



1. Project Data :
OEDID: C2060
Project ID: P001340
Project Name: Third Nairobi Water Supply
Country: Kenya
Sector: Urban Water Supply
L/C Number: C2060-KE
Partners involved : OECF, AfDB EIB
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2. Project Objectives, Financing, Costs and Components :

Objectives: The Project was intended to (a) augment Nairobi's water supply capacity; (b) improve the basic needs provision and health conditions of the urban poor; (c) assist in maintaining Nairobi's sanitation standards; (d) decrease pollution in the Nairobi river and (e) improve operational and financial efficiency of the Water and Sewerage Department of the Nairobi City Commission.

Components: The Project comprised (a) construction of a new dam, including its access roads, intakes and transmission tunnels and main; (b) extension of the water treatment capacity at Ngethu from 180,000 to 460,000 cubic meters/day and adding capacity in mains, storage, distribution, instrumentation, staff housing and offices; (c) extension of wastewater treatment capacity to 90,000 cubic meters/day and staff housing, offices and amenity building; (d) extensions of mains, public water points, water selling kiosks, and sanitation improvements in low income areas; (e) provision of consultancy services for engineering design and for construction supervision and for the updating and preparation of a Sewerage and Sanitation Master Plan; and (f) provision of salaries and benefits for management staff; provision for implementation of a training program including purchase of office technology equipment; implementation of a "self accounting" system, and implementation of an environmental action program.

Costs: The total cost estimated at appraisal was the equivalent of USD 216.7 million and the final estimate was the equivalent of USD 212.9 million.

Financing: An IDA credit of USD 64.8 million was approved in FY90 and closed on June 30, 1998 two years after the original closing date. The co-financiers OECF provided USD 21.0 million, AfDB provided USD 62.8 million, and EIB provided USD 20.6 million.

3. Achievement of Relevant Objectives :

The Project (a) did augment Nairobi's water supply capacity from some 214,000 cubic meters per day in 1988/89 to some 455,000 cubic meters per day in 1995/96; (b) did increase the number of residential connections from 93,000 to 145,000 connections but at the same time the population unconnected rose from an estimated 720,000 to 1,050,000. At closing about 50% of the population still had no direct access to piped water of whom the majority was likely among the urban poor; (c) hardly maintained Nairobi's sanitation standards since at closing construction on the planned wastewater treatment plant was not completed and since a significant portion of the wastewater generated within Nairobi did not reach the plant; (d) did maintain effluent quality standards from the wastewater treatment works albeit possibly because much of the wastewater generated was not collected and brought to the treatment works. Lack of data makes it difficult to judge whether the quality of the Nairobi river waters improved; and (e) failed completely in improving the operational and financial efficiency of the Water and Sewerage Department of the Nairobi City Commission.

4. Significant Achievements :

The Project (a) did more than double water production capacity but was not able to fully use the higher production capacity because of under-investment in distribution capacity; (b) did increase the total number of water connections by 50% but the number of the unconnected population grew by 50% as well, leaving more than 50% of the total population unconnected at the end of the project. The majority of those that remained unconnected are the urban poor. Lack of data prevents an opinion how the health situation among the urban poor evolved.

5. Significant Shortcomings :

The Project (a) did not significantly improve water supply and sanitation services for the low -income population in Nairobi; and (b) failed completely in improving the operational and financial efficiency of the Water Supply Department of the Nairobi City Commission; and (c) is therefore unlikely to be sustainable . The key indicator of " Unaccounted-for-Water" actually increased from 28% to 51% during the project implementation . Working capital turned negative and reduced maintenance . The deferred maintenance will likely prove costly in the future in the form of premature breakdowns and inadequate service quality .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Unsatisfactory	Not Applicable
Institutional Dev .:	Negligible	Negligible	Not Applicable
Sustainability :	Unlikely	Unlikely	Not Applicable
Bank Performance :	Deficient	Unsatisfactory	Not Applicable
Borrower Perf .:	Deficient	Unsatisfactory	Not Applicable
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

This Project was doomed to fail for lack of an enabling legal and regulatory environment that could promote financial and institutional autonomy that could make the project sustainable . One result was that the service coverage and quality to the low-income, most needy population improved only marginally . The Project illustrates the thesis " Old Lessons in New Projects". The main lesson is that the technical analysis and implementation were allowed to proceed with the Project's socio-economic, financial, and institutional aspects receiving insufficient attention . The technical concept was also flawed since distribution investments and efforts to increase connection rates lagged production investments . Future Bank operations are likely to prove futile unless the political will appears to change the enabling framework, and the incentive structure for water supply and sewerage operators .

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The quality of the ICR is high although there are insufficient indicators to analyze the health situation of the urban poor (which was one of the objectives) and monitor the quality of the water in the Nairobi river (the improvement of which was another objective .) The ICR captures the essence and extent of the project failure and is not afraid of speaking openly about the shortcomings, both on the IDA side and on the Borrower side .