

SBF Project Implementation Monitoring Report

India: Andhra Pradesh Urban Water Supply & Septage Management Improvement Project

1. Project Information

Project ID:	000079	Investment Number:	L000079
Member:	India	Region:	Southern asia
Sector:	Water	Sub-sector:	Sanitation, Water Supply
AIB Financing Type:	Loan: 400 USD million	Co-financier(s):	Stand-alone
E&S category:	A	Borrower:	Republic of India
Red Flags Assigned:	1 (Q1: 1)	Monitoring Regime:	Regular Monitoring
Implementing Agency:	Public Health & Municipal Engineering Department, Government of Andhra Pradesh		
Project Team Leader:	Wanli Fang		
Project Team Members:	Gerardo Pio Parco, Senior Environmental Specialist; Georgi Georgiev Dzhartov, Social Development Specialist; Jurminla, Senior Procurement Specialist; Yogesh Malla, Financial Management Specialist; Liu Yang, Counsel – Investment Operations; Mohan Dharmapuram, Senior Technical Consultant; Jan Agerholm Høybye, Senior Technical Consultant;		
Completed Site Visits by AIB:	<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>Jun, 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>Aug, 2021 Monthly virtual meeting with PMU to follow up on project progress and address pending issues.</p> <p>Sep, 2021 Monthly virtual meeting with PMU to follow up on project progress and address pending issues.</p>		
Planned Site Visits by AIB:	Oct, 2022 Until travel restrictions lifted		

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. 7, 2018	Signing:	Feb. 25, 2019
Effective:	May. 21, 2019	Restructured (if any):	
Orig. Closing:	Jun. 30, 2024	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	400	b) Cancellation (if any):	
c) Disbursed:	7.03	d) Most recent disbursement: (amount / date)	6.03, Jan. 21, 2021
e) Undisbursed:	392.97	f) Disbursement Ratio(%) ¹ :	1.8

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

Overall the project has made some progress in implementation during the past six months. The first semi-annual progress report was prepared and submitted to AIIB in August 2021.

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 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 7 civil works contracts have made physical progress: Ananthapuramu Source (3.7%), Nellore Source (20.7%), Chittoor Distribution (5.1%), Nellore Distribution (21.4%), Gurtur Distribution (3.9%), West Godavari Distribution (2.2%) and East Godavari Distribution (5%)	ESMPF, RPF and TPPF are approved by the AIIB and disclosed. Site-specific instruments are prepared as necessary	Completed
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	Completed
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	Completed

Financial Management:

Overall the project financial management system was operated effectively and all financial reporting requirements were in compliance.

The project has been submitting IUFRRs periodically with some delays. The IUFRR for quarter ending June 30, 2021, has been received with some delay and no issues noted. The next IUFRR for quarter ending September 30, 2021, is due on November 15, 2021.

The first semi-annual project internal audit report has been shared. The internal auditor has raised issues on 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 FY2019-20, 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 FY2020-21 is due on December 31, 2021.

The key issue relates to timely availability and liquidity of funds. This has resulted in significant delays in the payment process and has resulted in slow implementation. The PIA needs to closely work with the State Finance Dept. of GoAP to expedite the pending payments to contractors and making timely payments to contractors.

The PMU has to adhere the prescribed formats for SOE and Contract Summary Report for Prior Review Contracts as specified in the Disbursement Letter in submission of their claims.

6. Status of the Grievance Redress Mechanism (GRM)

The Bank has been informed that two-tiered GRM has been established in 39 out of the 50 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.

Baseline Year: Jun. 30, 2018 End Target Year: Dec. 31, 2023

Project Objective Indicators #1

1.1: Households with connection and meter.

Year	Target	Actual	Others, if any
Dec. 31, 2019	100	0	
Dec. 31, 2020	300	0	
Dec. 31, 2021	500	N/A	
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	Others, if any
Dec. 31, 2019	8	4	
Dec. 31, 2020	12	4	
Dec. 31, 2021	16	N/A	
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	Others, if any
Dec. 31, 2019	60	50	
Dec. 31, 2020	80	50	
Dec. 31, 2021	100	N/A	
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	Others, if any
Dec. 31, 2019	0%	0%	
Dec. 31, 2020	0%	0%	
Dec. 31, 2021	25%	N/A	
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	Others, if any
Dec. 31, 2019	0	0	
Dec. 31, 2020	0	0	
Dec. 31, 2021	4	N/A	
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	Others, if any
Dec. 31, 2019	0%	0%	
Dec. 31, 2020	0%	0%	
Dec. 31, 2021	80%	N/A	
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	Others, if any
Dec. 31, 2019	0%	0%	
Dec. 31, 2020	0%	0%	
Dec. 31, 2021	50%	N/A	
Dec. 31, 2022	70%	N/A	
Dec. 31, 2023	80%	N/A	

Project Objective Indicators #8

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

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