



<b>1. Project Data:</b>		<b>Date Posted :</b> 03/04/2004	
PROJ ID: P000764		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Water Supply Development & Rehabilitation Project.	<b>Project Costs (US\$M)</b>	65.50 m	49.79 m
<b>Country:</b> Ethiopia	<b>Loan/Credit (US\$M)</b>	35.73 m	30.05 m
<b>Sector(s):</b> Board: WS - Water supply (75%), Sub-national government administration (22%), Central government administration (3%)	<b>Cofinancing (US\$M)</b>		
<b>L/C Number:</b> C2842; CP953			
	<b>Board Approval (FY)</b>		96
<b>Partners involved :</b>	<b>Closing Date</b>	06/30/2000	06/30/2003
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

To ensure the long term viability of water supply and sanitation (WSS) operations in line with the Government's regionalization policies and, in the long run, to improve the health and productivity of the population by providing assistance for:

- (i) Capacity building of the regional governments and water supply and sanitation agencies for the management of urban water supply and sanitation schemes and rural water supply operations .
- (ii) Formulation of policies to ensure the long-term financial and managerial viability of water supply operations, the establishment of regulatory arrangements and sound investment planning by the regional governments and water supply agencies .
- (iii) Short and medium term physical rehabilitation schemes in the war-affected and most deficient regions .

**b. Components**

**Institutional Capacity Building** : (53% project cost). This included regulatory, organizational, financial and technical management studies and short term assistance with implementation of the study recommendations, including a pilot rural water supply development. Also manpower development and training and provision of equipment .

- **Feasibility and Engineering** : (10% project cost). This comprised pre-investment studies, detailed engineering designs including designs for proposed regional water supply headquarters .
- **Physical Works** : (37% project cost). This included rehabilitation and extension of 25 urban water schemes and construction of four regional water supply headquarters .

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

At project closure, 76% of the project by value had been completed . It fell short due to delays in procurement, technical issues and delays in the availability of counterpart funding . The project delays were exacerbated by the war between Ethiopia and Eritrea and by the loss of equipment at the Port of Assab . Decentralization reforms also caused some delays due to high staff turnover and an internal focus on process issues . The project took seven years to implement, three years longer than envisioned at appraisal . At the end of the project 88.4% of the IDA credit had been disbursed .

**3. Achievement of Relevant Objectives:**

At the mid term review in May 1999 the overall development objective was refined and project outputs made more specific, but the project was not formally restructured . This reformulation was considered necessary to take cognizance of a new National Water Resources Management Policy, which was based on the provision of sustainable access to adequate and safe water supply, but did not fundamentally change the original objectives .

The objectives were all highly relevant and all three were substantially achieved by project closure :

- Physical improvements led to adequate and safe drinking water supplies and good practice was demonstrated .
- The project contributed to the establishment of a policy and institutional framework for decentralized WSS service provision .

- Functioning utilities with autonomous Town Water Boards and the pilot rural WSS provided community -based management approaches among local communities .

The health and productivity impacts are long -term and are not yet matured . However, the efficiency was lower than expected largely due to exogenous influences on the project . Delays in the legal establishment of 10 water boards is a factor to be taken into consideration as well as the fact that three towns cannot be rehabilitated because of water source constraints . Two towns remain only partially complete . On the other hand all the studies, training and other technical assistance were implemented successfully .

#### 4. Significant Outcomes/Impacts:

- The project resulted in significant improvements in access to safe water supply for over 600 000 people .
- Substantial progress was made in the establishment of autonomous Town Water Boards .
- An important unplanned result of the project was the stimulation of local private sector capacity; a number of consulting and contracting firms became established and gained experience .
- Tariffs have increased by 80% on average and raised awareness of cost recovery, customer services and financial management has been achieved .
- Financial management of the Addis Ababa Water Supply Authority has improved .
- Some of the approaches that are advocated in the pilots are beginning to spread to other (none project) communities .

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

- The original overall objective as formulated was too broad to be fully achieved within the scope and resources of the project design . The foreseen scale-up of the pilots through the Ethiopian Social Rehabilitation and Development Fund Project did not take place as anticipated because of lack of donor interest .
- The project took considerably longer than anticipated to implement and at closure 10 utilities with autonomous water boards were still awaiting legal establishment .
- The international selection of three consultants to carry out the planning, design and bid documents in the towns had to be repeated, resulting in a one year setback .
- Recurring drought, coupled with fast population growth, affected the per capita income levels of the project communities and thus affected the ability -to-pay for improved water services . The ERR remains acceptable at 11%, but only marginally so .
- Monitoring and evaluation of the project was weak; there was no log frame and few indicators .
- The Borrower contribution mainly for civil works corresponded to 45% of the appraised project - a highly ambitious commitment that the Government could not fully achieve .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Moderately Satisfactory	[The ICR's 4-point scale does not allow for a "moderately sat." rating]. Implementation has taken considerably longer than anticipated and 10 water boards are still awaiting legal establishment . Construction work has not been completed in some instances . The project should have been formally restructured
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

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

#### 7. Lessons of Broad Applicability:

- Decentralization is a prerequisite for demand-driven approaches for water supply provision because local institutions can best understand the demands of their customers and effectively interact with them .
- Steps should be taken to encourage knowledge sharing and collaboration between different tiers of government when decentralized systems are introduced .
- On-the-job-capacity building through project implementation is often more effective than formal training .
- When framing project objectives task team leaders should avoid being over -ambitious and should changes of substance to such objectives be required - these should be formally approved by the Board .
- Establishing new institutions takes time and project planning must draw on previous experiences to set realistic targets .

**8. Assessment Recommended?**  Yes  No

**Why?** The project had some successful features with a strong institutional capacity building focus at town level and targeted national, regional and local government WSS issues .

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

Generally well-presented. It would have been useful, however, if the ICR had elaborated on the reasons for having to repeat the selection of international consultants (which led to a one year delay) and amplified in the text about what went unfunded at project closure (76% of total project funds were utilized and 88.4% of the IDA credit). At present this information has to be largely deduced from the information in ICR Annex 1.