

U N C L A S S I F I E D

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT PAPER

SRI LANKA: Water Supply and Sanitation
Sector (383-0088)

March 31, 1989

U N C L A S S I F I E D

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add.
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE
3

COUNTRY/ENTITY SRI LANKA

3. PROJECT NUMBER
383-0088

4. BUREAU/OFFICE
ASIA 4

5. PROJECT TITLE (maximum 40 characters)
WATER SUPPLY & SANITATION SECTOR

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
1 2 31 9 0

7. ESTIMATED DATE OF OBLIGATION
(Under "B" below, enter 1, 2, 3, or 4)

A. Initial FY 84

B. Quarter 4

C. Final FY 89

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total			2,800	7,796	5,710	13,506
(Grant)	()	()	(500)	(5,491)	(550)	(6,041)
(Loan)	()	()	(2,300)	(2,305)	(5,160)	(7,465)
Other U.S. 1.						
2.						
Host Country				700	6,600	7,300
Other Donor(s)						
TOTALS			2,800	8,496	12,310	20,806

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) HE	500	540	540			6,041	7,465	6,041	7,465
(2)									
(3)									
(4)									
TOTALS						6,041	7,465	6,041	7,465

10. SECONDARY TECHNICAL CODES (maximum 8 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To develop and improve the institutional capabilities of the National Water Supply & Drainage Board (NWSDB) to plan, design, rehabilitate/construct, operate and maintain water and sanitation systems throughout Sri Lanka; and to develop and improve national health education, rural sanitation services and community participation in water supply and sanitation.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
0 3 8 8 1 1 9 0

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

Increased Life of Project Funding for additional Technical Assistance and Construction and extension of PACD

17. APPROVED BY

Signature

Peter J. Bloom

Title

Director, USAID/Sri Lanka

Date Signed

MM DD YY
0 3 3 1 8 9

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

CONTROLLER'S CONCURRENCE:

I have reviewed and concur with the assessment of methods of implementation and financing procedures included in this Project as well as the evaluation of the need for audit coverage.

Wayne Butler, CTR

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March 28, 1989

ACTION MEMORANDUM TO THE DIRECTOR

THROUGH: DD, George Jones *G. Jones*
FROM: ENG, Joe Thanarajah *JTT*
SUBJECT: Water Supply and Sanitation Sector Project (383-0088)
Project Authorization Amendment
Project Paper Supplement No. 1

Problem: Your approval is requested to amend the Project Authorization and Project Paper for the Water Supply and Sanitation Sector Project (383-0088). These amendments are required primarily: (a) to extend the PACD by sixteen (16) months from the original PACD of August 31, 1989, to December 31, 1990; and (b) to authorize an increase in life-of-project funding for the project by \$1,206,000 (\$1,041,000 grant and \$165,000 loan) to a new life-of-project total of \$13,506,000 (\$6,041,000 grant and \$7,465,000 loan) from the FA. Section 104 appropriation to Sri Lanka. The PACD extension and increased project funding will accommodate an additional 24-months of technical assistance in support of the National Water Supply and Drainage Board (NWSDB) and provide loan funding for construction of water supply schemes.

Authority: Pursuant to Handbook 3, Sections 5F1b and 13D4a, an amendment of a Project Authorization is required to support an increase in AID life-of-project funding.

Under Delegation of Authority 652 (as revised 10/10/86), you have the authority to amend a Project Authorization for a project not exceeding \$30 million provided the amendment does not present a significant policy issue, the life-of-project does not exceed ten years, and it does not require AID/W waivers.

Under that same Delegation of Authority, you are authorized to extend the PACD of Mission-funded projects up to a cumulative period of two years, again provided the project life does not exceed ten years. The proposed PACD extension of sixteen months from August 31, 1989, to December 31, 1990, will result in a total life of project of six years and four months, well within the ten-year limitation.

Justification to Congress: The process of deobligating Health grant and loan funds from the Malaria Control (383-0043) and National Institute of Health Sciences (383-0062) Projects for reobligation to WS&S Project has been initiated. Colombo 374 requested that AID/W prepare the Technical Notifications (TN) for both the deobligations and reobligation. Obligation of funds must await notice from AID/W that the TN has expired without objection. Therefore, the amended authorization is qualified in that obligation may not occur until the TN has expired without objection.

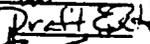
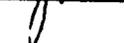
Recommendation: Based on the authority presented above, it is recommended that you sign the attached Project Authorization Amendment and the Project Paper Data Sheet which accompanies PP Supplement No. 1 to the Water Supply and Sanitation Sector Project.

Approved: 

Disapproved: _____

Date: 31 March 1989

- Attachments: 1. Project Authorization Amendment
2. Project Paper Supplement
3. Project Data Sheet

Clearance: ENG:JPinney 
PRJ:DZvinakis 
PRM:JEmmert 
PRM:DGarms: 
CTR:JWButler 


Drafted:PRJ:ERHansen:n1:03/16/89

EHM0065

- 1 -

PROJECT AUTHORIZATION AMENDMENT

Sri Lanka

Water Supply and Sanitation Sector
Project No. 383-0088
Loan No. 383-U-034

Pursuant to Section 104 of the Foreign Assistance Act of 1961, as amended, and delegations of authority from the Assistant Administrator for Asia and Near East, the Project Authorization is hereby amended:

(a) to increase planned loan obligations over the Life of the Project from not to exceed \$7,300,000 to not to exceed \$7,465,000 and to increase planned grant obligations over the Life of the Project from not to exceed \$5,000,000 to not to exceed \$6,041,000, both subject to the availability of funds in accordance with the A.I.D. OYB/allotment process; and

(b) to revise the planned Life of Project by extending the Project Assistance Completion Date from August 31, 1989, to December 31, 1990.

In all other respects, the Project Authorization remains in full force and effect.

Signature: _____



Peter J. Bloom
Director
USAID/Sri Lanka

Date: _____

31 March 1989

Clearance:

ENG:JThanarajah JT
ENG:JPinney JP
PRJ:DZvinakis Draft ECH
PRM:DGarms DG
CTR:JWButler JWB
DD:GJones GJ

^{ECH}
Drafted: PRJ:ERHansen:nl:03/16/89

EHM0057

Water Supply & Sanitation Sector
Project No: 383-0088
Project Paper Supplement

PART I : RECOMMENDATIONS

It is recommended that the Water Supply and Sanitation Sector Project (383-0088) be amended as follows:

- A. To authorize an increase in life-of-project grant funding from \$5,000,000 to \$6,041,000, in order to provide additional technical assistance support to the NWSDB;
- B. To authorize an increase in life-of-project loan funding from \$7,300,000 to \$7,465,000, in order to finance project activities in the subproject areas;
- C. To extend the Project Assistance Completion Date (PACD) sixteen months from the original PACD of August 31, 1989, to December 31, 1990, resulting in a total LOP of six years and four months;
- D. To further one of the project's principal objectives, that of strengthening the institutional capabilities of the NWSDB, by refining the quantitative indicators utilized to measure the achievement of this objective;
- E. To more specifically define the subprojects, which will construct water supply systems in six rural areas.

In addition, this Project Paper Supplement will review and update the monitoring and evaluation plan for the project, revise the financial plan (including a review of host country contributions), and update the implementation plan.

Part II: PROJECT DESCRIPTION AND JUSTIFICATION FOR MODIFICATIONS

A. Purpose, Outputs and Inputs of Project:

1. Purpose: As more fully discussed in subsequent sections, this amendment strongly endorses the original project design. The purpose of the project: (a) to develop and improve the institutional capabilities of the National Water Supply and Drainage Board (NWSDB) to plan, design, rehabilitate/construct, operate and maintain water and sanitation systems throughout Sri Lanka; and (b) to develop and improve national health education, rural sanitation services and community participation in water supply and sanitation, remains unchanged following four years of project implementation.
2. Outputs: Only the magnitude of certain outputs has been modified to meet the developing needs of the NWSDB as its institutional capabilities are strengthened through the project. More specificity is given to some of the institution building End-of-Project-Status (EOPS) and output targets. Specific changes include:
 - a. the establishment of four regional support centers in place of three, to include Colombo as a separate region;
 - b. the establishment and institutionalization of the Corporate Planning Division at the NWSDB in place of the former Strategic Planning Committee;
 - c. the establishment and institutionalization of a Performance and Management Analysis Unit (PMAU) to develop performance indicators for all aspects of NWSDB operations. The PMAU will be incorporated into the Corporate Planning Division.

The revised project outputs in all components of the project are more fully addressed in Part II, Revised End of Project Status, and Annex No. 2.
3. Inputs: The magnitude of AID-financed inputs has increased to continue the TA assistance to the NWSDB for an additional 24 months and to adequately fund subproject activities, particularly those for the Jaffna water supply system. The revised budgets (including host country contributions) are shown in Part VI, Revised Cost Estimate and Financial Plan.

B. Justification for Modifications:

Extension of the PACD and an increase in the level of technical assistance are required for several reasons.

First, this project got off to a rough start, with strained relations between the technical assistance team and key counterparts of the NWSDB and considerable resistance to project objectives from NWSDB staff. One possible design flaw in making most effective use of the team, was to bring all of them at the beginning of the project, rather than to phase them in. Several major changes were made in early 1986, perhaps most importantly, changes in technical assistance team members and NWSDB project staff.

The result was a complete turnaround of the project, leading to widespread commitment on the part of NWSDB staff to the major corporate institutional changes anticipated under the project. Furthermore, the technical assistance team became widely accepted as participants and guides in that process at the very core of the NWSDB. Continuation of the technical assistance will place NWSDB in a better position to assume and successfully manage the upgraded organization so as to withstand the pressure to revert to former, traditional ways. Although the effectiveness of project activities and inputs has increased significantly and NWSDB is well on its way to establishing the new policies and procedures as standard procedure with NWSDB, there was considerable lost time in the first year of the project, which the extension of the PACD and the additional technical assistance time is designed to partially redress.

Second, during the design of the project, the amount of time and the level of technical assistance required to meet project objectives was disputed. The project was eventually approved as a five year project with the minimum possible level of technical assistance, rather than a seven year project as had been expected earlier in the design. This amendment acknowledges that the longer time period is necessary to achieve the institutional building objectives.

Third, additional time is required to complete the six subprojects for the construction of urban water schemes. Implementation of these subprojects has fallen behind the implementation schedule originally planned. To some extent this has been due to security problems, particularly for the two Jaffna schemes taken over from the earlier Jaffna Market Town Water Supply project, which was cancelled in 1985 due to ethnic conflict in northern Sri Lanka. During 1988, further delays were brought about by political turmoil and security problems in the South.

However, the main subproject delays have resulted from the time-consuming process of selecting the subproject water schemes to be constructed or rehabilitated. As the NWSDB has strengthened as an institution through this process, the delays are seen by many project participants as having been constructive.

The construction subprojects were designed in part to serve the institution-building aim of establishing sound technical, economic, community participation, and health criteria (rather than political) in the selection and design of schemes for rehabilitation and construction. Though it has taken considerably more time than projected in the project paper, the protracted process of involving local communities in the selection and design of subproject schemes has helped the NWSDB institutionalize a review process incorporating those criteria, a process which is already being applied to construction funded by the GSL and other donors. Though there is still some uncertainty as to how quickly the security situation will permit construction of the Jaffna schemes, the proposed PACD extension is expected to be sufficient to complete work on the other schemes.

And fourth, the increased grant funding is required primarily to extend the prime technical assistance contract by an additional 120 person-months and also to fund annual monitoring and evaluation workshops conducted by the AID/WASH project and a final project evaluation. The decision since the original project design to include the more expensive Jaffna water schemes as a subproject necessitates a slight increase in loan funding over that originally budgeted. Since construction was halted in Jaffna four years ago, many of the water pipes have been removed and must be replaced, nearly doubling the original construction estimates for this subproject.

Health grant and loan funds available from the deobligations from Malaria Control (383-0043) and National Institute of Health Sciences (383-0062) Projects will meet these funding requirements.

PART III : REVIEW OF PROJECT DESIGN

The original project purpose, which stands unchanged, has two parts:

- To develop and improve the institutional capabilities of the National Water Supply and Drainage Board (NWSDB) to plan, design, rehabilitate/reconstruct, operate and maintain water and sanitation systems throughout Sri Lanka; and
- To develop and improve national health education, rural sanitation services and community participation in water supply and sanitation.

The two project elements correspond to the two parts of the purpose. The first is a comprehensive and multifaceted set of activities and inputs designed to achieve three fundamental institution building objectives: consolidation, decentralization, and priority of O&M (operations and maintenance) over new construction. The second consists of health education, rural sanitation and the construction of community water supply systems, all concentrated in six subproject areas and planned through extensive community participation and coordination with local Ministry of Health staff.

A. Institution Building Objectives and Process

The institution building element of the project has already resulted in some fundamental structural changes in the NWSDB organization. The project also set in motion a complex process of organizational change. It consists of continuous organizational self-examination, consensus building, establishment of new organizational objectives and targets for change or improvements, and review of performance. An important role of the project consultants is not only to encourage the process (i.e., act as catalysts), but to help assure that the process is aimed toward achieving the organizational characteristics indicated in the project purpose and the EOPS.

The annual project monitoring and evaluation review is a device for getting many key participants in the organization involved in and committed to the process. The institutionalization of a Management Cell and a strategic planning process are also key to the process. As the structure of the organization has already begun changing from a highly centralized structure to one which delegates decision making authority to many organizational units, the process itself is becoming more complex because it occurs not only at the center, but in different units of the organization. The nature of such a process is that it cannot be completely mapped out at the beginning of a project, but evolves to meet the needs of the emerging, strengthened organization.

The institution building purpose for the project is stated in the PP (as above). "Improving institutional capacity" is further defined in the project paper and the EOPS to include not only more effective operations for various organizational units, but also consolidation, decentralization, and priority of O&M. These three concepts continue to guide the institutional development and supply the criteria for examining and changing many aspects of the organization.

- "Consolidation" referred to a first major structural step of consolidating the separate organizations for "project areas" and "non-project areas" into a single organization; it also referred to integrating personnel functions with administrative functions and to merging a supplies and stores unit with the financial unit to form a single Commercial Unit. In the project it has also come to be used for mechanisms to achieve decision-making where several departments should be involved, but the tendency was for one department to act unilaterally.
- "Decentralization" referred to a longer term process of decentralizing an organization where decision making and authority were highly centralized. This is not a simple change of an organizational chart, but a process of progressively increasing responsibility and authority in regional units and of overturning long established practices. The process requires building many new skills and capacities in the regional offices which were previously not required there. It requires increasing and monitoring effectiveness, not only at the central offices, but in each new regional unit as well.
- "O&M" referred to a fundamental redefinition of NWSDB's primary mission from construction of new water supply systems to long-term operation and maintenance of existing ones. This requires both a widespread attitudinal change among staff, and also changes in various practices and personnel policies (e.g., promotions, benefits, etc.).

In summary, the institution building project purpose as elaborated in the PP is reconfirmed. A minor alteration is made in the second EOPS to clarify that the project is aimed not only at the establishment of units, policies, and upgraded procedures (i.e., essentially outputs), but at the NWSDB's active use of them. The revised EOPS in the logframe reads as follows:

(2) Units, policies, and upgrading procedures have been established and are in use for NWSDB business management, planning, public relations, commercial, personnel, training, capital facilities management, operations and maintenance, information management, research and administrative areas."

Having reconfirmed achievement of the project purpose and objectives, it must still be acknowledged that there can be no single useful measure or indicator of when the project institution building purpose is reached. The EOPS themselves incorporate many variables and dimensions along which the project seeks to develop the NWSDB. Targets are not readily quantified. Progress along some of the dimensions must be described in qualitative terms; or a combination of quantitative indicators must be used to make a judgment about one concept. (For example, it may not be possible to define a clear target where "decentralization" has occurred, although a combination of quantitative and qualitative measures can show the direction of change.) This problem is more fully discussed in Part IV, Revised Monitoring and Evaluation Plan.

B. Health Education, Rural Sanitation, and Community Participation

In most ways project implementation is consistent with the PP. Perhaps the most significant exception is with respect to the second purpose and element. The PP discussed the need for coordination of Ministry of Health education and rural sanitation programs with the construction of water supply and sanitation systems by NWSDB. In practice, there has been very good coordination with the local MOH field staff in the subproject areas, particularly after the establishment of the NWSDB's Rural Sanitation Unit (RSU) in 1985. However, at the higher Ministry levels, virtually no working or planning relationship has materialized, however desirable it may be. Based on USAID's assessment of the capacity of the Ministry of Health, it is unrealistic to expect the project to achieve this inter-agency coordination at the higher level.

There has also been a shift in the way the second part of the purpose and the second project element are perceived by USAID. Though noting that the subprojects of this element contribute to the institution building purpose of the project, the original PP emphasized the direct contribution of the subprojects to the project goal, improving the health and well-being of the people of Sri Lanka (i.e., by increasing the number of persons in the country served by safe and reliable water supply systems and adequate sanitation facilities and by reducing the incidence of water-related morbidity and mortality). Although the direct contribution of the subprojects to goal achievement remains valid, USAID now views the subprojects primarily as a means of bringing about institutional changes in the NWSDB. Thus the extensive institutional changes will be the primary contribution of the project to achievement of the long-range project goal.

Finally, the six subprojects unnamed in the Project Paper, have now been identified: Ahangama and Jaffna for construction; and Wennapuwa, Kakkapalliya, Kahawatte and Eheliyagoda for rehabilitation.

PART IV : REVISED MONITORING AND EVALUATION PLAN

A. Measuring the progress of a complex institution building project:

There are a number of inherent difficulties in monitoring the progress of this project toward achieving its primary institution development purpose. In some institution building projects, there are a small number of readily quantified objectives (e.g. increase the number of persons graduated annually by a training institution from x to y). By contrast, this project has attempted nothing less than a fundamental restructuring and reorientation of a major national agency-- indeed a redefinition of its mission. No part of the organization has been left untouched or unchanged and planned changes are occurring on many dimensions.

Clearly no single measure of that complex process is adequate to define a single point where the institution building purpose has been achieved. Even more problematic, the three core institution building objectives of the project (consolidation, decentralization and O&M priority) also can not be quantified with a precision that permits setting meaningful aggregate quantitative targets. Different decentralization objectives (actions and policy changes affecting different parts of the NWSDB) can be clearly defined or measured, and these could be incorporated into an ordinal level statistic (an index of decentralization); though such an index could be used to monitor change related to decentralization, it would not have sufficient precision or intuitive meaning to set a numeral target representing the degree of decentralization which the project is attempting to achieve.

B. Evaluation & Monitoring in this project:

Just as the institution building objectives and activities of the project are complex; the monitoring and evaluation activities for this project are unusually complex. There are three distinct elements:

1. A rapid appraisal and feedback system based on monitoring and evaluation workshops held annually,
2. Development of a management information system (MIS) to meet long term NWSDB needs for monitoring the performance of the organization and the overall water supply sector, and
3. Monitoring the achievement of project institution building objectives, using the MIS as much as possible.

The annual monitoring and evaluation workshops bring the key project actors together with a facilitator (from the centrally managed WASH Project). The workshop consists of a review of implementation performance during the previous years and setting performance targets for the following year. Summary reports (including a detailed action plan) are prepared from each workshop; these are key working documents for the project management committee and steering committee. These reports are not circulated with USAID, as they are at a level of detail much greater than Mission Management requires. However, the facilitator always briefs Mission Management after the workshops. (The workshop serves not only a monitoring function, but one of building commitment among project participants to new organizational goals and to the performance targets for the next implementation period.)

The development of a sound MIS also is important not only to monitor NWSDB performance, but also to achieve project institutional objectives. NWSDB previously had an ineffective statistics cell which produced untimely statistical reports having little relevance to management decision making. Though much remains to be developed, the core of a new MIS and management cell is in place, which is oriented to management decision making needs and to the new priorities of the organization.

Monitoring of the progress of the project by the Mission has been based on information from several sources: the reports from the annual monitoring and evaluation workshops, the contractors monthly (and more recently quarterly) reports, and information available through the new MIS, as well as assessments of the NWSDB by other agencies. The USAID Project Officer prepares quarterly project implementation reports (PIRS) reviewed by Mission management. PIRS report on inputs (expenditure of project funds and contractor time) as well as achievement indicators. Most of the outputs are easily measured and reported. However, the reporting on achievement of purpose level objectives (particularly the institution building objectives of consolidation, decentralization, and O&M priority) are more impressionistic, even though expressed as a percentage of accomplishment.

The project paper (annex J) listed a large number of possible indicators of project progress. Many of the proposed indicators were qualitative and progress or setbacks would be reported in narrative form. Others would be milestones or benchmarks and once achieved, no further purpose would be achieved by continuing to report them.

C. The Current Measurement Problem:

Though the first two of the three M&E components have worked well, several issues have been raised about the adequacy of the indicators reporting on the project at the purpose level. A recent performance audit has opined that the Mission did not have adequate quantitative measures to set targets at the purpose level and measure progress toward those targets. It also objected to the change in indicators and the number of indicators reported as the project progressed. This finding clearly relates to the three main institution building objectives discussed above where quantification (at least at the statistical level of interval or ratio scale measurement) is problematic. Mission management has monitored accomplishment of purpose level institutional development progress in this project fairly carefully from close and frequent contact and the substantial qualitative feedback about the project. However, the audit finding concerning quantitative indicators was accepted, and the Mission undertook to work with the contractor and NWSDB to establish a stable set of measures of institutional development progress which could be monitored for the remainder of the project. As much as possible, these should be quantitative measures.

D. Modifications in Project Monitoring:

A working group consisting of the project institution building consultants, an outside evaluation consultant, the Project Officer, and the Mission Evaluation Officer attempted to establish a set of project performance indicators at the purpose level which would meet those criteria. A long list of indicators was proposed, some of which may still prove not to be feasible. (These are placed in Annex 3).

The statement of the EOPS in the original project paper and the logframe posed a major problem. On the one hand, as noted earlier in the review of the project design, the original project purpose and the EOPS are still considered to be exactly on target. They concisely express the comprehensive changes which the project aims to bring about.

On the other hand, each of the three EOPS related to institutional development contains several components which can only be measured separately. (For example, the three major objectives --consolidation, decentralization and O&M priority--are subsumed in a single EOPS.) To develop the indicators, the EOPS were broken down into each of their component parts. For most of the components, two to four indicators were identified.

The disaggregated components of the EOPS were listed as follows:

1. Organizational Consolidation
2. Decentralization
3. Increased O&M Priority
4. Established Units, Policies & Procedures, and Improved NWSDB Operations
 - Public relation
 - Training
 - Personnel/Administration
 - O&M
 - Information Management
 - Business Management/Commercial Operations
 - Planning/Capital Facilities Management
 - Research
5. More Effective Public Health Outreach & Integrated Approach to Water Supply/Sanitation and Health Education.

Annex 3 contains a statement of the "objective" for each component EOPS as well as the indicators proposed for each component. A total of 51 indicators are proposed, many of which are quantitative. Many can be constructed from data now available in the Management Information System which would not have been available even one year ago. The consulting team will take the lead on constructing as many as possible. Where possible, annual indicators will be reconstructed to show changes in the project to date. At that point, it should be possible to set quantitative targets for some indicators. As some of these indicators would not otherwise be important for NWSDB decisionmaking, it may be difficult to compile them in the final project year after the consulting team has completed their work.

This list is obviously not fully satisfactory. Having a large number of indicators, rather than a small number, makes it more difficult to determine whether or not the project has achieved its purpose. But that problem appears to be inherent in the complex nature of the institutional development objective of the project. Using a small number of indicators could easily be misleading in this case. Also, it is either not possible or would not make sense to produce many of these indicators quarterly with Mission Project Implementation Reports. For each proposed indicator it is noted whether the indicator can be produced annually, quarterly, or as a milestone/benchmark indicator to be reported only when achieved.

PART V : REVISED IMPLEMENTATION PLAN

A. Procedures

Since the signing of the Project Loan and Grant Agreement in August, 1984, the National Water Supply and Drainage Board (NWSDB) of the Ministry of Housing and Construction (MHC) has implemented the project. The Management Cell, made up of representatives of the MHC, the NWSDB General Manager, the MOH, the USAID Project Manager and the contractor Chief-of-Party (COP), directs project implementation. Day-to-day project administration is handled by the NWSDB Project Manager supported by NWSDB staff and the contractor COP.

As previously noted, the original implementation plan for the project was delayed due to difficulties in initiating the institutional development process, the security situation throughout the country, and the protracted process of selecting and designing the subproject schemes. Although it remains uncertain when security will permit construction in all subproject schemes, it is anticipated that the revised project targets, will be met by the PACD, December 31, 1990.

1. Technical Assistance and Training

- a. Technical Assistance: Subject to the availability of funding and extension of the PACD, the AID direct contract for technical assistance under the project will continue to September 30, 1990. The contractor will provide continuing support to the NWSDB to assure that the organizational targets designated in the EOPS are fully achieved by the PACD. The contractor's tasks in institutional development, training, and facilities and water scheme construction are more specifically noted in the Implementation Schedule below.
- b. In-Country Workshops and Seminars: During 1989 and 1990, in-country workshops are planned in the areas of public relations, corporate planning, budget control, and financial responsibility. Additionally, the monitoring/evaluation workshops successfully conducted by WASH in 1986, 1987 and 1988 will be continued in 1989 and 1990. The project will sponsor an international workshop on institutional development in the water supply sector in spring, 1990.
- c. Third-Country Training: The two long-term trainees under the project have completed their Master's degree programs in Public Health Engineering and have resumed their duties with the CSSS of the NWSDB. The annual training plan for 1989 includes short-term training in the U.S. on the management of water authorities

for three senior managers of the NWSDB. Third-country training in 1989 for a total of 16 officers will be in the areas of administration and financial management, maintenance, evaluation and monitoring of research projects, and training center management. The third-country training plan for 1990 will be submitted to AID for approval prior to such training.

2. Commodities

The final offshore procurement of project commodities, including office, training, laboratory, workshop and warehouse equipment, was completed in late 1988, and these have been delivered to the RSC's and RO's. Missing items have been ordered and are anticipated by June, 1989. In response to a recent recommendation by AID, the NWSDB is adopting procedures to assure the proper storage and utilization of project commodities.

3. Facilities

AID will finance the construction of office, training, laboratory, workshop and staff housing facilities for the Regional Support Centres (RSC) and Regional Offices (RO) under the project. Host country contracts for construction of the stores, workshops and administrative facilities at Kurunegala, Ratnapura, Anuradhapura, Matara and Kandy have been awarded. Completion of this work is anticipated by December, 1989. The remaining contracts for facilities at Jaffna, Ampara and Bandarawela will be awarded by July, 1989, and work is scheduled to be completed by June, 1990.

4. Construction and Rehabilitation

- a. Water Supply System Construction and Rehabilitation: Under the original design, two new water supply systems were to be constructed and four existing systems were to be rehabilitated. These six subprojects have since been identified: Ahangama and Jaffna for construction; and Wennapuwa, Kakkapalliya, Kahawatte and Eheliyagoda for rehabilitation. Selection was based on the assurance of the local authority that O&M costs for a given scheme would be recovered from its users. This selection process was delayed nearly one year beyond original projections as NWSDB negotiated and signed these subproject agreements for five of the six schemes, excluding Jaffna.

Feasibility studies for five of the six subprojects have been completed with design work to be completed by November, 1989, and construction, by October, 1990. When security permits, rehabilitation of the Jaffna water supply system will proceed.

(1) Kahawatte Subproject

63 Health volunteers have been trained; 1420 adult latrines are in various stages of construction; The population served is 5160.

(2) Eheliyagoda Subproject

146 Health volunteers have been trained; 1600 adult latrines are in various stages of construction; The population served is 8632.

(3) Wennapuwa Subproject

49 Health volunteers have been trained; 2135 adult latrines are in various stages of construction; The population served is 9500.

(4) Kakkapalliya Subproject

66 Health volunteers have been trained; 1439 adult latrines are in various stages of construction; The population served is 8500.

(5) Ahangama Subproject

Health volunteers have not been trained; 886 adult latrines are in various stages of construction; The population served is 12,500.

(6) Jaffna Subproject

When security permits health volunteers will be trained in Jaffna; and construction of the water supply scheme will commence in October, 1989.

- b. Latrine Construction: To date, approximately 7,500 latrines have been installed in five subproject areas, excluding the Jaffna subproject. By September 30, 1990, the balance 7,500 of the 15,000 latrines planned for the project will be constructed in all six subproject areas.

5. Research Studies

Eight research studies (5 technical 3 socio-economic) were originally planned in the project. To date, 5 technical and 5 socio-economic research studies have been completed and the results used to plan subproject activities.

B. Implementation Schedule - revised commencing 1989.

1989

- January - Final commodity shipment received.
- February - TA progress presentation to USAID. Decentralization of Colombo RSC completed. Standard cost guidelines (capital projects/O&M) developed.
- March - One TA consultant departs. Workshop on consumer interface/PR role of NWSDB. Middle Management Training Seminar. Technical procedures and design manuals issued. 1990 project budget finalized.
- April - Training on management of water authorities for 3 senior managers of NWSDB.
- May - Complete staffing of newly formed Corporate Planning Division (CPD) and the Performance and Management Analysis Unit (PMAU). Construction contracts awarded for final 3 regional offices. Workshop on water billing/consumer relations/MIS for managers. Construction of Matara RSC and Ratnapura RO completed.
- June - Meter maintenance procedures regionalized. Exhibition responsibility transferred to Public Relations Unit (PRU). Training on consumer relations implemented. 1990 Project Technical Workplan finalized. Construction of Kandy RSC completed.
- July - WASH Senior Management Training Course. Construction of Matara RSC completed.
- August - Corporate Plan for NWSDB finalized. Budget process integrated with CPD. M/S/O&M extended to all regions. Supplies/Stores functions in RSC's integrated. Design of Ahangama water supply system completed. 4th annual monitoring/evaluation workshop.
- September - Corporate Planning Workshop. Zero-base budgeting introduced. Construction of Kandy workshop/stores completed.
- October - Decentralization of Northern RSC completed. Construction of Anuradhapura RSC/workshop/stores completed.

- November - Design of Eheliyagoda, Kakkapalliya, Wennapuwa, and Kahawatte water supply systems completed.
- December - Budget control workshop.
Construction of Moratuwa workshop/stores and Bandarawela RO/workshop/stores completed.
- 1990
- January
- February
- March - International workshop on institutional development.
CPD budget training completed and budget process installed in CPD. Financial responsibility workshop.
- April
- May - 5th annual monitoring/evaluation workshop.
- June - Final project evaluation.
Rehabilitation of Kakkapalliya water supply system completed,
Construction of Jaffna, Ampara and Kurunegala RO/workshop RO/workshop/stores and Ratnapura workshop/stores completed.
- July
- August
- September 30 - Construction of Ahangama water supply system completed.
TA completed.
- October Rehabilitation of Eheliyagoda, Wennapuwa and Kahawatte water supply system completed.
- November
- December Construction of Jaffna water supply system completed.

PART VI: REVISED COST ESTIMATE AND FINANCIAL PLAN

A. Project Budget

The total cost of the project is estimated at \$20.81 million, of which AID will provide \$13.51 million (65 percent) through a development grant of \$6.04 million and a development loan of \$7.47 million. The balance \$7.30 million (35 percent) of total project cost will be provided by the GSL.

The revised Project Budget is as follows:.

Revised Life of Project Budget Summary
(US Dollars '000)

	<u>Revised AID Budget</u>		<u>GSL</u>	<u>Project Total</u>
	<u>Loan</u>	<u>Grant</u>		
Tech. Assist.	-	5,925	-	5,925
Training	455	60	40	555
Research Stud.		56	-	56
Commodities	2,235	-	1,560	3,795
Facilities	1,700	-	1,650	3,350
Const/Rehab	3,075	-	2,450	5,525
Recurrent		-	1,600	1,600
Totals	<u>7,465</u>	<u>6,041</u>	<u>7,300</u>	<u>20,806</u>

The NWSDB has participated in formulating this budget and does not anticipate any problems in obtaining the required budgetary support for the project.

Disbursement of project funds in the first three years of the project were low due to delayed commodity procurements and construction of facilities and water supply schemes in the subprojects. Through the first quarter of FY 1989, \$5.12 million of the \$7.30 million loan remained undisbursed. Of this sum, \$4.31 million will be disbursed for facilities and water supply scheme construction/rehabilitation during 1989 and 1990. The remaining \$.81 million is expected to be disbursed for commodities and training in the final two years of the project.

Of the \$5.00 million grant, only \$.39 million remained undisbursed through the first quarter of FY 1989. This sum together with an additional \$1.04 million added to the grant will be fully expended on TA requirements through the PACD.

B. Project Inputs

1. Technical Assistance: Following full and open competition, the Engineering-Science contract was amended to continue services through September 30, 1990, subject to the availability of funds and extension of the PACD. The contract, as amended, amounts to \$5,699,447. This project has also provided intermittent technical assistance from the centrally funded AID/WASH project. This has included an initial pre-implementation workshop in April 1985; a series of three senior management training programs during 1986 and 1987; and three annual monitoring workshops in 1986, 1987 and 1988. The TA from the AID/WASH project will be extended to include annual monitoring and evaluation workshops in 1989 and 1990 and another senior management training course in 1989, when the PACD is extended.

The revised project budget for TA provides sufficient funding for the ES and WASH contracts, as well as approximately \$10,000 for a non-federal audit of the TA Contractor's overhead rates during the balance life of project and a final evaluation estimated at \$80,000.

2. Training: All future USAID-funded overseas training will be provided through the NWSDB. GSL funds will support in-country training and implementation workshops.
3. Commodities: The final offshore procurement of project commodities has been completed. Future commodity needs will be procured locally on the basis of in-country availability and compatibility with local specifications and/or conditions. All local procurement will be purchased through purchase orders.
4. Facilities: The construction and renovation of project facilities is just now getting underway and is scheduled to continue through 1989 and part of 1990. AID will fund 60% of the amount of each construction contract by a Direct Letter of Commitment to the contractor. The remaining 40% of the cost will be paid by the GSL.
5. Water Supply System Construction and Rehabilitation: The construction and rehabilitation of six subproject water systems has not begun, although five of the six schemes have been identified, and they are currently under design. Feasibility analyses have been completed. The sixth, the Jaffna water supply system, has been delayed by security problems in the northern area of the country. When security permits, planned project activities in the north include the completion of the water supply system, latrine construction, and the construction of a regional office of the NWSDB. All system construction/rehabilitation will be financed by the FAR method with AID reimbursing 60% of agreed upon costs. The revised budget provides additional loan funds to meet the inflated costs of these subprojects.

The estimated cost of construction or rehabilitation of each water supply scheme is as follows:

a. Kahawatta Subproject	\$ 742,400
b. Eheliyagoda Subproject	\$1,193,600
c. Wennapuwa Subproject	\$ 392,320
d. Kakkapalliya Subproject	\$ 675,840
e. Ahangama Subproject	\$ 963,520
f. Jaffna Subproject	\$2,560,000
Total	\$6,527,680

C. GSL Inputs

1. Host Country Contributions: According to the Project Loan and Grant Agreement, the GSL committed not less than \$7.30 million over the life of the project. Through the first quarter of FY 1989, GSL contributions amounted to only \$1.72 million, or roughly 24% of its commitment. Through the same period, AID had disbursed approximately \$4.61 million of \$5.00 million in project grant funds (92%) and approximately \$2.18 million of \$7.30 million in project loan funds (30%).

Both the GSL contributions and overall project disbursements are expected to accelerate considerably with the onset of construction activities. In view of the GSL's payment of 40% of the cost of subproject construction/rehabilitation, the increase in subproject funding, particularly for rehabilitation of the Jaffna water supply system, will result in a corresponding increase in GSL contributions. The extension of Technical Assistance for an additional 24 months will also increase GSL contributions in terms of TA counterpart salaries, office space, vehicle operation and maintenance costs, and other recurrent expenses. USAID will continue to monitor GSL contributions to the project to ensure that the commitment is being fulfilled and that unallowable items are not included.

2. NWSDB Project Budget: The total 1989 NWSDB budget for the project totals \$2.6 million: \$.8 million for rehabilitation of water schemes and \$1.8 million for facilities construction, vehicle upkeep, and recurrent costs. The funding level for 1989 is sufficient to cover the costs of ongoing facilities construction and the rehabilitation/construction of subproject water schemes, scheduled to start during the current year. Neither AID nor the NWSDB anticipate any problems in obtaining the required budgetary support during 1990, the project's final year, to ensure completion of all project activities.
3. NWSDB Staffing: The planned number of NWSDB staff is 5468. Currently, the staffing is 7162, which includes twice the number of required casual employees.

The project paper estimated that 50 training officers were required to serve the training needs of NWSDB employees. As it has been determined to be more cost effective to do training outside the NWSDB, the desired number of trainers has been reduced to 25.

Table 1

Proposed AID-Funded Payment Procedures

<u>Item</u>	<u>Method of Implementation</u>	<u>Method of Finance</u>	<u>Estimated Amt. (\$000s)</u>
Technical Assistance (including Evaluation & Audit)	AID Direct Contract	Direct Pay	5835
	Aid Direct Contract	Direct Pay	90
Training	TA AID Direct Contract	Direct Pay	515
	Host Country	Direct Reimbursement to GSL	
Commodities			2235
Foreign Exchange	TA AID Direct Contract Through a P.S.A.	Direct Pay	
Local Currency	Host Country Procurement	Direct Reimbursement to GSL	
Facilities	Host Country Contract	Direct Reimbursement to GSL	.1700
Construction/Rehabilitation	Host Country Contract	Direct Reimbursement to GSL	3075
Research Studies	Host Country Contract	Direct Reimbursement to GSL	56

Funds are provided for a non-federal Audit of the Technical Assistance Contractor's Overhead Rates during the balance life of Project at an estimated cost of \$10,000. A Mid-Term evaluation and a RIG Audit have already been carried out under the project. Funds are also provided for a final evaluation estimated at \$80,000.

Annex No.1PROGRESS ON PROJECT IMPLEMENTATION

The project was initiated in August, 1984, with the signing of the Loan and Grant Agreement, which obligated the first increment of \$12.3 million in planned obligations for the project. By May, 1985, the firm of Engineering-Science, Inc. had been awarded a technical assistance contract to provide organizational support to the National Water Supply and Drainage Board (NWSDB) in Sri Lanka. During the latter half of 1985, much of the NWSDB staff began to resist what it sensed as rapid and radical organizational, attitudinal and behavioral changes imposed on them, which resulted in delays in planned areas of improvement. These difficulties were finally resolved in early 1986 by the replacement of several senior members of both the NWSDB and the technical assistance team. Although all parties have since agreed to a more incremental approach to change within the project since that time, the initial delays have caused many activities to slip more than a year beyond their original completion dates.

To date, most of the planned organizational changes are well underway: staff has been trained, policies and procedures are in various stages of development, and the planned decentralization has already resulted in fundamental change. The construction and renovation of project facilities is just now getting underway and is scheduled to continue through 1989. The construction and rehabilitation of six subproject water systems has not begun, although five of the six schemes have been identified and are currently under design; and feasibility analyses have been completed. The sixth, the Jaffna water supply system, has been delayed by security problems in the northern area of the country. When security permits, planned project activities in the north include the completion of the water supply system, latrine construction, and the construction of a regional office of the NWSDB.

As of December 31, 1988, 98% of the project grant funds and 44% of the project loan funds had been committed; and the total accrued expenditures were 55% of obligations.

A. NWSDB Institutional Development

Substantial progress has been made toward meeting the three major objectives in the institutional development component of the project: (1) organizational consolidation (2) decentralization, and (3) increased emphasis on improved operations and maintenance.

1. Organizational Consolidation

One of the principal objectives of the project is to reorganize the NWSDB to achieve corporate goals through improved functional area coordination. Significant progress has been achieved in this area.

The Strategic Planning Committee and the strategic planning process, which were to be institutionalized within the NWSDB, were designed as a means to facilitate policy formation and decision-making by determining future needs, establish priorities, develop programs, and ensure the availability of resources. In the related field of policy formation, the expected output was the preparation, annual review and continuous updating of the NWSDB Business Policy Manual.

By September, 1985, the Strategic Planning Committee had been formed at the NWSDB. In January, 1986, the Committee presented its Interim Strategic Plan, which identified some immediate areas of concern, principally financial, aimed at the NWSDB's achieving solvency in the shortest practicable time. Certain of the plan's recommendations, particularly in regard to cost reduction, have been implemented. In March, 1987, the committee was replaced by the Management Cell, which continues to bring together representatives of the Ministry of Housing and Construction (MHC), the NWSDB, and the consultants to establish policies in furtherance of the NWSDB's long-range development. It is planned for the Corporate Planning Unit to replace the Management Cell in the second quarter of 1989.

2. Decentralization

The rationale for this component is to upgrade service to consumers by reducing response time and establishing regional cost centers with improved management accountability and efficiency. The organization is being restructured to relocate decision-making, financial authority and management skills as close to the implementation problems as possible.

During the first four years of the project, the NWSDB has been decentralized to regional offices located in Jaffna, Ampara, Bandarawela, Kurunegala, Ratnapura and Kandy with Regional Support Centers (RSC) located at Anuradhapura, Matara, Kandy and Colombo. Following delays in the construction of buildings for both the Regional Offices and the RSCs, construction contracts for new stores, workshops, laboratories, and administrative offices have now been awarded, some of which are nearly completed. Completion of the remaining work under the capital facilities component of the project is expected by the end of 1990.

Project Commodities (laboratory, workshop and training equipment) primarily for regional offices have now been delivered. However, to ensure that all commodities are properly stored and utilized, the project will continue to monitor procedures established by the NWSDB for the protection and proper utilization of commodities purchased with AID funds.

Under the project, computerized billing and collection has been decentralized to six unit offices in Greater Colombo and regional offices, except in the north. Manuals on delegation of financial and personnel/administration authority have been prepared and these new authorities are being exercised extensively in the regions. There has been an increase in the number and qualifications of personnel assigned to regional offices. The lack of regional financial incentives appears to be partially offset by increased regional authority and greater independence of action. The financial authority of regional officials, which was previously insignificant, has been substantially increased and should be increased further during the life of the project.

3. Increased Operations and Maintenance Priority

The project is also aimed at changing the emphasis of NWSDB from capital works to improved operations and maintenance and rehabilitation of existing schemes.

The NWSDB's Operations and Maintenance (O&M) Division is responsible for approximately 250 schemes throughout the country. Under the USAID project, most of the work has been decentralized to the regional offices and regional support centers previously listed.

Achievements in this component include the following:

- On-the-job training on O&M procedures has been provided to most staff in the regions. Follow-up work has been initiated to check that all procedures are being followed and that equipment is being put to proper use;
- O&M procedures specific to each task or scheme have been implemented and preventive maintenance schedules are nearing completion;
- Procedures have been established and staff trained in chemical, physical and bacteriological testing. Completion of laboratory facilities will help ensure safer water to consumers.

4. Health Education, Sanitation and Community Participation

Substantial progress has also been made in the health education, rural sanitation services and community participation component of the project. The principal planned outputs of the project's health and sanitation components are: (1) the creation of a functional rural sanitation unit (RSU) within the NWSDB, (2) the initiation of a community-based health education program that would be jointly managed at the field level by the MOH and NWSDB, and (3) the construction of approximately 15,000 latrines in the six subproject areas.

The RSU, subsequently changed to the Community Services and Support Section (CSSS), has two primary functions. At the planning and design level, it assures that environmental health, sanitation and socio-economic factors are considered when planning the construction of new or rehabilitated systems. At the implementation level, it works with the MOH to handle all aspects of training, local coordination and community participation.

A summary of accomplishments to date includes:

- The CSSS has been formed and staffed in accordance with the approved staffing plan;
- Two AID-financed M.A. participants have completed long-term training in the U.S. and returned to the CSSS;
- Planned coordination and cooperation between the NWSDB and the MOH is occurring on a regular basis;
- District Coordinating Committees and Local Action Committees have been formed and are actively participating in the planning and implementation of subproject activities;
- Training has been provided to subproject field personnel, community leaders and health volunteers in the four subproject areas where this activity is currently in progress;
- The five socio-economic studies planned for the project have been completed and are being used in planning subproject activities;
- Construction of improved latrines began in mid-1987 and by the end of December, 1988, a total of 2,426 had been completed, with an additional 5,054 at various stages of completion.

Annex No.2REVISED PROJECT OUTPUTS

There have been some output changes since the Project Paper in the two principal elements (institutional development and health education, sanitation and community participation): two new outputs have been added, and the magnitude of some outputs changed. A summary of planned and revised outputs follows:

<u>A.Planned Institutional Development</u>	<u>Progress to Date/Revised Project Outputs</u>
1. Adoption by the NWSDB of a revised table of organization. Decentralization through the establishment of Regional Support Centers. (RSC);	The NWSDB's former "Project Area" and "Non-Project Area" have been consolidated. A total of four RSC's and five RO's (three RSC's and five RO's originally planned) are now operational, with a sixth RO planned for Jaffna.
2. Formation of a Strategic Planning Committee and the institutionalization of an annual strategic planning process;	The Strategic Planning Committee, established in the project, has been replaced by a Corporate Planning Division, which is responsible for the development of the Corporate Plan and associated training
3. Establishment of a NWSDB Public Relations Unit;	Public relations unit established according to original design and is being further developed.
4. Design and implementation of a NWSDB Management Information System (MIS);	A Performance and Management Analysis Unit (PMAU) has been established to develop performance indicators for for all aspects of NWSDB operations
5. Improvement of billing and collection activities within a newly constituted NWSDB Commercial Department;	Billing will be fully computerized in four RSCs and six ROs, rather than in only three RSCs.
6. A comprehensive study of NWSDB accounting systems and implementation of the study's findings;	Study completed; accounting to be done at RSCs.

7. Institutionalization of NWSDB annual financial planning process;

Accrued expenditures have already been incorporated in financial monitoring. Further improvements are expected in budgeting process.

8. Improved supplies, stores, tendering and contracting capabilities, including decentralized stores at NWSDB Regional Support Centers; inventory controls, heavy transport support, and standard procurement procedures;

Manuals have been developed; and planned commodity procedures established. NWSDB will monitor proper commodity storage and utilization.

9. Reorganization and expansion of the NWSDB Training Department and institutionalization of a structured skill training program;

Training Department reorganized and expanded to reflect current needs. 25 trainers rather than 50 now deemed adequate. Staff trained on impact evaluation; Key staff to be recruited.

10. Improvements in personnel management including financial incentives for regional staff;

NWSDB will not offer financial incentives for regional staff, but seeks alternative incentives.

11. Improvements in capital facilities planning, design, construction and rehabilitation procedures, and the construction/rehabilitation of six subproject water schemes;

To date, security constraints in the Jaffna subproject have restricted construction to the other five subprojects.

12. Operations and maintenance improvements through more effective process control, maintenance management systems and laboratory analysis of water quality; and

Construction of all laboratories is underway and equipment has been delivered to regions. NWSDB will continue to monitor proper utilization and storage of equipment.

13. A strengthened NWSDB research group and eight technical and socio-economic research studies.

Research unit established; five research studies & five socio-economic studies have been completed.

B. Health Education, Sanitation and Community Participation

1. Creation of a NWSDB Regional Sanitation Unit (RSU) responsible for social, environmental and public health inputs into NWSDB operations and coordination with MOH;

RSU was established but was subsequently changed to the Community Services and Support Section (CSSS)

2. An innovative health education program established by the RSU in the six water supply construction/rehabilitation sub-project areas; and

3. An active latrine slab production capability and the installation of approximately 15,000 latrines in the six sub-project areas.

Health education programs have been established in five sub-project areas, with the final program planned for the Jaffna water supply sub-project when security permits.

To date, 7,480 latrines have been installed in five sub-project areas with the balance 7,520 planned in all six sub-project areas by the close of the project.

Annex No.3PROPOSED INDICATORS AND OBJECTIVE STATEMENTMEASURES OF PURPOSE ACHIEVEMENTA. Organizational Consolidation

Objective to reorganize NWSDB to achieve corporate goals through improved functional area coordination.

1. Project/Non-Project area consolidation (MS)
2. Multidisciplinary tasks forces (MS)
3. Coordination procedures (inter functional areas) (MS)
4. Organizational changes directed to corporate goal attainment (MS)

B. Decentralization

Objective to upgrade service to consumers through reducing response time and establishing specific regional cost centres with improved management accountability and efficiency.

1. Ratio Professional Management Staff RO/HO (ANN)
2. Increasing financial autonomy (financial delegation, supplies and stores, payroll, general ledger, budgetary) (MS)
3. Overall decentralization status (weighted for rate of development in each region) (MS)
4. Ratio of training man days done in regions/HO (ANN)

C. Increased O&M Priority

Objective to change emphasis of NWSDB from capital works (new schemes) to improve operations and maintenance and rehabilitation of existing schemes.

1. % capital budget allocation to O&M (ANN)
2. Number of vehicles to O&M (%requirement) (ANN)

3. % foreign donor funding on O&M (ANN)

4. O&M staff as % of total staff (ANN)

D. Estimated Units, Policies and Procedures and Evidence of Improved NWSDB Operations

1. Public relations

Objective to develop public relations consciousness among NWSDB staff, so as to instil pride in work and improve consumer relations.

- o Persons engaged on PR.(ANN)
- o Establish PRU/Establish PR procedures/publicity actions (MS)

2. Training

Objective to establish continuing human resource development process so as to upgrade staff competence and skills.

- o Man-days of training and number of trainees (by NWSDB, arranged by NWSDB through other institutions, overseas)(Q)
- o Number of functional areas for which training is provided (ANN)
- o Number of training staff (ANN)

3. Personnel/Administration

Objective to introduce personnel management procedures which reflect staff performance and reward staff improvement.

- o Number of employee evaluation interviews (also as % total) (ANN)
- o Number of punishment transfers (ANN)
- o Establishment and use of personnel manuals (MS)

4. O&M

Objective to increase provision of satisfactory and cost effective water supplies.

- o % population served by piped supply (ANN)
- o % population served by satisfactory wells (ANN)
- o % Population served by piped supply meeting water quality standard (ANN)
- o Development and implementation of scheme level preventive maintenance (MS)
- o Priority given to reduction of unaccounted-for water as % of water produced (MS)
- o Production cost/water produced (based on level of treatment (ANN)
- o O&M personnel/1000 connections (ANN)

5. Information Management

Objective to produce timely reports on NWSDB operations to enable forward planning and corrective action to be taken.

- o Time lag for production of Annual Report/Financial Statements (ANN)
- o Functional areas participating in MIS (ANN)
- o Number of microcomputers (ANN)
- o Number of staff trained in computer operations (ANN)

6. Business Management/Commercial

Objective to improve financial status of NWSDB through increased revenue generation, cost containment and upgraded financial procedures.

- o % O&M cost recovered from billings (Q)
- o % O&M cost recovered from collections (Q)

- o % O&M + debt service cost recovered from billings (Q)
- o % O&M + debts service cost recovered from collections (Q)
- o Accumulated private/public sector debt (Q)
- o Number (and total estimated cost) of schemes gone/not gone through PEC process (Q)
- o Absolute number of consumers paying out of total (Q)
- o Actual operating surplus/deficit against budgeted (Q)
- o Consumer complaints (commercial/technical) per 1000 connections (Q)
- o Financial systems upgrading (inventory control, asset rev, income/expenditure statements timeliness, intoxication charging) (MS)

7. Planning/Capital Facilities Management

Objective to optimize allocation of funds for new schemes through adoption of prioritization procedures and improved project management.

- o % schemes involving community participation at the conceptual (planning/design) stage (ANN)
- o Upgrading technical planning (water sector data base, needs prioritization, district master planning) (MS)
- o Capital budget performance (time/money) (Q)

8. Research

Objective to establish a continuing applied research facility within the NWSDB.

- o Establish unit/establish procedures/number of research projects (MS)

E. More Effective Public Health Outreach and Integrated Approach to Water Supply/Sanitation/Health Education

Objective to take into account community needs and to integrate sanitation and health education components into water supply project cycle.

- o Number of health workers in subprojects (ANN)
- o Community health status in subprojects (ANN)
- o Establish CSSS/hire social science staff/integrate into project cycle/outreach to non USAID-projects (MS)
- o Sub project status (water supply/sanitation/health) (MS)

F. Corporate Planning

Objective to institutionalize corporate planning within NWSDB thereby reducing reactive nature of policy formulation and operational planning.

- o Policy development in-house/corporate planning training/establishment of corporate planning division/prepare first corporate plan/workshop on operational planning/annual corporate plan update. (MS)

Reporting Frequency

(ANN) Annual
 (Q) Quarterly
 (Ms) Narrative Milestones

WSSSP
 AID:ENG:JT:yh