



1. Project Data:		Date Posted : 08/20/2002	
PROJ ID: P003241		Appraisal	Actual
Project Name: Urban Restrct &water	Project Costs (US\$M)	46.6	37.7
Country: Zambia	Loan/Credit (US\$M)	33	26.5
Sector(s): Board: WS - Water supply (52%), Sanitation (17%), Sewerage (16%), Sub-national government administration (14%), Other social services (1%)	Cofinancing (US\$M)	11.2	11.2
L/C Number: C2725; CP909			
	Board Approval (FY)		95
Partners involved : NORAD	Closing Date	12/31/2001	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
The objectives of the project were to:			
(a) provide immediate solutions to the most severe water and sewerage infrastructure deficiencies in nine key urban areas;			
(b) test out community-generated and managed water and sanitation demonstration projects which meet articulated needs at an affordable price while strengthening local councils' capacities to support community based initiatives in Lusaka and the participating Copperbelt councils; and			
(c) initiate broader institutional and financial reforms required for providing organizational incentives for investing in, operating and maintaining infrastructure based on residents' perceived needs and willingness to pay.			
b. Components			
(1) Water supply and sanitation system rehabilitation (US\$28.3 million, 67% of total base cost): restore water treatment facilities to design capacity and ensure more reliability of water and sewer services to more than 1.5 million individuals in nine urban centers.			
(2) Community-based water and sanitation demonstration project (US\$5.5 million, 13% of total base cost): extend water supply to at least 250,000 low-income people in Lusaka and the Copperbelt Councils. This component was to be implemented in about seven peri-urban communities;			
(3) Sectoral and local government reform and capacity building (US\$8.2 million, 20% of total base cost).			
Revised Components: Component 2 was reduced in size as Lusaka City did not take part in the community-based pilot schemes activities. Funds from Component 2 were transferred to Component 1 to cover cost overruns on the civil works component.			
c. Comments on Project Cost, Financing and Dates			
The total project cost at appraisal was projected at US\$46.6 million, of which US\$33.00 million were to be financed by IDA, US\$11.2 million by NORAD and US\$2.4 million by the Government. Over the course of the project, the total IDA credit in dollars dropped from about US\$33 million to US\$29 million due to the devaluation of the SDR. By the end of the project, total IDA disbursements amounted to US\$26.5 million. The NORAD component was completely disbursed. Because of the lumpy nature of the majority of capital investments, about 85% of the credit was committed by November 1998 (by Mid-Term Review). The project closed on schedule on December 31, 2001.			
3. Achievement of Relevant Objectives:			
(a) The objective of providing immediate solutions to the most severe water and sewerage infrastructure deficiencies			

in nine key urban areas was achieved. The nine major rehabilitation contracts were completed and all are in operation. The project did not include any funding for expansion of network, as this was expected to be supported by local funds, therefore the number of consumers did not increase substantially. Major repairs to the distribution network were included. Sewerage treatment plants were repaired under the project and sewer lines rehabilitated.

(b) The objective to test out community-generated and managed water and sanitation demonstration projects which meet the needs at an affordable price while strengthening local councils' capacities to support community based initiatives was partially achieved. Community based schemes improved water supply for 71,000 people compared to the appraisal estimate of 250,000 people. The capacity of communities to operate and maintain the fairly sophisticated systems involving pumps, motors, switch gear, and ground and overhead reservoirs is still very weak.

(c) The objective to initiate broader institutional and financial reforms required for providing organizational incentives was partially achieved. The capacity of municipal councils was strengthened. Information systems and internal audit control systems were introduced and computers were provided to local authorities. Various on-site training in financial management was undertaken. However, the project gave inadequate attention to financial sustainability of the project. The government, halfway through the project, formally moved the responsibilities for water supply and sewer from municipal councils to autonomous Commercially Viable Water and Sanitation Utilities (CUs). Some Technical Assistance was provided by NORAD under the project to improve management of CUs, the TA was concluded before the CUs became fully operational. Certain demand management strategies were provided during supervision, however, the project did not have resources for implementation of the recommended strategies.

4. Significant Outcomes/Impacts:

The implementation of community based schemes provided important lessons which will provide the basis for designing future operations in the country.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Poor quality at entry: (i) Failure to conduct financial analysis during project preparation. (ii) Mismatch between developing long term institutional capacity and policy framework, and the short term need of rehabilitating water supply and sewerage infrastructure.
- Water and sanitation remains heavily subsidized and the subsidies are generally for consumers with piped water. Informal areas, which are not serviced and which represent the poorest consumers, did not benefit from the project with the exception of the peri-urban component.
- Weak monitoring and evaluation -- the project did not develop performance indicators to measure the improvement in service quality.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	The project achieved most of its major objectives but with several shortcomings (see section 5 of the Evaluation Summary). The objective to initiate broader institutional and financial reforms required for providing organizational incentives was partially achieved.
Institutional Dev .:	Modest	Modest	
Sustainability :	Likely	Unlikely	Although CUs are performing much better than the municipal water departments, CUs are heavily subsidized, they do not pay electricity or other government bills. Most of the revenue is used for salaries and chemicals, and minimal for O&M.
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- It is very important to conduct a rigorous financial analysis of the project during preparation and the different

stages in project implementation. In Zambia, insufficient attention to financial analysis during project preparation and implementation contributed to risky financial sustainability of schemes financed under the project.

- Refurbishing of water treatment plants and reservoirs is not enough to improve service since the pumping pressure rose after refurbishing was completed, leading to the occurrence of leaks and pipe bursts. Projects need to include a larger component to deal with the distribution system.
- Future projects need to strike a balance between water supply and sewerage/sanitation as these are closely related.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The quality of ICR is satisfactory. There are however inconsistencies in the project cost data between section 5.4 and Annex 2 of the ICR, and its unclear exactly how much was spent on the project.