

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 & 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 & 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 progress update meeting with PIU</p> <p>Jun, 2022 Supervision mission: supervised online by PTL Wanli Fang, joined on-site by consultants Raghuvir Prabhuchimulkar and Mohan Dharmapuram</p> <p>Oct, 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> <p>Dec, 2022</p>		

	<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 Sankaravadivelu, joined online by Environmental Specialist, Gerry Parco and Procurement Specialist, Jurminla.</p> <p>Jan, 2023 Virtual progress update meeting with PIU</p> <p>Feb, 2023 Virtual progress update meeting with PIU</p> <p>Mar, 2023 Virtual progress update meeting with PIU</p> <p>Apr, 2023 Virtual progress update meeting with PIU</p> <p>May, 2023 Virtual progress update meeting with PIU</p> <p>Jun, 2023 Virtual progress update meeting with PIU</p> <p>Aug, 2023 Virtual progress update meeting with PIU, Virtual progress update meeting with PIU</p> <p>Sep, 2023 Virtual progress update meeting with PIU</p> <p>Oct, 2023 Virtual progress update meeting with PIU</p>
Planned Site Visits by AIIB:	<p>Feb, 2024 Proposed on-site supervision mission</p>
Current Red Flags Assigned:	2
Current Monitoring Regime:	Enhanced Monitoring- Level I
Previous Red Flags Assigned:	2
Previous Red Flags Assigned Date:	2023/08

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
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Disbursed:	44.69	Latest disbursement (amount/date):	25.00/May. 12, 2022
Undisbursed:	355.31	Disbursement Ratio (%) ¹ :	11.17

5. Project Implementation Update

The project is suffering from a lack of counterpart funding from the government. Disbursement has been stagnant since Oct Q3 2022. The AIIB team escalated the issue in many forums with the Government of India (GoI). A Tripartite Review Meeting with the DEA and the Project Implementing Unit (PIU) was held in Delhi, India on July 28, 2023. The early cancellation of the loan was an option discussed by DEA during the TPRM. As of the latest follow-up, GoI is still seriously considering this option and is expected to decide by the end of 2023. The State Government of Andhra Pradesh has yet to formally submit a request for a loan closing date extension to DEA. Due to the funds' flow issue, works for 3 contracts have not been grounded, works for 12 contracts have been suspended and the contractor has demobilized from the site. To avoid E&S incidents, the PIU has taken over monitoring these 12 sites. Works for 5 contracts are not suspended but progressing minimally. Lack of funds for compensation also caused the delay in finalizing the land acquisition of one site at Puttur, Nellore. The next supervision mission is planned for Q1 2024. The scope of the next mission will depend on the decision of the DEA.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Investment in Water Supply Infrastructure for 50 ULBs (Total costs: USD534 million)	<p>Total Physical Progress from all twenty civil works contracts is only 0.30% in the past quarter. While all 20 contracts had been awarded progress has halted when payment of bills stopped after Oct 2022 due to a lack of counterpart funds.</p> <p>Construction: Works for 3 contracts have not been grounded; works for 12 contracts have been suspended and the contractor has demobilized from site; and works for 5 contracts while not</p>	<p>PIU E&S Supervisors periodically monitor sites. PIU was instructed to give particular attention to sites where the contractor has demobilized.</p> <p>Monthly project review meetings are held to monitor compliance.</p>	Procurement completed.

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.

	suspended have been progressing minimally. All delays discussed above are a direct result of the non-payment of the contractor's progress billing.		
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.

Financial Management:

Financial Management:

Despite a lack of physical progress due to the funds flow issue, the PIU is submitting periodic reports. Overall, the project's financial management was found adequate and in compliance with procedures. The PMU is due to submit the next audited project financial statement for FY2022-23 on December 31, 2023.

The availability of adequate counterpart funds continues to be an issue. The PIU has not been able to liquidate advances provided by the Bank on a timely basis. The lack of counterpart funds has resulted in substantial delays in payments to contractors and minimal progress in physical progress. Around USD 25.74 million in contractor invoices remain outstanding. Another USD 11.95 million has been delivered but not yet billed.

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) 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)

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	0	100	0	300	0	500	0	700	0	850	0				Quarterly	PMU, ULBs	All 2023 figures are as of Q3 2023
Hours of water supplied per day	Project	Hours per day	2018	4	4	0	8	0	12	0	16	0	20	0	24	0				Quarterly	PMU, ULBs	
Quantity of water supplied per day	Project	Liters per capita per day (lpcd)	2018	50	50	0	60	0	80	0	100	0	120	0	135	0				Quarterly	PMU, ULBs	
Quality of water supply according to CPHEEO standard.	Project	% of ULBs	2018	0%	0%	0	0%	0	0%	0	25%	0	50%	0	100%	0				Quarterly	PMU, ULBs	
No of Pilot ULBs with drainage systems completed.	Project	Number	2018	0	0	0	0	0	0	0	4	0	5	0	5	0				Quarterly	PMU, ULBs	
Share of HHs in Pilot ULBs covered by rehabilitated drainage system and WWTP	Project	%	2018	0%	0%	0	0%	0	0%	0	80%	0	100%	0	100%	0				Quarterly	PMU, ULBs	
Amount of treated wastewater divided by water supply/use	Project	%	2018	0	0	0	0%	0	0%	0	50%	0	70%	0	80%	0				Quarterly	PMU, ULBs	
Outflow concentration (TP) according to CPHEEO standard.	Project	%	2018	0	0	0	0%	0	0%	0	80%	0	100%	0	100%	0				Quarterly	PMU, ULBs	
Number of ULBs with computerized billing and cost accounting systems in operation	Project	Number	2018	0	0	0	0	0	10	0	50	0	50	0	50	0				Quarterly	PMU, ULBs	
Increase in revenues for the ULBs and cost recovery to sustain the O&M costs	Project	% out of 50 ULBs	2018	0%	0%	0	10%	0	20%	0	30%	0	50%	0	80%	0				Quarterly	PMU, ULBs	
Implementation of a water supply and sanitation complaints system	Project	% out of 50 ULBs	2018	0%	0%	0	10%	0	20%	0	30%	0	50%	0	80%	0				Quarterly	PMU, ULBs	

including feedback																					
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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					