



Report Number : ICRR0020599

1. Project Data

Project ID P056256	Project Name GH-Urban Water SIL (FY05)		
Country Ghana	Practice Area(Lead) Water	Additional Financing P129544,P129544	
L/C/TF Number(s) IDA-39620,IDA-H1320,IDA-H7660,TF-11457,TF-92093	Closing Date (Original) 31-Dec-2010	Total Project Cost (USD) 120,000,000.00	
Bank Approval Date 27-Jul-2004	Closing Date (Actual) 30-Jun-2016		
		IBRD/IDA (USD)	Grants (USD)
Original Commitment		0.00	20,099,994.11
Revised Commitment		153,000,000.00	12,970,573.91
Actual		152,965,778.84	12,970,573.91
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2. Project Objectives and Components

a. Objectives

According to the Project Appraisal Document (PAD, page 3) and the Grant Agreement (page 18), the project objectives were as follows:

- to significantly increase access to the piped water system in Ghana's urban centers, with an emphasis on improving access, affordability and service reliability to the urban poor; and
- to restore long-term financial stability, viability and sustainability of the Ghana Water Company Limited.



In September 2012, the project objectives were revised as follows:

- **To increase access to affordable and reliable piped water supply in targeted urban centers; and**
- **To improve financial viability of the Ghana Water Company Limited.**

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

26-Sep-2012

c. Will a split evaluation be undertaken?

Yes

d. Components

1. System Expansion and Rehabilitation (Appraisal: US\$ 91.8 million; Additional Financing (AF): US\$ 49.0 million; Actual: US\$ 140.8 million): This component aimed to increase the availability of water supply services, particularly for low-income communities. There were three sub-components: i) First-Year Investment Program (FYIP); ii) Subsequent Investment Programs (SIPs); and iii) Repair, Replacement and Rehabilitation Fund (RRR). The FYIP included construction of minor works such as rehabilitation/extension of distribution systems and wells, in order to achieve immediate impacts on improved service coverage and reduced Unaccounted for Water. The SIPs aimed to improve service coverage with emphasis on low-income groups, with specific sub-project investments to be determined according to criteria such as low per capita income, low level of coverage/ water availability, and incidence of water borne diseases. The RRR focused on minor works for maintenance.

2. Public-Private Partnership Development (Appraisal: US\$ 6.5 million; AF: US\$ 0; Actual: \$15.2 million): This component aimed to restore the Ghana Water Company Limited (GWCL) to financial soundness and commercial viability. This was to be achieved by establishing a Management Contract with a private operator to manage the GWCL, including incentives to achieve goals, and by hiring financial and technical auditors to review the private operator's performance.

3. Capacity Building and Project Management (Appraisal: US\$ 7.7 million; AF: US\$ 1.0 million; Actual: US\$ 8.7 million): This component aimed to develop capacity of the GWCL through staff training and also the Public Utilities Regulatory Commission (PURC) through technical assistance studies.

4. Severance Program (Appraisal: US\$ 11.0 million; AF: US\$ 0; Actual: US\$ 11.9 million): This component financed severance payments to reduce staff at GWCL by about 1,600 workers, or about 4 percent.



Under the Additional Financing, Component 1 was scaled up to include one additional urban center, and also to cover significant cost overruns such that two of the original urban centers could still receive funding for expansion of water supply services.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost

- The original project cost was US\$ 120.0 million. The actual project cost, including Additional Financing, was US\$ 169.9 million.
- The actual costs for Component 2, which financed the Management Contract with the private operator, were significantly higher than appraised.

Financing

- The project was financed by IDA Grants of US\$ 103.0 million (original project) and US\$ 50.0 million (Additional Financing), of which US\$ 157.08 million was disbursed. Financing was initially approved by the Bank as an IDA Credit but was subsequently converted to an IDA Grant prior to signing, using uncommitted IDA 13 funds. Disbursement was greater than the sum of Grant funds because of exchange rate variation between US\$ and Special Drawing Rights.
- Trust Fund financing from the Dutch Government, which was executed in May 2008, provided additional US\$ 5.0 million for the repair, replacement and rehabilitation sub-component.
- At the time of project restructuring, the disbursement parameters were changed to allow the project to finance 100% of IDA-funded eligible expenditures, thus removing the counterpart obligations.

Borrower contribution

- The planned government contribution was US\$ 12.0 million. As noted above, the change in disbursement parameters removed the obligations, and the actual amount contributed was US\$ 1.5 million.

Dates

- *October 2010*: The project closing date was extended from December 2010 to December 2012 to allow completion of project activities, given the significant delays.
- *September 2012*: Additional Financing was approved to cover a financing gap and also to scale up Component 1 (System Expansion) by one additional urban area. The project objectives were modified, as were the relevant indicators (including upward revision of some targets due to outcomes already



attained). Disbursement parameters were also adjusted to allow the project to finance 100% of IDA-funded eligible expenditures. The project closing date was extended from December 2012 to December 2015.

- *December 2015*: The project closing date was extended from December 2015 to June 2016 to allow for completion of project activities.

3. Relevance of Objectives & Design

a. Relevance of Objectives

Original objectives

At the time of project appraisal, only 61% of the urban population had access to quality water supply, with low-income communities having even more limited access. The national government-owned utility, the Ghana Water Company Limited (GWCL) was the primary entity responsible for provision of water in urban areas. GWCL was facing significant challenges in terms of financial viability (heavy debt, low tariffs), inadequate investment capital and O&M coverage, and inadequate commercial viability of utility operations (low collection rate, high operating costs). The government has undertaken a series of significant reforms in recent years, including exploring public-private options for service delivery, establishing a regulatory agency, and downsizing the GWCL due to staffing inefficiencies. The project objectives are therefore substantially relevant to addressing these challenges of increasing access and improving service delivery operations.

At the time of project approval, the government's Poverty Reduction Strategy (2003-2005) included strategies to accelerate provision of safe drinking water and sanitation, including in poor communities. The most recently available Poverty Reduction Strategy (2010-2013) also includes provision of water and sanitation services as part of the "human settlements development" strategic priority. The Bank's Country Partnership Strategies for 2004-2007 (at approval) and 2013-2016 (at completion) similarly identifies increased access to sustainable and safe water supply and sanitation services as key results areas.

Revised objectives

The revised objectives were highly relevant, with the scope of the outcomes more realistic and achievable.

Rating
Substantial

Revised Rating
High

b. Relevance of Design

Original objectives

For the first objective to increase access to water supply with an emphasis on access for the poor,



affordability, and reliability, the primary intervention was the rehabilitation and expansion of piped water supply. This was likely to increase access to water supply, including for low income households, as the project sites were targeted according to low coverage levels and low per capita income. Planned interventions also included subsidies to the poor for establishing household water connections and “lifeline” water tariffs, which were likely to address affordability issues. The results chain for increasing reliability of services, however, is less clear.

The planned interventions to achieve the second objective of improving financial viability, sustainability and stability of GWCL included the staff severance program (to address redundancies) and measures to reduce unaccounted-for-water and improve billing and collection rates; however, there were also some shortcomings. The primary activity for this objective was the Management Contract (MC), which was intended to address poor management but was more limited as an instrument to address broader objectives of long-term financial sustainability. As was the case with this project, solvency issues and capital investment decisions had a greater (negative) impact than management practices. Under the project restructuring, relevance of the project design increased for the second objective by introducing interventions other than the MC that were more likely to improve financial viability of GWCL.

Revised objectives

Under the project restructuring, relevance of the project design increased for the second objective by introducing other interventions other than the Management Contract (MC) that were more likely to improve financial viability. Delegated Performance Contracts (DPCs), which provide incentives to staff upon achievement of defined improvement targets over relatively short performance cycles, were introduced in 2015 and replaced the MC, which was deemed ineffective due to a combination of implementation and design challenges (i.e lack of baseline data, ambiguity of clauses). In addition, the project focus shifted from the urban poor to targeted urban centers, thus de-emphasizing the need for explicit mechanisms to target the poor.

Rating
Modest

Revised Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To significantly increase access to the piped water system in Ghana's urban centers, with an emphasis on improving access, affordability and service reliability to the urban poor.

Rationale

Outputs



- Support to 25 water supply systems in ten regions of the country, through construction of water production/treatment facilities, rehabilitation/expansion of the water distribution networks, and provision of maintenance equipment.
- Construction/rehabilitation of 449 improved community water points in lower income communities (target: 500).
- Provision of 45,000 new household water connections, including connection subsidies for low-income households (target: 50,000).
- Provision of water meters, other operational equipment, and engineering services for water supply systems.

Outcomes

Access

- 850,300 people in urban areas were provided with access to water sources (of which, 52% were female). This surpassed the target of 500,000.

Affordability

- According to the ICR (page 15), prior to project period, "people in many urban centers who had no access to GWCL's piped water supply were paying water vendors more than ten times GWCL's price for a liter of water." However, at the end of the project, "the cost for a cubic meter of water from a GWCL piped water connection was 3.6 Ghana Cedis, while the equivalent price from standpipes and boreholes managed by other vendors was 13.88 and 11.10 Ghana Cedis, respectively."
- The ICR (Annex 3) reports that the household tariff increased by over 300% since 2007, but there is no information on whether this affected affordability for customers.

Reliability

- The ICR (page 15) suggests that the cessation of water rationing, which was practiced in many of the urban areas prior to the project, is an indication of increased reliability. However, specific evidence is not provided.

Achievement of this objective is rated Modest. Although there was a significant increase in the number of people with access to water supply in lower income urban areas, there is limited evidence that the services were also affordable and reliable.

Rating



Modest

Objective 1 Revision 1

Revised Objective

To increase access to affordable and reliable piped water supply in targeted urban centers

Revised Rationale

While the wording of the original objective was revised, the substance remained essentially the same. Therefore, the outputs and outcomes reported above, as well as the rating, remain the same.

Revised Rating

Modest

Objective 2

Objective

To restore long-term financial stability, viability and sustainability of the GWCL.

Rationale

Outputs

- Implementation of five-year Management Contract with an international private operator, AVRL, from 2007-2012. The Contract included service standards and targets for raw and treated water quality, pressure and flow rates, non-revenue water, treatment plant operations, customer response time, customer accounts receivable, service interruptions, collections, reductions in chemical usage, power consumption, and public sector consumption. While the five-year Contract period was completed in 2011, it was not renewed due to limited impact.
- Training on operations and management of water utilities to staff of GWCL and the private operator, AVRL.
- Provision of non-voluntary severance packages for 1,524 GWCL employees.
- Conducting of studies on water tanker truck regulation and needs assessments pilots in three low-income communities.
- Establishment of Water Directorate in the Ministry of Water Resources, Works and Housing, with responsibility for sector policy.

Outcomes

Financial stability/viability

- In the five largest cities (accounting for 70% of total revenues), GWCL was meeting 100% of O&M costs through collected revenue. This achieved the original target of 100%.
- The ratio of GWCL staff per 1,000 connections decreased from 15 to 7. This surpassed the original



target of 10.

- The average GWCL salary remained at 60% of the equivalent post in the private sector. This fell short of the target of 85%.
- Non-revenue water is at 49%, falling short of the target of 44% and "far above that of well managed utilities globally" (ICR, page 18).
- Collection rate is 75%, falling short of the target of 85%.

Sustainability

- The ICR (page 34) reports that at the end of the five-year Management Contract period in June 2011, performance indicators showed that "private involvement in the operations of GWCL failed to bring about the expected positive improvement in urban water supply in Ghana. Review of technical, financial and audit reports... proved that during the Management Contract period, the level of performance in almost all the systems was poor especially with regard to reduction in non-revenue water, treatment plant operations, customer accounts receivable, collection, chemical usage, power consumption, and public sector consumption."

Also,

- Operating costs of GWCL have increased significantly due to installation of the BEFESA Desalination plant.
- The central government transferred significant debt (more than US\$ 500 million) back to GWCL in 2015.
- Water tariffs for households have increased 300% between 2007 and 2015, and still cannot outpace GWCL cost increases.

Achievement of this objective is rated Modest due to significant shortcomings in operational/commercial and long-term financial sustainability of GWCL, despite some improvements in financial stability/viability.

Rating

Modest

Objective 2 Revision 1

Revised Objective

To improve financial viability of the Ghana Water Company Limited

Revised Rationale

In addition to the outputs reported above:

- Implementation of Delegated Performance Contracts in GWCL (starting in 2015), which established performance cycles (100 days, 180 days, six months) and provided incentives to staff to achieve defined



improvement targets.

Outcomes

- GWCL's ratio of revenue to O&M costs was 1.07. This surpassed the target of 1.05.
- The ratio of GWCL staff per 1,000 connections decreased from 15 to 7. This surpassed the revised target of 8.

However, financial difficulties referenced above (transfer of large debt obligation, increase in operating costs due to desalination plant) in spite of a 300% increase in water tariffs for households, remain.

Therefore, achievement of the objective is rated Modest.

Revised Rating

Modest

5. Efficiency

Economic and Financial Efficiency

Appraisal analysis included a financial model to estimate the effect of project investments on the financial performance of GWCL. However, there was no economic analysis of the costs and benefits for the physical investments (Component 1) such as time/cost savings due to increased water availability, or value of increased water consumption.

The ICR did include an economic analysis estimating the economic benefits of increased access to public water supply (time saved in fetching water). These benefits were estimated based on the number of people who were provided access through the project, comparing the average consumption per person and the price for using existing standpipes or water vendors versus the water costs for project-financed public water supply. The analysis also includes benefits of water production and electricity consumption savings due to a reduction in non-revenue water. The analysis estimated a positive NPV of US\$ 454 million (at a 10% discount rate) and an EIRR of 26.18% over a ten-year period.. Due to the lack of similar analysis in the PAD, comparison to a baseline is not possible.

Another measure of efficiency presented in the ICR is the per capita investment cost. The ICR calculates US\$ 158 per capita and states that this is comparable to "similar projects" which range from US\$ 100-200 per capita. No specific data is provided to verify this claim.

Organizational and Operational Efficiency

However, as noted in the ICR, there were significant implementation delays which contributed to a doubling of the project period from five-and-a-half years to twelve years, limited achievements in improving GWCL's overall



financial performance and commercial sustainability (despite US\$ 6.5 million spent on these activities), and cost overruns which, in part, necessitated additional financing. Poor civil engineering design, necessitating many redesigns and variation orders, allied with problematic contract management was a major factor in the cost overruns. These implementation problems indicate significant shortcomings in the use of project resources and therefore Efficiency is rated Modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	26.20	83.80 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Project under original objectives/design – Moderately Unsatisfactory

Relevance of the project objectives is rated Substantial while relevance of the project design is rated Modest due to significant shortcomings in the results chain (modest likelihood of the Management Contract to increase long-term financial sustainability and viability of GWCL). Achievement of the first objective to increase access to water supply services for the urban poor with an emphasis on affordability and reliability is rated Modest due to lack of evidence on the latter two aspects of improved performance. Achievement of the objective to increase financial viability, sustainability and stability of GWCL is rated Modest due to lack of evidence.

Project under revised objectives/design - Moderately Unsatisfactory

Relevance of the project objectives is rated High while relevance of the project design is rated Substantial. Achievement of the first objective to increase access to water supply services for urban areas with an emphasis on affordability and reliability is rated Modest due to lack of evidence on the latter two aspects of improved performance. Achievement of the objective to increase financial viability of GWCL is rated Modest due to continued weak financial performance, despite increased capacity to fully cover O&M costs through revenues.

Efficiency over the entire project period is rated Modest.



Overall outcome – Moderately Unsatisfactory

According to harmonized IEG/OPCS guidelines, the combined outcome rating for a restructured project is determined by weighting the amount of the Grant that disbursed before and after restructuring. In the case of this project, the rating is the same and therefore the combined rating is also Moderately Unsatisfactory.

a. Outcome Rating

Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating

Government commitment to sustaining the supportive policy environment and supportive institutional structure remains significant. Physical investments supported by the project (i.e. water supply systems) will continue to be operated by GWCL, with technical risks low to moderate; however, a notable exception in risk to sustainability is the lack of clearly established O&M arrangements (including facility management plans), which are still being developed and documented by GWCL. The financial and commercial viability of GWCL remains tenuous given commercial weaknesses, recent transfer of debt obligations from the government, and the additional costs due to the newly-established desalination plant.

a. Risk to Development Outcome Rating

Substantial

8. Assessment of Bank Performance

a. Quality-at-Entry

The PAD provided an accurate assessment of the need for rehabilitated and expanded water systems, in order to increase access to services. The criteria for targeting low-income communities was well-incorporated into the project design, as were safeguard measures. The overall risk was assessed as Substantial, with risks of weak political support for the public-private partnership approach, insufficient capital available for investment needs, failure of GWCL to internalize operational improvements and corporate orientation, and politicization of GWCL staff retrenchment identified as the most significant risks. While these risks did not materialize in a significant manner, the general approach to introducing private sector participation in GWCL operations failed to bring about improvements. There were shortcomings in the design of the key project activity – the Management Contract with the private operator; a lack of baseline data on key indicators (which made it difficult to assess whether the private operator was achieving performance targets), and lack of clearly defined profitability clauses and other aspects (which contributed to disputes between GWCL and the private operator). The ICR (page 9) also identifies some shortcomings in the design of several water supply systems “in part due to inadequate stakeholder consultations during preparation” which then necessitated design changes and significant cost increases.



The results framework and M&E design also had weaknesses that had to be partially rectified during the project.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

The Bank team, led by a country-based task team leader, was proactive in addressing issues as needed and engaging in continuous dialogue with the government. This included securing Additional Financing to cover a significant financing gap, as well as to scale-up impact by funding an additional scope of work in one urban center. Cost overruns were incurred due to much higher than anticipated costs of the Management Contract and related performance audits, and significant escalation in construction costs due to delays from re-working civil works designs. While the Bank team persisted in efforts to expand physical infrastructure, progress on institutional development was less notable. As noted in the ICR (page 23), the Mid-Term Review "seems to have been a missed opportunity to have addressed some of the major structural issues such as the PDO and M&E framework earlier." Implementation Status Report ratings (in the "satisfactory" range through most of the project period) do not reflect the weak performance on the Management Contract. Bank supervision of safeguards was also persistent; however, even so the project closed with unresolved resettlement matters due to the government's lack of compliance.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. Assessment of Borrower Performance

a. Government Performance

Despite strong commitment to the objectives to increase access to water supply for urban areas and to address institutional viability of GWCL, there were significant shortcomings in government performance. The government "was unable to consistently provide counterpart funds for payment of its portion of expenditures" (ICR, page 10). In addition, due to a change in government in the middle of the project period, which resulted in less support for the MC, and the PPP approach in general. A major shortcoming is the failure to comply with legal covenants regarding of funding of escrow accounts for full compensation of Project Affected Persons - by the end of the project, compensation fees were not fully paid pending government release of funds.

Government Performance Rating

Unsatisfactory



b. Implementing Agency Performance

The GWCL was the primary implementing agency. Initial civil works designs and contract management of water supply systems work had significant shortcomings, as the ICR (page 10) reports on multiple Variation Orders in several works contracts that led to “material wastage and huge cost overruns.” For example, works executed by the same contractor in the Central and Volta regions had 12 and 24 Variations Orders, respectively. The ICR (page 25) states that this was due to apparent failure to adequately supervise the design consultants early on in the project period. Other contracts had to be terminated and re-awarded due to poor performance. Implementation of the Management Contract also had significant problems due to ambiguity of clauses, weak capacity of the private operator (including inadequate understanding of and communication within the new institutional structure) and lengthy procurement processes. Procurement performance had significant shortcomings, although financial management was satisfactory. Safeguards compliance with regards to Involuntary Resettlement also remained incomplete, as of the writing of the ICR.

Implementing Agency Performance Rating

Unsatisfactory

Overall Borrower Performance Rating

Unsatisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

M&E arrangements included hiring of financial and technical auditors to monitor performance under the Management Contract. However, the original M&E framework itself had shortcomings. For the first objective on increased access, the key indicator measured the number of connections established (output) rather than the increased number of people provided with access (outcome in coverage); also, there were no indicators identified to measure affordability or reliability. For the second objective related to financial performance of GWCL, the sole indicator (GWCL meeting 100% of cash obligations from collected revenues) was appropriate but captured only a narrow aspect of the broadly-worded objective.

b. M&E Implementation

Results framework and key indicators were revised (with some targets also revised upward to reflect project progress) at project restructuring to better capture project achievements, although shortcomings remained in lack of indicators for affordability and reliability of water services. A Beneficiary Survey was conducted near the end of the project period, using a combination of interviews and participatory techniques. However, the ICR (page 11) notes that there were some limitations; for example, it did not contain a baseline dataset and it covered areas where water supply systems were not yet operational.



c. M&E Utilization

There was no information provided on the use of M&E information.

M&E Quality Rating

Modest

11. Other Issues

a. Safeguards

The project was classified as an Environmental Category “B” project under Environmental Assessment (OP/BP 4.10). Three other safeguards were triggered: Involuntary Resettlement (OP/BP 4.12), Safety of Dams (OP/BP 4.37), and Projects on International Waterways (OP/BP 7.50).

The ICR (page 12) reports that safeguard aspects under Environmental Assessment, Dams, and International Waterways were “generally implemented in accordance with required procedures.” However, there were significant issues with Resettlement actions, specifically concerning payment of compensation to Project Affected Persons (20 sites are yet to be paid, confirmation of ownership of three sites is still ongoing, 39 Project Affected Persons could not be traced for payment as they had moved their trades away from the sites, and compensation remains outstanding to about 4,100 Project Affected Persons). According to the ICR, this issue was raised by the Bank on numerous occasions with GWCL and the Ministry of Finance, without timely resolution (funds have not yet been released by the Ministry of Finance, and there is still no commitment by the government to resolve the issue).

b. Fiduciary Compliance

Financial management: According to the ICR (page 12), financial management compliance was “generally satisfactory with a few moderate shortcomings” including that audited financial statements of GWCL for 2015 were not submitted by project closing, and that GWCL did not maintain a comprehensive asset register. There were no qualified audits.

Procurement: During preparation of the First Year Implementation (FYIP) activities, about one-third of contracts ended in a declaration of misprocurement after the implementing agency made changes to several award contracts in violation of Bank procurement guidelines. According to the ICR (page 10), after a thorough review, the Bank accepted the explanation provided by the government that the changes were a result of legitimate misunderstanding of Bank requirements. Therefore, the amount relating to the misprocurement (about US\$ 0.8 million) was not cancelled. Contract management was also weak, demonstrated by the high number of Variation Orders that necessitated multiple corrections of civil works, and inadequate record keeping that precluded an adequate assessment of the Variation Orders.



c. Unintended impacts (Positive or Negative)

d. Other

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately Unsatisfactory	Unsatisfactory	Government performance is rated Unsatisfactory due to failure to comply fully with legal covenants.
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The ICR presents eight lessons and the two most relevant are given (after editing) below:

- **Specific requirements on safeguard matters should be included in project covenants.** In the case of this project, dated covenants on the establishment of escrow accounts for resettlement compensation was not included until project restructuring and even then, it specified the requirement to establish the account but not to replenish the account. The Borrower's failure to fully comply with compensation measures is a major shortcoming of the Borrower performance.
- **Stakeholder consultations on local water supply systems are critical to ensure relevant and appropriate designs.** In the case of this project, the lack of proper consultation and design led to multiple variation orders, re-working of designs, lengthy implementation delays, and significant cost escalation.

In addition, IEG notes the following lesson:



- **In a country with low capacity and significant governance concerns, there should be more assurance on the soundness of civil works design and contracts, and thorough prequalification of contractors.** In the case of this project, the lack of due diligence on such matters led to significant implementation shortcomings and cost overruns.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR is candid on project implementation performance including project design shortcomings and Bank/Borrower performance. Lessons drawn from these shortcomings are informative for future operations. However, there is some internal inconsistency as the bulk of the evidence for the second objective concerning financial/operational performance of GWCL (both in the main text and annexes) indicates poor financial outcomes but the rating ("Substantial") appears to be based solely on the key indicator of O&M coverage/revenue to cost ratio.

a. Quality of ICR Rating

Substantial