New Province island water supply & sewerage rehabilitation project

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The Bahamas New Providence Island Water Supply and Sewerage Rehabilitation project, supported by Loan 2756-BM for US$10.0 million equivalent, was approved in FY87 after one extension. The loan was closed in FY95. A balance of US$50,000 was canceled. Co-financing was provided by the Caribbean Development Bank (CDB) for US$4.5 million, the European Investment Bank (EIB) for US$10.3 million, and the National Investment Bank (NIB) of the Bahamas for US$1.2 million. The Implementation Completion Report (ICR) was prepared by the Latin America and the Caribbean Regional Office. The Borrower contributed to the ICR and its statistical annexes. No comments from the cofinanciers are attached to the ICR.

The objectives of this project were: (i) to enhance system reliability and performance through rehabilitation of water supply and sewerage facilities and improvements in their operation and maintenance; and (ii) to improve the performance of the Water Supply Corporation (WSC) in key management and finance areas. The physical objectives were to be achieved through: (a) rehabilitation of water supply facilities (well fields in the New Providence and Andros Islands, and about 40 km of transmission and distribution mains); (b) installation of 12 km of new distribution mains; (c) improvements to the water transportation system from Andros Island to New Providence; (d) rehabilitation of the sewerage system (rehabilitation and modification of parts of the existing sewer system, and pumping stations); (e) construction of a stabilization pond system for septage (septic tank sludge) disposal; and (f) purchase of operational equipment (water meters, water and sewer main maintenance equipment, and telemetry control for sewage pumping stations). The institutional objectives were to be achieved through: (a) studies of the commercial, engineering, and operation/maintenance functions of WSC to identify ways to improve these functions; (b) formulation of a new tariff structure; and (c) preparation of a program for future water resources management and an action plan for establishing adequate criteria for sewage disposal.

The physical objectives were largely achieved except for the improvements in the water loss ratio. The number of water connections in 1994 exceeded the appraisal estimate by about three percent. The total volume of water pumped from New Providence well fields and transported from Andros was in excess of appraisal estimates by about eight percent. The overall water service coverage increased from 90 percent to almost 100 percent; however, in some poor neighborhoods only some 78 percent of consumers have a direct water connection and the rest rely on public standpipes. There was, however, no improvement in the area of unaccounted-for water: the current loss ratio is about 48 percent. Construction of the septage disposal system was delayed and is now estimated to be completed in 1996.

The institutional objectives were partially achieved. The studies for a new tariff structure, collection procedures, sewerage system planning, and control of unaccounted-for water were completed and their recommendations are being implemented. A new systematic leakage control and rehabilitation program is reportedly producing promising results. Despite tariff increases, WSC's finances have weakened because the increases were late and less than required. WSC's lack of success in improving the system's efficiency (e.g., reducing unaccounted-for water) also contributed to the poor financial and economic performance. The economic rate of return estimate was 15 percent at appraisal, but the ICR's recalculated rate of return is only six percent. The lower figure is caused by the lack of success in generating cost savings from operational efficiency improvements, and is highly dependent on the assumption that substantial improvements in unaccounted-for water will take place in the next few years.

OED rates the project outcome as marginally unsatisfactory and sustainability of benefits as uncertain. These ratings are lower than those in the ICR because of the lack of progress made in operational efficiency and financial
performance. Institutional development impact is rated as moderate and Bank performance is rated as satisfactory; these ratings are similar to those in the ICR.

The quality of the ICR is good, but its presentation of the plan for future operations is focused on funding of future investments rather than the operations of the improved and expanded facilities.

This project shows that reliability of service is important for the company’s financial position. Prior to this project, WSC lost major customers who felt compelled to make their own water supply arrangements because of the unreliable service provided by WSC. Further loss of key customers would have severe financial implications for WSC. Also, and to improve its financial performance, the Corporation must improve its leak control management to reduce its level of unaccounted-for water.

No audit is planned.