

## India : Andhra Pradesh Urban Water Supply and Septage Management Improvement

### 1. Project Information

Project ID:	P000079	Instrument ID:	L0079A
Member:	India	Region:	Southern Asia
Sector:	Water	Sub-sector:	Water supply, sanitation, and wastewater treatment
Instrument type:	<input checked="" type="checkbox"/> Loan:400.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier(s):	
ES category:	A	Borrowing Entity:	Ministry of Finance, India
Implementing Entity:	Public Health & Municipal Engineering Department (PHMED), Ministry of Urban Development		
Project Team Leader:	Ronald Muana		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Asma Bachikh, Team Member; Liu Yang, Project Counsel; Aditi Khosla, Alternate Counsel; Yogesh Malla, OSD - Financial Management Specialist; Jurminla Jurminla, OSD - Procurement Specialist; Jyosyula Siva Rama Krishna Sastry, OSD - Environment & Social Development Specialist; Jinghui Li, Project admin		
Completed Site Visits by AIIB:	<p>Aug, 2019 Supervision mission: supervised by PTL and Infrastructure Sector Economist Zacharias Ziegelhöfer, Jurminla, Procurement Specialist, and Mohan Dharmapuram, Water Supply &amp; Sanitation Engineering Consultant.</p> <p>Nov, 2019 Supervision mission: supervised by PTL and Infrastructure Sector Economist Zacharias Ziegelhöfer, Jurminla, Procurement Specialist, Somnath Basu, Principal Social Development Specialist, and Jan Hoybye, Senior Water Supply &amp; Sanitation Engineering Consultant.</p> <p>Jun, 2021 Virtual meeting with PIU to follow up on project progress and address pending issues</p> <p>Jul, 2021 Virtual meeting with PIU to follow up on project progress and address pending issues</p> <p>Aug, 2021 Virtual meeting with PIU to follow up on project progress and address pending issues</p> <p>Sep, 2021 Virtual meeting with PIU to follow up on project progress and address pending issues</p> <p>Nov, 2021 Virtual meeting with PIU to follow up on project progress and address pending issues</p> <p>Jan, 2022 Virtual meeting with PIU to follow up on project progress and address pending issues</p> <p>Jun, 2022 Virtual progress update meeting with PIU</p> <p>Oct, 2022 Supervision mission: supervised online by PTL Wanli Fang, joined on-site by consultants Raghuvir Prabhuchimulkar and Mohan Dharmapuram</p> <p>Dec, 2022 Supervision mission: supervised online by PTL Ronald Muana, joined on-site by consultants Mohan Dharmapuram and Raghuvir Prabhuchimulkar and joined online by Yogesh Mala, Siva Jyosyula, Asma Bachikh, and consultant BKD Raja</p>		

	ES and Procurement mission: supervised online by PTL Ronald Muana, joined on-site by Social Safeguards Specialist Siva Jyosyula, and consultant BKD Raja and Kumaraswamy Sankaravadelu, joined online by Environmental Specialist, Gerry Parco and Procurement Specialist, Jurminla. Jan, 2023 Virtual progress update meeting with PIU Feb, 2023 Virtual progress update meeting with PIU Mar, 2023 Virtual progress update meeting with PIU Apr, 2023 Virtual progress update meeting with PIU May, 2023 Virtual progress update meeting with PIU Jun, 2023 Virtual progress update meeting with PIU, Virtual progress update meeting with PIU
Planned Site Visits by AIIB:	Sep, 2023 Proposed on-site supervision mission
Current Red Flags Assigned:	2
Current Monitoring Regime:	Enhanced Monitoring- Level I
Previous Red Flags Assigned:	2
Previous Red Flags Assigned Date:	2023/05

## 2. Project Summary and Objectives

To provide safe drinking water through piped water supply to 3.3 million people in Andhra Pradesh, and to improve service levels and strengthen sustainable service delivery. The project has three components: (i) Investment in Water Supply Infrastructure. This will include the construction of intakes at the raw water source, raw water transmission mains, water treatment plants, clear water transmission mains, treated water storage, distribution networks, and household service connections; (ii) The construction of pilot sewage treatment plants and (iii) capacity building to strengthen overall project management and supervision and the institutional capacity in the ULBs in municipal services delivery and management, including financial, environmental, and social monitoring.

## 3. Key Dates

Approval:	Dec. 07, 2018	Signing:	Feb. 25, 2019
Effective:	May. 21, 2019	Restructured (if any):	
Orig. Closing:	Jun. 30, 2024	Rev. Closing (if any):	

## 4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	44.69	Most recent disbursement (amount/date):	25.00/May. 12, 2022
Undisbursed:	355.31	Disbursement Ratio	11.17

		(%) <sup>1</sup> :	
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### 5. Project Implementation Update

The project is suffering from a lack of counterpart funding from the government. Disbursement progress as of July 2023 stands at 11.56% compared to 11.23% in the last quarter. The AIIB team escalated the issue with the Government of India (GoI) in many forums. The most recent one is the Tripartite Review Meeting with the DEA and Implementing Agencies held in Delhi, India on July 28, 2023. In the said forum, the Project Implementing Unit (PIU) discussed the project restructuring request to the DEA to extend the project loan closing date. Additional Secretary Manisha Sinha discussed that the matter is being taken up by DEA. The early cancellation of the project is an option being considered. The next supervision mission is planned for Q4 2023. The scope of the next mission will depend on the decision of DEA.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Investment in Water Supply Infrastructure for 50 ULBs (Total costs: USD534 million)	Total Physical Progress from all twenty civil works contracts is only 0.31% in the past quarter.  The contractors have demobilized their workforce from project sites and will remobilize upon the settlement of pending bills.	E&S Supervisors periodically monitor sites.  Monthly project review meetings are held to monitor compliance.	Procurement completed.
Component 2: Investment in Sanitation and Drainage in five pilot ULBs (Total costs: USD14 million)	None. Work is not yet fully mobilized due to the funds flow issue and non-payment of the contractors.	N/A	Procurement completed.
Component 3: Technical Assistance, Institutional Development & Municipal Capacity Enhancement and Implementation Support (Total costs: USD21 million)	The component supports consultancy services for the project. Individual consultants are on board. Project Management Consultancy is ongoing but staffing is impacted by payment delay issues.	N/A	Procurement completed.

<sup>1</sup> Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

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**Financial Management:**

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Overall, the project's financial management was found adequate and in compliance with procedures. The PIA submitted an internal audit report for the reporting period Oct. 1, 2022, to Mar 31, 2023. The report noted the counterpart fund issues, delay of payments, and contract management issues (ex. e.g.ired bank guarantees). The PIA was requested to provide explanations and address identified issues.

Despite assurances, the availability of adequate counterpart funds has been a big question mark. The PIU has not been able to liquidate advances provided by the Bank on a timely basis. The lack of counterpart funds has had a significant impact on the project implementation. This has resulted in substantial delays in payments to contractors and minimal progress in physical progress. The PMU is due to submit the next audited project financial statement for FY2022-23 on December 31, 2023.

**6. Status of the Grievance Redress Mechanism (GRM)**

Two-tiered GRM has been established at the urban local bodies (ULBs). The AIIB team is monitoring the GRC operationalization.

Individuals/parties within India can register grievances through the ULB portal ([jkc.ap.gov.in](http://jkc.ap.gov.in)) and by phone call (1902), among other means. GRM contact information is displayed on on-site project sign boards, ULB notice boards, and published social management plans.

**7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)**

Due to implementation delays, no progress has been made on any of the indicators to be measured. The PIU has been tasked with re-assessing the key performance metrics. They will be able to finalize once there is a final decision and action on the future funds flow.

**Remarks:**

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments
			Baseline		2018		2019		2020		2021		2022		2023		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Households with connection and meter	Project	# of households (in thousands)	2018	0	0		100		300		500		700		850					Quarterly	PMU, ULBs	see summary note
Hours of water supplied per day	Project	Hours per day	2018	4	4		8		12		16		20		24					Quarterly	PMU, ULBs	see summary note
Quantity of water supplied per day	Project	Liters per capita per day (lpcd)	2018	50	50		60		80		100		120		135					Quarterly	PMU, ULBs	see summary note
Quality of water supply according to CPHEEO standard.	Project	% of ULBs	2018	0%	0%		0%		0%		25%		50%		100%					Quarterly	PMU, ULBs	see summary note
No of Pilot ULBs with drainage systems completed.	Project	Number	2018	0	0		0		0		4		5		5					Quarterly	PMU, ULBs	see summary note
Share of HHs in Pilot ULBs covered by rehabilitated drainage system and WWTP	Project	%	2018	0%	0%		0%		0%		80%		100%		100%					Quarterly	PMU, ULBs	see summary note
Amount of treated wastewater divided by water supply/use	Project	%	2018	0	0		0%		0%		50%		70%		80%					Quarterly	PMU, ULBs	see summary note
Outflow concentration (TP) according to CPHEEO standard.	Project	%	2018	0	0		0%		0%		80%		100%		100%					Quarterly	PMU, ULBs	see summary note
Number of ULBs with computerized billing and cost accounting systems in operation	Project	Number	2018	0	0		0		10		50		50		50					Quarterly	PMU, ULBs	see summary note
Increase in revenues for the ULBs and cost recovery to sustain the O&M costs	Project	% out of 50 ULBs	2018	0%	0%		10%		20%		30%		50%		80%					Quarterly	PMU, ULBs	see summary note

Implementation of a water supply and sanitation complaints system including feedback	Project	% out of 50 ULBs	2018	0%	0%		10%		20%		30%		50%		80%				Quarterly	PMU, ULBs	The complaints and feedback system pertains to that of the completed/operational water supply and sanitation system. During project construction, complaints and feedback are captured by the project's GRM and GRCs
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Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values														Frequency	Responsibility	Comments	
			Baseline		2017		2018		2019		2020		2021		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual