

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 PMU to follow up on project progress and address pending issues</p> <p>Jul, 2021 Virtual meeting with PMU to follow up on project progress and address pending issues</p> <p>Aug, 2021 Virtual meeting with PMU to follow up on project progress and address pending issues</p> <p>Sep, 2021 Virtual meeting with PMU to follow up on project progress and address pending issues</p> <p>Nov, 2021 Virtual meeting with PMU to follow up on project progress and address pending issues</p> <p>Jan, 2022 Virtual meeting with PMU to follow up on project progress and address pending issues</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>		

	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.
Planned Site Visits by AIIB:	Aug, 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:	2023/02

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 (%) ¹ :	11.17

5. Project Implementation Update

Despite availability of AIIB funds, bills of contractors are not paid due to the lack of counterpart funding from the Government of Andhra Pradesh (GoAP). Total disbursement has remained at 11.17%, unchanged since May 2022. Physical progress stands at 11.23% compared to 10.64% in the previous quarter. A total of USD 28.91 million of unpaid contractors' bills have presently accumulated. The contractors will not do further work until outstanding bills are cleared. The AIIB project team has escalated the issue with the Government of India (GoI) in several forums. GoI has regular quarterly meetings with the GoAP. AIIB will have a Tripartite Meeting

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.

with GoI in July 2023, and will tackle the funds flow issue of the project with GoAP representatives. The next supervision mission is proposed by Q3 2023.

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 0.59% in the past quarter.</p> <p>PMC consultant remain on-board.</p>	<p>ESMPF, RPF, and TPPF are approved by the AIIB and disclosed. GRCs are engaged but needs further improvement in terms of regularity of activities.</p> <p>Some sites were reported abandoned by the contractor. The PMC will submit a list of said locations and corrective measures will be put in place to ensure such sites are secured. The PIU is closely monitoring this matter.</p>	<p>18 planned contracts. 5 IOCT and 13 NCT contracts awarded. Procurement complete.</p> <p>Due to long implementation delay, contractors have requested for a second Extension of Time (EOT) moving the end of contract date to March 31, 2024. The proposals are expected to be approved before end of July 2023.</p> <p>The PIU have acknowledged that delays are not attributable to the contractors. The PIU also had discussion with the contractors acknowledging price adjustments. The contractors will submit claims once pending bills are paid.</p>
Component 2: Investment in Sanitation and Drainage in five pilot ULBs (Total costs: USD14 million)	<p>None. Work is not yet fully mobilized due to the funds flow issue and non-payment of contractor. Affected sub-activities include the Detailed Design of the proposed plants.</p>	<p>ESMPF, RPF and TPPF are approved by the AIIB and disclosed. Site-specific instruments are prepared as necessary</p>	<p>2 planned contracts. 2 NCT contracts awarded. Procurement complet.</p>
Component 3: Technical Assistance, Institutional Development & Municipal Capacity Enhancement and Implementation Support (Total costs: USD21 million)	<p>Component 3 is a non-physical component that funds ongoing/continuous project management consultancy, institutional support consultancy, E&S consultancy, and other support activities.</p>	N/A	<p>Planned procurement activities complete.</p> <p>Minor contracts such as Engagement of NGOs for Social Engagement have been postponed due to funds flow and lack of progress of the civil works.</p>

Financial Management:

Overall, the project's financial management was found adequate and in compliance with procedures. The audited project financial statement for the fiscal year 2021-2022 has been submitted with some delays. The auditor has given an unmodified audit opinion and no major internal control issues were noted. The next audited project financial statement for the fiscal year 2022-2023 is due on December 31, 2023.

While the procurement activities of the project have all been completed, the AIIB team is closely monitoring the implementation of the contracts, which are negatively affected by the funds flow issues. (Contract management items are discussed in the procurement section of Component 1 above).

6. Status of the Grievance Redress Mechanism (GRM)

Two-tiered GRM has been established at the urban local bodies (ULBs). Since the AIIB team advised the PIU to improve the regularity of the grievance redress committee (GRC), activities have been conducted in covered ULBs. The AIIB team is closely monitoring the GRC operationalization.

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 reassessing the key performance indicators.

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	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	

sanitation complaints system including feedback																						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			