



1. Project Data:		Date Posted : 04/02/2003	
PROJ ID: P009482		Appraisal	Actual
Project Name: Fourth Dhaka Water Supply & Sanitation Project	Project Costs (US\$M)	175.8	127.4
Country: Bangladesh	Loan/Credit (US\$M)	80.3	50.6
Sector(s): Board: WS - Water supply (88%), Sewerage (6%), Sanitation (6%)	Cofinancing (US\$M)	32.6	28.6
L/C Number: C2926			
	Board Approval (FY)		96
Partners involved : Government of Japan, Government of France	Closing Date	12/31/2002	06/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
Robert C. Varley	Jorge Garcia-Garcia	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
Commence institutional reform that would lead to efficient commercial operation of the Dhaka Water and Sanitation Authority (DWASA) and prepare a strategy to increase private participation;			
1. increase the life of existing assets and reduce water losses;			
2. strengthen water resources management (WRM)			
3. increase potable water supply by effectively utilizing available surface and groundwater;			
b. Components			
The components were (i) Institutional Reform and Development; (ii) Capacity additions and service extension; (iii) Loss reduction, sanitation and efficiency improvements; (iv) Technical Assistance; and (v) Project Preparation and Implementation.			
Total project costs were \$175.8/\$127.4 (SAR/ICR) million categorized as follows:			
<ul style="list-style-type: none"> Land Acquisition: \$24.5/\$22.8 Saidabad Water Treatment Plant (WTP): \$89.7/\$61.9 New Pipelines: \$26.6/\$19.5 Distribution System Rehabilitation \$10.2/\$1.2; Expansion of Service Connections \$2.8/\$0.1 Development of Sewerage/ Sanitation \$5.0/\$1.1 Institutional Development TA \$8.9/\$6.0 Project Preparation/ Implementation Support: \$8.9/\$10.2 Other (Electric Connection and Office Furniture): \$0.0/\$4.5 			
c. Comments on Project Cost, Financing and Dates			
The ICR describes the components with one set of headings and the costs with another. Due to failure to implement institutional reforms the project was suspended in November 2000, for 5 months. The project also finished 6 months early due to cancellation of the Phase 2 and 3 Leak Detection Programs, the tertiary distribution pipeline works and household connections. The meter installation program, sanitation works and tubewell regeneration program were all cut back. The credit was reduced by \$15 million to match the revised program. However procurement of vehicles, equipment and computers became so delayed that they could not be completed within the reduced project period. Only 63% of the IDA's \$80 million commitment was disbursed.			
3. Achievement of Relevant Objectives:			
1. The institutional and policy reform objectives were not achieved and the utility did not become a fully commercial operation. Financial governance remained weak and little progress was made in increasing private sector participation in operations.			
2. The main component, a 225 million gallon per day WTP, was completed on time and below budget. Various components of the water supply system were tested and made operational in June 2002.			
3. The project has a positive economic NPV, even under pessimistic assumptions.			
4. Meter coverage, the level of receivables, and DWASA's contribution to capital expenditure deteriorated.			

Unaccounted for Water (UAFW), which was 49% in 1994, fell to 43% , considerably short of the 30% targeted.
5. The WTP allows Dhaka to improve its water resources management by substituting for groundwater with treated surface water.
6. Project preparation and Implementation TA was successfully executed .
4. Significant Outcomes/Impacts:
1. The WTP was finished within budget and on time .
2. Meter reading, billing and collection were contracted out, albeit to a cooperative owned by DWASA staff unions . A computer-based system was introduced .
3. Most performance indicators have shown improvements since project inception in 1994 - 24 hour service per day is now available and personnel productivity has increased .
5. Significant Shortcomings (including non-compliance with safeguard policies):
1. The drivers of change were not identified in the project's design . Institutional objectives were too ambitious and not owned by the client, despite three previous Bank -DWASA projects.
2. Managers brought in from the private sector were not retained and the Managing Director is presently employed under a short-term contract.
3. The Bank's management did not act on the problems reported by the supervision team .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Moderately Unsatisfactory	The largest component, the WTP, was completed on time, below budget and the ERR was 37%, well above the test discount rate of 12%. The overarching objectives of the project were institutional reform and increased private sector participation in the sector - these were not achieved
Institutional Dev .:	Modest	Modest	
Sustainability :	Unlikely	Unlikely	Sustainability would be likely if the Government of France follows through on its agreement in principle to finance the WTP's O&M, and training for a five year period.
Bank Performance :	Unsatisfactory	Unsatisfactory	The Bank did not use an existing PAL (Policy Adjustment Loan) to push through necessary policy changes and the mid-term review failed to scale back drastically the project's expected outcomes.
Borrower Perf .:	Unsatisfactory	Unsatisfactory	The Local Government Division failed to monitor compliance with the Loan Agreement and did not play a proactive role in implementation. Despite this being the 4th Bank-DWASA project knowledge of Bank procurement procedures was weak.
Quality of ICR :		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:
<ul style="list-style-type: none"> • Early supervision should either sort out the problems of adherence to covenants or cancel the project before major infrastructure contracts have been awarded . • The absence of a main Project Director (there were different project directors for various project components) prevented efficient implementation of several works and consultancy contracts .
8. Assessment Recommended? <input type="radio"/> Yes <input checked="" type="radio"/> No
9. Comments on Quality of ICR:
Good - forthright and well-written.