

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	Co-financier(s):	
ES category:	A	Borrowing Entity:	Ministry of Finance, India
Implementing Entity:	Public Health & Municipal Engineering Department, Government of Andhra Pradesh		
Project Team Leader:	Ronald Muana		
Responsible 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; Jinghui Li, Project admin		
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>Jun, 2022 Site visit by consultants Prabhuchimulkar Raghuvir and Mohan Dharmapura, and supervised</p>		

	online by PTL Wanli Fang, On-site mission facilitated by consultants Prabhuchimulkar Raghuvir and Mohan Dharmapura, and supervised online by PTL Wanli Fang Mar, 2022 Bi-monthly virtual project implementation review
Planned Site Visits by AIIB:	Nov, 2022 To be conducted together with consultant.
Current Red Flags Assigned:	2
Current Monitoring Regime:	Enhanced Monitoring- Level I
Previous Red Flags Assigned:	2
Previous Red Flags Assigned Date:	2022/03

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

5. Project Implementation Update

Physical progress stands at around 6%, and total disbursements at 11.2%, after 3 years of loan effectiveness. Project implementation was affected by a 16 month hold order by the newly elected GoAP issued in May 2019. This was followed by around 7 months of work stoppage due to COVID. Most recently, delays were experienced due to funds

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.

flow issues related to COVID impacts on GoAP finances. The AIIB project teams with Andhra Pradesh projects have focused on the funds flow issue in recent months.

Procurement: Procurement of all twenty (20) civil works contracts amounting to USD 823 million (amount includes client component) was completed as of Q3 2021. Fifteen (15) contracts with expired original ending dates have been extended based on updated construction schemes endorsed by the PMU. The remainder are on track to be finished by their original contract end dates.

Construction: There were delays in commencing civil works contracts due to issues in the release mobilization fees on the counterpart components. The National Government of India (through the Department of Economic Affairs or DEA) and the State Government of Andhra Pradesh (GoAP) agreed to address the funds flow issues as discussed above. Out of the 20 contracts awarded, work is yet to start for 4 contracts. Issues include permitting and land acquisition which the PMU is focusing on.

Financial Management: A project-level Designated Account (DA) was established in December 2021. Advance payment in the amount of USD25 million has been transferred to GoAP. In a mission in June 2022, there was an agreement between the National Government, State government, and Project Management Unit (PMU) to fast track the payment of pending contractor invoices. The AIIB team and PMU are closely monitoring.

Safeguards: Some sites for system appurtenances needed to be changed due to changes in site condition since the feasibility studies. The safeguards team is monitoring the clearance of necessary E&S documents.

Looking ahead: The project team has been holding regular review meetings with the PMU to follow up closely on the status of finalizing and clearing E&S documents, engineering designs, and obtaining land use permissions. The Mid-term review is planned for H2 2022.

Components	Physical Progress	Environmental & Social Compliance	Procurement Progress
Component 1: Investment in Water Supply Infrastructure for 50 ULBs (Total costs: USD534 million)	<p>Eight civil works contracts made substantial progress in the past quarter:</p> <ul style="list-style-type: none"> • 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%) • East Godavari Distribution (6%) <p>The remainder are still in the process of</p>	ESMPF, RPF and TPPF are approved by the AIIB and disclosed. Site-specific instruments are prepared as necessary	Procurement completed.

	ramping up progress		
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.
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. Development, Capacity Building Plan (CPP) is prepared & will be implemented in the FY 2021-22.	N/A	Procurement mostly completed, with few small procurement items remaining.

Financial Management:

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

The key issue relates to the timely availability of counterpart funds. This has resulted in significant delays in the payment process and has resulted in slow implementation particularly in 2021 to mid-2022. The state government recognized the impact and has committed to reprioritize infrastructure projects including those with AIIB. The AIIB team and PMU are closely monitoring.

6. Status of the Grievance Redress Mechanism (GRM)

Two-tiered GRM has been established at 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 progress in the December 2022 reporting period.

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
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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	

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 delayed against the original work adversely affecting physical progress. Reasons are elaborated in the Key Issues section below.