



1. Project Data :
OEDID: L2774
Project ID: P007096
Project Name: Second Guayaquil and Guayas Province Water Supply Project
Country: Ecuador
Sector: Urban Water Supply
L/C Number: Ln 2774-EC
Partners involved : Commonwealth Development Corporation
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Reviewed by:
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2. Project Objectives, Financing, Costs and Components :

Goals/Objectives:

(i) Expansion of the water supply system and increase of service coverage benefitting some 0.9 million additional people by 1994; and (ii) strengthening of the sector agency (EMAP-G) through improvements in its managerial, technical, and financial performance.

Components:

Physical; (i) rehabilitation of the La Toma water treatment plant and doubling its production capacity; (ii) construction of storage reservoir; (iii) rehabilitation and construction of about 400 km distribution system; and (iv) establishing a revolving fund to finance house connections.

Institutional; (i) establishment of a twinning arrangement with a well managed water utility with emphasis on O&M (including leak detection), HR development, and financial and commercial management; (ii) procurement of leak detection and O&M equipment; and (iii) purchase of production and domestic water meters including rehabilitation of the meter workshop.

Studies for; (i) updating the second stage of the master plan; (ii) rehabilitating the La Lolita water treatment plant; and (iii) improving coordination among water and sewerage companies.

Costs:

- appraisal estimate; US\$ 50.5 million equivalent.
- actual; US\$42.0 million equivalent.

Financing:

- Bank Loan of US \$31.0 million of which US\$1.6 million was cancelled.
- Commonwealth Development Corporation US\$8.0 million of which US\$1.3 was cancelled.

3. Achievement of Relevant Objectives :

Expansion and rehabilitation of the water supply system has been largely achieved with a delay of over two years; as a result, the number of new water connections reached about 70% of the target, but the incremental population served only at about 55% of the target. Institutional strengthening objectives were not met at all.

4. Significant Achievements :

The water treatment plant was rehabilitated and the expansion of another treatment unit (financed with Spanish assistance outside the Bank project) was also completed. A new pumping station, storage reservoir, and water mains constructed or rehabilitated in Guayaquil's center and in low income areas.

5. Significant Shortcomings :

Improvements to O&M activities were minimal; metering program fell badly behind the target, high percentage of the newly installed meters do not work, and meter reading is incomplete, billings are unsatisfactory, and unaccounted-for water has deteriorated to about 80% from the pre-project level of about 50%. Institutional strengthening has not been achieved, although efforts to privatize the whole water supply operation are under way.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Unsatisfactory	Unsatisfactory	Although important institutional objectives were not met, physical achievements justify the slightly higher rating.
Institutional Dev.:	Negligible	Negligible	
Sustainability:	Uncertain	Uncertain	
Bank Performance:	Deficient	Unsatisfactory	
Borrower Perf.:	Deficient	Unsatisfactory	
Quality of ICR:		Satisfactory	

7. Lessons of Broad Applicability :

Institutional development objectives must be supported by the early Borrower commitment, and be based on a firm plan of action for financial and physical performance. The Bank should firmly insist on the borrower meeting these conditions and covenants.

8. Audit Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR :

The ICR is satisfactory, although a bit long (see ICR guidelines). It is informative and easy to read and contains the information necessary to evaluate the project achievements. The section on future operation discusses the proposed plans for privatization and future investments rather than operational plan for the newly constructed facilities.