PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA19567

Project Name	IN Punjab Rural Water and Sanitation Sector Improvement Project (P150520)
Region	SOUTH ASIA
Country	India
Sector(s)	Water supply (40%), Wastewater Collection and Transportation (30%), Sanitation (15%), Wastewater Treatment and Disposal (15%)
Theme(s)	Rural services and infrastructure (75%), Participation and civic engagement (10%), Gender (10%), Water resource management (5%)
Lending Instrument	Investment Project Financing
Project ID	P150520
Borrower(s)	DEA, GOI
Implementing Agency	Department of Water Supply and Sanitation
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	02-Feb-2015
Date PID Approved/Disclosed	02-Feb-2015
Estimated Date of Appraisal Completion	31-Jan-2015
Estimated Date of Board Approval	24-Mar-2015
Decision	

I. Project Context

Country Context

A. Country and State Context

1. India has been one of the fastest growing economies in the last decade but in recent years its economy is showing signs of slowing. Between 2004 and 2011, a period that includes the global financial crisis, India's growth averaged 8.3 percent per year. Expanding social programs lowered the poverty rate by 1.5 percentage points per year during 2004–09, double the rate of the preceding decade. India's growth rate however slipped to a decade low of 5 percent in 2012–13 due to a combination of domestic and external factors including high inflation, high fiscal deficit, and weak external demand for the country's exports. This slowdown carries high social costs for millions of Indians and threatens the gains made in poverty reduction over the past decade. However the economy is showing signs of turnaround during the current FY2014–15.

2. India's 12th Five-Year Plan (2012–17) calls for major investments in infrastructure, which

include water and sanitation, as one of the pathways to increased growth and poverty reduction. Lack of adequate water supply and sanitation facilities impacts the health and economic well-being of millions of Indians especially those living in rural areas. It is estimated that the total economic impacts of inadequate sanitation in India is about INR 2.46 trillion (US$53.8 billion) a year, equivalent of 6.4 percent of India's GDP in 2006 (WSP Study, 2010). This means an annual loss of INR 2,180 (US$35) per person. Therefore improving access to water and sanitation services is a development priority for India.

3. By 2010, about 90 percent of India's rural population had reasonable access to an improved water source but only 31 percent of them had access to a piped supply (2011 census). According to WHO/UNICEF, in 2010, about 12 percent of the global population without access to an improved water source lived in India. Of the 2.5 billion people lacking sanitation across the world, over 650 million live in India. Quality of water services in India is generally poor with unreliable or intermittent supply, low pressures, high leakage, poor cost recovery, inadequate attention to operations and maintenance (O&M), and poor water quality. Access to, and usage of, toilets to achieve open defecation free (ODF) status is a major challenge in rural areas.

4. Rural Water Supply and Sanitation (RWSS) is a state subject in India but the government of India (GOI) investments in the sector have increased significantly over the past four decades. The GOI's investments in the 4th Plan were INR 300 million for five years, which has expanded to INR 110 billion for one year (2013–14) in the 12th Plan. The GOI's Ministry of Drinking Water and Sanitation (MDWS), which is the nodal ministry to promote RWSS development in the country, is responsible for designing national programs, funding, and monitoring the performance of the states on RWSS.

5. Institutional arrangements for the RWSS sector vary across states. The 73rd constitutional amendment (1993) provided for the devolution of RWSS to the three-tier Panchayat Raj Institutions (PRIs) or rural local governments by giving them constitutional status and transferring to them responsibility for 29 subjects, including water supply and sanitation.

Sectoral and institutional Context

6. The state of Punjab has high service coverage for water (95 percent) and sanitation (71.9 percent). The state's Department of Water Supply and Sanitation (DWSS), which is the lead agency for implementation, has successfully implemented the World Bank (IDA) supported Punjab Rural Water Supply and Sanitation Project (PRWSSP, Cr 42510-IN; 2007-14) under a sector-wide approach (SWAP). The PRWSSP promoted community driven development (CDD) for the first time in the state that included (i) Gram Panchayat Water and Sanitation Committees (GPWSC) taking full control over financial resources and decision-making, O&M, and collection of user charges; (ii) changing the role of the DWSS from direct service provider to that of supporting the GPWSCs; and (iii) building the capacity of the GPWSCs for sustainable operations. During this period, under the SWAP, the CDD approach was implemented in some 4,000 villages funded both by the PRWSSP and by the GOI's National Rural Drinking Water Program (NRDWP). This led to acceptance of the decentralized service delivery approach by the government of Punjab (GOP) as reflected in the recently approved Punjab State Rural Water Supply and Sanitation Policy (Gazette Publication May 16, 2014). The PRWSSP also demonstrated that higher levels of service were possible in rural India, including over 10 hours of supply in 107 villages and 24x7 supply in 78 villages. Of the 1,457 IDA-funded villages, 475 have 100 percent connections, 655 have between

70 to 90 percent house connections, 940 are recovering full O&M costs, and 335 water schemes are fitted with water meters allowing for use of a volumetric tariff. The DWSS established a toll-free phone-based citizen's grievance redressal mechanism which has become a model in India.

7. Despite these achievements Punjab's RWSS sector continues to face major challenges.

a. The urban-rural divide is narrowing and the aspirations of rural people are growing, leading to demands for services that are close to urban norms. Meeting these aspirations calls for consolidating the gains made under the first project and mainstreaming the decentralized service delivery approach across the state.

b. While coverage appears high, a large number of water supply schemes are serving only a limited population with house connections requiring many households, primarily through women and children, to collect water from public stand posts.

c. There is a need to provide toilets to over 625,000 households and to encourage toilet usage toward a target of universal ODF status for all villages. This is despite Punjab's serious attempts to deliver more toilets to households by availing loans from national banks. The results were not encouraging as the state government failed to target ODF. Punjab ranks 19 out of 28 states in terms of the number of GPs winning the Nirmal Gram Purashkar (NGP) (the GOI award for achieving ODF status) and is 25 out of 28 states in terms of the percentage of villages that won the NGP.

d. The rapidly deteriorating water quality is leading to serious health problems. It is suspected that the presence of contaminants like uranium and heavy metals, coupled with pesticides, are the causes. About 29 percent of water supply schemes face water quality issues. Shifting to safe surface water sources for water supply to villages that are facing serious ground water quality deterioration issues is the only way forward.

e. The DWSS is still a heavily engineering biased entity and needs to be restructured to sustain community management and redirect its focus from construction to service delivery and sector development.

8. To address these challenges, the GOP will have to (i) reorganize the DWSS by changing staff skill mix and focus incentives/accountabilities on supporting service delivery rather than on asset creation; (ii) progressively shift RWSS management responsibility to the GPWSCs in the non-SWAP villages (over 8,000); (iii) progressively scale up service levels to achieve meter connections to all rural households with at least 10 hours supply daily (24x7 supply is ideal) and volumetric based charging; and (iv) encourage toilet construction complemented by behavior change toward ODF status.

II. Proposed Development Objectives

To improve water and sanitation service levels, reduce open defecation, and strengthen service delivery arrangements in targeted villages in Punjab

III. Project Description

Component Name

Transformation - Improved Livability of Villages

Comments (optional)

Around 570 villages with poor water services and/or partially covered status will be upgraded under Subcomponent 1(a) to receive service standards similar to urban areas (10 hours per day, 100 percent household connections, volumetric charging) thus triggering a transformation in village living conditions. Following the approach piloted under the PRWSSP, those villages with a strong

interest to enhance community sanitation services, and demonstrating their operational and financial capacity in managing the water supply schemes, will be allowed to compete for sewerage schemes under Subcomponent 1(b) (target: 315 villages). Improved service standards will have greater benefits for women.

Component Name

Inclusive Household Water and Sanitation Services

Comments (optional)

This component benefits women who do not have access to water and sanitation in the household. In addition, targeting full coverage of household connections in the village ensures inclusion of marginalized communities. This component envisages small investments to make house connections or network extensions, or in some instances, to simply improve O&M practices. Subcomponents: 2 (a) will support service delivery to about 0.65 million households through the provision of small network extensions and house connections; 2 (b) will support operational improvement for higher service levels and 2(c) will provide a subsidy to households without toilets to construct a toilet, including information, education, and communication (IEC) to trigger behavioral change necessary to achieve ODF status.

Component Name

Improved Water Quality

Comments (optional)

This component will begin to address the water quality problems that are now becoming more apparent and making Punjab one of the most quality affected states in India -29 percent of the schemes have water quality problems. Subcomponent 3(a) will strengthen water quality monitoring and develop mitigation measures. Under Subcomponent 3(b), the project will finance (i) retrofitting of water schemes with engineering solutions to treat arsenic, fluoride, iron, and so on (target: 150 villages); (ii) support construction of surface water supply schemes to supply safe drinking water in districts such as Moga and Barnala where most of the villages are affected by uranium and other heavy metals (target: 200 villages)

Component Name

Strengthening Institutions and Project Management

Comments (optional)

This component will support non-infrastructure project costs. Subcomponent 4(a), Strengthening Institutions, will finance transition costs as the sector institution (DWSS) moves from a construction-centric to a service-delivery-oriented organization. This will include the design and implementation of an MIS to monitor ongoing service delivery performance of the schemes and the performance of the GPWSCs that operate them. Capacity building to deliver technical and administrative support to the GPWSCs, etc. In addition, Subcomponent 4(a) will finance a program to support transfer of responsibilities to the project-supported GPWSCs. Subcomponent 4(b) will finance project management costs of project implementation, consultancies, internal and external audits, and other incremental costs.

IV. Financing *(in USD Million)*

Total Project Cost:	354.00	Total Bank Financing:	248.00
Financing Gap:	0.00		
For Loans/Credits/Others			**Amount**

Borrower	106.00
International Bank for Reconstruction and Development	248.00
Total	354.00

V. Implementation

Institutional and Implementation Arrangements

9. The GOP's Ministry of Drinking Water and Sanitation (MDSS) is responsible for overall project management with the DWSS, a government department under this ministry, as the implementing agency. State- and district-level project implementing units (PIUs) which implemented the recently completed PRWSSP will be subsumed within the DWSS. The State Water and Sanitation Mission (SWSM), an existing advocacy body, is envisaged to provide oversight to the sector program design and implementation.

10. The DWSS, traditionally a pure engineering department, evolved under the PRWSSP to work with communities in implementation and managing RWSS schemes. The project will build on this process and support the GOP as it reorients the DWSS from its focus on construction to a mandate to ensure the development of higher quality rural water services and sustainable service delivery. To be consistent with GoP Water policy, a study conducted as part of project preparation provided the following recommendations to be implemented during the project:

- Unified responsibility of the DWSS and accountability to the GoP. Currently, the DWSS is fragmented as three chief engineers (CEs) report directly to the GoP. During the project, the DWSS will create the position of Departmental Head to which the CEs will report. This new position will be supplemented by an office to manage sector development functions, namely, program management, sector planning, financial management, quality, technical, sanitation, accounting, and administration.
- DWSS engineers will gradually reorient toward service delivery, with responsibility for monitoring service delivery in groups of villages—mostly located in their area of operations. The redeployment will be in phases.
- The DWSS will transition from a pure engineering department to a multidisciplinary entity including social, communication, environmental, and quality assurance professionals.
- Additional sanitation, IEC, social, environmental, and other specialists or consultants shall be hired for project implementation over the project period and paid under project management costs.

11. The responsibility for implementation and service delivery in the villages will be shared between the DWSS (division) and the GPWSCs through a signed memorandum of understanding (MOU). At the village level, the GPWSC will continue to be a committee of the GP and will be the key driver of community management at that level. Specific measures to strengthen the role of the GPWSCs will be undertaken. The DWSS will be responsible for major replacements and repairs of assets and performance monitoring of the GPWSCs. In non-project villages, the DWSS will continue to manage through its operating staff.

12. The proposed institutional arrangements, roles and responsibilities of various actors and their organizational linkages have been developed. A brief description of the key actors and their implementation responsibilities is provided in the following paragraphs.

13. DWSS. Currently the DWSS, a state entity, has three zones each headed by a CE. At the circle level, the superintending engineer (SE) is the head who is responsible for supervising activities in a group of districts/ divisions (1 to3). The executive engineer (EE), working under the supervision of an SE, heads a division that is responsible for ensuring service delivery in all villages under this jurisdiction and monitoring and managing the project-level activities at the division level in the proposed restructured DWSS setup. The division also includes multidisciplinary teams such as environment, social development, and IEC. Assistant engineers (AE, head of a subdivision) and junior engineers (JEs) also work under the EE. The DWSS will provide coordination support with other relevant departments such as the Department of Rural Development and Panchayats (DRDP), Department of Health, and Department of Education. The DWSS will manage the implementation and operation of the large surface water schemes by the operator till the ministry makes alternate arrangements.

14. GP: During the post-implementation phase, the GPs will monitor the sustainability of scheme operations and ensure that the GPWSCs satisfactorily discharge their management (O&M) function, including levying and collecting user charges from the beneficiaries.

15. GPWSC. The broad functions of the GPWSCs are (i) planning and technology selection; (ii) collection of beneficiary contribution; (iii) procurement, construction, and provision of house connections; and (iv) post-implementation management. To sustain services, the GPWSCs will collect sufficient user charges as decided by the committee. The project will make vigorous efforts to maximize women's role in the GPWSCs and ensure that they have an equal voice in decision-making.

16. Sanitation/Individual Household Latrines (IHHL). Sanitation is to be delivered in mission mode (SBM-G) to achieve state-wide ODF by 2019 and for which a separate institutional structure is proposed to work directly under the Head of DWSS. Each district will have a dedicated District Sanitation Cell, which will be supported by a District Resource Group (DRG) consisting of 10–15 resource persons for community mobilization with necessary program implementation officials. The District Sanitation Cell will report to the SE at the circle level on progress. This cell is responsible for implementation of the sanitation program according to SBM-G guidelines and division-level DWSS staff will provide cross-support. At the GP level, the forum for interaction is the GPWSC or GP. This forum will be used for planning, monitoring, and implementation. A monitoring (Nigrani) committee will be formed from the community members, which will aim at attaining and sustaining ODF status. At the GP level, social mobilizers will be engaged to work closely with the GP and villagers.

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Implementation Arrangements

17. Implementation schedule. The project will be implemented by the DWSS in all the 22 districts. A detailed project implementation schedule has been developed for a 6-year implementation period. The SBM-G mission is to be completed by 2019 and the dedicated implementation cell will be closed upon achievement of its objectives of 100 percent toilet coverage and ODF.

18. Scheme cycle. Detailed scheme cycles have been developed for water and sewerage schemes and are presented in the PIP.

19. Operational guidelines. Operational guidelines have been prepared for village selection criteria and process, scheme appraisal criteria, and model formats for various agreements, and MOUs to be signed with the GPs and GPWSCs. Operational manuals on fiduciary, technical, and safeguard aspects, developed under the PRWSSP, will be fine-tuned to meet this project's requirements.

Results Monitoring and Evaluation

20. The PDO and intermediate result indicators will be monitored through the project MIS. The MIS will be redesigned in such a way that it is accessible to DWSS functionaries and to other stakeholders (follow Open Data principles) with data captured in real time. A minimum set of indicators will be reported on (i) sector performance, including the number of water schemes constructed, people/habitations that are fully covered by improved water sources, household connections, per capita investment costs, functionality of water schemes, hours of service and water quality, the number of households and institutions having access to a toilet, usage of toilets, women's representation in committees and decision-making, the number of women trained in O&M and technical aspects, GPs attaining and sustaining ODF, and policy dialogues on gender-sensitive policy framework for the RWSS; (ii) fiduciary performance, including budget variance, time efficiency of funds flow, timeliness of recording expenditures and account reconciliations, average length of procurement processes, number of bidders and bid responsiveness, and processing time for contractor payments; and (iii) project or contract management performance, including the schedule and cost performance of rural water supply schemes. The MIS system will also include ongoing service delivery indicators related to quality of service and the performance of the GPWSC.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	×	
Natural Habitats OP/BP 4.04		×
Forests OP/BP 4.36	×	
Pest Management OP 4.09		×
Physical Cultural Resources OP/BP 4.11		×
Indigenous Peoples OP/BP 4.10		×
Involuntary Resettlement OP/BP 4.12		×
Safety of Dams OP/BP 4.37		×
Projects on International Waterways OP/BP 7.50	×	
Projects in Disputed Areas OP/BP 7.60		×

Comments (optional)

The project is augmenting existing schemes and is unlikely to take up any new schemes, hence no land acquisition is envisaged in the project. Secondly, the small number of proposed sewerage schemes will use village owned farm land which are, as we saw under earlier project, are free from any encroachments. If land is required from private owners, then it will need to be purchased on the principle of "willing seller'. The schemes, both water supply or sewerage, that are going to be taken up under the project will not also convert or degrade any natural habitat. The EA prepared for the proposed project has been duly disseminated amongst the stakeholders .

VII. Contact point

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