

# INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC1134

**Date ISDS Prepared/Updated:** 29-Jun-2012

## I. BASIC INFORMATION

### A. Basic Project Data

<b>Country:</b>	India	<b>Project ID:</b>	P130544
<b>Project Name:</b>	Karnataka Urban Water Supply Modernization Project (P130544)		
<b>Task Team Leader:</b>	William D. Kingdom		
<b>Estimated Appraisal Date:</b>	19-Apr-2013	<b>Estimated Board Date:</b>	09-Jul-2013
<b>Managing Unit:</b>	SASDU	<b>Lending Instrument:</b>	Specific Investment Loan
<b>Sector:</b>	Water supply (90%), Sanitation (10%)		
<b>Theme:</b>	City-wide Infrastructure and Service Delivery (100%)		
<b>Financing (In USD Million)</b>			
<b>Financing Source</b>		<b>Amount</b>	
Borrower		150.00	
International Bank for Reconstruction and Development		190.00	
Total		340.00	
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Is this a Repeater project?</b>	No		

### B. Project Objectives

The Project Development Objective is to improve water service quality to a continuous supply across the three project cities of Hubli-Dharwad, Belgaum and Gulbarga in the state of Karnataka, through the establishment of sustainable service delivery arrangements at ULB level.

### C. Project Description

This follow-on project was envisaged in the original design of the earlier Bank-financed Karnataka Urban Water Supply Improvement Project (KUWASIP) as a vehicle to scale up continuous water supplies in the cities of Belgaum, Gulbarga and Hubli-Dharwad (combined population ~2 million). KUWASIP, the recipient of a US\$39.5 million loan from the World Bank and closed in March 2011, demonstrated that continuous water supply was technically possible and brought multiple additional benefits including:

- a) Universal access to house connections – regardless of income group
- b) Reduced abstractions of raw water - consumers less wasteful/leakage reduced
- c) Customer willingness to pay for improved service on a volumetric charging basis
- d) Acceptance that the private sector was able to deliver improved service
- e) Improvements in health outcomes

The project comes at a time of change in the urban water sector in India. There is more understanding of the need for autonomy, accountability and customer orientation of service providers through ring fencing of their activities and governed by performance agreements. In addition partnering with the private sector is becoming more widespread and has evolved from BOTs, consistent with bulk water projects, to include management contracts focused on distribution systems and, in Nagpur, a 25 year concession contract. Financing of water PPPs is now more varied with private finance alone replaced by mixed public and private financing which not only reduces private sector risks but also reduces upward pressure on tariffs. An earlier reliance on international partners is now seeing the development of national operators with nine out of 12 recently awarded PPP contracts having the domestic private sector as the dominant partner.

The request from Government of Karnataka seeks World Bank help to scale up the KUWASIP experience. A number of models appear technically viable, but deciding which to adopt will be determined by each ULB through extensive consultation with stakeholders, including customers and their representatives; KUIDFC; as well as from market feedback. As in KUWASIP the project plans to eliminate public standposts and provide house connections to low income communities. This is a critical element of the project and of its likelihood of acceptability among stakeholders.

A project goal is to catalyze GoK's grant financing (assumed at 50% of capital costs) to establish viable ULB-level service providers which, by project end, can continue to provide the new levels of service and finance urban expansion out of their own revenues. It is too early to say whether this can be achieved but will provide the starting point for the financial modeling. Initial work indicates the continuing importance of State Finance Commission grants for sector financing in the foreseeable future.

The project is considering to assist GoK in operationalizing the Water Council -- an entity designed as part of KUWASIP project -- which is expected to play a central role in sector monitoring, capacity building and tariff policy.

The Asian Development Bank is financing a North Karnataka Urban Sector Improvement Program (US\$ 440 million) to address sanitation gaps in the project cities; hence sanitation investments under the Bank project are likely to be minimal or none.

## Project Components

### Component 1 – Service Delivery Improvements

Investments in assets and systems to deliver 24/7 water supply in each city. Asset investments include limited bulk capacity augmentation; enhancing capacity or resilience of transmission/feeder mains; treatment plant renovations/capacity enhancement; pump station upgrades; service reservoir improvements; distribution network sectorization, pipeline rehabilitation/replacement; water meters for bulk supplies and consumer consumption; replacement of house connections; and new

connections to low income households. System investments include management information systems, geographic information systems, call centers, billing systems and others expected in a modern utility.

### Component 2 – Capacity Building

Activities to develop UWSS in the State including the following indicative list:

- a. Operationalizing the state Water Council with support in capacity building, systems (e.g. M&E) and equipment.
- b. Supporting KUWS&DB to undertake activities to strengthen its operations and to improve service delivery and financial performance in non-project cities.
- c. Supporting KUIDFC to create a PPP cell and develop resources for WSS PPPs etc. (e.g. standard PPP documentation and processes)
- d. Capacity building at ULB level e.g. training for Board Directors of ULB SPV, monitoring and contract management of PPPs, and other capacity enhancements.

### Component 3 Project Implementation Activities

This component of the project will finance activities to ensure efficient and effective project implementation such as equipment for PMUs, consultants for technical evaluations, third party monitoring, safeguards and fiduciary auditing, construction supervision, communications and others.

#### **D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project will be implemented in the three cities of Hubli-Dharwad, Gulbarga and Belgaum in the state of Karnataka in India. The cities are 2nd, 4th and 5th biggest cities of the state by population and are located in the arid / semi-arid northern region of the state. Geologically, all the three cities located in the Deccan Plateau and are known for their limited water resources (both surface and sub-surface). The Limited Environmental Assessment (LEA) carried out for these cities for the earlier project (KUWASIP) indicates no environmentally or ecologically sensitive features in the project cities.

Considering the limited water resources in the project cities, sustainable and efficient use of water supply sources would be an important aspect of environmental management to be analyzed for the project. The project by virtue of the proposed water supply improvements would also lead to positive improvements in the quality of water delivered to the consumers (due to reduced cross contamination and leakages) and associated health improvements (due to reduced incidences of water borne diseases). The issue of wastewater management also is an important aspect to be analyzed in the context of improved access to water supply facilities and associated wastewater generation in the project cities.

#### **E. Borrowers Institutional Capacity for Safeguard Policies**

Karnataka Urban Infrastructure Development Finance Corporation (KUIDFC), the nodal agency for developing and managing the proposed project, was also the nodal agency for the recently completed KUWASIP project. KUIDFC is also managing the Bank funded Karnataka Municipal Reform Project (KMRP). In addition to the above, KUIDFC has implemented two urban infrastructure projects (KUDP and KUIDCEMP) and is currently implementing another Project (NKUSIP) supported by ADB.

By carrying out necessary safeguard management activities as per the requirements of World Bank and ADB, in these projects, KUIDFC has gained good capacity to implement safeguard policies of international development agencies. Environmental and Social Specialists of KUIDFC, regularly monitor implementation of agreed safeguard plans of the projects.

Similarly, the project cities with the help of environmental engineers have satisfactorily implemented the safeguard management activities of KUWASIP and are also implementing ADB supported NKUSIP.

While this experience and institutional arrangements provide a positive framework for safeguard management for the preparation phase of the project, these shall be further strengthened (by training), enhanced (by number of staff) or appropriately modified, depending on the scale of project activities and the implementation models. The exact arrangements for the safeguard management for the implementation phase will be finalized during the course of project preparation.

#### **F. Environmental and Social Safeguards Specialists on the Team**

Ramachandran R. Mohan (SASDS)

Harinath Sesa Appalarajugari (SASDI)

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/ BP 4.01	Yes	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	TBD	
Indigenous Peoples OP/BP 4.10	TBD	
Involuntary Resettlement OP/BP 4.12	Yes	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

## **III. SAFEGUARD PREPARATION PLAN**

**A. Tentative target date for preparing the PAD Stage ISDS: 18-Feb-2013**

**B. Time frame for launching and completing the safeguard-related studies that may be needed.**

**The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

Depending on the nature and scale of proposed improvements, implementation of Component 1 activities could lead to environmental management, acquisition of private land and resettlement issues. However, the exact nature and extent of these impacts are not going to be known, until the design of various sub-component activities are completed - depending on the final choice of implementation to be arrived during preparation phase. The designs are hence expected to be available only during the implementation phase of the project.

Considering this aspect, safeguards preparation plan for the project proposes to carry out a 'Sectoral Environmental and Social Assessment (SESA)' that will (i) determine key social and environmental issues associated with the proposed water supply augmentation (continuous 24 hr supply) and operational activities with specific reference to the environmental and social sensitivities of the project cities (ii) develop a sectoral environmental and social management plan (including Resettlement Policy Framework, Entitlement Matrix and Indigenous Peoples Plan – if necessary) for the project that guides the design and implementation of the project and (iii) prepare an 'Environmental Code of Practice' that ensures sound environmental management by the agency implementing the project, including the necessary environmental and social due diligence required for various sub-components (in compliance with the policies of the World Bank, GOI and GOK).

There is a favourable social and political climate for the project in the three cities based on the results of the predecessor demonstration project. There is increasing demand from communities and acceptance of the approach by the political representatives. However, there needs to be high degree of consultations with key stakeholders as the project may involve new models. In order to ensure full participation and involvement of various stake holders in the project cities, a 'Communication and Social Intermediation Study (CSIS)' is also being carried out by the project. The study through detailed socio-economic surveys and stake holder consultations will develop a 'Communication and Social Intermediation Plan' to be implemented by a specialized agencies / NGOs during the execution of the project.

The terms of reference for both the SESA and SICS are being finalized by KUIDFC and the consultants are expected to be in place by September, 2012. The draft report of SESA is expected in January, 2013 and CSIS in March, 2013 for Bank's review.

- A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: February, 2013
- B. For simple projects that will not require a QER, the target date for preparing the PAD-stage ISDS: NA
- C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS.

#### IV. APPROVALS

Task Team Leader:	Name: William D. Kingdom	
<b><i>Approved By:</i></b>		
Regional Safeguards Coordinator:	Name: Roselind Rajan (RSA)	Date: 09-Jul-2012
Sector Manager:	Name: Ming Zhang (SM)	Date: 05-Jul-2012