



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
WATER AND SANITATION SERVICE IMPROVEMENT PROJECT
APPROVED ON DECEMBER 20, 2007
TO
REPUBLIC OF KENYA

WATER
AFRICA

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I. BASIC DATA

Product Information

Project ID P096367	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 20-Dec-2007	Current Closing Date 31-Dec-2019

Organizations

Borrower Republic of Kenya	Responsible Agency Athi Water Services Board, Coast Water Services Board (CWSB), Lake Victoria North Water Services Board (LVNWSB)
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Project Development Objective (PDO)

Original PDO

The development objectives of the project are to: (a) increase access to reliable, affordable and sustainable water supply and sanitation services; and (b) to improve the water and wastewater services in the areas served by AWSB, LVNWSB and CWSB. This will be achieved by (i) rehabilitating selected existing water production, transmission, storage and distribution facilities and wastewater collection, treatment and disposal facilities, (ii) expanding piped water supply services to under-served areas through the extension of primary and secondary distribution pipes where required (this would include service expansion into urban slums / informal settlements through a balanced program including the involvement of communities in decision making), and (iii) refining and strengthening the institutional structure, emphasizing on increasing accountability and transparency of the institutional and governance and management framework. The current Project's development objective is to increase access to water supply and sanitation services in the project entities' service areas.

Current PDO

The Project's development objective is to increase access to water supply and sanitation services in the project implementing entities' service areas.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Disbursed	Undisbursed
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					Commitment		
IDA-51030	10-May-2012	21-Jun-2012	14-Dec-2012	31-Dec-2019	300.00	267.03	9.77
IDA-43760	20-Dec-2007	04-Jun-2008	02-Sep-2008	31-Dec-2013	149.35	148.38	0

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

1. The original Water and Sanitation Service Improvement Project (WaSSIP) (P096367) was approved on December 20, 2007, and on May 10, 2012, the WaSSIP Additional Financing (P126637) was approved to scale up water supply and sanitation services. The Project’s closing date is December 31, 2019.
2. The Project is comprised of the following components: (1) Support the Athi Water Services Board (AWSB) with the rehabilitation and extension of water supply systems; the development of additional water sources for Nairobi; drought mitigation measures; improvements in wastewater collection and treatment facilities; and institutional strengthening to AWSB, its water service providers (WSPs), the Water Services Regulatory Board, and the Water Appeal Board; (2) Support the Coast Water Services Board (CWSB) with the rehabilitation and extension of water supply schemes, drought mitigation measures, and institutional strengthening of the CWSB and its various WSPs; and (3) Support the Lake Victoria North Water Services Board (LVNWSB) with the rehabilitation and extension of water supply schemes, drought mitigation measures, and institutional strengthening of the LVNWSB and its various WSPs.
3. The Project has a net commitment of Special Drawing Rights (SDR) 289.4 million financed by two investment credits: the first in the amount of SDR 96.6 million (US\$149.35 million equivalent, Credit IDA-43760) and the second one is an additional financing (AF) in the amount of SDR 192.8 million (US\$300 million equivalent, Credit IDA 51030). The first Credit is fully disbursed and closed, and as of May 16, 2019, the AF Credit has an undisbursed balance of SDR7.1 million (US\$9.8 million equivalent and 98% disbursed). All undisbursed funds are committed and expected to be fully utilized by the time of the Project’s closing date of December 31, 2019.
4. Progress to date indicates that the AWSB will not be able to complete the Northern Collector Tunnel (NCT) and the Nairobi Bulk Water Pipeline (NBWP) works contracts by project closing date. The NCT’s Contractor has experienced slippages due to difficulties mobilizing and repairing critical equipment, cash flow problems that slow down progress, and Environmental Social Health and Safety (ESHS) issues. Despite improvements in its performance (70% physical progress), the latest timeline estimate has the Contractor completing works by December 2020. In addition, the NBWP contract continues to experience significant delays due to protracted resettlement issues and contractor financial difficulties. Currently the NBWP is 20 percent completed and the new estimated completion date is April 2021 if AWSB can resolve all RAP issues by December 2019. All other contracts under WaSSIP are completed or expected to be completed by the closing date.



5. ESHS aspects have improved, including mitigation actions to prevent Gender Based Violence (GBV) stemming from the sexual exploitation and abuse (SEA) cases reported in December 2018, and other health and safety aspects to ensure workers and public safety. The NCT contract was retrofitted to include ESHS/GBV clauses. However, there are still unresolved ESHS issues that require close monitoring, including pending compensation of families of two deceased linked to the road safety fatality in August 2018, unresolved management issues linked to spoil areas and effluent discharge from work sites, and delayed on completing the recommendation from the electrical audit. All of these activities are included in the NCT ESHS action plan, which the task team reviews periodically with AWSB.
6. During the next seven months, the Bank team will focus its attention to closing WaSSIP in an orderly manner. This will include (i) ensuring that the Government of Kenya allocates sufficient counterpart budget in FY2020/FY2021 to address a financing gap of US\$63 million necessary to complete NCT and NBWP contracts; (ii) completing implementation of all RAPs under WaSSIP; (iii) completing the NCT's ESHS action plan, and (iv) ensuring all IDA funds are fully utilized.
7. Given that most of the PDO and output indicators will be achieved by project closing date, implementation progress and achievement of the PDO are currently rated moderately satisfactory. Ratings for overall safeguards compliance and financial management are also rated moderately satisfactory. Procurement is rated satisfactory. The project is in substantial compliance with the key loan covenants, including audit and financial management reporting requirements. The project account has been audited for the all the fiscal years during project implementation, and an unqualified report has been issued for each year.
8. The project has also achieved important benefits. An estimated 2.4 million urban residents are receiving water from improved sources. People are benefitting from higher water quality, more hours of service per week, and access to reliable water supply systems. In addition, about 342,500 people have benefitted from new sewer connections, and nearly 229,000 people living in informal settlements in Nairobi, Mombasa, Malindi, and Mumias have access to improved water sources.

Proposed Changes (Reallocation between disbursement categories).

9. The purpose of this reallocation is to align the loan expenditure categories with the procurement plans of the three implementing agencies. By reallocating resources between the existing expenditure categories, the Project will be able to align the resources optimally and fully utilize the credit. The National Treasury submitted a formal request for reallocation between disbursement categories in USD currency on November 27, 2018. AWSB submitted the proposed reallocation in SDR to the Bank. Important to note that SDR amounts for Categories 7 and 8 were modified to reflect actual amounts given that they were slightly higher than the proposed amount by AWSB, and Category 6 was slightly modified so that the total proposed reallocation is equal to the current allocation (see following table). The reallocation table was agreed with AWSB.

II. DETAILED CHANGES



REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Ln/Cr/TF	Current Expenditure Category	Current Allocation	Actuals + Committed	Proposed Allocation	Disbursement % (Type Total)	
					Current	Proposed
IDA-51030-001 Currency: XDR	GD, WKS,TR & CS-PT 1a,b(i&iv),c & f	81,400,000.00	82,480,477.11	93,457,718.00	93.00	93.00
	OPERATING COSTS -PT 3 (f)	50,000.00	26,536.60	50,000.00	90.00	90.00
	UNALLOCATED	19,300,000.00	0.00	0.00		
	GDS, WKS, TRG & CS-PT 1(b) (ii)	1,150,000.00	1,812,656.16	1,802,581.00	93.00	93.00
	GDS, WKS, TRG & CS-PT 1 (b) (iii)	600,000.00	431,306.20	641,719.00	93.00	93.00
	GDS, WKS & CS-PT 1(e) (ii)	12,700,000.00	4,282,719.90	9,729,547.00	1.00	100
	GDS, WKS & CS-PT 1 (d)	9,600,000.00	5,475,024.80	9,726,533.00	100.00	100.00
	GDS, WKS, TRG & CS-PT 2 a,b,c,e & f	38,300,000.00	44,486,641.64	46,617,508.00	91.00	91.00
	GDS, WKS & CS-PT 2 (d)	9,500,000.00	10,120,837.89	10,120,838.00	100.00	100.00
	GDS, WKS, TRG & CS-PT 3 a,b & d	10,400,000.00	10,279,605.54	10,279,606.00	94.00	94.00
	GDS, WKS & CS -PT 3 (c)	9,800,000.00	7,881,537.52	10,373,950.00	100.00	100.00
	Total	192,800,000.00	167,277,343.36	192,800,000.00		