by households themselves was done on a pilot basis with the guidance of CWSPU. This consisted of filling a questionnaire and then updating the same after a period of 6 months, thus making them realise the effect of poor water supply and sanitation on their health. A sum of Rs. 5.7 Million has been spent on hygiene education component which is nearly 0.3% of the total project cost.

3.5 Training, Research and Studies. The project provided extensive training for PO Staff, on mobilization as well as on technical aspects. Several training programmes were held for CBOs on financial management and caretakers' role and also selected CBO members were trained on operation & maintenance of the facilities constructed. Several orientation training programmes were conducted for the public servants involved with the project, CWSPU staff, (including overseas training) and suppliers of major construction materials such as PVC Pipes, GI Pipes & cement. 11 studies/research activities were also carried out under this component. A sum of Rs. 28.03 Million, which is equivalent to 1.5% of the total cost, was spent on training, research & studies.

3.6 Project Management. The Project Management component of CWSSP has largely exceeded its original allocation due to under estimation of staff required for CWSPU. Furthermore, due to the lack of technical capacity of Non Governmental Organisations in the country (Majority of the PO's of CWSSP were NGO's) CWSPU was compelled to provide additional technical inputs during the implementation of the project. A sum of Rs. 242.56 Million which is equivalent to 12% of the total cost has been spent for project management.

3.7 Technical Assistance. Under this component CWSPU established a Technical Support Cell to advise and guide the Project Unit on all aspects of its operation. A sum of Rs. 140.71 Million (7% of total cost) was spent for the Technical Support Cell. The cost of preparation of the first part of the project proposal, - amounting to Rs. 4.91 Million - for the follow up project, namely Community & Private Sector Water Supply & Sanitation Project (CPSWSSP), was met by the additional funds provided by the GOSL.

3.8 Problems Faced by the Project and Contributory Factors. The project, on its way towards completion, faced several problems due to various reasons, particularly due to the pilot nature of the project. But the overall implementation of the project has been fairly satisfactory since the project management was able to overcome a variety of problems and complete the project on the date due for closure, exceeding the set original targets and completely disbursing the IDA credit. Some of the major problems faced by the project are presented below: (i) lack of past experience of the partners as this was the first ever effort to address the issues of rural water supply

and sanitation sector using this novel and innovative concept; (ii) cost overrun due to huge demand for facilities than expected; (iii) over estimation of the capacity of the NGO's (especially the technical capacity); (iv) all the partners including the CWSPU were new to the 'partnership' approach; (v) lack of adequate monitoring and evaluation systems; (vi) lack of proper management information system and financial information system; (vii) delays due to weather conditions; (viii) size of sub projects were larger than anticipated in many instances giving rise to higher costs and complications in implementation; (ix) escalation of cost; and (x) devaluation of local currency.

SECTION 4 - PROJECT RESULTS AND SUSTAINABILITY

Despite the inherent weaknesses of the project (which is common in projects of this nature) and the implementation constraints mentioned above, the project successfully achieved its original objectives exceeding the targets creating a great impact on the Rural Water Supply & Sanitation Sector, some of which are mentioned below:

In Sri Lanka up to year 1992 the Government and the Public Agencies were the direct providers of water supply facilities adopting a supply driven approach. CWSSP was the first ever effort made on changing this conventional approach making the government a facilitator rather than a direct supplier, allowing the beneficiaries to play the main role. CWSSP proved this as a successful way of reaching the unserved rural poor in this country ensuring the sustainability of facilities and led the government to prepare a new policy on 'Rural water Supply and Sanitation' based on the participatory approach tested by the CWSPU.

It is clearly evident that the project had been able to mobilize the ultimate beneficiaries through PO's to change their attitudes, taking them away from the welfare notion leading to dependency syndrome. A classic example of this is the average beneficiary contribution towards the capital cost of construction of w/s systems, amounting to 32% exceeding the original expectation of 20%.

The project has contributed significantly towards improved social status, better health, time saving in fetching water, energy savings, short term employment, long term employment and creating assets. Water supply has resulted in increased land values as well. The imparting of technical knowledge was quite considerable at the village level. The project has largely contributed to CBO development through the following: (i) initiating action on providing legal authority to CBO's; (ii) capacity building of CBOs; linking CBO's to main stream of development and administration; (iii) facilitating the formation of apex organizations; and (iv) facilitating the formation of co-ordination committee; (iv) the project has introduced new technologies to the sector and popularised them as feasible and affordable options. Ferro cement structures, rain water harvesting and rope pumps are the prominent among them, (v) a vast improvement and strengthening has taken place in the NGO sector due to the project activities. The number of NGOs involved in the sector activities has increased many fold, and their management capabilities and skills have been greatly enhanced. The development of human resources in the sector has been very high, through the skill development of the employees of CWSPU, POs and CBOs. This has benefited other sector projects, and also created employment opportunities for many.

CWSSP has been an 'eye opener' for the sector and having observed the success of CWSSP. Donors other than IDA have expressed their willingness to assist Sri Lanka in similar projects. As a result, Sri Lanka was fortunate to get assistance from the Asian Development Bank (ADB) to implement a rural water supply and sanitation project adopting the CWSSP concepts and methodology in 6 districts of Sri Lanka, which has commenced in February 1999. Further, the GOSL is in the process of preparing an implementation plan for the follow up project of CWSSP

which will be implemented in 9 districts of Sri Lanka. The prospects of the sustainability of completed sub projects have been greatly enhanced due to the sense of ownership created among the beneficiary communities.

SECTION 5 - LESSONS LEARNED

Being a pilot project started without any previous experience of similar nature, the lessons learned were very valuable. Throughout the project period, these were continually used for the evolution of policies, procedures and process, which were used in subsequent implementation. Some of the important lessons are briefly described below;

5.1 Community Based organizations (CBOs). (i) Communities have shown their willingness to contribute substantially to water supply and sanitation development. There are communities who are willing to pay even more than 30% of the capital costs involved, expecting a higher level of service. A new cost sharing formula has been developed based on this, for the proposed follow up project. However, it was also evident that the priority should still be focussed to cater to the most needy; (ii) Generally, communities are often interested to build services that match their needs and aspirations. Continuous improvements on technological packages that meet the needs of communities and individuals is essential to offer them an improved service; (iii) The legal status of CBOs to own and take care of the project they constructed has to be clarified. If so needed, existing laws may have to be amended to enhance the development of a broader civil society. Simultaneously, the right to abstract water needs to be clearly spelled out in future legal enactment, and the right of a CBO to own a water source needs to be laid down by Act. Based on this lesson, actions are being taken to prepare a document for upgrading the status of the CBOs and propose a mechanism by which statutory recognition can be given to CBOs; (iv) Instead of organizing new CBOs, attention should be given to make use of the existing, active and accepted village organizations to take up the project responsibilities in the form of a CBO; (v) Attention has to be given to the strengthening of CBOs by providing external support to become a productive organization while linking them with existing mainstream of development in order to ensure the long-term sustainability of the facilities provided; (vi) Entrusting more responsibility and delegation of more authority to CBOs is vital in establishing a sense of strong ownership.

5.2 Partner Organizations (POs). (i) The POs were lacking the skills and ability in long term planning, technical aspects and in the overall project management aspects. Thus skill development of PO staff was crucial at the beginning of the project; (ii) However, it is evident that obtaining inputs even from competent POs for different components of the project should be based on speciality they possess. This fact was the basis to introduce the "unbundling the process" in the proposed follow up project; (iii) Selection of POs should be done carefully by adhering to the laid down selection criteria and sub project implementation contracts should be executed effectively, so that optimum returns are achieved; (iv) Based on this lesson, the selection of POs in the proposed follow up project will be on competitive bidding basis, with due attention paid to the pre qualification of suitable POs and quality of output; (v) The payments to POs should be based on their outputs, for which the indicators should be developed. This aspect is included in the proposed follow up project, by introducing a "measure and pay" system; and (vi) Based on the lessons learned, involvement of CBOs is essential in certifying the payments and quality assurance of the outputs produced by the POs.

5.3 Institutional Aspects. (i) A well defined rural water supply policy framework is required; (ii) Links should be established from the inception among the CBOs, local authorities and also the general administrative set up of the area in order to facilitate effective management of Operation & Maintenance of the schemes, thereby ensuring the sustainability; (iii) Skill development at

appropriate levels is important. The training of care takers at CBO level and training of Technical Officers in PS and Divisional Secretary levels are identified as essential; (iv) A sound constitution should be available for the CBOs in order to execute their functions more effectively; (v) The final draft of a model constitution is already completed; (vi) Involvement of women in the process of decision making is found very effective; (vi) Diversifying the activities of CBOs in order to transform the CBO into a productive organization is essential for the sustainability of the organization; (vii) More effective strategies should be developed to ensure active participation of the beneficiaries; and (viii) The dissemination of information on best practices experienced by one project should be encouraged, so that it would be extremely useful for the development of Water Supply and Sanitation sector.

5.4 Water Supply and Sanitation. (i) Technical soundness of the facilities provided is a crucial factor contributing to the sustainability of facilities; (ii) This fact has been given due recognition in the proposed follow up project, by making it the responsibility of the Partner. In order to ensure this, rectification of defects has been made a condition for final payment; (iii) Consolidation activities within a community should be given the due consideration to make the facilities sustainable. The activities should commence at an early stage of the sub project implementation; The involvement of the local private sector is important in all phases of the project, including in O&M, providing the opportunities to the communities for easy access to technical assistance at competitive prices; (iv) Demand for water and sanitation facilities could be created by making the people realise the consequences of the absence of facilities adequately; (v) Construction cost can be reduced considerably, when the beneficiaries themselves are involved in construction using locally available resources and knowledge; (vi) Dependence on external financial assistance can be minimised once a genuine need is recognised by the people; (vii) Possession of a new latrine enhances the self-esteem and social acceptability; and (viii) Hygiene education can contribute to establish a better maintenance culture.

5.5 Project Management. (i) Effective monitoring system, which closely couples physical and financial progress is essential from the commencement of the project, at all levels. This will ensure the anticipated progress of the project and transparency of activities, and minimises the possibilities of any malpractice; (ii) Due to the high demand for the experienced and qualified personnel in the sector, the conditions for employees and POs should be attractive, in order to get the competent personnel, which is a vital ingredient for the success of the project.

SECTION 6 - CONCLUSION

In conclusion it may be said that the project had both strengths and weaknesses in the design as well as in implementation, which would have been unavoidable in a pilot effort of this nature in providing certain basic services to the most deserving sections of a society for the first time. However with the experience gained and the lessons learnt through this innovative approach GOSL/CWSPU is confident that the proposed follow up project (CPSWSSP) can be implemented more successfully.

SRI LANKA'S POST PROJECT ACTIVITIES
FOR THE SUSTAINABILITY OF FACILITIES PROVIDED

BACKGROUND

Since 1992, CWSSP has provided Water Supply & Sanitation Facilities to 2493 villages in 847 Grama Niladhari Division's (GND's), 10 Small Towns and 704 Schools in Ratnapura, Badulla and Matara Districts. The following table presents a profile of water supply technologies used in the project and the percentage of households served by each technology.

Water Supply Technology	% of the H/H Served
Gravity Water Supply	60%
Extension from NWSDB Schemes	1.9%
Pumping Schemes	2.7%
Dug Wells	28.2%
Tube Wells	2.7%
Rain Water Harvesting	3.2%
Spring Boxes	1.3%
Total	100

In the case of sanitation, the technology used is off set pit latrines, of which 92% has been new constructions and 8% rehabilitation.

In order to address the issue of long term sustainability, which is one of the main objectives of the CWSSP, the project has already taken several steps, and certain other steps are proposed to be taken, based on the lessons learnt.

SECTION 1 – VILLAGE SUB PROJECTS

The actions already taken, and actions proposed are given below.

ACTION TAKEN TO DATE:**(i) Status Survey:**

(a) Training modules and guidelines have been prepared to train trainers at district level and through them to train CBO office bearers on "Status Survey" in order to assess the status of completed projects. The main objective behind this exercise is to identify the social and technical defects and take remedial measures. Identified issues to be categorized as minor defects and larger defects. This information should be discussed and Action Plan should be prepared at a community meeting with assistance of PO and CWSPU representatives. Minor defects are to be handled by CBO itself while others to be brought to the notice of the external agencies (PO, CWSPU etc.) for required assistance. (b) Status Survey exercise has been tested in Badulla district and Technical Survey has been tested in Ratnapura District. These are anticipated to be introduced in other districts too. The technical issues identified through this exercise could not be attended to by CWSPU/PO due to the financial crisis the CWSPU was facing. However, all these defects will be rectified during the first six months of 1999 with consolidated funds.

(ii) Capacity Building of CBO's:

(a) Caretaker training programmes have been completed. However, with regard to the newly completed sub projects and also where caretakers have left the area, modified caretaker training programmes are being conducted. (b) Conflict resolution workshops are being conducted. (c) O&M training done for the CBO leaders in already completed schemes are completed. However, nominees of CBOs of sub projects recently completed need to be trained. Leadership training programmes also have been/are being conducted. (d) Information Directories containing the names, address and the services available of Government, Non Government and other relevant agencies in all three districts have been prepared and delivered among CBOs. (e) Three workshops have been conducted at district level for Chairmen of Local Authorities, Divisional Secretaries and other relevant officials with a view to set up a local level network to support the CBOs in ensuring the long term sustainability of facilities acquired by them. (f) The following consensus were reached at the above workshop: To sign an MOU among CBO, Local Authority and Divisional Secretary to support O&M activities of CBO when and where necessary; 3-5% annual income of Local Authorities to be allocated for O&M activities. (g) Agreement has been already signed between the CWSPU District Project Unit and CBOs, identifying the tasks of both sides to be performed in order to ensure the long-term sustainability of facilities provided.

(iii) Legal Aspects of CBO's:

(a) Registration of CBOs under the Ministry of Housing & Urban Development. (b) CBOs were encouraged and motivated to get their organizations registered under Local Authority and Divisional Secretariat as NGOs. (c) Provision of certificate to each CBO by the Ministry of Housing & Urban Development, giving the ownership of their water schemes. (d) Preparation of the 1st draft of the Legal Document (an Act.) to provide legal status to CBOs. (e) Coordination committees at Provincial Level also have already been established under the Chairmanship of Chief Secretary.

(iv) Insurance Coverage for Pumping/Gravity Schemes. CWSPU Ratnapura and Badulla Districts have already initiated action on obtaining Insurance Coverage for completed gravity and pumping schemes for a negligible premium, against malfunctioning of electrical and mechanical equipment and any possibility of major failures in civil works. Inquiries have been made in this regard from the state and private sector Insurance Agencies to explore the possibilities on expanding this insurance scheme on the basis of successful results gained through the above exercise. CWSPU is in the process of facilitating the interested CBOs in all three districts to enter into such insurance coverages.

(v) Formation of CBO Federations. CWSPU in Ratnapura and Badulla have already initiated action to form CBO federations. The first CBO federation has been formed in the Kalawana Divisional Secretary Areas in Ratnapura and it has been revealed that there is a strong willingness of CBOs in forming into federations on the understanding that this might enhance their capacity to handle possible future challenges. CWSPU is in the process of facilitating the CBOs in the 3 districts on formation of CBO federations.

FUTURE PLANS**(i) Addressing the Legal Aspect of CBOs:**

(a) Revision of CBO constitution based on the lessons learnt; Carryout a survey to identify the need for revision of present contribution among randomly selected CBOs. Based on survey findings, decide on the items to be added/deleted to the constitution; and prepare the

revised CBO constitution (already completed). (b) Process of delegating authority and power vested with the Local Authorities to CBO in managing and functioning of their water schemes: Make the Pradeshiya Sabhas aware of the importance of transferring required authority to CBOs to ensure the long-term sustainability of facilities; Obtain the consensus of PSs; Facilitate the CBO and Pradeshiya Sabha on signing an agreement on delegation of authority and powers mentioned above. (c) Process of presenting an Act to the Parliament through the Cabinet to Legalize and provide Legal Authority to CBOs with regard to the management and ownership of assets: Obtain Assistance from the legal consultant assigned by the World Bank; Prepare a TOR; Present the final draft to a plenary discussion of relevant stakeholders; Seek the advice of Attorney General Department; Prepare a Cabinet Memorandum; and Presentation of the Proposed Act by the Hon. Minister of Housing and Urban Development to the Parliament. (First draft is ready)

(ii) Capacity Building of CBOs:

(a) Action to streamline the tariff collection: Carry out a collective study on present status of tariff collection, tariff structure; O&M expenditure in randomly selected schemes (A representative sample); Make recommendations to CBOs based on the findings on how to ensure a continued effective O&M System; Introduce adequate caretaker remuneration's etc, scheme wise tariff collection in-order to operate the scheme, commercially viable; Motivating CBOs to utilize the O&M collection as a revolving fund to meet the other development requirements without affecting the O&M activities; Identify the other development requirements of the communities through the collective study mentioned above; Make recommendations on how to utilize O&M collections in a productive manner. (b) Forming CBO Apex. Organizations to handle future challenge: Organize workshops among CBO officials enabling them to exchange their experiences, issues and constraints encountered and potential solutions; Make them aware that the future challenges with regard to the sustainability of facilities acquired by them, cannot be handled by individually; Prepare the background conducive to CBOs to form into a broader organization which will in turn generate more authority and power to overcome the possible challenges. (c) CBOs registering as Companies, once they become matured and commercially viable

(iii) Addressing Technical Issues:

(a) Preparation of scheme-wise detailed cost estimates and activity plans for rectification of shortcomings identified. (b) Selection of a construction partner (preferably the CBO) for rectification of such defects and sign agreements. (c) Rectification of shortcomings. (d) Supervision by the project unit. (e) Protection of water sources by CBO

(iv) Introducing an Effective Coordination and Monitoring Mechanism:

(a) Establishment of operational committee in the village level comprising of representatives from Divisional Secretary, PS, CBO and other people's organization with a view to enhance the capacity of CBO to manage O&M activities. (b) Training of animators selected by communities to facilitate the task of community facilitator, construction work, O&M and undertaking caretaker's task and bridge the gap between the CBO and external agencies. (c) Strengthening of the present coordination net work with other stake-holders at divisional level and Provincial level.

(v) Capacity Building of Sector Stakeholders:

(a) Orientation Training Programmes for Technical Officers of Local Authorities and Divisional Secretariats on Gravity Water Scheme maintenance: Design a suitable training programme; Conducting the training programmes; Impact evaluation; and Provision of a set of tools to PSs needed for repairs.
(b) Encourage and promote private sector on O&M and to make spare parts available at local

level: Conduct an assessment on availability and capacity of such private sector in the project districts; Identify their needs to actively engage in the O&M of the project; Provision of assistance to the private sector to embark on these activities. (c) Establish a separate unit under each Provincial Council to facilitate the sustainability of facilities provided: Negotiate with the Provincial Secretaries; Identify suitable staff; Agree on Terms of Reference; Establish the unit; Provision of logistics; Conduct orientation training programme; Coordination and supervision of activities

(vi) **Formulation of a National Policy on RWSS'**. The final draft is already completed and editing is being attended.

SECTION 2 - SMALL TOWNS

The present status regarding the small towns, the improvements needed and aspects to be considered in view of long term sustainability are summarised in this section.

(i) **Present Status.** The small town Water Supply and Sanitation Programme (STWSP) was commenced in December 1994, and the programme is scheduled to be completed by December 1998. The original proposal for seventeen (17) Small Towns were subsequently reduced to twelve (12) and according to the present program construction work of ten (10) Small Towns have been completed by December 1998. The construction work of remaining two (2) Small Towns will be completed soon. During the operation of the Small Towns, the district offices have closely observed the development and the problems and issues have been documented. In addition, the STWSP has also arranged some independent evaluations from time to time to assess the situation and, to address the problems and issues identified. The recommendations from this evaluation, together with our site visits and feed back from various missions have encouraged STWSP to take remedial measures.

(ii) **Aspects Requiring Attention.** Discussions with the involved actors, CBOs, Provincial Council Local Government Units, PSs and NWSDB Regional Offices etc., have identified certain aspects which need attention for ensuring sustainability with regard to each scheme. These are indicated in Table 1, together with the strategies to overcome these.

(iii) **Implementation Arrangements.** The proposed strategies given above are to be implemented jointly with the relevant actors and the responsibility for the Post Project Strategy will be with the Programme Management (Small Towns) of Rural Water Supply Section of NWSDB. Some of the work will be carried out by the district unit of Rural Water Supply & Sanitation Section (RWS Section) of the NWSDB in Ratnapura, Matara and Badulla until March, 1999 and subsequently by the RWS Section closest to the respective districts. But many of the responsibility will be carried out by the NWSDB Regional/District set up for backup support to CBO/ PS in Ratnapura, Matara and Badulla district. It is expected to complete all items, except those which will require continuous activities, by June 1999.

(iv) **Cost estimates.** In view of the nature of the work items, a tentative estimate is prepared which amounts to Rs. 10.0 Million. This estimate includes the items such as supply and installation of bulk meters, improvements to water intakes and protection of sources, improvements to Treatment Unit, Support for office buildings and for other relevant software activities such as training.