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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT US\$1,500 MILLION

TO THE

REPUBLIC OF INDIA

FOR A

SWACHH BHARAT MISSION SUPPORT OPERATION

NOVEMBER 16, 2015

Water Global Practice
South Asia Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective as of November 5, 2015)

Currency Unit = Indian Rupee (INR)
INR1 = US\$0.0153
US\$1= INR65.34

FISCAL YEAR
April 1 – March 31

ABBREVIATIONS AND ACRONYMS

AIP	Annual Implementation Plan
APL	Above Poverty Line
BAU	Business As Usual
BCC	Behavior Change Communication
BCR	Benefit Cost Ratio
BDO	Block Development Officer
BE TA	Bank Executed Technical Assistance
BPL	Below Poverty Line
C&AG	Comptroller and Auditor General
CCDU	Communication and Capacity Development Unit
CGA	Controller of General Accounts
CLTS	Community Led Total Sanitation
CPS	Country Partnership Strategy
Cre	Ten Million (usually abbreviated as Cr.)
CRSP	Central Rural Sanitation Program
CSC	Community Sanitary Complexes
CVC	Central Vigilance Commission
DA	Dearness Allowance
DLI	Disbursement Linked Indicator
DWSM	District Water and Sanitation Mission
ESSA	Environmental and Social Systems Assessment
FSA	Fiduciary Systems Assessment
GDP	Gross Domestic Product
GFR	General Financial Rules
GoI	Government of India
GP	Gram Panchayat
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
ICDS	Integrated Child Development Services
ICT	Information and Communication Technologies
IDA	International Development Association
IEC	Information, Education and Communication

IHHL	Individual Household Latrine
IMIS	Integrated Management Information System
IPC	Inter-Personal Communication
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
IVA	Independent Verification Agency
JMP	WHO/UNICEF Joint Monitoring Program
KRC	Key Resource Centre
LLI	Leadership Learning and Innovation
M&E	Monitoring and Evaluation
MDWS	Ministry of Drinking Water and Sanitation
MHRD	Ministry of Human Resources Development
MIS	Management Information System
NARSS	National Annual Rural Sanitation Survey
NBA	Nirmal Bharat Abhiyan
NGO	Non-Government Organization
NGP	Nirmal Gram Puraskar
NRLM	National Rural Livelihoods Mission
NSSO	National Sample Survey Office
O&M	Operation and Maintenance
OD	Open Defecation
ODF	Open Defecation Free
PAP	Program Action Plan
PAV	Poor and Vulnerable
PC	Production Centers
PDO	Program Development Objective
PFMS	Public Financial Management System
PforR	Program for Results
PIP	Project Implementation Plan
PM&CB	Program Management and Capacity Building
PMC	Program Management Consultant
PMS	Program Management Support
PMU	Program Management Unit
POM	Program Operation Manual
PRI	Panchayati Raj Institutions
PRRD	Panchayat Raj and Rural Development
PS	Panchayat Samiti, the intermediate tier of governance between the GP and ZP
PWD	Public Works Department
QAA	Quality Assurance Audit
RALU	Rapid Action Learning Units
RSM	Rural Sanitation Mats
RTI	Right to Information
SBM-G	Swachh Bharat Mission – Gramin

SC	Schedule Caste
SHACs	Sanitation Hygiene Advocacy and Communication Strategy
SLWM	Solid and Liquid Waste Management
ST	Schedule Tribe
SWSM	State Water and Sanitation Mission
TA	Technical Assistance
TOR	Terms of Reference
TSC	Total Sanitation Campaign
UC	Utilization Certificate
UNICEF	United Nations International Children's Emergency Fund
UT	Union Territory, a type of administrative division in the Republic of India
VWSC	Village Water and Sanitation Committee
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WHO	World Health Organization
WSP	Water and Sanitation Program
ZP	Zilla Parishad

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INDIA

Swachh Bharat Mission Support Operation

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PAD DATA SHEET
REPUBLIC OF INDIA
 Swachh Bharat Mission Support Operation

PROGRAM APPRAISAL DOCUMENT
 South Asia Region
 GWADR

Basic Information			
Date:	November 16, 2015	Sectors: Sanitation (85%), Water Supply (10%), Public administration- Water, sanitation and flood protection (5%) Themes: Rural services and infrastructure (90%), Decentralization (10%)	
Country Director:	Onno Ruhl		
Practice Manager/ Senior Director:	Parameswaran Iyer/ Junaid Kamal Ahmad		
Program ID:	P153251		
Team Leader:	Soma Ghosh Moulik		
Co-Team Leader	Manish Kumar		
Environmental Category (IPF/ Component): C			
Program Implementation Period:		Start Date:	End Date:
Expected Financing Effectiveness Date:		January 01, 2016	January 31, 2021
Expected Financing Closing Date:		March 01, 2016	
		June 30, 2021	
Program Financing Data			
<input checked="" type="checkbox"/> Loan US\$1,500 Million	<input type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input type="checkbox"/> Credit			
For Loans/Credits/Others (US\$, millions):			
Total Program Cost : 22,000		Total Bank Financing :	1,500
Total Cofinancing : 20,500		Financing Gap :	
Financing Source (US\$, millions)		Amount	
BORROWER/RECIPIENT		20,500 (Center: 15,400 [75%] / State: 5,100 [25%])	
IBRD		1,500	
- PforR (Program)		1,475	
- IPF (Investment Project Financing)		25	
Total		22,000	
Borrower: Government of India			
Responsible Agency: Ministry of Drinking Water and Sanitation, Government of India			
Contact:	Ms. Vijaylaxmi Joshi	Title:	Secretary
Telephone No.	011- 23061207	Email:	secydws@nic.in

Expected Disbursements (Bank FY / in US\$, millions) – PforR (Program)									
Fiscal Year	2016	2017	2018	2019	2020	2021			
Annual	0.0	147.5	230.0	268.5	348.0	481.0			
Cumulative	0.0	147.5	377.5	646.0	994.0	1475.0			
Expected Disbursements (Bank FY / in US\$, millions) – IPF (Project)									
Fiscal Year	2016	2017	2018	2019	2020	2021			
Annual	0.5	4.0	6.0	8.0	4.0	2.5			
Cumulative	0.5	4.5	10.5	18.5	22.5	25			
Program Development Objective(s): <i>to reduce open defecation in rural areas, and strengthen MDWS capacity to manage the national SBM-G program.</i>									
Compliance									
Policy									
Does the program depart from the CAS in content or in other significant respects?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the program require any waivers of Bank policies applicable to Program-for-Results operation?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Have these been approved by Bank management?						Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Is approval for any policy waiver sought from the Board?						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the program meet the Regional criteria for readiness for implementation?						Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the IPF Component trigger any Safeguard Policy						Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If so, which one (s)? -Not Applicable									
Overall Risk Rating: Substantial									
Legal Covenants									
Type:									
Suspension									
Description of Covenant									
Borrower has amended, suspended, abrogated, repealed or waived the SBM-G Guidelines so as to affect materially and/or adversely the ability of the Borrower and/or Participating Sates to carry out its/their responsibilities under the Program.									
Name:			Recurrent		Due Date		Frequency		
Program Management Unit			Yes		N/A		Throughout implementation		
Description of Covenant									
Borrower shall maintain a Program Management Unit within MDWS with adequate staff and resources acceptable to the Bank, for the carrying out of the Operation.									
Name:			Recurrent		Due Date		Frequency		
Program Fiduciary, Environmental and Social Systems			Yes		N/A		Throughout implementation		

Description of Covenant			
Borrower shall carry out, and shall cause Participating States to carry out, the Program in accordance with the Program Fiduciary, Environmental and Social Systems, including those included in the ESSA, Operational Manual and Program Action Plan.			
Name:	Recurrent	Due Date	Frequency
Performance Incentive Grant Scheme Guidelines	Yes	N/A	Throughout implementation
Description of Covenant			
Borrower shall make Bank's proceeds available to the Participating States in accordance with the Performance Incentive Grant Scheme Guidelines.			
Team Composition			
Name	Title	Specialization	Unit
Bank Staff			
Soma Ghosh Moulik	Lead Water and Sanitation Specialist	Task Team Leader	GWADR
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Cecilia Belita	Senior Program Assistant	Team Support	GWADR
Nitika Surie	Program Assistant	Team Support	GWASP
Junxue Chu	Division Manager	Financial Advisory Services	WFALN
Non-Bank Staff			
Name	Title	Specialization	City
Somnath Sen	Consultant	Institutional Development	New Delhi
Rajiv K. Raman	Consultant	Public Policy	Bengaluru
SV Anil Das	Consultant	Program Management	New Delhi
Jeffrey Racki	Consultant	Advisor	Washington, D.C.
Charu Jain	Consultant	Environment	New Delhi
Sanjukta Roy	Consultant	Social Development	New Delhi
Shivendra Kumar	Consultant	Procurement	New Delhi

I. STRATEGIC CONTEXT

A. Country Context

1. India has been one of the fastest growing economies during the last decade. Between 2004 and 2011,¹ Gross Domestic Product (GDP) expanded at a rate of 8.3 percent per year while poverty declined by an average of 2.5 percentage points per year, a pace significantly faster than earlier periods. Poverty reduction was supported by higher economic growth and greater responsiveness of poverty to growth, including through the expansion of social programs. Increases in non-farm wage employment, especially in construction, greater rural-urban integration, and higher rural wage growth were amongst the key drivers. However, in the more recent period since 2012, a slowdown in rural real wage growth and volatility in construction activity may have had a sobering effect on the pace of poverty reduction. At the same time, acceleration of growth to 7.3 percent in 2015, if sustained, may lead to further gains for the poor. Maintaining the growth momentum, and increasing the responsiveness of poverty reduction to growth, are India's key challenges going forward.

2. India's 12th Five Year Plan (2012–17) calls for major investments in infrastructure, including water and sanitation, as one of the pathways to increased growth and poverty reduction. Lack of adequate water supply and sanitation facilities impact the health and economic well-being of millions of Indians, especially those living in rural areas. The World Health Organization (WHO) reports/estimates that one in every ten deaths in India is linked to poor sanitation and hygiene. Diarrhea, a preventable disease, is the largest killer accounting for every twentieth death. The deaths of nearly 210,000 children under-five years of age were linked to diarrhea alone in 2010, accounting for 13 percent of all under-five mortality.² In addition, the recently-completed Rapid Survey on Children³ estimates that nearly 44 million children under five years of age (about 32 percent of all children under-five years of age) are affected by stunting. According to the 2011 Census of India, close to 70 percent of India's 1.2 billion people live in rural areas, and contribute to about 40 percent of the country's GDP. It is estimated that the total economic impact of inadequate sanitation in India is about US\$53.8 billion per year, equivalent to 6.4 percent of India's GDP in 2006⁴ or an annual loss of US\$48 per person. Moreover, open defecation (OD) has had a sharp gender impact, negatively affecting the dignity and safety of women and girls. Therefore, improving access and use of sanitation services is a development priority for India.

B. Sectoral and Institutional Context

3. **India has performed well in extending coverage for rural water supply, but rural sanitation has lagged behind.** According to 2015 estimates by the WHO and the United Nations Children's Fund (UNICEF)'s Joint Monitoring Program (JMP), only 28.5 percent of rural households in India have access to improved sanitation (compared to about 93 percent for water). India's large population coupled with the sanitation deficit means that it shoulders most of the global sanitation challenge. Of the 2.4 billion people lacking access to improved sanitation globally, about 776 million live in India, with 80 percent of them located in rural India. Also,

¹ This period included the global financial crisis in 2008.

² Causes of Child Death, Estimates for 2000-2013. Geneva, WHO-CHERG

³ Rapid Survey on Children, Ministry for Women and Child Development, Government of India, 2013–14.

⁴ The Economic Impacts of Inadequate Sanitation in India. WSP/World Bank, Delhi, 2007.

nearly 60 percent of the global population practicing open defecation (946 million) resides in India.

4. **Rural sanitation is a state⁵ subject in India, but central government provides the bulk of the investments in this sub-sector.** The Government of India (GoI) started to provide investments in the sector during the Seventh Five-Year Plan period (1985–90) under the national flagship Central Rural Sanitation Program (CRSP). Investments increased significantly thereafter from the Ninth Plan (1997–2002) onwards. Over the 1999–2013 period, GoI and states are reported to have expended INR 150 billion⁶ (US\$2.5 billion) on rural sanitation, of which state governments who were responsible for implementation of sanitation programs, contributed about 20 to 25 percent.

5. The Ministry of Drinking Water and Sanitation (MDWS) is the nodal national ministry responsible for overall policy, planning, funding and coordination of programs for rural drinking water and sanitation in the country. The extent of administrative units and population characteristics supported by the Ministry for the rural sanitation program are provided in Table 1.

Table 1: Demographic and Administrative Data for India

No. of States and Union Territories	No. of Districts ¹	No. of GPs ²	No. Villages ¹	Rural Population ³	Rural Population without sanitation (%) ²
29 States 7 Union Territories	674	250,264	607,511	833,463,630	61

Sources: 1. National Rural Drinking Water Program IMIS; 2. SBM-G Baseline Survey 2012; and 3. Census of India 2011.

6. **Institutional arrangements for sanitation service delivery vary across states.** The national flagship rural sanitation programs have focused on districts as units for planning and implementation under the guidance of state governments. The 73rd Constitutional Amendment Act (1993) provided for the devolution of both water and sanitation services to the three-tier *Panchayati Raj* Institutions⁷ (elected rural local governments - PRIs) by conferring them constitutional status, and mandating the transfer of 29 subjects to the PRIs, including water supply and sanitation. GoI continues to push this decentralization agenda through its rural water and sanitation program guidelines. While GoI assisted states in achieving near-universal access to minimum levels of drinking water supply, the focus has now shifted to supporting states in their efforts to: achieve higher levels of service (e.g., for piped water); improve access to and use of sanitation facilities; and end open defecation as well as achieve overall cleanliness, including solid and liquid waste management.

7. **Despite decades of investments and national government support, achievements have fallen short of the goal of a clean and open-defecation-free (ODF) India.** The first national program for sanitation, CRSP, which ran from 1986 to 1999 interpreted sanitation as construction of household toilets, and focused on promoting a single technology for household sanitation (double pit, pour-flush toilets) with the provision of household subsidies for construction. Household access to toilets increased⁸ from 10 percent to 20 percent during that period. In 1999, the GoI launched the Total Sanitation Campaign (TSC) and introduced the

⁵ Note: Here and throughout the entire document ‘state’ refers to all 29 states (including Delhi) and the seven union territories (UTs).

⁶ MDWS, 2014 Guidelines for Swachh Bharat Mission – Gramin.

⁷ The three-tier PRIs comprise Zilla Parishads (ZP - district councils), Panchayat Samitis (block councils) and Gram Panchayats (GP - village councils). All these levels of rural local governments have an elected body and an administrative wing.

⁸ Coverage estimates mentioned in this paragraph pertain to nearest inter-decadal Census reports.

concept of a “demand-driven, community-led approach to total sanitation,” but this, too, was led by a strong drive to build toilets in a supply-driven manner. To accelerate progress, the GoI introduced the Nirmal Gram Puraskar (NGP – Clean Village Award), which incentivized the achievement of total sanitation at the *Gram Panchayat* (GP) level. During the implementation of the TSC (1999-2012), household access to toilet increased from 20 percent to 32 percent, but actual usage remained low; a large number of the toilets became defunct and the incidence of open defecation remained significant. In 2013, the TSC was rebranded as Nirmal Bharat Abhiyan (NBA) with the objective of accelerating coverage through a “saturation” approach - with an increase in financial incentives to households through convergence with the national program guaranteeing the right to employment (i.e., MGNREGS).⁹ Despite all these efforts, household access to toilets at present (2015) is estimated to be about 40 percent (and only 32 percent are considered functional)¹⁰.

8. The challenges faced by previous national sanitation programs regarding achieving effective implementation and sustaining momentum were considered by GoI in the formulation of the Swachh Bharat Mission–Gramin (SBM-G) – the program to be supported in this Operation and launched by the Prime Minister of India on October 2, 2014 (see Section II: Operation Description for description of the National SBM-G program). Under previous initiatives, effectiveness was predicated upon generating demand for toilets leading to their construction and sustained use by household members. This was to be bolstered with adequate implementation capacities in terms of trained personnel, financial incentives and systems and procedures for planning and monitoring. However, in many districts, constructing toilets became the focus of the programs rather than the overall package of demand-responsive construction, behavior change and usage (Box 1). The incentivization of ODF achievement by GPs through the NGP was unable to ensure sustained ODF outcomes. Thus, although more than 20,000 GPs achieved ODF over the 2005-2014 period, studies indicate significant (more than 90 percent, according to a Water and Sanitation Program (WSP) sample survey) slip-back (reversion) of ODF achievement. Thus, **the difference between access to toilets and the usage of toilets reflects the need for significant effort to be made to instill behavior change and achieving positive and sustained sanitation outcomes.**

Box 1: Behavior Change Communication

Behavior Change Communication (BCC) is a process involving development of communication strategies to promote positive behaviors which are appropriate to the settings of individuals, communities and societies and provide a supportive environment which will enable people to initiate and sustain positive behaviors. BCC entails using specific and strategic development communications framework and tools to induce specific behavioral and attitudinal modifications, by identifying and overcoming barriers that prevent the change. BCC in sanitation is about using persuasive techniques to help communities demand their sanitation rights and to make sanitation services available and accessible to all, especially to the poor and marginalized.

9. Noting the uneven performance across states and districts historically, **the SBM-G signals flexibility for states** in deciding implementation arrangements, and seeks to ensure the availability of adequate numbers of people to implement the program at the frontlines (districts, blocks and GPs) and the expenditure of funds at this level, through the prescriptions provided within the SBM-G guidelines. Furthermore, recognizing linkages between water supply and toilet usage, the financial incentives for toilets have been enhanced to provide a water storage

⁹ Mahatma Gandhi Rural Employment Guarantee Scheme.

¹⁰ Government of India, Ministry of Drinking Water and Sanitation (MDWS), Baseline Survey, 2013

facility at the toilet, thus helping to ensure sufficient water for flushing and hand washing. While a change in the guidelines is not in itself a greater assurance of achievement and sustenance of results, it does provide an opportunity for MDWS and the states to make a comprehensive effort that builds on earlier experiences.

Box 2: Global Good Practices in Delivering Rural Sanitation Service

Global good practices demonstrate that the delivery of rural sanitation services needs to bring together political commitment, a well-aligned institutional framework and capacities, behavioral change communication, adequate private sector capacity, and targeted approaches to reach the poor and vulnerable groups. Specifically, lessons from the global good practices are as follows:

- **High-level political leadership is critical.** Starting in the 1960s, successful countries in Southeast Asia all had their political leaders – from the King in Thailand, to the President in South Korea, and the Prime Minister in Malaysia – lending support to national movements for cleaning up and modernizing their countries, with a strong emphasis on sanitation as an integral part to the campaigns. More recent experiences in Indonesia and Vietnam show that where political will did not come naturally, as part of national building, it can be generated through: (a) well-targeted and evidence-based advocacy campaigns, such as highlighting the economic cost of lack of sanitation, coupled with (b) demonstration of quick results and successes at scale relevant to the country. The headline of Indonesia losing the equivalent of 2.3 percent of GDP due to lack of sanitation made it into every ministerial speech since 2008, and the success stories from East Java were highly influential in getting the central government to approve new policies and implement innovative strategies for country-wide sector improvements.
- **Successful countries clarified institutional responsibilities and massively strengthened capacity as part of sanitation infrastructure improvement programs.** All successful national sanitation movements in South East Asia were supported by institutional strengthening along with large-scale capacity building programs for staff. An analysis of countries in Africa that signed the eThekweni Declaration in 2008 showed that the countries with one coordinating body made the most progress. More recently in Indonesia, capacity building for rural sanitation now forms a part of the regular curriculum of polytechnic health schools of the Ministry of Health in all provinces to ensure adequate and up-to-date training of staff for the thousands of sanitation specialists needed in the country.
- **The construction of a toilet does not guarantee use thereof – behavior change is essential.** The creation of demand through a focused and long-term behavioral change communication campaign using multiple channels for different target groups is essential to ensure the sustained use and maintenance of toilets. However, the creation of demand needs to be supported by institutional capacity and to be matched by private sector capacity to supply quality and affordable latrines. Bangladesh made significant progress on rural sanitation by purely focusing on a massive drive to bring about collective behavior change. This approach has used range of change agents – local leaders, religious groups, non-governmental organizations (NGOs) and micro-finance institutions who have created local structures involving women, youth, children and opinion leaders to manage and monitor the process of behavior change.
- **Countries have combined demand and supply measures and continuously adapted their strategy based on strong feedback and learning loops.** In South Korea, an arrangement whereby the President together with his cabinet members heard from the New Village Movement Leaders, as well as from farmers on a monthly basis resulted in program adjustments and the reward of successful villages with additional public resources (priority access to electricity, cement and steel bars, *etc.*). Thailand, for example, reached a plateau of 58 percent national toilet coverage in the late 1980s, and realized through feedback from local units that one of the bottlenecks was that cheap toilets were not available deep into rural areas. The Government reached an agreement with a large-scale private company to produce good quality but cheap toilet bowls and deliver these across the whole country, along with incentives for governments to achieve 100 percent sanitation coverage.
- **Well-targeted incentives can be effective for universal access.** Elements of incentives have been incorporated in many rural sanitation campaigns. Of particular importance is how latrine subsidies are applied to achieve universal access as well as how to bring about systemic changes. Country experiences from Thailand, Vietnam and Indonesia show that well-designed, affordable and sustainable incentive programs do help the bottom quintile of households gain access to improved sanitation. Instead of using hardware-related subsidies, a more effective solution was an outcome-based approach in which government rewards communities and/or local governments for sanitation achievements such as becoming 100 percent

open defecation-free.

Source: www.wsp.org

10. The design of the SBM-G program learns from these previous attempts and represents a fundamental change in approach by recognizing the importance of coupling investment in constructing toilets with facilitation of the “softer” support to ensure the usage of toilets, in order to achieve ODF outcomes (Box 2). The national program further emphasizes how large-scale social mobilization for behavior change at the collective level is critical to success. The design of the proposed Operation is based on global and regional lessons learned, and supports the GoI’s program, by incentivizing the performance of states and their implementing agencies, to achieve the SBM-G primary goal of reducing open defecation and sustaining behavior change of communities. The Operation provides technical assistance (TA) for intensive behavior change activities at the grassroots level and strengthening of the capacities of the implementing agencies to roll out the program in a time-bound manner and to measure collective outcomes. Furthermore, for the first time, an incentive scheme is introduced that not only supports financial assistance to states for infrastructure investments, but also supports institutional processes and measures the outcomes of those investments.

C. Relationship to the CPS

11. The proposed World Bank support to SBM-G is consistent with the current Country Partnership Strategy (CPS) for India (2013-2017)¹¹. The CPS outlines Bank support to India under the three pillars of integration, transformation and inclusion with a cross-cutting focus on improving governance, environmental sustainability and gender equality. In addition, the CPS is based on GoI’s “Finance-Plus” approach whereby the value-added by the Bank goes beyond financing and contributes to the transfer of knowledge and international best practices, reform of processes and systems, strengthening of institutional capacity, and exploring innovative financing mechanisms. The proposed Operation is fully aligned with all of these objectives.

12. The proposed Operation is also aligned with the Bank’s global twin goals of ending extreme poverty and boosting shared prosperity. While India has made significant progress in poverty reduction, it remains home to one-third of the global poor. According to World Bank estimates¹², approximately 288 million Indians still live in poverty, with poverty rates varying significantly across and within states. Furthermore, India also has a significant number of people whose consumption levels are precariously close to the poverty line (i.e., living on more than US\$1.25 and less than US\$2.50 per day). In 2009-10, close to half of India’s population lived on consumption levels within this vulnerability band. Minor shocks such as illness, inclement weather, poor crop yields, and high inflation can easily push this vulnerable group of people below the poverty line. Although the number of poor has been declining, the number of vulnerable people has steadily risen to an estimated 600 million people.

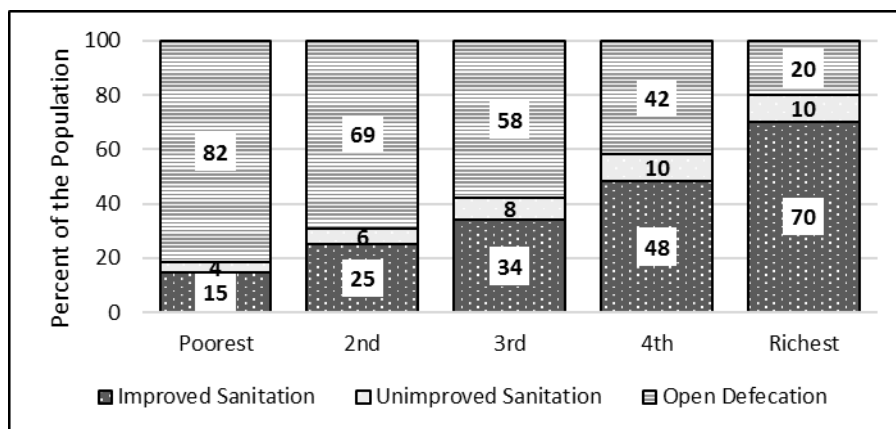
13. **Best available access data shows that sanitation coverage is lowest among the poor** (Figure 1). Although the benefits of improved sanitation accrue to all citizens (poor and non-poor), poor and vulnerable households are likely to benefit the most from improved health outcomes at the community level as a result of improved sanitation and hygiene. Studies in India have also indicated that anticipated health benefits start appearing only after more than 30

¹¹ CPS Report # 76176-1N. It was discussed by the Board of Directors on April 11, 2013.

¹² Country Partnership Strategy for the period 2013-2017. World Bank.

percent of the village has access to improved sanitation and that half of the potential total gains are only reached¹³ when coverage is approximately 75 percent. Thus, the goalpost of ODF (i.e., close to 100 percent coverage, and use of, improved sanitation facilities) is significant for the poor and vulnerable and important in actualizing the twin goals of the World Bank. With a goal of supporting ODF, the proposed Operation will also have a significant impact on gender and social inclusion to ensure universal access to sanitation by targeting sanitation improvements in marginalized communities, and integrating gender-based planning, monitoring and reporting, as well as citizen engagement in the design and implementation of the Operation.

Figure 1: Rural sanitation coverage in India per wealth quintile¹⁴



14. The World Bank Group (WBG) continues to be one of the key partners for the GoI in advancing the policy dialogue, supporting investment and providing technical assistance to support the rural sanitation agenda at the national level and in a number of states over the last decade. Various Bank-supported rural water supply and sanitation projects and technical assistance through WSP to a number of states have demonstrated emerging models for tackling rural sanitation within the project universe. Pervasive and sustained behavior change interventions with longer-term goals, orientation of local government planning, implementation and monitoring processes for increased community-engagement and ownership, and creation of credible robust verification mechanisms are necessary elements of emergent models. The SBM-G program provides the opportunity for an extensive and transformational Bank-supported Operation which draws on the experience to date, focusing on tackling widespread open defecation (OD), and improving sanitation and hygiene behavior change in the rural areas of the country.

D. Rationale for Use of Instruments

15. **The practice of OD is not universal across India; some states are performing better than others.** For example, in the state of Jharkhand 92 percent of the population practice OD, as compared to only 6 percent of the population in the state of Kerala. The overall experience of the past national sanitation programs offer several lessons. First, eliminating OD will not be achieved through a top-down approach of constructing toilets. Instead, it needs to be driven by changing behavior at the community level. This requires complementary “soft” interventions such as interpersonal communication of hygiene messages. Second, the implementation of SBM-

¹³ Andres, Luis A et al. Sanitation and Externalities: Causes of Childhood mortality in Rural India. World Bank Policy Research Working paper 6737

¹⁴ National Sample Survey Office (NSSO) on “Drinking Water, Sanitation, Hygiene and Housing Conditions”, 69th round, 2012.

G is being conducted by the states, and therefore the role of MDWS is to support states with allocation of funds and incentives for achievement of programs goals and objectives. This role is proposed to be expanded to provide additional capacity building and technical support to the implementing institutions in the states. Third, by recognizing and incentivizing good performance¹⁵ of states and their implementing agencies, especially GPs, fiscal programs should intelligently provide incentives to those implementing the program and who are key facilitators in achieving and sustaining the success of SBM-G.

16. In order to implement an operation of national scale, a hybrid operation is proposed using two lending instruments: (a) Program for Results (PforR), for results orientation and supporting the incentive component of the national program; and (b) Investment Project Financing (IPF), for program management and capacity building at the national level.

17. ***Rationale for use of PforR:*** The Bank's experience in India and lessons from the global sanitation sector indicate that there is a critical need for a re-alignment of implementing institutions, particularly between states, districts and local governments in sanitation service delivery. Furthermore, amongst the implementation institutions there is a need for intensive capacity enhancement to improve the targeting of interventions, to build a robust verification system for awarding performance-based incentives, and to execute behavior change communication campaigns to ensure long-term and sustainable outcomes. The proposed World Bank engagement will help to address the key institutional challenges by incorporating emerging lessons and good practices, as well as by strengthening implementation and delivery mechanisms. As there is considerable emphasis on accelerated implementation to achieve SBM-G goals by 2019, the GoI is seeking the Bank's assistance in new, innovative ways to support its program and enhance the chances of success. The strong commitment and support at the highest levels of government emphasizes the political importance of achieving sustainable outcomes (in terms of clean and ODF GPs) from the SBM-G program. The World Bank investment has been designed so as to incentivize states and their SBM-G implementing bodies to be focused on the ultimate results, and not on individual transactions, while allowing states the flexibility to innovate and develop new delivery models.

18. Use of the PforR instrument will add significant value to the implementation of SBM-G by:

- ensuring a sharper focus on the most important results that GoI wants to achieve (i.e., reducing and sustaining open defecation in rural areas);
- allowing greater flexibility to states in the end use of funds in each state, consistent with SBM-G principles;
- bolstering support to the SBM-G program through the GoI's own systems and procedures, financing the performance incentive grant window of SBM-G and reinforcing the institutional capacity needed for the program to achieve its desired results nationwide;
- incentivizing the performance of state-level institutions to implement behavioral change activities in communities; and

¹⁵ Both in terms of increasing access to improved sanitation and maintaining ODF status

- strengthening SBM-G’s focus on output and outcome monitoring, and executing an independent and credible verification system on sustainable sanitation implemented by the states.

19. ***Rationale for use of IPF (Program Management and Capacity Building Support):***

Despite GoI financial commitment for capacity building and information, education and communication (IEC) activities under previous sanitation initiatives, support to states has not always translated into universal coverage and lasting changes in sanitation behavior at the local level. Explanations for this are varied, but the most widely accepted view is that there are limitations in the capacity of sector institutions, which manifests in: (a) weak implementation and delivery mechanisms; (b) weak planning as well as monitoring and evaluation (M&E) systems; and (c) ineffective and poorly designed behavior change communication programs. These institutional factors undermine the achievement of lasting outcomes at the local level. GoI has requested the Bank to include technical support *via* a project-based approach to manage, monitor and motivate capacity support to states to execute the national program in a timely manner. Through the IPF instrument, MDWS will address the key institutional impediments and strengthen the implementation and institutional capacities of the implementing agencies. The Project will provide guidance, create and disseminate knowledge, and provide training on thematic areas relevant to the efficient achievement of SBM-G’s goals and objectives. Therefore, MDWS prefers to utilize the IPF instrument whereby Bank funds are used to pay for “specific expenditures” (for example, consulting services, non-consulting services and goods), in compliance with the Bank’s fiduciary policies.

II. OPERATION DESCRIPTION

A. Operation Scope

20. GoI has launched the new, ambitious, time-bound Swachh Bharat Mission (SBM, “Clean India Mission”) to achieve universal sanitation coverage, improve cleanliness and eliminate open defecation in India by 2019. SBM targets both rural and urban India. For rural areas, the mission is called the “Swachh Bharat Mission-Gramin” (SBM-G). This Operation provides support to SBM-G.

21. **The Operation is designed to accelerate and sustain behavior change in rural households and villages** – stopping open defecation, using safe technologies and adopting hygienic behaviors – directly benefitting more than 60 percent of India’s rural population (more than 550 million persons). The proposed Operation will support the national SBM-G program in strengthening the institutional systems and processes, which includes building local leadership, tapping the change agents and fostering community engagement for meeting sanitation outcomes at the collective level.

22. The scope of the Bank-supported Operation consists of two categories of activities: (a) performance incentives for sanitation improvement in rural areas (PforR); and (b) TA for strengthening institutional capacities on program management, advocacy, and communications, and implementing a credible and robust monitoring and evaluation system to measure results of SBM-G (IPF).

Government Program (SBM-G)

23. This new program attempts a significant re-casting of the previous NBA program to address some of the core implementation challenges previously highlighted in Section I.B. SBM-G is time-bound with a stronger results-orientation, targeting the monitoring of both outputs (access to sanitation) and outcomes (usage). Emphasis has been placed on strengthening institutional delivery mechanisms down to the GP level. There is also a stronger focus on behavior change interventions, and states have been accorded greater flexibility to adopt their own delivery mechanisms.

24. The vision for SBM-G is to accelerate rural sanitation coverage to achieve Swachh Bharat by 2019. The estimated budget for SBM-G is US\$22 billion over five years. The objectives of SBM-G are to:

- (a) bring about an improvement in the general quality of life in the rural areas, by promoting cleanliness, hygiene and eliminating open defecation;
- (b) accelerate sanitation coverage in rural areas to achieve the vision of Swachh Bharat by October 2, 2019;
- (c) motivate communities and *Panchayati Raj* Institutions (PRIs – local governments) to adopt sustainable sanitation practices and facilities through awareness creation and health education;
- (d) encourage cost-effective and appropriate technologies for ecologically safe and sustainable sanitation; and
- (e) develop, wherever required, community-managed sanitation systems focusing on scientific solid and liquid waste management systems for overall cleanliness in the rural areas.

25. SBM-G seeks to achieve the above objectives through five primary components that are to be incorporated into each state's Annual Implementation Plan (AIP) for SBM-G. The five components are listed in Table 2 under Window 1.

26. Within the national program, there is also a provision for incentivizing better performing states that achieve SBM-G goals. At present, only the AIP based funding is being provided to the states by MDWS. The Bank's Program (PforR) will support the operationalization of this incentive window.

27. SBM-G Guidelines were issued by the Ministry of Drinking Water and Sanitation (MDWS) in December 2014 and progress of SBM-G has been encouraging since its launch in 2014. According to the SBM-G integrated monitoring and information system (IMIS), more than 8.87 million toilets have been constructed in the first year of launch of SBM-G (i.e .between October 2, 2014 to October 2, 2015); this constitutes more than 50 percent of the annual target. MDWS is carrying out an intensive advocacy campaign with states and districts to accelerate program implementation.

The PforR [The Program]

28. The proposed Bank Program (PforR component of the Operation) supports the entire national SBM-G program by channeling US\$1.475 billion through the incentive grant window of SBM-G in support of the national program's objective of recognizing and rewarding the performance of states on achieving key sanitation outcomes -that is reducing open defecation,

sustaining ODF and rural population with Solid and Liquid Waste Management (SLWM). Program funds will be disbursed to MDWS on achievement of Disbursement Linked Indicators (DLIs) and MDWS will release grant funds to states, based on their performance.

29. The principles of disbursement of funds from the Bank to MDWS include: (a) **recognizing and measuring the performance of states** in terms of substantially reducing OD, sustaining ODF status at the village level, and increase in rural population with solid and liquid waste management; (b) **allocating resources across DLIs**, so as to respond to the differential challenges faced by states – which range from those with low coverage and use, to those that have high coverage and usage; and (c) **rewarding performing states** according to their annual achievements in reducing OD, sustaining ODF, and SLWM. Details are provided in Section III. C. and in Annex 1. For the incentive grant to work successfully, it is imperative that good performers are rewarded with substantial resources.

30. Independent verification assessments, to be carried out by a third party, as well as a strong M&E system, are the core foundations of the Program. These two components shall provide the basis for measurement of the states’ performance on selected indicators, including both the DLIs and those indicators in the results framework.

31. The Program’s results chain builds on the strategy outlined in the SBM-G program guidelines. Success of SBM-G is predicated on:

- A national time-bound and result-oriented framework to achieve SBM-G goals;
- Adequate financial resources made available to states for implementation; and
- Flexibility to states in deciding on their implementation arrangements taking into account their own requirements.

32. The value-addition of the Program is in (a) sharpening the focus of SBM-G on selected results; and (b) signaling the importance of achieving and sustaining results by giving financial incentives to performing states, directly linked to measurable performance. Table 2 illustrates the composition of the SBM-G, including funds released to states under AIP and the performance incentive grant.

33. The Program, therefore, helps MDWS and states in the accelerated achievement of outputs including improved access and use of safe toilets, sustaining ODF in villages, and increased populations with SLWM. These are expected to contribute significantly to eliminating open defecation, and achieving and sustaining ODF in rural India. The critical elements of behavior change, and improved institutional capacities are expected to considerably improve the levels of performance at the state and local levels, and set in motion a self-reinforcing cycle. A detailed results chain is provided in Annex 1.

The IPF [Program Management Support Project]

34. The objective of the Program Management Support (PMS) is to complement the Program activities and support the achievement of its objectives. It will be dedicated to financing a specific set of technical assistance activities to strengthen MDWS for effective management of the program at the national level through the development of systems and processes. This component will support investment by MDWS in: (a) strengthening the existing Program Management Unit (PMU) with key experts to enhance the overall management of MDWS; (b)

policy development, capacity building, communication strategies, M&E activities; and (c) introducing and strengthening third party verification of the achievement of the Program DLIs. Further details regarding the roles and responsibilities of the PMU are provided in Annex 9.

Table 2: Swachh Bharat Mission – Gramin Program

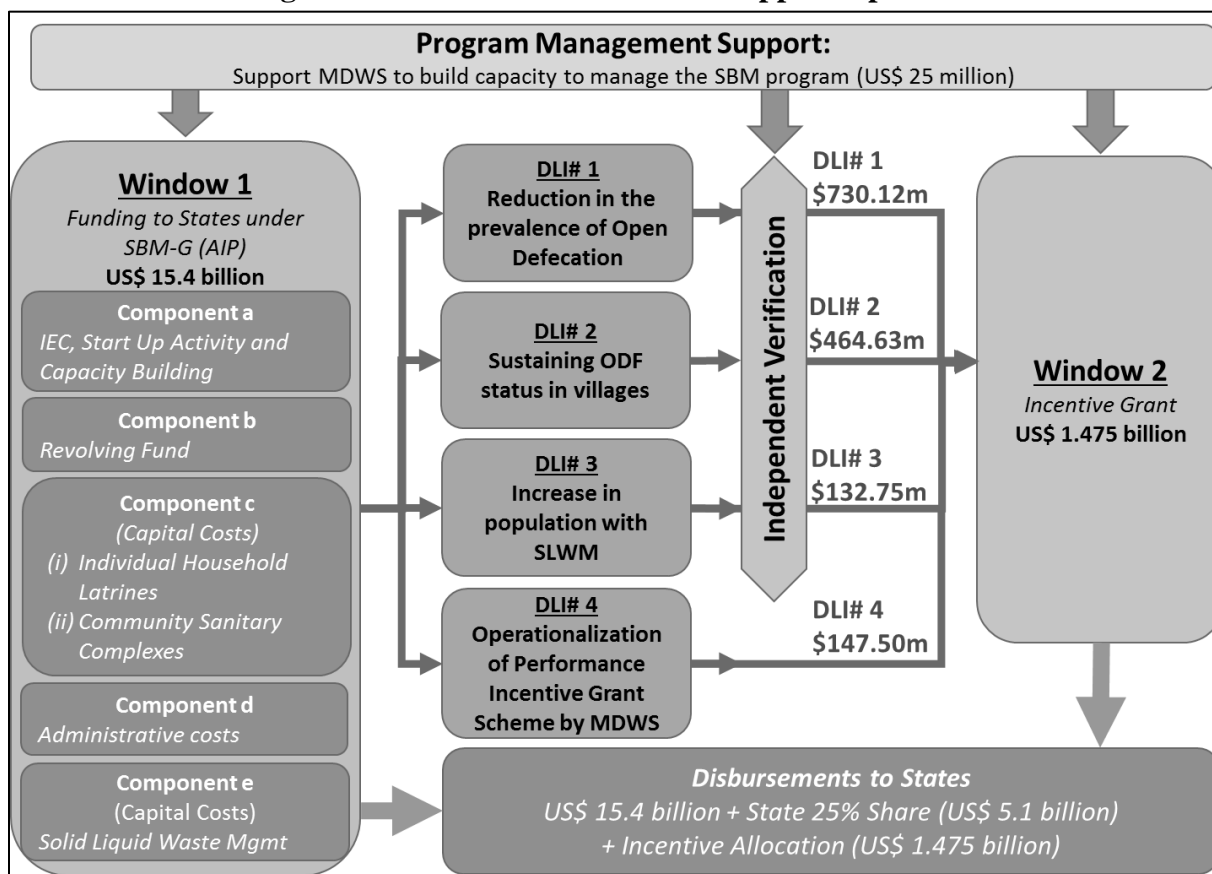
	Component	Use	Conditions
Window 1: Funding to States Under SBM-G (US\$15.4 b ¹)	Component a. <i>IEC, Start Up Activity and Capacity Building</i>	IEC - information and awareness generation. Primary emphasis on behavior change. Start Up Activities: (a) update of baseline survey; (b) orientation of key personnel and preparation of District plans; and (c) preparation of State Plan (Program Implementation Plan). Capacity Building - building capacities of stakeholders and sanitation workers.	To access funds, states are required to: (a) Provide 25% matching funds; and (b) incorporate the IEC program into annual implementation plan.
	Component b. <i>Revolving Fund</i>	Additional financing option for households, rural sanitation marts (RSM) and production centers (PC).	To access funds, states are required to: provide 20% matching funds.
	Component c. <i>(i) IHHL (ii) Community Sanitary Complexes</i>	Capital cost for constructing new IHHL and Sanitary Complexes	To access funds, states required to: (a) provide 25% matching funds for IHHL and 30% for Sanitary Complexes; (b) submit an annual implementation plan (AIP); and (c) meet expenditure targets, per the AIP, over the course of the fiscal year.
	Component d. <i>Administrative costs</i>	Expenditure on salary of temporary staff and agencies deployed at State, District, Block and GP levels, support services, fuel charges, vehicle hire charges, stationery, M&E activities, Travel Allowance/DA to Inter-State and Inter-District Survey teams deputed for monitoring and verification, exposure visits.	To access funds, states required to: (a) provide 30% matching funds; (b) use funds for eligible expenditures; and (c) ensure all funds flow to implementing levels.
	Component e. <i>Solid and Liquid Waste Management</i>	Capital cost for solid and liquid waste management (SLWM)-related technologies and activities.	To access funds, states required to: (a) provide 25% matching funds; (b) submit an annual implementation plan (AIP); (c) meet expenditure targets, per the AIP, over the course of the fiscal year; and (d) use the funds exclusively for SLWM.
Window 2: Incentive Grant (US\$1.475 b)	Performance Grant	SBM-G related expenditures and activities (as specified in the MDWS Performance Incentive Scheme Guidelines).	Based on performance, states become eligible to receive funds as follows: (a) States' performance in each result area is multiplied by a <i>per capita</i> figure for that disbursement-linked indicator (DLI); (b) 95% of funds are disbursed by the state to the implementing tier; and (c) to use for investments in sanitation consistent with SBM-G Guidelines.

Notes: 1. State matching contribution (ranging from 20-30 percent of allocation per component) is estimated to account for US\$5.1 billion. State and GoI funds total US\$20.5 billion.

B. Structure of the Operation

35. The proposed Operation will support the national SBM-G program over a five-year period (2016-2021), coinciding with the timeframe of the national program.¹⁶ It comprises a US\$1.475 billion Program using the PforR instrument (referred to as the “Program”), and a US\$25 million program management and capacity support (PMS) Project using the IPF instrument (referred to as the “PMS Project”). The Program will be managed in accordance with the Bank Policy on “Program-for-Results Financing,” while the PMS Project will be managed in accordance with OP/BP¹⁷ 10.00 (see Annex 9).

Figure 2: Structure of the SBM-G Support Operation



C. Operation Activities

36. The proposed Operation will focus on accelerating SBM-G program implementation and performance (Category 1 activities), and strengthening implementation capacities (Category 2 activities). The indicative set of activities to be supported under these categories is summarized below. A more detailed description of these activities is provided in Annex 1.

Category 1: Performance incentives for sanitation improvements in rural areas (PforR)

¹⁶ While the National program has set targets to achieve a Clean India by October 2, 2019, the program is expected to be effective until the end of the financial year (i.e., March 31, 2020).

¹⁷ World Bank Operational Policy (OP) / Bank Procedure (BP),

37. The Program will finance SBM-G program activities and operationalize the performance-based incentive grants to states based on the state reduction in the population practicing open defecation, populations residing in villages that sustain ODF status, and the rural population with SLWM. A set of DLIs for measuring reduction in open defecation prevalence, sustainability of ODF status, and increased populations with SLWM is provided in Section G and are detailed in Annex 3. The indicative list of activities to be supported under this category is summarized below:

- (a) construction and use of safe and functional individual household latrines;
- (b) construction and use of functional community sanitary complexes;
- (c) use and maintenance of school, *anganwadi* (early childhood care center) and public sanitation facilities;
- (d) construction of liquid waste management¹⁸ facilities and systems;
- (e) establishment of solid waste management facilities and services; and
- (f) behavior change communication activities.

38. The end use of the performance grant will be for any activity to improve sanitation. Approved activities will be detailed in the MDWS guidelines for the Performance Incentive Grants Scheme to be issued to states. Illustrative items include construction of improved household sanitation, community sanitation and public sanitation facilities with water storage, rehabilitation of defunct toilets, construction and management of solid and liquid waste collection and treatment systems, operation and maintenance (O&M) of sanitation facilities, and any item listed in the AIP of the districts and states. The availability of these performance grants is expected to form an attractive incentive for the states and their implementing tiers at the district, block and GP levels.

Category 2: Strengthening institutional and implementing capacities on program management, advocacy, monitoring and evaluation by MDWS. (IPF)

39. Program management capacity and coordination at the national level will be strengthened by hiring key human resources in the Project Management Unit (PMU) with the strategic aim of accelerating the pace of implementation. The indicative list of Category 2 activities to be supported is as follows:

- (a) strengthening of the PMU, engaging Program Management Consultants (PMC) within the PMU of MDWS, to support implementation of the SBM-G program;
- (b) strengthening the program M&E system at the national level;
- (c) national third party annual sanitation surveys to cover all states and union territories;
- (d) establishment of a robust and credible verification mechanism for program results;
- (e) capacity building and training on thematic areas;

¹⁸ While fecal wastes are to be safely disposed of as a part of sanitation investments, liquid waste management shall mainly comprise investments in systems for safe disposal of grey (non-fecal) wastewater, including sullage, storm-water, etc.

- (f) strengthening program governance and accountability systems;
- (g) national-level advocacy and behavior change communication activities; and
- (h) learning and knowledge transfer.

D. Operation Cost and Financing

40. The estimated cost of the national program is US\$22 billion over five years. The GoI has already made a budgetary allocation of US\$690 million (INR 4,150 Cr.) for FY 2015-16. It is expected that GoI budgetary allocations will increase year to year, depending on expenditure performance by states. The Bank’s contribution to the National program will be US\$1.5 billion (International Bank for Reconstruction and Development (IBRD) loan) over five years, which represents about seven percent of the total estimated program expenditure. The National program may also be financed by a variety of other sources including current International Development Association (IDA) funding allocated to India. All funding will flow through a distinct SBM-G budget line item. The details of the financing are presented in Table 3 below.

Table 3: Cost and Financing

Sources	Amount (US\$ billion)	Percent of Total
GoI funding to states under SBM-G	15.4	70.0
States matching contribution under SBM-G	5.1	23.2
World Bank <i>Performance Incentive Grant (PforR): US\$1.475 billion</i> <i>Program Management Support Project (IPF): US\$25 million</i>	1.5	6.8
Total	22.0	100.0

E. Operation Exclusions

41. The Program (PforR supported activities) will exclude activities that involve procurement of: (a) works estimated to cost US\$50 million equivalent or more per contract; (b) goods estimated to cost US\$30 million equivalent or more per contract; (c) non-consulting services estimated to cost US\$20 million equivalent or more per contract; and (d) consultant services estimated to cost US\$15 million equivalent or more per contract.

F. Operation¹⁹ Development Objectives (PDO)

42. The development objective for the Operation (hereinafter referred to as the “Program Development Objective” or “PDO”) is *to reduce open defecation in rural areas, and strengthen MDWS capacity to manage the national SBM-G program.*

¹⁹ Including the program management and capacity building support (IPF)

G. Operation Key Results and Disbursement Linked Indicators

43. *Key results areas:* The Operation will concentrate on four key result areas that contribute to the achievement of the PDO:

- (a) *Result Area 1:* Increased access and use of safe and functional sanitation facilities;
- (b) *Result Area 2:* Sustaining community-wide ODF status;
- (c) *Result Area 3:* Increased population with Solid and Liquid Waste Management (SLWM); and
- (d) *Result Area 4:* Strengthened MDWS capacity in program management, advocacy, monitoring and evaluation.

44. *Results indicators:* A set of indicators has been carefully chosen to measure achievement of the PDO, including the measurement and tracking of intermediate results or intervening steps towards the achievement of the PDO. Two types of results indicators have been defined: (a) those that are linked to disbursements, referred to as “disbursement-linked indicators” (DLIs); and (b) those that are not linked to disbursements, referred to as “other results indicators”. A detailed results framework for the Operation (including definition of indicators) is provided in Annex 2.

45. *PDO indicators:* The following outcome indicators will be used to measure achievement of the PDO:

- (a) PDO Indicator 1: Reduction in the prevalence of open defecation; and
- (b) PDO Indicator 2: National annual sanitation survey conducted and results published.

46. *Intermediate results indicators:* A set of intermediate results indicators will be used to measure and track intermediate results, or intervening steps, towards achieving the PDO. Table 4 shows the list of indicators under each result area.

47. *Disbursement-linked indicators:* There are four DLIs specific to the Program: (a) reduction in the prevalence of open defecation; (b) sustaining ODF status in villages; (c) increase in the rural population with improved SLWM; and (d) operationalization of Performance Incentive Grant Scheme by MDWS. The choice of DLIs was based on four factors: (a) signaling role of the indicator (i.e., a critical action, output or outcome in the results chain); (b) perceived need to introduce a strong financial incentive to deliver the activity, output or outcome; (c) practical aspects of verifying achievement; and (d) the capacity of states to achieve the DLI during the implementation period of the Program. Detailed descriptions/definitions of the achievement of each DLI are provided in Annex 3.

Table 4: Program Results Indicators

	Results Indicators	
	Disbursement-Linked Indicators	Other Results Indicators (which do not trigger disbursements)
PDO level	DLI# 1: Reduction in the prevalence of open defecation	<ul style="list-style-type: none"> • Annual sanitation survey conducted and results published
Result Area 1: Increased access to safe and functional sanitation facilities		<ul style="list-style-type: none"> • Increase in the percentage of rural population having access to safe and functional sanitation facilities; and • Increase in the percentage of poor and vulnerable rural population having access to safe and functional sanitation
Result Area 2: Sustaining community-wide ODF status	DLI#2: Sustaining ODF status in villages	<ul style="list-style-type: none"> • Number of ODF villages
Result Area 3: Increased population with solid and liquid waste management (SLWM)	DLI#3: Increase in rural population with SLWM	<ul style="list-style-type: none"> • Number of villages with SLWM
Result Area 4: Strengthened capacity of MDWS in program management, advocacy, monitoring and evaluation (M&E)	DLI#4: Operationalization of Performance Incentive Grant Scheme by MDWS	<ul style="list-style-type: none"> • Program management unit strengthened and functional; • M&E unit strengthened; • Management information system (MIS) improved and operational; • Behavior Change Communications (BCC) campaign implemented at national level; • Annual program performance report published; and • Report on grievances received and addressed.

48. *Result Area 1: Increased access to safe and functional sanitation facilities.* With a significant proportion of the rural population not having any access to safe sanitation, and attendant problems of functionality and usage, the first result area focuses on increasing the access to safe and functional sanitation facilities and striving to accelerate the rate of access year-on-year. This is driven by DLI #1 which focuses on the reduction in the prevalence of OD, thus combining access and usage as outcomes and following a tracking protocol so that disbursements happen when there is a progressive reduction in OD year-on-year.

49. *Result Area 2: Sustaining community-wide ODF status.* This result area builds on Result Area 1, but aims for collective behavior change within a geographical area (the village), thus recognizing sanitation as a public good, and drawing in elements of community-wide behavior

change. This result area is linked to DLI #2 and disbursement is triggered from Years 2 to 5, based on population residing in ODF villages.

50. *Result Area 3: Increased population with Solid and Liquid Waste Management (SLWM).* This result area signals, measures and rewards the area of SLWM, which is in a nascent stage at present. This result area is linked to DLI #3 which rewards populations with SLWM. DLI #3 thus incentivizes an increase in the provision of SLWM annually by States.

51. *Result Area 4: Strengthened capacity of MDWS in program management, advocacy, monitoring and evaluation (M&E).* This result area aims to strengthen the institutional capacity of MDWS for program management, capacity building, advocacy, and M&E. This is supported through Program Management Support (IPF) and thus signals, measures and monitors the establishment and development of systems (structure and processes) and capacities (staffing and technology) within MDWS.

H. Key Capacity Building and Systems Strengthening Activities

Strengthening of PMU

52. The existing PMU within MDWS will be strengthened with additional support to ensure effective implementation. It will have a core staff of professionals with the necessary expertise and experience to undertake the PMU's mandate and ensure efficient and timely implementation of the program. Given the scale and speed of implementation, the PMU will be assisted by a Program Management Consultant (PMC) firm which will be competitively selected. The firm will bring in experts in the areas of communications and behavior change, environment and social management, and technical experts in solid and liquid waste management, fiduciary matters and other areas as required. The PMC will play an essential role in overall program management and coordination.

Structured capacity building programs

53. The operation will support structured capacity building programs for: (a) community leadership, demand stimulation, triggering for collective behavior change; and (b) training on technological options for rural sanitation at both the household and community levels, SLWM, and operation and maintenance of services and facilities. Capacity support for fiduciary, social and environmental aspects will be provided to strengthen service delivery and implementation performance. Specialized training including key master training sessions on specific thematic areas, will be provided on a demand basis.

54. The SBM-G Guidelines provide for:

- *A five-tier implementation mechanism* to be set up at the National, State, District, Block, and Village levels.
- *Creating and strengthening community-level leadership for sanitation.* The structured capacity building program initiated from the national tier, will work within an overall

framework for strengthening community-level leadership for sanitation, and will support and supplement State initiatives.

- *A pool of trainers or resource centers* at the state and regional levels will be tasked with deepening the planning, implementation and monitoring capacities of the lower tiers (*Panchayats*, Self-Help Groups (SHG), SHG federations, Swachhata Doots, *etc.*); and
- *Building leadership capacities and setting up monitoring structures* will result in tracking implementation for improved SBM-G outcomes. Integration within the AIPs and periodic reporting through the monthly reporting system of the SBM-G Integrated Monitoring and Information System (IMIS) will be incorporated.

Promoting community leadership

55. As the SBM-G guidelines stress the requirement for large-scale social mobilization and monitoring by promoting local community-level leadership, the operation will help strengthen this key element of the program. Accelerating and scaling up rural sanitation will require leveraging and catalyzing community leaders and networks of change agents engaged in social and community development activities. There is a need to tap into natural leaders who could work along with communities, PRI leaders, frontline health workers, *anganwadi* workers, women groups, community-based organizations, self-help groups, *etc.* and lead their communities towards sustained rural sanitation outcomes. There are also several youth networks across states that could be leveraged. This requires first, to energize these institutions of change agents to build multi-stakeholder coalitions to address the sanitation challenge, and then to train the community leaders on behavior change approaches, tools and techniques as well as monitoring to change the long-standing social norm of open defecation. Knowledge and experience sharing across communities can be a powerful way to replicate/scale-up innovative and successful approaches. States will be supported by the MDWS to craft strategies and delivery mechanisms suited to the local institutional strengths, and socio-economic factors.

Behavior Change Communication initiatives

56. Strengthening existing behavior change communication initiatives will be a key activity to change social norms. Interpersonal communications, mass media and social media communications will be expanded to reinforce behavior change messages. The five key elements of the BCC framework will be applied and updated:

- (a) *Formative research* for selection of the most critical target audiences and behaviors;
- (b) *Communication strategy* for developing communication objectives, messages, and creative briefs;
- (c) *Communication channels* (print, television, radio, local arts) and delivery systems for distributing the accompanying materials to disseminate the message;
- (d) *Capacity building* for effective behavior change for community action; and
- (e) *Monitoring* execution of the BCC initiatives.

Strengthening Monitoring and Evaluation

57. The operation will finance specific activities to strengthen the current M&E system to capture timely, relevant and reliable information on implementation progress on a concurrent basis, and facilitate regular evaluation of program effectiveness and disclosure of performance assessment. The existing IMIS will be upgraded with the ability to capture and analyze data on outputs and outcomes. Concurrent monitoring of system reporting with periodic spot checks will be undertaken. A credible and robust verification protocol will be developed. A third party agency/ agencies will be engaged to conduct independent verification of national rural sanitation assessments annually. To this effect, an evaluation unit with key staff will be strengthened to manage the monitoring and evaluation activities.

Improving governance

58. The operation will focus on improving program governance and accountability systems, including support for strengthening citizen feedback, grievance redress mechanisms and social audits mechanisms. In order to promote transparency and social accountability IT-enabled and other platforms will be explored for sharing Program information, and performance status including grievances and complaints.

Bank-executed Technical Assistance

59. Implementation support activities will include a well calibrated, parallel and structured, Bank-executed technical support and partnership package that will be provided by the Water and Sanitation Program (WSP) and Leadership Learning and Innovation (LLI) Vice Presidency of the World Bank Group to complement the operation and support to the national and state levels. The technical support will foster partnerships with relevant external organizations (such as UNICEF and WaterAid) who are active in the sector to maximize impact and achieve measurable results. The main thrust will be to provide in-depth capacity support to a selection of lagging and low income states. The support to the selected states will be to strengthen state governments' capacities to: adopt more systematic planning, program delivery and monitoring mechanisms; adapt/design sustainable sanitation infrastructure; mobilize communities and develop leadership; design behavior change communication interventions; ensure adequate supply chain for infrastructure components; and enhance rural sanitation monitoring. This arrangement will also provide state governments with the opportunity to develop and roll out a well-designed plan, and assist states to maximize results and access the performance grants. In addition Action Learning and Knowledge Transfer and Trainings will be provided across states. A series of knowledge exchange platforms and workshops will be set up including support to GoI's Rapid Action Learning Units (RALU). Tailor-made technical support to Knowledge Resource Centers (KRCs) will be designed to address challenges that arise during program implementation. Knowledge will be customized and distributed through a variety of channels, including: translating knowledge into client and staff learning; creating multi-stakeholder collaborative platforms; building of coalitions; training; and facilitating knowledge exchanges. Further details are provided in Annex 10.

III. OPERATION (PROGRAM AND PROJECT IMPLEMENTATION)

A. Institutional and Implementation Arrangements

60. The operation will follow the SBM-G implementation arrangement. SBM-G has a five-tier implementation mechanism at the national-state-district-block-village level. MDWS is the nodal agency for supporting the operation in the states, including reaching agreement and supporting the states' AIPs, and coordinating with other national agencies. At the national level, the operation will strengthen the PMU at MDWS. A Program Management Consultant with key experts will be hired to enhance program management support, advocacy and behavior change, communications, and monitoring and evaluation. The PMC will support the State Missions along with identified resource centers (KRCs) in carrying out community mobilization and leadership activities, behavior change communications, monitoring and learning. An Independent Verification Agency (IVA) will be engaged to conduct the national annual rural sanitation survey. A Quality Assurance Agency (QAA) will also be engaged at the MDWS for overseeing the quality of the survey and the verification process.

61. As states have the primary responsibility for the program delivery, a State Swachh Bharat Mission is housed in the nodal department implementing the rural sanitation program in the state. The State Mission supervises the implementation of the program in the districts, facilitates convergence among other departments, ensures preparation of the AIP for each district, and consolidates these plans into the state AIP for agreement with the National SBM.

62. There is a District SBM-G unit in each implementing district. Districts are the implementation unit for planning, implementation and monitoring, deployment of social mobilization with change agents, community leadership efforts, rolling out of behavior change interventions, facilitating the marketing of products, dissemination of agreed procurement arrangements, training and capacity building. Block Program Management Units and GPs or Village Water and Sanitation Committees are the implementing units at the sub-district levels. The new guidelines suggest the deployment of personnel at district and block levels for supporting implementation to address the capacity deficits that constrain the implementation performance of institutions at different levels.

B. Results Monitoring and Evaluation

63. *Existing M&E systems.* States currently rely on the existing online IMIS centrally managed by MDWS, with inputs from the districts participating in the program. The system tracks a set of indicators related to physical progress (number of toilets constructed, beneficiary households) and financial progress (fund releases and expenditures in different components of the program).

64. MDWS has committed to strengthening the existing system to upgrade IMIS capacities and monitor and track program results related to toilet use and ODF status. In addition, M&E capacity at MDWS will be strengthened through in-sourcing of dedicated personnel for providing necessary oversight of the national annual rural sanitation survey through an independent third party and for carrying out other studies for the SBM-G.

65. *Enhanced Integrated Management Information System (IMIS)*. SBM-G Mission with support from the PMU will improve, develop and roll out an enhanced IMIS system to capture essential details of program management, fiduciary aspects, financial flows, grievance redress and field-level implementation data, using a state-of-the-art IT platform for hosting and delivery of the required information to MDWS. The improved version will enable tracking of information related to the additional dimensions covered under SBM-G. A web-based architecture is proposed for the IMIS, incorporating GIS-based monitoring and reporting of program implementation.

66. *Strengthened Monitoring and Evaluation (M&E)*. Operational support will focus on strengthening the institutional capacity of MDWS to plan and monitor activities, and putting in place additional M&E experts in MDWS, as required from time to time. M&E activities will include thematic concurrent assessments, IMIS data mining and interpretation to inform program management, and preparation of reports for MDWS. In addition, the M&E function will provide necessary oversight to the national annual rural sanitation survey through an independent third party. The unit may also support and guide states in strengthening their M&E systems for rural sanitation, including verification systems for state-designed rewards. The strengthened M&E systems at the state level are expected to facilitate improved monitoring of progress in implementation and performance of the program on a dynamic basis and use the information for timely course correction.

67. *Joint Annual Reviews*. MDWS, along with states and the Bank, will undertake joint annual review meetings to assess progress, identify and propose measures to address any weaknesses, and identify and propose modalities for scaling up successes.

C. Independent Verification Protocol

68. *Independent Verification*. The information collected under the aegis of MDWS by independent third-party survey organization(s), constituting the Independent Verification Agency (IVA), will serve as the data source for assessing progress towards the DLIs. The IVA will conduct the National Annual Rural Sanitation Survey (NARSS), which will also form the basis for MDWS to release performance grants to states based on their performance.

69. There will be five yearly rounds of the NARSS during the operation. The first survey will constitute the baseline survey since data on key indicators (for DLIs and Result Framework indicators) is not available from the current IMIS. Each round of the annual survey will generate information on the three state DLIs: OD incidence, sustenance of ODF status, and on population with basic levels of SLWM. In addition, data on functional toilets in institutions and public places may also be collected in the sample villages.

70. Data generated by the IVA based on a national sample covering all states will form the empirical basis to measure performance on each of the DLIs, and to calculate disbursements. It is imperative that there is a structure in place to supervise the activities of the survey firm(s) on a real-time basis.

71. The NARSS, shall also form the basis for the MDWS to release performance grants to states based on the latter's performance. In this way, the Independent Verification shall bring

significant credibility to collecting and reporting on results, a necessary element for the new performance-orientation of the rural sanitation sector in India.

D. Disbursement Arrangements

72. *Financing allocation to each DLI.* A set of DLIs has been selected from the list of results indicators given in Table 4. Table 5 shows the agreed list of DLIs and the proposed annual financial allocations across DLIs. The amounts are indicative. In case of any over performance or under performance in a given year, the draw down by MDWS will vary depending on the actual performance. At mid-term, allocations across DLIs will be reviewed. Detailed indicator definitions are provided in Annex 2. The allocations across DLIs will be reviewed and or reallocated (as appropriate) during the course of implementation of the Program.

73. *Disbursement modalities for each DLI.* The first three DLIs (from here on referred to as the “state DLIs”) have a fixed *per capita* amount, thus amounts are predictable for states. The DLIs are scalable, except for Year 1. The key principles for measuring state performance are reduction in open defecation, rural population living in ODF villages, and having access to SLWM. Estimated amounts for each state DLI, are dependent on assumptions made for projected performance year on year. The disbursement will, however, be dependent on actual performance achieved as shown by the National Annual Rural Sanitation surveys.

Table 5: Proposed DLIs and Financial Allocation

INDICATIVE DISBURSEMENT TABLE (US\$ Million)						
DLIs	Year or Period 1	Year or Period 2	Year or Period 3	Year or Period 4	Year or Period 5	Cumulative Years
DLI#1: Reduction in the prevalence of open defecation	0.00	182.53	182.53	182.52	182.54	730.12
DLI#2: Sustaining ODF status in Villages	0.00	32.05	64.09	128.17	240.32	464.63
DLI#3: Increase in population with SLWM	0.00	15.22	21.92	37.75	57.86	132.75
DLI#4: Operationalization of Performance Incentive Grant Scheme by MDWS	147.5	0.00	0.00	0.00	0.00	147.50
Total Amount (indicative)	147.5	229.80	268.54	348.44	480.72	1,475.00
Indicative Disbursement by (month-year)	July-2016	July-2017	July-2018	July-2019	July-2020	Close by December 2020

74. *Disbursement arrangements for the Program.* Disbursements from the Program will flow into the Performance Incentive Grant Scheme, to be managed by MDWS, as follows:

- Year 1:

- (a) Issuance by MDWS of guidelines for the Performance Incentive Grant Scheme;
 - (b) Protocol for NARSS established, and communicated to States; and
 - (c) NARSS conducted by third party Independent Verification Agency that includes the indicators corresponding to states DLIs (DLI#1, 2, and 3) and results disclosed.
- Years 2 to 5:
 - (a) NARSS conducted by third party Independent Verification Agency that includes the indicators corresponding to states DLIs (DLI #1, 2, and 3) and results disclosed.
 - (b) For DLI 1: NARSS reports on prevalence of OD in the states and funds released to MDWS as the total of (i) and (ii):
 - (i) For States reporting 0–3 percent reduction in OD prevalence will be calculated as reduction in population practicing OD multiplied by US\$6 *per capita*.
 - (ii) For States reporting more than 3 percent reduction in OD prevalence will be calculated as reduction in population practicing OD multiplied by US\$9 *per capita*.
 - (c) For DLI 2: NARSS reports ODF villages in the states and funds are released to MDWS based on the rural population residing in ODF villages in the states, multiplied by US\$4 *per capita*.
 - (d) For DLI 3: NARSS reports rural population with SLWM, in the states and funds released to MDWS based on the total of rural population with SLWM in the states, multiplied by US\$0.50 *per capita*.

75. The operation of the MDWS Performance Incentive Grant Scheme will follow the following principles:

- (a) The MDWS will notify of the Performance Incentive Grant Scheme, and issue this to the states as a supplement to the SBM-G Guidelines;
- (b) States will be rewarded for their performance across the three state DLIs (DLI 1, 2 and 3);
- (c) In order to signal performance to the right level of institutions, states will pass on a substantial portion (more than 95 percent) of the Incentive Grant Funds received from the MDWS, to the appropriate implementing levels of districts, Blocks, GPs and so on;
- (d) The end-use of the incentive grants will be limited to activities for improvements in sanitation, which will be listed in the Performance Incentive Grants scheme to be issued by MDWS;
- (e) All the states showing performance on DLIs shall be rewarded based their year on year performance, reported by the IVA survey. This is expected to pass on a substantial sum of resources to the states that perform very well. ; and

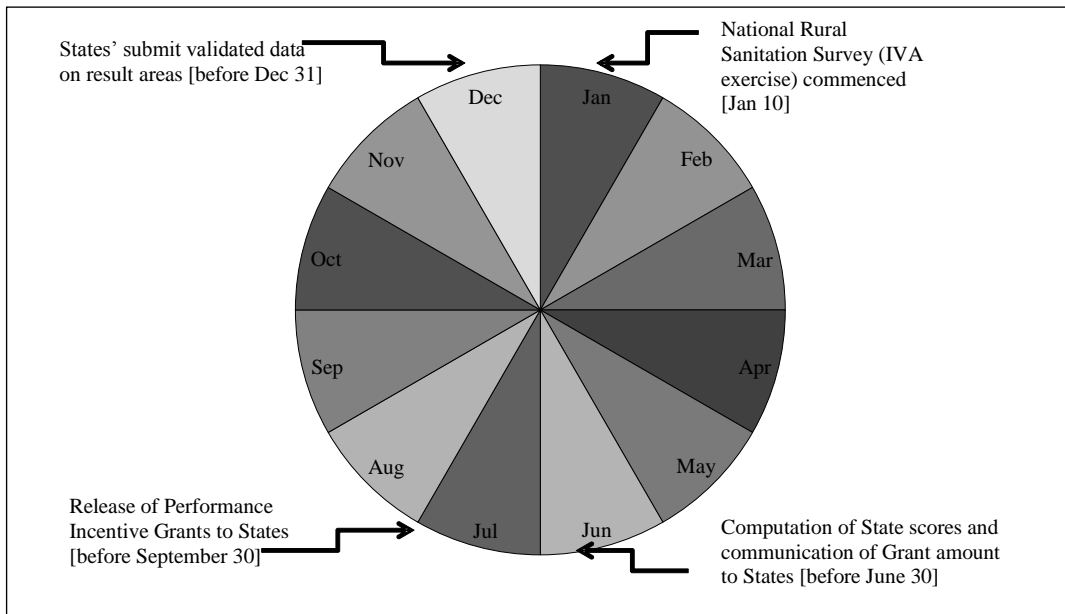
- (f) The incentive reward to states would be normalized based on the relevant rural population calculated on a *per capita* amount.

76. *Annual cycle of activities for Incentive Grant Scheme.* In order for the annual cycle of disbursements to take place in a timely and predictable manner, the following steps (Figure 3) need to be taken:

- (a) Assessment Period: Calendar year from January to December every year;
- (b) The IVA exercise is to be started in January and completed by May 31 every year;
- (c) Computation of State Scores and communication of grant amounts to States – is to be completed by June 30 every year; and
- (d) Release of Grant Amount: between July and September every year.

77. *Disbursement arrangements for PMS component.* Bank funds for Program Management Support (IPF) will be used to pay for “Specific Expenditures” (e.g., consulting and non-consulting services, goods, training and operating costs of the PMU), in compliance with the Bank’s policies and guidelines. Disbursements will be based on submission of Interim Unaudited Financial Reports on a quarterly basis.

Figure 3: Annual Cycle of Activities for Performance Incentive Grant



IV. ASSESSMENT SUMMARY

A. Technical Assessment

78. *Strategic relevance.* The SBM-G Operation is strategically relevant to India’s economic development given the well-established health and economic benefits accruing from improved sanitation. Achieving universal sanitation coverage, improving cleanliness and eliminating open defecation enjoy strong political support and commitment at the highest levels. Sanitation access

is constrained by weak supply chains, inadequate options for difficult areas, lack of sustained usage by all members of the household, and affordability for the poor and vulnerable. The National SBM-G program is designed to shift attention toward changing behavior and creating a lasting demand for toilet use among the rural population as the strategy to eliminate open defecation while ensuring timely and adequate physical implementation. The inclusion of an annual sanitation outcome survey in the SBM-G policy framework to measure actual use of latrines signals a confirmation of this transformative shift. Fiscal transfers to incentivize the aforementioned shift towards lasting behavior change at the individual household and community levels would further consolidate and accelerate the operationalization thereof at the state level. The Incentive Grant window in the SBM-G guidelines, on activation, could potentially motivate well-performing states on the basis of appropriately-designed DLIs.

79. *Technical soundness.* The SBM-G Operation is assessed as technically sound. However, the timeframe provided for the Operation (i.e., completion by October 2, 2019) does pose challenges. The short time frame ramps up the coverage targets to about five times the best historical performance, even for the better-performing states, thus signaling the need for a “movement”, or a programmatic intervention to enable the required degree of ramp-up. Several of the states with high prevalence of open defecation are yet to put in place the institutional frameworks and the strategies for achieving the goals of rural sanitation. The MDWS is thinly staffed and currently does not have sufficient institutional capacity and personnel in house to provide the support to states with respect to delivering on the ambitious goal of SBM. Thus, there is considerable scope for improving the program’s processes and institutional arrangements for delivering results in terms of planning, financial flows, and design and implementation of the behavioral change campaign.

80. *Institutional arrangements and governance structures.* Institutional arrangements and governance structures for the Operation are assessed as adequate. While several ministries are involved in rural sanitation, SBM-G is set up at MDWS, whose Secretary is the Mission Director. The Joint Secretary in charge of SBM-G is the focal point for the national program in the ministry. The other full-time program official in the mission is the Deputy Secretary/Director and more officials are being posted. In addition, MDWS has engaged consultants to provide support for the program. The Operation seeks to strengthen the program management structure, with specialist resources for providing planning and implementation support, communications, technology support, and M&E functions. The Program’s broader governance and accountability mechanisms were also found to be adequate. There is room for improving existing vigilance functions, grievance redress and social accountability mechanisms as described further in Annexes 5 and 6. Sanitation being a State subject constitutionally, most of these will need to be enabled at the state level, and aligned with the administrative rules.

81. *Expenditure framework.* The Program’s financing structure generally follows a 75:25 sharing arrangement between GoI and the States. Apart from budgetary commitments, GoI is also exploring alternate sources of funding, including funds from the private sector; contributions from individuals and philanthropists; and bilateral development agency assistance. Preliminary assessments suggest that mobilizing resource on the massive scale envisaged for SBM-G will pose a significant challenge. Available data shows that previous sanitation programs have enjoyed a relatively high degree of funding predictability from MDWS, but expenditures at the state level have not kept pace with the funds allocated. Budget utilization for important program

components such as IEC and behavior change were even lower. The opportunity for the Operation – through the DLIs of the Program (PforR), and the support provided through the Project (IPF) – to incentivize the demand for and sustained use of sanitation services (progressively reinforcing), would lead to more effective activities focused on behavior change to achieve the results.

82. *Results framework.* SBM-G has brought changes in the approach and targeting of the Government of India’s rural sanitation sector strategy. For the last five years, MDWS has been using a results framework document, with two main purposes: to move the focus of the department from process orientation to result orientation, and to provide an objective and fair basis for evaluating its overall performance at the end of each year. The results framework for financial year 2014–15 targets use of latrines by households, construction of community complexes, toilets in schools, and *anganwadis*. Targets for disposal of solid and liquid wastes had not been listed out. The overall targets for the program, along with details of the steps to be taken under the Operation to strengthen the existing M&E system, are included in Annex 4. The Operation hinges on the establishment of a robust verification mechanism that measures the reduction in OD, sustenance of ODF villages and increased population with SLWM; and the performance incentive grants rewarding states and their subsidiary tiers for achievement of outcomes. This results orientation is supplemented with activities that strengthen SBM-G program management in selected functional areas for improved management of the program. The incentive grants to states and subsidiary tiers is expected to create a reinforcing cycle of results and activities that are triggered continuously by the achievement of the three outcomes.

83. *Economic justification.* The Program is economically justified on the basis of direct benefits to about 833 million people in rural India. Safe sanitation helps protect individual and community health and provides convenience and dignity, significantly reducing impacts that are disproportionately borne by girls and women. Basic sanitation coverage is required across the whole community in order to realize the full public health gains. No previous economic studies have been conducted specifically on the SBM-G program. However, for 2005-2006, poor sanitation was estimated to cost India the equivalent of 6.4 percent of the GDP of the country²⁰. When compared with business as usual, the SBM-G with the PforR (the latter costing an average of Rs 903 or around US\$15 per household stopping OD) is expected to increase the success of behavior change campaigns and increase the uptake and use of latrines. This contribution may be quantified to account for a 17 percent increase in the benefit cost ratio over the business-as-usual case (see Annex 4, Figure A4.4 for additional details).

B. Fiduciary Assessment

84. Fiduciary management for PforR operations is part of an integrated approach that covers the technical, financial management, procurement, disbursement, and risks aspects. The fiduciary assessment provides key inputs to the appropriateness of the PforR instrument and the capacity building and risk management measures to be included under the Program and helps to develop the Program Action Plan (PAP). The Fiduciary System Assessment (FSA) had been conducted at the national level and in five states (Chhattisgarh, Odisha, Rajasthan, Madhya Pradesh and West Bengal) focusing on the fiduciary system of MDWS. Based on the Bank’s experience and

²⁰ “*Economic Impacts of Inadequate Sanitation in India*,” WSP, 2008

understanding of the fiduciary systems in the other states, these states may be considered as a representative sample. However, the systems vary from state to state.

85. The SBM-G program is being typically implemented through institutions set up at the state and in the districts. The District Missions implement the annual implementation plans through Block Development Officers (BDOs) at the block level and the GPs. While GPs, and their constituent committees, have a role in implementation, program funds are typically not handled at this level. The MDWS website has a fairly detailed MIS, providing information of fund releases and expenditure reported by the districts and states on a monthly basis. As per the revised fund flow procedures initial release of GoI funds are through State Consolidated Funds; the procurement actions and final payments thereafter are made at state, district, block and GP levels (only in Madhya Pradesh, Rajasthan and Chhattisgarh) outside of the state budgetary systems.²¹ The fiduciary arrangements, including fund flow, procurement and audit arrangements are documented to some extent in the guidelines of the ongoing program issued by the MDWS. Apart from the guidelines, fiduciary arrangements in the sector are guided by several rules and legislation. The existing vigilance and anti-corruption mechanisms at the program level include: the Anti-Corruption Bureau and its state-level constituent bodies, which enforce the Prevention of Corruption Act, 1988; financial and performance audits by the Comptroller and Auditor General (C&AG) of India; the Right to Information Act, 2005; and the various state and departmental level vigilance and grievance redress systems. The FSA recognizes that given the scale, volume, capacity limitation, speed and decentralized nature of the program there may be areas which are addressed but may not be fully mitigated. Since the SBM-G program is primarily about reduction of open defecation through behavior change of communities, and the construction of individual latrines is often executed by the people themselves, no major procurement is involved.

86. *Procurement Systems.* Most procurement activities are expected to be highly decentralized and of low value, therefore the challenge from a skills perspective will not be for the complexity of procurement, rather ensuring consistency, uniformity and monitoring of this very large number of small-value contracts. Procurement envisaged under SBM-G includes works like individual household latrines (IHHLs), community sanitation complexes (CSCs), SLWM and services for BCC- and IEC-related activities. The scale and size of the SBM-G program and highly decentralized nature of procurement with limited capacity pose many challenges. A significant amount of program funds (more than 75 percent) are likely to be spent on construction of IHHLs for which the State is providing financial support not exceeding INR 12,000 (US\$ 183.6) per IHHL. The value of the individual community-level contracts to be carried out at GP, block or District level is not expected to exceed US\$100,000. Procurement arrangements vary among different States and are guided by state schedules of rates, state financial rules, store rules, the Public Works Department (PWD) manual, state rate contracts and Government orders issued from time to time, and state schedules of rates which are updated annually. Selection of contractors is done as per PWD Contractor's Registration Rules and Government orders issued from time to time. The present assessment has identified issues such as: lack of integrated procurement planning. These issues include: absence of guidelines or regulations in place for procurement of services; lack of competition and equal opportunity in

²¹ Institutions at the state level receive funds from the state in the form of grants from the state budget and make payments or transfer funds to into separate accounts held in commercial banks at districts, blocks and GPs

contracting carried out by the GPs; a need to strengthen and streamline selection criteria of sanitary marts, contractors and suppliers; restrictions on registration of vendors and suppliers; improvements to contract administration; inadequate standards for disclosure/transparency; lack of a system for procurement monitoring (or MIS) and a robust complaint handling mechanism; and the lack of independent oversight over procurement processes. The staff availability and capacity at the decentralized level is also limited.

87. Based on the findings, the following critical actions are to be undertaken: (a) States to provide clear guidance on consistent and transparent methods of procurement and processes and ensure robust oversight mechanism is adopted by each implementing agency; (b) annual Finance audit shall include procurement review of contracts under SBM-G; (c) ensure adequate staffing at National, State and District levels; (d) design appropriate capacity building and strengthening strategy for consistent and expedited actions; and (e) put in place a robust grievance redress mechanism and ensure that a social audit takes place, as agreed by the States.

88. *Financial Management Systems.* Financial management for the program is characterized by the dispersed nature of the implementation arrangements, with added challenges from disparate arrangements at the state level. A common feature across the states is that a significant part (75-80 percent) of the program funds are channeled as payments for individual household latrines, some of which are routed through GPs, NGOs, Rural Sanitary Marts (RSMs), and so on. The financial management systems at the national and state levels are operational, albeit with several identified inefficiencies. These systems include an established budgetary framework that ensures that adequate resources are allocated to departments and implementing agencies. While there are some concerns noted in the findings of the assessment over the timeliness of state share fund releases, there appears to be sufficient predictability in the availability of resources for the implementation of the program. Basic books of accounts are maintained at all levels, though significant internal control weaknesses are noted from field observations (also confirmed in various state and program level Comptroller & Auditor General audit reports). In the absence of detailed Financial Management Guidelines under SBM-G, variations were noted in the accounting and book-keeping practices followed at the State level, particularly with reference to the treatment of fund releases from state to districts, districts to blocks, and blocks to GPs and other institutions. Downstream financial management aspects such as fund utilization, financial reporting and audit assurance receive insufficient management attention. Consequently, consolidation of the program level expenditures at the state and national level poses several challenges. Monthly financial and physical performance reports are uploaded at the block level in the central database maintained by MDWS; efforts to triangulate the reported expenditures with the audited financial statements and the underlying books of accounts indicate that the financial information available on the website may not be reliable or accurate. There are also concerns over the oversight and auditing arrangements, partly on account of the dispersed nature of the institutional arrangements. These factors considerably increase the financial management risk of the program for all levels of stakeholders including the beneficiaries.

89. In defining the program content with respect to the strengthening of the financial management systems for the program, on the following actions will be taken: (a) development of detailed financial management guidelines, manuals and procedures, as required, including establishing benchmarks for internal controls and auditing arrangements at national and state levels; (b) enhancing the staffing for financial management and oversight functions at the

national and state levels; and (c) implementation of Program Financial Management System (PFMS) developed by the Controller General of Accounts, under the Ministry of Finance, to monitor and track the usage of central plan funds during the program implementation, as agreed by the States.

90. *Program Audit Arrangements.* The audit arrangements which are applicable for the Program are shown in Table 6 below:

Table 6: Program Audit Arrangements

Scope of Audit	Responsibility	Due Date
All State Swachh Bharat Mission [or any other name]	Private CA firms	Within nine months of close of each financial year

91. *Governance and Accountability Systems.* Although implementation of the governance and accountability arrangements on the ground varies from state to state, overall these systems provide good underpinnings for improving transparency and accountability of the program. In general, the oversight function of line departments is fulfilled by a chief vigilance officer, and Vigilance Committees are also established at the Block, District and GP levels with varying degrees of effectiveness. Grievance redress mechanisms are present in every state. However, in practice, these systems would need to be strengthened so they are more accessible and complaints are properly registered and managed. Electronic grievance redress systems and 24x7 helplines exist in some states (“Sanjog Helpline” in Odisha, “Sampark” portal in Rajasthan, “CM Helpline” in Madhya Pradesh) and these allow for the identification and tracking of SBM-G related complaints. The identification of beneficiaries is conducted by the GPs and the block level coordinator is responsible for reporting of progress and the verification of utilization certificates. In some states, such as Madhya Pradesh, physical and financial progress is uploaded to an online system, but in most states such information is not published or disclosed to beneficiaries/communities. Social audits will be conducted for SBM-G, but the procedures have not been developed. The Right to Information Act (2005) is another accountability mechanism available to citizens. For example, in Odisha, the Department has established a Right to Information (RTI) cell which answers all SBM-G related enquiries. Rajasthan and Madhya Pradesh have also enacted RTI legislation.

92. *Applicability of Anti-corruption Guidelines of the World Bank for the Operation.* The GoI is fully committed to ensuring that the Program’s results are not impacted by fraud or corruption. Through the Program’s legal documents, the Government of India (as the recipient of IBRD loan) is formally committed to the obligations under the Anti-Corruption Guidelines for PforR operations.²² Following the precedent of previous PforR operations in India²³ the PforR Anti-Corruption Guidelines will be complemented by the protocol agreed between the GoI and the Association on July 30, 2008 for the exchange of information and documents, and the granting of access to the Association to the Operation’s sites and related persons. The “Guidelines for Preventing and Combating Fraud and Corruption in Projects Financed by IBRD loans and IDA

²² The World Bank Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing (dated February 1, 2012 and revised July 10, 2015).

²³ Maharashtra Rural Water Supply and Sanitation Program (the first PforR in India) and the Enhancing Teacher Effectiveness in Bihar Operation (the first hybrid PforR/IPF in India).

Credits and Grants” of October 2006, and revised in January 2011, will apply to Part II of the operation (Program Management and Capacity Building component).

C. Environmental and Social Systems Assessment

93. An Environmental and Social Systems Assessment (ESSA) of the SBM-G program was undertaken by the Bank, as per the requirements of the Bank policy “Program-for-Results financing,” to review the capacity of existing national government systems to plan and implement effective measures for environmental and social impact management of the program, and determine if any measures would be required to strengthen them. The key findings of this assessment are based on surveys and consultations carried out in the five states with high incidence of open defecation in rural areas and high population density. These states were selected based on analysis of information/data available from MDWS.²⁴ The study found that the national and state systems, though adequate to implement the program, need to be strengthened to address environmental and social management issues. The assessment was carried out soon after the announcement of the SBM-G program; however, the guidelines were published after the field work. The details of the ESSA are provided in Annex 6.

Environmental Systems

94. The national and state governments have well-developed environmental legislation, though the implementation setup to address the environmental challenges of SBM-G Program needs to be strengthened.

95. *Environmental Benefits and Risks.* The risk screening suggests that the overall environmental impact of the program is likely to be positive, owing to benefits such as improved access to sanitation. GoI guidelines have been promoting IHHL designs for different onsite conditions as well as SLWM. The SBM-G program now also focuses on usage. Well planned and managed sanitation interventions can lead to several positive impacts such as: (a) improvement in village sanitation levels and the environment; (b) reduced contamination of water sources; and (c) improvement in personal hygiene and overall health of the communities covered under the program. However, in the past, environmental risks and vulnerability have arisen due to various reasons including non-adherence to guidelines during planning and implementation, improper post-construction management of toilets and black water, and inadequate planning and technology selection. Risks that can possibly emerge due to improper planning, execution and management are: (a) contamination of groundwater supplies due to poorly designed/managed sanitation facilities, (b) incomplete technical and O&M knowledge and guidance to PRIs and GP/village level implementing institutions about the domestic, institutional sanitation facilities and SLWM systems may pose general environmental and health problems; (c) potential impacts on natural construction resources (like sand, stones, etc.), and

²⁴ In four out of five states (of Chhattisgarh, Rajasthan, West Bengal, Orissa and Madhya Pradesh) the incidence of OD in rural areas was around 80 percent. In West Bengal, the comparable figure was around 51 percent. Also, four states (Except Rajasthan) were low income.

natural and cultural heritage sites located nearby; and (d) potential occupational and public safety risks for sanitation workers in the GPs. There is therefore a need to build capacities, systems are strengthened and streamlined, and required regulations are followed. Nonetheless it is still expected that the overall outcome of the program will have a positive bearing on the environment, and that the proposed activities are unlikely to have any significant adverse impacts on protected or environmentally sensitive areas or culturally and archaeologically significant sites.

96. *Environmental Risk Management.* The Program Action Plan (Annexes 8) shall focus on strengthening the SBM-G program by incorporating environmental management consideration -- including guidelines, procedures and monitoring framework -- in the design and implementation of safe sanitation technologies. Moreover, SLWM is an integral part of the program as a result area and will ensure focused implementation of solid waste and liquid waste management solutions. The IPF component resources will be used to address the same.

97. *Significance of water use and potential pollution.* MDWS has periodically published guidelines and manuals to share technical and operations knowledge with the States for implementing schemes related to on-site sanitation/construction of toilets and management of SLWM under the NBA program. The manual on on-site sanitation²⁵ discusses various technological options for construction of toilets suited for different sub-surface conditions. A couple of options facilitate on-site management of sludge thereby resulting in zero solid and liquid waste. However, sludge and wastewater need to be managed separately in the case of other options. The latter can be managed through the liquid waste management options suggested by MDWS. Single and double pit toilets, though recommended for normal soil and deep ground water table conditions, are the most common on-site sanitation technologies implemented in rural areas. The Operation proposes to strengthen GoI's SBM-G program on sludge management.

98. Wastewater treatment and management options need to account for the nature of wastewater – grey, black or both.²⁶ MDWS has shared a manual on management of SLWM in rural areas with the States. The manual includes technological options and case studies from across the country for on-site treatment of grey water from households and reuse of treated wastewater for kitchen gardening, off-site conveyance of greywater through open channels and closed drains, and its treatment and final disposal or reuse in irrigation for agriculture and horticulture. On similar lines, the manual also discusses on-site, community-based options for public places for treatment and management of wastewater. However, the disposal or reuse/recycling of treated wastewater needs to follow IS: 2296-1982²⁷, Central Pollution Control Board (CPCB) and WHO standards. The Operation proposes to strengthen the capacity of MDWS regarding this.

99. Through Bank funding, the SBM-G program will finance small-scale investments in rural areas. The potential sources of water for these investments will be small and localized. Sources under existing water programs such as the National Rural Drinking Water Program will be

²⁵ Handbook on Technical Options for Onsite Sanitation by MDWS.

²⁶ Definition of grey and black water, and estimation of their quantities is as per Solid and Liquid Waste Management in Rural Areas – A Technical Note by MDWS and UNICEF.

²⁷ Indian Standard 2296 of 1982 issued by Bureau of Indian Standards.

prioritized in order to maximize the availability of water for sanitation purposes under the Operation. There will be no direct abstraction of water from any international waterways - as defined under the Operational Policy for Projects on International Waterways (OP 7.50) - or their tributaries in the Operation areas and, overall, the incremental use of water for the purposes of the Operation is not envisaged to be significant. The wastewater and sullage generated shall be managed through the Program as discussed below. No water supply scheme shall be implemented through the Bank Operation under SBM-G.

100. The Action Plan and capacity building initiatives under the Operation contains measures and sustainable technology options for onsite sanitation and SLWM that ensure no risk of contamination of water resources. Overall, this will improve the current sanitation conditions in rural areas. Considering the Program's reliance on existing small and localized sources of water as well as the focus on reducing open defecation and overall sanitation in rural villages, it is the Team's assessment that the activities under the proposed Operation will not adversely change the quality and quantity of water flows to the other riparians.

Social Systems

101. The assessment reviewed the social policies, legal framework and capacity of government institutions and systems to deliver quality services to achieve the social development outcomes. Findings indicate that Government has enabling policies and laws to achieve the outcomes. However, translating them into practice remains a challenge (see Annex 6 for details).

102. **Social Benefits and Risks.** Initial findings of the ESSA suggest that the overall social impacts of the Program are likely to be positive. The nature of the Program is such that the associated social risks are moderate, and these include:

- *Capacity.* Ensuring adequate staff and overcoming the limited perspective on social aspects of SBM is a key challenge to ensure the Program's successful implementation;
- *Social inclusion, participation, transparency and accountability.* In principle, the SBM has a macro-level mandate with a community saturation approach. However, baseline data shows that despite the past sanitation programs of the government, an alarming number of vulnerable below-poverty-line (BPL) and above-poverty-line (APL) households still lack access to toilet facilities (details in Annex 6). Therefore, to bridge the gap in practice, sound systems of social accountability and monitoring need to be developed.
- *Land management.* SBM is not a land-intensive program and currently no land-related disputes were observed as the focus is on IHHL for which families use their existing land or the *Panchayat* diverts its land for the landless. However, for community complexes and village-level SLWM, land required will be provided by GPs and this process needs to be documented.

- *Decentralized Planning.* The GP-level overall sanitation plans are to be made through an inclusive participatory process, whereby local planning needs to be further strengthened;
- *Monitoring.* Current practice covers physical and financial progress. The monthly Progress Report contained provisions for tracking Schedule Caste (SC)/Schedule Tribe (ST)/BPL beneficiaries. While SBM-G has provisions for ODF verification, social audits, overall progress (physical and financial) etc., this can be further strengthened.
- *Grievance Redress.* The existing grievance management system is mostly inaccessible. The system needs to be strengthened to make it more responsive and approachable.
- *World Bank Grievance Redress Service (GRS).* Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit www.worldbank.org/grs. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org
- *Operation and Maintenance.* IHHLs reinforces the traditional cultural practices are reinforced and this increases the work load of women. The activities related to maintaining sanitary complexes continue to be seen as jobs to be done by specific caste-groups. While SBM-G clearly lays out that O&M responsibilities (particularly pertaining to community toilets) are the collective responsibility of the community, there is a need for community sensitization and monitoring of maintenance to ensure that caste- or gender-based discrimination is not promoted.

103. *Social Risk Management.* The key aim of the Program Action Plan is to strengthen systems to enhance inclusion, participation, transparency and monitoring (see Annexes 6 and 8). The IPF component resources will be used to address the same.

104. *Stakeholder Consultations.* Consultations with states officials and communities in the five states were undertaken as part of the ESSA. Seventy-nine consultations involving 288 key stakeholders were conducted. On October 1, 2015 a national-level stakeholder consultation was organized where the draft ESSA was discussed. MDWS officials and high level officials from 15

States²⁸ attended the meeting. The stakeholders broadly endorsed the ESSA and its findings. Accordingly, the proposed action points were agreed upon. Details of stakeholder consultations in the five states are provided in Annex 6.

105. *Disclosure.* The World Bank and MDWS have disclosed the ESSA in the Infoshop and on their website, respectively. The final ESSA incorporates comments from the stakeholder consultation.

D. Integrated Risk Assessment Summary

106. *Risk Rating Summary.* Table 7 shows the summary risk ratings. The overall risk rating of the Program is "Substantial". The adequacy of MDWS's institutional capacity to deliver such a large scale program in a time-bound manner is mixed, particularly at the state level. Capacities for sustained performance have been found lacking in earlier versions of the program and sustainability is not supported by adequate monitoring systems. The proposed program includes support for the development of a robust institutional monitoring and evaluation system, as well as capacity building, IEC, BCC and technical assistance support to fill identified gaps in capacity; these include consulting support for communications, independent verification assessments and program management. Overall the program is not expected to have any major negative environmental impacts. Most of the construction works are expected to be small scale. No resettlement is anticipated and land acquisition, if any, would be minimal. The detailed risk assessment and proposed mitigation measures are provided in Annex 7.

Table 7: Risk Rating Summary

Risk	Rating
Technical	High
Fiduciary	High
Environmental and Social	Moderate
Transparency and Accountability	Substantial
Disbursement Linked Indicators	Moderate
Overall Risk	Substantial

E. Program Action Plan

107. A set of Program Actions have been formulated to address gaps identified by the Program assessments (technical, fiduciary systems, environmental and social systems) to improve Program implementation and to increase the likelihood of achieving program outcomes. Table 8 summarizes the Program Action Plan. Annex 8 provides details of implementation responsibility, timing and measurement of these actions.

Table 8: Summary of Program Actions

²⁸ The participating States included: Assam, Tripura, Odisha, Andhra Pradesh, Telengana, Punjab, Haryana, Chhattisgarh, Sikkim, Gujarat, Jharkhand, Tamil Nadu, Kerala, Uttarakhand and West Bengal.

	Program Action	Responsible Entity	Time Frame
1.	Appoint an agency to conduct an annual National Rural Sanitation Survey to measure the performance of the States and publicly report the findings of the survey. Make disbursements based on the results of the survey.	MDWS	Complete the survey and publish the results by June 30 of each financial year. Transfer performance grants to the states every year before July 31.
2.	(a) Roll out of Public Finance Management System (PFMS) in the states, during the implementation period, as agreed by the states	MDWS/ States, Union Territories (UTs)	Rolled out over the program period, as agreed with the States.
	(b) Conduct annual audits to confirm that Procurement implementing agencies in the State have consistently followed procurement provisions of the State Delegation of Financial Power Rules issued by the respective State Department of Finance and/or General Financial Rules (GFR) of Government of India and Government orders (as applicable).	Auditors recruited by the State Governments, UTs	Annual audit reports within nine months of the close of each financial year.
3.	Update BCC strategy and implement annual action plans at the national level.	MDWS	BCC strategy updated and annual action plan implemented. Completion of a BCC mid-line assessment before the Program mid-term review (April 2018) and an assessment before Program closure (March 2020).
4.	Strengthen citizen-feedback mechanisms of SBM-G program.	MDWS	Identify areas for strengthening citizen feedback in the first year and roll out the improvements over the Program period.
5.	Initiate Social Audit of SBM-G in States and UTs.	MDWS, States, UT	Roll out Social Audits over the Program period, as agreed with the states.
6.	Enhance existing Grievance Management systems for efficient and timely redress.	MDWS, States, UTs	Identify areas for improvement in first year of the Operation and roll them out over the Program period.

Program Action	Responsible Entity	Time Frame
<p>7. Strengthen SBM-G program by incorporating environmental management considerations in the design and implementation of safe sanitation technologies.</p>	<p>MDWS, States, UTs</p>	<p>Strengthen environmental management through technical modules for adopting environmentally safe sanitation practices during planning, technology selection, and O&M in first year of the Operation. Implement these practices during the Program period. Incorporate environmental aspects in communication packages on sanitation and SLWM by December 2016.</p>

Annex 1: Detailed Operation Description

INDIA: Swachh Bharat Mission Support Operation

1. This Operation provides support to the Swachh Bharat Mission – Gramin (SBM-G) national program, the new rural sanitation flagship program launched by the Prime Minister in September, 2014. The Program Development Objective is to: *to reduce open defecation in rural areas, and strengthen MDWS capacity to manage the national SBM-G program.*
2. The scope of the Bank-supported Operation consists of two categories of activities: (a) performance incentives for sanitation improvement in rural areas (PforR); and (b) strengthening institutional capacities on program management, advocacy, monitoring and evaluation by MDWS (IPF). The proposed Operation will support the national SBM-G program over a five year period (January 2016–January 2021); coinciding with the timeframe of the national program.²⁹
3. The Operation is designed to accelerate and sustain behavior change in rural households and villages – stopping open defecation, using safe technologies and adopting hygienic behaviors – for more than 60 percent of India’s rural population, thereby benefiting more than 550 million persons by reducing open defecation, and increasing populations with solid and liquid wastes management. The Operation will support the national SBM-G program in strengthening the institutional systems and processes, which include building local leadership, tapping the change agents and fostering community engagement for meeting sanitation outcomes at the collective level.
4. The Program (PforR) supports the SBM-G’s objective of recognizing and rewarding performance of states, and seeks to leverage the investments made under Annual Implementation Plans by encouraging states to sharply focus on achieving the key sanitation outcomes (i.e., reducing open defecation, sustaining ODF and increasing the population with SLWM). The Program thus supports the entire SBM-G, and funds will be channeled through the incentive grant window of SBM-G. This will be in addition to States’ Annual Implementation Plan-based funding from MDWS.
5. In addition, the Operation shall assist the MDWS in strengthening its capacity in program management, advocacy and communications, and to implement a credible and robust monitoring and evaluation system to measure results of SBM-G. Details of the Project component of the Operation are presented in Annex 9.

Scope of the National SBM-G program

6. The GoI has launched a new, ambitious, time-bound mission to achieve universal sanitation coverage, improve cleanliness and eliminate open defecation in India by Oct, 2019. This national flagship “Swachh Bharat Mission” (SBM, “Clean India Mission”) was launched in September 2014 by the Honorable Prime Minister of India. SBM targets both rural and urban

²⁹ While the National program has set targets to achieve a clean India by October 2nd, 2019, the program is expected to be effective until the end of the financial year 2019-2020 (i.e., March 31st 2020).

India. For rural areas, the mission is called the “Swachh Bharat Mission-Gramin” (SBM-G). The estimated budget for SBM-G is US\$22.0 billion over five years.

7. This new program attempts a significant re-casting of the previous NBA program to address some of the core implementation challenges previously highlighted in Section I.B. Unlike past programs, SBM-G; it is time-bound with a stronger results orientation, targeting the monitoring of both outputs (access to sanitation) and outcomes (usage). Furthermore, emphasis has been placed on strengthening institutional delivery mechanisms down to the GP level, and there is a stronger focus on behavior change interventions as well as according states greater flexibility to adopt their own delivery mechanisms.

8. The vision for SBM-G is to “improve the levels of cleanliness in rural areas through SLWM and to make *Gram Panchayats* Open Defecation Free (ODF), clean and sanitized by 2019.” The objectives of SBM-G are to:

- (a) bring about an improvement in the general quality of life in the rural areas, by promoting cleanliness, hygiene and eliminating open defecation;
- (b) accelerate sanitation coverage in rural areas to achieve the vision of Swachh Bharat by 02 October 2019;
- (c) motivate communities and *Panchayati Raj* Institutions (PRIs – local governments) to adopt sustainable sanitation practices and facilities through awareness creation and health education;
- (d) encourage cost effective and appropriate technologies for ecologically safe and sustainable sanitation; and
- (e) develop wherever required, community managed sanitation systems focusing on scientific solid and liquid waste management systems for overall cleanliness in the rural areas.

9. The SBM-G seeks to achieve the above objectives through five primary components to be implemented at the State level. These five components are to be incorporated into each state’s Annual Implementation Plan (AIP) for SBM-G, and shared annually with the MDWS. The five components of the national program are:

- **Component A**, which consists of three sub-components, namely: (a) **Start-Up Activities** – including conducting preliminary surveys to assess the status of sanitation and hygiene practices; orientation of key personnel at the district and GP level and preparation of district plans; and the preparation of state program implementation plans (PIPs); (b) **Information Education and Communication (IEC)**, which consists of activities focused on bringing about community-wide behavior change and to trigger the demand for sanitation facilities among rural populations (see Box A1-1 for additional description of IEC activities); and (c) **Capacity Building**, which covers improving the capacity of stakeholders and sanitation workers on IEC approaches including community triggering (that is Community-Led-Total-Sanitation (CLTS), Interpersonal Communication (IPC), and House-to-House communication), construction and maintenance of toilets, and SLWM works.

- **Component B – Revolving Funds**, through which additional financing for the construction of individual household latrines at the district level will be made available through the use of revolving funds. The Revolving Funds resources may be given to Societies, Self Help Groups or other groups as decided by the states, whose credit-worthiness is established, for providing financing to their members for the construction of toilets. Loans from this fund should be recovered over 12-18 instalments. States will have the flexibility to decide the other terms and conditions for disbursement and use of the Revolving fund.
- **Component C – IHHL and Community Sanitary Complexes**. The SBM-G program aims to ensure that all rural families have access to toilets, whether that is an individual household latrine or a shared community facility. The GoI has recommended to the states a variety of on-site sanitation technologies that meet the general requirements of a sanitary toilet. One of the key components of the national SBM-G program is an incentive of INR 12,000 (approximately US\$181.0) provided to eligible households for the construction of IHHLs. Households eligible for the incentive include those living below the poverty line (BPL), belonging to the Scheduled Castes (SCs) or Scheduled Tribes (STs), or are small and marginal farmers, landless laborers with homesteads, or physically handicapped or women-headed households.
- **Component D– Administrative charges**. States shall be permitted to utilize funds under this component on expenditures including, but not limited to: salary of temporary staff and agencies deployed for the execution of various components of the SBM-G at State, District, Block and GP levels; support services; fuel charges; vehicle hire charges; stationery; monitoring and evaluation activities; and exposure visits.
- **Component E – Solid and Liquid Waste Management (SLWM)**. The activities under SLWM are aimed at bringing about improvements in the cleanliness, hygiene and the general quality of life in rural areas. Solid waste management activities consist of developing and promoting methods for the collection, segregation and safe disposal of household garbage. Liquid waste management consists of activities related to the collection and treatment of household wastewater that has not come into contact with feces (i.e., “grey-water”).

10. One of the SBM-G objectives is to provide states that perform well against the AIPs and reach their targets with additional incentives from the MDWS. This has also been referred to in the SBM-G Guidelines but at present, funding is being provided to the states by MDWS on the basis of expenditure and physical outputs; and the window of funding to incentivize performance based on outcomes has not yet been operationalized. The Bank’s Program (PforR) will support the operationalization of this incentive window.

11. Since its launch in 2014, the progress of SBM-G has been encouraging. The SBM-G Guidelines were issued by the Ministry of Drinking Water and Sanitation (MDWS) in December 2014. According to the SBM-G integrated monitoring and information system (IMIS), in the first year of launch of SBM-G (October 2, 2014 to October 2, 2015), 8.87 million toilets have been

constructed. Furthermore, more than 5.25 million toilets were constructed in the current financial year 2015 (as of November 4, 2015), and that constitutes over 50 percent of the annual target. The MDWS is carrying out an intensive advocacy campaign with states and districts to accelerate program implementation.

Scope of the Operation: Bank Financed Program [PforR]

12. The proposed support comprises a US\$1.475 billion Program using the Program for Results (PforR) instrument (referred to as the “Program”), to support GoI’s SBM-G.

Box A1-1: Information, Education and Communication (IEC) activities under the National SBM-G program

The focus on behavior change is a critical component of the SBM-G program. As per the SBM-G Guidelines, the goal of IEC activities are to bring about community-wide behavior change and to trigger the demand for sanitary facilities in households, schools, and *Anganwadis*. IEC should also be used to improve awareness and support around community sanitary complexes and SLWM projects. As part of the national program, each state and district are to prepare IEC plans detailing their area/community specific communication activities. General activities identified within the SBM-G guidelines for IEC include, but are not limited to the following:

- **Interpersonal communication** - “triggering” or “nudging” of communities by engaging in door-to-door or group discourse with community members through village-level motivators (e.g., Swachhata Doot (sanitation foot soldiers) / sanitation messengers, school teachers, community volunteers, etc.);
- **Mass media** - messages delivered to wide audience through means such as television, radio, street theater, and phone text messages/SMS;
- **Print media** - messages delivered to a wide audience through means such as newspapers, magazines, brochures, leaflets, flip charts, billboards and banners; and
- **School and Anganwadi** - school kits including posters, games and workbooks.

13. The Program supports the SBM-G’s objective of recognizing and rewarding performance of states, and seeks to leverage the investments made under Annual Implementation Plans (AIPs) by encouraging states to sharply focus on achieving the key sanitation outcomes, that is reducing open defecation, sustaining ODF and improving SLWM. The Program thus supports the entire SBM-G, and funds will be channeled through the incentive grant window of SBM-G.

14. On achievement of key results, Program funds will be disbursed to MDWS. These funds will be used by MDWS for incentivizing states based on their performance on reducing OD, sustaining ODF and increased population with SLWM.

15. The principles of the disbursement of funds from the Program (Bank) to MDWS include:

- (a) recognizing and measuring performance of states in terms of substantially reducing open defecation, sustaining open-defecation free status at the village levels, and improving solid and liquid waste management;

- (b) allocating resources across DLIs to respond to the differential challenges faced by states - ranging from states with low coverage and use, to those that have high coverage and use, SLWM being a common concern across all states; and
- (c) rewarding performing states linked to their performance in reducing OD, sustaining ODF and SLWM, multiplied by *per capita* values (for each DLI).

16. *Per Capita values for performance and projected allocations across years.* For an incentive grant to work successfully, it is imperative that good performers are rewarded with substantial resources. For the first year, the DLI is based on MDWS actions on operationalizing the incentive grant scheme. In subsequent years, a *per capita* incentive is fixed for states' DLIs (DLI 1, 2 and 3) and depending upon performance on each of these DLIs, this is drawn down by the states. States that perform well will be able to receive a predictable amount since a *per capita* value for each DLI will be known. The system will also allow under-performance in one year can be compensated for in another year. During the course of the Program, the allocations across the DLIs will be reviewed.

17. An Independent Verification Assessment carried out by a third party and a strong M&E system are the core foundations of the Program, and shall provide the basis for measurement of the states' performance against the DLIs and the other indicators in the results framework.

Results Chain

18. This Program's results chain builds on the strategy outlined in the SBM-G program guidelines. Departing from earlier versions of the national rural sanitation flagship, the success of the SBM-G is predicated on:

- (a) a national time-bound and result-oriented framework, within which States are expected to achieve SBM-G goals;
- (b) adequate financial resources provided by MDWS to States, for planning and implementation of the SBM-G; and
- (c) flexibility to states in deciding on their implementation arrangements taking into account their own requirements.

19. The new approach adopted in SBM-G, will become more effective if some of the crucial deficits are addressed. The added value of this Program is in: (a) sharpening the focus of the MDWS and States on selected results under SBM-G; and (b) signaling the importance of achieving and sustaining results by giving financial incentives to performing States, directly linked to measurable performance.

20. *Inputs.* Provision of inputs to behavior change communications, provision and use of toilets, solid waste management, training and capacity building, etc. - are expected to result in achievement of key outputs.

21. *Outputs* include improved access to safe sanitation for households; changed behaviors of individuals and village communities; and populations with a basic level of SLWM. The Program

focuses on accelerated achievement of the above results and links fund releases to performance on these.

22. *Outcomes.* The Program hence is expected to contribute significantly to eliminating open defecation, achieving and sustaining ODF in rural India, and improving the quality of life. Adopting the critical elements of behavior change, and improving institutional capacities, is expected to improve the performance at the state and local levels. Furthermore, the use of incentive funds by states in rural sanitation according to their own priorities, is likely to reinforce further cycles of achievement and sustenance.

Allocations across DLIs

23. There are four DLIs specific to the Program: (a) reduction in the prevalence of open defecation; (b) sustaining ODF status in villages; (c) increase in the rural population with SLWM; and (d) operationalization of the Performance Incentive Grant Scheme by MDWS. The choice of DLIs was based on four factors: (a) signaling role of the indicator, that is a critical action, output or outcome in the results chain; (b) perceived need to introduce a strong financial incentive to deliver the activity, output or outcome; (c) practical aspects of verifying achievement; and (d) the capacity of states to achieve the DLI during the implementation period of the Program. Detailed descriptions/definitions of the achievement of each DLI are provided in Annex 3.

24. The composition of the US\$1.475 billion across DLIs, is presented in Table A1-1.

Table A1-1: Proposed DLIs and Financial Allocation

Proposed DLIs		Proposed Allocation (US\$, millions)*	Percentage allocation
DLI#1	Reduction in the prevalence of OD	730.12	49.5
DLI#2	Sustaining ODF status in Villages	464.63	31.5
DLI#3	Increase in rural population with SLWM	132.75	9.0
DLI#4	Operationalization of Performance Incentive Grant Scheme by MDWS	147.50	10.0
Total		1,475	

Note: *This allocation only applies to IBRD contribution under category 1.

25. The allocations across the DLIs (cited above) are indicative and will be reviewed from time to time during the course of implementation of the Program.

26. *Baseline and year-on-year performance data.* The available data sources (Census 2011, the National Sample Survey Organization), and the MDWS's own Integrated Management Information System (IMIS, based on self-declared administrative data), provide data on sanitation related indicators, but these are not considered robust for measuring DLIs. The first National Annual Rural Sanitation Survey (done by the Independent Verification Agency or IVA Survey) is expected to provide baseline values for the key indicators to measure DLIs and other

results. The annual National Surveys conducted in later years shall provide the basis for measuring performance - namely, changes in indicator values year-on-year.

27. *Disbursements in Year 1.* Disbursements will be based on the operationalization of the Incentive Grant Scheme by the MDWS. This will involve issuance of the Performance Incentive Guidelines to States; establishing and communicating the protocol for the NARSS; and the conduct of the first NARSS and disclosure of results. Completion of these actions will be the basis for releasing Program funds in Year 1.

28. *Normalization using population.* The release of resources under each of the states' DLIs (DLI 1, 2 and 3), shall be done on the basis of weighting and normalizing by the relevant population figures.

The SBM-G Performance Incentive Grant Scheme

29. The Program (Bank) funds will flow into a Performance Incentive Grant Scheme, managed by the MDWS. The incentive grant window of SBM-G will be operationalized by MDWS with the issuance of the Grant Scheme guidelines, which will lay out the principles and operational steps for the MDWS rewarding states on their performance. The Performance Incentive Grants will be passed onto the states as 100 percent grants.

30. *MDWS release of Performance Incentive Grants to states.* The releases of incentive grants from MDWS to the states will be based on the following principles:

- (a) States are rewarded for their performance measured in terms of reducing open defecation, sustaining open-defecation free status at the village levels, and increased population with solid and liquid waste management;
- (b) States will pass on the major portion (more than 95 percent) of the Incentive Grant Funds received from the MDWS, to the appropriate implementing levels of districts, Blocks, GPs etc.; and
- (c) Performance states shall be rewarded based on a *per capita* value for each DLI, and hence the incentive for the State will be directly proportional to their performance. This will not be linked to the average national performance – and hence, well-performing states shall be able to access more resources irrespective of other States' performance.

31. *End-use of Performance Incentive Grant resources.* The states will be free to use the Performance Incentive Grants to fund activities pertaining to sanitation. MDWS will issue the guidelines for the performance incentive grant scheme detailing the operational mechanisms and the end use of the grant funds.

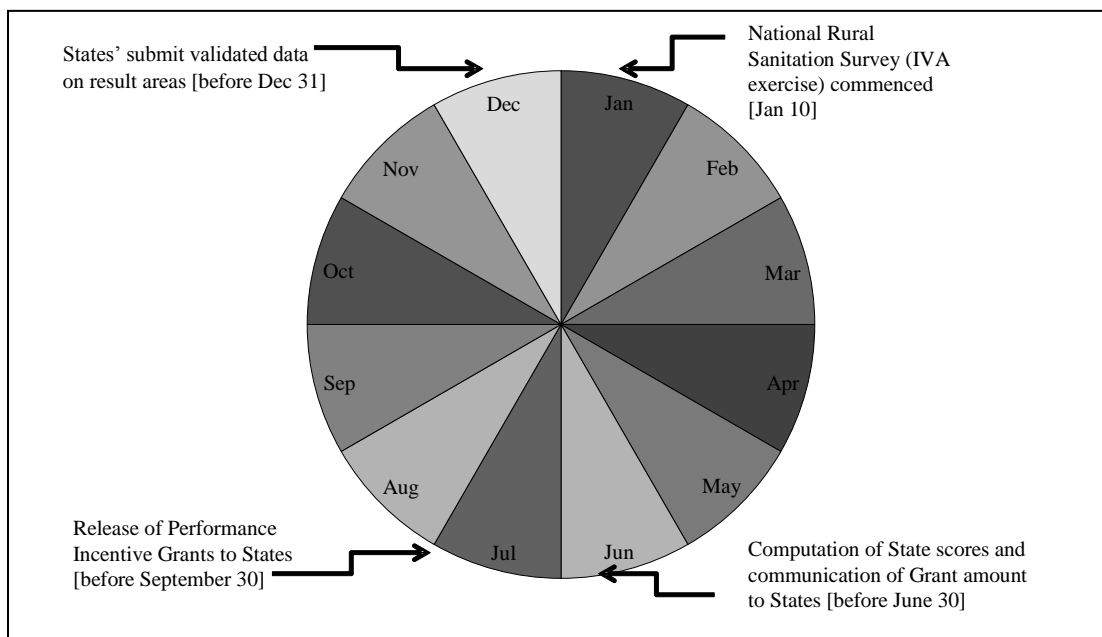
32. *Basis of release on per capita basis.* In order to normalize the differences in population sizes etc., the incentive reward to states would be normalized as a *per capita* award based on the relevant total rural population.

33. *Independent Verification Agency (IVA) Survey.* The basis for measurement of baseline value and performance year-on-year, shall be the data collected under the *aegis* of MDWS by independent third-party survey firm(s), constituting the Independent Verification Agency/ies (IVA). The primary activity of the IVA will be to conduct the National Annual Rural Sanitation Survey (NARSS) in all States and Union Territories under the supervision of the MDWS. There will be five yearly rounds of the national rural sanitation survey during the operation. The first survey will constitute the baseline survey. Each round of the survey will include components that will generate information on OD incidence, attainment and sustaining ODF status, and on solid and liquid waste management (SLWM), as well as other indicators.

34. The Annual Cycle of Activities under the Performance Incentive Grant Scheme is presented in Figure A1-1, and shall include:

- (a) Assessment Period: Calendar year from January to December;
- (b) The IVA exercise, which is to be started in January and completed by May 31 every year;
- (c) Computation of State Scores and communication of grant amounts to States is to be completed by June 30 every year; and
- (d) Release of Grant Amount: Between July- September every year.

Figure A1-1: Annual Cycle of Activities for Performance Incentive Grant Funds



35. *Program Management Support:* The Program Management Support Component in this Operation will be dedicated to financing a specific set of technical assistance (IPF) activities, to complement the Program activities and support the achievement of its objectives. The activities intend to strengthen MDWS for effective management of the program at the national level through development of improved systems and processes. Through this investment, support will be provided to MDWS for: (a) strengthening of the existing Program Management Unit (PMU)

with key experts and enhancement of the overall management and role of MDWS; (b) capacity building, communication strategies, and M&E activities; knowledge management and social inclusion; and (c) introducing and strengthening the process of third party verification assessment of achievement of DLIs in the Program. Further details regarding the roles and responsibilities of the PMU are provided in Annex 9.

Operation Activities

36. The Key results areas of the Operation that contribute to the achievement of the PDO are:

- (a) *Result Area 1*: Increased access and use of safe and functional sanitation facilities;
- (b) *Result Area 2*: Sustaining community-wide ODF status;
- (c) *Result Area 3*: Increase in population with Solid and Liquid Waste Management services; and
- (d) *Result Area 4*: Strengthened capacity in program management, monitoring and evaluation by MDWS (Annex 9).

37. The first three result areas are linked to the Program while Result Area 4 is linked to the PMS (IPF) component.

38. *Results Indicators*. A set of indicators has been carefully chosen, not only to measure achievement of the PDO, but also to measure and track intermediate results or intervening steps towards the PDO. Two types of results indicators have been defined: (a) those that are linked to disbursements, referred to as “disbursement-linked indicators” (DLIs); and (b) those that are not linked to disbursements, referred to as “other results indicators”. The achievement of DLIs triggers Bank disbursements to the program. The list of results indicators is summarized in Table A1-2; the detailed results framework for the Operation (including definition of indicators) in Annex 2.

39. *PDO Indicators*: The following outcome indicators will be used to measure achievement of the PDO:

- (a) PDO Indicator 1: Reduction in the prevalence of open defecation; and
- (b) PDO Indicator 2: Annual sanitation survey conducted and results published.

40. *Intermediate Results Indicators*. A set of intermediate results indicators will be used to measure and track intermediate results, or intervening steps, towards the PDO. Table A1-2 shows the list of indicators under each result area.

41. *Disbursement-linked Indicators*: There are four DLIs specific to the Program: (a) reduction in the prevalence of open defecation; (b) sustaining ODF status in villages; (c) increase in the rural population with improved SLWM; and (d) operationalization of Performance Incentive Grant Scheme by MDWS. The choice of DLIs was based on four factors: (a) signaling role of the indicator, that is a critical action, output or outcome in the results chain; (b) perceived

need to introduce a strong financial incentive to deliver the activity, output or outcome; (c) practical aspects of verifying achievement; and (d) the capacity of states to achieve the DLI during the implementation period of the Program. Detailed descriptions/definitions of the achievement of each DLI are provided in Annex 3.

Table A1-2: Operation Results Indicators

	Results Indicators	
	Disbursement-Linked Indicators	Other Results Indicators (which do not trigger disbursements)
PDO level	DLI# 1: Reduction in the prevalence of open defecation	<ul style="list-style-type: none"> • Annual sanitation survey conducted and results published
Result Area 1: Increased access to safe and functional sanitation facilities		<ul style="list-style-type: none"> • Increase in the percentage of rural population having access to safe and functional sanitation facilities; • Increase in the percentage of poor and vulnerable rural population having access to safe and functional sanitation
Result Area 2: Sustaining community-wide ODF status	DLI#2: Sustaining ODF status in villages	<ul style="list-style-type: none"> • Number of ODF villages
Result Area 3: Increase in population with Solid and Liquid Waste Management (SLWM)	DLI#3: Increase in rural population with SLWM	<ul style="list-style-type: none"> • Number of villages with SLWM
Result Area 4: Strengthened capacity of MDWS in program management, advocacy, monitoring and evaluation (M&E)	DLI#4: Operationalization of Performance Incentive Grant Scheme by MDWS	<ul style="list-style-type: none"> • Program management unit strengthened and functional • M&E unit strengthened • Management information system (MIS) improved and operational • BCC campaign implemented at national level • Annual program performance report published • Report on grievances received and addressed

Result Area 1: Increased access to safe and functional sanitation facilities

42. With a significant proportion of the rural population not having any access to safe sanitation, and attendant problems of functionality, usage, etc., the first Result Area focuses on

increasing the access to safe³⁰ and functional sanitation facilities and striving to accelerate the rate of access year-on-year. This is driven by DLI#1 which focuses on the reduction in the prevalence of OD; thus combining access and usage as outcomes and following a tracking protocol, so that disbursements occur when there is a progressive reduction in OD year-on-year. Improved performance in terms of population stopping OD enables the state to claim its share of the DLI #1 based on a *per capita* value multiplied by population reducing OD, as verified by the IVA.

43. In Years 2 to 5, disbursement to MDWS will be based on the cumulative of States' reduction in OD, from the previous year, as verified by the IVA. DLI#1 is thus targeted at increasing access for the general population – more critical for the high OD prevalent states – and the inclusion of the poor and vulnerable in provision of access, both of which are highlighted in the SBM-G.

Result Area 2: Sustaining community-wide ODF status

44. This result area builds on Result Area 1, but aims for collective behavior change within a geographical area (the village), thus recognizing sanitation as a public good, and drawing in elements of community-wide behavior change. In Years 2 to 5, disbursement to states will be based on the population residing in ODF villages, as verified by the IVA. The results framework tracks achievement of ODF villages to monitor long-term behavior change and identify knowledge sharing opportunities.

45. In Years 2 to 5, the population residing in ODF villages in States will be estimated, and multiplied by a fixed *per capita* amount, for the release to MDWS, as verified by the IVA.

Result Area 3: Increase in population with Solid and Liquid Waste Management services

46. This result area signals, measures and rewards the area of SLWM, which is in a nascent stage at present. This result area is linked to DLI#3 which rewards populations with SLWM. DLI#3 thus incentivizes an increase in the provision of SLWM annually by States.

47. In Years 2 to 5, disbursement to MDWS will be based on population with SLWM services (a minimum cut-off standard of SLWM). The DLI amount will be determined by a fixed *per capita* figure multiplied by population with SLWM, as verified by the IVA.

Result Area 4: Strengthened capacity of MDWS in program management, advocacy, monitoring and evaluation (M&E)

48. This result area aims to strengthen the institutional capacity of MDWS for signaling the importance of results to States, and program management, capacity building, and M&E.

49. In Year 1, DLI#4 will be based on the MDWS' issuance of the Performance Incentive Guidelines to States; establishing and communicating the protocol for the NARSS; and the

³⁰ Safe technology option means no contamination of surface soil, ground water or surface water; excreta inaccessible to flies or animals; no handling of fresh excreta; and freedom from odor or unsightly condition. (Ref: S-11011/3/2015-SBM dated June 9, 2015)

conduct of the first NARSS and disclosure of results. The completion of the above important actions will trigger disbursements under DLI#4.

50. In addition, from Year 1 onwards, this result area will be supported through the IPF component and will signal, measures and monitors the establishment and development of systems (structure and processes) and capacities (staffing and technology) within the MDWS to better support States. The results framework highlights certain outcomes that have been identified as possible after capacity development is effective. The strengthening of program management capacity and coordination at the national level will be achieved through the strengthening of the PMU supported through sourcing of key human resources to accelerate the pace of implementation. The Operation will assist the MDWS in providing support to States in the areas of community leadership and demand stimulation, triggering for collective behavior change; technological options for rural sanitation; and capacity support for fiduciary, social and environmental aspects.

51. The Technical Assessment also identified the need to strengthen the program's M&E through upgrade of the existing IMIS, and putting in place dedicated personnel for supporting the M&E processes. This will also support the establishment of a robust and credible verification mechanism (IVA) for program results. Furthermore, this results area aims to strengthen program governance and accountability systems through improvements to the tracking of finances, increased transparency of program aspects and improved systems for receiving and addressing citizen feedback/grievances. MDWS will further develop the existing BCC strategy into annual action plans for pan-India communication and any advocacy relevant action. Development of appropriate channels for rapid and effective knowledge sharing (to states and between states), and support to research and innovation especially for difficult areas (for example, water-logged) will also be piloted and scaled up as necessary.

52. This result area is expected to support the achievement of the DLIs within the existing boundaries of the constitutionally accepted roles of the national and state governments in the management of national programs.

Implementation Arrangements for SBM-G

53. The Program shall be operationalized within the current institutional framework of SBM-G, that comprise national, state, district, block and *Gram Panchayat*/village level arrangements.

54. The MDWS, Govt. of India, shall carry out program management nationally, and the nodal departments in the states will be required to set up State level SBM that are responsible for implementation of the Program in the respective states. At every level, the institutional structures, staffing and improved capacities have been included under the SBM-G Guidelines, and the Program are therefore expected to be implemented by a strengthened institutional apparatus at the national, state, districts, and local levels. Key implementation responsibilities are outlined below and reflect the national program guidelines.

55. The SBM-G Guidelines provide for a *five-tier implementation mechanism* to be set up at the National, State, District, Block, and Village levels. The following are the critical elements of the mechanism:

- *creating and strengthening community-level leadership for sanitation* so that States' local institutional capacities are augmented with appropriate frameworks for strengthening community-level leadership for sanitation;
- *establishment of a pool of trainers or resource centers* at the State and regional levels to deepen the planning, implementation and monitoring capacities of the lower tiers (*Panchayats, Self-Help Groups (SHG), SHG federations, Swachhata Doots, etc.*); and
- *building leadership capacities and setting up monitoring structures* to track implementation, and to integrate with planning and reporting.

National level

56. The National SBM-G in the MDWS is the nodal agency for implementing the Program. The Secretary of the MDWS, GoI, is the Mission Director for the National SBM-G, assisted by Joint Secretary, Director(s), and Technical Advisors and consultants. The PMS component (IPF) will support the MDWS in strengthening a Program Management Unit (PMU), for enhancing program management support, advocacy and behavior change, communications, and monitoring and evaluation.

57. The state AIPs are reviewed and approved by the National Scheme Sanctioning Committee (NSSC) every year. The MDWS, as the nodal Ministry is responsible for coordinating with other national Ministries, especially the Ministry of Human Resource Development (MHRD), and Ministry of Women and Child Development (MWCD), for implementation of SBM components for sanitation in schools and *anganwadis* (early childhood care centers); and also with other relevant Ministries and agencies.

58. In accordance with the Program for Results guidelines, the National Mission shall be responsible for carrying out the Independent Verification Assessment as spelt out in the Support Program. Toward this, the National Mission will engage third-party IVA/s with demonstrated capacity, for conducting the annual national sanitation surveys.

State level

59. The primary responsibility for program delivery lies with the state governments. The State SBM-G shall be responsible for implementing the Program in their state. The State Missions are a registered society located in the nodal department implementing the rural sanitation program in the state. Overall, the implementation mechanism of the program at the state level will consist of: (a) State SBM-G, (b) District SBM-G; (c) Block Program Management Unit; and (d) GP/Village Water and Sanitation Committee (VWSC). In each of the states, an Apex Committee is expected to be set up, headed by the Chief Secretary to aid and advise the State Mission. The Principal Secretary of the nodal Department will be the State Mission Director and Member Secretary.

60. The State Mission shall supervise the implementation of the program in the districts within the states, facilitate convergence among other departments, ensure preparation of the AIP

for each district, and consolidate these plans into the state AIP for agreement with the National SBM annually. The State Mission shall support the district Missions in implementing the SBM within the GPs for which the new guidelines suggest deployment of personnel at district and block levels for supporting implementation. Coordination among various actors at the state level is particularly important to achieve the Program results.

61. **Districts.** In each district, there is a provision for a District mission. Although the nodal department in the states will play a catalytic role in implementation of the program, the SBM-G guidelines mention that the role of the District Collector/CEO of the District administration will be pivotal. Districts will be the implementation unit for planning and implementation, deployment of social mobilization, rolling out of behavior change interventions, facilitating the marketing of products, dissemination of agreed procurement arrangements, training and capacity building. Monitoring of the district level performance will be a crucial role of the District Mission.

62. **Blocks** in the districts are to set up Block Program Management Units in states that will be a bridge between the districts and the *Gram Panchayats*. The Block Program Management Unit is to provide continuous guidance, technical support for social mobilization, awareness generation, motivation, facilitating supply chains and monitoring implementation status for including implementation of agreed procurement activities for a cluster of GPs.

63. **GP/VWSCs** are responsible for the implementation of rural sanitation program and shall endeavor to achieve ODF status. GPs are responsible for preparation of GP level ODF plans, sensitizing and motivating communities, facilitating procurement and construction activities, constantly supervise and monitoring the implementation progress as well as monitoring the behaviors of the communities. GPs may choose to set up VWSCs to supervise the implementation at the village level.

64. **Promoting community leadership.** The SBM-G Guidelines emphasize the criticality of a large-scale social mobilization for promoting sanitation as a mass-movement. The operation will help strengthen this key element of the program. Accelerating and scaling up rural sanitation will require leveraging and catalyzing community leaders and networks of change agents engaged in social and community development activities. There is a need to tap into natural leaders who could work along with communities, PRI leaders, frontline health workers, *anganwadi* workers, women groups, community based organizations, self-help groups, etc. and lead their communities towards sustained rural sanitation outcomes. There are also several youth networks across states that could be leveraged. This requires first, to energize these institutions of change agents to build multi-stakeholder coalitions to address sanitation challenge, and then to train the community leaders on behavior change approaches, tools and techniques as well as monitoring to change the long standing social norm of open defecation. Knowledge and experience sharing across communities will be powerful mechanisms to replicate/scale-up innovative and successful approaches. States will be supported by the MDWS to craft strategies and delivery mechanisms suited to the local institutional strengths, and socio-economic factors.

Annex 2: Results Framework Matrix
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The Operation’s overall results framework is shown in Table A2-1. It should be read in conjunction with the following definitions:

Definition	Detailed Description
Reduction in the prevalence of open defecation ³¹	<p>Reduction in prevalence of open defecation means – reduction in the percentage of rural population practicing open defecation at any given time.</p> <p>A household is considered to be practicing open defecation if:</p> <ul style="list-style-type: none"> ➤ Any member of the household always or sometimes goes out in the open to defecate ➤ The household has no access to a safe and functional sanitation facility (either individual, shared or community/public facility) as defined by MDWS (Safe technology option means no contamination of surface soil, ground water or surface water; excreta inaccessible to flies or animals; no handling of fresh excreta; and freedom from odor or unsightly condition).
Sustaining ODF status in GPs	<p>This indicator refers to populations residing in villages defined as ODF year or year.</p> <ul style="list-style-type: none"> ➤ This DLI supports the sustenance of <i>reduction in OD (DLI#1)</i> and further signals the importance of sustaining collective behavior change (that is at the village level) in order to realize the public health benefits as a result. ➤ MDWS defines ODF as the termination of fecal-oral transmission, defined by (a) no visible feces found in the village/environment; (b) every household as well as public/community institutions using safe technology option for disposal of feces. (Tip: Safe technology option means no contamination of surface soil, ground water or surface water; excreta inaccessible to flies or animals; no handling of fresh excreta; and freedom from odor or unsightly condition.) ➤ A village will therefore be verified as ODF if it meets the following: (i) Usage of toilets sustained by all households; (ii) All household and institutional toilets maintained to remain safe and functional; and (iii) reduction in OD sustained and no visible signs of feces in village environment. A village sustains ODF status as measured year on year. ➤ <i>Functional</i> means the facility is being used as a toilet, is not broken or choked. This will be applicable for household and institutional toilets.
Increase in rural population with SLWM	<p>This indicator refers to percentage of rural population with improved SLWM. This indicator will be assessed at the village level and the proportion of population with SLWM estimated, through the national survey, using a simple set of indicators that will be based on:</p> <ul style="list-style-type: none"> ➤ A village is considered to have SLWM if: <ul style="list-style-type: none"> ● Sample Households in the village practice safe disposal of solid waste

³¹ A robust method of sampling and statistical analysis for the DLIs shall be agreed between the Bank and the MDWS (In consultation with the chief statisticians office, Ministry of Statistics and Program Implementation (MOSPI))

Definition	Detailed Description
	<ul style="list-style-type: none"> ● Village level observations (public places and drains) show minimal littering of solid wastes. ● Village level observations (public places and drains) show a minimal water-logging and flooding. <p>➤ Based on the above indicators, a minimum cut-off level will be determined for SLWM after conduct of the first national survey</p>
Program Management	<p>a) To strengthen the program management team in the MDWS (comprising specialists in selected areas including planning, capacity building and training, behavior change, communications, monitoring and evaluation, environment and social, and other specialist as may be needed from time to time).</p> <p>b) Knowledge management, documentation and communications activities.</p>
Monitoring and Evaluation (M&E) system	<p>➤ An M&E unit is strengthened within the MDWS</p> <p>➤ A M&E system is one that is able to capture and analyze an agreed set of indicators which could include the following:</p> <ul style="list-style-type: none"> ● Household toilet access and use (disaggregated by poverty level, gender, vulnerable groups) ● Toilet access and use in institutions and public places centers ● Achievement and sustainability of ODF status at village level <p>➤ Effectiveness of IEC and behavior change interventions</p> <p>➤ Fund flow for rural sanitation activities</p> <p>➤ Responsiveness to citizens' feedback and complaints/grievances.</p> <p>➤ Collate and prepare an Annual progress report on the status, achievements and challenges of SBM-G.</p>
Poor and vulnerable households	<p>Poor and vulnerable households means:</p> <p>➤ Below Poverty Level (BPL) households as defined by GoI;</p> <p>➤ Above Poverty Level (APL) households , restricted to the following categories as defined by GoI: (i) Scheduled Caste; (ii) Scheduled Tribe; (iii) Landless; (iv) Small and Marginal famers,; (v) Landless laborers with homestead; (vi) Physically handicapped; and (vii) Women headed households</p>
Behavior change communication implemented	<p>Behavior Change Communications (BCC) implemented means:</p> <p>➤ National level BCC strategy operationalized</p> <p>➤ Dedicated BCC personnel in place</p> <p>➤ BCC materials produced and disseminated</p> <p>➤ National workshop and trainings on BCC conducted (on a continuous basis)</p> <p>➤ Monitoring and evaluation of BCC interventions through surveys to track shifts in people's beliefs and attitudes towards open defecation, intentions to use toilets, and actual toilet use</p>

Table A2-1: Results Framework

Results Indicators	Core	DLI	Unit of Measure	Base-line	Target Values (cumulative)					Frequency	Data Source/ Method	Responsibility for Data Collection
					Y1	Y2	Y3	Y4	Y5			
Program Development Objective: <i>To reduce open defecation in rural areas, and strengthen MDWS capacity to manage the national SBM-G program.</i>												
PDO Indicator 1: Reduction in prevalence of open defecation		X	Number of Persons	NA	Baseline established (Estimated 598 m persons practicing OD)	At least 24 m persons stop practicing OD	At least 47 m persons stop practicing OD	At least 71 m persons stop practicing OD	At least 95 m persons stop practicing OD	Annual	National Annual Rural Sanitation Survey	IVA engaged by MDWS
PDO Indicator 2: National Annual Rural Sanitation Survey conducted and results published				NA	Yes	Yes	Yes	Yes	Yes	Annual	IVA Report	MDWS
Intermediate Results Area 1: Increased access to safe and functional sanitation facilities												
Intermediate Results Indicator 1: Increase in the rural population having access to safe and functional sanitation facilities (beneficiaries)	X		Percent	30.5% ³²	At least 35%	At least 40%	At least 45%	At least 52%	At least 60%	Annual	SBM-G IMIS; NARSS	MDWS

³² The SBM-G baseline 2012 figures are provisional.

Results Indicators	Core	DLI	Unit of Measure	Base-line	Target Values (cumulative)					Frequency	Data Source/ Method	Responsibility for Data Collection
					Y1	Y2	Y3	Y4	Y5			
Intermediate Results Indicator 2: Percentage of female beneficiaries ³³	X		Percent	41.6% ³⁴	Targets to be established after baseline					Annual	SBM-G IMIS; estimated using sex ratios from Census 2011	MDWS
Intermediate Results Indicator 3: Increase in the percentage of poor and vulnerable (PAV) rural population having access to safe and functional sanitation			% of PAV population	27.9% ³⁵	Targets to be established after baseline					Annual	SBM-G IMIS	MDWS
Intermediate Results Area 2: Sustaining community-wide ODF status												
Intermediate Results Indicator 4: Sustaining ODF status in villages		X	No. of villages	NA	Baseline established	At least 3,300 villages	At least 10,000 villages	At least 23,000 villages	At least 48,000 villages	Annual	State-level ODF list; Sample verification by NARSS	State SB Mission; MDWS

³³ Targets for the female beneficiaries and PAV are to be established after the first round of NARSS.

³⁴ Estimated using SBM-G baseline data of households with toilets and Census 2011 State level data on average number of female members in a rural household

³⁵ PAV households with toilets in SBM-G baseline. The SBM-G baseline 2012 figures are provisional. While functional toilets are enumerated in the baseline, the criteria of safe toilets are not ascertained.

Results Indicators	Core	DLI	Unit of Measure	Base-line	Target Values (cumulative)					Frequency	Data Source/ Method	Responsibility for Data Collection
					Y1	Y2	Y3	Y4	Y5			
						(Estimated 4 m persons residing in ODF villages)	(Estimated 14 m persons residing in ODF villages)	(Estimated 32 million persons residing in ODF villages)	(Estimated 66 m persons residing in ODF villages)			
Intermediate Results Area 3: Increase in population with Solid and Liquid Waste Management Services												
Intermediate Results Indicator 5: Rural population with SLWM		X	Number of Persons	NA	Baseline established (Estimated 29 m persons with SLWM)	At least 30 m persons	At least 44 m persons	At least 76 m persons	At least 116 m persons	Annual	NARSS	State SB Mission, MDWS
Intermediate Results Indicator 6: Number of villages with SLWM			Number	0	Baseline established	At least 22,000 villages	At least 32,000 villages	At least 55,000 villages	At least 84,000 villages	Annual	SBM-G IMIS; NARSS	MDWS
Intermediate Results Area 4: Strengthened capacity of MDWS in program management, advocacy, monitoring and evaluation												
Intermediate Results Indicator 7: Program management unit strengthened and functional			Y/N	Exists; Needs to be strengthened	Y	Y	Y	Y	Y	Annual	MDWS Annual progress report	MDWS
Intermediate Results Indicator 8: Monitoring and Evaluation Unit strengthened			Y/N	Exists; Need to be strengthened	Y	Y	Y	Y	Y	Annual	MDWS Annual reports	MDWS

Results Indicators	Core	DLI	Unit of Measure	Base-line	Target Values (cumulative)					Frequency	Data Source/ Method	Responsibility for Data Collection
					Y1	Y2	Y3	Y4	Y5			
Intermediate Results Indicator 9: IMIS improved and operational ³⁶			Y/N	Current IMIS being upgraded	IMIS upgraded and operational	IMIS operational	IMIS operational	IMIS operational	IMIS operational	Annual	SBM-G IMIS reports	MDWS
Intermediate Results Indicator 10: BCC campaign implemented at national level			Y/N	Campaign being revised	Revised campaign implemented	Campaign continued	Campaign continued	Campaign continued	Campaign continued	Annual	MDWS Annual progress report	MDWS
Intermediate Results Indicator 11: Report on grievances received and addressed			Y/N	Existing online system	Y	Y	Y	Y	Y	Annual	MDWS Annual progress report	MDWS
Intermediate Results Indicator 12: Report on annual program performance			Y/N	Annual physical and financial progress report, and outcome budget	Y	Y	Y	Y	Y	Annual	MDWS Annual progress report	MDWS

³⁶ Progress data available online for public access

Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

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Table A3-1: Disbursement-Linked Indicators, Disbursement-Linked Results and Allocated Amounts

Description	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement				
				Year or Period 1	Year or Period 2	Year or Period 3	Year or Period 4	Year or Period 5
DLI#1: Reduction in the prevalence of open defecation			NA	NA	Reduction in rural population practicing open defecation ^{#1} in any Participating State	Reduction in rural population practicing open defecation ^{#1} in any Participating State	Reduction in rural population practicing open defecation ^{#1} in any Participating State	Reduction in rural population practicing open defecation ^{#1} in any Participating State
					WBG release to MDWS: US\$6 per person in a Participating State with an annual positive reduction of 0-3%; and/or US\$9 per person in a Participating State with an annual reduction of more than 3% (Estimated 24 m persons)	WBG release to MDWS: US\$6 per person in a Participating State with an annual positive reduction of 0-3%; and/or US\$9 per person in a Participating State with an annual reduction of more than 3% (Estimated 47 m persons)	WBG release to MDWS: US\$6 per person in a Participating State with an annual positive reduction of 0-3%; and/or US\$9 per person in a Participating State with an annual reduction of more than 3% (Estimated 71 m persons)	WBG release to MDWS: US\$6 per person in a Participating State with an annual positive reduction of 0-3%; and/or US\$9 per person in a Participating State with an annual reduction of more than 3% (Estimated 95 m persons)
Allocated Amounts (Indicative – disbursements as per	US\$730.12m	49.50%		US\$0.00	US\$182.53 m	US\$182.53 m	US\$182.52 m	US\$182.53 m

Description	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement				
				Year or Period 1	Year or Period 2	Year or Period 3	Year or Period 4	Year or Period 5
actual performance)								
DLI#2: Sustaining ODF status in villages			NA	NA	Rural population of ODF villages ^{#1} showing sustained ODF status in any Participating State	Rural population of ODF villages ^{#1} showing sustained ODF status in any Participating State	Rural population of ODF villages ^{#1} showing sustained ODF status in any Participating State	Rural population of ODF villages ^{#1} showing sustained ODF status in any Participating State
				NA	WBG release to MDWS: US\$4 per person in ODF villages (Estimated 4 million persons)	WBG release to MDWS: US\$4 per person in ODF villages (Estimated 14 million persons)	WBG release to MDWS: US\$4 per person in ODF villages (Estimated 32 million persons)	WBG release to MDWS: US\$4 per person in ODF villages (Estimated 66 million persons)
Allocated Amounts (Indicative – disbursements as per actual performance)	US\$464.63 m	31.50%		US\$0.0	US\$32.04 m	US\$64.09 m	US\$128.17 m	US\$240.32 m
DLI#3: Increase in rural population with SLWM			NA	NA	Rural population with SLWM ^{#1} in any Participating State	Rural population with SLWM ^{#1} in any Participating State	Rural population with SLWM ^{#1} in any Participating State	Rural population with SLWM ^{#1} in any Participating State
					WBG release to MDWS: US\$0.50 per person with SLWM (Estimated 30 million)	WBG release to MDWS: US\$0.50 per person with SLWM (Estimated 44 million)	WBG release to MDWS: US\$0.50 per person with SLWM (Estimated 76 million)	WBG release to MDWS: US\$0.50 per person with SLWM (Estimated 116 million)

Description	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement				
				Year or Period 1	Year or Period 2	Year or Period 3	Year or Period 4	Year or Period 5
					persons)	persons)	persons)	persons)
Allocated Amounts (Indicative – disbursements as per actual performance)	US\$132.75 m	9%		US\$0.0	US\$15.21 m	US\$21.92 m	US\$37.75 m	US\$57.86 m
DLI#4: Operationalization of Performance Incentive Grant Scheme by MDWS			NA	1) Issuance of SBM-G Performance Incentive Grant Scheme Guidelines by MDWS 2) NARSS protocol to measure DLI established, and communicated to states. 3) NARSS conducted and results disclosed	NA	NA	NA	NA
				On completion of above 3 actions	NA	NA	NA	NA
Allocated Amounts (Indicative – disbursements as per actual performance)	US\$147.5 m	10%		US\$147.5 m	US\$0.0	US\$0.0	US\$0.0	US\$0.0
Total Financing Allocated (Indicative – disbursements as per actual performance)	US\$1475 m	100%		US\$147.50 m	US\$229.79 m	US\$268.54 m	US\$348.45 m	US\$480.72 m
#1 - As reported by National Annual Rural Sanitation Survey (NARSS)								

Table A3-2: DLI Verification Protocol

#	DLI	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data Source/Agency	Verification entity	Procedure
1	Reduction in the prevalence of open defecation	<i>Prevalence of open defecation</i> means the change in percentage of rural population practicing open defecation as measured by IVA survey.	Scalable	National Annual Rural Sanitation Survey	Independent Verification Agency(s) (IVA) to be engaged by MDWS	<p>National Annual Rural Sanitation Survey (IVA) will be conducted in all states. A national household sample covering each of the States and UTs, shall be the basis for reliably measuring reduction in populations practicing OD year-on-year.</p> <p>The national sample shall include households from each of the States, based on the population of the State (like that used in large scale national surveys in India). The sampling frame and survey design is based on a high confidence limit, and such that the value of changes recorded for States year on year, are not prone to statistical errors.</p>
2	Sustaining ODF status in villages	A village is eligible to be counted if it sustains its open defecation free status annually year after year, as measured by IVA survey.	Scalable	National Annual Rural Sanitation Survey	IVA to be engaged by MDWS	<p>States verify and report ODF villages on SBM-G MIS by December 31st each year.</p> <p>ODF villages declared by the State(s) are validated on the basis of the national sample survey (IVA) covering each of the States and UTs.</p> <p>The national sample survey (IVA) will be carried out in a random sample of villages in the State, sufficient to yield reliable information. In the sample villages, at least 30 or a reasonable minimum percentage of households are expected to be covered. For this DLI, the survey will canvass information at the village and household levels.</p>

#	DLI	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data Source/Agency	Verification entity	Procedure
3	Increase in rural population with SLWM	Estimated proportion of population with SLWM in each State, based on IVA survey.	Scalable	National Annual Rural Sanitation Survey	IVA to be engaged by MDWS	Percentage of population with SLWM estimated annually on the basis of the national household sample survey (IVA) covering each of the States and UTs. The sampling frame and survey design will follow the same procedure as described for DLI #1 above.
4	Operationalization of Performance Incentive Grant Scheme by MDWS	The MDWS issues guidelines for the Performance Incentive Grant Scheme, establishes the protocol for verification of the DLI#2, 3 and 4; conducts the National Rural Sanitation Survey and discloses results.	No	MDWS Guidelines and National Rural Sanitation Survey	By MDWS	Verification of the Performance Incentive Grant Scheme Guidelines; verification of protocol established for verification of DLI# 2,3 and 4 as part of the above guidelines of separate document issued to States; verification of National Rural Sanitation Survey results disclosed.

Table A3-3: Bank Disbursement Table

DLI	Bank Financing to the DLI	Of Which Financing Available for		Timeline for announcement of DLI Achievements	Minimum DLI to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank Disbursement Purposes	Determination of Financing Amount to be Disbursement against achieved and verified DLI Value(s)
		Prior Results	Advances				
DLI #1: Reduction in Prevalence of OD	US\$730.12	0.00	0.00	June 30 each year from 2016/17 till 2019/20	Scalable for Y2 to Y5 Trigger : Reduction in population practicing OD in states compared to previous year	NA (based on year on year actual performance from Y2-Y5)	Y2: US\$182.53 m Y3: US\$182.53 m Y4: US\$182.52 m Y5: US\$182.53 m (Financing amounts are indicative; disbursement will be on actual performance)
DLI #2: Sustaining ODF status in Villages	US\$ 464.63	0.00	0.00	June 30, each year from 2016/17 till 2019/20	Scalable for Y2 to Y5 Trigger : Population residing in ODF villages in state(s)	NA (based on year on year actual performance from Y2-Y5)	Y2: US\$32.04 m Y3: US\$64.09 m Y4: US\$128.17 m Y5: US\$240.32 m (Financing amounts are indicative; disbursement will be on actual performance)
DLI #3: Increase in rural population with SLWM	US\$ 132.75 m	0.00	0.00	June 30, each year from 2016/17 till 2019/20	Scalable for Y2 to Y5; Trigger: population with SLWM in state(s)	NA (based on year on year actual performance from Y2-Y5)	Y2: US\$15.21 m Y3: US\$21.92 m Y4: US\$37.75 m Y5: US\$57.86 m (Financing amounts are indicative; disbursement will be on actual performance)

DLI	Bank Financing to the DLI	Of Which Financing Available for		Timeline for announcement of DLI Achievements	Minimum DLI to be achieved to trigger disbursements of Bank Financing	Maximum DLI value(s) expected to be achieved for Bank Disbursement Purposes	Determination of Financing Amount to be Disbursement against achieved and verified DLI Value(s)
		Prior Results	Advances				
DLI#4: Operationalization of Performance Incentive Grant Scheme by MDWS	US\$ 147.50	US\$147.50 m	0.00	June 30, 2016	Based on three actions in Y1; - Issuance of SBM-G Performance Incentive Grant Scheme Guidelines by MDWS, Communication of verification protocol to States, and disclosure of IVA Results	Completion of 3 actions	Y1: US\$147.50 m (Disbursement is based on completion of 3 actions)

Annex 4: Technical Assessment

INDIA: Swachh Bharat Mission Support Operation

Program Description

The National Context

1. India's Twelfth Five-Year Plan (2012–17) calls for major investments in infrastructure, including water and sanitation, as a pathway to increased growth and reduced poverty. The lack of adequate water supply and sanitation facilities affects the health and economic well-being of millions of Indians, especially those living in rural areas. The World Health Organization (WHO) estimates that one in every ten deaths in India is linked to poor sanitation and hygiene. The total economic impact of inadequate sanitation in India is estimated at US\$53.8 billion per year, the equivalent of 6.4 percent of India's gross domestic product (GDP) in 2006 (World Bank Water and Sanitation Program, 2011), or an annual loss of US\$48 per person. Moreover, the impact of open defecation has been sharply gender specific, affecting in particular the dignity and safety of women and girls.

2. **A technical assessment of the rural sanitation program was conducted in early 2015, and the findings reflect the status prior to initiation of implementation of SBM-G.**

Table A4-1: Population and data on open defecation (OD) in Low Income States and Other States

State Category	Population (no. of households)	Rural population (no. of households)	Percentage of population that is rural	No. of rural households practicing open defecation	Percentage of rural people practicing open defecation
Low Income States	91,481,951	78,485,967	86	66,287,511	84
Other States	156,659,229	102,798,896	66	58,119,208	57
NATIONAL	245,657,410	183,768,633	69	124,406,719	61

Source: Census 2011.

Note: WB CPS 2013 - 2017 identifies the following low income states: Bihar, Jharkhand, Chhattisgarh, Madhya Pradesh, Odisha, Rajasthan, and Uttar Pradesh.

National Sanitation Program

3. Building on previous government programs, such as the 1986 Central Rural Sanitation Programme (CRSP), the 1999 Total Sanitation Campaign (TSC), and the 2012 Nirmal Bharat Abhiyan (NBA, Total Sanitation Campaign), the SBM-G was launched by the Prime Minister of India on October 2, 2014. The TSC target was to achieve 100 percent coverage of all rural households with sanitary toilets by the end of India's Eleventh Five-Year Plan in 2012. By the time of the 2011 census, however, only 38.3 percent of rural households had toilets in their homes.

4. In 2004–5, incentives for collective change in sanitation practices at the level of Gram *Panchayats* (GPs) were introduced in the form of the *Nirmal Gram Puraskar* (NGP, clean village award) for the achievement of open defecation free communities. While the NGP award was a driver of change, and the pace of individual household latrine (IHHL) construction picked up, the change process did not prove sustainable, and GPs slipped back from ODF status owing to the NGP signaling verification and reward as a one-off process, with insufficient incentives for sustaining the effort.

5. The main objectives of the SBM-G program, therefore, emphasize behavioral change and sustainability. The Guidelines for the Swachh Bharat Mission outlines the objectives as follows (MDWS, 2014):

- bring about an improvement in the general quality of life in the rural areas, by promoting cleanliness, hygiene and the elimination of open defecation;
- accelerate sanitation coverage in rural areas to achieve the vision of Swachh Bharat by 02 October 2019;
- motivate communities and *Panchayati Raj* Institutions (PRIs – local governments) to adopt sustainable sanitation practices and facilities through awareness creation and health education;
- encourage cost effective and appropriate technologies for ecologically safe and sustainable sanitation; and
- develop, wherever required, community managed sanitation systems focusing on scientific solid and liquid waste management systems for overall cleanliness in the rural areas.

Proposed World Bank SBM Support Operation

6. The Bank is supporting the SBM-G program with a financial envelope of US\$1.5 billion over five years. The development objective for the Operation (hereinafter referred to as the “Program Development Objective or “PDO”) is stated as follows: to reduce open defecation in rural areas, and strengthen MDWS capacity to manage the national SBM-G program.

7. Key results areas: The Operation will concentrate on four key result areas that contribute to the achievement of the PDO:

- (a) Result Area 1: Increased access and use of safe and functional sanitation facilities;
- (b) Result Area 2: Sustaining community-wide ODF status;
- (c) Result Area 3: Increased population with Solid and Liquid Waste Management (SLWM); and
- (d) Result Area 4: Strengthened capacity in program management, advocacy, monitoring and evaluation by MDWS.

Strategic Relevance

8. Achieving universal sanitation coverage, improving cleanliness, and eliminating open defecation is a government priority, with strong political commitment at the highest levels. All citizens will benefit from improved sanitation but the poorest and vulnerable are likely to benefit the most in terms of improved health outcomes.

9. Providing access to toilets is only a partial response to the sanitation challenge facing rural India, where sustained usage by all members of the household has been a key barrier. The access itself is constrained by weak supply chains, inadequate options for difficult areas (for example, with high groundwater table) and affordability for the poor and vulnerable. The SBM-G program is designed to shift attention toward changing behavior and creating a lasting demand for toilet use among the rural population as the strategy to eliminate open defecation while ensuring timely and adequate physical implementation. The inclusion of an annual sanitation outcome survey in the SBM-G policy framework to measure actual use of latrine signals a confirmation of this transformative shift. The program is thus strategically relevant for improving the effectiveness of public financing for rural sanitation. Fiscal transfers to incentivize the aforementioned shift towards lasting behavior change at the individual household and community level would further consolidate and accelerate the operationalization thereof at the state level. The Incentive Grant window in the SBM guidelines, on activation could potentially motivate well-performing states on the basis of appropriately-designed DLIs.

10. The program is fully aligned as well with the WBG’s current Country Partnership Strategy (CPS) for India (2013–17) and the global twin goals to end extreme poverty and promote shared prosperity. The CPS outlines WBG support to India under the three pillars of integration, transformation, and inclusion, with a cross-cutting focus on improving governance, environmental sustainability, and gender equality. In addition, the CPS is based on the GoI’s “Finance-Plus” approach, whereby the value added by the WBG goes beyond financing and contributes to the transfer of knowledge and international best practices, the reform of processes and systems, the strengthening of institutional capacity, and the exploration of innovative financing mechanisms.

11. While India has made significant progress in reducing poverty, it remains home to one-third of the global poor. According to WBG estimates (2012), approximately 288 million Indians still live in poverty. As shown in Table A4-2, rural sanitation coverage is lowest among the poorest households. This is supported by Figure A4-1, which shows that there is a negative correlation between poverty and access to improved sanitation in rural areas across states.

Table A4-2: Rural Sanitation Coverage per Wealth Quintile

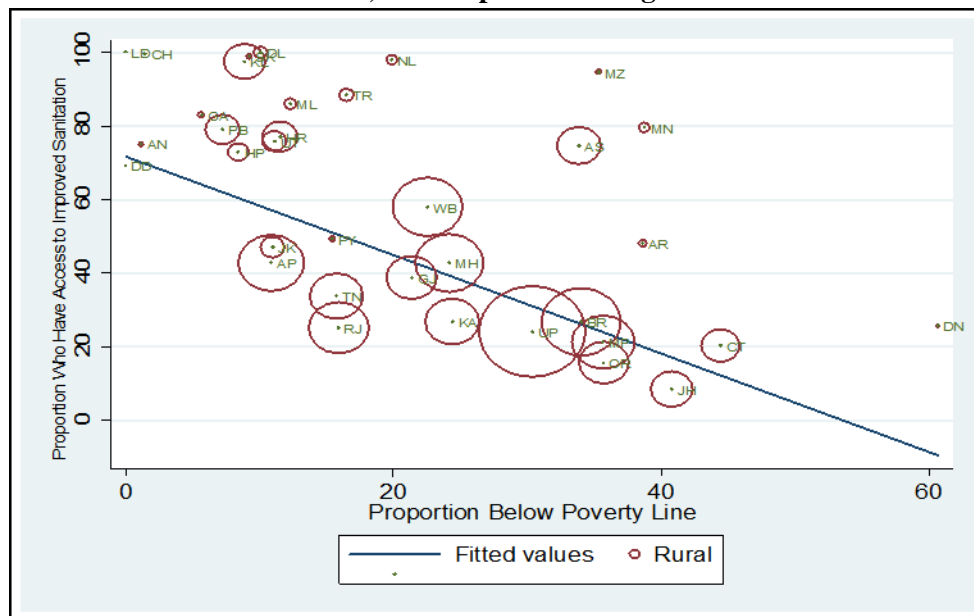
	Poorest	2nd quintile	3rd quintile	4th quintile	Richest
Improved latrines	15%	25%	34%	48%	70%
Unimproved latrines	4%	6%	8%	10%	10%
Open defecation	82%	69%	58%	42%	20%

Source: National Sample Survey Office (NSSO) on “Drinking Water, Sanitation, Hygiene and Housing Conditions”, 69th round survey, 2012.

12. In summary, the SBM-G Operation is strategically relevant to India’s economic development given the well-established health and economic benefits accruing from improved sanitation. Achieving universal sanitation coverage, improving cleanliness and eliminating open defecation, enjoy strong political support and commitment at the highest levels. The SBM-G program has a critical focus on the issues of gender and social inclusion by targeting the poor and marginalized communities for sanitation improvements and integrating gender-based

planning, monitoring, and reporting into the program. The Operation through its support for the SBM-G program is thus in alignment with the WBG’s current Country Partnership Strategy (CPS) for India (2013–17) and the twin goals to end extreme poverty and promote shared prosperity.

Figure A4-1: Negative Correlation between Poverty and Access to Improved Sanitation (rural) – by State, with Population Weights



- (a) strong political commitment,
- (b) behavior change communication necessarily supported by well-aligned institutional frameworks and action plans;
- (c) involvement of communities in the program;
- (d) building capacities (assessed as limited currently) of actors in the supply chain (needs to be strengthened to supply affordable and appropriate toilets;
- (e) targeted approaches to reach the population in the two bottom-most wealth quintiles; and
- (f) robust verification system as a prerequisite for an effective incentive program to motivate local governments.

15. The SBM-G strategy calls for implementation through a four-tiered structure, with missions, executive committees, and resource groups at the state, district, sub-district (block), and GP levels. Funds generally flow from the Ministry of Drinking Water and Sanitation (MDWS) to the state, then to the district, and then, with some variation, to the GP. The overall regulations, monitoring frameworks, and capacity-building inputs are developed at the state level, and planning at the district. The district and GP are charged with execution, but they can also have considerable scope to refine planning and control strategic inputs. At these levels, groups whose input is key to the success of the program are the district sanitation executive committee (under various names, with the district collector having a significant role) and the *panchayat*. Major responsibility for implementation is usually given to the *panchayats*. Non-governmental groups are involved to varying extents in the states, ranging from international support organizations to local non-governmental organizations (NGOs) and community-based organizations, such as self-help groups (SHGs).

16. The suggested strategies and linkages of the SBM-G—its overall thrust—are broadly similar to those recommended by international best practices.³⁷ International experience in rural sanitation emphasizes the need for a robust supply side, providing access to hardware, intense hygiene promotion, and sanitation demand creation, and a strong enabling environment, with management roles for both local government and NGOs with recognized local champions. All these components appear in the SBM-G.

17. In the SBM-G, the key components of the local program cycle are generally: (a) demand creation and continuing promotion; (b) preparation for implementation; (c) physical implementation; and (d) follow-up for sustainability. However, the sanitation program as implemented in the districts of the low-coverage states (in the technical assessment) indicate that it is in general implemented as a set of independent components rather than as an integrated program. Alignment mechanisms need strengthening to ensure these components are linked in the intended sequence, and emphasize the need for behavior change to precede actual

³⁷ See, for example, *Sanitation and Hygiene Promotion: Programming Guidance*. Geneva, WSSCC, 2005; Perez, Eduardo. *What Does It Take to Scale Up Rural Sanitation*. Working Paper, World Bank Water and Sanitation Program, Washington DC, 2012; and Smet, Jo. *Best Practices in Rural Sanitation & Hygiene*. Durban, IRC 2007.

construction of latrines. It is also to be noted that the expenditure efficiency on IEC or BCC has been significantly low (see Table A4-3, below). Such alignment and sequencing would also require incentives focused on reduction of open defecation and sustained ODF communities rather than on the construction of latrines.

Table A4-3: Proportion of Approved Government Budget Spent for NBA Components

Solid and liquid waste management (SLWM)	Information education, and communication (IEC)	Individual household latrines (IHHL)	School toilets
22.84	51.48	100	88.38

Source: <http://sbm.gov.in/TSC/Report/Financial>.

18. Triggering for collective behavior change and focus on community processes are recognized within the SBM-G framework as essential for demand creation and hygiene promotion. However as technical assessments in low-coverage states found, the execution of these activities is compromised by a lack of manpower and skills. To provide support to states, a national BCC strategy should be prepared, implemented and incorporated into annual action plans. Successful large-scale sanitation programs in Thailand and Bangladesh spent a far greater proportion of their total funding on aspects of “soft” program components, predominantly manpower and capacity.³⁸

19. For the construction of latrines, a robust supply chain is needed for sanitary products and enhancing construction capacity of local communities, private sector and rural sanitary marts (RSMs) to meet the very high targets for construction of household toilets over the next four years. The technical assessment found a wide variety and state specific individuals and groups leading construction activities, including individual households, *Gram Panchayat* functionaries, NGOs, contractors in some places, SHGs, work groups with the Mahatma Gandhi Rural Employment Guarantee Scheme (MGNREGS), and private masons. Furthermore, the flow of funds during previous sanitation programs has been less than optimal. On one hand, in some cases funds are not released on time to the district or GP level, or to the household (as reimbursement) – thus slowing down or preventing altogether the construction of new latrines. On the other hand, the incentives have pushed up market prices and, because of the poor capacities and awareness of beneficiaries, suppliers or masons often get paid for construction works that do not meet quality standards.

20. A particular concern found by the technical assessments was faulty construction, particularly below the plinth level. This affects sustainability and contributes to the high proportions of defunct and nonoperational toilets (see Table A4-4). The current SBM-G guidelines do not provide incentives for defunct toilets. However, these are being addressed through other sources of funding (Swachh Bharat Kosh, Corporate Social Responsibility, or

³⁸ In Thailand’s successful national rural sanitation program, between 22 and 51 percent of the total budget was spent annually on the “softer” program components from 1987 to 1996; this included the staffing component, to which went 18 to 35 percent of the total expenditure. (Trémolet and Binder 2013). The large-scale BRAC WASH program in Bangladesh spent 48 percent of its total budget on soft components from 2006 to 2011, including 0.8 percent on monitoring and evaluation (data from the project).

through self-motivation, etc.). The current policy framework of SBM-G ensures sustainability through several measures, including linking sanitation with other development schemes.

21. To achieve universal sanitation coverage, however, the program must develop strategies to address slippage—that is, people returning to open defecation after having used the toilets constructed for a period of time. For instance, GPs that received the NGP award were not revisited and only received a one-time award which is believed to have not incentivized sustenance of the ODF status.

Table A4-4: Household Toilet Coverage and Functionality

	Low-income states	Highest OD states	India
Households with toilets	25,280,429	47,497,455	70,539,389
Functional toilets	16,198,759	36,856,692	56,049,917
Defunct toilets	9,081,028	10,640,048	14,488,755
	Low-income states	Highest OD states	India
% age of toilets functional	58%	78%	79%
Households without toilets	67,195,018	93,185,155	111,201,575

Source: MDWS Baseline 2012.

Note: The low-income states included in the table are Bihar, Chhattisgarh, Madhya Pradesh, Odisha, Rajasthan, Jharkhand, and Uttar Pradesh.

22. A rather under-developed feature of the national sanitation effort is solid and liquid waste management (SLWM), which may focus only on simple household activities or be developed on a community scale. While there are some islands of success in SLWM, this component has received relatively little emphasis. Arguably, this may change in response to the emphasis on clean communities. Another waste challenge relates to the emptying of latrine pits and disposal of fecal sludge. However, the uptake of SLWM activities thus far has been limited, as the technical capacity in this field needs further strengthening and the allocated funding is considered to be insufficient to meet the actual implementation costs. This is being addressed in SBM-G. Technical support, monitoring and adequate incentives are deemed crucial to accelerate implementation of SLWM-related implementation.

23. Thus, the SBM-G Operation is assessed as technically sound. However, the timeframe provided for the Operation (by October 2, 2019) does pose challenges. The MDWS is thinly staffed and currently would be challenged to provide the support to states in delivering on the ambitious goal of SBM. Assessments have revealed limitations in the capacity of SBM-G implementing agencies, which in turn constrains achievements at the GP level – in terms of universal sanitation coverage, sanitation behavior change, and elimination of open defecation. The technical part of the program needs to be supplemented with adequate inputs in the area of M&E, planning, procurement and financial management, and by instituting an incentive mechanism that is triggered by performance. Alignment mechanisms need strengthening to ensure that program components are linked in the intended sequence. This requires incentives focused on the reduction of open defecation and sustained ODF communities rather than on the construction of latrines.

Institutional Arrangements

National-level Institutional Arrangements

24. The Swachh Bharat Mission is set up at the Ministry of Drinking Water and Sanitation (MDWS), whose Secretary is the Mission Director of the SBM-G. The Secretary is assisted by the Joint Secretary and the Director/Deputy Secretary. The administrative structure is being strengthened and 23 additional positions have been approved including an Additional Secretary/Joint Secretary, two Directors/ Deputy Secretary and support staff. In addition, there is a National Resource Center (NRC) that provides sector specialists.

25. Other governmental organizations are involved with rural sanitation. Central funds can be used for toilet construction under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) program; and programs of the Ministry of Education and the Ministry of Women and Child Development, Integrated Child Development Services (ICDS) *anganwadi* (child care) program.

26. While the SBM-G aims to fund construction and use of 68.4 million household toilets, the Ministry of Rural Development is mandated to implement 20 million household toilets using MGNREGS funds;³⁹ thus, one in three new household latrines may fall under the purview of MGNREGS, using a different approach to implementation..

27. Under the TSC/NBA, the provision of sanitary facilities in schools and *anganwadis* was, also the responsibility of the MDWS. This program component has now been devolved as follows:

- Sanitation facilities in schools will be the responsibility of the Ministry of Human Resource Development (MHRD) through the Department of School Education and Literacy.
- Sanitation facilities in *anganwadis* will be the responsibility of the Ministry of Women and Child Development through the Integrated Child Development Services⁴⁰, which has 1,342,000 *anganwadi* centers.

28. In 2010, the National Drinking Water and Sanitation Council was constituted as an advisory body (MDWS 2010) to facilitate inter-sectoral convergence and coordination among the ministries and departments, as well as to get inputs from experts in the Water, Sanitation, and Hygiene (WASH) sector. Its members are the secretaries of thirteen departments of the GoI, including Rural Development, five secretaries from state governments, and ten national experts. This council has not convened recently. An inter-ministerial committee comprising Secretaries of MDWS, Ministry of Urban Development, Ministry of Human Resources Development, Ministry of Women and Child Development, and Ministry of Information and Broadcasting, has been constituted recently for inter-ministerial coordination.

³⁹ Ministry of Drinking Water and Sanitation communication. Subject: *Action Plan for Swachh Bharat Mission under MGNREGA - regarding*. Jan 19, 2015.

http://nrega.nic.in/netnrega/writereaddata/Circulars/924action_plan_toilets_under_mgnrega_swachh_bharat_mission_jan2015.pdf

⁴⁰ ICDS. Government of India, Ministry of Women and Child Development, Integrated Child Development Services (ICDS), 2015.

29. The assessments undertaken by the Operation identified certain areas of improvement which could provide for better management, transparency and fairness in program management. Streamlining procurement processes in line with state financial and procurement rules, systems for providing grievance redress and social inclusion, and improvement in the accounting, audit and reporting procedures could lead to a more efficient management of the program and the achievement of results. Sanitation being a State subject constitutionally, most of these will need to be enabled at the state level, and aligned with the administrative rules.

State-level Institutional Arrangements

30. While the MDWS is the national nodal agency for SBM-G, in the states the nodal institutions are either the Department of *Panchayati Raj* and Rural Development (PRRD) or the Department of Public Health and Engineering. Most states have established a State Water and Sanitation Mission (SWSM), Communication and Capacity Development Units (CCDUs), and District Water and Sanitation Missions (DWSMs). Policy guidelines are developed at the state level, while detailed planning and monitoring take place at the district and block levels. Within this structure, the district and *Gram Panchayat* have the key role in implementing sanitation on an intensive, area-wide basis for total coverage.

31. In-depth assessments conducted in five illustrative states⁴¹ show a sample of what can be found at the State level. Despite significant efforts and some successes in changing the approach to a community-led and people-centered approach, in the five states where sanitation was assessed, is often being implemented as a supply-driven construction program at some places. Most of the five states assessed require improved guidelines for implementation, and directives and proposals for improving the process right up to the sub-district and *panchayat* levels. While in some districts, district collectors have led impressive campaigns that involve all aspects of government, in most locations the district- and block-level staff lack a sense of clarity about their missions and carry them out without much guidance. A continued and well-articulated focus on the reduction of the prevalence of open defecation and sustained ODF communities that is supported by fiscal transfers and large-scale capacity building efforts is essential to scale up and accelerate the successes in some of the districts.

32. In terms of manpower availability, the state-level assessments found the need to strengthen implementation capacity, for all the tiers and more so at the district and subsidiary tiers. The capacity to provide support and oversight at the community and cluster levels is limited. Most of the government staff has been charged with sanitation in addition to their other responsibilities, and workloads are high due to insufficient positions at the district level and below. For instance, in Madhya Pradesh, one coordinator may be responsible for up to seventy *gram panchayats* (accounting for roughly 224,000 inhabitants⁴²) and receives no transportation or communication allowance.

33. The large number of vacancies further exacerbates the lack of implementation capacity and an inability to absorb funds. In Odisha, the majority of the posts of Sanitation Coordinators at the block level were found to be vacant.⁴³ Moreover, high attrition rates were observed among

⁴¹ These are: Chhattisgarh, Madhya Pradesh, Odisha, Rajasthan, West Bengal.

⁴² Based on Census of India and SBM baseline.

⁴³ The information on vacancies was collected by the technical assessment teams in February 2015.

contractual staff. In part, these are the result of other programs, such as the National Rural Livelihoods Mission (NRLM) and the National Rural Health Mission (NRHM), offering remuneration 100 to 120 percent higher and longer contract periods (three to four years, compared to one year).

34. The seeming lack of capacity in the *panchayats* has long been recognized by the central government and states, and they have tried out various approaches to enhancing the support structure and strengthening implementation, with mixed results. Most recently, *Swachhata Doots* (sanitation ambassadors) have been assigned to serve as motivators. Experience has shown, and the technical assessment reports have confirmed, that long-term, dedicated work cannot be expected from largely voluntary groups (VWSCs and *Swachhata Doots*), whose coverage is patchy in most states. In some states, self-help groups (SHGs) affiliated with the NRLM have been identified as sources of support for both IEC and household construction.

35. The technical reports also found a lack of capacity in the GPs in terms of leaders and local people involved in the program. While many are expected to be involved as volunteers in planning, conducting IEC activities, supporting construction, and so on, these same people volunteer for other *panchayat* committees, such as agriculture, public works, social welfare, and health, as well. The SBM-G competes with these other areas for attention, as well for as for the limited capacity of local government.

36. Inclusion of sanitation and hygiene in the formal education curriculum is limited in India. Also, mainstream engineering and professional courses (except maybe the newer courses) have paid limited attention to household sanitation and technologies. Most professionals have picked up their skills on the job, and in many cases, staff lack adequate skill sets.

37. Behavioral change communication is an area of particular concern in terms of capacities and skills at the different tiers. While each state has a Communication and Capacity Development Unit (CCDU) mandated for training and capacity building (with three to seven contracted staff), these personnel have sometimes a limited role in sanitation, compared to water supply (both these functions being under the same nodal ministry at GoI). In the assessment states, the detailed training needs assessments have not been carried out nor have sustained (continued) capacity-building or training programs been developed.

Description and Assessment of Program Expenditure Framework

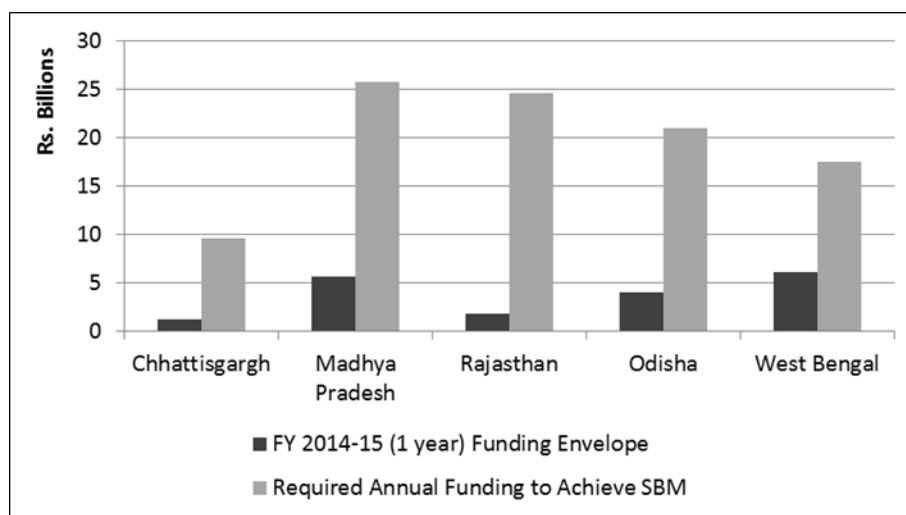
38. The expenditure framework focuses on “those government budget and expenditure management issues that may put at risk the capacity of the program to reach its expected results.”⁴⁴ It includes an assessment of the level, efficiency, transparency, and effectiveness of the expenditures included in the SBM. Several key issues and bottlenecks identified in the previous sanitation program (i.e., NBA) have been rectified in the design of the SBM-G program and Operation.

39. The Budget allocations for the 2014-15 financial year for the MDWS comprised only 14 percent of the projected average annual budget requirement to achieve the sanitation-related

⁴⁴ OPCS (2012), Program for Results Financing: Interim Guidance Notes to Staff on Assessments. Paragraph 28, Pg. 9.

goals, which is estimated nationally at Rs 270 billion (US\$4.36 billion) from the MDWS budget and Rs 48 billion (US\$776 million) from the Ministry of Rural Development (MoRD) budget (see Figure A4-2 for the illustrative five states). The first installment of the GoI budget for FY2015–16 is Rs 26.25 billion⁴⁵ (US\$438 million). As of August 27, 2015, 34.99 percent of total available GoI funds comprising previous balances of INR 20.97 billion (US\$350 million) and new releases of INR 27.58 billion (US\$460 million) have been spent.⁴⁶

Figure A4-2: Comparison of Funding Envelope for 2014–15 with Annual Budget Requirements to Achieve SBM Goals from 2015 to 2019



Source: Data is from: http://sbm.gov.in/sbm_new/

40. Any budget shortfall would be a major cause for concern on the realism of meeting the SBM targets, especially given that the budget requirements estimated may be an underestimate as they do not consider rural population growth.⁴⁷ Figure A4-2 provides the requirement of funds in some of the states and actual availability in FY 14-15. A significant share is from the GoI (approximately 75 percent). Up to 8 percent of SBM costs can be spent on IEC activities and 2 percent on administration expenses. In FY2014-15 only 3.6 percent of the actual expenditure and 2.1 percent of the sanitation budget was on IEC (see Table A4-5).

41. The opportunity for the Operation – through the DLIs of the Program (PforR), and the support provided through the Project (IPF) –to incentivize the demand for and sustained use of sanitation services (progressively reinforcing), would lead to more effective activities focused on behavior change to achieve the results. This will lead to strengthening the IEC and behavior change activities, and should also lead to less spending on ineffective behavior change activities.

⁴⁵ An additional budget of INR50 billion (US\$0.8 billion) is expected to be released to the Ministry from the supplementary budget.

⁴⁶ Source: '[Format B2 (b)] State wise Center Share Expenditure for Finance year 2015-2016' downloaded from the Ministry of Drinking Water and Sanitation website at 4:28pm on 27th August 2015.

⁴⁷ From the 2011 census, the rural population grew by 90 million, or 12.2%, over the previous 10 years. Population growth is expected at 0.46% per annum (UN Population Division medium variant), thus adding 17 million rural population from 2015 to 2019.

42. Under the SBM-G, funds will cascade from the national level through the state to the district level, and then on to blocks and GPs. Implementation of the program will be managed mainly at the district level, from which the district implementing agency will transfer funds, including those for the distribution of incentives, to the *Gram Panchayat* or any other agency that has carried out activities.

43. Planning processes have been modified for the SBM-G, and experience with the new mechanism has so far been limited. Issues likely to arise include inadequate capacity in some states to conduct high-quality and timely planning and BCC activities, and delays resulting from the multilayered planning and approval processes. In some districts, budgets have not been reconciled because funds had been lying unutilized for more than a year; and these districts would not be eligible to receive funds under the new program budget.

Table A4-5: Funding and Budget Utilization National Level for Financial Year 2014–15

National	Total available funds	IHHL	CSC	IEC	Admin	SLWM	RSM/PC	Total	% of expenditure
National (Rs million)	518,085	280,390	1,127	11,019	4,618	3,749	270	301,174	58%
National (US\$, millions)	8,383	4,537	18.2	178	74.7	60.7	4.4	4,873	58%

Note: Expenditure on school and *anganwadi* sanitation are not indicated here.

44. In some States expenditure has not kept up with availability of funds. However, as stated in the Fiduciary Systems Assessment (FSA), financial reports do not reflect complete program expenditures. On the other hand, financial information on the SBM-G website may be incomplete since there is a gap between reconciliation of utilization certificate for the district accounts and accounting records and or annual audited financial statements. The net impact on the actual underutilization of the budget due to these factors is not known. The reasons for underutilization vary from state to state, and include:

- Effective household demand has been lacking;
- In many states, staff lack capacity to plan and implement and the coverage ratios of district coordinators to population without latrines are very low, which slows progress even when the states are willing to ramp up activities;
- In many states, the supply chain lacks capacity and is unwilling or unable to serve the isolated and marginalized districts and GPs; and
- The bottleneck in the release of available funds results in shortages at the implementation level, which leads to planned activities not going ahead.

45. Table A4-6 summarizes program efficiency based on an analysis of five indicators from five illustrative states. On average, latrines currently cost upwards of Rs 8,600 (US\$139) for single pits (Indicator 1). However, based on past performance, the overall expenditure on latrines divided by the number of latrines constructed listed on the MDWS website varies almost fourfold, from Rs 8,060 (US\$130) in Rajasthan to Rs 30,640 (US\$496) in Chhattisgarh

(Indicator 2). In the states where assessments were carried out, the average cost is Rs 17,340 (US\$281) per constructed latrine, and it is Rs 17,648 (US\$286) nationally. These differences widen when the cost per functioning latrine is considered (Indicator 3), especially in Chhattisgarh and Odisha. The cost per NGP awarded (that is, the cost for each community that become open defecation free) has increased dramatically in recent years; at the national level it is Rs 144 million (US\$2.33 million), and for low-income states Rs 448 million (US\$7.25 million), which is an increase of twenty-fold from earlier years (Indicator 4). The benefit–cost ratio of the SBM-G program with the PforR is 3.75 nationally, with variation at the state level due to differences in the unit costs of latrines and different levels of sustained latrine usage and functionality (Indicator 5). Given the earlier note about the unreliability of expenditure data (as found from the FSA), these values are only indicative and may mask inaccuracies.

Table A4-6: Summary of Efficiency Indicators for Five States

State	Indicator 1	Indicator 2	Indicator 3	Indicator 4	Indicator 5
	Current (2015) average cost of latrine(Rs) ¹	Average contribution from government per IHHL constructed (4 year average 2011-12 to 2014-15 ² (Rs))	Average contribution from government per functioning IHHL (Rs) ³	Cost per NGP awarded in 2011 and 2013 (millions of Rs) ⁴	Benefit–cost ratio (from economic evaluation) in 2015 ⁵
Chhattisgarh	9,050–12,100	30,640	74,542	7.8	2.6
Madhya Pradesh	8,600–11,700	20,940	28,340	27.3	3.9
Odisha	11,200–12,100	12,930	23,819	341.3	2.4
Rajasthan	13,200–15,500	8,060	10,676	37.5	3.5
West Bengal	10,500–13,000	14,170	16,439	151.2	4.0

Notes:

¹ Low value: single pit with water seal; high value: twin pit with water seal.

² Based on government data on expenditure and toilets constructed – expenditure includes central, state and beneficiary shares.

³ Equals indicator 2, adjusted for percentage of toilets defunct (2013–14).

⁴ Total NBA expenditure at state level for 2011 and 2013, divided by total number of NGPs declared in same two-year period.

⁵ Shows the BCRs of the SBM-G with the PforR at 75 percent level of effectiveness across all states (that is, 75 percent of toilets constructed are sustained and used for a minimum of five years).

46. Recommendations for addressing some of the budgetary issues identified above include the following:

- The budgeting and planning process should be decentralized and realistic, based not only on targets but also on capacity to implement. Furthermore, financial reporting should be strengthened to improve the accuracy of the reported numbers.
- Adequate allocations should be allowed for the essential activities and budget lines that determine the success of the program, such as carrying out IEC, filling vacant posts, and building capacity.
- Greater attention should be given to ensuring funds are made available at the implementation level, with flexibility around reallocations to faster-disbursing districts (or subsidiary tiers) and resolution of financing bottlenecks, such as partial pre-financing for the beneficiary or the supplier.

- Appropriate and efficient procedures should be established for verifying the quality of program outputs and outcomes and for paying reimbursements, incentives, and awards.

Description and Assessment of Program Results Framework and M&E

Results Framework and M&E

47. The recently launched SBM has brought changes in the approach and targeting of the Government of India's rural sanitation sector strategy. For this new approach, measurable targets have been defined, as listed in the program description section, above. According to the 2011 census, about 577 million people in rural India had no toilets within their premises, representing a net decrease of only 3.7 million over the preceding decade⁴⁸. Equity has also been an issue, as the National Sample Survey (2012) found that in rural India 82 percent of people in the poorest quintile lacked any kind of latrine, compared to only a twenty percent deficit in the wealthiest quintile.

Table A4-7: Sanitation Targets and Results Planned

	India	Lagging States	States with high ODF
HH to be made open defecation free	111,201,575	60,805,763	14,522,219
Build community sanitary complexes (CSCs)	120,439	27,521	35,508
Provide Schools with toilets	82,800	24,522	10,096
Provide toilets to all <i>anganwadis</i>	113,910	33,553	21, 828
Keep villages clean with presence of dustbin, compost pit, drains and assumed to have solid and liquid waste management (all <i>Gram Panchayats in India</i>)	250,213	98,689	41, 728

Source: <http://sbm.gov.in/BLS2012/Home.aspx> accessed May 5, 2015.

Note: For this table the low income states are the five States with highest number of GPs without toilets (Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, and Odisha). The States with high ODF column is based on the six States with greatest proportion of GPs declared NGP (Kerala, Sikkim, Maharashtra, West Bengal, Himachal Pradesh, and Haryana). Note that Goa numbers were not include for schools as the data was unavailable.

48. For the last five years, the MDWS has been using a results framework document, with two main purposes: to move the focus of the department from process orientation to result orientation, and to provide an objective and fair basis for evaluating its overall performance at the end of each year. The results framework for financial year 2014–15, however, relates only to latrines in homes (and community complexes), schools, and *anganwadis*. Targets for disposal of solid and liquid wastes had not been listed out. The overall targets for the program are listed in Table A4-7, above.

⁴⁸ Sources: Census 2011 and Census 2001.

49. Assessments found that three of the five illustrative states had formulated state-specific results frameworks. The awareness of these frameworks seemed rather low, however. Most states limit their monitoring to the requirements of the MDWS and use the open-access online MIS to upload the data. Data entry is done at the block or district level. The MIS framework focuses on physical outputs and financing, and adherence to it is strong, as the MIS data are linked to fund flow.

50. The current monitoring system does not capture sustained open defecation free status of *Gram Panchayats* or the alignment of such program components as demand creation activities taking place before construction. Under the new SBM guidelines, a more rigorous concurrent monitoring system is to be established to verify the reported ODF status of *Gram Panchayats*. States have started to report the open-defecation-free status of GPs in the SBM-G IMIS, apart from the indicators of household and other toilets. At the first level, GPs with all households having functional toilets are being reported in the IMIS. This is expected to move to self-declared ODF, then state-verified ODF and later potentially to an independently-verified ODF.

Implementation of M&E Framework

51. Effective performance monitoring in terms of inputs, outputs, and outcomes has the potential to enhance program management. For that purpose, the GoI has developed an online Management Information System (www.mdws.gov.in). The online monitoring system for NBA is supplemented by two data sources – NGP assessment and surveys of rural households. At the time of the assessment, the MIS had 109 reporting formats for different components of NBA. However, the MIS offers limited tools for data analysis or aggregation. Moreover, MIS does not track the usage of latrines.

52. In most states, the district and block coordinators as well as the GPs are primarily responsible for updating data on the MIS regarding the physical and financial progress of the program. This data is published on MDWS's website. In general, the implementation of the monitoring activities can be characterized as follows:

- Physical progress and fund utilization are reported monthly at the GP level and verified by block and district coordinators on a sample basis.
- IEC activities, human resources activities, and verification of beneficiary details are monitored at the block level.
- Data is uploaded to the MIS, and fund flows are monitored at the district level.
- The final responsibility for monitoring and the preparation of annual performance reports is with the State Water and Sanitation Mission or a comparable body at the state level.

53. These observations illustrate that monitoring is conceptualized as the upward reporting of information, and much of this is self-reporting. In addition, all the illustrative state technical assessment reports, including the national assessment, identify the need to strengthen the capacity to implement the monitoring and evaluation framework.

54. The program is currently operating on the principle that what is measured is done; therefore, a few simple outcome indicators are needed. For example, while it may be too complicated to determine universal sustained use of a toilet, checking to see if it is functional and in use may be sufficient. The MDWS has recently (July, 2015) issued the definition for what constitutes ODF, which is a step in the right direction.

55. Beyond the upward reporting of data for the MIS, the assessments all identify significant gaps in the processes for verifying activities in the project cycle, demand creation, and construction. The following measures are recommended to fill those gaps:

- Capacity building and systematic checks should be done to ensure the quality of construction is an issue demanding urgent attention. The substructure of the latrine should be checked and any problems corrected before the superstructure is built to avoid missing mistakes that will not be easily redressed at a later date.
- A system is needed within the community and block or district for receiving and rapidly responding to complaints.
- Monitoring and verification require responses to remediate problems as they arise.

56. Apart from the formal monitoring systems, actions that states undertake to check the quality of the monitoring data or carry out (independent) evaluations to inform future implementation are limited. Evaluations that have been carried out are mostly supported by development partners and not embedded in systematic efforts to monitor progress, learn, and formulate adaptive management measures. The establishment of Rapid Action and Learning Units (RALUs) shall also address this concern.

Program Economic Evaluation

57. Safe sanitation helps protect individual and community health, provides convenience, and confers dignity significantly reducing adverse impacts that are disproportionately borne by girls and women. Basic sanitation coverage is required across the whole community to realize the full public health gains. While sanitation has been shown to have significant economic rates of return to households and communities, poor households lack the cash to pay for latrines, and financial services (such as those providing micro-loans) are not operating everywhere or efficiently enough to help bridge the financing gap. These households need to be triggered to prioritize sanitation and understand its benefits.

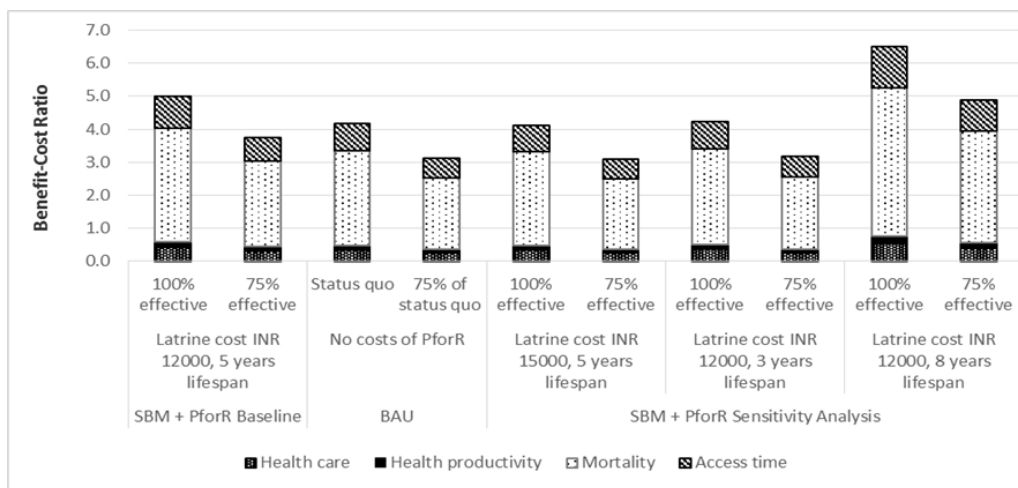
58. Hence, public funds are essential for scaling up and regulating sanitation services, especially in rural locations with low effective coverage (where both markets and consumer demand are currently weak) and where a high proportion of Scheduled Castes and Tribes and poor households reside. The SBM-G is focused on the public financing of investments covering a range of sanitation solutions (for households, and communities) and also includes activities in such areas as information, education, and communication (IEC) and interpersonal communication (IPC), which help raise demand for services and their sustained use. The existence of both public subsidies and private benefits from sanitation services provides an avenue to mobilize the private sector and also attract additional household financial resources for obtaining and sustaining services.

59. The new program—SBM-G with the PforR—was compared with business as usual. Costs included IEC, capacity building, and household toilets, as budgeted under the government program, as well as support for “soft” components and incentives to be provided by the WBG funds. Benefits valued included those related to health and health care and access time savings (that is, time saved by having access to safe household latrines).

60. Figure A4-3 presents the benefit–cost ratios (BCRs) of the envisaged bank-supported national program (SBM with the PforR), under two levels of program effectiveness (100 percent and 75 percent) and different scenarios.⁴⁹ The baseline case corresponds to a capital cost of Rs 12,000 (US\$194.2) and an average hardware lifespan of five years. The results indicate that the benefits exceed the costs of interventions under all scenarios. In the base case, the BCR varies from 3.8 at 75 percent effectiveness to 5.0 at 100 percent effectiveness. Of the variations considered, the BCR is most sensitive to an increase in length of life to eight years, which increases the ratio from 3.8 to 4.8 at 75 percent effectiveness. Meanwhile, an increase in the unit cost of a latrine to Rs 15,000 (US\$242.7) reduces the BCR from 5.0 to 4.1 at 100 percent effectiveness.

61. Figure A4-3 also presents the BCR that can be realized in the business-as-usual (BAU) scenario under two levels of effectiveness—the status quo effectiveness of toilet construction at the national level (79.5 percent) and 75 percent of the status quo effectiveness. The BCR falls by 17 percent, to 4.2 at BAU effectiveness and 3.1 at 75 percent of BAU effectiveness.

Figure A4-3: Benefit–Cost Ratios of the SBM-G with PforR Support and Business-as-Usual (without PforR Support) under Different Levels of Effectiveness, at National Level



Source: Data is from technical assessments studies carried out in 5 states – not published.

62. A large proportion of benefits—69 percent of the total—are from mortality reduction. This contribution alone is significant enough to justify intervention from the benefit–cost perspective (because the mortality benefit exceeds the costs). Based on surveys from India,

⁴⁹ Economic rates of return (ERR) could not be shown, because they are very high due to the short durations of the technologies and relatively short payback period (that is, the time period when cumulative benefits equal cumulative costs). Hence, the BCR is an appropriate measure and easy to interpret, as it shows the number of times the overall benefits exceed the overall costs over a twenty-year period.

WHO estimates that in 2012 a total of 334,000 premature deaths resulted from diarrhea related to poor water, sanitation and hygiene (WASH), of which 210,000 were children under five.⁵⁰ According to the current scientific literature, basic sanitation interventions can reduce diarrheal disease by an estimated 28 percent⁵¹.

63. The rest of the benefits are accounted for by access time savings (24 percent), health care (17 percent) and health-related productivity savings (6 percent). The benefit–cost analysis does not include the health benefits of hand washing nor does it include the benefits of improved environment, comfort, convenience, dignity, or security, especially for women and children.

64. When compared with business as usual, the SBM-G with the PforR (the latter costing an average of Rs 903 (US\$14.6) per household gaining access) is expected to increase the success of behavioral change campaigns and increase the uptake and use of latrines. As presented in Figure A4-3, this contribution may be quantified to account for a 17 percent increase in BCR over the BAU case.

Sanitation-related Behavioral Change Communications (BCC) in Rural India

65. The SBM approach emphasizes behavioral change through community-wide initiatives, adoption of hygienic practices, and sustainability. This objective is to be achieved by building capacity at the national, state, district, and GP levels for: (a) creating demand for sanitation; (b) promoting cost effective and appropriate technologies for ecologically safe and sustainable sanitation; and (c) closely monitoring results and supporting the states and subsidiary tiers in planning, implementation and sustaining results, as appropriate. To accomplish this, the program needs to have a strong behavioral change communication (BCC) component, carried out through triggering new initiatives in application of BCC. The technical assessments revealed a number of challenges in this regard in the five states.

66. The strategic basis for BCC for the SBM program is the National Sanitation and Hygiene Advocacy and Communication Strategy Framework, 2012–17 (SHACS), adopted by the Government of India with the overarching goal of changing the way the society thinks so that open defecation is no longer acceptable in India.

67. The SHACS framework discusses communication roles for national-, state-, and district-level administrations. So far, four states have developed state SHACS frameworks. NGOs working in the states are unaware of them, however, and so are not using them in the states as the basis for their work. While some states have guidelines in the form of adaptations of central government policy and circulars, none has a BCC policy or plan in place.

68. The SBM is a time-bound scheme, and the ramifications of this can be seen in the planning and implementation of BCC activities. Planners have had little time to set systems and processes in place. BCC planners and implementers in particular are talking about making a village ODF in one to three months; meanwhile, their plans do not reflect strong post-ODF BCC

⁵⁰ WHO estimates 115,000 of these deaths are from sanitation alone and 138,000 are from hygiene alone (Prüss-Ustün, et al. 2014).

⁵¹ Prüss-Ustün, Annette, Jamie Bartram, Thomas Clasen, and et al. 2014. “Burden of Diarrheal Disease from Inadequate Water, Sanitation and Hygiene in Low- and Middle-Income Countries: A Retrospective Analysis of Data from 145 Countries.” *Tropical Medicine and International Health* 894–905.

and monitoring activities. A discourse on scaling up BCC approaches is ongoing, and the AIP format has a set of BCC activities to be undertaken, but it omits assessment of village statuses and needs.

69. ODF behavior is promoted by “triggering communities” -- prompting the community into action. Since communities and villages are not homogeneous, behavioral change activities using the community-led total sanitation approach (CLTS) have to be based on the cultural ethos and needs of each, and special strategies need to be developed for the marginalized and the poor, hard-to-reach areas and terrains where access to water is difficult. This means the behavior of each individual has to be changed, which requires intensive interpersonal communication (IPC) activities that need to be implemented on a house-by-house and one-on-one basis. The success and sustainability of the BCC campaign depend on the quality of the staff appointed to undertake this kind of mobilization. They need to be well-versed in all aspects of BCC, including community mobilization, IPC, inclusion, and use of communications materials. Currently, rural sanitation has no institutional system at the community level that can ensure that staff are sufficiently qualified.

70. BCC efforts are also challenged by obstacles to the process of obtaining toilets, and those obstacles weaken peoples’ motivation to attain and sustain ODF status. Inordinate delays in approvals of schemes and release of funds are a deterrent for those implementing the program at the village levels. Several NGOs, specifically those running RSMs, still have large amounts due from the government, which holds up the supply chain. In numerous villages, demand forms for toilets have been filled out and submitted to district authorities, but the applicants have not received word on their status or any indication of when the requests will be approved. These were at places where community/participatory approaches were not applied. Yet another major challenge to BCC is keeping it focused on including the most marginalized and poor in the universalization of rural sanitation. In villages that have already attained 90 percent coverage, the 10 percent of households still without toilets are, more often than not, from these marginalized groups.

71. Finally, BCC activities have to be supported by an intensive monitoring process with clear indicators to measure their effectiveness in sustaining toilet usage over some period of time, even after the village has been declared ODF. Although in 2015–16 all the states have ODF targets, there has not been enough time to plan this part of the program.

72. Key recommendations. To support the transformation towards a community led and full-coverage approach resulting a reduction of the number of people defecating in the open it is recommended that:

- MDWS update the national BCC strategy and implement annual action plans at the national level. The BCC strategy should be in campaign mode, with periodic mass media and continuous IPC usage for widespread dissemination, keeping the focus on community approaches and collective behavior change.
- States prioritize the strengthening and alignment of their respective institutional framework to support the implementation of SBM with a focus on planning for and implementation of BCC, implementation planning, financial flows, and monitoring and learning.

- Large-scale capacity development programs are undertaken to enhance the skills of staff that is active at the district, block, and GPs levels. BCC, participatory planning and implementation, and sanitation technologies are key areas for capacity enhancement.
- Monitoring, evaluation, and action learning are used systematically to further strengthen program delivery mechanisms.

73. **Program Action Plan.** In addition to the recommendations above, the following actions may be included in the Program Action Plan (PAP):

- (a) MDWS shall annually conduct a National Rural Sanitation Survey, carried out by independent agency/agencies, to measure performance of all the States and make disbursements based thereon to them; and the MDWS shall publicly report on the findings of the survey.
 - (i) MDWS deploys critical minimum personnel to manage and supervise the first and subsequent National Rural Sanitation Surveys;
 - (ii) The selected independent agency will carry out sanitation survey and presents results to MDWS by June 30th in each financial year;
 - (iii) MDWS makes results public and announces the performance incentive grants awarded to qualified states; and
 - (iv) MDWS will transfer the performance grants to the states between July-September every year.
- (b) MDWS shall prepare and implement Behavior Change Communication annual action plans at the national level and provide support to States.
 - (i) MDWS shall update BCC strategy and implement annual action plans at the national level during the Program Period; and
 - (ii) A BCC mid-line assessment will be undertaken before MTR (September 2017); and one before program Closure (January 31, 2021).

74. **Technical Risk Rating.** The overall risk rating for the program is “High” for the reasons summarized in Table A4-8.

Table A4-8: Risk Assessment and Ratings

Behavioral change	To meet the very high construction targets program implementation may continue to be primarily supply driven and behavioral change communication to ensure sustained use may be ignored.	High
Institutional capacity	The risk is high that the institutional capacity and financial allocation will be insufficient to speed up implementation of the SBM-G while maintaining the quality needed to ensure sustainability.	High
Institutional coordination	Currently, no adequate mechanisms are in place to ensure coordination between the SBM and MGNREGS and other relevant Ministries exist.	Moderate

Private sector capacity	The current capacity of the private sector is insufficient to meet the construction target.	Moderate
Monitoring and Evaluation	The current capacity of government to implement nationwide, state, district and GP level monitoring or to procure and manage a nationwide monitoring and evaluation firm is limited.	Moderate

Annex 5: Fiduciary Systems Assessment

INDIA: Swachh Bharat Mission Support Operation

1. In accordance with the Bank Policy Program-for-Results Financing (for PforR), a Fiduciary Systems Assessment (FSA) is required to assess the fiduciary systems pertaining to the Swachh Bharat Mission-Gramin (SBM-G) Program and identify the areas that would need to be strengthened. Fiduciary management for PforR Operations is part of an integrated approach that covers the technical, financial management, procurement, disbursement, and risks aspects.
2. A Fiduciary Systems Assessment (FSA) was carried out to evaluate the arrangements relevant to the Program and to determine whether they provide reasonable assurance that the Program funds will be used for their intended purpose.
3. The field work has been carried out in five sample States by two consulting firms. The consultants reviewed the national program as well as five states (Chhattisgarh, Odisha, Rajasthan, Madhya Pradesh and West Bengal). Based on Bank's previous knowledge and understanding of the fiduciary systems these states are being considered representative. However, some of these systems and or arrangements vary from State to State. **Since the assessment was conducted in early 2015, the findings in general reflect the status prior to initiation of implementation of SBM-G.**
4. The GOI has developed a Swachh Bharat Mission Guidelines (Gramin) which lays down the broad principles for construction of IHHLs, CSCs, and Solid and Liquid Waste Management and related procurements. The assessments specifically covered procurement, Program, Rural Sanitary Marts (RSMs), Production Centers (PCs); and the role of GPs, and so on.
5. Procurement arrangements vary widely among different States in respect of applicable rules and regulations, the organizations involved in actual procurement, governance and accountability arrangements, grievance handling and redress systems, disclosure of information, record keeping, procurement management information, capacity, quality control, contract management. The major issues thus identified will be addressed through the capacity building efforts to be undertaken by the Program Management Support component.
6. The FSA evaluated the capacity of relevant institutions to implement the proposed Program while providing adequate fiduciary assurance on the use of Program funds. The assessment highlights several pertinent issues which have been discussed with GoI and an action plan and steps to be undertaken for capacity building have been identified during appraisal. Given the scope and scale of the program and the available time and capacity some of the risks, in spite of mitigation measures being put in place, may not be completely mitigated.
7. Taking into account that this program covers the entire nation, the value of individual procurement activities at the decentralized level is small. States are required to follow their respective General Financial Rules (GFRs), Public Works Department (PWD) manuals and Store rules to guide all the procurements. MDWS shall undertake Capacity Building activities in regard to procurements that are carried out by the respective States. The capacity building action plan will cover stake holders at all levels namely State, District, *Zilla Parishad*, and GP with a

view to strengthen capacity, address the gaps noted during integrated fiduciary assessments, and reduce risks.

Implementation Arrangements

8. The SBM-G program is implemented by the MDWS, Government of India, and the corresponding departments at the state level, mainly the *Panchayat* and Rural development departments or the Water and Sanitation departments. In each state, Water and Sanitation Missions have been established at the State and District level under the Chief Secretary and the District Collector respectively. However, implementation arrangements below the district level - that is, *Zilla Parishad (ZP)*, Block and *Gram Panchayat (GP)* levels - vary from one state to another, with different roles for decentralized institutions, local governments and users committees.

9. The SBM-G program is the restructured version of the *Nirmal Bharat Abhiyan (NBA)* program which is an ongoing rural sanitation program of the Government of India, implemented in all Indian states. Given that the SBM-G guidelines have only been operation from December 2014, and in some cases are not yet being applied on the ground, this assessment is based on the existing fiduciary arrangements of the then ongoing NBA rural sanitation program. Recommendations will be made to strengthen those systems in light of the new arrangements proposed under SBM-G.

10. While there are some variations across the states, the NBA program is typically implemented through institutions set up at the state and in the districts. The District Missions implement the annual implementation plans through Block Development Officers (BDOs) at the block level and the GPs. While GPs and its constituent committees have a role in implementation, program funds are typically not handled at this level in many states. The MDWS website has a fairly detailed MIS, providing details of fund releases and expenditure reported by the districts and states on a monthly basis under NBA. As per the revised fund flow procedures [with effect from 01-April-2014] initial release of GoI funds are through State Consolidated Funds; the procurement actions and final payments thereafter are made at state, district, block and GP levels (only in Madhya Pradesh, Rajasthan and Chhattisgarh) outside of the state budgetary systems.⁵²

11. The fiduciary arrangements, including fund flow, procurement and audit arrangements are documented in the guidelines of the SBM-G program issued by the MDWS. Apart from the guidelines, fiduciary arrangements in the sector are guided by several rules and legislation, including state financial rules, Public Works Department (PWD) manual, Store Purchase Rules and Accounting Codes and Rules that apply to the local rural governments (where applicable).

Flow of Funds

12. *Flow of funds from National to State level.* Funds under the SBM-G are released by the MDWS to the State government accounts or accounts of dedicated societies to receive funding electronically. Within 15 days the State must release the funds to the state SBM-G Mission in a

⁵² Institutions at the state level receive funds from the State in the form of grants from the State budget and make payments or transfer funds to into separate accounts held in commercial banks at districts, blocks and GPs.

single bank account or face penalty. The total amount released is based on the AIP and the availability of funds in the national SBM-G. Funds are released in installments. The first installment is 50 percent of the annual budget, but is reduced by the amount left over from the preceding year above 10 percent of the previous year's release. The second installment has several requirements (updating of the AIP, expenditure of 60 percent of the funds available within the state SBM-G program for the year, audited accounts, utilization certificate).

13. *Flow of funds from State to district level.* The state releases the national grants to the districts along with its matching share within 15 days of receipt of the national grants. The fund release is based on the district plans, expenditure and extent of demand creation. A new provision under the SBM-G is for inter-district transfer of funds once a year, with prior approval of the National government.

14. *Financial flow for construction of individual household latrines from the district.* The SBM-G program gives freedom to the states to decide on the amount, on the timing of the funds (before or after construction) and on how (to GP or individual households) the funds for the construction of individual households latrines should flow. The State may, in turn, give freedom for the district to determine this. As the construction of institutional latrines will be undertaken by other Departments (School Education, Women and Child Development), there are no funds provided by the SBM-G.

Financial Management Systems

15. Notwithstanding the disparateness of the implementation arrangements noted across the states, the financial management systems for the program have several common features across the states. These include: (a) annual planning processes based on baseline data; (b) budgetary provisions at national and state level based on consolidated state annual plans; (c) fund release protocols; (d) accounting systems at implementing agency level(s); and (e) annual statutory audit at the implementing agency level. The findings of the assessment are summarized below.

16. *Planning and Budgeting.* Annual planning processes are by and large in place. Annual plans are typically based on baseline data and assessed demand for IHHLs prepared at the district level and consolidated for the state – block or village level plans were, however, not seen in any of the states. The consolidated state annual plans form the basis for annual budgets at the state and national levels. Medium terms strategic plans (for five years as per SBM guidelines) are, by and large, absent as the SBM-G guidelines have only been effective since January 2015 and, where available, they had followed the earlier program templates. Evidence shows State program objectives are consistent with the national development strategy.

17. The funds allocated for the program (formerly *Nirmal Bharat Abhiyan* (NBA)) at the national level are reflected in the Union Budget in Demand for Grants Number 30, pertaining to Ministry of Drinking Water and Sanitation. The routing of the program funds through the State budget started from 2014-15 budgets. Starting from FY14-15, the State budget reflects both central and State share of the program and include donor funded expenditures, where applicable. Beneficiary share of the program costs (e.g., IHHLs, etc.) are not captured in the national or state budget. The preparation of budget and its approval in the Parliament (and Legislative Assembly for the states), provisions for which are enshrined in the Constitution of India, goes through

legislative scrutiny and the Parliament exercises full control over the annual budgetary system through this mechanism. The process of preparing the budget, discussing it in Parliament, and its subsequent approval is considered as an effective instrument of financial control of government activities.

18. *Treasury and fund flows.* Fund releases are processed through Treasury into separate bank accounts of State Water Missions [registered as societies] or directly into bank accounts of District Missions (or *Zilla Parishads*, as the case may be) in installments. SBM-G guidelines require that the state releases the central and the corresponding state share into bank accounts of State Mission within 15 days of the receipt of central share (delays invite penal interest) and therein to the districts, block and village level implementing agencies. Delays in transfer of funds at all levels and disconnects between fund releases and annual implementation plans have, however, been a common problem across all states; this significantly impacts the ability of the implementing agencies to plan and deliver against the committed annual action plans. Under the SBM-G, the states have the flexibility to disburse funds to district based on their performance.

19. *Transparency.* Ministry/Departments budget allocations, budget execution reports, and year-end financial statements are available at both the national and state levels on Government websites and are accessible to the public; data on contract awards are not available for public access but could be accessed through Right to Information (RTI) application. Budget and financial statements are voluminous and not in user friendly formats. Budget execution reports at the national and state levels report fund transfers and releases and do not necessarily reflect the complete program expenditures in a meaningful form. The SBM-G (earlier, NBA) website provides financial information on releases and expend at national and state levels. However, this data may be considered incomplete as there may be gaps in reconciliation of expenditures reported in Utilization Certificates (UCs) and/or annual audited financial statements of the various levels of implementing agencies.

20. *Accounting and Financial Reporting.* The aggregate monthly accounts prepared by the Controller General of Accounts (CGA) for GoI and Comptroller & Auditor General Office (C&AG) for States, compiled from the departmental accounts, provide monthly accounts of budget implementation. The monthly accounts of the central government are important in-year budget reports that are accessible to the general public through the website of the CGA/State Finance departments. However, as stated earlier the quality of actual expend reported at national and state levels are based on fund releases (for SBM-G) and therefore, do not facilitate meaningful assessment of financial performance.

21. The budget classification system in India, which takes into account the Classification of Functions of Government (COFOG) functional classification system, is consistent with the Government Finance Statistics manual of 1986 based on the cash accounting system. The budget classification system as determined by the C&AG office is uniformly applied across all Indian states. The budget classification system in India has improved over the years to establish a uniform classification for the budget accounts and plan, clear presentation of objectives and purposes of government expenditure in terms of functions, and programs and activities -- bringing together all expenditures under appropriate functional (major), program (minor), and activity (subhead) irrespective of the organization administering it, and generating timely data for monitoring expenditure on programs and activities.

22. The accounting standards prescribed by the Government (President of India) on the advice of the C&AG, Indian Government Accounting Standards (IGAS), are not fully aligned with the Cash International Public Sector Accounting Standards (IPSAS, prescribed by the International Federation of Accountants (IFAC)). There are differences between Government accounting system in India and cash basis IPSAS relating to the structure, disclosures and basis of accounting. The SBM-G guidelines provide standard financial management procedures such as audit of the SBM-G accounts and submission of UCs and Annual Statement of Accounts in specific formats to be followed at the state levels. None of the states covered in the assessment have developed accounting and financial management guidelines or manuals. Consequently, existing accounting systems of the implementing agencies are used as a default position. Observations from field visits reveal that variable accounting standards are applied, including treatment of fund releases and advances as expend, multiplicity of bank accounts and so on.

23. As per scheme guidelines, the MDWS has developed an online monitoring system for TSC/ NBA. The TSC/ NBA scheme districts and currently under SBM-G are required to submit physical and financial progress reports through this on line software (IMIS) for which user-id and password have been generated and communicated by MDWS-NIC cell. Efforts to triangulate the financial progress entered through the online software with Utilization Certificates (UCs) and audited financial statements submitted by the States confirm that there are significant disconnects in the financial expenditures reported. Field visits revealed large unspent balances at all levels which are not reflected in the financial statements at some places and not considered as these have been reported earlier as expenditures.

24. In line with the Government Financial Rules (State and Center), monitoring of financial progress, including processing of fund releases, is typically centered around submission of UCs on an annual basis. UCs are submitted by the GP to the blocks and collated up to the district and State. GP-level UCs are required to be verified by Block level officials but, due to manpower issues (1 block officer to verify UCs of approximately 60 GPs), there is delay in processing of UCs, which adversely affects the fund flows.

25. Annual financial statements are prepared at the level of the implementing agencies (SWSMs, DWSMs, ZPs, Block agencies and GPs), albeit with significant delays. SBM guidelines also require the States (SWSM) to prepare and submit annual program audited financial statements incorporating receipts and expenditures of the districts and the underlying implementing agencies. No specific guidance has been provided on the treatment of fund releases to implementing agencies below the district level. There is no record to show that systems are in place for the underlying agencies to prepare and submit periodic financial reports to the district. The expenditure is reported against specific components of the program and there is also a provision for reporting physical progress report in support of expenditure. Therefore, actual expenditures (and not fund releases) are accounted for.

26. A multi-year perspective in expenditure planning and budgeting has been lacking in India. While the States have enacted the Fiscal Responsibility and Budget Management Act stipulating the requirement of Medium Term Fiscal Policy (MTFP), detailed medium term expenditure frameworks for various sectors are not worked out. The budgeting thus remains strictly annual without a multi-year perspective relating to expenditure commitments of various sectors. In an effort to avoid lapsing of annual budgets (applicable to departments, ZP, etc.,

which use the Treasury systems), monies are drawn towards the close of the financial year and parked in personal ledger accounts of the District officials for use in the next financial year. For agencies (SWSM, DWSM, GPs, *etc.*) that operate outside the Treasury systems, the unspent balances in bank accounts roll over into the next financial year.

27. *Internal controls, including internal audit.* The internal control framework at national and state levels are embodied in the Budget Manual, Financial Rules and Treasury Code read with the Store Purchase Manual and Works Manual and other related employee rules. These rules contain principles covering budgeting, revenue and expenditure, delegation of authority, accounting, procurement, pay, allowances and pensions, stores, works and so on. The control systems are applied consistently for expenditures processed through the Treasury systems but get substantively diluted when the funds are transferred outside of the State systems (for off-Treasury Programs). The off-budget expenditures are not subject to Treasury controls nor are they audited by C&AG.

28. Field visits reveal that some level of internal audits are carried out as part of the institutional systems at ZP, PS and GP levels (MP, Chhattisgarh), albeit with significant delays. Internal audits were undertaken, but typically focused on transactions and were constrained by significant staff vacancies. Payroll controls are fairly robust for payments through Treasury systems; however, these controls do not extend to program staff engaged on a contractual basis. SBM-G finances minimal levels of capital assets (limited to office furniture, computers, *etc.*) at the SWSM, DWSM, ZPs, PS and GP levels, which are typically subject to asset management systems at the level of the individual agencies. There is no evidence of planning for cash flows; however, review meetings are conducted routinely to assess the progress, reasons for non-performance, and delays in submission of UCs and so on. These meetings are held at the State level with all the CEOs of the districts present and also at the district level with all the BDOs of the blocks.

29. *Program Audit.* Auditing arrangements are typically fragmented across the various implementing institutions and vary across the states. Agencies operating outside of the State Treasury systems are audited by CA firms (empaneled by C&AG); ZPs, PS and GPs are audited annually by CA firms and/or Local Fund Auditors (LFA) operating under the State Finance Departments. Some of the common findings across districts include: (a) the books of account have not been properly prepared by the accountant; (b) Bank statement is not maintained for different schemes; (c) advances are disbursed to staff through cash/bearer check and the expenditure being incurred by staff in cash and advances unadjusted since long period of time; and (d) compliance of previous year audit objection has not been produced for verification.

30. C&AG conducts performance audits for select states at periodic intervals. The performance audit of TSC/NBA covering period 2009-14 was carried out in selected districts and GPs. Implementation of TSC/NBA revealed certain irregularities, namely: deficiency in planning, improper fund management, inadequate awareness campaigning through Information Education Communication (IEC) activities, and lack of monitoring, supervision and social audit.

31. *Strengthening financial management Systems.* In defining the program content with respect to the strengthening of the financial management systems for the program, key focus will be on: (a) enhancing the staffing for financial management and oversight function at national and

state level; and (b) implementation of PFMS developed by the Controller General of Accounts under Ministry of Finance to monitor and track the usage of central plan funds, during the implementation period, as agreed by the States.

Procurement Systems

32. For most states, procurement systems for goods and works are covered under the PWD manual and Store purchase manual in addition to relevant government orders issued from time to time. Since procurement is a State subject, rules and practices differ from State to State. Under SBM-G, most procurement is expected to be highly decentralized and of low value, therefore skill development challenge will not be for complexity of procurement, but for ensuring consistency, uniformity and monitoring of this very large number of small-value contracts.

33. The assessment of the existing procurement systems and arrangements identified certain areas of improvement through program support: rules and guidelines that are spread across multiple documents and circulars; need for regulations for services; possible entry barrier to contractors; need for alternative dispute resolution mechanism; procurement planning; contract administration; standard for disclosure/ transparency; system for procurement information; and oversight over procurement process including procurement review and audit across entities. There is a need to enhance procurement capacity of the key staff dealing with subjects related to procurement, contract management, record keeping, quality control, and transparency.

34. Consistent with Bank policy, the Program to be supported by the proposed PforR will exclude activities that involve procurement of: (a) works estimated to cost US\$50 million equivalent or more per contract; (b) goods estimated to cost US\$30 million equivalent or more per contract; (c) non-consulting services estimated to cost US\$20 million equivalent or more per contract; and (d) consultant services estimated to cost US\$15 million equivalent or more per contract.

35. *Procurement profile.* Since the SBM-G program is primarily about reduction of open defecation through behavior change of communities, and since the construction of individual latrines is mostly executed by the people themselves, no major procurement is involved. Items to be procured in the States shall comprise works and related material inputs at the Block level or village level by the GPs or individual beneficiaries. Some of works -- like CSCs or SLWM and related procurement -- may be procured at the State, District, Block or GP level. Procurement of services is likely to be done at the District or State level. Comparative position of various items of 'Procurement Considerations in Fiduciary Assessment' carried out in the five States brings out that the existing procurement arrangements and management systems have the following main gaps:

- (a) procurement planning and linkage to budget – states assessments reveal that departments prepare budget estimates but there is no practice of procurement planning with details of timeline, estimates and quantities;
- (b) applicable procurement rules and procedures–rules, guidelines and procedures are not available at one place for ready reference. Guideline/standardized documents are not in place for procurement of services;

- (c) variations have been noted in the procedures used, such as: (a) procurements by individual beneficiaries and procurement of materials from suppliers/ shopkeepers through discussions; (b) procurement is by *Panchayat* functionaries who also act as the contractor. Standard formats for quotations are not used, and there are no contracts for supply of materials and also no quality check for delivered goods. A sub-engineer inspects the final construction work; (c) procurement is by GPs, but there is no contract with the GP, no check on quality of goods delivered, and procurement registers are often not maintained; (d) in some places, construction of IHHLs is being done under the oversight of Block/districts and GPs do not have significant role; (e) in some places, masons are acting as material suppliers; and (f) there are cases of absence of contracts and long delays in completion.
- (d) *Dispute resolution and Grievance Redress*. Grievance redress is understandably handled differently in various States, but it is noted that in some States it is not a robust monitoring and redress system and in some cases it is largely informal. No alternative dispute resolution procedure or written process for complaint handling mechanism exists besides the Jurisdiction Avenue during the bidding process. The assessment did not come across any complaint documentation.
- (e) *Bidding documents*. It is assumed that all States have bidding documents to undertake procurement.
- (f) Registration of contractors is a prerequisite condition to be fulfilled for participation in the bidding process, which may act as barrier and restrict many bidders from participating. Similarly, the criteria for selection of sanitary marts in some places is non-transparent and discretionary, which will be an impediment to transparency and equal opportunity.
- (g) *Staffing and capacity*. Across entities there is need for enhanced procurement capacity. This is important at the district/GP level as some of the works contracts are to be handled at this level. All institutions have capacity constraints for efficient and transparent procurement. It is crucial to strengthen the capacity of key staff in dealing with procurement, contract management and record keeping
- (h) *Internal/External controls*. It is noted that, in some States, systems related to these control aspects are not robust. For example it is seen from the assessments in five States that at some places there is no internal audit; there is no audit at the GP level; there is no clear schedule of powers; accountability is not clearly defined; there is limited quality control; records are not maintained, and so on. There also is need to establish a procurement review process to determine adherence to agreed guidelines, procurement processes and agreed procedures.
- (i) *Contract Management*. Management of contracts is essential for satisfactory construction activity even if the contracts are of small value, as otherwise it can easily lead for example to non-functioning IHHLs and creeping in of unacceptable non-transparent practices. It is noted from the assessments in the five States that at some places work order terms and conditions are often flouted, there are time

overruns, there is shortage of sub-engineers to supervise and lack of procurement staff at block and district levels. Terms and conditions in work orders issued to RSMs and NGOs are not enforced. It has also been noted in some cases that there is not even a signed contractual agreement, which could at least be sought to be enforced.

- (j) *Procurement Management Information System (PMIS)*. The absence of procurement management information has been noted in almost all States studied. Information related to the procurement plan, procurement process followed, responsiveness of supplier/bidder, and performance monitoring of contractor/supplier is not organized or consolidated at the district or state level to help make appropriate management decisions. Procurement-related information such as procurement/financial progress, bidders' participation, price comparisons, and contractor's performance, *etc.* is not captured for management review and decision making. An e-procurement system wherever cleared and implemented would have provision for such MIS reports and tender-wise information for various departments to monitor procurement at the central level.
- (k) *Disclosure of information*. The assessment has brought out that the extent of public disclosure of information on the outcome of the procurement process varies from State to State. There is a need for guidelines that promote consistent practices across the board for disclosure of contract award information. The states would need to formulate and implement a disclosure policy for procurement, covering elements such as contract award and achievement of targets and expenditures, at various levels, to maintain transparency in the system.

36. In addition to the existing SBM-G guideline issued by MDWS --which covers some aspects of procurement, MDWS will undertake capacity building in strengthening procurement systems and knowledge exchange of best practices in transparency and procurement at the grass root levels.

Governance and Accountability Systems

37. The main mitigation tool to mitigate the Fraud and Corruption risk under SBM is a robust monitoring systems that provides reliable, timely and verifiable information about financial and physical progress, and involves social audits that validate such information on-the-ground.

38. *Monitoring and Accountability systems*. At the national level, the Ministry of Drinking Water and Sanitation has developed a comprehensive system of monitoring the implementation and impact of the Program, including utilization of funds, through Periodical Progress Reports, Performance Review Committee meetings, Area Officer's Scheme, District Level Monitoring and Vigilance and Monitoring Committees at the State/District Level. Physical and financial progress is being uploaded on a monthly basis on the MDWS monitoring system under NBA. Periodic review meetings are to be conducted to review the physical and financial progress in the implementation of schemes in the states.

39. *Third party/social monitoring.* Third party and/or social monitoring would be critical to validate data on the ground. Independent agencies are to take up the annual monitoring survey which needs to conform to national and international requirements. Concurrent monitoring has also been proposed, ideally using community-level participation or independent agencies. And finally, social audits are to be conducted for SBM-G but the procedures have not been developed. Some states (such as Karnataka) have already started carrying out social audits in a systematic manner.

40. *Vigilance function.* At the national level, there is a Central Vigilance Commission (CVC) which is the apex governmental body to address governmental corruption. It is an autonomous body, free of control from any executive authority and plays a key role in advising various authorities in the central Government organizations on planning, executing, reviewing and reforming their vigilance work. Other vigilance and anti-corruption mechanism at the program level include the Anti-Corruption Bureau and its state level constituent bodies, which enforce the Prevention of Corruption Act, 1988; financial and performance audits by the C&AG of India; the Right to Information Act of 2005; and the various state- and department-level vigilance and grievance redress systems.

41. *State-level vigilance systems.* At the state level, there are State Level Vigilance structures which investigate complaints of corrupt practices against officers. In addition, each line department (including the Departments responsible for SBM-G implementation) is responsible for conducting preliminary enquiries on misconduct by its employees, and to that purpose some of them have established their own Vigilance cells. A similar structure is replicated at the district and ZP level. However, with few exceptions this vigilance function is not formalized, recorded or disclosed. The Anti-Corruption Bureau (ACB) has jurisdiction over all employees of the State Government. However, the ACB has only an investigative mandate and conducts inquiries only into cases referred by government departments as well as complaints filed by citizens on bribery, corruption, criminal misconduct, embezzlement of government money and other corrupt practices by public officials. Each line department is required to conduct preliminary enquiries on misconduct by its employees.

42. *Grievance Redress systems.* There are online, centralized grievance redress systems, with 24-hour help lines to register complaints, almost in every state that allow for SBM-related grievances be identified and reported. Consolidated reports are sent to the concerned department for resolution of the grievances and complaints. However, there is no information about how many of them were resolved.

Recommendations

43. In assessing the performance of the fiduciary systems under which the Operation operates, the Bank identified a number of weaknesses and gaps which, once addressed either prior to effectiveness or during implementation of the Program through the TAs and the Program Action Plan, respectively, will result in Operation fiduciary systems that provide reasonable assurance that the Operation expenditures will be used appropriately to achieve their intended purpose. Key recommendations are summarized in Table A5-1.

Table A5-1: Key Recommendations

Cross cutting
1. Strengthen institutional capacity in terms of staffing, staff training and orientation.
2. Strengthen existing complaint and grievance redress mechanism to handle complaints related to all aspects and all levels of procurement, financial management, fraud and corruption issues, and service delivery.
Fiduciary action
1. The proposed PMS component will ensure that (a) staffing requirements are met at the national level for program implementation to support achievement of program objectives; and (b) extensive capacity building activities will be undertaken under the PMS as well as the Program components both at the central level and state level for the stakeholders/partners at the State/district/block/GP levels.
2. Fiduciary guidelines to be followed for SBM-G as required, will be issued by the MDWS to States for the latter's compliance.
3. Prepare Financial Management Manual for SBM-G for adoption by the States, as per requirement.
4. Implement PFMS for accounting, fund flows and financial reporting across all States, as agreed by the States.
5. Conduct procurement audits of the implementing agencies in the State as part of the annual audit to confirm that Procurement implementing agencies in the State have consistently followed procurement provisions of the State Delegation of Financial Power Rules issued by the respective State Department of Finance and/or General Financial Rules (GFR) of the Government of India and Government orders (as applicable) over the Program period.
6. Implement the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing and set up a mechanism to make available, to all procuring entities, the lists of firms and individuals debarred or temporarily suspended by the Bank.

44. **Program Action Plan.** In addition to the recommendations above, the following actions should be included in the Program Action Plan (PAP):

- (a) MDWS, shall roll out fiduciary management practices and ensure that annual audits of accounts are conducted by states in accordance with SBM-G guidelines.
 - (i) Roll out of Public Finance Management System (PFMS) in the States shall be done during the Program period, as agreed by the States; and
 - (ii) Annual audits to confirm that Procurement implementing agencies in the State have consistently followed procurement provisions of the State Delegation of Financial Power Rules issued by the respective State Department of Finance and or General Financial Rules (GFR) of Government of India and Government orders (as applicable) over the Program period.
- (b) MDWS shall strengthen citizen-feedback systems in SBM-G program and facilitate states in implementing the same.
 - (i) MDWS will assess and identify areas for strengthening citizen's feedback and roll out of the same over the Program period; and

- (ii) Assess and identify areas for improvement of Grievance redress systems in the first year of the Operation and roll out over the program period.

45. **Fiduciary Risk Ratings.** The fiduciary systems assessment identifies risks and proposed mitigation measures. Prior to the mitigation measures being taken, fiduciary risk is assessed to be “High”. During preparation, the Bank assessed all available options: dated covenants, capacity building, Disbursement-Linked Indicators (DLIs), and Operation design revisions, to help mitigate these risks.

Annex 6: Environmental and Social Systems Assessment

INDIA: Swachh Bharat Mission Support Operation

1. An Environmental and Social Systems Assessment (ESSA) of the proposed Operation was undertaken by the World Bank to understand the environmental and social risks, benefits, impacts and opportunities of the existing sanitary policy and practices on the ground. The assessment is also part of the World Bank's preparation in line with the requirements of Bank policy "Program-for-Results Financing". The assessments were carried out through a comprehensive review of relevant government policies, legislation, institutional roles, program procedures, the assessment study of earlier national programs in five states, and an analysis of the extent to which these are consistent with the Bank policy "Program-for-Results Financing". **Since the assessment was conducted in early 2015, and the findings in general reflect the status prior to initiation of implementation of SBM-G.**

2. The key findings of this assessment are based on surveys and consultations carried out in the five states of Rajasthan, Madhya Pradesh, Chhattisgarh, West Bengal and Odisha. The States with high incidence of open defecation in rural areas and high density of population were selected based on analysis of information/data available from MDWS.⁵³

Environmental Systems

3. The national and state governments have well-developed environment legislations, though the implementation setup to address environment challenges of SBM-G need to be strengthened. The risk screening suggests that the overall environmental impact of the Operation is likely to be positive. However, environmental risks could arise in some places during implementation due to improper location, planning, execution and management of schemes, especially in areas subject to climate vulnerability and disasters like drought, high ground water table, areas prone to cyclones, and proximity to protected natural areas and monuments. The risks likely to arise are: (a) contamination of groundwater supplies due to poorly designed/managed sanitation facilities; (b) incomplete technical and O&M knowledge and guidance to PRIs and GP/village level implementing institutions about the domestic institutional sanitation facilities and SLWM systems may pose general environmental and health problems; (c) potential impacts on natural construction resources, and natural and cultural heritage sites located nearby; and (d) potential occupational and public safety risks for sanitation workers in the GPs. Therefore, capacities need to be built, systems strengthened and streamlined, and required regulations followed.

Key Findings

4. The key findings of ESSA on environmental systems are:
- (a) The national and state governments have well-developed environmental legislations. However, the implementation setup to address environmental challenges of the SBM-G Program needs to be further strengthened.

⁵³ In four out of the five states, the incidence of OD in rural areas was around 80 percent. In West Bengal, the figure for the same was around 51 percent. Also, four states (other than Rajasthan) were low income.

- (b) IHHL designs for different onsite conditions have been promoted through GoI guidelines. Non-adherence to guidelines during planning and implementation of the IHHLs resulted in significant environmental risks and vulnerability in the past. Therefore, the states need to ensure that designs being implemented are demand responsive and suitable across all socio-economic strata and appropriate for onsite conditions.
- (c) The past approach mainly focused on toilet construction to improve coverage and access. The SBM-G recognizes this, and the focus has shifted to usage of toilets and behavioral change. The ODF definition brought out by GoI includes safe disposal of excreta. This needs to be adhered to in implementation.
- (d) Although GoI's guidelines include SLWM as a part of the Program, the success level of such schemes at village level has been variable due to different geographical size, population density and cultures in villages. Accumulation of grey and black water in low lying areas, burning of solid waste and dumping of solid waste in common land or water bodies creates health risks, contaminates water resources and poses risks during local flooding resulting from rains.
- (e) Moreover, inadequate planning and technology selection may affect groundwater quality, Program sustainability and infrastructure usability.
- (f) The Program's existing institutional systems needs further strengthening for environmental management along with a framework for environmental monitoring.

Key Operation Actions

5. Based on the risks and gaps identified in ESSA, the key action identified is to build capacity of MDWS for environmental management including guidelines, procedures and monitoring framework. This will help strengthen the implementation and improve the outcomes of the current SBM Program. Moreover, SLWM is an integral part of the program as a result area and will ensure focused implementation of solid waste and liquid waste management solutions. Environmental Operation actions are:

- (a) *Exclusion of high-risk interventions* accomplished through application of criteria to exclude certain interventions from the Operation that may impact ecologically sensitive/important/notified wetlands, and protected monuments;
- (b) *Strengthening the existing GoI system* for environmental management. The Operation Action Plan focuses on strengthening GoI's procedures and capacity including strengthening/preparing guidelines for technical options for different socio-economic categories, onsite conditions and disaster situations, and integrating environmental management of the Program with these guidelines; and
- (c) *Building institutional capacity* to address environmental issues for monitoring and due diligence.

Implementation of Program Actions

6. An Implementation Plan for successful completion of the Operation actions will be facilitated by the IPF component of the Operation. This will mainly assist all Operation management and capacity building needs. The Implementation Plan will focus on the areas described below.

7. *Development of implementation support materials.* To support implementation that ensures environmentally appropriate actions, appropriate guidance for Program implementation would need to be developed. This may include an Operation Manual that has checklists, standard operating procedures (SOPs) and other guidance to ensure adherence to good environmental practices and existing environmental legislation.

8. Culturally appropriate demand creation and awareness strategies and material for both onsite sanitation and SLWM is required. Guidelines for strengthening existing IEC/BCC materials, focusing on improving skills and awareness of beneficiaries and GPs for planning, monitoring and management, are needed.

9. *Capacity Building of Implementing Authorities.* MDWS has a capacity building plan into which environmental management may also be added. Capacities need to be created across the institutional setup. MDWS would need to create environmental focal points/nodal persons to ensure Program-related environmental actions and impacts are appropriately addressed in the Program. The nodal officers will also ensure Program actions comply with the existing environmental regulatory environment.

10. *Creation of monitoring and surveillance mechanisms.*⁵⁴ A mechanism to ensure major environmental parameters are addressed under SBM-G needs to be developed. This should include water quality and management of developed systems. This may include convergence with other departments monitoring water quality.

11. Environmental monitoring to ensure compliance of environmental policies and procedures shall be undertaken and results shall be used for mid-term remedial actions, if required.

12. In order to implement the identified actions discussed in this section, implementing actions and a plan have been identified (Table A6-1) to be implemented by MDWS.

Table A6-1: Implementation Plan for Environment Actions

Sub-action description	Timeline	Completion measurement
Strengthen environmental management through technical modules for adopting appropriate sanitation practices during planning, technology	Identification of and plan developed beginning first year; ongoing throughout	Operations Manual developed and formally endorsed by nodal department and implementing agencies. Institutional structure for implementation of environmental action at GP level identified and recognized.

⁵⁴ Environmental monitoring and surveillance shall be in line with and to achieve the Operation DLIs.

Sub-action description	Timeline	Completion measurement
selection, implementation and O&M.	Operation period.	
Communication package on sanitation and SLWM incorporate environmental aspects.	Identification of and plan developed by December 2016.	Detailed training calendar, modules and material developed. Training undertaken as per calendar.

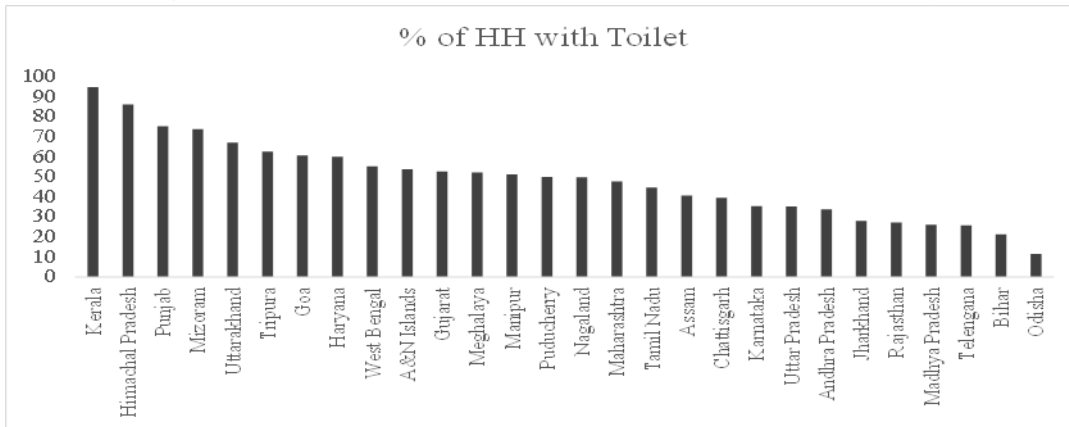
Social Systems

13. The assessment of social policies and procedures recognizes the same to be generally adequate to address social development outcomes. They provide an enabling policy and legal framework to promote: decentralized planning, implementation and monitoring, active participation and safeguarding the interests of vulnerable sections (women, scheduled caste and scheduled tribe communities) be it through targeting or membership in local governance institutions as well as in community-level groups. Challenges were observed at the level of implementation, even though the impacts of the identified social benefits outweigh the program-related social risks. Most of these risks are manageable through improved implementation and enhanced monitoring and accountability.

14. *Current Status of Access to IHHL and Social Inclusion.* SBM-G aims to bring about an improvement in the general quality of life in the rural areas by promoting cleanliness, hygiene and eliminating open defecation by October 2nd 2019. To achieve this goal the program has adopted a Community-led and Community Saturation approach focusing heavily on collective behavioral change. Therefore, unlike its precursors, the SBM-G does not adopt a “targeting” approach, but aims at universal coverage at a macro level, thus leaving no scope for exclusion “in principle”. Data on access to toilets at the household level across Indian states in the past years (of previous national sanitation programs) was analyzed by defining “vulnerable” households to include Scheduled Caste (SC) and Scheduled Tribe (ST) communities, women headed households and households with physically challenged member(s). Key findings of the analysis were:

- (a) On average, only about 48 percent of households across Indian states have access to individual household level toilets (IHHL). The state-wise breakdown is provided in Figure A6-1, below. This implies that a significant 52 percent of the population did not have access to IHHL in the baseline year and this includes people beyond the BPL category. It is safe to deduce that apart from the BPL households, the ones with no access to IHHL are the vulnerable communities who lie above the poverty line – including SC and ST households, Female headed households, and so on;
- (b) Baseline data for 2012 across Indian states shows the presence of a significant share of BPL households – on average 45 percent at a pan-India level. This implies the presence of a significant proportion of vulnerable communities across Indian states who lack access to basic amenities – including concrete housing, food, clothing, education, healthcare, electricity, safe drinking water and toilets.

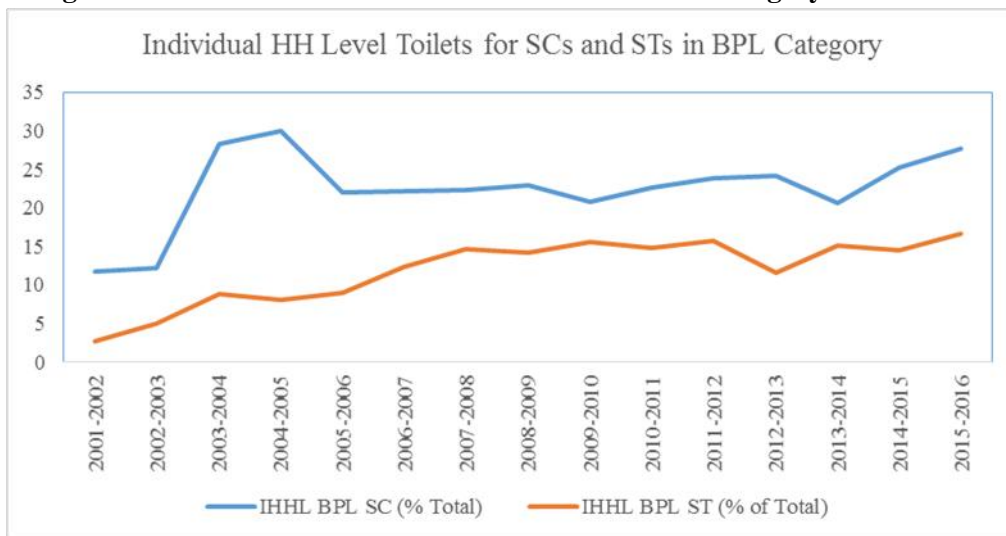
Figure A6-1: State wise Share of Households with IHHL Facility



Source: TSC/NBA/SBM IMIS at <http://mdws.gov.in>

- (c) At this point it is important to note that while it is easier to identify and monitor improvement in the quality of life of people below the stipulated Poverty Line, it is more difficult to monitor the same for those who lie above the stipulated Poverty Line. These people are presumed to be not poor, though they might be rather marginally better off in terms of their quality of life and access to basic amenities. Another factor that exacerbates the vulnerability quotient, apart from poverty, is the societal discrimination in terms of caste and gender (and even religion in cases).
- (d) According to time series data, the government has shown a steady improvement in enhancing access to IHHL for the Scheduled Caste (SC) and Scheduled Tribe (ST) communities in the BPL category

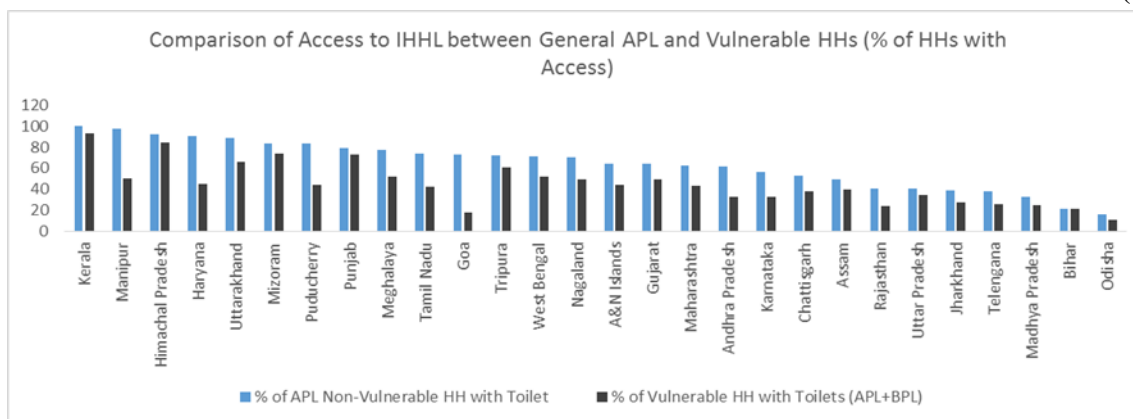
Figure A6-2: Access to IHHL for SCs and STs in BPL category – Over Time



Source: TSC/NBA/SBM IMIS at <http://mdws.gov.in>

A comparison of the share of households with access to IHHL between non-vulnerable APL (that is general category) vis-à-vis vulnerable households (APL and BPL) is shown in Figure A6-3, below:

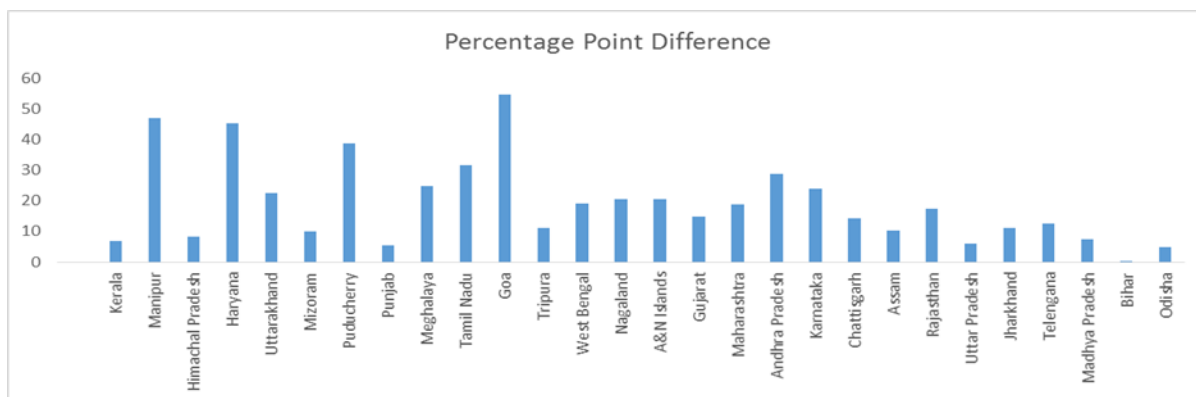
Figure A6-3: State wise Access to IHHL for General APL Versus Vulnerable BPL Households (%)



Source: SBM IMIS at <http://mdws.gov.in>

- (e) The figures above reveal that, on average, the share of general APL households with access to IHHL is 20 percentage point higher than that of vulnerable households (APL and BPL).

Figure A6-4: State wise Percentage Point Difference in Access to IHHL for General APL Versus Vulnerable BPL Households



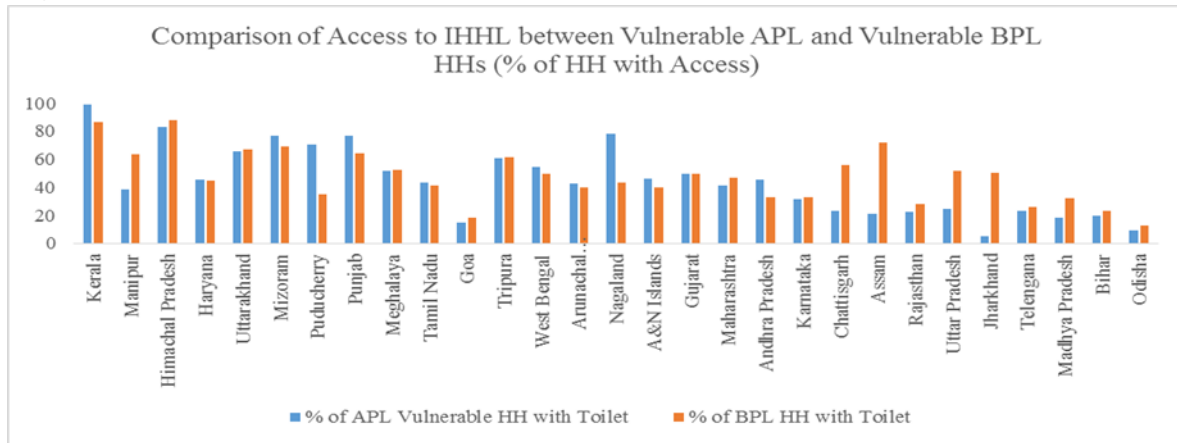
Source: SBM IMIS at <http://mdws.gov.in>

- (f) It is important to note here that a low percentage point difference does not automatically imply good performance. What it implies in turn is that the difference between the shares of the two categories of households is low.
- (g) It is important to note here that though the percentage point difference is seen to be low for Kerala and Punjab as also for UP, MP, Bihar and Orissa, the reason and interpretation is not the same. Kerala and Punjab are well performing states and hence their overall access to IHHL rate is very high – irrespective of vulnerability of

households. Hence the percentage point difference is low. Whereas the other states (as mentioned here) are ill-performing and household share of access to IHHL is low irrespective of household vulnerability profile, and hence the percentage point difference is low.

- (h) Within the vulnerable households, a further breakdown between APL and BPL category is shown in Figure A6-5, below.

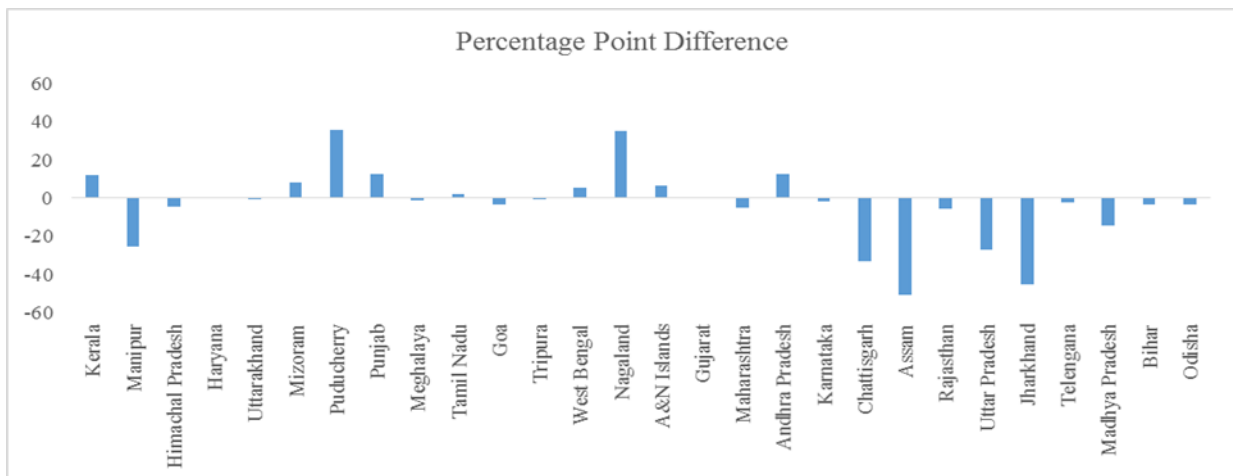
Figure A6-5: State wise Access to IHHL for Vulnerable APL Versus BPL Households (%)



Source: SBM IMIS at <http://mdws.gov.in>

- (i) On average, across states, about 44 percent of the vulnerable APL households and 47 percent of the vulnerable BPL households have access to toilets. Thus on average, share of vulnerable BPL households with access to IHHL is 3 percentage points higher than that of vulnerable APL households. The state-wise difference in percentage points is given in Figure A6-6, below.

Figure A6-6: State wise Percentage Point Difference in Access to IHHL for Vulnerable APL Versus BPL Households



Source: SBM IMIS at <http://mdws.gov.in>

- (j) Figure A6-6 suggests that access conditions at the baseline are better for the vulnerable BPL households relative to the vulnerable APL households – reiterating the point discussed before that it is easier to target BPL families than vulnerable households in the APL category, who lie at the margin of the economy.

15. The points below summarize the importance of the findings in the context of inclusion and SBM:

- (a) The brief analysis, as presented above, brings out some key points in the context of the current tenets of SBM. As seen from the baseline data, while overall access to IHHL is lacking, the lack of access is more evident for vulnerable households.
- (b) Though past sanitation initiatives by the government had the provision of “targeting” vulnerable households while providing access, gaps still exist.
- (c) Thus, the universal coverage mandate of the SBM can be expected to iron out the inter-group differences for vulnerable households, in terms of access to IHHL. SBM’s saturation policy holds promise in terms of eradicating the gap between BPL *versus* non-BPL vulnerable households’ accessibility to basic IHHL facilities.
- (d) While this remains embedded “in principle”, it will be key to monitor that the same translates into “practice” *via* efficient monitoring and collecting of detailed information across vulnerability factors (poverty, caste, gender and so on).
- (e) It will be interesting if the GIS information to be collected as part of the “monitoring” exercise also collects geographic terrain information –such that it is easier for authorities to locate areas where construction of toilet facilities is being hindered due to terrain conditions.
- (f) Furthermore, as identified in the ESSA, for the BPL population, it is understandable that many will not have adequate space within the household to accommodate a toilet and thus might have to rely on the provision of public toilets. In such cases, exclusion in the name of caste, gender, religion and so on can be gauged only with meticulous monitoring of usage of such facilities at the level of each household.

Key Findings

16. The key findings of the ESSA on social systems are:

- (a) *Policy*. The National Acts⁵⁵ applicable to developmental work related to sanitation along with the corresponding State Acts articulates the “processes” to be followed for decentralized planning, social inclusion, participation, transparency and accountability. Additionally, the Right to Fair Compensation and Transparency in

⁵⁵ 73rd Constitutional Amendment Act of 1993, Panchayat Extension to Scheduled Areas (PESA) Act of 1996, Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act of 2006, Right to Information Act 2005; National Rural Employment Guarantee Act 2005.

Land Acquisition and Rehabilitation and Resettlement Act of 2013 ensures that land diversion/acquisition-related matters do not marginalize the vulnerable.

- (b) *Institutional mechanisms.* The five-tier institutional structure ensures that institutional structure is available for planning, monitoring, and implementation of SBM at the national, state, district, block and GP levels.⁵⁶ The corresponding key units are assisted, supported and guided by a whole range of other units/institutions like Program Monitoring Unit & Sanitation Support Organization, Capacity and Communication Development Unit, Support Organizations, Technical Support Units/Cells, Resource Groups, *Gram Panchayat*, *Gram Sabha* and *Ward Sabha*. However, there are gaps in staffing on social expertise at some levels in the sample states. Such staffing gaps needs to be addressed to ensure decentralized planning, social inclusion, participation, transparency, *inter alia*.

(c) **Procedures and Processes**

- *Capacity.* The key functionaries responsible for implementing SBM have limited perspective on social aspects of SBM, and targets are high but staff for social mobilization, decentralized planning, transparency, accountability is extremely limited.
- *Land management.* SBM is not a land-intensive program and currently no land-related disputes were observed as the focus is on IHHL for which families use their existing land or the *Panchayat* diverts its land for the landless. However, as the progression moves to community complexes, public toilets and village-level SLWM, local laws related to ownership/management should be followed if land is needed.
- *Decentralized Planning.* The GP level overall plans of sanitation are supposed to be a consolidation of Gram sabha/ward level plans and are expected to be made through an inclusive participatory process. However, local planning needs to be further strengthened.
- *Social inclusion, participation, transparency and accountability.* In principle, the SBM has a macro-level mandate with a community saturation approach, whereby everyone within the village gets coverage. This ensures that the program covers everyone irrespective of a households' vulnerability status (that is with respect to caste, gender, disability and so on.). However, historical and baseline data show that despite the past sanitation programs of the government, vulnerable BPL and APL households still lack access to toilet facilities at an alarming rate (47 percent and 44 percent, respectively). This is seen to be 20 percentage points lower than access rates for non-vulnerable APL households. Therefore, to ensure that SBM's saturation approach bridges that gap in

⁵⁶ The SBM has a 5-tier structure at the National/State/District/Block/Village level- with National Swachh Bharat Mission-Gramin – SBM-G at the center; the overall planning and implementation is the prerogative of State Water and Sanitation Mission (SWSM), District Water and Sanitation Mission (DWSM), Block Water Mission and Block Sanitation Mission (BSM), and Village Health Water and Sanitation Committees, at the respective levels.

practice, sound systems of social accountability and monitoring need to be developed.

- *Monitoring.* As was observed during the surveys, apart from physical and financial progress, the monthly Progress Report had provisions for tracking SC/ST/BPL beneficiaries. The states also had defined systems for social audit for specific centrally-sponsored schemes, though implementation remained a challenge. Moreover, sanitation programs were not within its ambit. Most of these concerns have been taken care of by the new SBM-G guidelines. SBM-G has provisions for ODF verification, social audits, overall progress (physical and financial) and so on. These provisions can be further strengthened to ensure SBM-G's sound principles are carried out in action during implementation.
- *Grievance redress:* The existing grievance management system is mostly inaccessible for economically vulnerable and those living in remote areas where access to both mobile and internet services are limited. This is mainly because the system is only available in English and there is lack of awareness. The existing system needs to be strengthened to make it more responsive and approachable for all sections of the population.
- *Operation and maintenance.* The survey and consultations found instances where O&M of IHHL reinforces traditional cultural practices that increase the work load of women. Responsibility for Community assets -- such as sanitary complexes, SLWM projects, and the overall cleanliness of the village -- come under the VWSC/*panchayat* but continue to be seen as jobs to be done by specific communities. While the SBM-G clearly lays out that O&M responsibilities (particularly pertaining to community toilets) are the collective responsibility of the community, there remains a need for community sensitization and monitoring of maintenance and usage to ensure that caste- or gender-based discrimination is not prevailing.

Key Program Actions

17. The key actions agreed with GoI to address the social risks and gaps identified in the ESSA are:

- (a) *Inclusive Planning.* SBM in principle addresses the risk of social exclusion through its tenet of Community Saturation and emphasis on collective action – thus ensuring coverage to everyone irrespective of vulnerability status. In order to maximize the benefit of this tenet and to ensure that the planning process is demand-driven, community participation and ownership needs to be emphasized.
- (b) *Monitoring.* Analysis of baseline data for 2012 shows that despite the government's past efforts to “target” vulnerable households and provide them access to IHHL, significant gaps still exist. Only 44 percent and 47 percent of vulnerable APL and BPL households, respectively, have access to IHHL. This is in contrast to a 64 percent (on average) access rate for non-vulnerable APL households. The SBM has

adequate scope for addressing the existing gaps *via* its Community Saturation principle, provided its implementation is effectively tracked. In this context, it is important to enhance the national government's existing monitoring system to ensure that social indicators related to sanitation -- like inclusion of the vulnerable in plans and design, usage of toilets by different social groups (based on age, gender, or caste), tracking citizen's feedback, grievance management, and land management issues are covered and documented as required. Monitoring system will also be enabled to track the reduced incidence of open defecation across different vulnerable groups as well as expenditures on inclusion of different social groups.

- (c) *Citizen's Feedback.* Thematic Social Audits are to be conducted with focus on inclusion, participation, transparency, expenditure tracking and quality control. The role and functioning of VWSCs and local groups are not to be surpassed and support is to be provided by committees at the block, district and state level. Results from the same will be used for mid-term remedial actions if required.
- (d) *Grievance Redress.* Considering the scale and targets of SBM, there is a need for specific, approachable and responsive grievance redress mechanisms for timely and efficient redress.

18. Successful completion of the key Operation actions pertaining to Environment and Social aspects will be facilitated by the PMS component of the Operation. This will mainly assist all program management and capacity building needs, such as those described below.

19. *Capacity Building.* MDWS has a capacity building plan into which social management may be integrated. Across the five levels of institutional set-up, enhancement of capacity is envisaged. Need-based incrementing of positions and specialists (social) in planning, and social mobilization for collective behavioral change towards achieving ODF status is required. A capacity development plan (detailed in the Operation Manual) has to be devised for key implementing institutions (PMU, WSSO, Water and Sanitation Units at all three tiers, Technical support units) that regularly updates their skills, perspectives on community-led sanitation, gender sensitization, decentralized decision making, transparency, and accountability.

20. The capacity building plan for social aspects will target three broad areas: perspective level, skill level and mobilization, and behavior change. The perspective-level training will be catered to administrators, elected officials, and representatives of technical and support units and will cover topics of cultural practices; sensitivity to habits; and existing class, caste and gender hierarchies in sanitation practices. Skill training will cater to Staff at the district, block and GP levels as well as elected representatives, and will cover topics on planning, monitoring, targeting, inclusion, participation, grievance redress; behavioral training will be targeted at communities, GP representatives, SHGs, and *Anganwadis*, and implementation staff at the village level and the training will discuss campaigns and information dissemination.

21. The capacity building component will also be used to train the relevant GoI counterparts on Information and Communications Technologies (ICT) tools and modules that can be seamlessly integrated with GoI's existing monitoring system and used for effective tracking of program implementation progress.

22. *Development and implementation of the Program Manual* will assist development of detailed checklists, standard operating procedures, guidelines, *etc.* to ensure adequate social inclusion, fair land acquisition (when public land is not available), transparency and accountability pertaining to all identified social aspects of the project.

23. *Program Action Plan.* In order to successfully implement the identified programmatic actions in this section, a Program Action Plan has been identified to be implemented by MDWS. The following actions should be included in the Program Action Plan (PAP):

- (a) MDWS shall strengthen environmental management practices in implementation of the SBM-G program.
 - (i) Strengthen environmental management through development of technical modules for adopting environmentally safe sanitation practices during planning, technology selection, and O&M within first year of the Operation and implementation during the program period.
- (b) MDWS shall strengthen citizen-feedback systems in SBM-G program and facilitate states in implementing the same.
 - (i) MDWS will assess and identify areas for strengthening citizen's feedback and roll out of the same over the Program period;
 - (ii) Social Audits will be rolled out over the program period, as agreed with the States; and
 - (iii) MDWS will assess and identify areas for improvement of Grievance redress systems in the first year of the Operation and roll out over the program period

24. *Stakeholder Consultations.* Consultations with states officials (at state Headquarters, district level and two blocks per district and four to six GPs per block) and communities in the five states of Rajasthan, Madhya Pradesh, Chhattisgarh, West Bengal and Odisha, as a strategic sample, were undertaken as part of Environmental and Social Systems Assessment (ESSA). Consultations were undertaken through 79 events involving 288 key stakeholders across select districts/GPs in the five States. The consultations discussed existing issues pertaining to technology, SLWM, O&M, community involvement and gaps leading to sustenance of OD. Issues identified and discussed in these consultations have been utilized to tailor the ESSA recommendations to fit needs on-the-ground.

25. On October 1, 2015 a national level stakeholder consultation was organized where the ESSA was discussed. The meeting was attended by MDWS and the States. The meeting was chaired by the Deputy Secretary, MDWS and attended by thirteen other representatives from the Ministry. High-level officials from fifteen States⁵⁷ attended the meeting. The stakeholders broadly endorsed the ESSA and its findings. There was consensus on concerns noted by the assessment on technological options, existing scope for improvement in SLWM, and the need for

⁵⁷ The participating States included: Assam, Tripura, Odisha, Uttarakhand, Andhra Pradesh, Telangana, Punjab, Haryana, Chattisgarh, Sikkim, Gujarat, Jharkhand, Tamil Nadu, Uttarakhand and West Bengal.

greater community participation for sustainability. Accordingly, the proposed action points were agreed upon.

26. Table A6-2 outlines the consultation details (sites visited, number of consultations organized, number of stakeholders who were consulted, and key issues discussed):

Table A6-2: Summary of Consultation Detail

State	Districts	Blocks	GPs	No. of Consultations	Issues Discussed
Rajasthan	Dausa	Dausa and Lal Souk	Saintha, Hingotia, Bhandarej Bicchhi, and Dayalpura	5 (122 participants)	Sanitation issues and planning in schools (specifically for SC/STs), Existing sanitation issues of OD and non-usage (general and SC communities), Program implementation and institutional challenges
	Pali	Pali and Bali	Boya, Barwa, Dyalpura, Skeadra		
Madhya Pradesh	Damroh	Tendukheda and Batiyagarh	Jhalon, Pura Karaundi, Tejgarh, Gadaula khade, and Pathariya	35 (52 participants)	Implementation issues, Technology options, M&E approach and indicators, Tracking challenges, Anganwadi and school sanitation, Program implementation and institutional challenges, Challenges of inclusion and targeting in remote areas, Community mobilization and IEC strategies, Capacity building issues. GP level discussions mainly covered – social composition, natural and water resources, coverage, gap, challenges support from district/block, ODF
	Umaria	Manpur, Karkeli and Paali	Pathaari, Nipaniya, Mudariya, Tala, and Bijauri		
Chhattisgarh	Bastar	Bastar and Tukapal	Singhampur, Karanchi, Deengarpal, Ghotiya and Turpura	22 (44 participants)	Sanitation issues and planning in schools (specifically for SC/STs), Existing sanitation issues of OD and non-usage (general and SC communities), Program implementation and institutional challenges
	Durg	Durg and Patan	Kokari, Kotani, Hanaudha, Achanakpur and Ageysara		

State	Districts	Blocks	GPs	No. of Consultations	Issues Discussed
West Bengal	Nadia	Kaliganj and Horingatha	Palitbegia, Gobra, Birohi-I and Birohi-II	1 (15 participants)	Causes and prevention of vector borne diseases; Cure for under-weight babies; Standardizing birth and death notifications; Sanitation and ODF prevention; Development of Village Health Committee.
	Jalpaiguri	Malbazar and Sadar	Rungamuttee, Rejadanga, Belacoba, South beru bari, Nagar beru bari and Kharija beru badi-1		
Odisha	Korat-pur	Pattamundai and Rajnagar	Bachehera, Aradapalli and Niginpur	16 (55 participants)	Program implementation and institutional challenges, Social mobilization. Pollution management, Capacity building and training, Staffing needs, Existing sanitation issues of OD and non-usage (especially in cyclone affected villages)
	Kendra-para	Semiliguda, Koraput and Boiparaguda	Bandaguda, Legikundi, Panasput, Mohanpara and Siribeda		

27. *Disclosure.* The World Bank and MDWS have disclosed the draft ESSA in the Infoshop and on their website, respectively. The final ESSA, incorporating comments from stakeholder consultations, has also been disclosed by the Ministry (via its website) and The World Bank (in the Infoshop) on November 10, 2015.

28. *Environmental and Social Risk Rating.* Given the scope of the Operation, its types and scale of investment, geographic focus, and previous experience with Bank projects of the central Government, the risk rating is “Moderate” from the environmental and social safeguards perspective.

29. *Conclusion.* Overall, the ESSA shows that the state’s Environmental and Social systems are adequate for the Program implementation, with implementation of the identified actions to address the gaps and to enhance performance during implementation.

Annex 7: Integrated Risk Assessment (IRA)

INDIA: Swachh Bharat Mission Support Operation

1. PROGRAM RISKS			
1.1 Technical and Operational Risks	Rating:	High	
<p>Description: Program impact may be limited unless the BCC campaign results in actual change in behavior. Measurement of campaign impacts to provide a high level of confidence for actual behavior change will be technically complex and probably expensive. The institutional capacity to implement, sustain and assess program activities needs substantial enhancement in MDWS and States.</p>	<p>Risk Management:</p> <ul style="list-style-type: none"> a) The proposed program will provide technical resources to support implementation of BCC at the national / state levels and conduct various activities; b) Program includes design support for development and updating of existing BCC strategy to ensure involvement of key stakeholders at implementation levels (State, District, Block and GPs) with broad based guidelines and toolkits to build public awareness of sanitation and hygiene; c) The design of the concurrent monitoring protocols, annual assessments, and thematic studies will place emphasis on quality implementation; and d) Bank-executed WSP and Leadership Learning and Innovation (LLI) Technical Assistance to selected states shall include support for development and rollout of BCC activities. 		
	<p>Resp: MDWS/ State Governments and Bank</p>	<p>Stage: Implementation</p>	<p>Due Date : Continuous Status: In Progress</p>
<p>Description: Some states may not implement the new approaches under the new SBM-G program thus delaying achievement of desired results.</p>	<p>Risk Management:</p> <ul style="list-style-type: none"> a) The revised set of guidelines under SBM-G program lays out details along with a framework for implementation of the new approach; b) The new SBM-G program is undertaking many initiatives to ensure that the program is implemented following the spirit of the new guidelines. This includes engaging with key stakeholders including district collectors, state level workshops, regional workshops, 360 degree media campaign, setting up Rapid Action Learning Units (RALUs), institutionalizing technologies, and promoting center-state coordination to address these constraints; c) The Program Management Unit (PMU) at MDWS and program implementation units at the State, SBM implementation units at the district level, and Blocks are being strengthened with implementation arrangements and staffing plans, to enhance administrative and financial autonomy, and to promote accountability; d) At the Central level, the M&E unit in MDWS is being strengthened to carry out independent verification assessments as well as thematic and concurrent evaluations to 		

	<p>facilitate effective program implementation;</p> <p>e) The Bank-executed, WSP-LLI Technical Assistance shall support rapid assistance in early phases to provide up-front support for capacity building, including program management and technical support consultancies; and</p> <p>f) The proposed Program has DLIs and PAPs to reorient the program towards achieving results.</p>			
	<p>Resp: MDWS/ State Governments and Bank</p>	<p>Stage: Preparation and Implementation</p>	<p>Due Date : Continuous</p>	<p>Status: In Progress</p>
<p>Description: Enhancement of MDWS role as an entity providing high quality technical assistance, guidance, knowledge management and communication-based thematic assessments, guidance and funds for achieving SBM-G goals and objectives.</p>	<p>Risk Management:</p> <p>a) The Program proposes to strengthen the PMU with additional experts to address the gaps and in the M&E Unit as a part of the proposed PMU in MDWS. Strengthening the capacity of this unit will be critical towards carrying out independent verification of SBM-G achievements, and for credible reporting on its progress to the Government and the public; carrying out concurrent thematic assessments and specific research/surveys; and providing knowledge support through training special regional resource teams to provide surge support to implementing institutions in the state, to actively pursue behavior change of communities to reduce OD;</p> <p>b) The Program Management Unit at the central level and program implementation units at the state are being strengthened;</p> <p>c) The PMU will support the strengthening of the Knowledge Resource Centers (KRCs); and</p> <p>d) The proposed program IPF component will ensure staffing requirements are met at the national level for program implementation to support achievement of program objectives</p>			
	<p>Resp: MDWS/ State Governments and Bank</p>	<p>Stage: Implementation</p>	<p>Due Date : Recurrent</p>	<p>Status: Finalized. Requirement mapping - ongoing</p>
<p>Description: SBM-G is being implemented in more than 29 States, including in States with low implementation capacity.</p>	<p>Risk Management:</p> <p>a) The Mission at the central level, and State and District Missions are being strengthened in all States. In addition, the Program will provide strategic support to these units by provision of Assistance through the Bank-executed, WSP-LLI TA in selected states; and</p> <p>b) Extensive capacity building activities will be undertaken by the Program Management Support component, especially for selected states.</p>			

	Resp: MDWS/ State Governments and Bank	Stage: Implementation	Due Date : Continuous	Status: Ongoing
2. Transparency, Accountability and Grievance Redress	Rating:	Substantial		
Description: Past experience shows that there is a need to improve citizens’ participation in planning and implementation, and reduce top-down and contractor–driven approaches. Risks of exclusion of vulnerable population, inadequate disclosure measures and grievance redress systems may not be adequately addressed.	Risk Management:			
	<ul style="list-style-type: none"> a) The SBM-G guidelines and Program design mandate creation of demand through community consultation-based planning processes for investments; b) Right to Information (RTI) Act provisions are applicable to the SBM-G program; c) Social audits, beneficiary feedback systems, public disclosure of ODF villages/GPs, and submission of supporting M&E data/reports, are included in the SBM-G Guidelines and shall be rolled out; d) An extensive public awareness campaign will be undertaken to ensure citizens use these systems to air grievances; e) The citizens feedback mechanism will be strengthened further to enhance interaction with beneficiary communities and resolve issues if any; f) Access to the grievance redress system for the SBM-G program will be strengthened by MDWS and the implementing institutions in each state, which in addition to redress of grievances, shall also consolidate the grievances and action taken reports; g) The Program’s proposed M&E systems under SBM-G covers mandatory public disclosure of all activities by the implementing agencies, functional status grievance redress systems, and various evaluations by the states and MDWS; and h) The IVA and other thematic assessments are integral to M&E functions to ensure process reforms supporting transparency and accountability are institutionalized. 			
	Resp: MDWS/States	Stage: Implementation	Due Date : Continuous	Status: Ongoing
2.1 Fiduciary Risk	Rating:	High		
Description: (a) While financial reporting systems are in place, performance audits have uncovered weaknesses in financial management in the States; and (b) The States are required to follow procurement provision as per General Financial Rules (GFRs), stores manual, and PWD manual; however, a large	Risk Management:			
	<ul style="list-style-type: none"> a) The design of the Program includes support to: improve internal control systems, enhance MIS to record physical and financial progress of the program, improve systems for strengthened M&E and expenditure tracking through Public Finance Management Systems (PFMS), develop prudent systems for fiduciary management, ensure adequate staffing, undertake procurement review, and develop and implement capacity building strategies and process reforms supporting transparency and accountability; 			

<p>volume of small-value procurements at highly decentralized and individual household levels pose challenges with respect to consistency, compliance and transparency. Given the scale, pace and volume, the limited implementation capacities are likely to affect the procurement process and outcomes.</p>	<p>b) The norms for utilization of the grant will be stipulated by the MDWS within the parameters of which expenditures will be tracked;</p> <p>c) Annual financial audits will be conducted by the state SBM-G Mission directorates and the audit report along with the Annual Financial Statement (AFS) will be submitted to MDWS on utilization of SBM-G funds transferred. This audit will also include a review of procurement compliance by the implementing institutions in the state; and</p> <p>d) Based on the findings of the Annual audits including procurement, appropriate mitigation measures to address systemic issues shall be suggested for implementation.</p>			
	<p>Resp: MDWS/States</p>	<p>Stage: Implementation</p>	<p>Due Date : Annual</p>	<p>Status: Agreed and to be rolled out</p>
<p>2.2 Environmental and Social Risk</p>	<p>Rating: Moderate</p>			
<p>Environment Risks Description: Well-formulated environmental legislations exist at the national and state levels. However, program implementation needs to be strengthened for environmental management. Study of past national sanitation programs indicates inadequate attention to SLWM activities at the village level in select locations. Poorly designed and maintained toilets, poor solid waste and liquid waste (grey and black water) management, inadequate consideration to socio-economic conditions, local hazard risks, and lack of technical and O&M knowledge of PRIs on sanitation may result in water pollution, environment degradation and health impacts.</p>	<p>Risk Management:</p> <p>a) The design of DLIs is based on the MDWS definition of ODF, that defines “safe technology” and can potentially mitigate adverse environmental impacts;</p> <p>b) SLWM as a DLI helps to ensure focused application and implementation of appropriate solid waste management and liquid waste management solutions, without which a major risk would have remained;</p> <p>c) Strengthening of institutions and build capacity of MDWS and implementing agencies for environmental management and to ensure environmentally sound decision making;</p> <p>d) Development of implementation support tools to address issues of environmental management during design and management of sanitation facilities;</p> <p>e) Increased training and awareness building activities -- to ensure inclusion of provisions for insulation from climate vulnerability and disasters in vulnerable areas -- during the planning stage by the implementing agencies; and</p> <p>f) Strengthening of monitoring and surveillance mechanisms to monitor environmental impacts of program interventions, including water quality and environmental legislation.</p>			
	<p>Resp: MDWS/ State Governments & Bank</p>	<p>Stage: Implementation</p>	<p>Due Date : Continuous</p>	<p>Status: Ongoing</p>

<p>Social Risks Description: SBM-G has a macro-level mandate with a community saturation approach, whereby everyone within the village gets coverage. This ensures that the program covers everyone irrespective of households' vulnerability status (that is with respect to caste, gender, disability and so on.). However, historical and baseline data from the past sanitation programs of the government shows that vulnerable Below Poverty Line (BPL) and Above Poverty Line (APL) households still lack access to toilet facilities at an alarming rate (47% & 44%, respectively). Therefore, the saturation approach of SBM may bridge this gap in practice. Systems for inclusion, social accountability and monitoring need to be developed.</p>	<p>Risk Management:</p> <ul style="list-style-type: none"> a) The focus on community approaches will be further strengthened to ensure that there is no exclusion of vulnerable groups; b) Strengthen the national government's existing monitoring systems to include social indicators; c) Thematic Social Reviews will be conducted with focus on inclusion, participation, transparency, expenditure tracking and quality control; d) The citizens' feedback mechanism will be strengthened further to enhance interaction with beneficiary communities and resolve issues. if any, arising during implementation of the SBM-G program; e) Strengthen the existing Grievance Redress mechanism and citizens' feedback -- through communication campaign --to ensure access to all beneficiaries; and f) Enhance implementation agencies' capacity by supporting staffing needs, sensitization and skill training and behavioral change workshops. 			
	<p>Resp: MDWS/ State Governments & Bank</p>	<p>Stage: Implementation</p>	<p>Due Date : Continuous</p>	<p>Status: In progress</p>
<p>2.3 Disbursement linked indicator risks</p>	<p>Rating: Moderate</p>			
<p>Description: DLIs will not be able to capture the entire program complexity.</p>	<p>Risk Management:</p> <ul style="list-style-type: none"> a) DLIs are being drafted on a systematic approach to achieve the SBM-G goals, objectives and targets in close discussion and coordination with the MDWS and implementing agencies to ensure that disbursements reflect the verified achievements; b) Annual sanitation surveys conducted by an independent third-party are expected to ensure objective measurements of performance; and c) The Ministry of Statistics and Program Implementation (MOSPI, GoI) shall be the Quality Assurance Agency for validating the design and methodology, and the annual Independent Verification process. 			
	<p>Resp: Bank, MDWS and States</p>	<p>Stage: Implementation</p>	<p>Due Date : Annual</p>	<p>Status: In Progress</p>
<p>3 OVERALL RISK RATING: Substantial</p>				

Annex 8: Program Action Plan

INDIA: Swachh Bharat Mission Support Operation

1. MDWS shall annually conduct a National Rural Sanitation Survey, carried out by independent agency/agencies, to measure performance of all the States and make disbursements based thereon to them; and the MDWS shall publicly report on the findings of the survey.			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	(a) MDWS appoints and retains critical minimum personnel to manage and supervise the first and subsequent National Rural Sanitation Surveys	MDWS	Annual Rural Sanitation Survey Results are made public every year. Performance grants (based on survey results) are announced and disbursed to states.
	(b) The selected independent agency carries out sanitation survey and presents results to MDWS by June 30th in each financial year		
	(c) MDWS makes results public and announces the performance incentive grants awarded to qualified states.		
	(d) MDWS transfers the performance grants to the states by July 31st every year.		
2. MDWS, shall roll out fiduciary management practices and ensure that annual audits of accounts are conducted by states in accordance with SBM-G guidelines			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	(a) Roll out of Public Finance Management System (PFMS) in States during the Program period by the states	MDWS/ States, UTs	Annual Progress Reports
Covenant	(b) Annual audits to confirm that Procurement implementing agencies in the State have consistently followed procurement provisions of the State Delegation of Financial Power Rules issued by the respective State Department of Finance and or General Financial Rules (GFR) of Government of India and Government orders (as applicable) over the Program period	Auditors recruited by State Governments, Union Territories	Annual Audit Reports during the Program Period
3. MDWS shall prepare and implement Behavior Change Communication annual action plans at the national level; and provide support for this to States.			

DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	(a) MDWS shall update BCC strategy and implement annual action plans at the national level during the Program Period.	MDWS	Annual Progress Reports.
Covenant	(b) A BCC mid-line assessment before MTR (Apr 2018); and one before program Closure (March 2020) completed.		Assessment Reports
4. MDWS shall strengthen citizen-feedback systems in SBM-G program and facilitate states in implementing the same.			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	MDWS will assess and identify areas for strengthening citizen's feedback and roll out of the same over the Program period.	MDWS States, UT	Annual Progress Reports
5. Social Audits Rolled out			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
	Social Audits rolled out over the program period, as agreed with the states	MDWS, States, UT	Annual Progress Reports
6. Enhance Grievance Redressal Management Systems			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	Assess and identify areas for improvement of Grievance redressal systems in first year of the Operation and roll out over the program period	MDWS, States, UT	Assessment and Annual Audit Reports
7. MDWS shall strengthen environmental management practices in implementation of the SBM-G program			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement

Covenant	<p>Strengthen environmental management through technical modules for adopting environmentally safe sanitation practices during planning, technology selection, and O&M within first year of the Operation; and implemented during the program period</p> <p>Communication packages on sanitation and SLWM incorporate environmental aspects by Dec'16.</p>	MDWS	Annual Progress Reports
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Annex 9: Program Management and Capacity Building Component

INDIA: Swachh Bharat Mission Support Operation

1. A Program Management and Capacity Building Support (PMS) component will be financed using the Investment Project Financing (IPF) loan for an amount of US\$25 million. Implementation under this component will be managed in accordance with OP/BP 10.00. The PMS component will be dedicated to financing a specific set of technical assistance activities. The objective of this component is to strengthen MDWS for effective management of the program at the national level through development of systems and processes for coordination and management of SBM-G and the Bank-financed Program under this investment. Since the Program is applicable across India covering 29 States and 7 UTs, substantial program management, monitoring and evaluation requirements are critical to ensure satisfactory achievement of the Disbursement Linked Indicators (DLIs) and related Program Action Plan (PAP) activities, as well as SBM-G's goals and objectives, in a time-bound manner. The Program requires adequate resources to be allocated to and by the states to their respective implementing agencies for implementation of the program. Several critical measures and practices will be put in place for improved sanitation practices, behavior change communication interventions, technical solutions, training and capacity building on various functions. Extensive technical support will also be provided for streamlining utilization, reporting and audit of the funds allocated and to streamline for increased transparency and accountability in program implementation. Building capacities of implementing institutions in the states is critical to ensuring the successful implementation of SBM-G.

2. To achieve the above, through this investment, MDWS will be supported in: (a) strengthening the existing Program Management Unit (PMU) with key experts to enhance the management and role of MDWS; (b) policy development, capacity building, communication strategies, monitoring and evaluation activities; and (c) introducing and strengthening the process of third party independent verification assessment of achievement of DLIs in this Operation. This PMU will have the technical responsibility and supervision over the execution and performance of the consultancies.

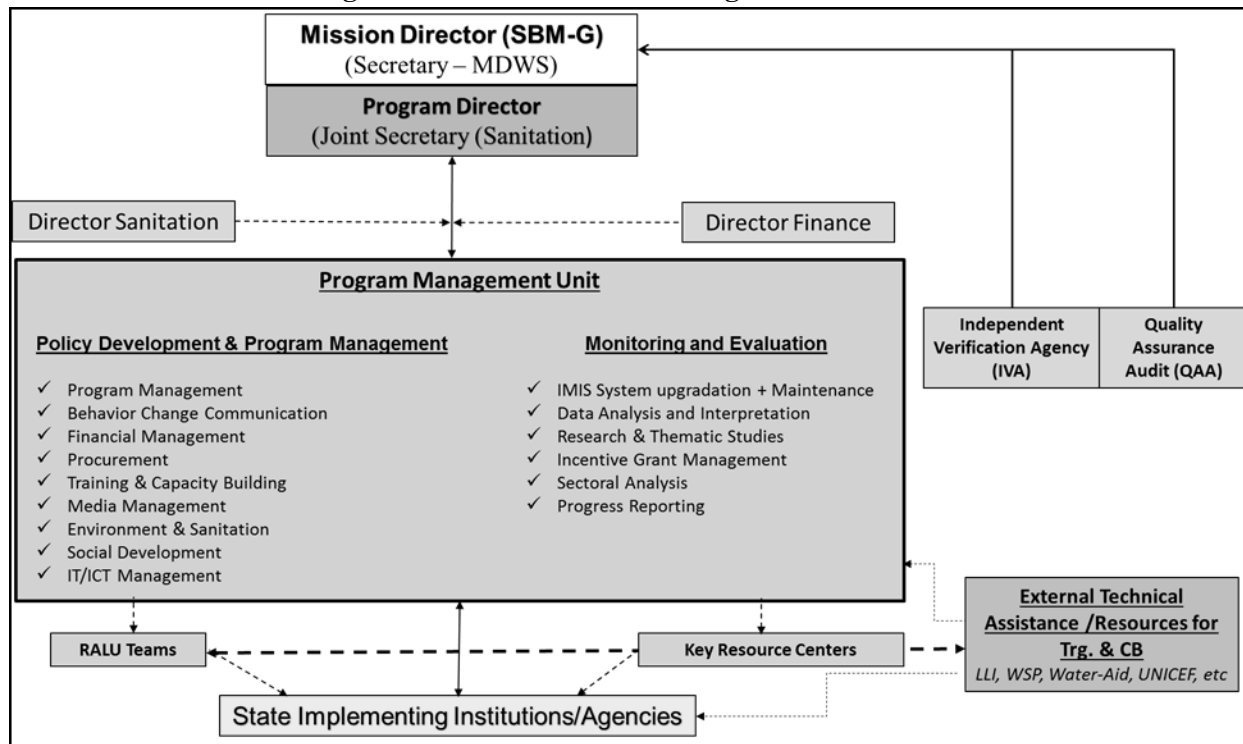
3. The overall role and responsibilities of the PMU will be primarily to strengthen the various functions of MDWS to enable it to manage, deliver, and support the following:

- development of master resources for training and capacity building;
- development of strategies and the action plans for behavior change communications (BCC);
- development of knowledge management, documentation and communications activities for adoption both at the national level and States to accelerate implementation;
- improvements in the MIS to improve reporting arrangements;
- administration of human resources, procurement and financial management under the program;
- development of a robust monitoring and evaluation system to collect, analyze, verify and report on progress of sanitation in the country using a variety of sources and survey studies;

- exploring and implementing change management approaches to address implementation bottlenecks, drafting supporting policy amendments (if any required) to effect these changes, and documenting both successes and failures to disseminate the same to State implementation units for enhancement of their knowledge and capacities to undertake corrective measures;
- strengthening of day-to-day Program Management; and
- establishment of governance and accountability, and grievance redress systems practices both at the MDWS and in the implementation institutions in the states.

4. The Mission Director, headed by the Secretary is the nodal person of the SBM-G. The Joint Secretary, of the SBM-G program in MDWS will head the PMU and will be the Program Director of the Operation. The Program Director will be responsible for the day-to-day execution of the operation. The Program Director will be supported by the Director of Sanitation and other Director Level Officers (Finance), including other existing officers in charge of Administration & Human Resources, M&E, and so on. In addition, the Unit will be supported with a Program Management Consultant⁵⁸ (PMC), comprising a firm with a composition of professionals in various faculties to support the Director and the PMU on day-to-day basis to facilitate SBM-G implementation. The structure of the institutional arrangements is shown in Figure A9-1, below.

Figure A9-1: Institutional Arrangement Structure



5. **Program Management Unit (PMU).** The primary functions of the PMU shall be Program Management and Monitoring & Evaluation, supported by a combination of teams from

⁵⁸ A firm will be recruited for the purpose.

Government sources and external experts (*as required by MDWS*) but not limited to the composition detailed in Figure A9-1.

6. The external experts proposed to be engaged in the PMU includes but is not limited to: (a) Communication Specialists; (b) Knowledge Management and documentation specialist; (c) Environment and Sanitation Engineer; (d) Finance-cum-Grant Management Specialist; (e) Social Development Specialist; (f) Data Analysts; (g) Training and Capacity Building Specialists; (h) Information Technology and Engineering Services Specialists; and (i) Procurement Specialist.

7. The principal tasks for the units under the PMU include but are not limited to the following:

Program Management

Policy and Planning

- review the annual implementation plans (AIPs) submitted by the states, and assist the States in improving their quality. These AIPs shall include investment proposals, annual work plan and related data district-wise, implementation plans, sequenced activities proposed to be taken up by the institutions, roles and responsibilities of the institutions in implementation, procurement plans, financial requirements, and necessary justification for the same proposed by the states; and
- develop Policies based on the outcomes and recommendations from the Annual Sanitation survey results, concurrent sectoral thematic assessments, and so on.

Management

- prepare and update the Program Operations Manual (POM) for the Operation;
- provide oversight on program progress, monitoring overall progress and outcomes;
- strengthen program management capacity and coordination at the national level through hiring of key human resources to accelerate the implementation. This is crucial taking into consideration the scale of the program;
- coordinate with various Ministries in the GoI, State SBM-G Mission Directorates, other implementation institutions/units, and other partners in the sector;
- monitor the physical and financial progress of the program including reporting, auditing, and consolidation of semi-annual progress reports incorporating IVA results;
- provide financial management of the program for MDWS, financial reporting, and coordination with various state implementation units;
- undertake procurement for consultancies, and other administrative requirements, including disclosures of procurements by the PMU;
- strengthen program governance and accountability systems at the national level, issue guidelines to states for strengthening citizen feedback systems, enhance grievance redress processes, and provide guidance for establishment of social audits

mechanisms in the states. In order to promote transparency and social accountability, IT-enabled and other platforms will be strengthened;

- ensure that mechanisms are in place to comply with the requirements set forth in the Program Operation Manual (POM) and other manuals developed for enhancing the quality of program implementation and results;
- facilitate the rollout of training and capacity building programs of institutions/partners;
- provide periodic, collated reports as solicited by the Mission Director; and
- facilitate organization of workshop, conferences, and consultations as required from time to time by MDWS at the direction of the Mission Director and Program Director.

Training and Capacity building

- develop core technical resources for training and capacity building to enhance implementation capacities of implementing institutions and to facilitate achievement of the desired output of DLIs;
- develop training and capacity building modules in collaboration with sector partners/stakeholders and roll them out for State SBM-G Mission Directorates;
- provide capacity support on fiduciary, social and environmental aspects to State implementation units to strengthen service delivery and implementation performance. Specialized trainings and key master trainings on specific themes will be provided to implementing institutions/agencies at state levels;
- provide knowledge management and documentation of the various interventions undertaken in the program including lessons learned and course-corrective measures to improve program implementation, *etc.*;
- train and build the capacity of Knowledge Resource Centers (KRCs) to assist in capacity building of implementing institutions in the States and to provide demand-based support to State-level implementing institutions;
- provide training and capacity building support to States in the areas of community leadership and demand stimulation, and triggering for collective behavior change, technological options for rural sanitation, and capacity support for fiduciary, social and environmental aspects; and
- build the capacity of State-level implementation units to facilitate rolling out of PFMS, initiate BCC activities, strengthen community-level leadership efforts, and enhance planning and M&E processes as well as data collection, *etc.*, as finalized by MDWS;
- conducting exposure visits of key officials/stakeholders to areas which have successfully implemented ODF initiatives and institutions that have facilitated and played key roles in propagating and building capacities to achieve ODF goals; and
- conduct international exposure visits of key stakeholders to study and analyze roles of institutions in sustaining ODF initiatives.

Behavior Change Communication activities

- update a comprehensive ODF BCC strategy, and implement it across the country (using mass media, social media and other outreach tools/platforms);
- engage creative professional firms/individuals team (as required) to design innovative campaigns to implement of BCC strategies and change management on Swachh Bharat activities nationally;
- coordinate with and support State-level campaigns including capacity building and targeted training in communications for behavior change and mobilization of community leadership;
- provide inputs to M&E unit for capturing BCC influence on toilet usage from IVA and other assessments; and
- develop and implement national-level communications through print, visual, social sites and other such mass media to reinforce mass behavior change messages across States in India.

Monitoring and Evaluation

8. Given the scale of the program and the resources to be deployed for implementation, a comprehensive and robust monitoring and evaluation system in MDWS is critical to assess implementation results and enable MDWS and state institutions to take course correction measures during program implementation, as required and agreed with MDWS. To support the above, the PMS component will:

- strengthen the current M&E system of the SBM-G program at the national level to capture timely, relevant and reliable information on implementation progress, and concurrent monitoring and thematic assessment results, facilitating assessment of program effectiveness and progress;
- facilitate improvements in the MIS supporting the program by capturing and analyzing relevant data collected and uploaded by the implementing institutions in the states and other assessment teams engaged by the PMU for thematic assessments. The MIS will port-in data from other implementation modules, namely: training, procurement and financial management, grievance redress application and monitoring, *etc.* The system will be able to generate results and reports to aid decision-making, and for use in identifying bottlenecks in implementation;
- set up a robust and credible independent verification protocol -- for collection and processing of data required for assessment and validation of key performance data against achievements of DLIs -- through independent third-party Agency/Firm(s) and related quality assurance audits thereof;
- undertake concurrent monitoring through thematic assessments, specific studies, midterm report and end line report, *etc.*, to cover critical processes of State and local level planning, community mobilization and leadership development, behavior change, and monitoring of process indicators thereof; and
- provide periodic, collated reports as solicited by the Mission Director.

Institutional and Implementation Arrangements

9. The implementation arrangements for PMS will be the same as for the Program, excepting for procurement and disbursement procedures, where Bank procedures shall be followed. In consultation with MDWS, it has been agreed that all procurement (primarily of consultancy services) and financial management responsibilities for PMS will vest with MDWS.

10. The World Bank's assessment is that the MDWS needs augmentation of human resources to fulfill its procurement and financial management responsibilities as defined under OP/BP10.00, and that the proposed arrangements (i.e., flow of funds, budgeting and accounting, internal controls, interim and annual reporting and external audit) as detailed below are adequate.

Procurement

11. The procurement under the component shall be carried out at the national level by MDWS. To enhance their capacity, MDWS proposes to hire a Project Management Consultant for undertaking various functions including procurement. MDWS shall ensure that all the procurement under the component is carried out as per agreed processes and procedures. Procurement experts shall assist MDWS in: (a) procuring under the PMS; (b) providing necessary training for capacity building at different levels; and (c) providing all procurement-related support like management information, monitoring, review of field reports, *etc.* for management information and decisions.

12. Procurement for the PMS will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Consulting, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, Revised July 2014 (Consultant Guidelines). Based on the activity to be executed under each contract to be financed by the proposed Loan, appropriate procurement methods or consultant selection methods shall be adopted. The estimated costs, prior review requirements, and implementation time frame agreed between the Recipient and the Bank project team is reflected in the Procurement Plan. The Procurement Plan would be updated at least annually or as required to reflect the actual project needs during implementation.

Procurement Activities

13. *Consultancies.* Most of the procurement activities envisaged will be limited to consultancy services such as hiring of Program Management Consultants (PMC), Independent Verification Agency/ies (IVAs), Creative communication consultants, M&E, PMC, annual sanitation survey, and so on. Short lists of consultants for services estimated to cost less than US\$800,000 or equivalent per contract may be composed entirely of national consultants. The Bank's Standard Request for Proposal (RFP) document shall be used for all procurement of consultancy services to be procured under the Project.

14. *Goods* procured under the project may include IT Equipment (e.g., computers, printers and servers), software, office equipment, furniture and fittings.

15. *Model Procurement document.* MDWS shall use model documents as agreed with the Bank for all procurement under the PMS.

16. *Procurement Staff.* The Program Management Consultant (PMC) at MDWS shall include procurement official(s) to facilitate procurements of MDWS under the Operation. The selected official would be attending procurement training regarding Bank Procurement.

17. **Internal controls include:**

- *Disclosure.* Disclosure of all procurements shall be made in accordance with the provision of the above-mentioned Bank guidelines; and
- *Complaint-handling mechanism.* On receipt of complaints, MDWS would take immediate action to acknowledge the complaint and redress within a reasonable time frame. All complaints would be addressed at levels higher than that of the level at which the procurement process was undertaken. Any complaint received would be forwarded to the Bank for information and the Bank would be kept informed after the complaint is redressed.

18. *Procurement Plan (PP).* MDWS has prepared a draft 18-month Procurement Plan for the Operation which provides the basis for the procurement methods and thresholds for prior review by the Bank. This Plan has been agreed between the Recipient and the Bank’s Operations team. . This will be published on the Bank’s external website and made available in the Operations file.

19. *Prior or post review.* As per the agreed thresholds specified in the Procurement Plan, the procurements shall be prior reviewed by the Bank. All other procurement undertakings are subject to post review.

20. *Methods of procurement.* The following methods of procurement (Table A9-1) shall be used for procurement under the PM&CB component of the project.

Table A9-1: Procurement Methods

Category	Method of Procurement	Threshold (US\$ Equivalent)
Goods and Non-consulting services (excluding IT contracts)	International competitive Bidding (ICB)	=>US\$3 Million
	National competitive Bidding (NCB) ⁵⁹	Up to 3,000,000 (with NCB conditions)
	Shopping	Up to 100,000
	Direct contract	As per para 3.7 of Guidelines
Consultants’ Services	CQS	Up to 300,000
	Single source selection (SSS)	As per para 3.8-3.11 of Guidelines
	Individuals	As per Section V of Guidelines
	QCBS/QBS/FBS/LCS	for all other cases

⁵⁹ Subject to additional provisions agreed from time to time as listed in the Procurement Plan.

Category	Method of Procurement	Threshold (US\$ Equivalent)
	For contracts less than US\$800,000 the shortlist may comprise of national consultants only	

Financial Management:

21. *Budget and flow of funds.* The project will be budgeted on the expenditure side (15 digit budget code) at the Union level under an identifiable budget head item (separate from the Program for Results (PforR) component) under SBM-G of MDWS. At the detailed head level, the budget coding system followed by GoI will allow for project-specific activities to be incorporated in a manner that will facilitate the accounting and reporting of expenditures from the Principal Accounts Office (PAO)'s consolidated "Monthly Accounts" itself. The detail heads will be aligned to the Project's detailed cost tables and this will facilitate monitoring of actual expenditures against the project allocations.

22. *Internal controls.* The internal processes for obtaining technical and financial sanctions and making individual payments requires multiple levels of approvals and follows several steps – these are, however, well established and time-tested procedures. All primary supporting documentation will be appropriately maintained to facilitate *ex post* reviews and the annual external audits. GoI's 2005 General Financial Rules (GFR) provides the required control framework for procedural transaction control over individual items of expenditure and receipts. The GFR also provides detailed guidance on internal controls including safeguarding of cash, control over inventories, segregation of duties and delegation of authority for approvals and operating the bank accounts. The same will apply to the project. Internal audit is conducted by the Internal Audit unit headed by the Chief Controller of Accounts on a bi-annual basis.

23. *Accounting and reporting.* The primary accounting for expenditures and maintenance of records at the central level is done by the Pay & Accounts Office and Principal Accounts Officer. After the end of each month, the Principal Accounts Office, sends a consolidated "Monthly Accounts" for MDWS to the Controller General of Accounts (CGA). The monthly accounts statement reports the budget code-wise expenditure incurred/disbursed during the said month along with the cumulative figures from the start of the current financial year. At the end of each financial year the principal accounts officer compiles the "Annual Accounts" of MDWS and sends the same to the CGA.

24. *Interim and annual reporting.* MDWS will be responsible for submission of quarterly Interim Unaudited Financial Reports for the purpose of reimbursement of expenditure incurred under the PM&CB component. These will contain information by component and activity. Reports will be prepared on a cash accounting basis and will be submitted to the World Bank no later than 45 days after the end of each quarter.

25. *Disbursement procedures.* Disbursements from the IBRD Loan for the PMS (Project) component would be based on quarterly interim financial reports.

26. *External audit.* The annual financial statements of MDWS are audited by C&AG. Since the Performance Incentive Grant fund is proposed to be released through the annual budget channel of the Government of India, the same auditing arrangements shall apply. The annual

audit will be conducted by the C&AG Office as per the TORs issued by the Ministry of Finance (Department of Economic Affairs) *via* their Office Memo F. No. 17/7/2006-FB-II on March 20, 2009, prescribing “Terms of Reference” to be adopted for all audits conducted by C&AG on the financial statements of World Bank-assisted projects.

27. The financial management activities of the PMU shall include but not be limited to: preparing the consolidated annual budget and revisions thereto for MDWS based on the AIPs submitted by the States; providing grant management support to the Performance Incentive Grant Scheme, managing the overall fund flow, and coordinating the sanction of funds to the states and partner agencies; carrying out financial and procurement audits and preparation of financial disclosures for IPF component; rollout of PFMS in states; and provision of related training and support services.

Annex 10: Implementation Support Plan

INDIA: Swachh Bharat Mission Support Operation

1. The World Bank will provide continuous implementation support to MDWS, focusing on compliance with DLI disbursement requirements and related implementation challenges. The Operation supports an ambitious time line and promises the achievement of significant reduction of open defecation with sustained behavior change. Making the Operation successful will require more than just financial incentives. The Bank will need to commit significant resources and deploy multidisciplinary teams with the right skill sets and dedication to constantly support the client in facilitating and steering changes.

2. The main challenge for the MDWS will be to stimulate actions at the state levels and below. Unless the states make rapid shifts and demonstrate significant improvements in their implementation and delivery mechanism, results may not be delivered in a timely manner which may have consequences at the national level but also in terms of triggering payments from the Program-funded Incentive Window. The team recognizes that the PforR mode of operation, which transfers performance risks to the implementing agencies, thus presents a challenge to change many operational practices and norms, particularly at the local level.

3. The main thrust of the Bank's implementation support will, therefore, be concentrated on the overall implementation quality and on making the performance-based incentive system work to its fullest potential. This support is going to come from routine supervision missions and additional Bank Executed Technical Assistance (BE TA) delivered by the Water GP through its Water and Sanitation Program (WSP) in collaboration with the Leadership, Learning and Innovation (LLI) team. The Operation hinges significantly on the monitoring systems, verification systems, and the capacity of states to plan for and implement the SBM-G program (e.g., effective behavior change communication). The support will include reviewing implementation progress and achievement of the Program results and the performance of the DLIs, providing support on resolving Program implementation issues, monitoring the adequacy of states performance and monitoring compliances with legal agreements; supporting MDWS in monitoring the risks, and continuously providing technical support through the Bank-executed TA (i.e., through WSP); and exploring ways to engage with states through on-going other Bank-supported operations and all other channels to enhance capacities of implementing agencies, including with respect to citizens' engagement.

4. The key to the effectiveness of the implementation support will be the coordination at the MDWS on critical steps in planning, timeliness in execution of activities at the national level and especially the cycle of verification processes and reporting of results and thereafter payment requests to the World Bank. While the MDWS and the state governments have considerable experience in setting guidelines and implementing centrally-sponsored schemes and supporting them, the performance-based transfer instrument and assessment mechanisms of the Operations will be a new function. The priority will be to strengthen MDWS to institutionalize the capacity to manage the performance-based incentive mechanism and, more broadly, to enhance the capacity of MDWS to develop strategies and other capacity building products to improve the effectiveness of planning and implementation of SBM-G, using clearly defined, measurable, and achievable results as a reference framework. The POM will serve as the guidelines for the

Operation and a key reference for the 30 states. The Bank’s support for the development of the POM will be a key area of technical assistance. It is also anticipated that the MDWS will also require support to analyze and integrate lessons learned in National Annual Surveys, to enable them to rollout corrective steps at the national level.

5. The first implementation support mission should commence soon after the Board approval to ensure that many of the upstream actions are in place, including state-level consultations. This will also include the induction of critical resources at the national level and related trainings of personnel and consultants; finalizing the sanitation survey protocols, schedules, and survey methodology; development of capacity building plans; and creation of annual performance assessment plans and schedules. It is critical to have early involvement of technical experts in addition to the social, environmental and fiduciary teams. Experts on managing large-scale survey protocols, M&E, and behavior change are required for supporting the Government with respect to the massive roll-out plans. In the first year, three implementation support and follow-up technical missions will be undertaken. The Mid Term Review of the operation will be held not later than September 2017.

Table A10-1: Main Focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Finalize design of performance assessment systems; upgradation of MIS system at Program Management Unit (PMU) at MDWS; Procurement of consultants for various specialized services including Program Management Unit; First round of IVA and QAA to be completed; Develop national level strategies for training, & capacity building, and BCC/IEC Finalise Program Operations Manual (POM)	Legal; M&E; procurement; financial management; social; environment; technical ; institutional; behavior change experts;	3 implementation support missions and 3 technical missions 3x 10 experts x 1.5 weeks =45 weeks In addition 3 x 5 people x1 week = 15 weeks Total 60 persons week over 12 months	Joint missions
12-48 months	Reviewing implementation progress, cross checking results; support to MDWS-PMU in verification mandate; monitoring of key Program systems; monitoring of compliance with legal covenants	Legal; M&E; procurement; financial management; social; environment; technical ; institutional; behavior change experts; economics	2 implementation support mission per year and midterm review 2x 10 experts x 4 years x 2 weeks =160 weeks In addition 2 x 12 people x 2 weeks = 48 weeks	

Time	Focus	Skills Needed	Resource Estimate	Partner Role
			Total 208 weeks over 48 months	
Other	Independent audits, assessments of verification results,	Independent technical experts	5 people for 8 weeks total 40 weeks	

Table A10-2: Task Team Skills Mix Requirements for Implementation Support

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Legal	10	n/a	Country office
Fiduciary	25	10	Country office
Environmental	25	10	Country office
Social	25	10	Country office
M&E	30	10	International
Procurement	25	10	Country office
Program Management	30	15	Country office
Technical	50	15	International/country
Institutional	30	10	International/country
Behavior change communications	25	10	International/country

Bank Executed TA in Select States

6. The Bank Executed Technical Assistance (BE TA) will be implemented by WSP and LLI supporting the SBM operations. The principles that are cross-cutting for technical assistance are scale, sustainability and inclusion. The scope of the BE TA will be primarily focused on supporting select states with carefully-targeted TA for MDWS. The TA will provide support for achieving results at scale to reduce open defecation, sustaining ODF villages and increasing villages with SLWM practices. In addition, the TA will help facilitate coordinated effort across the World Bank Group to develop shared agendas for leveraging resources, addressing sanitation, and meeting the development outcomes.

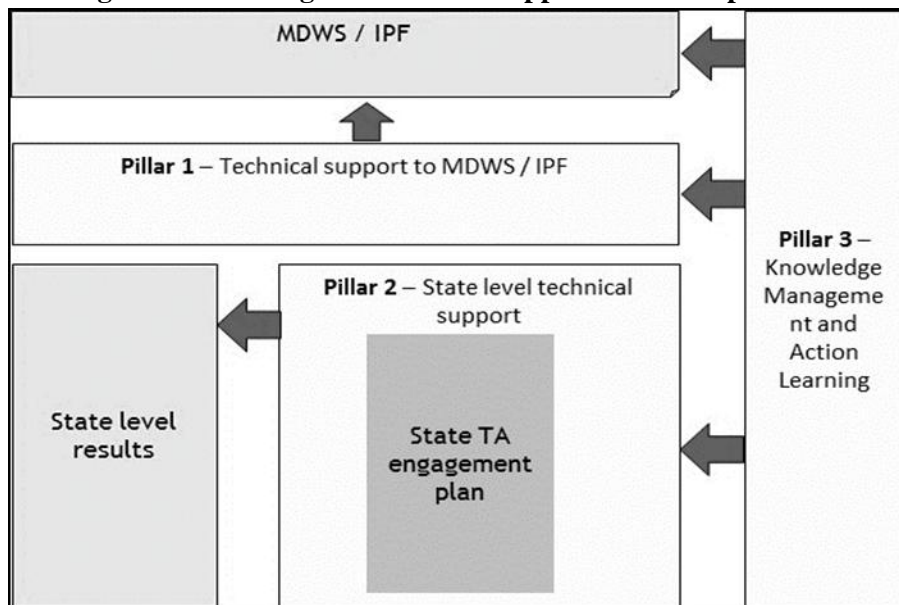
7. The TA is structured around the three pillars :

- **Pillar 1 – Support to MDWS.** In response to the Ministry’s needs from time to time, the BE TA will support high-quality, international standard technical expertise, particularly on issues pertaining to Monitoring and Evaluation, training and knowledge management. The TA will also assist in operationalizing the National Rapid Action Learning Unit (RALU) and bringing in international experiences in managing high quality and innovative methods of capacity building. Finally, the TA will facilitate national-level coordination between stakeholders to ensure harmonization of activities for amplification of SBM results.
- **Pillar 2 – Support in select states.** The majority of the technical assistance will be targeted towards states. The BE TA will provide support to around eight states in a

phased manner to align and strengthen their institutional capacity to accelerate and rapidly scale up state-level implementation.

- **Pillar 3 - Support for knowledge management and action learning.** The TA will also support knowledge management and action learning across states to inform scaling-up. Support will be provided for surfacing and supporting innovations, systematic knowledge sharing, institutionalizing capacity building, and facilitation of partnership development.

Figure A10-1: Programmatic TA Support to SBM Operations



8. Figure A10-1, above illustrates that the activities under the three pillars will function in close collaboration and will be fully integrated so as to create maximum synergies for support to SBM operations. In particular, the third pillar will be working closely with both the national and state pillars, bringing additional value through scaling-up techniques and institutionalization of capacity building. At the national level the activities under Pillar 3 will contribute to capacity building through the IPF, with technical support as needed from the national pillars. In the states, Pillar 3 will provide fully-integrated and specialized inputs to increase the scale and efficiency of capacity building programs, learning and knowledge management, and support to institutional strengthening.

Technical Assistance to MDWS

9. The BE TA will provide limited and carefully calibrated support to MDWS to strengthen learning and knowledge sharing among various implementing agencies and stakeholders. This will enable evidence-based decision making and course corrections. Support will be provided for systematic knowledge sharing, including dissemination of good practices, documenting lessons, and facilitating action learning. Knowledge exchanges and peer-to-peer learning across states as well as relevant international exchanges will be supported. Innovative approaches with potential to scale will be surfaced and supported. To institutionalize knowledge management, support will

be provided to enhance the capacity of in-country knowledge and training institutes to scale up and sustain capacity building efforts. The approach will be to also strengthen the capacity of a few training institutions to make them knowledge hubs/centers. Collaborations and partnerships with other development partners, corporations, youth networks and so on, will be strengthened and leveraged to catalyze a movement for behavior change for sanitation.

Technical Assistance to States

10. Selected States will be supported through comprehensive long-term technical assistance. These states will be selected in consultation with MDWS. However, priority will be given to states where the absolute number of people practicing OD is high; past performance has been poor; and states which have ongoing TA programs.

11. A state-level TA engagement plan will be developed on the basis of a detailed technical assessment and in close collaboration with the state government. The focus of the TA engagement plan will be on providing support to the institutional strengthening and alignment to ensure scale and sustainability of SBM outcomes. The state engagement plan will ensure that the potential synergies between the strengths and capacities of WSP and LLI are fully utilized. In particular, technical assistance will be provided in the following areas:

- Support will be provided to strengthen and align existing institutional capacity in key areas such as: planning, design and implementation of behavioral change communication strategies and plans, updating state-specific sanitation strategies and standard operational procedures, improvement of financial flows, monitoring, evaluation, and action learning, and the strengthening of supply chains.
- Facilitation of large-scale capacity development will be done by institutionalizing capacity development through key resource centers and providing these centers with well-designed capacity building modules and programs. Special attention will be given to development of collaborative leadership skills.
- It will be important to undertake demonstration, documentation, monitoring and action learning, and evidence building for scale and sustainability.

12. The arrangements for the comprehensive technical assistance to states are shown in Figure A10-2, below. The state coordinator is central to the technical assistance in the state. The coordinator will manage and guide a technical support unit at the State level and will be accountable for results in the state. The technical support unit will closely collaborate with the state nodal department(s) and will develop partnership with development partners and WB-financed projects. Some of the members of the technical support units may be placed in divisional headquarters.

Figure A10-2: Institutional Setup State Level TA Support

