

<b>1. Project Data:</b>		<b>Date Posted :</b> 10/17/2014	
<b>Country:</b>	China		
<b>Project ID:</b>	P095315	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b>	Western Provinces Rural Water Supply, Sanitation And Hygiene Promotion Project	<b>Project Costs (US\$M):</b>	75.36      74.57
<b>L/C Number:</b>	L4863	<b>Loan/Credit (US\$M):</b>	25      24.94
<b>Sector Board:</b>	Water	<b>Cofinancing (US\$M):</b>	25      15.34
<b>Cofinanciers:</b>	DFID	<b>Board Approval Date:</b>	06/26/2007
		<b>Closing Date:</b>	09/30/2012      03/29/2013
<b>Sector(s):</b>	Water supply (63%); Sanitation (27%); Sub-national government administration (5%); Other social services (5%)		
<b>Theme(s):</b>	Rural services and infrastructure (33% - P); Other human development (33% - P); Pollution management and environmental health (17% - S); Participation and civic engagement (17% - S)		
<b>Prepared by:</b>	<b>Reviewed by:</b>	<b>ICR Review Coordinator:</b>	<b>Group:</b>
Jason R. Cardosi	Chad Leechor	Christopher David Nelson	IEGPS1

## 2. Project Objectives and Components:

### a. Objectives:

The objectives in the Project Appraisal Document (PAD) and Loan Agreement are broadly similar. The project objectives as articulated in the PAD (page 4):

The project development objective (PDO) is to increase access of poor participating communities to sustainable and equitable water supply, sanitation, and hygiene promotion services by adapting an integrated and participatory approach, which can be replicated in other provinces .

The Loan Agreement states the project objectives as follows (page 4):

The objective of the Project is to assist Shaanxi Province and Sichuan Province in increasing access of poor communities to sustainable and equitable water supply, sanitation and hygiene promotion services using an integrated and a participatory approach.

This review assesses the objectives as stated in the Loan Agreement .

### b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

If yes, did the Board approve the revised objectives /key associated outcome targets?

Yes

Date of Board Approval: 05/12/2012

### **c. Components:**

The project development objectives were not revised, but some of the key project indicators and their targets were revised. In particular, indicators pertaining to the three-in-one approach were deleted, while indicators for hygiene promotion were replaced with behavioral indicators (including hand washing and disposal of solid waste.)

The project contained four components (descriptions and appraisal costs are based on the PAD, pp. 5-6, actual costs are as stated in the ICR, p. 28)

Component 1: Safe Drinking Water Supply (appraisal US\$44.45 million, actual US\$ 48.15 million)

The component aimed to support access to safe drinking water for households and selected schools, including investments in subprojects for the construction of multi-village and single village piped water supply systems, rainwater collection systems and wells with hand or electric pumps. The component was to include water source development, including selection, monitoring, protection and, if required, water treatment.

Component 2: Environmental Sanitation (appraisal US\$19.00 million, actual US\$ 16.15 million)

The sanitation component aimed to increase the number of household latrines, public shared latrines and school latrines, including hand washing and drainage facilities, and garbage drop-off points in project areas. Domestic wastewater drainage and other environmental improvements were to be developed on a demonstration basis in both provinces.

Component 3: Hygiene Promotion (appraisal US\$3.79 million, actual US\$ 1.16 million)

The hygiene promotion component was to comprise formative research, technical assistance, capacity building and training, mass media programs, print and electronic media, person-to-person contact, community and school participatory hygiene promotion campaigns, and behavioral change monitoring and evaluation.

Component 4: Institutional Strengthening and Development (appraisal US\$3.93 million, actual US\$3.00 million)

This component aimed to increase project management capacity to implement the project. It was to include a comprehensive training program, cover the costs of activities required to mobilize communities to participate in all stages of the project, support development of a result-based Monitoring and Evaluation (M&E) System, Community-based M&E System and a Management Information System (MIS). This component also included an allocation for office equipment and vehicles.

Component revisions

The output targets in the components were revised due to a reduction in available funds for project activities, increased costs for labor and materials, and an insufficient contingency allowance. The two provinces revised the components during restructuring (April, 2012). In summary: Component 1 - Shaanxi maintained financing for water supply while Sichuan reduced outputs; Component 2- Both provinces reduced environmental sanitation outputs; Component 3 - Both provinces reduced outputs; Component 4 - Shaanxi reduced the number of domestic study tours, and both provinces planned for hiring consultants to complete the borrower's ICR.

### **d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

The project cost was US\$75.36 million during appraisal. The project was financed by:

International Bank for Reconstruction and Development (IBRD) - appraisal US\$ 25 million, actual US\$ 24.94 million;

DfiD - appraisal US\$ 25 million, actual US\$ 15.34 million; and

Borrower - appraisal 25.36 million; actual US\$ 32.31 million.

The funds available for the project were reduced by 6% during implementation to US\$ 70.57 million. The main reason for the reduction was DFID's withdrawal from the project in 2010 due to the withdrawal of its aid program from China. This reduction was partially offset by increased contributions from the borrower. However, the project budget was also compressed by the US dollar depreciating about 20% during implementation.

The project was restructured with component output targets revised in April, 2012 but the PDO was not revised. The cumulative Bank disbursements as of April 5, 2012 were US\$ 19.21 million (Restructuring document p. 5), leaving US\$ 5.73 million in Bank funds for disbursement following the restructuring.

The closing date was extended once by six months from September 30, 2012 to March 29, 2013 to allow time for implementation of the remaining works due to the April, 2012 restructuring, late start of procurement, and adverse weather in Sichuan Province.

### 3. Relevance of Objectives & Design:

#### a. Relevance of Objectives:

**High**, before and after the restructuring. The project aimed to support the Government's Eleventh Five Year Plan for Rural Safe Drinking Water Supply (2006-2010) which had the objective of bringing safe water to 160 million rural residents by 2010 and all residents by 2015 while focusing on China's western provinces. The government's strategy was also to integrate water supply, sanitation, and hygiene promotion activities, referred to as the Three-in-One approach.

At appraisal, the objectives were relevant to three of the five themes of the Bank's Country Partnership Strategy (CPS) of 2006 - 2010, including Theme 2 (reducing poverty); Theme 3 (managing environmental challenges); and Theme 5 (improving public institutions). The objectives remain relevant to the current CPS (FY 2013-2016) within Strategic Theme 2, Promoting More Inclusive Development, Subsection 2.31 which articulates targets for access to safe water and sanitation in rural areas. The CPS also cites a continued priority of supporting lower income western and central provinces.

#### b. Relevance of Design:

**Substantial**, before and after the restructuring. The PAD contains a number of intermediate outcomes that support the project's development objectives (pp. 25-27). These cover access to safe water services, access and use of improved sanitation services, use of improved hygiene services, and equitable services provided through a participatory approach to service delivery. The four components, covering water, sanitation, hygiene, and institutional development broadly address the objectives and intermediate outcomes. The objective of increasing access by *poor* communities is not specifically mentioned in the intermediate outcomes or component descriptions, but poverty was one of the criteria in the selection of participating counties. In addressing poverty and promoting equitable services within communities, the PAD described planned up-front identification of poor and vulnerable households by Water, Sanitation and Hygiene (WASH) committees with water supply connection fees and/or tariffs reduced or waived for such households. In Sichuan, sanitation subsidies were to be prioritized for poor or vulnerable households. The objective of equitable services is addressed through an intermediate outcome (delivered through participatory approaches) that is included in the institutional development component.

The outputs and related targets articulated in the PAD (pp 39-40) cover water supply and sanitation facilities, but did not cover hygiene, or targets related to the poor and equitable services.

Intermediate outcomes and outcome indicators refer to access and usage, but do not discuss linkages and contributions to health or economic impacts.

### 4. Achievement of Objectives (Efficacy):

Since some of the indicators were deleted or modified at the restructuring in May 2012, this Review will consider the efficacy of both the original objectives and the revised objectives.

**Increasing access of poor participating communities to sustainable and equitable *water supply* services . Modest - the project partially achieved the original and revised objectives .**

Outputs:

The project constructed 50 multi-village schemes (28 in Shaanxi, 22 in Sichuan), 183 single village schemes (128 in Shaanxi, 62 in Sichuan), 43 cluster schemes in Sichuan and 16,395 single household wells in Sichuan.

The ICR reported that 189,490 participants took part in Community Mobilization and Participation Training, and that 2130 participants received Project Management Support and Technical Training .

Intermediate Outcomes:

The total project achievement for the water supply KPI was 589,453 people gaining access, which is 76% of PAD target of 771,109 and 101% of the revised target of 584,716.

For the schools KPI, 65 were supplied, which is 15% of the PAD target of 448 and 67% of the restructured target of 97.

In terms of the sustainability KPI, the ICR reported the percentage of WSS systems operating sustainably after one year was 90% in Shaanxi and 73% in Sichuan.

Disaggregating these achievements by province, in Shaanxi, 326,716 people gained access to water supply, which is 100% of the PAD and restructured targets. For schools, the project supplied 32 schools, which is 11% of the PAD target of 297, and 78% of the restructured target of 41. In Sichuan, 262,737 people gained access to water supply, which is 59% of the PAD target of 444,393 and 102% of the restructured target of 258,000. For schools, the project supplied 33 schools, which is 22% of the PAD target of 151, and 59% of the restructured target of 51).

In reporting on equity, WASH committee formation followed project principles including adherence to equitable membership achieved 100% of the target with 618 committees established. In addition poor households “typically” had the connection fee of RMB 200 (approximately US\$ 32) waived.

The ICR stated that tariffs were both affordable and sufficient to meet recurrent costs but, likely due to the timing of the completion report, there was no presentation of indicators such as meeting the tariff covenant after the first year of operations, or meeting full design supply capacity two years after construction completion. There is no formal arrangement on handling major repairs .

While the project was assumed to have initially achieved provincial and national standards for water quality, these do not appear to have been maintained. The ICR mission concluded that the final assessments were carried out on an ad hoc basis, there was ineffective operator training, and there is currently no evidence of systemic water treatment.

In terms of targeting poor communities, the two provinces were selected on the basis of their poverty levels. Within each province, each county was rated according to poverty indicators, and then within these counties, the poorest villages were selected. The TTL confirmed that the Project Operational Manual was followed in terms of working in poor communities, although the ICR did not specifically report on this .

The project made use of integrated and participatory approaches in order to demonstrate a model that could be replicated by other government agencies and programs. This was manifested through a three-in-one approach that sought to plan and deliver water supply, sanitation services, and hygiene promotion through an integrated and participatory process. Although the project’s development objectives were not formally revised, this activity which had been defined as an objective in itself was dropped in practice during the restructuring .

**Increasing access of poor participating communities to sustainable and equitable *sanitation* services : Original - Modest due to partial achievement, Revised - Substantial due to near achievement of objectives .**

#### Outputs:

Under the project 43,857 household latrines (Shaanxi 15,496, Sichuan 28,363) and 201 village latrines (Shaanxi 193, Sichuan 8). The project saw construction of 833 village waste drop off facilities (Shaanxi 654, Sichuan 179).

#### Intermediate Outcomes:

The total project achievement for the sanitation KPI was 224,620 people gaining access, which is 34% of PAD target of 664,005 and 112% of the revised target of 200,505.

For the schools KPI, 88 schools gained access to sanitation, which is 6.5% of the PAD target of 492 and 90% of the restructured target of 98.

Disaggregating the household access achievements by province, in Shaanxi, 79,220 people obtained sanitation services, which is 24% of the PAD target of 326,716 and 101% of restructured target of 78,705. In Sichuan, 145,400 people obtained sanitation services, which is 43% of the PAD target of 337,289 and 119% of the restructured target of 121,800).

In terms of targeting poor communities, the TTL confirmed that the Project Operational Manual was followed in terms of working in poor communities. For sanitation, this included targeting poorer households and offering a menu of solutions. The ICR results reported that 100% of the target was met in terms of the proportion of vulnerable households receiving and using improved sanitation.

The project did not measure sustainability of sanitation. The TTL confirmed that household latrine subsidies were provided to household once latrines were certified as adequate. There was no subsequent monitoring of related to usage or emptying.

#### **Increasing access of poor communities to sustainable and equitable *hygiene promotion*: Modest - the project partially achieved the original and revised objectives .**

The project did not report hygiene promotion outputs from planned activities such as technical assistance, the use of government TV channels, promotion materials, and participatory village hygiene promotion. This limits the ability to consider the attribution of results.

#### Intermediate Outcomes:

The KPI on the percentage of people in project communities and schools who adopted safe hygiene and sanitation behavior was added during restructuring considered i) community members and school students practicing hand washing with soap (HWWS) at five key occasions and ii) household disposal of the feces of young children in a safe manner. The reported average overall achievement of HWWS was 24% of the target in communities and 16% of the target in schools. In Shaanxi there was a 4.4% increase in HWWS, which is a 22% of the target increase of 20. In Sichuan there was a 7.8% increase in HWWS, 26% of the target increase of 30. In schools, Shaanxi had no progress toward the HWWS increase target of 30%. In Sichuan, there was a 14% increase in school HWWS which is 31% of the increase target of 45.

The ICR's figures on disposal of children's feces were unclear (for example, a target of 70, achievement of 84, with a percentage achievement of 22%) and need corrections or explanation. There was no discussion of sustainability.

Regarding the KPI on the adoption of the 3-in-1 WASH approach model, the indicator was dropped at restructuring and no data was collected due to difficulty in showing attribution. However the two provinces adopted the 3 in 1 model in their sector plans, and similar policies have been adopted at national level.

#### **5. Efficiency:**

**Substantial**

The economic or internal rate of return (EIRR) was calculated for the water supply component. The scope of the EIRR was 4% of the water component and 2% of the total project cost at appraisal, and 4% of the water component and 3% of the total project cost at the time of the ICR. The EIRR covered a sample of 20 of the planned 396 piped water schemes. The estimated cost of the schemes was US\$ 37 million with an average scheme cost of US\$ 93,535. The estimated cost of 20 schemes was US\$ 1.87 million.

The analyses covered the two provinces at appraisal and during the ICR using consistent models and assumptions. At appraisal the EIRR was 27.7%. At the time of the ICR it was 16.7%. The discount rate was 10%. The ICR states that the differences between appraisal and ICR are due to lower water consumption at project completion than estimated at appraisal with the schemes operating at 60% of their design capacity.

Health benefits were not quantified, due to the difficulty of such an assessment for water supply. The analysis did not include the sanitation component.

Other factors that may impact efficiency were an increase in the costs for materials and labor as a result of reconstruction and repair activity following the Wenchuan earthquake in May, 2008. In addition, the Chinese RMB appreciated by 20% against the US Dollar increasing the cost for project activities in RMB.

**a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :**

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	27.7%	2%
ICR estimate	Yes	16.7%	3%

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

**6. Outcome:**

The project made some progress in increasing the access of poor participating communities to sustainable and equitable water supply, sanitation and hygiene promotion services through an integrated and participatory approach. The outcomes, however, fell short of the targets envisaged both before and after the restructuring.

The relevance of objectives was high and that of design was substantial, both before and after the restructuring. Efficiency was substantial throughout.

Efficacy, however, was modest when measured against all of the original objectives. It was modest when measured against two out of three revised objectives and substantial against one of the three revised objectives.

The outcome is therefore rated moderately unsatisfactory (with a rating score of 3 points on a scale of 1 to 6, with 1 being highly unsatisfactory) both before and after the restructuring. The weighted average of 3 points (with the weight of 77% before restructuring) and 3 points (with a weight of 23% after restructuring) is 3 points.

The overall project outcome rating is therefore moderately unsatisfactory.

**a. Outcome Rating :** Moderately Unsatisfactory

**7. Rationale for Risk to Development Outcome Rating:**

There are significant risks to the development outcomes. As discussed in the achievement of

objectives section, there is a sustainability risk concerning the management of water supply and sanitation services. While there is reported high ownership, there is a low level of water treatment and lower than expected demand. In addition, while WASH committees are responsible for covering recurrent maintenance, there is no formal agreement regarding responsibility for major repairs of and replacement.

Regarding sanitation, the ICR reported concerns with household technical capability to maintain more technically complex bio gas latrines built in the project. There was also little discussion of demand for these systems or other choices for sanitation in general which could impact sustainability. In terms of Hygiene behavior maintenance, the late start of promotion campaign may not have had enough time to achieve sustained behavior change and there is concern by stakeholder on maintaining soap supplies in schools.

The provinces face risks of earthquakes and flooding. Recent earthquakes have affected the area, including Wenchuan and several smaller towns, since April, 2013. Flooding poses a risk, as evidenced by the Sichuan flood in July, 2013.

**a. Risk to Development Outcome Rating :** Significant

## **8. Assessment of Bank Performance:**

### **a. Quality at entry:**

There were several strengths highlighted in the project design. The approach was strategically relevant and fit with national policy and the CPS. The project's financing structure was unique in combining the IBRD loan with the DfID grant. This allowed for a close collaboration with DFID and United Nations International Children's Fund (UNICEF) and a focus of promoting efficiency, bottom up approaches, and a replicable delivery models through the integration of WASH services. The ICR also noted the careful review of safeguard issue including social aspects that covered willingness to pay and hygiene behavioral assessments.

ICR-identified weakness included project's development objective being overly complex. It also found that there was a "rather high" number of indicators, although it is not clear why this in itself was a weakness. Institutionally, central government coordination was not included in the institutional arrangements at appraisal. Costs for sanitation were based on generic assumptions that were out of date. In addition, some risks were found to be under assessed. Contingency costs turned out to be insufficient with the reduction of DfID funding and the changing exchange rate. Water systems may have been overdesigned which led to the lower EIRR at completion, although the risk of overdesign was identified in the PAD.

**Quality-at-Entry Rating :** Moderately Satisfactory

### **b. Quality of supervision:**

Formal supervision consisted of a multi functional team that carried out biannual missions with Dfid and UNICEF along with regular follow up with the client.

The project faced significant implementation challenges. When DFID ended its commitment to the project, the Bank's senior management were engaged in trying to maintain the commitment, additional IBRD funds were offered to the borrower, and a restructuring effort was started during the Mid-Term Review (MTR) in July, 2010. Procurement challenges arose due to "persistent collusion issues in both provinces." At least two post-procurement reviews were carried out and the Bank insisted on and guided the development and implementation of a generally accepted accounting principles as a condition for the project's extension. The Bank responded to low financial management capacity with special missions and training. The Bank reacted "quickly and with flexibility" to the need of improving environmental assessment work for the small scale works.

However these efforts were not always successfully and the ICR cited instances where the Bank could

have done more. First, while the restructuring process was started in July, 2010, the formal application from the Ministry of Finance was not received until March, 2012 and it was noted that the Bank could have been more proactive in following up on the restructuring efforts. Second, despite efforts to improve procurement compliance, the issues were not satisfactorily resolved and it was noted that more follow up could have been done by the Bank. Third, the review noted the Bank did not adequately follow up on weak implementation and use of M&E systems and data.

The issues faced by the project were exacerbated by staff turnover on the Bank side. There were seven Bank TTLs between the project's appraisal and completion and only one core task team member worked on the project throughout its duration.

**Quality of Supervision Rating :** Moderately Unsatisfactory

**Overall Bank Performance Rating :** Moderately Unsatisfactory

## **9. Assessment of Borrower Performance:**

### **a. Government Performance:**

Shaanxi and Sichuan provincial governments

Each province established high level Project Leading Groups (PLGs) at the political level and Provincial Project Management Offices (PPMO). The government did not designate a central agency to coordinate the provinces.

In response to the reduction in DFID funding, additional IBRD support was declined due to concerns of additional debt being taken on by participating local governments. Shaanxi province produced a restructuring plan with increased client/counterpart funding to help cover shortfalls. Sichuan took much longer to submit restructuring plans to the Ministry of Finance. These developments resulted in a dormant period of about 22 months (from Aug 2010 to May 2012) during which little was accomplished.

**Government Performance Rating** Moderately Unsatisfactory

### **b. Implementing Agency Performance:**

The ICR reports that the Shaanxi PPMO was established as a unit in the experienced Provincial Development and Reform Commission's Foreign Funding Department. The PPMO began restructuring the project "immediately" after the MTR. In contrast, the Sichuan PPMO was made up mostly of seconded staff from line departments, many of whom returned ("drifted back") to their permanent positions when project activities halted after the MTR. The project management and reporting arrangements were reported to have broken down and the restructuring was delayed.

The use of WASH committees was a commitment by both provinces and the ICR mission found this continuing post-project with WASH committees being integrated into the design of domestic rural water supply, sanitation, and hygiene projects.

Commitment to component 4 remained particularly strong throughout the project with 'a lot' of training carried out according to the ICR.

The project was able to monitor output measurements satisfactorily, but an integrated computerized MIS was not developed as planned and outcome measurement was "not done particularly well."

Procurement management was unsatisfactory and compliance issues remained unresolved when the ICR was carried out.

When project implementation halted during the 22 month restructuring, the PPMOs did not deliver project reports and Annual Work Plans were overdue in 2010 and 2011.

**Implementing Agency Performance Rating :** Moderately Unsatisfactory

**Overall Borrower Performance Rating :** Moderately Unsatisfactory

## **10. M&E Design, Implementation, & Utilization:**

### **a. M&E Design:**

The project's objectives were to be measured by seven key indicator areas supported by 23 intermediate indicators. The indicators reflected and provided plausible linkages to the objectives. The project's M&E focused on outputs and some intermediate outcomes such as access to water and sanitation, but was not designed to report on health impacts as result of the improved water supply and sanitation.

The measurability of the indicators was questioned by the ICR which stated that there were too many indicators according to common practice. Many of them required data collection methods that had not been used before and implied additional efforts. It was not clear why this in itself meant that indicators could not be adequately measured. The number of indicators were partly result of the multiple project objectives and the planned integration of rural water, sanitation, and hygiene services, which was to utilize a community based monitoring and an integrated MIS. M&E training was to be carried out early during the project.

The ICR stated that the M&E system was not sufficiently built around enhancing the use of data already collected at county and provincial levels which likely impact on ownership and usage. Another factor that may have weakened institutional buy-in and sustainability was the lack of articulation of longer term responsibility for M&E outside of the PPMOs

### **b. M&E Implementation:**

M&E "training and capacity building" was provided at the start of the project and an MIS software package was completed which tracked contracts and related disbursements.

A planned software upgrade to allow tracking of water sustainability aspects and a planned computer networked MIS did not materialized as planned. However, reliable output data for components 1 and 2 were collected manually and aggregated at the provincial levels in Excel. The ICR states that the quality, accuracy, and availability of data varied. Shaanxi was reported to have provided more "meaningful data" than Sichuan which had "data gaps." The data collected covers outputs and some intermediate outcomes (such as access), but no outcomes in line with the design. This system did not appear to capture data related to the poverty level in communities and equitable coverage. Several indicators were dropped or changed during the MTR.

### **c. M&E Utilization:**

The ICR reports that output data was used to assist with the formulation of Annual Work Plans in an effort to overcome delays and adjust implementation. Data on progress was also used as inputs to restructuring plans after the Mid Term Review along with consideration of available time and financing.

Monitoring of Environmental Management Plans (EMPs) showed a low rate of water quality testing and in Sichuan, latrine testing, but it is not clear how the data was utilized.

**M&E Quality Rating :** Substantial

## 11. Other Issues

### a. Safeguards:

The project was designated as Category B in line with Environmental Assessment (OP/BP/GP 4.01), and included Involuntary Resettlement (OP/BP 4.12) and Safety of Dams (OP/BP 4.37). (PAD p. 16). The PAD indicated that no major negative social or environmental issues were identified .

Impact and mitigation measures were to be site specific . At appraisal PPMOs had engaged consultants who prepared an environmental assessment for the first 20 percent of planned project schemes and a framework of the environmental assessment for the remaining schemes . The ICR reported that the process for the remaining schemes was “not fully followed, especially in Sichuan .” This was reported to be due to the Wenchuan earthquake in May 2008 and the delays related to the restructuring of the project . The Bank eventually agreed to a different approach using Environmental Guidelines and/or Codes of Good Practice mainly because the provinces had demonstrated good management of subsequent Environmental Management Plans (EMPs) and that the remaining 80% of schemes were similar in geographic spread and scale as the first tranche . During appraisal, both provinces had produced EMPs to guide actions during scheme construction and operation including water quantity and quality monitoring, dam safety, public health, and environmental impact, as well as institutional arrangements . Both provinces engaged consultants that monitored and supervised EMP implementation .

The ICR also reported a failure to carry out regular water quality testing by the County Water Resource Bureaus in accordance with Chinese national standards . The bureaus reported that there were insufficient counterpart budgets to do so . Likewise the planned project specific latrine testing in Sichuan was only carried out on a limited basis due to lack of borrower funds .

#### Involuntary Resettlement

A resettlement plan was completed during the project’s preparation that covered the first 20 percent of schemes and a resettlement policy framework was prepared to guide planning for the remaining 80 percent . Each province was to prepare a resettlement plan annually for submission to the Bank for review as part of the Annual Work Plan . The ICR reported that both provinces “generally” implemented resettlement plans well . Monitoring of resettlement action plans was carried out by a hired social development team who carried out a monitoring process .

The PAD indicated that less than 5 mu(.3 hectares) of land would be required for each water supply system and no housing relocation was necessary . Impacts would be mitigated through land redistribution and cash compensation, which was included in the project budget . The ICR stated that that 2170 mu(145 hectors) was acquired during the project, but only 189mu(12.6 hectares) was acquired permanently with the remainder being acquired only during construction . The ICR reported that house demolition was avoided as planned and that standards of living for Project Affected Peoples improved . The reduction of the targets during restructuring was the major factor in the lower than planned land acquisitions .

#### Dam Safety

The project did not finance dam construction . However existing reservoirs were used as water sources . PPMOs in both provinces engaged dam specialists who produced reports that led to agreements on work or safety related measures to upgrade existing dams . At appraisal, this process had taken place for eight dams in Sichuan and three in Shaanxi . As a result of the restructuring, the number of dams utilized in Sichuan was reduced to seven . Following the Wenchuan earthquake, the Provincial Water Resource Bureaus carried out inspection of all project-related dams .

### b. Fiduciary Compliance:

The ICR stated that “generally” there was compliance with covenants requiring annual audit reports and interim financial reports . The PPMOs produced basic financial records and reports . The project financial system provided “moderate assurance” that Bank Loan and DfID Grant proceeds were used for the intended purpose .

Financial reports suffered from a lack of knowledge and experience and high staff turnover of the PPMOs. Through training and other measures, financial management staff acquired increased capacity but high staff turnover limited the improvement.

**Procurement**

Bank procurement was generally followed. However there were non-compliance issues that remain unresolved. A post procurement review covering 2010-2013 identified collusive practices related to three national competitive bidding selections for village water supply. The Bank responded by presenting findings to the PPMOs and expected corrective actions to be taken. When these were not forthcoming, the Bank responded by establishing a requirement that PPMOs develop and adopt provincial governance and anti-corruption action plans as a condition to extending the project's closing date. The provinces agreed not to seek Bank reimbursement where collusion was assessed to be serious. A final post procurement review conducted in 2013 found that the action plans were not being fully implemented and as of the closing date, an INT investigation was ongoing.

**c. Unintended Impacts (positive or negative):**

The ICR reports that the three-in-one approach did have an influence in planning for water, sanitation, and hygiene as evidenced by its continued modified inclusion in project province master plans. The approach was also reported to have influenced the UNICEF's Knowledge and Advocacy for Sanitation and Hygiene (KASH) program which successfully improved capacity and commitment to scale up integrated WASH programs in rural areas in poor western provinces, and which also influenced the Government of *China's Health Sector Reform Program*.

**d. Other:**

<b>12. Ratings:</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement / Comments</b>
<b>Outcome:</b>	Moderately Unsatisfactory	Moderately Unsatisfactory	
<b>Risk to Development Outcome:</b>	Significant	Significant	
<b>Bank Performance:</b>	Moderately Unsatisfactory	Moderately Unsatisfactory	
<b>Borrower Performance:</b>	Moderately Unsatisfactory	Moderately Unsatisfactory	
<b>Quality of ICR:</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

**13. Lessons:**

The ICR identified six lessons, summarized as follows :

*Significant co-financiers not honoring their funding commitment obligations for the life of a project has profound effects on project implementation and achievement of the PDO.* DfID withdrew from the project using a standard and generic clause in the Memorandum of Understanding (MOU). In order to

avoid future problems of this nature, MOUs should be strengthened to ensure that co-financiers honor their commitments for the life of projects and only cancel these commitments in well define, documented and transparent circumstances and with agreement of all parties involved in financing .

*For multi provincial projects, a Central government agency should be nominated to coordinate provincial activity.* To avoid delays and prevent one province being held up by the inaction of another, as was the case with the restructuring of this project, a central agency like National Development and Reform Commission should be nominated as the responsible central agency to better coordinate project provinces. Alternatively, project design could be more flexible in the future to allow staged restructuring where one province is moving faster than another.

*Strategic partnerships and targeted TA add tremendous value.* The strategic partnership established between the WB/UNICEF/Government of China/DfID added tremendous value and in the end the KASH TA program produced a best practice example of leverage and co-operation applied to help Government of China find solutions to a huge national challenge in the Rural Water Supply, Sanitation and Hygiene Promotion sector. The Bank should look for more opportunities to develop similar partnerships to enhance project outcomes.

*Standard physical and price contingency items for Bank lending in China need continual review and updating to better reflect reality.* The underestimation of contingencies at appraisal resulted in significant cost variations.

*Strengthening the support provided by government departments to new community groups.* A stronger and more permanent relationship between the WASH committees and the Town Water Supply Stations and County Water Resource Bureaus needs to be developed to support fledging community committees that have been assigned the Management, Operations and Maintenance responsibilities of water supply schemes, but have little or no experience with the operational and technical aspects of assets assigned .

*Strength of Programmatic approach to project design.* Despite the implementation problems with this project, in future a programmatic approach to project design can be effective in addressing major national policy issues and challenges, particularly combined with a good technical assistance in China .

Other lessons that might be considered:

In addition to the lesson above on strengthening operational MOUs among partners, operations using programmatic approaches might also assess the risk of partners leaving an operation and outline mitigation measures. In the case of DfiD's departure, the decision to end its China program was carried out at political level which may have overridden any strengthened operational level agreements

Another lesson to consider would be including incentives for the use of monitoring and evaluation systems among county and provincial entities . While the project developed robust M&E plans and was reported to have carried out extensive training, the results were mainly a monitoring system that reported routine outputs. Many data were not adequately captured that would have informed progress towards the PDO. This included water and sanitation related outcomes, and hygiene outputs. This might be strengthened in the future by committing adequate resources to assess appropriate collection methods including strengthening incentives for the use of existing systems within agencies and government, and considering the use of periodic surveys .

Another lesson is the need to assess the optimal structures for Project Management Units . The ICR indicated that having the PPMO as a unit within an existing department was a driver in Shaanxi 's ability to manage the restructuring process, whereas having the PPMO made up of seconded staff from multiple departments was a source of delays in Sichuan .

**14. Assessment Recommended?**     Yes    No

**Why?**    The project had low ratings in a country portfolio where most projects are rated in the satisfactory range. While Borrower and Bank performance played a role, the project also faced two extraordinary challenges in form of the Wenchuan earthquake in 2008 and the loss of DFID financing in 2010. It may be worth looking into to this in more depth while examining some unique aspects of the project . These include the integrated water, sanitation, hygiene and bottom-up planning approach which was considered new, at least on a large scale. Interviews with the TLL for this report and a portfolio review indicate that the approach appears to be promising as a way to reach and include the poor in planning, even though it's first usage at scale may not have produced robust results. In addition, the project stood out by reporting hygiene behavioral outcomes. Even though the results were considered modest, the reporting of them was in itself was significant and if examined further could provide learning for future operations and on strengthening the health and economic benefits of water and sanitation investments .

**15. Comments on Quality of ICR:**

The ICR was generally written concisely and the report provides a clear overview of the project, its challenges, and results. The report was particularly forthright in its summary of procurement and fiduciary compliance, and the INT investigation . In some instances, findings could have been better supported with data. The discussion of results includes statements such as “poor household typically had the connection fee...waved,” and “tariffs are both affordable and sustainable,” without supporting details. Other examples include statements such as, “outcome measurement was not done particularly well” and “a lot of training was carried out.” In addition, there were some cases of unclear or perhaps missing figures. For example there appear to be missing entries in the output table in annex 2 (line II 14, II 26) which made progress in some areas difficult to assess .

**a.Quality of ICR Rating:** Satisfactory

**a.Quality of ICR Rating :** Satisfactory