



1. Project Data

Project ID P101650	Project Name IN:AP & TS RWSS	
Country India	Practice Area(Lead) Water	
L/C/TF Number(s) IDA-46530	Closing Date (Original) 30-Nov-2014	Total Project Cost (USD) 180,000,000.00
Bank Approval Date 22-Sep-2009	Closing Date (Actual) 30-Nov-2017	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	150,000,000.00	0.00
Revised Commitment	125,034,608.00	0.00
Actual	112,547,852.75	0.00

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2. Project Objectives and Components

a. Objectives

According to the Project Appraisal Document (PAD) (p.4) and the Financing Agreement of January 22, 2010 (p. 4) the objective of the project was “to assist the State of Andhra Pradesh improve its rural water and sanitation services, through the progressive decentralization of such services, increased community participation, and improved accountability”. The objective as stated in the PAD was slightly different and did not include “decentralization of such services” but only “decentralization”.



b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project included three components:

Component A: Capacity and Sector Development (appraisal estimate US\$12 million, actual US\$2.70 million): This component was to finance the building of institutional capacity for implementing, managing and sustaining project activities, as well as sector development studies to inform policy decisions. The main sub-components were to include: (i) capacity building and training activities for state level institutions, Panchayati Raj institutions (PRIs) and sector stakeholders; (ii) Information, Education and Communications (IEC) Program which was to include the development of a communication strategy, manuals and handbooks at the district level, and specific IEC to promote behavioral changes in hygiene; and (iii) sector development studies which were to include cost-effectiveness and sustainability analysis, appropriate technologies for Rural Water Supply and Sanitation (RWSS) schemes, institutional models for service provision, groundwater management by rural communities, and independent assessments and project reviews.

Component B: Infrastructure Development (appraisal estimate US\$153.5 million, actual US\$113.2 million): This component was to finance investments for improving water supply and sanitation services in the project habitations, including construction of new infrastructure or rehabilitation and augmentation of existing schemes, and sanitation and hygiene promotion including support to the governmental Total Sanitation Campaigns, and incentives for achieving “open defecation free status” and infrastructure investments for latrines, soak pits, drainage and underground drainage, and solid waste management.

Component C: Project Implementation Support (appraisal estimate US\$14.5 million, actual US\$7.90 million): This component was to finance the support of the Project Support Unit (PSU) under the State Water and Sanitation Mission (SWSM), assisted by staff in the districts (D-PSUs) to coordinate with various stakeholders, procure external services (as required) to support the implementation of the project, and review and report the progress of the project. This component was also to finance a Sector Information System (SIS) and Monitoring and Evaluation (M&E) System for the sector program and the project, and Financial Management System for administering funds and expenses for the project.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The project was estimated to cost US\$180 million. Actual cost was US\$135.22 million (68.77% of the appraisal estimate).

Financing: The project was to be financed by a US\$150 million credit by the International Development Agency (IDA) of which US\$112.54 million was disbursed. US\$25 million was cancelled as requested by the government and US\$4.21 million was undisbursed.

Borrower Contribution: The borrower was to contribute US\$30 million. Actual contribution was US\$22.6 million.

Dates: The project was approved Sept 22, 2009 and became effective March 23, 2010. The project's



closing date was extended by a total of three years from November 30, 2014 to November 30, 2017.

The project was restructured six times (all level 2 restructurings):

- On September 25, 2013 the project was restructured to: i) cancel US\$25 million equivalent as requested by the Indian government due to the depreciation of the Indian Rupee against the US Dollar and slight revisions to the costs of activities under Components A and C, and restructuring of the sanitation subcomponent of the Infrastructure Component; ii) drop activities relating to solid and liquid waste management in major gram panchayats and underground drainage in mandal headquarters from the sanitation subcomponent, and exclusive targeting of the poor and vulnerable habitations (scheduled caste and scheduled tribe) for sanitation access; and iii) better align PDO indicators with core sector indicators of the Bank and modify indicators to better measure sanitation outcomes.
- On November 19, 2014 the project was restructured to: i) extend the closing date from November 30, 2014 to May 31, 2016 due to implementation delays occurred; ii) revise disbursement estimates and implementation schedule; and iii) extend the end targets of indicators in the Results Framework to be aligned with the proposed revised closing date.
- On February 6, 2015 the project was restructured to reflect the bifurcation of Andhra Pradesh into the States of Andhra Pradesh and Telangana: i) divide of the project between the two states, division of the project targets between the two states; ii) revise of some of the indicators in the Results Framework; iii) clarify the implementation responsibilities in each state since two new Implementing Agencies were established to replace the original Implementing Agency.
- On May 25, 2016 the project was restructured to extend the project closing date from May 31, 2016 to November 29, 2016 to allow for the completion of works, strengthen community ownership to take over Operation & Maintenance (O&M) of assets, and pilot O&M models for multi-village schemes.
- On November 23, 2016 the project was restructured to extend the closing date from November 29, 2016 to May 31, 2017 to allow for i) securing a smooth handover of assets created to community groups for O&M, ii) creating institutional back up support systems at the implementing agency level, and iii) strengthening the assets created in the project habitations for smooth functioning of O&M.
- May 25, 2017 the project was restructured to extend the closing date from May 31, 2017 to November 30, 2017 to allow for the completion of activities which completion was delayed due to staffing constraints and institutional realignment in the new states, and to address issues related to last mile connectivity in service delivery and O&M issues.

3. Relevance of Objectives

Rationale

According to the PAD (p. 1) India has significantly improved its water supply and sanitation access in recent decades and has been able to provide a basic minimum of 40 liters per capita per day to 96% of its rural population. However, operational and financial issues persist: i) many rural habitations have declining service standards and coverage decreasing to “not covered” or “partially covered” status; ii) rural schemes continue to survive on large operating subsidies provided by the States, mainly due to low Operation & Maintenance (O&M) cost recovery through user charges; iii) depleting groundwater table and deteriorating water quality are threatening source sustainability; iv) due to insufficient O&M resulting in partially functioning or non-



functioning schemes, the rural communities carry high coping costs and revert to conventional substitutes that are often unsafe; v) sanitation coverage has increased but demand for it is low; vi) limited decentralization in the provision of water and sanitation services and limited involvement of Panchayati Raj Institutions (PRIs) and beneficiary groups and vii) lack of institutional clarity with multiple agencies being involved in the different aspects of policy-making, regulation and service delivery.

The project's objective was in line with the government's 11th Five Year Plan (2007/08-2011/12) which emphasizes the use of groundwater, surface water and rainwater harvesting systems, with decentralized approaches and community participation. The project also supported the government's Swajaldhara program for water supply and the Total Sanitation Campaign for sanitation. According to the Bank team (June 26, 2018) there was no Five Year Plan in place at project closure, however, the team stated that the project also supported the National Rural Drinking Water Program that aims to improve services and provide house connections.

The project was also in line with the Bank's Country Partnership Strategy (CPS) (2009-2013) which focused under pillar III on increasing effectiveness of service delivery. The project also supported the Bank's CPS (2013-2017) in place at project closing which aimed to strengthen major centrally sponsored schemes such as rural sanitation and water supply and to support the decentralization of programs and policies under ongoing rural water supply sanitation projects.

However, while there is clear alignment between the project's development objectives and the country- and Bank strategies, the relevance of the objectives is pitched at a level that does not adequately reflect a potential solution to a development problem. While acknowledging the difficulty of the operational environment, the objective should be directed at a level where it can be traced to what the increased access to water and sanitation services are likely to lead to, whether it be improved health and economic outcomes, improved environment or other factors affecting community livelihoods. These may be longer term targets but tracking them and identifying them is an important aspect of a successful development operation. Due to the relatively low ambition of the objective, Relevance of Objective is rated Substantial.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To assist the State of Andhra Pradesh improve its rural water and sanitation services, through the progressive decentralization of such services, increased community participation, and improved accountability

Rationale

Rationale: The project's theory of change linked the decentralization of responsibilities for the provision of water services, the improvement of community participation and improved accountability to improvement of rural water and sanitation services.



Objective 1: Improve its rural water services:

Outputs:

- The project supported 1,378 water service providers (village committees), not achieving the target of 1,521 providers. In Andhra Pradesh 560 providers and in Telangana 818 providers were supported, not achieving the targets of 685 and 836 providers respectively. The project supported the establishment of village committees.
- Communities constructed a total of 1,431 water supply schemes, surpassing the target of 150 schemes. In Andhra Pradesh 737 schemes and in Telangana 694 schemes were constructed, surpassing the targets of 40 and 110 schemes respectively.
- 268,077 new piped water connections were constructed under the project, surpassing the target of 42,000 connections. In Andhra Pradesh 146,511 and in Telangana 121,566 connections were constructed, surpassing the targets of 19,500 and 22,500 connections respectively.
- 141 recharge structures were built to strengthen the sources, not achieving the target of 250 structures. In Andhra Pradesh 108 structures were built and in Telangana 33 structures were built. While in Andhra the target of 108 structures was achieved, in Telangana the target of 142 structures was not.
- 670 single-village schemes and 20 multi-village schemes were developed in Andhra Pradesh and 795 single-village schemes and 26 multi-village schemes were constructed in Telangana. These outputs did not have a target. According to the ICR (p. 16) two sustainability assessments were conducted in both states between October 2016 and June 2017. In post-bifurcation Andhra Pradesh, a 10 percent sample showed that all schemes performed at the 55lpcd level and more than 70 percent of schemes achieved satisfactory delivery in regard to quantity, quality, and reliability. More than 74 percent of consumers reported to be highly satisfied and almost 21 percent reported being partially satisfied. In Telangana, a similar 10 percent sample showed that in all districts, with the exception of one, the level of service had improved (from stand post to house connections) and all districts reported water appropriate for drinking in all seasons. High marks were achieved in key service areas such as sufficient water to meet demand (87 percent), delivering water as required at 55lpcd (85 percent), equal pressure for all households (80 percent), schemes being chlorinated regularly (93 percent), and a sustainable source even in peak season (78 percent).
- In Andhra Pradesh 377 augmentation schemes and in Telangana 560 augmentation schemes were built by communities. This output did not have a target.

Outcomes:

- A total of 2.1 million people in rural areas were provided with access to improved water sources under the project, achieving the revised target of 1.89 million people but not the original target of 2.15 million. This indicator lacked a baseline. In Andhra Pradesh 1.4 million people and in Telangana 1.29 million people in rural areas were provided with access to improved water sources, surpassing the targets of 860,000 people and 1.03 million people, respectively.
 - According to the ICR (p. 59) the time saved for water collection did not change between appraisal and project completion (0.66 hours per household per day).
 - While water consumption at baseline was 16 lpcd it increased to 20 lpcd by project completion.
 - While incremental water consumption was 24 lpcd at appraisal it increased to 35 lpcd by project completion.
 - The cost of per kiloliter of water increased from Re 9.55 at appraisal to Re 10.69 by project closing.



Rating
Substantial

Objective 2

Objective

Objective 2: Improve its rural sanitation services:

Rationale

Outputs:

- 9,362 improved latrines were constructed under the project, not achieving the target of 12,000 latrines. In Andhra Pradesh 4,451 latrines were constructed, achieving the target of 4,250 latrines and in Telangana 4,911 latrines were constructed, not achieving the target of 7,750 latrines.
- 316,206 people, mainly village level committee members and operators, were trained to improve hygiene behavior/sanitation practices under the project, surpassing the target of 200,000 people.
- 8,371 soak pits were constructed to dispose of the sullage, not achieving the target of 12,700 soak pits. In Andhra Pradesh 4,650 soak pits were constructed and in Telangana 3,721 soak pits were constructed. While the target of 4,650 soak pits was achieved in Andhra Pradesh, the target of 3,721 soak pits in Telangana was not.

Outcomes:

- A total of 41,899 people was provided with access to improved sanitation services, not achieving the target of 60,000 people. This indicator lacked a baseline. In Andhra Pradesh, 22,255 people and in Telangana 19,644 were provided with access to improved sanitation services not achieving the targets of 60,000 and 38,750 people, respectively.
- According to the ICR (p. 18) only the sustainability report on Telangana provided information on sanitation. While 88 percent of the districts reported having toilets in the houses connected to drainage system, 12 percent of districts reported open defecation. By the time the project closed, 32.8 percent of Gram Panchayat Village Councils were reported to have reached open defecation free status.

Outputs that benefited both objectives:

- Improvement in cost recovery: the average contribution to Operation & Maintenance (O&M) cost was 69 percent, surpassing the original target of 50 percent and almost achieving the revised target of 70 percent. In Andhra Pradesh the average contribution to the O&M cost was 80 percent, surpassing the original target of 50 percent and the revised target of 70 percent. In Telangana the average contribution to O&M cost was 60 percent, achieving the original target of 50 percent but not achieving the revised target of 70 percent. However, the ICR (p. 17) stated that the data collected was a one-time sample since the Rural Water Supply



Sanitation (RWSS) department does not track user fee collection of RWSS schemes.

- The average collection efficiency was 74.5 percent, surpassing the original target of 50 percent and the revised target of 70 percent. In Andhra Pradesh the average collection efficiency was 80 percent, both surpassing the original targets of 50 percent and the revised targets of 70 percent. In Telangana the average collection efficiency was 70 percent, achieving the target of 70 percent. However, the ICR (P. 17) stated that the data for collection efficiency was not collected in a systematic manner. The ICR calculated derived the data from comparing overall revenue requirement to the actual revenue per household and through the amount of tax collected by the Department of Panchayat Ray and Rural Development. However, the ICR stated that establishing a correlation between project activities is challenging and the indicator and that the indicator was not monitored regularly.

Rating
Modest

Rationale

Achievement of the first objective was Substantial while achievement of the second objective was Modest. Overall efficacy is rated Modest.

Overall Efficacy Rating
Modest

Primary reason
Low achievement

5. Efficiency

Economic Efficiency:

The PAD (p.17) conducted a cost-benefit analysis for a sample of schemes using representative technology options: single-village schemes (not covered habitations), single-village scheme (habitations with no safe source), single-village scheme (partially covered habitations), and multi-village schemes. A representative household sample survey covering 3256 households was used. The analysis quantified the following estimates: (i) time saved in water collection; (ii) benefits from incremental water supply; (iii) savings on recurring and capital costs; and (iv) health benefits from reduction in gastroenteritis, diarrheal and malarial diseases. The average unit cost of capital investment (Rs per capita) for single-village schemes (not covered habitations), was Rs 1,982, single-village scheme (habitations with no safe source) Rs 2,560, single-village scheme (partially covered habitations) Rs 1,754 and multi-village scheme 5,977. A wide variation in cost was expected across villages, depending on the number of households in the village, new schemes to be provided, and the extent of augmentation of existing water supply schemes. The O&M cost varied from Rs 20 to Rs 100 per capita per annum. The above costs were extrapolated for the entire Project, based on the following phasing of schemes: 10%, 20%, 30%, 30% and 10% for the first, second, third, fourth and fifth year respectively. The software cost (including capacity building and program management) were extrapolated



based on the projections for five years: 30%, 35%, 20%, 10%, and 5% in first, second, third, fourth and fifth year respectively. The O&M cost recovery was expected to increase from the current low level of 20% to at least 70% by the end of the project period.

The economic rate of return (ERR) of the project was estimated to be 21 percent. The Benefit-Cost ratio was estimated at 1.73 using a discount rate of 12%.

The ICR (p. 20) conducted a similar cost-benefit analysis for the overall project and separately for Andhra Pradesh and Telangana States due to the 2014 bifurcation and creation of Telangana State. The ERR for Telangana was 40.9 percent, for Andhra Pradesh 34.3 percent and for the overall project 38 percent. The ICR stated that the ERR at project closing was higher than at appraisal due to changes in project scope which focused project financing on water supply interventions which had a higher ERR than sanitation. Also, overall EIRR for all key intervention areas in both states indicate that project expenditures delivered results in excess of the opportunity cost of capital, significant savings in exchange rate and on water supply contracts allowed for the expansion of the scope of the piped water connections, and the introduction of the Swachh Bharat Mission decreased the scope of the sanitation activities since the government took over more responsibilities.

Operational Efficiency:

The project experienced several implementation delays due to political factors such as the 2014 bifurcation, delay in the appointment of a project director, setting up of an alternate payment mechanism for goods and services and lack of adequate staffing at the district level. The project had to be extended four times for a total of three years which might be indicative of an inefficient use of project resources.

Overall, efficiency is rated Substantial

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objective is Substantial given the high level objective which does not present a development solution to a significant challenge. Overall efficacy is rated Modest and efficiency is rated Substantial, resulting in an overall outcome rating of Moderately Unsatisfactory.



a. Outcome Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

The sustainability of the outcomes achieved under the project faces several challenges.

First, financially: Revenues are being generated from the water tax, a percentage of the household or property tax, national transfers from the 14th Finance Commission, and water fees collected from users. However, according to the ICR (p. 31) this approach has several issues: i) lack of connection between actual costs and collection for services; ii) water users are not part of the decision to what extend water services should be financed; iii) the Graham Panchayat Village Council (GP) does not have a separate account for financing water supply and sanitation services which does not allow for monitoring expenditures of the water and sanitation sector (WSS); iv) the limited financial resources of the GP might have a negative impact on O&M of the WSS. The project's sustainability assessment showed a positive trend of the recently built system. In Andhra Pradesh 16.4 percent of the district systems were rated as sustainable and delivering services as expected and 64.2 percent were rated as sustainable with community action. In Telangana, 16 percent of the district systems were rated as sustainable and delivering services as expected and 69 percent were rated as sustainable with community action.

The ICR (p. 31) stated that the Zila Parishads (ZPs) are the asset owners of multi-village systems and are responsible for their O&M. The ZPs have to finance the cost of bulk water through finance commission grants. Since 2015 these grants are no longer available and the states made ad-hoc arrangements to come up with financing for this cost which might have a negative impact on the O&M for multi-village systems.

Second, capacity at the State Project Support Unit: According to the ICR project implementation heavily relied on consultants, especially in critical areas such as M&E, information, education, communication and social and capacity building. This might indicate a lack of sufficient capacity built in house.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project was built on lessons learned from previous RWSS projects in India and other regions. The design of the project was flexible to allow for the piloting of new technologies and management systems. The project was in line with the government's 11th Five Year Plan (2007/08-2011/12) which emphasized the use of groundwater, surface water and rainwater harvesting systems, with decentralized approaches and community participation, and the Bank's Country Partnership Strategy at appraisal. The Bank team consisted of experts from relevant areas.

The Bank team identified relevant risks such as the lack of use of consistent and appropriate procurement procedures and transparency and Graham Panchayat Village Councils with significant weaknesses in areas of budgeting, planning, flow and accounting/financial reporting, and internal controls. The risk of political changes that may adversely affect the RWSS Sector Program was rated Substantial. Even though the



bifurcation of the state fell in this area, the extent of the impact of this political change on project implementation was underestimated. Also, the risk of delays in setting up the project support units and payment systems and lack of adequate capacity at the district level were not identified and resulted in significant implementation delays.

The Results Framework had several shortcomings such as lack of clarity of the definition of several indicators (see section 9a for more details).

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

According to the ICR (p. 30) the Bank conducted regular supervision missions (a total of 17 missions) with frequent field visits and provided timely advice in critical areas such as financial management, procurement, safeguards and any implementation issues that came up. Also, the ICR stated that the Bank team responded quickly after the bifurcation in June 2014 and restructured the project in December 2014 to allocate resources and responsibilities. The project benefited from the consistency of only one change in Task Team Leader.

Also, many technical experts stayed on the team throughout project implementation. The ICR (p. 30) stated that ratings in the Implementation Status Reports were candid and aide-memoires included sufficient information and recommendations, which were agreed on with the implementing agencies, for overcoming implementation issues. The Bank team modified the Results Framework three times, however, and according to the ICR (p. 27) the definition of indicators were being discussed until project closing, indicating a lack of clarity.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E design included the establishing of a M&E system to gather baseline data, measure inputs, outputs, and outcomes and the project's results indicators. The design also included conducting of periodic reviews such as technical and financial audits for randomly selected schemes, and the conducting of social audits and beneficiary assessments by Non-Governmental Organizations (NGOs) and community-based organizations (CBOs). Furthermore, the design included conducting a sustainability monitoring evaluation and establishing a sector information system to consolidate data at the state level to assess overall progress. This information system was to be linked up with the Indian Department of Water Supply, Monitory Information System. The objective was high-level and the project's Theory of Change was not adequately reflected in the Results Framework. The Results Framework included four PDO indicators of which some were not clearly defined. For



example, the Results Framework did not define how “improved water supply” for PDO indicator 1 (people/households in project areas with access/use to improved water supply services) or “adequate piped water supply” for PDO indicator 1 (people / households in project areas with access to adequate piped water supply throughout the year) was to be defined. All PDO indicators had a baseline as well as many intermediate outcome indicators. For those indicators which lacked a baseline, the baseline was to be established during the first year of project implementation.

b. M&E Implementation

According to the ICR (p. 25) of the five different types of M&E activities, four were partially implemented. The independent quality control wing within the Rural Water Supply and Sanitation conducted audits of all schemes and independent quality audits were conducted by consultants. Also, social audits were conducted of all the single village schemes and in-village schemes by the district project support unit. NGOs/CBOs were not hired as was originally planned due to difficult contracting processes and weak capacity of local NGOs. Two sustainability assessments, covering approximately 20 percent of single village systems were conducted in Telangana and one evaluation covering approximately 10 percent of schemes was conducted in Andhra Pradesh. An M&E system was not established. Instead, the ICR (p. 26) stated that a series of six Excel sheets allowed district officials to collect information to be consolidated at the state level. Also, a sector information system was not implemented. Furthermore, the baseline for some indicators was never established.

According to the Bank team (June 22, 2018) all indicators related to inputs, outputs, progress of schemes, procurement etc., were measured by the district teams and relevant information was sent to the state level SPSU through excel based files. With respect to O&M related data, regular data collection by the district units was weak. This was partly due to the institutional set up in the states. O&M monitoring post construction was the responsibility of the Panchayati Raj department, which, as per project design, was not involved in the project.

Even though the Bank revised the Results Framework in three of the project restructurings, the ICR (p. 27) stated that the lack of clarity about the definition of PDO indicators and how indicators related to improvement in cost recovery were calculated persisted until project closing. Also, according to the ICR (p. 27) the sustainability assessments provided relevant information on service levels, community participation, and consumer satisfaction. However, since the assessments were only completed six months before project closing, there was not adequate time to implement any of the report’s recommendations.

c. M&E Utilization

According to the ICR (p. 27) the number of projects, progress, contracting status, costs and expenditure and coverage were monitored through an internal excel-based monitoring system developed by the state project support units and informed decision making on spending, prioritizing investments, and reaching additional people.



M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as category B and triggered OP/BP 4.01 (Environmental Assessment) and OP/BP 4.36 (Forests). An Environmental Management Framework (EMF) which included a screening and appraisal process for the water supply schemes, institutional arrangements, and plans for capacity building and monitoring, was developed. Mitigation measures included source protection works, disinfection, clearing of construction waste, construction of compound walls for storage reservoirs, and testing of backwash water for compliance with regulatory norms. The implementation of these mitigation activities was monitored through an internal peer-reviewed based supervision process and an external audit. According to the ICR (p. 28) the project screened schemes involving forestlands, however, no schemes were identified. The ICR stated that overall project environment safeguard performance was rated Moderately Satisfactory and according to the Bank team the project complied with the Bank's safeguards.

b. Fiduciary Compliance

Financial Management:

According to the ICR (p.28) the project maintained an integrated management system for accounting, financial reporting, and disbursement. Audit reports with unqualified opinions were submitted to the Bank with some delays. The ICR stated that the project experienced financial management issues due to slow implementation, lack of counterpart funds at the beginning of implementation, and lack of contract payments. In addition, financial reports were not submitted in a timely manner for some reporting periods due to staff turnover and inadequate data entry. Audits were conducted by the Central Ministry Controller and Auditor General and were submitted in a timely manner. According to the ICR (p. 29) the District Project Support Unit was adequately staffed and was efficient in proactive in addressing any requests. The ICR (p. 28) stated that the project's overall financial management performance was rated Moderately Satisfactory.

Procurement:

According to the ICR (p. 29) the Project Management Units at the state level had adequate capacity for implementing procurement activities such as procurement planning and bidding satisfactorily. Generally, the project complied with the Bank's procurement rules, however, the project faced issues such as delayed payments due to internal management inefficiencies resulting in delayed completion of contracts and the need to extend the project's closing dates. The ICR stated that overall procurement performance was rated Moderately Satisfactory.

c. Unintended impacts (Positive or Negative)

NA



d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of M&E	Modest	Modest	---
Quality of ICR		Substantial	---

12. Lessons

The first two lessons are taken from the ICR (p. 33-34) with some modification of language:

- **Decentralizing service delivery requires sufficient analysis and understanding of the political economy of the project counterpart.** In this project, the Bank’s support to the states in managing the investment program for access expansion was critical. However, additional support was required to change the entrenched way of providing service delivery through a centralized approach.
- **Communities having access to water is a pre-requisite to move towards open defecation free status.** Users reported that it is easier to maintain latrines once water is available to keep them clean, supporting the hypothesis that latrine use is higher once water access is ensured.

Additional lesson by IEG:

- **Implementing a sustainable M&E system is critical for ensuring an adequate assessment of the threats to the financial sustainability of water and sanitation services.** In this project, inadequate data for two important indicators, contribution to O&M and average collection efficiency, does not provide sufficient information to assess the financial sustainability of the sector, nor the granularity to better respond to continued needs.

13. Assessment Recommended?

No

14. Comments on Quality of ICR



The ICR provided a good overview of project preparation and implementation. Also, the ICR included an adequate economic analysis, was sufficiently outcome driven, concise and candid. However, the ICR lacked information in critical areas such as M&E and whether the project's objective was still relevant to the government's strategy at project closing. Also, the lessons learned were rather broad and not sufficiently specific to the project's implementation experience.

a. Quality of ICR Rating
Substantial