



1. Project Data

Project ID P132173	Project Name IN: RWSS for Low Income States	
Country India	Practice Area(Lead) Water	
L/C/TF Number(s) IDA-53450	Closing Date (Original) 31-Mar-2020	Total Project Cost (USD) 190,042,755.22
Bank Approval Date 30-Dec-2013	Closing Date (Actual) 31-Mar-2020	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	500,000,000.00	0.00
Revised Commitment	239,583,981.73	0.00
Actual	190,042,755.22	0.00

Prepared by Katsumasa Hamaguchi	Reviewed by Fernando Manibog	ICR Review Coordinator Ramachandra Jammi	Group IEGSD (Unit 4)
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2. Project Objectives and Components

a. Objectives

According to the Financing Agreement, dated February 7, 2014, the Project's development objectives were to improve piped water supply and sanitation services for selected rural communities in target States through decentralized delivery systems, and to increase the capacity of the Participating States to respond promptly and effectively to an Eligible Crisis or Emergency.



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

31-Jul-2019

c. Will a split evaluation be undertaken?

Yes

d. Components

The project included four components:

Component A: Capacity Building and Sector Development (appraisal estimate US\$93 million, actual US\$6.9 million). This component aimed to support institutional capacity building for the Ministry of Drinking Water and Sanitation, later Ministry of Jal Shakti, as well as other institutions at state, district, and local level. To enable decentralized service delivery, this component was to train Panchayati Raj Institutions in key skills such as scheme design, implementation and maintenance, procurement and financial management. This component was also expected to finance IEC activities, including behavior change to improve sanitation practices, studies and innovative pilots to test new technologies, monitoring and evaluation as well as “Excellence Awards” for the best performing states, districts and panchayats.

Component B: Infrastructure Development (appraisal estimate US\$860 million, actual: US\$361.8 million). This component aimed to support new single- and multi-village water schemes, to rehabilitate existing schemes, to protect associated water sources and catchment areas, and to support improved water quality management. A sub-component was dedicated to household, institutional and environmental sanitation to complement the national sanitation campaign program to attain open-defecation-free status. This component also funded hiring of consultancy firms, NGOs and community-based organizations to support the design and implementation of the infrastructure program.

Component C: Project Management Support (appraisal estimate US\$47 million, actual US\$12.5 million). This component was to finance staff, consultancies, offices, equipment and related costs for the national, state and district-level PMUs.

Component D: Contingency Emergency Response (appraisal estimate US\$0, actual US\$0). This component was included in case a major natural disaster necessitated reallocations to support response and reconstruction. However, this component was not triggered.

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

Project Cost: At appraisal, the project was estimated to cost US\$1,000 million. Actual cost was US\$381.2 million.



Financing: The project was to be financed through and International Development Association (IDA) Credit in the amount of US\$500 million (revised amount US\$239.6 million). Actual disbursement was US\$190 million.

Borrower Contribution: The borrower was to contribute US\$500 million, and the actual contribution was US\$191.1 million through funding from the Government of India, States and communities.

Dates: The project was approved on December 30, 2013 and became effective on April 8, 2014. The project was closed as planned on March 31, 2020. The project was restructured three times, all of which were level 2 restructurings and within 10 months of the project's closing date. The first was on June 11, 2019, when the Bank had disbursed US\$119.28 million, to cancel US\$117 million equivalent of financing and reallocate between categories. The second was on July 31, 2019, when the Bank had disbursed US\$119.28 million, to cancel US\$133 million equivalent of financing, reallocate between categories, and amend the results framework to align it with the reduced financing amount. The third was on Dec 7, 2019, when the Bank had disbursed US\$143.70 million, to trigger safeguard policy 4.11 Physical Cultural Resources in response to two Inspection Panel requests.

3. Relevance of Objectives

Rationale

At the time of project preparation, only one third of the rural households in India had access to tap water and domestic toilets. Over 90 percent of rural households in the targeted states had access to water only through wells and boreholes that had quality issues and were typically distant from homes. Less than three percent had access to piped water on premises. About 67 percent of the rural population defecated in the open.

At appraisal, the objectives were aligned with the Government of India's Twelfth Five Year Plan (2012-17). In the Plan, the Government proposed more community-based approach to National Rural Drinking Water Program and sanitation program, calling for a break from the past top-down approach. The objectives were also aligned with the World Bank's Country Partnership Strategy 2013-17. The project was expected to contribute to rural water and sanitation agenda by supporting decentralized approach.

At closure, the objectives continued to be in line with the Government's priorities. The Government launched Jal Jeevan Mission in August 2019, which seeks to provide every rural household with tap water connections by 2024 using decentralized approach. The objectives were also aligned with the World Bank Group's Country Partnership Framework for India FY18-FY22, which seeks to "improve access to rural water supply and sanitation services" as one of the objectives under its focus area "Investing in Human Capital".

Rating

High

4. Achievement of Objectives (Efficacy)



OBJECTIVE 1

Objective

To improve piped water supply services for selected rural communities in target States through decentralized delivery systems (before restructuring)

Rationale

The project's theory of change is presented in the ICR (p.7). The causal chain consists of capacity building, project management and water supply and sanitation infrastructure development, which would result in improved piped water supply and improved sanitation services as outcomes. This improvement in water supply and sanitation services is expected to lead to improved living conditions as long-term outcomes through reduced burden of securing daily water supplies, reduction in water- and hygiene-related illness and empowerment of local population including women. Key assumption was that outcomes would be achieved through a decentralized service delivery model rather than a top-down model, which was in line with the Government's and World Bank's strategies. The theory of change presented in the ICR is valid and includes necessary inputs and outputs to achieve the PDOs. The theory of change would have been better, if it included an aspect of sequencing of activities. As captured as a lesson of the project, infrastructure investment without sound capacity building activities led to significant implementation challenges.

This theory of change applies to all of the sub-objectives and is therefore not repeated in the respective efficacy discussions that follow below

Outputs

- The project supported 1,453 Gram Panchayats (133 in Assam, 369 in Bihar, 224 in Jharkhand, and 727 in Uttar Pradesh). The ICR provided no baseline or target for this indicator.
- The project commissioned 629 water schemes (0 in Assam, 153 in Bihar, 171 in Jharkhand, and 305 in Uttar Pradesh), of which 27 were multi-village schemes (0 in Assam, 4 in Bihar, 2 in Jharkhand, and 21 in Uttar Pradesh). The ICR provided no baseline or target for this indicator.
- 974 water schemes carried out independent supervision quality checks, which was 49% achievement against the original target of 2,000.
- 548 water schemes carried out social audits, which was 27% achievement against the original target of 2,000.
- No external audit of environmental performance was conducted, which was 0% achievement against the original target of 200.

Outcomes

- 335,882 households were connected with piped water as a result of the project, which was 29% achievement against the original target of 1.15 million.
- 106 water schemes achieved 50% of O&M cost recovery (0 in Assam, 0 in Bihar, 27 in Jharkhand, and 79 in Uttar Pradesh), which was 9.5% achievement (106/1,112) against the original target of 50%. The ratio of water schemes that achieved 100% O&M cost recovery was 7.6%.



Rating
Negligible

OBJECTIVE 1 REVISION 1

Revised Objective

To improve piped water supply for selected rural communities in target States through decentralized delivery systems (after restructuring)

Revised Rationale

Outputs

Following indicators' targets were revised with the restructuring in July 2019.

- 974 water schemes carried out independent supervision quality checks, which was 97% achievement against the revised target of 1,000.
- 548 water schemes carried out social audits, which was 55% achievement against the revised target of 1,000.
- No external audit of environmental performance was conducted, which was 0% achievement against the revised target of 4.

Following indicators were introduced with the restructuring in July 2019.

- 1,112 water schemes (3 in Assam, 341 in Bihar, 183 in Jharkhand, and 585 in Uttar Pradesh) were funded and completed under the project, of which 138 were multi-village schemes (3 in Assam, 4 in Bihar, 7 in Jharkhand, and 124 in Uttar Pradesh). This was 103% achievement against the target of 1,082.
- 1,453 water and sanitation committees received trainings to enhance their ability including planning, supervision and operation of the water schemes. This was 104% achievement against the target of 1,400.
- Web-based monitoring system was developed to track functionality of piped water supply schemes and performance and sustainability of water supply service providers.
- 341 water schemes marked over 80% of satisfaction with service provided, which is 53% achievement against the target of 646.
- 1 out of 4 states adopted an O&M policy empowering Gram Panchayats to operate water schemes.

Outcomes

- 335,882 households were connected with piped water as a result of the project, which was 94% achievement against the revised target of 356,000.
- 106 water schemes achieved 50% of O&M cost recovery (0 in Assam, 0 in Bihar, 27 in Jharkhand, and 79 in Uttar Pradesh), which was 19% achievement against the revised target of 550.



- 41,809 were provided with 24/7 piped water services, which was 36% achievement against the target of 115,000. This quality of service indicator was introduced with the restructuring in July 2019.

Revised Rating

Modest

OBJECTIVE 2

Objective

To improve sanitation services for selected rural communities in target States through decentralized delivery systems (before restructuring)

Rationale

Outputs

- 1,659,794 people, of which 796,700 were females, were trained to improve hygiene behavior, sanitation, and solid/liquid waste management (SLWM) under the project, which was 21% achievement against the original target of 7.8 million.
- 964 Gram-Panchayat Water Sanitation Committees (GP-WSCs) had at least 33% female members. The original target was 3,000 GP-WSCs with at least 50% female members.

Outcomes

- The number of people using improved sanitation facilities increased by more than 4 million in the project area, however, these outcomes were attributed to the Indian Government's program called Swachh Bharat Abhiyan, not to the project intervention. The indicators measuring number of people using improved latrines and people provided with access to improved sanitation facilities were dropped at the restructuring in July 2019.
- All project GPs were verified as open-defecation free, however, this is again attributed to the Indian Government's program, not to the project intervention.

Rating

Negligible

OBJECTIVE 2 REVISION 1

Revised Objective

To improve sanitation services for selected rural communities in target States through decentralized delivery systems (after restructuring)

Revised Rationale

Outputs



Following indicators' targets were revised with the restructuring in July 2019.

- 1,659,794 people, of which 796,700 were females, were trained to improve hygiene behavior, sanitation, SLWM under the project, which was 83% achievement against the revised target of 2 million.
- 964 GP-WSCs had at least 33% female members (lowered from the original 50%), which was 80% achievement against the revised target of 1,200.

Following indicators were introduced with the restructuring in July 2019.

- 167 GP action plans for SLWM were implemented in Project GPs, which was 835% achievement against the target of 20.
- 1,453 GP/village or multi-village water and sanitation committees were trained to become professional customer-focused water service providers under the project, which was 104% achievement against the target of 1400.

Outcomes

- 135,561 people benefited from improved grey water management under the project, which was 47% achievement against the target of 290,000.

Revised Rating

Negligible

OBJECTIVE 3

Objective

To increase the capacity of the Participating States to respond promptly and effectively to an Eligible Crisis or Emergency (before restructuring)

Rationale

The third objective was related to a Contingency Emergency Response component and allocated no funds. The component was not triggered during the project.

Rating

Not Rated/Not Applicable

OBJECTIVE 3 REVISION 1

Revised Objective

To increase the capacity of the Participating States to respond promptly and effectively to an Eligible Crisis or Emergency (after restructuring)



Revised Rationale

The third objective was related to a Contingency Emergency Response component and allocated no funds. The component was not triggered during the project.

Revised Rating

Not Rated/Not Applicable

OVERALL EFFICACY

Rationale

Both objectives 1 and 2 are rated as Negligible.

Overall Efficacy Rating

Negligible

Primary Reason

Low achievement

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale

Objective 1 is rated as Modest and objective 2 is rated as Negligible.

Overall Efficacy Revision 1 Rating

Modest

Primary Reason

Low achievement

5. Efficiency

Economic Efficiency:

The PAD (p.61) included cost-benefit analysis for the project at entry, however, it did not specify the discount rate used.

- The quantifiable benefits included 1) value of time saved in water collection; 2) value off incremental water supply; and 3) value of health benefits due to the reduction in the incidence of diseases.
- Costs included capital investments and associated operations and maintenance (O&M) costs. O&M cost for water schemes was estimated to be between US\$0.08 and US\$0.11 per KL depending on the scheme size. O&M cost for the sanitation investments was estimated to be 5% of the capital expenditure on SLWM activities.



- The overall Economic Rate of Return (ERR) of the project was estimated to be 30% with benefit cost ratio of 6.1. Net-present value was not calculated at appraisal. The ICR reproduced cost-benefit analysis at entry with a 12% discount rate and ERR was estimated to be 28% with benefit cost ratio of 5.8 and Net Present Value (NPV) of INR 722 million (US\$ 11.5 million).
- Sensitivity analysis showed that the ERR value would decrease to 16% in the most pessimistic scenario where cost increased and benefits decreased by 30%.

The ICR (p.54) presented cost-benefit analysis at closure with a 12% discount rate, which was aligned with World Bank guidance.

- Following the analysis at appraisal, project benefits included 1) value of time saved in water collection; 2) value off incremental water supply; and 3) value of health benefits due to the reduction in the incidence of diseases. To calculate the value of time saved, the analysis used wages from the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) Program, which were higher than the wages assumed at appraisal.
- Following the analysis at appraisal, project costs included capital investment costs under the project and associated operations and maintenance costs.
- The overall ERR of the project was estimated to be 23% with benefit cost ratio of 4.6 and NPV of INR 218million (US\$ 2.9 million).
- Because time saved in water collection was the main benefit under the model, how to value time savings had a critical impact on the benefit estimation. With the lower and non-inflation adjusted wages used in the appraisal model, ERR was 12% with benefit cost ratio of 2.3 and VPV of INR 4.6 million.
- Overall, ERR and benefit cost ratio were lower than expected at appraisal mainly because of higher unit costs and lower project achievements. However, the values were still positive and still within a range of similar investments by the Bank.

Although methodology and assumption used for efficiency analysis of the project is mostly valid, the original analysis at appraisal had some shortcomings including NPV not calculated and discount rate not cited. The ICR not only presented analysis at closure, but also reproduced the analysis at appraisal using most recently available data.

Operational Efficiency:

Although the project was closed as planned in March 2020, there were some challenges that impacted operational efficiency. Procurement challenges, frequent staff turn-over and insufficient staffing in PMUs led to implementation delays and negatively impacted project achievements.

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 (%)
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Appraisal	✓	30.00	0 <input checked="" type="checkbox"/> Not Applicable
ICR Estimate	✓	23.00	0 <input checked="" type="checkbox"/> Not Applicable

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

6. Outcome

Before restructuring: Relevance of objectives was rated high. Efficacy was rated negligible due to low achievement. Efficiency was rated modest due to lower than expected ERR at closure and implementation delays caused by procurement and staffing challenges. Based on high relevance, negligible efficacy and modest efficiency, Outcome is rated Unsatisfactory.

After restructuring: Relevance of objectives was rated high. Efficacy was rated modest. Efficiency was rated modest due to the reasons cited above. Based on high relevance, modest efficacy and modest efficiency, Outcome is rated Moderately Unsatisfactory.

The value of outcome rating before restructuring is 2 (Unsatisfactory) and after restructuring is 3 (Moderately Unsatisfactory). The share of disbursement before restructuring is 62.8% (US\$119.28 million) and after restructuring is 37.2% (US\$70.76 million). The weighted value of the outcome rating before restructuring is 1.26 and after restructuring is 1.12. The value of the overall outcome rating 2.37, therefore the final outcome rating is Unsatisfactory.

a. Outcome Rating

Unsatisfactory

7. Risk to Development Outcome

There were several risks that could potentially undermine the sustainability of the project's development outcomes. These included:

- More than 80% of water schemes developed under the project have not been able to raise half of their O&M costs from their users as intended. Although many contracts mandate contractors to maintain the water schemes up to 5 years, there is no clear plan to ensure financial sustainability of the schemes.
- In Assam, a state policy has been approved to assign institutional responsibilities for service delivery and O&M, establish a tariff setting and billing collection system and provide subsidies for cost recovery gaps. However, there is no such policies or concrete plans for O&M in other three states.
- Construction quality issues have been reported, although the situation varies by states. According to an assessment conducted in Jharkhand, 91 out of 182 schemes were non-functional and 80 were partially functional. A review in Bihar reported that 18% of commissioned schemes were not supplying water. A similar review in Uttar Pradesh reported 4% of recently completed schemes were not



supplying water. The review in Bihar also reported various construction quality issues including rusted metal works, poor quality masonry, plastering, and concrete works that require repairs.

- This lack of financial resources for O&M and emerging construction quality issues pose significant risk to sustainable operation of water schemes.

As of July 2021, the ICR reviewer, through a meeting with the TTLs, could not find data to show improvement with the issues related to O&M and non-functional schemes.

8. Assessment of Bank Performance

a. Quality-at-Entry

- The project had high strategic relevance as outlined in the relevance section and its community-based, participatory, and demand-responsive approaches were informed by lessons learned from the Bank's earlier rural water and sanitation projects in the country.
- The PAD (p.7) outlined proposed institutional and implementation arrangements in detail at the national, state, district, and village levels.
- The PAD (p.9) identified weak capacity and institutional arrangements, convergence with the national sanitation campaign program, and effective and timely implementation of project activities as key risks. The following measures were proposed to mitigate these risks: 1) capacity building of stakeholders; 2) tapping village level water and sanitation committees for coordination with the national sanitation campaign program; 3) tapping the implementing agencies of other on-going projects; and 4) reallocation of IDA funds from low-performing states to other states. The Project Implementation Plan also proposed a capacity building plan including different training models and exposure visits to address risk of weak capacity.
- A major shortcoming at entry was overestimation of client's capacity and commitment. Chronic understaffing at national, state, and district levels persisted throughout the implementation of the project as documented in the Aide Memoires and Mid-Term review in August 2016.
- Too ambitious project design in terms of scale and targets was another major shortcoming. Given the low capacity and commitment of the client, US\$ 1 billion project across 2,000 sites in the four states was too challenging to manage without proper and realistic capacity building plan.
- The Bank also did not ensure upfront O&M policy commitments. Lack of client's commitment towards O&M led to insufficient resources for O&M and substantial risk to development outcome as outlined above.

Quality-at-Entry Rating

Unsatisfactory

b. Quality of supervision



- The Bank had staff based in project states and conducted ten implementation support missions, which were well-documented in Aide Memoires. The reporting was generally aware of key implementation challenges such as chronic understaffing at PMUs at different levels.
- A major shortcoming at supervision was the Bank's inability in responding to the weak capacity of PMUs caused by chronic understaffing. The Bank team tried to address this problem through multiple missions and letters, but it persisted throughout the project closing. Ineffectiveness of the response was evident from the fact that the funds allocated for project management and capacity building were mostly left unused.
- Late restructuring was another major shortcoming at supervision. Although the client's reluctance was a contributing factor, the Bank did not take a firm approach until late 2018. The Bank eventually carried out the first restructuring in March 2019, only one year before project closure. The second restructuring, which was to amend the results framework to align it with the reduced financing amount, was carried out in July 2019. At this point, only 8 months were left before project closure. The Bank had missed an opportunity of timely course correction.
- The revised results framework could have been better. The second restructuring in July 2019 amended the results framework to adjust the target in accordance with the actual progress on the ground. However, some key PDO indicators including cost-recovery, greywater and the number of beneficiaries of 24/7 water supply were set too ambitious again. Also, given the focus of the project shifted from excreta management to greywater, the second PDO statement should have been amended to reflect the change.
- High turnover of bank staff negatively impacted quality of supervision. The project was managed by four Task Team Leaders and seven Managers.

Quality of Supervision Rating

Unsatisfactory

Overall Bank Performance Rating

Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

- The project objectives were clearly specified in the PAD. Original PDO indicators were mostly relevant to capture original intended outcomes of improving piped water supply and sanitation services. However, indicators related to sanitation component became irrelevant as the project's focus shifted to greywater related activities, thus they were amended through the restructuring process. Lack of detailed definition of indicators led to difficulties in accurately measuring some indicators including O&M costs and direct project beneficiaries.
- The PAD (p.49-51) outlined M&E design leveraging the Management Information Systems at State (S-MIS), Sector (LIS-MIS) and National levels. Informed by international and national good practices, S-MIS was designed to collect data using web and mobile technologies and aggregate data from village level to District and State level. LIS-MIS was to aggregate S-MIS data to Low Income States and report against project results framework and the performance scorecard of the



targeted States. At national level, National Project Management Unit was assigned to further aggregate the data into national level MIS.

b. M&E Implementation

- Planned M&E system was only partially implemented. A prototype of M&E software was launched but was never completed, therefore the project could not use it systematically to report and monitor project results. The baseline survey was completed in 2017, three years after the IDA Credit's effectiveness. Planned integration of MIS at different levels did not materialize. Use of different monitoring software at national level and in Bihar State made the uptake of the new monitoring system even more challenging.
- Routine monitoring by PMUs were unsystematic and not well documented. For example, most water schemes did not carry out beneficiary surveys. The project team, at times, could not even know very basic facts such as how many water schemes were functional or needed repair. The project team commissioned ad-hoc third-party assessments and reviews to ascertain project status. A major contributing factor to this limited M&E implementation was chronic understaffing for M&E at all levels.

c. M&E Utilization

- Because M&E was not functioning well as outlined above, the project could not utilize M&E data as expected for project management and decision-making. The low achievement rate of PDO indicators even after the second restructuring (8 months before project closure) suggests the project's inability to utilize M&E data for realistic target setting.
- ICR (p.22) also pointed out that PMUs were generally slow and inconsistent in following-up issues and actions identified and recommended by the Bank missions, mainly because of chronic understaffing issue.
- Overall, M&E design had some weaknesses, and implementation and utilization were poor. Therefore, M&E quality is rated Modest.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

- The project was classified as category B and triggered following safeguard policies: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Indigenous Peoples (OP/BP 4.10), and Physical Cultural Resources (OP 4.11, triggered by the third restructuring in 2019 in response to two Inspection Panel requests).
- The project suffered from poor compliance with Bank safeguard policies and procedures.



- Scheme-level safeguard documents were mostly lacking despite the preparation of necessary documents at State level, such as an Environmental Assessment-Environmental Management Framework, Social Assessment-Social Management Framework, Capacity Building and Communication Framework and an Indigenous Peoples Plan in the case of Assam and Jharkhand. According to a 2019 Safeguard Compliance Review, 199 water schemes did not have a necessary scheme-specific Environmental Management Plan regardless of its construction stages. The scheme-level safeguard documents were eventually produced, however, these documents should have been prepared before physical works.
- There was no systematic compliance monitoring even for water schemes that had scheme-specific safeguard documents. PMUs' safeguards monitoring was ad-hoc and not well documented. Environmental Audits were planned in targeted states, however, no such audit was carried out in any state.
- The project had issues around community consultations and consent. The Safeguards Compliance Review in 2019 reported systematic gaps in community consultations and their formal agreement to scheme construction. It also found more than 40 schemes with pending statutory permissions even though their construction had started. The ICR (p.20) stated that 368 schemes partially documented and 275 schemes did not document at all scheme locations and associated land transfers.
- Tribal community members in Jharkhand submitted two requests to the Inspection Panel in November and December 2018. The inspection requests were about the construction of a water treatment plant and elevated storage reservoir in two multi-village schemes in Jharkhand. Specifically, they raised concerns about the lack of scheme-specific safeguard documents, shortcomings in the consultations, weaknesses in the project Grievance Redress Mechanism and failure to apply the Bank's policy on Physical Cultural Resources (OP 4.11). The Panel recommended an investigation of the project to the Board in February 2019 and the Board approved the Panel's recommendation in March 2019. The consultation process has been delayed due to COVID-19 and the investigation process is still ongoing at the time of this ICR Review (June 2021).

b. Fiduciary Compliance

Financial Management:

Financial Management and Counterpart Funding ratings had been Moderately Satisfactory from the beginning, but they had been downgraded to Moderately Unsatisfactory since May 2019 and to Unsatisfactory since November 2019 respectively. According to the ICR (p.24), the project had significant issues in later years including claiming retention money from the contractor's bill from the Bank, delays in releasing counterpart funds and contractor payments, and Government's decision not to raise contributions from the beneficiary communities in Bihar, which was against the project agreement.

Procurement:

Procurement rating had been Moderately Satisfactory from the beginning, but it had been downgraded to Moderately Unsatisfactory since November 2019. ICR (p.24) reported that procurement delays were common throughout project implementation, which resulted in slow implementation. Primary reason for significant downgrading was poor procurement practice in Bihar. Bihar State PMU procured over 400 additional water schemes without prior approval and prior clearance of safeguards documents. The



additional schemes that could not satisfy necessary safeguards document requirements were declared ineligible and removed from Bank funding.

c. Unintended impacts (Positive or Negative)

NA

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Unsatisfactory	Unsatisfactory	
Bank Performance	Unsatisfactory	Unsatisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The following lessons were adapted by IEG from the ICR.

Proper task sequencing could be a key factor for institution building. Infrastructure investments and institutional building can create a positive and mutually reinforcing cycle if they are sequenced properly. In this project, pressure to launch the procurement of large-scale infrastructure without sound institutional capacity led to significant implementation delays and negative incentives to abandon time-consuming capacity building activities. It would have been better to put greater emphasis on client-led reform prior to, and during project preparation and embed time and resources for institution building in water scheme contracts.

Weak project management could significantly undermine the achievement of project objectives. In this project, chronic understaffing and underqualification of PMUs at national, state and district levels negatively impacted many aspects of the operation including safeguard compliance, procurement efficiency, implementation speed, and technical quality of infrastructure. Major reasons include the client’s lack of priority and prior commitment towards project management, scarcity of qualified human resources, optimistic implementation arrangements at appraisal, and the Bank’s ineffectiveness in addressing the issues.

The lack of a sustainability framework prior to investments could contribute to substantial risks to development outcomes. For Investment Project Financing, once funding is approved, the



focus tends to shift to infrastructure development and it becomes often more difficult to change or establish necessary policies. In this project, Assam was the only state that established an O&M policy for rural water schemes. Lack of O&M policies in other three states led to lack of financial resources required for O&M and posed a significant risk to sustainable operation of water schemes.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a good overview of project preparation and implementation and is sufficiently candid about implementation challenges and shortcomings. The ICR includes clear Theory of Change and is results-oriented. The ICR also provides useful lessons for future operations in the similar sectors. Overall, the quality of the ICR is rated Substantial.

a. Quality of ICR Rating

Substantial