ICR Review

Operations Evaluation Department

Report Number : ICRR10232

1. Project Data :	
OEDID:	L2888
Project ID :	P009034
Project Name :	Istanbul Water Supply and Sewerage Project
Country:	Turkey
Sector:	Urban Water Supply
L/C Number:	Ln. 2888-TU
Partners involved :	
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2. Project Objectives, Financing, Costs and Components :

Objectives: The main objectives were: (a) to protect the waters and shorelines of the Sea of Marmara and the Bosphorus through improving and extending sewerage services to 75% of Istanbul's population by 1995 (an over 35% increase from the pre-project level) and providing for appropriate disposal of sewage; and (b) to strengthen ISKI's (Istanbul Water and Sewerage Administration) O&M and industrial waste management capacities through reducing unaccounted-for water (UfW) and providing technical assistance.

Components: The project financed: (a) water distribution rehabilitation - replacement of about 1,200 km of water pipes, rehabilitation of about 20 pumping stations, and installation of a control and data acquisition system; (b) sewage collection and treatment - construction/rehabilitation of pumping stations, collector sewers, and treatment plants with sub-marine outfalls in four drainage zones, construction of about 2,500 km of sewer mains, and installation of about 330,000 sewer connections; and (c) staff training, technical assistance, and equipment for ISKI's institutional development. In December 1988, the project was amended to include some remedial works from the preceding Bank funded project. In October 1994, after experiencing serious delays in project implementation and as part of the Bank's mid-term review, the project was restructured and scaled down in scope .

Costs: The total cost estimate of the project at appraisal was US$ 569.9 million. After the 1988 amendment, the total cost estimate rose to US$649.4 million; the actual cost of the components as per the reduced scope was US$ 605.4 million, 6% over the original cost estimate.

Financing: A Bank loan of US$218.0 million was approved in FY1988. The loan closed on January 31, 1998, after an extension of slightly over two years; a balance of US$ 2.5 million was cancelled.

3. Achievement of Relevant Objectives :

Overall, the project fell short of achieving its physical and institutional objectives . Under the *water supply component* the supply situation in the city was improved although less was accomplished than originally planned; consequently UfW was reportedly reduced from 60% to about 30%, but the original target of 23% was not reached. Within the *sewerage component,* the coverage of the sewerage network was increased slightly more than estimated at appraisal but only two of the planned four treatment plants were constructed (one of them is still under construction). The sewer connection program achieved only about 73% of its target; consequently, the population served was 65%; i.e. lower than the target of 75%. Some improvements were made under the *institutional component,* but the overall progress was limited; ISKI's financial indicators improved as planned, the control and data acquisition system was successfully installed, and the staff-index was lowered from over six to three employees per 1000 connections. The project, however, did not produce any major long-term institutional improvements; thus the institutional strengthening objective was not fully met.

4. Significant Achievements :

Though there were no major significant achievements, it is worthwhile to mention (i) environmental improvements achieved due to advancements in sewage treatment; and (ii) positive measures introduced to improve ISKI's finance and O&M activities.

5. Significant Shortcomings :

Project implementation got seriously delayed due to various factors but predominantly because of political interference during municipal elections, and counterpart funding problems arising from political resistance to raising tariffs as planned at appraisal. Similar issues were highlighted in an OED audit of the preceding project in Istanbul, but did obviously not receive adequate attention in the appraisal of this project . The delay, coupled with increased costs and reduced scope, affected the benefits arising from the project and thus lowered the IRR which was recalculated at 6.4% as compared to 13.6% at appraisal. Despite improvements in some aspects of ISKI's financial operations, compliance with financial covenants was poor .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Marginally Unsatisfactory	The slightly higher rating is based on positive environmental achievements and improving institutional/financial performance.
Institutional Dev .:	Negligible	Negligible	
Sustainability:	Uncertain	Uncertain	
Bank Performance :	Deficient	Unsatisfactory	The OED and ICR ratings are equivalent. The restructuring in 1994 and the consequent improved supervision were valiant attempts by the Bank to rescue a failing project.
Borrower Perf .:	Deficient	Unsatisfactory	The OED and ICR ratings are equivalent. Performance after the 1994 restructuring was improved.
Quality of ICR:		Satisfactory	

7. Lessons of Broad Applicability :

The ICR presents several lessons, which have a wider application on the importance of : (i) a thorough and timely mid-term review, (ii) consultations with affected population at project design stage, and (iii) realism of project's design assumptions as well as project scope that is commensurate to the proven capacity of the implementing entity . One ICR finding especially worth mentioning is the fundamental role of a careful institutional analysis at appraisal to ensure that project scope does not become unrealistic and overly ambitious .

8. Audit Recommended? ● Yes ○ No

Why? The project provides a suitable learning case for critical features of "Quality at Entry" and design issues in a complex situation.

9. Comments on Quality of ICR :

The quality of this ICR is satisfactory. It covers and analyses in sufficient detail the key points that affected project implementation, and subsequently its outcome. The review of institutional issues is, however, limited, nor does the ICR discuss and present any plan for future operation of project facilities . It rather discusses the lack of future investments. The ICR also correctly points to the lack of attention paid to earlier evaluation findings .