

# OFFICIAL DOCUMENTS

Supplemental Letter No. 2

STATE OF MADHYA PRADESH  
MADHYA PRADESH URBAN DEVELOPMENT CO. LIMITED

June 12, 2017

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

INDIA: Loan No. 8746-IN  
(Madhya Pradesh Urban Development Project)  
Performance Monitoring Indicators


Dear Sirs and Mesdames:

We refer to: (a) Section II.A of Schedule 2 to the Loan Agreement of even date between India and the International Bank for Reconstruction and Development (Bank); and (b) Section II.A of the Schedule to the Project Agreement between the Bank and the State of Madhya Pradesh and Madhya Pradesh Urban Development Co. Limited.


Unless otherwise agreed with the Bank, we shall monitor and evaluate implementation of the Project in accordance with the Performance Monitoring Indicators attached to this letter.

Very truly yours,

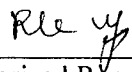
INDIA

By   
Authorized Representative

STATE OF MADHYA PRADESH

By   
Authorized Representative

MADHYA PRADESH URBAN DEVELOPMENT CO. LIMITED

By   
Authorized Representative

Attachment – Performance Monitoring Indicators

## Results Framework and Monitoring

India: Madhya Pradesh Urban Development Project (P155303)	
Project Development Objectives	
PDO Statement:	
To enhance the capacity of the MPUDC to improve coverage of key urban services* and increase the revenue of participating urban local bodies	
These results are at	Project Level
Project Development Objective Indicators	

Indicator Name	Baseline	Cumulative Target Value							End Target	Baseline Requirements
		YR1	YR2	YR3	YR4	YR5	YR6			
Number of projects completed by the MPUDC (Number)	0	18	41	51	57	60	—	60	None	
Number of participating ULBs reporting average annual growth rate in own-source revenue of at least 10% per year since the base year	0	0	0	5	10	25	51	51	Number of ULBs reporting average annual growth rate of at least 10% in own-source revenues in the last 5 years (2013–2017)	
Number of people in urban areas provided with access to improved water sources under the project (Number) - (Core)	0	0	0	0	80,000	170,000	280,000	280,000	(a) Access to improved water in target 8–10 ULBs (b) Access to improved sanitation in target 8–10 ULBs	
Number of people in urban areas provided with access to improved sanitation under the project (Number) - (Core)	0	0	0	0	50,000	180,000	340,000	340,000		

**Component/Intermediate Results Indicators**

Indicator Name	Baseline	Cumulative Target Value							Estimated Final Target	Baseline Requirements
		YR1	YR2	YR3	YR4	YR5	YR6			
1.1 Volume of subproject financing approved by the MPUDC (Amount in US\$, millions)	0	36	76	106	132	—	—	132	—	
1.2 Number of participating ULBs implementing agreed revenue mobilization reforms	0	0	4	8	13	13	13	13	None	
1.3 Number of participating ULBs preparing a zero base budget following the state budgeting manual	0	0	0	2	3	5	5	5	None	
1.4 Number of staff trained directly under MPUDP in revenue improvement, accounting and budgeting, environmental and social safeguards, procurement, and financial management	0	50	100	150	200	250	300	300	None	
1.5. BISCO region development preparation completed	n.a.	—	Interim technical designs of priority nodes submitted	DPR preparation initiated	Procurements initiated	—	—	—	None	
2.1. Number of improved water supply connections provided through the project disaggregated by gender and caste	0	0	0	0	15,700	33,400	55,000	55,000	None	
2.2. Number of improved sanitation connections** provided through the project disaggregated by gender and caste	0	0	0	0	10,000	36,000	68,000	68,000	None	
2.3. Participants in consultation activities during project implementation (number) (Number) - (Core)	0	0	10,000	45,000	80,000	100,000	0	100,000	None	

Participants in consultation activities during project implementation - female (Number - Subtype: Breakdown) - (Core)	0	0	4,500	20,250	36,000	45,000	0	45,000	None
--	---	---	-------	--------	--------	--------	---	--------	------

Note: DPR = Detailed Project Report;

\*\*In case, subprojects in areas other than WSS sectors are identified, intermediate level indicators to capture these outputs would be introduced.

### Indicator Description

#### Project Development Objective Indicators

Indicator Name	Description	Frequency	Data Source/Methodology	Responsibility for Data Collection								
Number of projects completed by the MPUDC	'Projects' include all subprojects that are implemented through the MPUDC as it has been designated the nodal agency for all externally aided projects (World Bank, ADB, and KfW as of December 2016). 'Completed' will be measured as full project preparation, including procurement of the operators/contractors, and not by its physical implementation that may go beyond the life of the project.	Semiannual	MPUDC	MPUDC								
Number of participating ULBs reporting average annual growth rate in own-source revenue of at least 10% per year since the base year (Year 0)	<p>Participating ULBs are the 51 ULBs covered on Subcomponent 1.1: 34 AMRUT towns and 23 ULBs who have applied to access the MPUDP funds; six ULBs are common to both groups.</p> <p>Own-source revenues comprise: property tax, water tax, advertisement tax, and other nontax sources (such as water charges and so on). They exclude tax sharing or transfers from the Central and State Finance Commissions.</p> <p>Average annual growth rate for any year will be calculated as the compounded annual growth rate between the particular year and the year 2016–2017. For example, for the year 2019–2020, the average annual growth rate will be the compounded annual growth rate between 2019–2020 and 2016–2017.</p> <p>To illustrate, in the table below, the respective ULB will qualify as having met the target in the years 1, 2, and 6, because its average annual growth rate since year 0 is at least 10%.</p> <p>In the years 3, 4, and 5, the ULB will not qualify as having met the target because the average annual growth rate falls below 10%.</p> <table border="1" data-bbox="980 1395 1922 1437"> <tr> <td>Year</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> <td>6</td> </tr> </table>	Year	0	1	2	3	4	5	6	Annual	Urban Sector Management Information System/ULB reporting	MPUDC
Year	0	1	2	3	4	5	6					

	<table border="1"> <tr> <td><b>Own-source Revenue</b></td> <td>100</td> <td>117</td> <td>121</td> <td>132</td> <td>146</td> <td>160</td> <td>178</td> </tr> <tr> <td><b>Growth over previous year</b></td> <td>n.a.</td> <td>17.0%</td> <td>3.4%</td> <td>9.1%</td> <td>10.6%</td> <td>9.6%</td> <td>11.3%</td> </tr> <tr> <td><b>Average annual growth rate</b></td> <td>n.a.</td> <td>17.0%</td> <td>10.0%</td> <td>9.7%</td> <td>9.9%</td> <td>9.9%</td> <td>10.1%</td> </tr> <tr> <td><b>Met target?</b></td> <td>n.a.</td> <td>Yes</td> <td>Yes</td> <td>No</td> <td>No</td> <td>No</td> <td>Yes</td> </tr> </table>	<b>Own-source Revenue</b>	100	117	121	132	146	160	178	<b>Growth over previous year</b>	n.a.	17.0%	3.4%	9.1%	10.6%	9.6%	11.3%	<b>Average annual growth rate</b>	n.a.	17.0%	10.0%	9.7%	9.9%	9.9%	10.1%	<b>Met target?</b>	n.a.	Yes	Yes	No	No	No	Yes			
<b>Own-source Revenue</b>	100	117	121	132	146	160	178																													
<b>Growth over previous year</b>	n.a.	17.0%	3.4%	9.1%	10.6%	9.6%	11.3%																													
<b>Average annual growth rate</b>	n.a.	17.0%	10.0%	9.7%	9.9%	9.9%	10.1%																													
<b>Met target?</b>	n.a.	Yes	Yes	No	No	No	Yes																													
Number of people in urban areas provided with access to improved water sources under the project	<p>Target ULBs are those ULBs which access investments under MPUDP.</p> <p>‘Improved water’ sources include piped household connections (house or yard connections); public standpipes, boreholes, protected dug wells, protected springs, and rainwater collection. ‘Improved Water’ sources do not include, among others, water provided through tanker truck, or vendor, unprotected well, unprotected spring, surface water (river, pond, dam, lake, stream, and irrigation channel), or bottled water.</p> <p>‘People’ are direct beneficiaries who are urban residents/businesses within ULBs participating in the project who directly derive benefits (for example, families that have a new piped water connection).</p>	Semiannual	<p>Project management information system (MIS)</p> <p>Service Level Benchmarks</p> <p>AMRUT reporting (Service Level Improvement Plan updates)</p>	<p>MPUDC</p> <p>ULB under coordination of the MPUDC</p> <p>State Level Nodal Agency for AMRUT</p>																																
Number of people in urban areas provided with access to improved sanitation under the project	<p>Target ULBs are those ULBs which access investments under the MPUDP.</p> <p>‘Improved sanitation’ facilities include flush/pour flush (to piped sewer system, septic tank, and pit latrine), ventilated improved pit latrine, pit latrine with slab, and composting toilet.</p> <p>‘People’ are direct beneficiaries who are urban residents/businesses within ULBs participating in the project who directly derive benefits for example, families that have a new piped water connection.</p>	Semiannual	<p>Project MIS</p> <p>Service Level Benchmarks</p> <p>AMRUT reporting (Service Level Improvement Plan updates)</p>	<p>MPUDC</p> <p>ULB under coordination of the MPUDC</p> <p>State Level Nodal Agency for AMRUT</p>																																

**Intermediate Results Indicators**

<b>Indicator Name</b>	<b>Description</b>	<b>Frequency</b>	<b>Data Source / Methodology</b>	<b>Responsibility for Data Collection</b>
1.1. Volume of subproject financing approved by the MPUDC	Volume refers to subproject financing approvals by the MPUDC at the end of each financial year.  'Subproject' refers to subprojects financed by the MPUDP.	Annual	MPUDC budget and accounts	MPUDC
1.2. Number of participating ULBs implementing agreed revenue mobilization reforms.	Participating ULBs are those accessing MPUDF funds.  Implementing agreed revenue mobilization reforms will mean the following: <ul style="list-style-type: none"> <li>• ULBs implementing their own specific proposals for user charges applying the principles of the state-level user charge policy</li> <li>• ULBs implementing their own specific proposal for advertisement tax/fee</li> </ul>	Annual	USMIS  ULB reporting	MPUDC (MRC included)  ULB under coordination of the MPUDC
1.3. Number of participating ULBs preparing a zero base budget following the state budgeting manual	Participating ULBs are those that receive direct support for budgeting reforms under Component 1 and that prepare a zero base budget.	Annual	ULB reporting	MPUDC (MRC included)  ULB under coordination of the MPUDC
1.4. Number of staff trained directly under the MPUDP in revenue improvement, accounting and budgeting, environmental and social safeguards, procurement, and financial management	'Staff' refers to both state and/or ULB-level staff who receive training funded by the MPUDP.	Semiannual	MPUDP reporting	MPUDC
1.5. BISCO region development preparation completed	<ul style="list-style-type: none"> <li>• BISCO region refers to the region connecting Bhopal and Indore along the existing expressway, and includes Ujjain.</li> <li>• The targets for this indicator will be reviewed at the midterm review (MTR).</li> </ul>	Annual	MPUDP reporting	MPUDC
2.1. Number of improved water supply connections	<ul style="list-style-type: none"> <li>• 'Improved water' sources include piped connections taken under the MPUDP.</li> </ul>	Semiannual	MPUDP reporting	MPUDC

Indicator Name	Description	Frequency	Data Source / Methodology	Responsibility for Data Collection
provided through the project disaggregated by gender and caste	<ul style="list-style-type: none"> <li>• ‘Connections’ refer to households who have obtained a connection inside their property.</li> <li>• Disaggregated by gender means number of connections taken in the name of women.</li> <li>• Disaggregated by caste means number of connections to SC/ST households.</li> </ul>			
2.2. Number of improved sanitation connections provided through the project disaggregated by gender and caste	<ul style="list-style-type: none"> <li>• ‘Improved sanitation’ facilities include facilities which are new and/or upgraded to flush/pour flush linked to piped sewer system and/or small bore sewer system constructed under the MPUDP.</li> <li>• ‘Connections’ refer to households who have obtained a connection inside their property.</li> <li>• Disaggregated by gender means number of connections taken in the name of women.</li> <li>• Disaggregated by caste means number of connections to SC/ST households.</li> </ul>	Semiannual	MPUDP reporting	MPUDC
2.3. Participants in consultation activities during project implementation	<ul style="list-style-type: none"> <li>• This indicator measures the level of community engagement in project implementation.</li> <li>• ‘Participants’ are residents who participate in IEC activities organized by ULBs and/or operators and will directly benefit from access to improved water supply and/or improved sanitation under MPUDP subprojects.</li> <li>• IEC activities refer to individual household level engagement, community-level engagements or engagements in business, education institutions, and so on, undertaken toward making beneficiaries aware of subprojects being implemented in their locality through the MPUDP, as well as mobilizing/motivating them to take connections to improved services made available through these subprojects.</li> </ul>	Annual	MPUDP reporting	MPUDC