

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 USD million <input type="checkbox"/> Guarantee	Co-financier(s):	
ES category:	A	Borrowing Entity:	
Implementing Entity:			
Project Team Leader:	Wanli Fang (DG: Rajat Misra; Responsible Department: INF1)		
Project Team Members:	Liu Yang, Project Counsel; Aditi Khosla, Alternate Counsel; Yogesh Malla, OSD - Financial Management Specialist; Georgi Georgiev Dzhartov, OSD - Social Development Specialist; Gerardo Pio Parco, OSD - Environment Specialist; Jurminla Jurminla, OSD - Procurement Specialist;		
Completed Site Visits by AIIB:	<p>Aug, 2019 The mission team comprised of Zacharias Ziegelhöfer, Bank Team Leader and Infrastructure Sector Economist, Jurminla, Procurement Specialist, and Maruthi Mohan Dharmapuram, Water Supply & Sanitation Engineering Consultant.</p> <p>Nov, 2019 The mission team comprised of Zacharias Ziegelhöfer, Bank Team Leader and Infrastructure Sector Economist, Jurminla, Procurement Specialist, Somnath Basu, Principal Social Development Specialist and Jan Hoybye, Senior Water Supply & Sanitation Engineering Consultant.</p> <p>Aug, 2021 Monthly virtual meeting with PMU to follow up on project progress and address pending issues.</p> <p>Jul, 2021 Monthly virtual meeting with PMU to follow up on project progress and address pending issues.</p> <p>Jun, 2021 Monthly virtual meeting with PMU to follow up on project progress and address pending issues.</p> <p>Nov, 2021 Monthly virtual technical review</p> <p>Oct, 2021 Monthly virtual technical review</p> <p>Sep, 2021 Monthly virtual meeting with PMU to follow up on project progress and address pending issues.</p> <p>Jan, 2022 Bi-monthly virtual project implementation review</p> <p>Mar, 2022 Bi-monthly virtual project implementation review</p>		
Planned Site Visits by AIIB:	<p>Jun, 2022 To be conducted by India-based staff together with consultant.</p>		
Current Red Flags Assigned:	2		
Current Monitoring Regime:	Enhanced Monitoring- Level I		
Previous Red Flags	1		

Assigned:	
Previous Red Flags Assigned Date:	2021/09

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 construction of intakes at 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. Mid-term review is planned for the first half of 2022 and the necessity of extension of loan closing date will be discussed then.

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:	19.69	Most recent disbursement (amount/date):	12.66/Apr. 14, 2022
Undisbursed:	380.31	Disbursement Ratio (%) ¹ :	4.92

5. Project Implementation Update

Overall the project has made some progress in implementation during the past six months. The second semi-annual progress report was prepared and submitted to AIIB in February 2022.

Procurement of all contracts has been completed. Contracts with original ending dates expired during the reporting period have been extended based on updated construction schemes as endorsed by the PMU.

Out of the 20 contracts under Component 1 & 2, civil works have started under 11 contracts (as compared to only 3 in April 2021). AIIB project team has requested the PMU to prepare a detailed assessment of reasons for civil works that are not yet started and come up proactive solutions.

Activities under Component 3 have been carried out, including development of e-governance plan and capacity building plan. A gender action plan and a behaviour change campaign with a focus on solid waste management to prevent water source pollution have been proposed.

Delays in project implementation could be attributed to multiple reasons: lock-down during the second wave of COVID-19 pandemic, lack of counterpart funding to pay mobilisation advance and delays in finalizing engineering

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

design and obtaining land use permissions.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Investment in Water Supply Infrastructure for 50 ULBs (Total costs: USD534 million)	Only 8 civil works contracts have made physical progress: Ananthapuramu Source (5.2%), Nellore Source (21.7%), Kurnool Distribution (1%), Chittor Distribution (5.3%), Nellore Distribution (23.6%), Gurtur Distribution (4.1%), West Godavari Distribution (2.7%) and East Godavari Distribution (6%)	ESMPF, RPF and TPPF are approved by the AIIB and disclosed. Site-specific instruments are prepared as necessary	Procurement completed, however, physical progress is very slow.
Component 2: Investment in Sanitation and Drainage in five pilot ULBs (Total costs: USD14 million)	None	ESMPF, RPF and TPPF are approved by the AIIB and disclosed. Site-specific instruments are prepared as necessary	Procurement completed, however, physical progress is very slow.
Component 3: Technical Assistance, Institutional Development & Municipal Capacity Enhancement and Implementation Support (Total costs: USD21 million)	Technical Assistance is a regular & continuous activity in progress. For Institutional Development, Capacity Building Plan (CPP) is prepared & will be implemented in the FY 2021-22.	N/A	Most of the procurement activities under this component are completed, however, there may be few small procurement activities.

Financial Management:

Overall, the project financial management was found adequate and in compliance with procedures.

The project has been submitting IUFs periodically with some delays. The IUF for quarter ending December 31, 2021, has been received with some delay and no issues noted. The next IUF for quarter ending March 31, 2022, is due on May 15, 2022.

The first semi-annual project internal audit report has been shared. The internal auditor has raised issues on counterpart funds, contract management and payment delays. The project needs to share the next semi-annual internal audit report as per agreed schedule.

The audited project financial statement for FY2020-21, has been submitted with some delays. The auditor has given

an unmodified audit opinion and no major internal control weaknesses noted. The next audited project financial statement for FY2021-22 is due on December 31, 2022.

The key issue relates to timely availability of counterpart funds. This has resulted in significant delays in the payment process and has resulted in slow implementation. The PIA has been working closely with the State Finance Dept. of GoAP to expedite the pending payments to contractors and making timely payments to contractors. Previous pending bills were cleared on March 31, 2022.

6. Status of the Grievance Redress Mechanism (GRM)

The Bank has been informed that two-tiered GRM has been established the ULBs. No grievances have been reported.

7. Results Monitoring

Due to implementation delays, no progress has been made on any of the indicators to be measured. The values are expected to be reported in December 2022.

Project Objective Indicators #1

1.1: Households with connection and meter.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	100	0	
Dec. 31, 2020	300	0	
Dec. 31, 2021	500	0	
Dec. 31, 2022	700	N/A	
Dec. 31, 2023	850	N/A	

Project Objective Indicators #2

1.2: Hours of water supplied per day.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	8	4	
Dec. 31, 2020	12	4	
Dec. 31, 2021	16	4	
Dec. 31, 2022	20	N/A	
Dec. 31, 2023	24	N/A	

Project Objective Indicators #3

1.3: Quantity of water supplied per day.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	60	50	
Dec. 31, 2020	80	50	
Dec. 31, 2021	100	50	

Dec. 31, 2022	120	N/A	
Dec. 31, 2023	135	N/A	

Project Objective Indicators #4

1.4: Quality of water supply according to CPHEEO standard.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	0%	0%	
Dec. 31, 2020	0%	0%	
Dec. 31, 2021	25%	0%	
Dec. 31, 2022	50%	N/A	
Dec. 31, 2023	100%	N/A	

Project Objective Indicators #5

2.1: No of Pilot ULBs with drainage systems completed.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	0	0	
Dec. 31, 2020	0	0	
Dec. 31, 2021	4	0	
Dec. 31, 2022	5	N/A	
Dec. 31, 2023	5	N/A	

Project Objective Indicators #6

2.2: Share of HHs in Pilot ULBs covered by rehabilitated drainage system and WWTP.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	0%	0%	
Dec. 31, 2020	0%	0%	
Dec. 31, 2021	80%	0%	
Dec. 31, 2022	100%	N/A	
Dec. 31, 2023	100%	N/A	

Project Objective Indicators #7

2.3: Amount of treated waste water divided by water supply/use.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	0%	0%	
Dec. 31, 2020	0%	0%	
Dec. 31, 2021	50%	0%	
Dec. 31, 2022	70%	N/A	

Dec. 31, 2023	80%	N/A	
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Project Objective Indicators #8

2.4: Outflow concentration (TP) according to CPHEEO standard.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	0%	0%	
Dec. 31, 2020	0%	0%	
Dec. 31, 2021	80%	0%	
Dec. 31, 2022	100%	N/A	
Dec. 31, 2023	100%	N/A	

Project Objective Indicators #9

3.1: Number of ULBs with computerized billing and cost accounting systems in operation.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	0	0	
Dec. 31, 2020	10	0	
Dec. 31, 2021	50	0	
Dec. 31, 2022	50	N/A	
Dec. 31, 2023	50	N/A	

Project Objective Indicators #10

3.2: Increase in revenues for the ULBs and cost recovery to sustain the O&M costs.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	10%	0%	
Dec. 31, 2020	20%	0%	
Dec. 31, 2021	30%	0%	
Dec. 31, 2022	50%	N/A	
Dec. 31, 2023	80%	N/A	

Project Objective Indicators #11

3.3: Implementation of a water supply and sanitation complaints system including feed-back.

Year	Target	Actual	Comments, if any
Dec. 31, 2019	10%	0%	
Dec. 31, 2020	20%	0%	
Dec. 31, 2021	30%	0%	
Dec. 31, 2022	50%	N/A	
Dec. 31, 2023	80%	N/A	

Intermediate Result Indicators #1

No Intermediate Result Indicators as per Annex 1 of the PD.

Year	Target	Actual	Comments, if any
Dec. 31, 2023	N/A	N/A	

Remarks:

Awarded contracts were not implemented following the original work plans and therefore little physical progress has been made. Reasons are elaborated in the Key Issues section below.
