



1. Project Data :
OEDID: C2115
Project ID: P009890
Project Name: Hyderabad Water Supply and Sanitation Project
Country: India
Sector: Urban Water Supply
L/C Number: Cr. 2115-IN/Ln. 3181-IN
Partners involved :
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2. Project Objectives, Financing, Costs and Components :

Objectives: The main objectives were to: (i) improve Hyderabad's water supply and sewerage systems, and sanitation facilities; (ii) strengthen sector institutions' performance; (iii) provide resettlement (and rehabilitation as necessary) of households displaced by the construction of the Singur Dam; and (iv) prepare future urban water supply-sanitation projects.

Components: The project financed: (i) the construction of the Manjira water supply scheme (transmission system, treatment plant, flow meters) to provide an additional 135 million liters/day of treated water from Singur Dam; (ii) rehabilitation and expansion of the existing water system (service reservoirs, construction and replacement/repair of water mains, treatment plants, pumping stations, flow meters, laboratory/equipment for leak detection); (iii) rehabilitation and strengthening of the existing sewerage system (repair/replacement of trunk sewers, pumping stations, sewage lagoons/treatment plant, equipment/vehicles for O&M and inspection); (iv) low-cost sanitation program (20,000 pour-flush latrines) to supplement an ongoing program; (v) resettlement/rehabilitation program (RRP) for about 6,120 households affected by the construction of the Singur Dam (village roads, dwellings, service facilities, irrigation wells, schools, community/health centers, veterinary clinics); and (vi) institutional strengthening of the newly established Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) (TA for Dam inspection, consultants for RRP, studies, and staff training). At the mid-term review (January -95), the scope of components (ii) and (iii) was scaled down due to delays stemming from unavailability of maps for engineering designs.

Costs: The total cost estimate of the project at appraisal was US\$ 140.6 million; the actual cost at completion was US\$108.6 million (about 23% below the original estimate in US\$ terms) for the reduced scope.

Financing: A Bank loan of US\$10.0 million (equivalent) and a credit of US\$79.9 million (equivalent) were approved in FY90. The loan amount was canceled in December 1991. The credit was closed on March 31, 1998 as scheduled and a balance of US\$6.7 million (equivalent) was canceled.

3. Achievement of Relevant Objectives :

The *Manjira WS scheme* was fully completed, but the increase in the supply of treated water was delayed (full supply is expected by the end of 1998). *Component (ii)* as revised focused on reducing unaccounted-for-water (UfW), and metering of supplies and consumption; it was implemented as defined at the mid-term review. Similarly, *component (iii)* was curtailed to sewerage/environmental improvements around the Hussainsagar Lake only; it was completed as planned at the time of the mid-term review. Overall, improvements were less than expected at appraisal due to the delay in the full utilization of the Manjira scheme and the change in focus of the rehabilitation components. The *low-cost sanitation component* exceeded its target by about 10%. The *RRP component* got off to a slow start partly due to inconsistent guidance provided by the Bank. After the Bank established a Social Development Unit in the New Delhi office in 1993, the implementation proceeded quite satisfactorily. The *institutional component* was implemented largely as planned and the goal of transforming municipally and state run WS&S service to an effective public utility operation is being met.

4. Significant Achievements :

In addition to the largely satisfactory implementation of the project, the effective implementation (after the initial delay) of the RRP program (which now appears as a good case for "best practice"), the environmental advances

through low-cost sanitation and the clean-up of the Hussainsagar Lake are noteworthy achievements . Also, the NGOs who implemented the sanitation component, carried out the health education program, and established a system for collecting beneficiary contributions gained considerable experience .

5. Significant Shortcomings :

Despite the many advances made in institutional development, there are some important shortcomings that need to be addressed without delay if the gains of this project are to be sustained . Most urgent actions are to: (i) reduce staff from the current level of 20 per 1,000 connections; (ii) lower UfW now at 40%; (iii) increase tariffs to ensure adequate revenues; (iv) reduce accounts receivable, now at nearly 8 months; (v) improve consumption metering, now at 50% for domestic and at 60% for non-domestic connections; and (vi) increase the average availability of water, now at 1.5 hours a day; these are clear indicators pointing to the need for urgent improvements that should be addressed e .g. in the follow-on project now being appraised .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Uncertain	Further progress in critical shortcomings (see section 5) under the follow-on project are necessary .
Bank Performance :	Satisfactory	Satisfactory	The performance in supervision as exemplified by a comprehensive and detailed mid-term review, and high standard supervision reports thereafter, was highly satisfactory .
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Exemplary	

7. Lessons of Broad Applicability :

The project provides a strong lesson on the importance of competent and committed senior management (including heads of various operational departments) supported by effective and timely staff training in the laying of a solid foundation for a newly established entity when at the same time a major investment program was being carried out .

8. Audit Recommended? ☒ Yes ☐ No

Why? The project provides an interesting example of a complex and large scale operation that was implemented effectively while multifaceted institutional development was under way . In addition, the implementing entity is testing some innovative privatization /outsourcing options .

9. Comments on Quality of ICR :

The ICR is of very high quality . It is detailed, comprehensive, and logically presents the assessment of project implementation and achievements, yet all this within the standard ICR length restrictions . It contains an extensive and detailed Aide-Memoire, Borrower contribution which is satisfactory, and a special Annex on the RRP program . The ICR could have presented achievements and specific progress indicators side -by-side with targets established at appraisal for easy reference .