



1. Project Data :
OEDID: L3519
Project ID: P007920
Project Name: Third Rural Water Supply and Sanitation Project
Country: Paraguay
Sector: Rural Water Supply & Sanitation
L/C Number: 3519-PA
Partners involved :
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2. Project Objectives, Financing, Costs and Components :
Objectives: The fundamental objective was to improve rural productivity and health, particularly of women and children, by expanding access to safe water and sanitation . This broad objective was to be achieved through (a) organizing a water sector financing system based on greater self -financing by the users; (b) promoting better hygiene and environmental sanitation; (c) varying water service levels based on the community's ability and willingness to pay for (and maintain) the system; (d) providing safe water and improved sanitation to about 250,000 people; and (e) strengthening the managerial capability of the National Environmental Sanitation Service (SENASA) and the juntas which implement and operate the individual water supply systems, respectively .
Components: (a) construction of 170 water supply systems to serve about 230,000 rural concentrated inhabitants; (b) provision of on-site sanitation systems to about 250,000 inhabitants (or improvement of existing facilities); (c) provision of water supply and sanitation to about 20,000 rural dispersed population; (d) technical assistance and consulting services to assist and train SENASA personnel in a number of areas; and (e) institutional improvements for operations and maintenance, including the purchase of well drilling equipment, spare parts and office equipment .
Costs: The total project cost was US\$ 34.0 million (appraisal estimate was US\$ 36.3 million). *Financing:* The actual project costs were financed jointly by the Bank loan (US\$ 22.8 million), the users of the systems (US\$ 7.5 million) and by SENASA (US\$ 3,7 million). The loan was approved in FY93 and closed as scheduled in June 1998, at which time about US\$ 0.2 million was canceled.

3. Achievement of Relevant Objectives :
 On rural productivity and health, the ICR refers to Impact Evaluation Report No . 17923 that shows reductions of intestinal disease morbidity and reduced infant mortality in a small sample of the rural areas served . With reference to the detailed objectives: (a) the water sector financing system based on greater self -financing of users was partially achieved since users financed 22% of the total project costs, and user contributions covered up to 60% of the total system costs; (b) although the extent to which better hygienic habits have been adopted is difficult to measure, extensive training in hygiene education was successfully carried out; (c) most systems constructed comprise wells, chlorination, storage and distribution network with home connections while others provide a subsidized service to lower income families through public standpipes; (d) the project provided water supply systems to about 250,000 rural inhabitants. In contrast, less than 20,000 inhabitants received sanitation services vs. the 250,000 forecast at appraisal; (e) the objective of strengthening SENASA and the Juntas was achieved only in part as SENASA's performance did not improve as expected . However, the training programs implemented during the project provided *juntas* with adequately trained technical and administrative staff, thus enabling them to operate their systems on a sustainable basis . At closing, the transfer of systems (from SENASA that built them to the *juntas* that operate them) had only taken place in about one third of the communities, This was due to SENASA falling behind schedule in preparing the legal documents, as well as to the reluctance of *juntas* to take over the systems until all physical works had been concluded .

4. Significant Achievements :
 The project contributed significantly to improving the quality and coverage of water available to rural families (about 60% of beneficiary families are within the poverty target groups) . As a result, rural water service coverage rose from about 10% (estimated at appraisal) to about 24%. The project was part of a long-term, RWS program and its

experience and lessons contributed to refining sector policies and formulating a follow -on project. Health benefits from the project were also verified through an extensive survey showing significant reduction in self -reported diarrhea cases as compared to control communities without the SENASA project .

5. Significant Shortcomings :

The targets for sanitation expansion were not achieved . The financial sustainability of many juntas lags expectations due to insufficient tariffs --a problem that if not overcome imperils the long-term operational sustainability of those systems where physical works have to be renewed .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Marginally Satisfactory	Institutional achievements were less than expected . Only a small part of the sanitation component was completed .
Institutional Dev .:	Negligible	Negligible	
Sustainability :	Likely	Likely	Sustainability is likely, judged by performance under the previous two projects where all built systems are still operational
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	Borrower staff continuity was high
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

The project experience suggests three important lessons . First, it is important that the project presented to the Board for approval contain objectives that are realistic and consistent with the project design and the resources provided . Second, given a set of expected impacts (as indicated by the objectives) the project needs to make adequate provisions to monitor the degree of their achievement . Third, the provision of water and sanitation to rural areas lends itself to the use of the Bank's "Adaptable Program Lending" instrument. An "APL" would have been relevant for Paraguay where the Bank has recently approved a fourth rural water supply and sanitation project .

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR fails to provide indicators on some of the project achievements, but following a meeting between OEDST and the Region, the necessary supplemental material was provided with reference to other relevant documents/reports that help assess the extent to which objectives have been reached . Overall, the quality of the ICR is good.