PARTNERSHIP FOR SOUTH ASIA

ANNUAL REPORT 2012

GROWING TOGETHER
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ACRONYMS

ADB  Asian Development Bank
AUD  Australian Dollar
AUSAID Australia Association for International Development
BE  Bank Executed
CAS  Country Assistance Strategy
CBO  Community Based Organization
DBO  Design Build and Operate
DFC  Dedicated Freight Corridor
GDP  Gross Development Product
GHG  Green House Gases
GII  Gender Inequality Index
GoI  Government of India
GoSL  Government of Sri Lanka
IFG  Infrastructure for Growth
IFGI  Infrastructure for Growth Initiative
IRAE  Independent Review of Aid Effectiveness
JIT  Just in Time
JMP  Joint Monitoring Program
JWP  Joint Work Program
KDP  Kecamantan Development Program
KUWSP  Karnataka Urban Water Supply Modernization Program
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>LA</td>
<td>Local Authority</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MC</td>
<td>Municipal Councils</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>MIS</td>
<td>Management Information System</td>
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<td>MLARR</td>
<td>Management of Land Acquisition and Rehabilitation</td>
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<td>MSME</td>
<td>Medium, Small, and Micro Enterprise</td>
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<td>MTR</td>
<td>Mid Term Review</td>
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<tr>
<td>NARI</td>
<td>Northern Area Reduction of Poverty Initiative</td>
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<tr>
<td>NCR</td>
<td>National Capital Region (Delhi)</td>
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<tr>
<td>NEHRP</td>
<td>North East Housing Reconstruction Program</td>
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<tr>
<td>NELSIP</td>
<td>North East Local Service Improvement Program</td>
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<tr>
<td>NER</td>
<td>North East Region (India)</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>NGRBP</td>
<td>National Ganga River Basin Program</td>
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<tr>
<td>NRLM</td>
<td>National Rural Livelihoods Mission</td>
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<tr>
<td>NWSSDB</td>
<td>National Water Supply and Drainage Board</td>
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<tr>
<td>O&amp;M</td>
<td>Operation and Maintenance</td>
</tr>
<tr>
<td>OC</td>
<td>Operating Costs</td>
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<tr>
<td>ODA</td>
<td>Overseas Development Assistance</td>
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<tr>
<td>ODF</td>
<td>Open Defecation Free</td>
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<tr>
<td>ODU</td>
<td>Organizational Development Unit</td>
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<tr>
<td>PC</td>
<td>Provincial Councils</td>
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<tr>
<td>PCG</td>
<td>Partial Credit Guarantee</td>
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<tr>
<td>PCN</td>
<td>Project Concept Note</td>
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<tr>
<td>PDD</td>
<td>Project Design Document</td>
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<tr>
<td>PFSD</td>
<td>Policy for Decentralization and Service Delivery</td>
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<td>PFSA</td>
<td>Partnership for South Asia</td>
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<td>PMU</td>
<td>Project Management Unit</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<tr>
<td>PPPP</td>
<td>People Public Private Partners</td>
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<td>PS</td>
<td>Pradeshiya Sabhas</td>
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<tr>
<td>PSP</td>
<td>Private Sector Participation</td>
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<tr>
<td>RE</td>
<td>Recipient Executed</td>
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<tr>
<td>RWS</td>
<td>Rural Water Supply</td>
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<tr>
<td>RWSS</td>
<td>Rural Water Supply and Sanitation</td>
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<tr>
<td>SAGE</td>
<td>South Asia Gender Initiative</td>
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<tr>
<td>SAR</td>
<td>South Asia Region</td>
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<tr>
<td>SARC</td>
<td>South Asia Region Countries</td>
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<td>SIF</td>
<td>Sanitation Incentive Fund</td>
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<td>SIG</td>
<td>Sanitation Incentive Grants</td>
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<tr>
<td>SL-NE WASH</td>
<td>Sri Lanka North East Water, Sanitation and Hygiene</td>
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<td>SO</td>
<td>Social Observatory</td>
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<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>TF</td>
<td>Trust Fund</td>
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<td>ToT</td>
<td>Training of Trainers</td>
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<tr>
<td>UC</td>
<td>Urban Councils</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<tr>
<td>USAID</td>
<td>United States Association for International Development</td>
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<tr>
<td>UTF</td>
<td>Umbrella Trust Fund</td>
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<tr>
<td>UWSS</td>
<td>Urban Water Supply and Sanitation</td>
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<tr>
<td>WDR</td>
<td>World Development Report</td>
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<tr>
<td>WHO</td>
<td>World Health Organization</td>
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<tr>
<td>WSI</td>
<td>Water and Sanitation Initiative</td>
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<td>WSP</td>
<td>Water and Sanitation Program</td>
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<tr>
<td>WSS</td>
<td>Water Supply and Sanitation</td>
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<td>WUA</td>
<td>Water Users Association</td>
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ACKNOWLEDGMENTS

The first Annual Report of the AusAID-World Bank Partnership for South Asia Umbrella Trust Fund (UTF) presented here consists of three sections: the Main Report, an Annex with financial data and results frameworks and a Briefs section which provides a short brief on each activity funded. The report covers all five windows of the UTF. The report is designed and structured under the communications strategy adopted by the UTF. The strategy focuses on use of multi-media to present results and the report includes photos from projects and QR codes of videos and photo essays to link printed material to visual media. The report has been prepared by the PFSA Secretariat led by Tara Sharafudeen, Program Manager and main author. Nicola Vesco, Communications Specialist worked on the design and Nishtha Mehta, Knowledge Specialist assisted with the writing and editing of the report. Information for the report was also provided by the respective task leaders, Shideh Hadian for SL-NE WASH, William Kingdom for WSI-India, Seenithamby Manoharan for NELSIP and Jennifer Soltaroff for SAGE.
The Partnership for South Asia (PFSA) is an innovative umbrella trust fund (UTF) set up by the South Asia Region (SAR) of the World Bank. The key words to note here are “partnership” and “umbrella.” The UTF is a strategic partnership between AusAID and SAR for sustainable development in South Asia. The concept of an umbrella provides a framework that embraces the entirety of the partnership. The UTF grew out of an active five-year partnership between AusAID and SAR. This partnership commenced in 2007 with the first trust fund (TF) the Policy Facility for Decentralization and Service Delivery (PFDSF). This was followed by the Infrastructure for Growth Initiative (SAR IFGI) in 2008. Over the past five years, these two TFs have been successfully managed by the Bank. AusAID conducted independent evaluations of these two TFs and found that the relevance, effectiveness and sustainability of the tasks funded was high. The solid relationship built up over the past five years has served both partners well, and has laid the foundation for a stronger partnership to improve development outcomes in South Asia.

In anticipation of this and the proposed scale up of Australia’s Overseas Development Assistance (ODA) an innovative idea in donor partnerships was conceptualized in the form of an umbrella TF –the AusAID-World Bank Partnership for South Asia or PFSA for short. The TF was signed into existence in May 2011 and consolidates the region’s partnership with AusAID under one framework TF. It allows both partners to open windows under the TF depending on strategic priorities. It prevents fragmentation by consolidating all of AusAID funds under one UTF allowing them to gauge the impact of their partnership within the Bank and the region. It also provides a vehicle for AusAID to quickly scale up the partnership with the Bank.

1.1 BACKGROUND

The Partnership for South Asia (PFSA) is an innovative umbrella trust fund (UTF) set up by the South Asia Region (SAR) of the World Bank. The key words to note here are “partnership” and “umbrella.” The UTF is a strategic partnership between AusAID and SAR for sustainable development in South Asia. The concept of an umbrella provides a framework that embraces the entirety of the partnership. The UTF grew out of an active five-year partnership between AusAID and SAR. This partnership commenced in 2007 with the first trust fund (TF) the Policy Facility for Decentralization and Service Delivery (PFDSF). This was followed by the Infrastructure for Growth Initiative (SAR IFGI) in 2008. Over the past five years, these two TFs have been successfully managed by the Bank. AusAID conducted independent evaluations of these two TFs and found that the relevance, effectiveness and sustainability of the tasks funded was high. The solid relationship built up over the past five years has served both partners well, and has laid the foundation for a stronger partnership to improve development outcomes in South Asia.

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1.2 WHY AN UMBRELLA TRUST FUND?

The umbrella TF is an innovative concept in partnership arrangements and PFSA is the first umbrella TF facility at the World Bank. In May 2012, a year after the PFSA UTF became operational, four global multibankUTF pilots were launched by the Bank to road test this concept at the World Donors Forum. In March 2011, the Bank’s Independent Evaluation Group had highlighted the fragmentation of the Bank’s TF portfolio and the need for greater consolidation of TF operations. Consolidating and focusing the partnership with the Bank was also of importance and value to AusAID, in line with the recommendations of the Independent Review of Aid Effectiveness (IRAE) 2011 conducted by the Government of Australia. The IRAE stressed selective efforts, effective partnerships, focus on results, feedback, the need for transparency, and coordination across the whole of government.
The UTF approach seeks to consolidate and streamline all of the SAR’s trust funds with a single donor - AusAID - under one umbrella facility. This allows for greater effectiveness, efficiency and flexibility. It deepens and strengthens the partnership and avoids fragmentation of AusAID’s efforts through the mushrooming of numerous small trust funds often within the same unit leading to multiple and often overlapping priorities. Sub-units negotiate these TFs independently without examining the broader impact on the Bank’s strategy and work program or on development outcomes and results in the region. On the Bank’s side the cost of processing, monitoring and reporting to the same donor on multiple trust funds is high. For AusAID too, tracking several TFs through numerous focal points at the Bank is a time consuming and a less efficient way of managing aid for results. Under the UTF fund flows from AusAID are easy to track and report for both partners. Aside from consolidation and greater focus the UTF structure allows for increased strategic flexibility both in terms of how the TF operates and in the scope of the sectors, themes and activities funded. It brings together funding for multiple sectors under the Bank’s Sustainable and Human Development networks under one overarching umbrella. It also allows for strategic priorities of AusAID and the Bank to be funded as they arise by flexibly opening and closing of windows under the TF. The benefit of the UTF for both partners is evident at multiple levels. It leads to more strategic and focused fund raising by the Bank and fund transfer by AusAID. It also allows for more flexible funding to areas of key strategic importance, which increases development effectiveness, operational alignment, efficiency, and improves results. It enables better administration and management of the funds. It gives both the Bank and AusAID a composite picture of their engagement in the region. It also enables the partnership to be more strategic, in scaling up the partnership to build a best practice in aid effectiveness.

1.3 STRUCTURE OF THE UTF

The UTF is a programmatic engagement with AusAID that covers all the countries in the South Asia region - Afghanistan, India, Pakistan, Nepal, Bangladesh, Bhutan, Sri Lanka and the Maldives. It mirrors the Sustainable and Human Development Networks of the Bank that are important partners of AusAID. It also encompasses multiple sectors - urban development, rural development, water supply and sanitation, energy, transport, social development, environment, health and education. Windows can be opened by sector (WSI-India) or across sectors (IFG), by country (SL-NE WASH) or/and by region (SAGE). Under each window themes for funding are decided based on a Concept Note in Bank parlance or, a Project Design Document as required by AusAID. Windows can be opened through exchange of a simple letter of amendment signed by both partners. This avoids the lengthy processing of separate Trust Fund proposals as would be the case if separate TFs were required for each window. Currently the umbrella has five windows. All these windows come under the Sustainable Development department. Three of these windows are Bank Executed (BE) where funds are utilized directly by the Bank. Two of the BE windows are regional in scope and cover the whole of SAR, whereas one focuses on India. Besides the three BE windows, there are two Recipient Executed (RE) windows that focus on one country - Sri Lanka. The next section describes both these type of windows in detail.

A - BANK-EXECUTED WINDOWS

Water and Sanitation Initiative (WSI) India: is the original window that set up the UTF in June 2011. It provides support for policy advocacy for WSS sector reforms in India and for the design, implementation, and monitoring and evaluation of Bank projects that support these reforms. It has a corpus of AUD 4.5 million.

South Asia Gender Initiative (SAGE): this window has a funding of AUD 2 million. The main objective of this window is to mainstream gender across all sectors and support gender informed policy making in the region. This window was also activated in June 2011.

Infrastructure for Growth Initiative (IFG): the window has a pledged amount of AUD 20 million, of which AUD 11.35 million has been received. It supports infrastructure delivery in two sectors - energy and transport. IFG has two key focus areas that cover the entire region - regional economic integration and climate change. It is the newest window of the UTF and was set up in June 2012.
B - RECIPIENT EXECUTED COUNTRY WINDOW FOR SRI LANKA

Both the recipient executed windows cover Sri Lanka. In RE windows, funds are transferred to the client government for implementation of projects. The windows fund projects in the post-conflict North-East region of Sri Lanka. They include a WASH pilot in two districts in the Northern and Eastern provinces, and the co-financing of the North East Local Services Improvement Project (NELSIP), which covers the entire Northern and Eastern provinces. This is the first co-financing of a Bank project in South Asia by AusAID.

**SL-NE WASH Window**: this window has a corpus of AUD 2.3 million and funds a pilot to provide water & sanitation facilities and hygiene education for households in two districts in the North and Eastern Provinces in Sri Lanka.

**North East Local Services Improvement Project (NELSIP)**: AusAID is co-financing the $86 million Bank project with an additional AUD 28.6 million. The project provides basic infrastructure and strengthens the capacity of local government for accountable service delivery. It also supports communities in holding their local governments (LG) responsible.

Together the five windows have a pledged amount of AUD 53.66 million. The contribution received from AusAID up to June 2011 is AUD 29.62 million. See Table 1 PFSA UTF Amount Pledged and Contributed for details by window.

<table>
<thead>
<tr>
<th>UMBRELLA TF WINDOW</th>
<th>PLEDGED AMOUNT</th>
<th>RECEIVED AUD MILLIONS</th>
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<tbody>
<tr>
<td><strong>BANK-EXECUTED</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WSI</td>
<td>4.50</td>
<td>4.50</td>
</tr>
<tr>
<td>SAGE</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>IFG</td>
<td>20.00</td>
<td>11.35</td>
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<tr>
<td><strong>A. SUB-TOTAL</strong></td>
<td><strong>26.50</strong></td>
<td><strong>17.85</strong></td>
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<tr>
<td><strong>RECIPIENT-EXECUTED</strong></td>
<td></td>
<td></td>
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<tr>
<td>SL-NE WASH</td>
<td>2.30</td>
<td>2.30</td>
</tr>
<tr>
<td>NELSIP</td>
<td>24.86</td>
<td>9.47</td>
</tr>
<tr>
<td><strong>B. SUB-TOTAL</strong></td>
<td><strong>27.16</strong></td>
<td><strong>11.77</strong></td>
</tr>
<tr>
<td><strong>TOTAL (A+B)</strong></td>
<td><strong>53.66</strong></td>
<td><strong>29.62</strong></td>
</tr>
</tbody>
</table>

Table 1 - PFSA UTF Amount Pledged and Contributed
LIMIT GENDER INEQUALITIES IN SOUTH ASIA TO ENSURE EQUITABLE AND INCLUSIVE DEVELOPMENT

BRING SUSTAINABLE AND HIGHER QUALITY WATER SUPPLY & SANITATION SERVICES TO INDIA

PROMOTE REGIONAL INTEGRATION, SERVICE ACCOUNTABILITY, AND CLIMATE SMART DEVELOPMENT IN SOUTH ASIA

BRING HIGHER QUALITY WATER SUPPLY AND HYGIENE SERVICES TO SRI LANKA’S NORTH EAST REGIONS

PROMOTE INCLUSIVE ECONOMIC GROWTH AND ACCOUNTABLE SERVICE DELIVERY IN SRI LANKA’S NORTH EAST REGIONS

PARTNERSHIP FOR SOUTH ASIA

Diagram 1 - PFSA UTF Structure


1.4 THE OPERATING ENVIRONMENT IN SAR

The operating environment in the region is the background against which the impacts and results of the UTF should be gauged. The issues that need to be taken into account to achieve sustainable development outcomes include the recurring motif of conflict and fragility, the lack of inclusive growth and the complex political economy of implementing reforms in South Asia. These problems are often interlinked. The lack of inclusive growth has resulted in lagging regions in all South Asian countries. These regions are often the areas where conflict develops due to the resentment resulting from inequitable development. The complexity of delivering services also increases in a fragile conflict or post conflict environment.

Conflict and Fragility: is a recurring theme in the region and is particularly troubling since SAR has the largest concentration of poor people in the world - close to 450 million - living on as little as a dollar a day. Conflict hotspots are present in most countries in the region. Conflict is endemic in Afghanistan and intermittent and persistent in parts of Pakistan and in India’s red belt. The region also includes two post conflict countries - Sri Lanka and Nepal. In both countries, and in particular in Sri Lanka, conflicts ended fairly recently and there continues to be the need to tread carefully. This has affected the way tasks are delivered, and it has often made it difficult to field missions to Afghanistan and Pakistan, due to the security situation in these countries. Conflict is endemic in lagging regions that are often on the borders of countries like the NE region in Sri Lanka and the NE region in India. These conflicts often spill over borders making regional economic integration more difficult in South Asia. The problem of delivering results in this difficult environment is one that governments and development partners have been grappling with. The IFG window is funding the first regional study to examine how services can be delivered under conditions of conflict and fragility in South Asia.

The lack of inclusive growth: while South Asia has been among the fastest growing regions of the world for the last two decades, there is increasing concern that growth is bypassing lagging regions and communities, especially women and the poor. There is persistent inequality in the region and the lack of voice and accountability prevents citizens from holding service providers accountable or exercising their client power. The problems created by lack of social inclusion and accountability in the region are clear from the sporadic but continuing low level violence plaguing many of the lagging regions in India. All the windows of the UTF are addressing this issue through tasks that support increased access to services and social and economic inclusion. This includes the design of the first national program in India for improving access to water supply and sanitation in the rural areas of low income states, the task addressing gender differentiated housing in Bangladesh, and activities focused on women’s access to Urban WSS services, and women’s labor force participation in India, Sri Lanka and Bhutan.

The Politics of Sector Reforms and Governance: is complex and reinforced by a vicious cycle of weak policy and institutions leading to poor sector governance and accountability. These governance issues are compounded by the technical, financial and capacity challenges of service providers leading to a lack of access, especially for lagging regions and communities. Where access is available, the service is often poor and irregular, which affects the integrity of the entire network. Poor service provision, coverage and inequitable pricing traps utilities in a loss-making cycle. Consumers lack voice and are unable to hold service providers accountable. Breaking free of these cycles requires strong political will to undertake the necessary sector reforms.
These reforms are held back by the lack of understanding of key policy and institutional issues, and the inability of stakeholders to arrive at a consensus on the reforms needed. This makes policy dialogue aimed at facilitating sector reforms key to achieving high quality and sustainable service delivery. This process has to however be initiated and directed by client countries. Development partners like the Bank and AusAID can only facilitate this reform process. The reform process is a transformation that involves multiple stakeholders. It is an iterative and long-term process in a region where quick regime changes often result in claw backs. For instance scaling up to 24x7 water supply city wide requires not just technical changes but also institutional and policy reforms. The change of government in the state of Karnataka in India where this is being attempted resulted in the Bank team scrambling to present to the new government the policy changes required for the scale-up that had been agreed upon with the previous leadership.

1.5 IMPACTS

Though the UTF is only over a year and half old, it has already helped to scale up the relationship between the two partners and has started to bear preliminary results. The impact of the UTF can be gauged at multiple levels - at the level of the client, the Bank and AusAID.

1.5.1 - MULTIPLE IMPACTS OF THE UTF

FOR THE CLIENT - It is providing consistent support for the institutional and policy reforms for better service delivery focused around improved connectivity (water and sanitation, transport and energy), regional economic integration, and climate change. It is also starting to help integrate gender issues in policy-making and improving voice and accountability for the delivery of services. These are supported by more effective and timely technical assistance, capacity building, knowledge sharing, networking, learning from regional and global best practices, and maximizing innovations, synergies and knowledge across regional and sectoral boundaries in South Asia. These impacts will be seen more in the future as tasks are completed.

Some of the key tasks that are supporting sector reforms include the design of the National Program for RWSS in Low Income States in India, the Bhutan gender work that is informing discussions on the country’s 11th Five Year Plan, and the work strengthening capacity for gender differentiated housing in Ministry of Housing and Public Works in Bangladesh. The RE windows of the UTF are enabling access to basic services in the post-conflict areas of Sri Lanka.

FOR THE BANK - It has raised the quality of the Bank’ work program, by providing additional value, and by increasing the scale and scope of Bank’s work. It has provided the flexibility needed to respond to client needs more quickly and effectively. It has led to a more evidence based and effective policy dialogue, backed by more and better analytical work. It has leveraged the Bank’s policy dialogue and lending for greater impact. It has helped the Bank think outside the box and be more innovative. It has also allowed the development and strengthening of new business lines. The UTF has managed to impact the Bank’s entire pipeline of lending and TA in the energy, transport and climate change sectors. These impacts are illustrated in the section on adding value.
FOR AUSAID - It has helped build greater focus into the relationship with the Bank, and a higher level of dialogue and partnership. It has enabled AusAID to assess the impact of its entire partnership with the Bank in South Asia. The UTF also delivers value for money by enabling a high expansion strategy and delivering effective performance with less administrative costs. Targeting aid through the Bank has enabled AusAID to leverage substantive reforms in South Asia and to be at the table when these reforms are being discussed. It has extended AusAID’s reach in areas where they have less experience and presence. The UTF has allowed AusAID to scale up activities and results and facilitated access to global knowledge and expertise.

1.5.2 - RESULTS AND OUTCOMES

In slightly over a year of operations the UTF has already started yielding preliminary results and is having a strong impact on the Bank’s work program and on the partnership itself. The results and outcomes for the entire UTF are illustrated in the section below.

ADDED VALUE - There are several instances where the UTF is adding value to the Bank’s portfolio. This includes greater mainstreaming of gender into the Bank work program through the SAGE window and by having gender as a cross-cutting issue across all the UTF windows. Some of the work funded in this regard includes the mapping of all youth and gender activity in the region and analytical work in all SAR countries to fill in data gaps, and to facilitate greater understanding of gender issues. The work on gender in UWSS, which is a less investigated sub-sector as compared to gender and RWSS, falls in this category. The benefit assessment of the pilot 24x7 water supply in demonstration zones of three cities in India is vital to the design of a Bank project that will scale up this initiative to the level of the entire city. By providing evidence of the gender impacts of continuous water availability, it has allowed for better targeting of gender in the scale up project. The UTF is also enhancing the design of the project by assessing PPP modalities for continuous water supply.

INCREASING SCOPE AND SCALE - There is considerable evidence to show that the UTF has increased the scale and scope of Bank’s work beyond what would normally be possible. It has allowed the examination of the impact of good asset management on scaling up to 24x7 water supply in cities. The lack of operations and maintenance of built assets is a major lacuna in infrastructure delivery in the region. This results in poor and unsustainable service delivery and resource inefficiencies in having to build the same infrastructure over and over again. The sustainability framework developed for WSS projects in Karnataka state in India is another step in this direction. This framework can be applied to WSS projects across the region. The UTF has enhanced the Bank’s ability to look at things more holistically across sectors and regions. This is exemplified by the policy dialogue and analytical work on sustained WSS delivery in the National Capital Region of Delhi (NCR). The NCR encompasses the entire capital territory of Delhi as well as areas surrounding it, in the four adjoining states of Punjab, Haryana, Uttar Pradesh, and Rajasthan. With a total area of about 33,578 km, it is the world’s second largest urban agglomeration by population behind Tokyo, and the largest by area. As a part of GoI’s urban growth strategy, several urban complexes have been developed as counter magnets to Delhi. The availability of water is crucial to the growth and lives of the 22 million people who live in the NCR.
The UTF has made possible an assessment of WSS services in 11 cities and key metro complexes for an informed policy dialogue on area wide reforms. Another example is the greater ability to look at water quality and availability across the entire water use cycle. Currently water issues are divided across three sectors at the Bank – water resources management including watershed management is with the environment and water resources team, irrigation with the agricultural team, and drinking water with the WSS team. The teams normally operate in silos and do not address issues across the water use cycle. The UTF has started to help move the region to a more integrated approach. It has funded an analysis in the desert state of Rajasthan, which examines the competing claims for water. In a low water environment, the lack of prudent management of watersheds and the overuse of water for irrigation, due to the subsidies provided for the power needed to pump water, is leading to a shortage of drinking water in cities. A study funded by the UTF allowed an assessment of the trade offs and hard political decisions needed to provide drinking water in the state. It brings together a range of broad water sector issues including climate change that potentially affects water yields, irrigation efficiency, and agricultural productivity, along with traditional issues of good governance and service sustainability.

The UTF also funded an in-depth examination of gender and economic development in India as a follow up to the WDR 2012 Gender Equality and Development’s country case study on India. The draft report is currently being finalized. There has been considerable interest in the findings as an input into policy making by key economic ministries in India including the ministries of Finance, Commerce, Labor and Social Welfare among others expanding the debate across sectors.

TRANSFORMATIVE NATIONAL PROJECTS - The design, implementation and monitoring and evaluation of several projects that will have a transformational impact on people’s lives in South Asia are being supported by the UTF. This includes the scale up of the pilots of continuous water supply in three cities in India. The pilot had resulted in a huge amount of interest, from the media and from other cities interested in replicating the initiative. This project is expected to have a domino effect on WSS delivery in the region. The availability of continuous water supply will also transform lives through better sanitation and health. It will also reduce the time women spend collecting water, freeing up time for more productive work. Another such project being designed and funded by the Bank is the new national program for RWSS in the lagging states of India. This again will impact economic development and improve access to services in low-income states in India. In particular, it will have a positive impact on women’s lives in states where the position of women is among the lowest in the region. The UTF is funding key analytical work including on gender impacts to inform the design of the project. The National Ganga River Basin Project (NGRBP) is also being supported through the design of the first net positive energy sewage treatment plant in India and through capacity building of agencies at the national, state and city levels. The project aims to reduce pollution in this trans-boundary river of India and Bangladesh. At 2,525 km, the Ganga is the longest river in India and the second largest in the world in terms of water discharge (1). The reduction of pollution in the river, which is the fifth most polluted river in the world, will have a massive impact on the productive lives of the 400 million people who live in its basin (2).

1 - The Ganga: water use in the Indian subcontinent, by Pranab Kumar Parua, p. 33
2 - Kalpana “Ganga is dying, pollution the killer.” Greendiary.com, 2007
Similarly in the energy sector the design of the North East Region Transmission and Distribution Project is being supported through technical assessment of the utilities, and through key studies on gender impacts, the political economy of service delivery in a lagging post-conflict region, and the development of a communications strategy to make the changes more acceptable to key stakeholders and the public. The project will cover 6 of the 7 states in the NE region. It will have a substantive impact on the entire region, which has 40% of India’s hydro-power potential. It will open up regional trade with Bangladesh and other countries. The impact evaluation of Northern Areas Reduction of Poverty Initiative (NARI) in Bangladesh which provides technical and life skills to poor women from lagging regions planning to join the garment sector, will allow for the scale up of the project to other regions and sectors in the country. It will enable the design of projects to increase women’s labor force participation in other countries of the region.

**INNOVATION** - The UTF is supporting the scale up innovations and addressing frontier issues in development. This includes scaling up of 24x7 water supply city wide in three cities in India, when, currently, no city in India has continuous water supply. The issue of women and mobility has become central to the debate around gender equality in the region, in particular regarding the security of women while using public transport. The study of the pilot women-only bus services in Lahore and Dhaka cities will examine whether these services can be scaled up. For the first time in South Asia, the work on masculinity and gender relations will highlight the voices of men leading to a paradigm shift in the discourse on gender equality. The funding of the Social Observatory (SO) in the National Rural Livelihood Mission (NRLM) in India has put in place a comprehensive and thorough learning system incorporating various monitoring and evaluation tools to measure change, assess the effectiveness of the project, and pinpoint design and implementation challenges. The SO combines techniques pioneered by the Progresa/Oportunidades project in Mexico, and the randomized roll-out of interventions with baseline, mid-term and follow up surveys, along with process and participatory monitoring emphasized in the Kecamantan Development Program (KDP) in Indonesia. In addition it builds on experience with ICT tools for data collection by the District Poverty Initiatives Project (DPIP) in Andhra Pradesh India. The SO combine these methods in an innovative way for integrated learning to improve program design. The UTF is also supporting the first Partial Credit Guarantee (PCG) issued by the Bank in the region to allow Power Grid, the national transmission company of India and a key player in regional energy trade deals, to access international financial markets. This is only the second PCG issued by the Bank. It will also set a precedent for private sector participation in the energy sector for other infrastructure companies. In this category also falls the pilots of the first Bank projects to incorporate GHG accounting in the transport sector.
NEW LINES OF BUSINESS - The UTF has enabled the Bank to develop and expand its work in the urban WSS sector. It has also allowed the Bank to move into new areas, such as sewerage and solid waste management (SWM). It has allowed for a greater focus on PSP and PPPs in the RWSS, UWSS, transport and energy sectors. A basin wide approach to cleaning up rivers is being piloted through the support to the NGRBP. The UTF is also supporting the first youth and gender mapping in the Maldives and Sri Lanka and allowing for men’s voices to be heard in the discourse on gender relations.

FLEXIBLE FUNDING MECHANISMS - Built into the UTF have enabled rapid and high quality response to client requests for assistance. Normally the Bank’s budget is heavily programmed and in a flat budget situation funds are not easily available for quick responses. The availability of flexible funds from AusAID enables the Bank to think outside the box for greater creativity. The innovative Just in Time facility within the UTF windows has funded in time TA to assist the government of Uttarakhand in India to look at options for reform of the WSS sector and to enable the government of Maharashtra again in India to look at the financial implications for municipalities of its state wide UWSS reforms.

LEVERAGING FOR RESULTS: FINANCIAL AND NON-FINANCIAL - In the short period of its existence the UTF has boosted the impact of its funding through leveraging Bank lending, the national programs of client countries, and funds from other development partners. In this manner, a total of $14.46 billion has been leveraged against allocations of $5.80 million. The ability to mobilize large-scale investments with financing leveraged from capital markets and the private sector as is the case with the PCG for Power Grid is an addition to this leverage. See Table 2 Additional Funds Leveraged. Details of the amount leverage by each activity and window of the UTF can be found in the separate Annex section of the report.

<table>
<thead>
<tr>
<th>WINDOW</th>
<th>ALLOCATIONS</th>
<th>FUNDS LEVERAGED</th>
</tr>
</thead>
<tbody>
<tr>
<td>WSI</td>
<td>3,356,479</td>
<td>5,553,642,000</td>
</tr>
<tr>
<td>SAGE</td>
<td>1,568,221</td>
<td>5,901,293,200</td>
</tr>
<tr>
<td>IFG</td>
<td>1,670,000</td>
<td>3,073,050,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,594,700</td>
<td>14,527,985,200</td>
</tr>
</tbody>
</table>

The non-financial leverage provided is often overlooked but is equally important. A key part of this leverage is the access to global knowledge, networking and better knowledge generation and dissemination. Each task funded is required to have a dissemination strategy. Several workshops have been organized to share the knowledge generated from funded tasks, some of which have been attended by AusAID staff. The workshops include the national workshop on PPPs in Sewerage at the request of the Ministry of Urban Development, India, state-level workshops to discuss suitable PPP options for RWSS in the state of Andhra Pradesh in India, the launch workshop for the regional study on energy security and trade among others. South-South knowledge exchanges include the JIT TA to the Government of Uttarakhand that allowed the Bank to bring in the Brazil experience of WSS reforms. AusAID is also leveraging Bank processes, its expertise and global reach, and its established relationships with clients in the region. The convening power of the Bank in coordinating development partner efforts at the regional, sectoral and country levels in response to trans-boundary challenges such as regional integration and climate change has also to be taken into account while assessing the leverage provided by the partnership.
The UTF, by scaling up the partnership and by its breadth and depth, calls for higher levels of reporting and management. To enable better program administration and management, a program secretariat has been constituted with a communications specialist and a part-time knowledge specialist. The team has risen to their first challenge and successfully organized the first Annual Partnership Meeting in April 2013 and the launch of the national centers of excellence in the Management of Land Acquisition and Rehabilitation (MLARR) via video links to Lahore, Dhaka, Delhi, and Hyderabad. Based on a press release prepared by the secretariat media in India, Pakistan, and Bangladesh, covered this event. The newspaper reports have been shared with AusAID. Newspaper articles and press releases have been shared with AusAID.

An innovative communications strategy has also been developed which will use multiple media formats for better reporting of outcomes. This includes the development of high-quality briefs on key tasks funded, videos, photo essays, blogs, and a dedicated website to be commissioned in September 2013, which will make information on activities and results achieved available via the site and social media. The briefs and informational material developed are being shared separately. The first annual report of the UTF has also set a higher standard in reporting and presentation of data backed by additional communication materials, including photos and videos of projects and tasks funded. See Highlight 1 for more details on the communications strategy.
HIGHLIGHT 1
COMMUNICATING STORIES OF CHANGE

The role of communications in presenting key messages and results is often overlooked outside advertising. An effective communications strategy disseminates results, while generating support through knowledge sharing and collaboration among stakeholders. The PFSA secretariat is executing an innovative communications strategy that will increase the quality, scale and scope of reporting on results and deepen the engagement of key stakeholders. The strategy will ensure that the audience understands clearly what the partnership does, the results achieved, and the challenges faced. It aims to draw stakeholders into the partnership’s vision and mission in a meaningful way by sharing not only numbers, but also the beautiful stories of hope and change that lie behind them. Interactivity is key and the target audiences in the region, as well as AusAID and the Bank are not seen as passive receivers of information but active parts of a two-way conversation. Lessons learned, best practices, innovations, along with opinions from experts and local communities that benefit from the interventions funded will be highlighted and shared through new media - social media, the Internet, and mobile gaming platforms - and through multiple media formats - briefs, reports, video blogs, docustories, photo essays and a dedicated website. Some of the communications tools are:

- **VISUAL IDENTITY**: to create a brand for the UTF as an entity that the two partners have built together. The PFSA UTF logo is a symbol of the partnership and will be used along with the logos of the two partners on all communication materials.

- **WEBSITE**: the new PFSA website www.PartnershipForSouthAsia.org to be launched in September 2013 will be an integrated online platform to highlight data and multimedia content linked to the activities funded. Interactivity and visual content will be ensured through photo and video blogs, social media (Twitter and YouTube), webinars, and photo essays.

- **BLOG AND SOCIAL MEDIA**: the PFSA blog and Twitter account will feature different voices from within and outside the Bank. Through the contribution of guest bloggers, team members from the field, international experts, and beneficiaries, the Partnership’s social media presence will attract visitors to the website, develop media coverage, and, eventually, create a deeper interest in the activities supported in the region.

- **SOCIAL GAMING**: with mobile phones representing the primary access point to the internet in South Asia, mobile gaming applications will be used as an effective way to engage and deliver information to local communities and youth (edutainment strategy) particularly on key themes like climate change.

- **SEMINARS AND WEBINARS**: will create a knowledge space for sharing information and results and for debating issues in relation to the thematic areas funded.

- **REPORTS, BRIEFS AND NEWSLETTERS**: the strategy includes two types of reports; a comprehensive annual report and shorter quarterly briefs and newsletters providing highlights and “at-a-glance” information. In order to foster engagement and add storytelling value to the content, the materials will emphasize photos and data visualization through info graphics etc. The latest QR-code technology has been utilized to make interviews and video stories accessible directly from the printed materials.

The integration of these diverse tools will position the PFSA UTF as a leading partnership in South Asia. By focusing on interactivity and storytelling, the strategy will transition towards an innovative use of traditional and online communications, guaranteeing increased awareness, interest, and engagement among all key audiences.
1.7 STRENGTHENING THE PARTNERSHIP

The UTF has played a key role in strengthening the relationship between the partners by raising the strategic focus of the partnership within both organizations. It is now possible to estimate in one place and at a glance, the impact of this partnership on development outcomes in South Asia, and on the Bank and AusAID. AusAID has started to maintain a program register of its partnerships with the Bank, while the Bank is also closely following the partnership with AusAID. An Annual Partnership meeting has been added to foster greater face to face interactions between the partners. The first such high-level discussion between Scott Dawson, FADG for West and South Asia, AusAID and John Henry Stein, Sector Director, Sustainable Development, World Bank took place in April 2013. A Joint Work Program (JWP) that covers all three sectors in SAR and focuses on PPPs, water resource management, education and decentralization in Pakistan is being developed. This is being facilitated by the program manager and discussions have taken place between the focal points on both sides to firm up the JWP. Besides this, the UTF has led to more regular discussions at the operational level between the Program Managers on both sides.

More needs to be done to bring the education and health sectors in the Bank under the UTF and to bridge the gap between the country and regional programs on the side of AusAID so that the two programs reinforce each other. Though there was an initial enquiry regarding placing the partnership on education in Sri Lanka under the UTF, it was later decided by the Post and the sector unit to set up an independent TF. This limits the umbrella facility to covering only one sector defeating the goal of consolidation of the partnership.

1.8 GOING FORWARD

The anticipated scale up of Australia’s aid has been postponed, however it is expected that the partnership will continue to be forward looking and that the relationship between the two partners, which has stood the test of time, will grow. The UTF structure, which embraces the whole of the partnership, requires greater strategic focus at the management and operational levels to realize its full potential. There are challenges to the scale up and within the partnership that require attention and a closer relationship between the World Bank and AusAID. This includes close links between country and sectoral programs at the Bank, and country and regional programs at AusAID. It is hoped that the early successes will be built upon in the future, cementing the relationship further.
BANK EXECUTED WINDOWS
To understand and address the issues facing India’s Water Supply and Sanitation (WSS) sector, it is important to look beyond just the access agenda to the challenge of providing quality and sustainable services. WSS services in the country are constrained by a weak policy framework resulting in poor sector governance and accountability, distorted and inequitable pricing and unsatisfactory cost recovery. The weak financial position of water utilities has resulted in insufficient maintenance of existing assets and low capital investments. These inefficient institutional and financial arrangements leave service providers weak, with poor operational incentives, and a capital works mindset based on building assets, rather than properly operating and maintaining them. The lack of focus on, and dearth of expertise around asset management adds to the losses in the sector. Poor asset management combined with poor service provision and coverage affects the utilities’ potential to improve cost recovery, trapping them in a vicious cycle of losses. This situation is further exacerbated by capacity constraints at all levels. Weak capacity and low levels of professionalization affect all tiers of government, and service providers, and (in the rural sector) Community Based Organizations (CBOs). This also impacts all stages of the project operational cycle from planning, to implementation, operations and oversight. It is clear that the resource and capacity needs of the WSS sector cannot be met only by the public sector and access to private capital and public-private partnerships are needed to improve services.

These challenges and capacity constraints are worse in the lagging regions of the country, which have the poorest access and the lowest quality of service. Within the more advanced regions too, there are vulnerable groups with limited access to water supply and sanitation services, including women and the poor. The main challenge, then, is not just of access, but of providing sustainable and quality service to all consumers. While these challenges and gaps are best understood in the water supply and sewerage sub-sectors, they are equally applicable to solid waste management and drainage.

Water Supply

Indiscriminate abstraction of ground water to compensate for poor service quality has resulted in dropping water tables. Access to drinking water is further threatened by the contamination of aquifers through untreated wastewater in urban areas and chemicals from agricultural use and irrigation recharge in rural areas. Natural contamination of groundwater with arsenic and other metals such as fluoride is also common in parts of India. Weak management of water resources, particularly in the catchments and river basin ecosystems from which water is derived, exacerbates the issues of water quality and quantity. In India, each aspect of the water use cycle is with different departments, and there is no composite examination of water use and quality. According to the Joint Monitoring Program (JMP) of WHO/UNICEF, 2012, 97 % of the country’s population has access to improved water sources. However, these figures do not tell the real story. Currently, no Indian city has continuous water supply.
Intermittent water supply increases both the likelihood of contamination and the coping costs for consumers. JMP data also reveals that the coverage of piped water in urban India has been decreasing (52% in 1990 to 48% in 2010), implying that the rate of urbanization is outstripping the ability to expand service. In rural areas too, while 90% of the population has access to improved water sources, distance of water sources from homes, availability of adequate water at the source, and lack of water for irrigation and the trade off with drinking water remain key issues.

**Sanitation**

South Asia is home to 692 million people who are forced to defecate in the open due to the lack of sanitation facilities; 90% of this population (623 million) lives in India. A 2006 Water and Sanitation Program (WSP) study estimated that the total cost of inadequate sanitation for India is $54 billion, or 6.4% of annual GDP. Inadequate rural sanitation, in particular, is one of the most critical issues in India, with more than 550 million people defecating in the open. GoI has implemented the Total Sanitation Programme (TSC) and Clean Village Award, which provides financial incentives and Presidential recognition for villages that demonstrate open defecation free (ODF) status. However, almost 95% of ODF villages lapsed back due to poorly constructed toilets, population increase, lack of water, poor market linkages for repair and up-gradation, the fatigue of local leadership, and weak monitoring and incentives. Urban areas too face similar challenges in sanitation due to financially weak institutions, lack of demand, poorly constructed and managed assets, and lack of fecal sludge management.

**Solid Waste Management**

India is still a low income country and its solid waste generation rate per person is low. The average solid waste generation is about 0.5 kg/capita/day or 188,000 tons/day. Waste issues are significant primarily in urban areas, and only about 35% urban waste is safely collected at the source. Most of this waste undergoes segregation of recyclables by waste collectors in an unhygienic and unsafe manner.

**Drainage**

Inadequate drainage of storm water is evident in most large Indian cities. This stems from a series of mutually reinforced failures, including poor trash collection (resulting in blocked drains), poor enforcement of urban planning regulations (resulting in loss of natural flood plains and drainage channels), and weak service provision. Whilst drainage is a low priority at this time, it is still a significant issue due to flooding and due to potential commercial losses for major cities.
2.2 OBJECTIVES OF WSI INDIA

The primary objective of the WSI window is to create a demand for sector reforms that address the challenges in the sector and to improve the design, implementation and outcomes of Bank projects that support these reforms. The broader outcome sought is to assist GoI to meet MDG targets through increasing access to sustainable service delivery. The dual approach of creating the demand for and also supporting reforms links the entire change cycle; from problem to action to likely outcomes. Creating demand without supporting implementation can lead to sub-optimal results, for it is during the implementation phase that support is required to overcome the range of hurdles that appear as reforms move from concept to reality.

In the same manner support for implementation without creating demand for and understanding of the reform agenda can result in weak ownership and poor design. Reforms are impeded by the lack of a common understanding of key sectoral and policy issues by the stakeholders and the fragmentation of institutions that have oversight of different sub-sectors. The funds from WSI are helping cement the new benchmarks required to move the sector forwards by deepening support for reform and thereby increasing the likelihood of success.

The approach is grounded in the realization that the key to sustainable reform of the sector is to address the institutional, governance and financing shortfalls along with the technical issues. Communication and outreach to stakeholders is crucial to the change process and to arriving at outcomes. This support is crucial for the client to realize that these issues need to be tackled in a comprehensive manner and that a consensus among stakeholders is needed for change. Once the demand for reform is created, investments that have a demonstrative effect and set new benchmarks for other states and local governments, are vital. The domino effect that these transformative investments can have has been demonstrated in other sectors in India like the metro in Delhi. It is then important to follow through and provide technical assistance throughout the reform process. The theory of change supported by the WSI-India is modeled in Diagram 2.
1. COMMUNICATION: WHY UNDERTAKE REFORMS? WHAT WILL REFORM ACHIEVE?

2. MOTIVATE STAKEHOLDERS: NEED TO INCREASE THE UNDERSTANDING OF STAKEHOLDERS ON THE NEED FOR REFORM AND CREATE THE DEMAND FOR REFORM.

3. BRING STAKEHOLDERS TO A COMMON FRAMEWORK ABOUT REFORM PRIORITIES: ENABLE STAKEHOLDERS TO FIND COMMON GROUND AND HELP THEM UNDERSTAND THE IMPORTANCE OF STAKEHOLDER SUPPORT FOR REFORM TO BE SUCCESSFUL.

4. FACILITATE THE REFORM PROCESS: FACILITATE A PROCESS THAT TAKES POLICY TO PLANS TO ACTION.

5. SUPPORT: PROVIDE TECHNICAL SUPPORT (HAND HOLDING) FOR DESIGN, CAPACITY BUILDING, IMPLEMENTATION, AND INSTITUTIONAL REFORM, INCLUDING CORPORATIZATION, TRANSITIONAL ARRANGEMENTS, REGULATIONS, PPP ACTIVITIES ETC.

6. MONITOR: MONITOR IMPLEMENTATION TO ASSIST WITH ANY PROBLEMS THAT ARISE.

Diagram 2 - The Theory of Change: Bridging the Gap between Needs and Outcomes
2.3 AREAS OF TECHNICAL ASSISTANCE

WSI funds provide technical assistance (TA) for policy advocacy and sector reforms, and enhance project preparation, design and implementation of Bank projects that assist in implementing reforms. This balances the need to show results by working with projects under preparation or implementation, and the need to introduce and promote reforms and innovations, which can then be rolled out through projects. The TA is broadly supporting technical engagement, around three pillars:

1 - Improving access to water supply and sanitation
2 - Improving the quality and sustainability of services
3 - Improving sector capacity/professionalization

AusAID’s Policy Notes “Saving Lives: Improving public health by increasing access to safe water and sanitation” and “Sustainable Economic Development: Transport, Water, Urban, Energy and Communications” are strongly aligned with these pillars. Diagram 3 indicates the support provided under each pillar. Through their joint efforts, the Bank and AusAID are facilitating and scaling-up innovation, improving accountability, increasing private sector participation and public-private partnerships, enhancing connectivity in both urban and rural areas, and supporting access to WSS services in lagging regions of the country.

WSI is supporting key sector work, looking at implementation options for the National Urban Sanitation Policy, assessing PPP options for urban sewerage, evaluating Maharashtra’s WSS reforms, and examining ways to improve regional WSS performance in the National Capital Region. Aside from the advocacy work, it is also supporting preparation and implementation of key projects. These include a new national program for RWSS in the lagging regions, the Karnataka Urban Water Supply Modernization Project (KUWSMP) that will scale up 24x7 water supply in three cities, and the Rajasthan RWSS project.

A JIT window has been created to support the reform process by funding urgent TA requests that require a rapid response. This window has supported the financial assessment of the state of Maharashtra’s UWSS reforms, and a scoping study for sanitation in Kerala state and options for reforms in the RWSS sector in Uttarakhand state.
PIllar 1: Improving access to Water supply & Sanitation

- Access for lagging groups: the poor and women
- Scale up of innovations
- Introduction of output based models
- Delivering the full range of services in an integrated manner
- Improving WSS services in underserved urban areas and lagging regions

PIllar 2: Improving quality and sustainability of services

- Policy and institutional reforms for sustainable service provision
- Mobilizing private capital
- Financial incentive schemes to improve outcomes
- Managing competing demands for scarce water resources
- Better resource efficiency and asset management

PIllar 3: Improving sector capacity

- Working with educators and professional associations to improve vocational training and academic education
- Development of accreditation scheme for WSS professionals
- New capacity building models for service providers such as franchising

WSI Support

- Investigation of gender impacts of poor access to water and sanitation services
- Assess barriers to the implementation of India’s National Urban Sanitation Policy
- Access to RWSS in lagging states
- Scaling up 24x7 water in cities
- Scoping studies for SWM
- Access to drinking water in low water conditions in the state of Rajasthan

- Support to Ganga program to address energy efficiency in wastewater treatment
- Addressing issues of non-revenue water, energy efficiency and financial modeling
- Support to PPPs in RWSS in Andhra Pradesh and Punjab and UWSS in Karnataka
- Sector reforms in Uttarakhand
- Sustainability framework for RWSS
- Options for WSS delivery in the national capital region
- Financial sustainability of incentive based WSS reform program in Maharashtra
- Each project includes training and capacity building of service providers and policy makers
- Activities supported by AusAid through IFGI and PFDSDF trust funds have supported this pillar and informed WSI activities
- Building institutions and capacity for asset management

Diagram 3 - WSI Thematic Pillars Supported
2.4.1 - DISBURSEMENTS & COMMITMENTS

The trust fund is continuing to disburse well. The total allocation to 19 tasks in Round 1 and 2 is $3.35 million. Total disbursements and commitment for both rounds is at 53.11% of allocations. As of March 1, 2013, projects funded in Round 1 and Round 2 had committed and disbursed 54.20% and 51.46% of the total funds respectively.

**Figure 1 - WSI Disbursements & Commitments (USD)**
2.4.2 - URBAN & RURAL PROJECTS

Activities supporting projects in both urban and rural regions have been funded. Through AusAID support, the Bank has been able to initiate a new line of business in the urban areas. Approximately 33% of the funds are allocated to the urban sector and 43.5% to the rural sector. Activities spanning both urban and rural sectors have received 23.19% of the funds.

![Figure 2 - WSI Urban & Rural Projects Allocations](image)

2.4.3 - PUBLIC PRIVATE PARTNERSHIPS

Activities supporting PPP have been funded in both rounds and in the urban and rural sectors. PPP related tasks have been allocated 33.62% of the funds. Four of the tasks funded have a PPP focus.

![Figure 3 - WSI Public Private Partnerships Allocations](image)
2.4.4 - TYPE OF ACTIVITY SUPPORTED

Both pre-Project Concept Note (PCN) tasks that deal with policy advocacy and those that are post-PCN where a PCN has been approved in the Bank system and the task is then linked to the design and/or implementation of a project have been supported. In the Project Design Document (PDD) for WSI-India it had been agreed that the split between pre-PCN and post-PCN activities would be 40:60. Pre-PCN activities supporting policy dialogue have been allocated 35.27% of the funds while 64.73% of the funds have been allocated towards post-PCN activities supporting the design and implementation of Bank projects.

![Figure 4 - WSI Type of Activity Supported](image)

2.5 PRELIMINARY RESULTS

The WSI window has been operational since June 2011. In the normal course, an activity takes two years to be completed. However in the one and half years that the window has been active, we are starting to see preliminary results from a number of activities. Some of these are detailed below.

2.5.1 - SCALING UP INNOVATION

BENEFIT ASSESSMENT OF THE 24X7 WATER SUPPLY DEMONSTRATION ZONES IN KARNATAKA STATE - A Bank project had succeeded in demonstrating in demo zones of three cities that 24x7 water supply is an achievable target. The assessment provided valuable information for the design of the project currently under preparation to scale up 24x7 water supply from the demo zones citywide in the three cities. It emphasized the positive social and economic impacts of the availability of water in a continuous manner on the lives of the beneficiaries. People with continuous water supply not only save money due to lower coping costs, they have more time to engage in productive economic and educational activities. Based on this work, the PFSA Program Secretariat has prepared a brief “Bringing 24x7 Water to India” which is forwarded
2.5.2 - SUPPORTING PPPs

TRANSACTION ADVISORY SERVICES FOR PPP IN RWSS IN ANDHRA PRADESH - Possible options for PPPs for multi-village RWSS delivery were developed. After extensive consultations on the Design Build and Operate (DBO) model government decided to tender three DBO pilots. These are to be implemented via the Bank AP RWSS project currently under implementation. This is an early win for the WSI window. The Bank team continues to provide transaction advisory support for the successful implementation of the PPP pilots. These will have a demonstration effect on including PPP options for RWSS delivery.

PPP IN RWSS IN PUNJAB - The final report and action plan for possible PPPs in RWSS has been completed. The report suggests the ways in which the government can incorporate PPPs into RWSS and structure better PPP arrangements. Workshops to disseminate the findings are being conducted. A national-level one-day workshop will be held on May 24th, 2013 by the Punjab Water Supply & Sanitation Department to disseminate the findings of the report. The next step is to explore the possibility of implementing the suggestions made in the report through pilots. Work has started on this aspect.

TECHNICAL ASSISTANCE TO MINISTRY OF URBAN DEVELOPMENT (MoUD) ON PPPS IN THE SEWERAGE SECTOR - The final report has been completed and presented to government. An Action Plan to include PPPs in the sewerage sector has been developed which has been endorsed by MoUD. The action plan and the outputs from the report will be used to support small and medium sized urban local governments in developing performance-based contracts and in rolling out these contracts. A national workshop chaired by the Secretary, Urban Development was held on April 18th, 2013. As a result of this work, the Secretary asked the Bank team to conduct state level workshops to disseminate the findings to various stakeholders including the private sector.

2.5.3 - NEW LINES OF BUSINESS/SCALING UP INNOVATIONS

KARNATAKA URBAN WATER SUPPLY MODERNIZATION PROJECT - WSI has enabled the development of a new line of business focusing on WSS delivery in urban areas. A part of this engagement is the support provided for policy advocacy to scale up 24x7 water supply in three cities in Karnataka state. It has allowed the Bank team to work closely with the government of Karnataka in creating a consensus for the reforms needed for continuous water supply and for the design of the project. This has included improving the quality of the various technical and financial models that underpin the project design, the assessment of different institutional and PPP arrangements, and the organization of workshops to engage a range of stakeholders.

2.5.4 - GENDER AND WSS

ENGENDERING UWSS - The study examined the neglected area of gender exclusion in WSS in urban areas in India. See details in Highlight 2 Engendering Urban WSS in India. The final report is under preparation and the findings will be disseminated widely through workshops and discussions to inform water and sanitation policies at the national scale. This includes the National Urban Sanitation Policy which, at present, does not mention gender.
While gender in RWSS has received some attention from policy makers, practitioners and academia, the same is not the case with urban WSS. Women suffer the most in urban settings due to the lack of access to WSS. This study on Gender and UWSS mainstreams attention to gender-based differences in the design and implementation of Bank projects in the water and sanitation sector. It also suggests policy changes for gender inclusive UWSS. Through an extensive literature review and on the ground research in several cities, the obstacles to a gender inclusive approach to water and sanitation service delivery were analyzed. The reasons for why urban communities receive poor service and the gender implications of this poor service were distinguished. Building capacity of the service provider and knowledge sharing to ensure political support emerge as key factors in overcoming obstacles to gender mainstreaming in the WSS sector.

As a part of this work, six case studies have been completed across India. They suggest two approaches to addressing gender and social exclusion issues in UWSS provision for the poor: (1) Household-level provision, which addresses most of the gender and social exclusion issues; and (2) where this is not feasible, improved provision of shared services – with a special focus on gender and social exclusion issues. Based on this research, a social inclusion plan has been developed for the WSS sector. This plan is built around three key ideas – to increase awareness across all stakeholders (decision-makers, utility staff, academia, media and target groups) about social inclusion issues in UWSS, to highlight social inclusion issues in UWSS in the public domain – thus encouraging more government attention and action, and to create an institutional platform for joint action across government departments and institutions – for more effective grassroots impact. This plan, if buttressed by political support and an efficient service provider, could lead to a more inclusive and gender-sensitive service delivery in urban areas of India. This model of reform could provide valuable lessons for other cities in the region.
2.5.5 - JUST IN TIME (JIT) SUPPORT

KERALA SANITATION SCOPING - Technical guidance was provided for solid waste management in Kerala. This was in response to an urgent request from the Chief Minister of the State. A reputable international expert in SWM was engaged for this work and the final report suggested a way forward. Based on this report, the Government of Kerala has expressed interest in a pilot project.

UTTARAKHAND INSTITUTIONAL DEVELOPMENT PROGRAM FOR RWSS - This JIT activity led to the development of a menu of options for institutional restructuring of the Jal Nigam and Jal Sansthan, the agencies responsible for delivering water supply and for operations and maintenance respectively, for the State of Uttarakhand. This has helped the Government of Uttarakhand understand the options and international good practices for turning-around poorly performing RWSS service providers and institutions.

2.6 GOING FORWARD

The Bank, in partnership with AusAID, will continue to work to create the demand for reform and to improve project design and implementation. Some of the areas that will supported going forward are:

1 - Looking at the entire water use cycle to ensure availability of water and water quality. This will entail working with the Bank’s water resource management and irrigation sectors.

2 - Looking at ways to improve water and sanitation services in the fast growing secondary cities of South Asia where reforms are needed to prepare for rapid growth in demand.

3 - Developing new institutional structures to provide long term sustainability for rural water supply and sanitation services, including new options where a convergence between urban and rural supply especially around small towns is emerging.

4 - Exploring the human side of gender inclusion in RWSS schemes and how this has provided a launching pad for new opportunities for women.
SOUTH ASIA
GENDER INITIATIVE
3.1 WHY GENDER EQUALITY MATTERS IN SOUTH ASIA

Gender equality is necessary to promote the human development of society and not just of women. Gender equality and empowerment is also good economics as it taps into the productive force of half the region’s population. It is also central to achieving the Millennium Development Goals (MDGs). While South Asian countries have made progress towards achieving the MDGs, for example the improvements in girls’ primary and secondary school enrolment rates and declining total fertility ratios, gender indicators in South Asian nations (1) remain among the worst in the world.

The UNDP’s Human Development Report, 2013 provides a Gender Inequality Index (GII), which reflects women’s disadvantages across three dimensions - reproductive health, empowerment and access to the labor market. The GII, indicates the loss in human development due to gender inequality, with ranges from 0 where women and men fare equally to 1 where women fare poorly. SAR’s GII is 0.568 and only Sub-Saharan Africa (SSA) has a poorer GII at .577 (2).

Though SAR countries are growing at a faster rate than those in SSA, the GII for the two regions are comparable. Of the SAR countries, Afghanistan has the 13th worst GII value (.712) in the world. Bangladesh, Nepal, Pakistan and India also rank high on gender inequality. Maldives and Sri Lanka fared better while Bhutan was not ranked (3).

South Asia has the largest proportion of poor people in the world. Around 460 millions out of a population of 1.37 billion survive on less than $1 per day. Poverty in South Asia has a strong gender dimension. The economic, religious, social, and caste-based restrictions on women’s agency contribute to lower incomes and living standards for women and for female-headed households. There is a growing concern that growth in the region is bypassing women. Women carry the triple burden of productive, reproductive, and social activities in the household and the community. This is in addition to limited mobility and access to educational opportunities, which results in greater inequality in economic participation. Female labor force participation rates in South Asian countries in 2011 were at 31.3% compared to the world average of 51.3%. This puts SAR ahead only of the Middle East and North Africa Region, which is at 22.8%. Even when women enter the economy, they face significant barriers. Women, as compared to men, are more likely to engage in less productive activities and to work in the informal sector. According to the World Bank’s World Development Report (WDR) 2012 “women are more likely to be wage workers and unpaid family workers than men, to have less mobility between the formal and informal sectors, and to transition more between the informal sector and being out of the labor force(4).”

1 - At the World Bank, SAR comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

2 - UNDP, Human Development Report, 2013. The Gender Inequality Index (GII) is a composite measure that reflects inequality in achievements between men and women in the dimensions of empowerment, the labor market, and reproductive health.

3 - The 2012 GII rankings out of 182 countries (182 being the poorest) were: Afghanistan 147, India 132, Pakistan 123, Bangladesh 111, Nepal 102, Sri Lanka 92 and Maldives 64. Bhutan was not ranked.

4 - South Asia and Sub-Saharan Africa have the highest average incidence of informal employment in the world with such employment representing over three-quarters - as high as 90 percent in some countries - of total employment.
Informal sector employment is highly correlated with the incidence of poverty and brings with it specific challenges and bottlenecks that negatively impact women’s equal participation in the economy. These challenges include underemployment, lower average wages, lack of basic safety, and minimal wage protection. Even when women earn an income, they often lack control over decisions regarding the use of that income. In South Asia, women become even more vulnerable to economic disempowerment as they age and/or are widowed.

The 2012 WDR argues that income and control over household assets play a number of reinforcing roles in improving quality of life outcomes for women across a number of parameters, including voice, bargaining power, mobility, and ability to influence household decisions in a manner that is overwhelmingly positive for women and children. Evidence from a range of countries suggests that spending habits change when women control a higher share of household income, and this directly benefits children. Therefore, increasing women’s labor force participation in South Asia is important not only to improve the quality of life for women, but is also a critical pathway for reducing poverty and enhancing developmental outcomes for poor households.

As SAR countries grow, investments in infrastructure are also expanding. Gender remains critically important for infrastructure planning and provision. Women pay a high price for the lack of access to infrastructure, in terms of time spent accessing water for domestic or agricultural uses, processing food and other agricultural or non-farm products, collecting firewood or other fuel for cooking and reaching health facilities (5). Limited access to services also reduces academic and professional opportunities. In particular, the paucity of safe, accessible and efficient modes of transport restrict women’s mobility, and impacts their access to health, education, and livelihood opportunities.

The incidence of gender based violence (GBV) remains high in several SAR countries. These cases are sometimes extreme in nature with acid attacks, gang rapes and honor killings. Patriarchal social norms and the preference for sons continue to distort sex ratios in Afghanistan, India, Nepal, Bangladesh and Pakistan. Caste, religion and gender-based discrimination have helped perpetuate this violence and social exclusion in many parts of South Asia (6). GBV adversely affects women’s fundamental rights to life and freedom, and limits their choices. To ensure women’s safety, male voices must be included in the broader gender discourse. Addressing gender roles of both sexes is thus crucial to improving gender relations in SAR.

SAR has the largest proportion of young people in the world. One third of region’s population is between the ages of 14 and 25. India alone has 200 million young people. Gender inequality among youth in South Asia is also apparent. Only 62% of young women in SAR can read and write as compared to the 77% of young men, the highest literacy gap among youth in the world. Young women in South Asia also face social pressures for early marriage and child bearing. These young mothers are twice as likely to die of pregnancy related causes as compared to older women. Their children too, are more likely to be malnourished. Young adults in South Asia also account for half the unemployment in the region because formal job growth has not kept pace with the economic growth. There continues to be a mismatch between the skills required by employers and those taught in schools. Unemployment is worse for young women as compared to young men. This lack of job opportunities for youth will negatively impact the region’s economic growth. As this large youth population transitions into adulthood, South Asian countries hope to reap a youth dividend by improving the productivity of this labor force.

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3.2 OBJECTIVES OF THE SAGE WINDOW

Finding solutions for the complex issues of gender in South Asia presents both a challenge and an opportunity for action. Since June 2011, the SAGE partnership between AusAID and the World Bank has attempted to address some of these issues in all countries of the region. The objective of the SAGE Initiative is to scale up gender approaches in the South Asia region of the Bank through mainstreaming gender in operations and analytical and advisory activities. It also aims to support the preparation and supervision of stand-alone gender projects, strategic analytical work that fills knowledge gaps and the monitoring and evaluation of gender based interventions. This will assist the region in meeting its MDG targets, in particular MDG 3 which is to “promote gender equality and empower women.”

The corpus of the fund is quite small at AUD 2 million. However the partnership affords many advantages, the foremost being the flexibility in the use of funds, which has allowed the development of a cross-country, cross-sectoral regional program that strategically addresses key gender gaps. The SAGE window has supported at least one task per country and several regional tasks (7).

3.3 AREAS OF TECHNICAL ASSISTANCE

The approach followed by SAGE is to:

1 - continue mainstreaming gender across the World Bank’s work in SAR both in operations and AAA
2 - finance strategic stand-alone projects that target the most salient gender issues in the region
3 - support analytical work that pushes forward the thinking and approaches to addressing gender issues in the region
4 - improve monitoring and evaluation of gender work, including rigorous impact assessments.

The main themes being addressed are:

- Women’s Labor Force Participation
- Social Inclusion and Gender Relations
- Gender and Human Development

These themes are built around the most pervasive gender issues in SAR. Each SAGE activity addresses key aspects of one or more of the main themes. Figure 9 gives the focus of each theme and the tasks supported in each thematic area. Several SAGE activities have also been planned as a follow-up to the 2012 World Development Report on “Gender Equality and Development.” Finally, the attempt has been to introduce a truly gendered approach that identifies masculinity concepts and the impact of interventions on both women and men and on gender relations. See Highlight 3 Masculinity and Development for more details.

7 - Nepal is the exception, an ongoing country program on gender and social inclusion is supported by DFID. Separate AusAID funds are supporting the gender task in Afghanistan, a study of gender and access to justice in Afghanistan.
3.3.1 - IMPROVING WOMEN’S LABOR FORCE PARTICIPATION

IMPACT EVALUATION OF NORTHERN AREA REDUCTION OF POVERTY INITIATIVE (NARI) - The NARI project is the World Bank’s first gender focused project in South Asia. It facilitates access to employment opportunities in the garment sector for poor and vulnerable women from lagging areas of Bangladesh, through access to information, technical and life skills training, transitional housing, and other support. The impact evaluation (IE) will assess the project’s impact on the income and socio-economic conditions of the beneficiaries. Based on this evaluation, the project will be scaled up to include other areas and sectors in Bangladesh.

GENDER ANALYSIS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) IN INDIA - This activity informs the Bank’s ongoing policy dialogue with the Ministry of Micro, Small and Medium Enterprises in India regarding a potential Bank funded operation led by South Asia’s Finance and Private Sector Development Unit. The study is expected to contribute to either a component of this project or to a separate intervention on women and MSMEs in India.

INDIA GENDER AND ECONOMIC DEVELOPMENT REPORT - This work is a follow up to the WDR 2012’s report on India. It will examine the factors behind the low labor force participation of women. It will also identify policies, programs and approaches that could enhance women’s labor force participation. The work has strong client support from several ministries that look at the impact of women’s labor force participation on the economy and is expected to inform government policy and discussions on the next Five Year Plan.

SRI LANKA GENDER ASSESSMENT - Though Sri Lanka performs better on gender equality than most countries in South Asia, the Government of Sri Lanka (GoSL) is keen on addressing the remaining gender disparities in the country. The study will provide recommendations on narrowing the gender gap in economic participation. It examines the opportunities available to both men and women to participate in the economy, including access to and use of labor, land, financial and product markets. Close attention is being paid to issues faced by youth in both gender groups. Regional variations in labor force participation due to the conflict in the North East region of the country will also be taken into account.

SOCIAL OBSERVATORY FOR THE NATIONAL RURAL LIVELIHOODS MISSION - The task aims to create a new environment for monitoring and evaluation (M&E) within the world’s largest rural women centered livelihoods program - India’s National Rural Livelihoods Mission (NRLM). The mission is supported by Bank lending of $500 million. Support from SAGE went towards the setting up a Social Observatory (SO) within the mission, which is utilizing more scientific techniques for M&E, with increased attention to the processes of change. The SO will facilitate learning and subsequent changes to the design of the program with a view to reducing gender inequalities in livelihoods projects. It follows the principle of open data access.

PINK BUSES IN PAKISTAN - This activity aims to improve women’s mobility and security in the city of Lahore, Pakistan through a study of the women only Pink Buses Scheme. Analytical work including an activity based survey is being undertaken to understand women’s mobility under the pilot scheme. It will assist Lahore Transportation Corporation in understanding key issues linked to the feasibility and sustainability of scaling up the program.

STUDY OF THE WOMEN ONLY BUS SERVICE IN DHAKA - To address the increasing set of issues that female commuters face, many cities around the world have introduced women only services. These have included women only rail cars in Tokyo, New York, Sao Paulo, Mumbai, and women only bus service in Mexico City, Guatemala City, and Lahore. This women only bus service has been introduced before in Dhaka but the service was stopped as it was not financially viable. The study addresses the issues faced by women in accessing transport and the sustainability of the women only bus service.
3.3.2 - SOCIAL INCLUSION AND GENDER RELATIONS

SOUTH ASIA YOUTH AND GENDER ACTIVITY MAPPING - The activity provides a strategic focus to the World Bank’s work on youth issues in South Asia, specifically on the vulnerabilities and needs of adolescent girls and young women. It builds and disseminates knowledge on youth and gender issues in the region, and aims to provide recommendations for youth and gender programming in SAR.

YOUTH DEVELOPMENT AND GENDER IN THE MALDIVES - There is little information at present on the overall status of male and female youth in the Maldives and the gender issues they face. This study will increase the understanding of positive youth behaviors that lead to productive adulthoods in the Maldives through youth mapping exercises and interviews undertaken by youth of other youth and organizers of youth programs.

BUILDING CAPACITY FOR GENDER MAINSTREAMING IN BANGLADESH - The task facilitates gender mainstreaming within the Ministry of Housing and Public Works. It builds the capacity of the ministry to address gender differences within housing programs. It will contribute to the design of a Bank funded project to improve the housing conditions of women in urban slums.

MEN, MASCULINITY AND DEVELOPMENT IN SAR - The Bank is exploring options for supporting a regional initiative aimed at understanding men’s attitudes and practices, as well as women’s opinions of men’s roles and practices, on a variety of topics related to gender equality. The study is also exploring how migration, unemployment and changes in the labor market impact the perceptions of masculinity in the region. More details are available in Highlight 3.

MOVING TO A MALE INCLUSIVE GENDER APPROACH IN SAR (JIT) - This activity will create video/photo blogs and presentations on a male inclusive approach to gender equality that will contribute to a radical shift in on how gender is addressed by the Bank. It will strengthen the approach to gender equality and empowerment in Bank’s operational work.

3.3.3 - GENDER AND HUMAN DEVELOPMENT

BHUTAN GENDER POLICY NOTE - Bhutan fares better on many gender related parameters than most South Asian countries however disparities remain in economic and political participation by women. The policy note will provide recommendations to support the economic and political empowerment of women in Bhutan, with a focus on improving school enrollment. Gender issues in Bhutan are unique and, therefore, provide an opportunity for innovative analysis. Bhutan is one of the few South Asian countries where men and women are relatively equal and the study could offer an overall positive story on gender equality from the region.

SAGE SEMINAR SERIES - A SAGE seminar series has been organized to disseminate the results and outcomes from tasks funded, within the Bank. The seminar series has included presentations on the Social Observatory for the NLRM, and the study on Youth and Development in the Maldives among others.
HIGHLIGHT 3

MASCUlINITy ANd DEVELOPMENT

‘Gender’ deals with more than women’s issues. Expanding our understanding of male gender roles can provide a more nuanced perspective on gender relations and how they impact society and economic development. Though much is talked about regarding this issue it has not been examined in any depth. The SAGE funded study on Masculinity and Development in South Asia will narrow this analytical gap. It will build upon an earlier study done in partnership with students of George Washington University in the US. It will explore how migration, unemployment and changes in the labor market impact the perceptions of masculinity in the region. It also looks at the impact of masculinity and femininity on exposure to risk factors and adoption of risky behaviors, for example, dropping out of school, drug consumption, and unprotected sex. It examines how gender based violence is connected to constructions of masculinity. By focusing on examples of how ‘masculinity’ is defined and the challenge of what it means to be male in a variety of contexts in contemporary South Asia. The activity highlights the diverse ways in which boys and men are both challenging and perpetuating gender norms, and impacting South Asia’s performance on gender equality indicators. The report, will address the impact of masculinity on development outcomes, including the well-being of males, females and children within a household and at the community level.
PIllar 1: Labor Force Participation

- Analyze gender gaps in labor force participation in South Asia to influence policies
- Improve sector capacities to allow for increased economic participation
- Improve access to skills and jobs
- Improve access to services

PIllar 2: Social Inclusion and Gender Relations

- Focus on poor and vulnerable women from lagging regions
- Focus on inclusion of youth issues in South Asia
- Broaden approach on gender to include male inclusive gender approaches

PIllar 3: Gender and Human Development

- Close gender gaps in education
- Improve women’s access to health services
- Assistance to improve SAR countries’ gender policies

SAGE Support

- Gender Analysis of the Micro, Small and Medium Enterprises in India to analyze gender implications
- Impact evaluation of the Northern Asia Reduction of Poverty Initiative (NARI) in Bangladesh to determine impact on socio-economic welfare of women
- Women-only buses to improve access i) Pink Buses in Pakistan; and ii) Women-only bus service in Dhaka
- Social observatory for the National Rural Livelihood Mission to look at how gender inequalities can be reduced
- Analyze women’s economic participation i) India: Gender and Economic Development Report; and ii) Sri Lanka: Gender Assessment
- Support for youth development through i) Youth and Gender Mapping and ii). Youth and Gender Development through ICT
- Impacts of masculinity on development outcomes through i) Men, Masculinity and Development in South Asia and ii). Moving to a Male-inclusive Gender Approach via blogs and presentations
- Build capacity in Bangladesh to plan for gender differentiated housing needs
- Analyze gender, youth and development in Maldives and Sri Lanka to impact policy directions
- Bhutan Policy Note looks at the gender gaps in higher education to inform Bhutan’s next development plan
- Other activities that impact women’s economic and social development also support the objectives of this pillar

Diagram 4 - SAGE Thematic Pillars Supported
3.4 FINANCIAL SUMMARY

3.4.1 - DISBURSEMENTS & COMMITMENTS

All but $300,000 of the AUD 2 million available under the SAGE window has been allocated to 14 activities. Disbursement and commitments which indicates funds under contracts are indicated in Figure 5. The window is disbursing well with 56.10% of total allocations either committed or disbursed. Since rounds are funded at different times it is useful to look at these figures by each round. In Round 1, 65.57% of the funds allocated have been committed and disbursed. The figure for the more recent Round 2 is 41.73%.

Figure 5 - SAGE Funds Allocated, Disbursed and Committed as of February 20, 2013
3.4.2 - ALLOCATIONS BY COUNTRY

The allocation of funds across the countries in South Asia is indicated in Figure 6. The largest portion of funds have been allocated to activities in India and for regional activities, that received 31.95% each of allocations. This is followed by Bangladesh and Bhutan at 14.06 and 7.67% respectively. Pakistan, Maldives and Sri Lanka received 4.79% of the funds each.

![Figure 6 - SAGE Allocations by Country](image)

3.4.3 - ALLOCATIONS BY THEMATIC PILLAR

The SAGE window is supporting 14 tasks in total. Of these eight tasks with 58% of total allocations support the theme of women’s labor force participation. Five activities with 34% of the funds allocated support the work encompassing social inclusion and gender relations. One task with 7% of allocations supports the gender and human development theme. Figure 7 indicates allocations made by theme.

![Figure 7 - SAGE Allocations by Thematic Pillar](image)
3.5 PRELIMINARY RESULTS

3.5.1 - LABOR FORCE PARTICIPATION

SOCIAL OBSERVATORY FOR THE NATIONAL RURAL LIVELIHOODS MISSION - A Social Observatory (SO) has been created within the NRLM in India. It has led to increased attention on the processes of change, rather than just outcomes. Livelihoods projects are now being assessed and monitored by measuring their impact on a multi-dimensional set of indicators: income, nutrition, health, empowerment, and agency. An international workshop is planned for June 2013 to disseminate the findings more widely.

SRI LANKA GENDER ASSESSMENT - The draft of the final report has been completed. Recommendations based on the study include the importance of school and community based outreach campaigns to change perceptions of education and types of jobs for men and women. The assessment also emphasizes the importance of improving women’s access to job information and child care, especially for the jobs within the intermediate and services sectors, and of addressing biases against leaving children with child care professionals instead of family members. Workshops to share the findings of the report will be organized shortly.

INDIA GENDER REPORT - Papers commissioned for the study to ascertain the factors leading to women’s continued low participation in the labor force vis-à-vis men in India, and to identify policies, programs and approaches that could contribute to enhancing women’s labor force participation have been completed and reviewed. As a result of this work, an Inter-Ministerial Task Force has been set up by the National Mission for the Empowerment of Women, Government of India. The report will be finalized and disseminated shortly.
3.5.2 - SOCIAL INCLUSION AND GENDER RELATIONS

SOUTH ASIA YOUTH AND GENDER MAPPING - This activity has been completed. A number of communication materials have been developed. A phase II activity is looking at youth and ICT as an effective way of reaching youth in South Asia. The region has one of the fastest growing cell phone markets in the world.

3.5.3 - GENDER AND HUMAN DEVELOPMENT

BHUTAN GENDER POLICY NOTE - The report has been completed. However dissemination is awaiting the outcome of elections in Bhutan. A workshop to disseminate the findings will be held after August 2013 when a new government is in place. The work will feed into Bhutan next Five Year Plan.

3.6 GOING FORWARD

In the next round the SAGE window will continue to mainstream gender across the different sectors in the South Asia region of the Bank. The SAGE funded activities are being complemented by other gender related activities funded under the WSI and IFG windows of the PFSA UTF. These include a study of gender and urban WSS in India (Highlight 2 in the section on WSI provides more information) and a proposed study of gender and transport. Collaborative work across sectors to integrate gender at every stage of the project cycle from design, to implementation and monitoring and evaluation will also be on going. More outcomes and results from the tasks funded are expected in the next reporting cycle.
INFRASTRUCTURE FOR GROWTH
4.1 **WHY INFRASTRUCTURE AND CLIMATE CHANGE MATTERS FOR GROWTH IN SOUTH ASIA**

The infrastructure gap in South Asia is a major challenge to connectivity and integration both within countries and within the region. Infrastructure indicators for the region are close to Sub-Saharan Africa and, in doing business surveys, these indicators are cited as the biggest roadblocks to growth. SAR’s electrification rate is well below the average for developing countries at 73%. Unreliable and poor access to electricity hampers business development. Taking “total road network per 1,000 people” as an indicator, SAR has 2.7 km, while the world average is at 6.7 km per 1,000 persons. The quality of the roads is also much lower. The example of the transport sector reveals that it suffers from lack of intra-regional connectivity, unrealized potential for rail and inland water freight transport, and inadequate road and rail connectivity of ports with hinterlands, poor and unreliable road transportation and lack of inter-modal connectivity. These gaps in basic infrastructure are coupled with poor sector governance, fragmentation of institutions, low capacity and general inefficiencies.

Transport and energy connectivity (i) improves access to goods and services at lower prices, making prices less responsive to domestic shocks; (ii) increases access to markets and competitiveness of domestic goods; (iii) helps business develop competitive advantages and reduce costs; (iv) provides workers, particularly those in rural areas, with greater job and income opportunities, and movement of labor; and (v) increases the access of business to inputs.

Another key regional issue is climate change, which is central to the development and poverty reduction agenda. Developing countries and the poorest people in them will bear the brunt of climate change due to disadvantaged geography, limited assets, and a greater dependence on climate-sensitive sources of income. South Asia is at the epicenter of the climate change debate due to its extreme vulnerability. High population levels place increasing demands on an already stressed and largely degraded natural resource base. With an estimated 600 million South Asians subsisting on less than US$1.25 a day, even small climate shocks can cause irreversible losses and tip large numbers into destitution. The region is also highly susceptible to natural disasters. Over 50 percent of South Asians – more than 750 million people – have been affected by a natural disaster in the last two decades. With climate change the frequency and incidence of such natural disasters is projected to increase. Sea level rise is a further concern as the region has long and densely populated coastlines. This will have the largest impact on Bangladesh and the Maldives.

This provides both an opportunity as well as a challenge for sustainable growth in the region. South Asia has the world’s largest concentration of poor (44%) and undernourished (39%) people. At the same time it has the greatest share of working age population, and one fourth of the world’s middle class consumers, at half a billion. In the next 20 years, one million of the region’s youth will enter the workforce every month. To take full advantage of this youth dividend, the region has to accelerate job creation while simultaneously raising productivity by tackling gaps in education, infrastructure, and energy while being sensitive to climate change impacts.
4.2 OBJECTIVES OF THE INFRASTRUCTURE FOR GROWTH WINDOW

The main objective of the IFG window is to meet the infrastructure gaps in the region by fostering an enabling environment for infrastructure development and facilitating infrastructure service delivery. It covers two sectors - energy and transport - through two thematic pillars: Regional Economic Integration and Climate Change. Several Cross Cutting themes that are crucial to realizing sustainable outcomes under these pillars are also funded, including sector governance and reforms, private sector participation and PPPs, conflict and fragility, social inclusion and gender, and social accountability, voice & participation, and safeguards. The approach is to support analytical work, provide technical assistance, and improve knowledge generation and dissemination to enable policy and institutional reforms around the themes supported. It also helps to raise the quality of Bank’s analytical and operational work around the two thematic pillars by funding informed policy dialogue and improvements in the design, implementation, supervision and evaluation of Bank projects.

4.3 AREAS OF TECHNICAL ASSISTANCE

Several sub-themes are being funded under each thematic pillar along with cross-cutting issues. These are detailed below along with the tasks funded under each area.

1 - REGIONAL ECONOMIC INTEGRATION

In addition to cross border integration, activities that address connectivity to lagging regions and communities, between key rural and urban regions and that focus on regional economic development around trunk infrastructure are supported.
INTEGRATING LAGGING REGIONS - These are often crucial for economic integration and reducing conflict and fragility in the region. Several of these underdeveloped areas can be found on the borders of countries in the region. These include the NE region in Sri Lanka, the NER in India, and the Chittagong Hill tract in Bangladesh, among others. These regions are integral to cross-border trade. Cross border disputes and conflicts play a major role in the lack of integration within the region. Connecting lagging regions to the mainstream economy is also key to inclusive growth. See Highlight 4 The Challenge of Regional Integration in Post Conflict Lagging Border Regions for details of work funded under this sub-theme.

REGIONAL ECONOMIC DEVELOPMENT - Regional economic development lays the foundation for national, regional and international economic integration. It is a process by which public, private and people (NGOs and CBOs etc.) partners (PPPPP) come together to maximize the economic assets of a region. There are several such potential growth corridors along trunk infrastructure in the countries in South Asia. This includes the proposed Inclusive Economic Development Zone around the Eastern Dedicated Freight Corridor (DFC) in India. The DFC has the potential of connecting to the Trans-Asian highway, which is planned to link the South and East Asia regions.

RURAL-URBAN CONNECTIVITY - Peri-urban regions at the crossroads of localization and globalization drive much of the growth and trade in emerging economies. They are at the forefront of the economic, social and built environmental change that leads to integration. Businesses relocate to these regions due to lower land and production costs and due to the proximity to markets, trade and transportation hubs. The development of these growth areas has been haphazard in South Asia. Well designed connectivity and urban-rural integration in these regions can promote greater trade and integration by linking together market towns and their hinterland, where economic production takes place.

2 - CLIMATE CHANGE

Within this broad theme, the window is funding activities focused on clean and renewable energy, and leading to improvements in energy efficiency. Reducing the impact of cities on climate change, improving access to green finance, development of climate smart strategies and climate resilient infrastructure delivery are other sub-themes.

CLEAN ENERGY AND RENEWABLES - Strategies to lower emissions by diversifying into cleaner energy sources are crucial to SAR. India, the largest energy consumer in the region, is not well endowed with cleaner fuels (1). The hydropower potential in the country while large is not enough to meet future energy needs that are fuelled by rapid growth. There is potential for importing hydropower from Nepal and wind power from Sri Lanka, but challenges are rife in trans-boundary energy trade. There is considerable scope to expand renewable energy through hydropower in India, Nepal, and Pakistan, and natural gas in Bangladesh. Solar and wind power are two other green energy sources that have great potential in the region.

ENERGY EFFICIENCY - It can translate into reduction of costs, greater productivity and reduction in GHG emissions. Cost-effective energy efficiency opportunities exist across the entire chain of energy production, distribution, and consumption in all South Asian countries. Governments have a key role to play in specifying and imposing energy efficiency standards, coming up with incentives and certification programs for industry and utilities, and improving the regulatory environment for PPPs. This neglected area can yield quick wins at a low cost.

CITIES AND CLIMATE CHANGE - Cities, the engines of growth as the region transitions to services-led growth, are also major contributors to GHG emissions. South Asia is undergoing rapid and unplanned urbanization and its cities consistently rank at the bottom of global livability surveys. Rapid urbanization is accompanied by growing demand for transportation, energy, water supply and sanitation and increased generation of wastewater and solid waste contributing to the growth in GHG emissions. There are untapped opportunities for South Asia’s cities to enhance densification and simultaneously improve services and quality of life while reducing the GHG footprint.

1 - Oil reserves are 789 million tons of oil equivalent and gas reserves are 1,101 million tons of oil equivalent (Government of India, Integrated Energy Policy).
CLIMATE SMART DEVELOPMENT AND GREEN GROWTH - Countries in South Asia will be increasingly challenged to develop and implement climate smart development strategies (low carbon, low water, low energy, and green growth), taking into account the impacts of climate change on development outcomes. There is considerable scope to develop national, state, city, and sectoral strategies and action plans for climate smart and sustainable green growth in South Asia.

GREEN FINANCE - Green finance is fundamental to the investments needed for green technologies and green growth. It requires tapping into, international and domestic, public and private financial flows through a variety of instruments besides carbon finance. Competitive, profit-oriented private initiatives are essential for getting to least cost options for climate mitigation and adaptation. Public policy will play a crucial dual role in growing this sector: by establishing regulatory and incentive frameworks to catalyze private investment and by generating public resources for needs not addressed by private flows.

INTEGRATING ADAPTATION AND MITIGATION CONSIDERATIONS INTO INFRASTRUCTURE - New infrastructure can be made climate resilient by ensuring that an asset is located, designed, built and operated with the current and future climate in mind. Existing infrastructure can be made climate proof by ensuring that maintenance regimes incorporate resilience to the impacts of climate change over an asset’s lifetime. Achieving more climate resilient infrastructure requires that impacts of climate change be a key consideration in the way infrastructure is planned, designed, built and maintained.

3 - CROSS CUTTING THEMES

Several crosscutting themes are essential to achieving optimal and sustainable results under the main pillars. Sector governance and reforms are fundamental to overcoming the institutional and governance deficit in South Asia. Social inclusion, gender equity and access are essential to ensure inclusive growth and achievement of the MDGs. Social accountability along with voice and participation can enable beneficiaries and civil society groups to engage with policymakers and to make service providers more responsive to consumer needs. South Asia has a recurring motif of fragility and conflict both intra and cross border that affects development outcomes and requires substantial investment in the reconstruction and rehabilitation of infrastructure. This calls for a light footprint and for development partners to play the role of honest brokers. Infrastructure connectivity in fragile environments also requires a good understanding of the political economy to develop sustainable models of service delivery. Mobilizing private investment and creating an enabling environment for private actors is crucial for closing the financial and service delivery gaps and for achieving lasting outcomes.

Environmental and social safeguards provide important benchmarks for performance for both public and private sectors. Safeguard policies allow the potentially adverse environmental and social impacts of investments to be identified, minimized, and mitigated. The region lacks the expertise needed to design and implement safeguard policies, and for capacity building especially through South-South cooperation.

The IFG window has so far funded five tasks for $1.67 million. Proposals are being evaluated for the next phase of funding. Of the activities funded, two come under the regional integration, and one can be classified under the climate change theme. Two other tasks support the cross-cutting themes. These are briefly described below. Diagram 5 indicates the key themes and the projects funded for the IFG window.
Conflict is endemic in South Asia. Conflict in border areas is persistent due to the neglect of these areas that are remote. One such highly sensitive geo-political region is the North East Region (NER) of India, comprising seven states called the seven sisters. Six of the seven states have seen armed conflict and rumbles are still heard from time to time. This is an area of strategic importance that borders five countries - Bhutan, Bangladesh, China, Nepal and Myanmar - and stretches across the eastern foothills of the Himalayas. The bordering areas in Bangladesh and Myanmar have also seen conflict with rebels often taking refuge across borders. The slow pace of industrialization and limited opportunities for productive economic activities have led to a distressed economy and an alarmingly high rate of youth unemployment of 14%, despite high rates of literacy. This frustration of the youth provides fuel for insurgencies. Agriculture remains the backbone of the economy, contributing close to 26% of the regional GDP and employing over 75% of the population, with agricultural workers being predominantly women.

However, the region is well endowed with natural resources. Its energy reserves include more than 40% of the hydropower potential, 37% of estimated petroleum reserves and 15% of natural gas reserves of India. This puts the NER at the center of the energy security and trade equation for India and for South Asia. In addition, with significant deposits of mineral reserves like limestone, clay and iron ore, the region could be one of the economic drivers of SAR’s economy. NER is also emerging as an important gateway for trade with Bangladesh, Myanmar, Thailand, Laos, South-west China and further east. The area is of great strategic importance and GoI has acknowledged this with its “Looking East” policy which focuses on development of the region and on energy trade with Bangladesh. The Bank plans to support the development of the transmission and distribution grid in six states with lending of $1.5 billion. GoI will support electricity generation. Given the complexities of infrastructure delivery in NER the IFG window is funding key work that will improve the design of the project and ensure sustainable regional integration and trade. This includes key diagnostics of the utilities, a study of gender impacts, and of the political economy of energy delivery in this post conflict region, PPP options and the development of a communication strategy. The assessment of the utilities that has been completed points to poor institutional frameworks and low capacity as the key challenges to be overcome for sustainable energy security and trade in the region.
4.3.1 REGIONAL ECONOMIC INTEGRATION

NER DISTRIBUTION AND TRANSMISSION PROJECT: is crucial for integrating a lagging post conflict region with other parts of the country and region and for regional energy security and trade. The work funded includes diagnostic studies of transmission and distribution companies in six states of the NER with a view to facilitate institutional reforms and build capacity of the companies to strengthen transmission and distribution in the region. It will help raise the quality of the design of the $1.5 billion Bank-funded project. See details in Highlight 4.

REGIONAL STUDY ON ENERGY SECURITY AND TRADE: aims to create and disseminate a knowledge base for assessing opportunities and challenges to improving electricity sector integration in the South Asia Region, with particular attention to how activities aimed at improving integration can impact the adequacy of electricity supplies to meet growing total demand and increase access to affordable electricity sources. It looks at increasing the reliability of supply, whether domestic or regional to reduce the burden of economic disruptions from interruptions in supply. It also examines the economic efficiency and environmental sustainability of supply, to reduce threats to health and the ecosystem and assess the financial sustainability of enterprises in the sector.

4.3.2 CLIMATE CHANGE

Green House Gas (GHG) Accounting for Transport Projects: while the Bank is an advocate for green technologies and growth, it has not introduced GHG accounting in its own projects. It now plans to introduce GHG accounting in the energy, transport and forestry sector projects. This activity pilots GHG emission accounting in transport projects in South Asia by customizing improved methodologies and tools for select projects. It will measure emissions before and after project interventions to determine the impacts (positive or negative) thus impacting project design. In addition, the approach will examine congestion and energy efficiency as ways to reduce GHG emissions. It will take into consideration the many factors involved in the consumption of fossil fuels and in estimating GHG emissions (e.g., quality of fuels, vehicle kilometer travelled, travel speed, driver’s behavior, modal choice, vehicle technologies, etc.). A highway project in Sri Lanka and the Rajasthan Rural Roads Project in India have been selected for the pilots. The aim is to develop methodologies that are cost effective and easily transferrable to governments. This is particularly important because the public sector is providing investments that are significantly larger than the support provided by development partners.
4.3.3 CROSS CUTTING AREAS

REGIONAL STUDY STATE FRAGILITY AND SERVICE DELIVERY: the study examines how to better integrate marginalized communities and lagging areas of SAR into the economic mainstream by overcoming institutional bottlenecks and other drivers of fragility and conflict. It addresses the issue of poor physical and social connectivity, and economic integration as they relate to low capacity conflict affected areas, with a view to defining more effective engagement strategies and responses to weak institutions, slow growth, and conflict. This work will include case studies on Afghanistan, Nepal, Pakistan and Sri Lanka. The goal is to develop an analytical framework and operational guidelines that allow for better design and implementation of infrastructure interventions in conflict-affected and fragile areas of South Asia.

PRIVATE SECTOR PARTICIPATION THROUGH PARTIAL CREDIT GUARANTEE: Power Grid Corporation of India is the national transmission company of India and a key player in regional energy trade in South Asia as for example in the Indo-Nepal Energy Trade project. It is also the main developer behind the North East Region Grid. The Bank is offering the first Partial Credit Guarantee (PCG) in South Asia, and the second one ever at the Bank, to enable the company to raise US$500 million of private financing to complement Bank financing for the Power System Development Project V (PSDP V). The project will strengthen the national grid in order to increase reliable power exchanges between regions and states of India, and potentially between other countries in South Asia. The project would strengthen the transmission system in the power deficit regions and increase inter-regional transmission capacity. The company has large financing needs for capital expenditure and plans to mobilize US$18 billion, including US$2 to 2.5 billion of foreign currency financing using a variety of options. The task funded will support Power Grid in entering the international loan market for the first time on its own credit, setting a precedent for other regional public sector entities. Based on a market sounding, credit enhancement through the World Bank’s PCG is essential for this large open market borrowing and for the long tenor of 12 to 15 years from commercial banks, suitable for capital investment in transmission operations.

To successfully negotiate and close this landmark transaction would require the use of experienced guarantee specialists who know and understand the business and the Bank’s guarantee instrument, and have a track record of completing challenging transactions in difficult market and country environments. The window is financing the financial and legal advisory support for the World Bank guaranteed syndicated loan transaction. The activity marks a landmark transaction nationally and in South and East Asia. This would be the first time a World Bank Guarantee would be used to mobilize private sector financing in India, signaling the readiness of the country’s power sector to attract international commercial financing. The funds would result in an intra-regional grid that would enhance connectivity to lagging regions improving their growth prospects. An efficient national transmission grid would contribute to greater cross-border trade by moving excess energy from across the country for trade and by improving electricity access for intra-regional transport and logistics networks and producers of tradable goods. Diagram 5 indicates the thematic areas and sub-themes and activities funded under the IFG window.
PILLAR 1: REGIONAL ECONOMIC INTEGRATION

- Focus on transport and energy connectivity
- Connectivity to lagging regions and communities/groups
- Regional economic development
- Rural-urban connectivity

PILLAR 2: CLIMATE CHANGE

- Focus on clean energy and renewables
- Focus on energy efficiency
- Address links between urban growth and climate change
- Support climate smart development & green growth
- Green finance
- Integrate adaptation and mitigation considerations into infrastructure delivery

PILLAR 3: CROSS-CUTTING THEMES

- Sector governance and reforms
- Social inclusion, accountability, voice, gender equity and access
- Focus on fragile states and conflict/post-conflict regions
- Mobilize private investment
- Improve capacity for environmental and social safeguards

IFG SUPPORT

- Sustainable Development of Transmission and Distribution Sector in North Eastern Region of India to improve transmission and distribution of power to lagging regions and support future cross-border trade
- South Asia Energy Security and Trade Study to analyze challenges and opportunities for regional energy integration and facilitate trade among South Asian countries
- GHG accounting in South Asia region to measure greenhouse gas emissions and determine impacts of transport projects in India and Sri Lanka
- Framing Responses to State Fragility in South Asia to analyze the needs of marginalized, fragile, and post-conflict communities to better integrate them into the economic mainstream
- Using innovative financing structures to leverage private sector financing for India’s national transmission company Powergrid to promote a stronger intra-regional grid to improve energy connectivity and trade

Diagram 5 - IFG Thematic Pillars Supported
4.4 FINANCIAL SUMMARY

4.4.1 - ALLOCATIONS MADE BY THEMATIC AREA

The window has a corpus of AUD 20 million. AUD 11.3 million has been received from AusAID. Of this $1.67 million has been allocated. Figure 8 indicates the grant amount under each theme.

Figure 8 - IFG Allocations by Thematic Area

4.4.2 - ALLOCATIONS BY SECTOR

Of the sectors funded, energy received the largest portion of grants nearly 67% followed by conflict and fragility approximately 30% and transport sector with 3% of funding. Other activities that address the key themes of the IFG window are under consideration for funding.

Figure 9 - IFG Allocations by Sector
4.4.3 - ALLOCATIONS BY COUNTRY

Three of the five tasks funded are regional in nature and received approximately 56% of the grant amount. Two tasks were funded in India with 44% of the funds being allocated by country. In the next phase of IFG funding, more tasks focused on other South Asian countries and the region are to be funded.

![Figure 10 - IFG Allocations by Country](image)

4.5 PRELIMINARY RESULTS

IFG newest window in the PFSA UTF was set up in June 2012. The five tasks funded are still under implementation. There are however interim results available from two of the tasks funded.

**NE TRANSMISSION AND DISTRIBUTION PROJECT** - Government of India has initiated a program to strengthen the inter-state and intra-state transmission and sub-transmission infrastructure in the region as a part of its wider efforts to develop the energy resources in the NER for electricity trade within and outside the region, and to expand and strengthen transmission systems and make possible last mile connectivity to households. GoI has sought Bank support for investments in the intra-state transmission and distribution network and for institutional reforms and capacity building initiatives across the 6 states of Assam, Manipur, Mizoram, Meghalaya, Tripura and Nagaland. Assessments of the utilities in all six states were carried out to identify the key challenges to institutional reform and capacity and the institutional strengthening interventions needed in each state. Diagnostic assessments of all six states in the NER have been completed. These have revealed weak institutions and low capacity as the key challenge in all six state power institutions and systems.
REGIONAL STUDY ON ENERGY SECURITY AND TRADE - Inception workshops were held in Delhi, Kathmandu, Islamabad, and Dhaka, along with meetings with a variety of stakeholders including government advisors, regulators, power market players, and organizations. Besides this discussions have been held with AusAID, ADB, USAID and the SARC secretariat and energy office. AusAID staff attended the regional workshop in Delhi and the consultations that followed. The common view expressed was that the study was valuable and timely. Participants highlighted a number of domestic policy challenges that had to be addressed to meet growing demand and for regional energy trade. The strengths and weaknesses of the two broad approaches to regionalization were discussed: a more incremental model in which bilateral projects build up to multilateral cooperation, and a framework model by which consultations towards a broader regional approach are initiated. Consultants are in the process of being hired for the analytical work. Based on the consultations undertaken, advisors with experience and insight into national issues in each country and also regional issues are being selected. Workshops are to follow in Afghanistan, Bhutan and Sri Lanka shortly.

4.6 GOING FORWARD

The activities funded through the IFG window will continue to address key climate change issues and to mainstream climate change considerations into the Bank’s work program in the South Asia region. It will also support the many dimensions of regional economic integration. The next phase of activities are currently being finalized. These will cover among others, under the regional economic integration pillar a study of ports, trade and logistics in South Asia. Another task will look at building inland waterways in India that can link to the DFC and make possible cross border trade with Bangladesh via the Ganga and Brahmaputra rivers. Under the climate change pillar the tasks to be funded includes a green urban transport strategy for Afghanistan. Under the cross cutting theme a program to build in country capacity for environmental safeguards taking into account green growth and climate change will be launched through the facilitation of national centers of excellence. The window will continue to fund strategic and innovative tasks under the focus areas.
5
SRI LANKA
NORTH EAST WATER AND SANITATION AND HYGIENE PROJECT
5.1 THE CASE FOR WATER AND SANITATION AND HYGIENE IN NORTH EAST SRI LANKA

Sri Lanka’s development, even through the long period of conflict, has been impressive. Since the end of 26 years of conflict in the northern province in 2009, the country is on its way to achieving middle-income status. Growth however has been uneven and not inclusive, as lagging regions and communities have not shared in this prosperity to the same extent as the leading areas. The south-western region has benefitted from economic growth while the north and east, which have been devastated by civil war and natural disasters, are still lagging behind. Income per capita in the Eastern and Northern provinces is almost 50% less than in the Western Province, which alone contributes over 50% of the country’s GDP. Indicators on poverty, income, health, education, and accessibility to economic infrastructure and services show significant disparities between the North, Central, and South-West provinces. Another indicator of skewed growth is the fact that poverty is concentrated in rural areas, with 15.7% of population considered poor, compared to 6.7% in urban areas (World Bank 2011). Reducing regional disparities is a priority of the government of Sri Lanka (GoSL).

There is an urgent need to support reconstruction in the post conflict areas, particularly as the scaling down of humanitarian activities further impacts the access to infrastructure and services. In the country, AusAID’s Country Strategy for Sri Lanka (2011-2015) stresses inclusive development for vulnerable people in lagging regions. Key sectoral priorities include recovery of conflict affected areas and rehabilitation of infrastructure, sustainable livelihoods and improved access to services, and social protection. The World Bank’s Country Assistance Strategy (2009-12) stressed the need to create opportunities for equitable growth and economic development, especially in the lagging regions. Other objectives include accelerating economic growth and ensuring effective and accountable service delivery.

The United Nation’s Millennium Development Goals (MDGs) confirm the critical role of water supply and sanitation (WSS) in sustainable development and poverty alleviation. The health, environmental, and socio-economic benefits that result from improved access to WSS is a compelling argument for greater investment in the sector. The poor gain directly from improved access to basic water and sanitation services through improved health, averted health care costs, and time saved. Investing in WSS makes business sense as it also contributes to increased productivity. Meeting the MDG for WSS globally would mean an annual gain of 322 million working days, valued at $750 million.

The Joint Monitoring Program (JMP) Regional MDG (2009-10) reports that Sri Lanka is on track to meet its water supply targets and is an early achiever of sanitation targets. In the rural areas improved or piped water coverage was 88% while sanitation coverage was 92% in 2008. However, the data does not include information on many parts of the north and east. An assessment of the condition of returnees in the Northern Province in early 2010 reported high levels of damage to basic infrastructure. In the assessment area covering 13,300 water sources, 52% were not working and 38% were damaged or contaminated. In addition almost 25,000 toilets were needed. Of the existing facilities only 587 were functional and 2,880 needed repair (IOM, 2010). In spite of Sri Lanka’s better performance on development indicators in comparison to other South Asian countries, the quality of water and sanitation service delivery declines rapidly for communities in small towns and rural areas. The northern and eastern provinces of Sri Lanka have 85% of their population living in rural areas compared to the national average of 72%. These provinces have also suffered prolonged under-investment in infrastructure due to conflict. In addition to this, they also fall in the dry zone, which limits their access to natural sources of water.
The World Bank had financed the North East Housing Reconstruction Programme (NEHRP), from 2004 to 2011 through which houses were constructed for 50,000 families. The damage verification surveys conducted by the Bank, revealed that the project villages had sustained damages to community infrastructure, including WSS. The lack of safe drinking water and sanitation has limited the socio-economic gains that come for improved access to housing. The National Water Supply and Drainage Board (NWSDB), which is entrusted with the provision of water supply in the country, has identified the lack of access to water as an urgent issue to be addressed. There has also been an increasing demand from communities for reliable and quality water supply in the project and nearby areas.

Map 3 - Pilot Project Districts
5.2 PROJECT DESIGN AND OBJECTIVES

It was in this background that the Sri Lanka North East Water and Sanitation and Hygiene Project (SL-NE WASH) was conceived with AusAID’s support. This project became operational on November 29, 2011. The project goal is to provide sustainable piped water to a select number of conflict affected rural communities within the project area of NEHRP on a pilot basis. Any intervention in the north and east has to be designed taking into account the transition from a conflict to a post-conflict society, where families and communities are still socially fragmented and economically deprived. The sustainable development of lagging regions requires community participation, empowerment, and ownership. This is especially true in the north and east where communities had no voice during the long period of conflict. Allowing communities that have long been deprived of voice, a role in state-building and the opportunity to hold service providers accountable is an important aspect of peace-building efforts in post-conflict areas. Northern Sri Lanka has a high proportion of female-headed households and their empowerment is also vital to sustainable poverty reduction in the region.

Appropriate institutional arrangements that define the accountability relationships between the state, service provider, and communities had to thus be incorporated into the project design. It was decided that the pilot would be implemented by the NWSDB as the service provider in consultation with the local governments (Pradeshiya Sabhas or PS) and the Water Users Association (WUA) that represent consumers. The WUAs are key stakeholders because they are responsible for operating and maintaining the schemes under the supervision of the PS. This institutional model is also aligned with GoSL’s Rural Water Policy and their goal of strengthening local governments to oversee the delivery of services. Concerted efforts were to be made to enhance the capacity of the PS and the rural communities, ensuring a more sustainable, accountable, and efficient service delivery mechanism.

The development objective of the project is to increase safe and sustainable piped water supply and sanitation to complement post-conflict housing reconstruction for select communities in two districts. The project would contribute to the improvement of hygiene practices and the quality of life of returnees. It would test viable institutional models for WASH service delivery and generate lessons for a possible scale up. It was expected that women would benefit more from access, as they bear the responsibility of collection and are the largest consumers of water in households for food preparation, maintaining a hygienic environment, caring for the sick, cleaning, waste disposal and washing. It would also impact their personal health and hygiene in a positive way. Mannar district in the Northern Province and Trincomalee district in the Eastern Province were selected as the pilot zones. Among the beneficiaries of NEHRP, 12% households in Mannar district and 5% in Trincomalee district were women-headed households. It was expected that women headed households would be among the main beneficiaries of the pilot.
The pilot has three components:

1 - Provision of Water Supply and Sanitation: Under this component, the project is financing the capital costs for water supply provision in nine sub-projects. Each associated WUA selects the level of service based on affordability and technical feasibility from a range of scalable technical options. Around 3,000 households in the two districts are to be connected by the end of the pilot. The design provides for future expansion that could accommodate an additional 20% of households. The WUA are to be trained and made responsible for operation and maintenance (O&M) of the system by the NWSDB in consultation with the PS. A 50% subsidy towards the cost of connection is offered and the balance is recovered in monthly instalments by adding the charges to the water bills of the first year. Tariffs would be structured to cover O&M costs for up to 10 years. A Sanitation Incentive Fund (SIF) has been set up that is managed and monitored by the PS. A 50% grant and 50% loan is available to all non-NEHRP beneficiaries (NEHRP beneficiaries have already been covered) to ensure total sanitation coverage. About 900 units covering 30% of the population are to be constructed in the pilot areas.

2 - Capacity Building: Under the second component, technical assistance (TA) and capacity building is provided to the NWSDB’s local units, PSs and WUAs for the implementation of the pilot. It strengthens the capacity of the PS for planning for and monitoring local water supply systems in partnership with WUAs. It helps set up WUAs and provides training to enable them to take on project management responsibilities and O&M. Training for sanitation and hygiene awareness is another key feature of the capacity building efforts. This includes health and environment education for communities to improve hygiene and sanitation practices.

3 - Project Management: This component supports NWSDB and PSs for effective implementation of the pilot. This includes creation of a Management Information System (MIS) for monitoring and evaluation (M&E), O&M and transfer of information. At the same time, documentation of the pilot with a view to future scale up will be done. The incremental operating costs of project administration by NWSDB are also being met.
HIGHLIGHT 5
ADDRESSING GENDER AND DISABILITY ISSUES

The project, at every stage from design to implementation, is taking into consideration gender and social inclusion by focusing not only on lagging regions of Sri Lanka but also on the most vulnerable minority groups within these areas. Women interviewed in the project area revealed that they spent an average of 3 to 4 hours a day fetching water. Having reliable and easily accessible piped water would drastically reduce the amount of time dedicated to collecting water. The time freed up can be then allocated to more productive activities. This is a critical aspect in the post-conflict areas of the North and East that have a substantial incidence of women-headed households.

Women-headed households comprise arguably the most vulnerable group of returnees and are among the priority groups targeted by development schemes. A survey conducted in September 2010 by the Jaffna based NGO Center for Women and Development* revealed that the post-conflict northern region had approximately 40,000 female-headed households. Over 50 percent of the women heads of the households surveyed were single parents under 30 years of age supporting their own and extended families. Although up to date statistics are hard to come by due to the number of displaced people, NGOs and government officials estimate that the northern and eastern regions combined are home to some 89,000 war widows, a very high number considering that the conflict displaced more than 280,000 people.

As the main users of water in households and initiators of change in hygiene practices, the central role of women in WASH is fundamental for the success of the project. Women hold at least one of the three key positions (Chairperson, Secretary or Treasurer) in the WUA and at least 50% of the executive committee is female. To better monitor and evaluate the gender related benefits of the project, gender disaggregated data is being collected. At the initial stage of the project, a baseline survey was done and it indicated that at least 15% of the households in the project area were headed by women.

Addressing disability issues is equally important for the social inclusion agenda. In a post-conflict situation there will be a larger proportion of disabled people within households whose needs will need to be taken into account. Poverty and disability are intrinsically linked. People with disabilities are more likely to be poor, and this not only increases their social and economic vulnerability, it also limits their access to basic services. Traditional water supply, sanitation and hygiene schemes have marginalized the needs of differently-abled people. Policies to address these needs are also lacking. As a result, disabled people face many challenges as they attempt to access WASH services, which have severe health and economic consequences and also impacts their dignity and ability to be self-reliant. The participation of disabled people is necessary for the success of the project. Data has been collected on the number of disabled people in the project communities in order to design WSS schemes that address their specific needs. The baseline survey found that 5.5% of all households in the project area included disabled residents. The design of the project has ensured that women headed house-holds form 15% and households with disabled members form 5.4% of the targeted beneficiaries. See Table 3.

5.3 RESULTS TO DATE

It should be kept in mind that this project is being implemented in some of the most vulnerable villages in the region in a challenging post-conflict environment. Aided by strong community mobilization and participation, the project is on target to meet all its objectives by the closing date of June 2014. Active participation of the community is fundamental to achieving sustainable outcomes from this intervention. In the 16 months since the project became operational there has been satisfactory progress on all three components. The safeguards, financial management, and procurement aspects were rated satisfactory by the mid-term review (MTR) conducted in December 2012. There was an initial delay in starting the construction of water supply schemes due to the lack of contractors in the region and issues with finding a good water source for some sub-projects. Flooding in the project areas also delayed construction for some time. There has been some escalation in costs due to several reasons, including difficulties in finding contractors in some sub-project areas; an increase in the cost of fuel and materials; demand-pull inflation due to the end of conflict and a construction boom. Inadequate electric supply in the project areas necessitated payments to the Central Electricity Board for transformers. The government has agreed to meet the costs of any escalation. This reflects their commitment to the project and to providing better services for the underserved in these lagging provinces.

PROVISION OF WATER AND SANITATION

All 9 water supply sub-projects, covering 16 villages, 10 in Mannar and 6 in Trincomalee district, have been contracted out and are under construction. The sub-projects were reduced from 12 to 9 since one community did not have a water source that could be easily accessed, another joined an ADB funded program, and yet another opted out. The sub-projects will provide access to 2,303 households. However, given the continuing migration into the area, which is expected to accelerate as water supply improves, the scheme also has built-in extra capacity. Looking at the population growth rate and new resettlement in the region, it is expected that the schemes will in the final analysis cover 4,488 households. This is a 50% increase over the figure of 3,000 set out in the Concept Note. The project is also providing toilets in the sub-project areas to households and to local schools.

The Sanitation Revolving Fund is disbursing well. The amount of grant and loan per household has been increased from Rs 12,000 to Rs 18,000 after extensive consultations with beneficiaries as the original amount was found to be inadequate to build a quality toilet. The $90,000 in the fund has been topped up by another $19,166 from the government to meet the additional costs. Two villages that were dropped from the water supply schemes were included in the sanitation program, as they were a part of the initial social mobilization and their expectations for assistance had already been raised. A baseline survey has been conducted to identify the potential beneficiaries. Water User Associations are registered in all sub-project areas and they all have accounts opened in commercial banks to allow for the transfer of sanitation grants to WUAs. Out of the 2,809 households covered under the sanitation program, 14.7% are female-headed households and 5.4% have disabled members. The sanitation program also covers 27 sanitation facilities in 11 schools in the scheme area that are being constructed by the School Development Society.
<table>
<thead>
<tr>
<th>NAME OF SUB PROJECT</th>
<th>NO. OF HOUSEHOLDS</th>
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<th>HH WITH DISABLED MEMBERS</th>
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<td>BAKMEEGAMA*</td>
<td>262</td>
<td>45</td>
</tr>
<tr>
<td>2</td>
<td>KILLIVEDDY</td>
<td>209</td>
<td>71</td>
</tr>
<tr>
<td>3</td>
<td>MAHADIVULWEWA</td>
<td>264</td>
<td>63</td>
</tr>
<tr>
<td>4</td>
<td>NAVATCHOLAI</td>
<td>281</td>
<td>40</td>
</tr>
<tr>
<td>5</td>
<td>NEELAPOLA*</td>
<td>244</td>
<td>30</td>
</tr>
<tr>
<td>6</td>
<td>NAMALWATTE</td>
<td>210</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL (A)</td>
<td></td>
<td>1,470</td>
<td>270</td>
</tr>
<tr>
<td>1</td>
<td>KONDACHCHI</td>
<td>333</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>KOOLANKULAM</td>
<td>257</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>175</td>
<td>32</td>
</tr>
<tr>
<td>4</td>
<td>PALAMPIDDY</td>
<td>267</td>
<td>30</td>
</tr>
<tr>
<td>5</td>
<td>THALAIMANNAR</td>
<td>307</td>
<td>60</td>
</tr>
<tr>
<td>TOTAL (B)</td>
<td></td>
<td>1,339</td>
<td>142</td>
</tr>
<tr>
<td>TOTAL FOR 2 DISTRICTS (A+B)</td>
<td>2,809</td>
<td>412</td>
<td>153</td>
</tr>
<tr>
<td>% OF TOTAL HH</td>
<td></td>
<td>100%</td>
<td>14.70%</td>
</tr>
</tbody>
</table>

* EXCLUDED FROM WATER SUPPLY SCHEMES

**Technical Assistance and Capacity Building**

The capacity constraints of PSs and communities have been identified and steps are being taken to strengthen capacity at all levels. The lack of capacity within the communities is being addressed through the creation of specialized WUAs that work closely with the community and provide guidance for operation and maintenance of the water supply schemes. Eleven Water Users Associations have been formed and registered with the NWSDB in all sub-project areas including two that are only for sanitation. Over 83% of the households to be covered have already paid for membership of their WUA. This is an impressive result, demonstrating the huge demand for safe water. This number is expected to increase, as more families learn about the social, economic and health benefits of safe drinking water at their doorstep and with growth in population over time.
Hygiene, education, and awareness programs are at the heart of the success of any water and sanitation project. This aspect is however, often ignored in projects with more attention being paid to the construction of the hard infrastructure. The project has undertaken an intensive hygiene promotion program to educate communities on the socio-economic costs of lack of sanitation and benefits of good hygiene and improved sanitation. Many innovative learning materials have been prepared. Schools in particular, are being targeted to enhance their hygiene education programs. Families have reported that these programs are very useful for them and for their children. The program includes orientation, preparing an action plan to address hygiene issues, programs for hygiene promotion and education, posters and materials for hygiene awareness, and discussions/education at community and school levels. The innovative training methods used include street plays for the community and arts competitions in schools. Until January 2013, a total of 39 trainings were organized. A total of 2,300 students (of which 50% are girls) attended 13 hygiene education programs in both districts (6 in Trincomalee and 7 Mannar). Art competitions were also held in 5 schools. The training at school level covered different grade levels, from 3-5, 6-8, and 9-11 grades. At the community level training programs covered 890 people (55% female). There were 12 community awareness programs and training conducted, 6 in each district. In addition, a Training of Trainers (ToT) program for the PS staff and CBOs, and a street play on the importance of sanitation and hygiene were organized. Finally, 7 general training programs covering orientation for partners and social mobilization were conducted. These awareness programs will continue to provide a lasting impact resulting in better sanitation and health. See Table 4 for details of the 39 training programs.

**Project Management**

Under this component, two Rural Water Supply (RWS) offices have been set up in the two project districts by NWDSB. These will be permanent offices that will continue to help communities after the pilot is over. Adequate staffing has been provided and these units are functional. In order to monitor and evaluate progress against indicators, a Management Information System (MIS) has been created and all progress reports are being generated from this. The progress of water supply schemes and construction of sanitation facilities and all aspects of hygiene awareness and education programs are being captured in the MIS. A results framework was also developed for the project at the concept stage. See Annex 5 - A Results Framework in the Annex section of the report. The baseline survey has been completed. The PMU is now working to include water quality data and to strengthen the documentation process as recommended by the MTR.

The project is closely monitored by the Bank. The Bank is supervising the project through desk reviews of progress reports that are sent by the government every two months. In addition, the World Bank team conducts field visits every six months and continues to work closely with the PMU. Two missions, including an MTR, have already taken place and the next mission is planned for May, 2013.
### Table 4 - SL-NE-WASH Hygiene, Education, and Awareness Programs

<table>
<thead>
<tr>
<th>Target Audience</th>
<th>Total Trainings</th>
<th>People Trained</th>
<th>% of Girls/Women</th>
<th>Type of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>School</td>
<td>18</td>
<td>2,300</td>
<td>50%</td>
<td>Hygiene Education (13)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- 3-5 Grades</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- 6-8 Grades</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- 9-11 Grades</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Art Competitions (5)</td>
</tr>
<tr>
<td>Community</td>
<td>13</td>
<td>890</td>
<td>55%</td>
<td>Awareness Programs (12)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Street Play (1)</td>
</tr>
<tr>
<td>General</td>
<td>8</td>
<td>70</td>
<td>16%</td>
<td>Staff Orientation (1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Social Mobilization of Partners (7)</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>3,260</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 12 - SL-NE-WASH Hygiene, Education and Awareness Program**
5.4 **FINANCIAL SUMMARY**

5.4.1 - **ALLOCATIONS**

The entire grant amount of $2.01 million that was to be received by government has already been transferred to GoSL. Allocations have been made against this for construction of the water supply schemes (WS), sanitation incentive grants (SIGs), training (TRG), and incremental operating costs (OC). See Figure 13 for the percentage allocated to each activity. The SIGs are over budget by $19,161. This shortfall is being met by the government as explained above.

![Figure 13 - Allocations by Activities](image)

5.4.2 - **DISBURSEMENTS AND COMMITMENTS**

This is a recipient executed project and every two months the Bank task team receives a progress update from GoSL. As per the last report in January 2013, 24% of the funds have been disbursed. Table 5 provides details by component. Only 1% of the funds remain uncommitted with more than a year remaining for the project to close. All 9 water supply contracts have been awarded and disbursement is expected to accelerate during the next few months as construction picks up.
Table 5 - Funds Disbursed and Committed (USD) as of January 2013

<table>
<thead>
<tr>
<th>DISBURSEMENT</th>
<th>COMMITMENT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALLOCATION</td>
<td>AMOUNT</td>
<td>%</td>
</tr>
<tr>
<td><strong>1</strong> WATER SUPPLY SCHEMES</td>
<td>1,800,000</td>
<td>297,691</td>
</tr>
<tr>
<td><strong>2</strong> SANITATION INCENTIVE GRANTS</td>
<td>90,000</td>
<td>109,161*</td>
</tr>
<tr>
<td><strong>3</strong> TRAINING</td>
<td>30,000</td>
<td>26,313</td>
</tr>
<tr>
<td><strong>4</strong> INCREMENTAL OPERATING COSTS</td>
<td>90,000</td>
<td>55,070</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,010,000</td>
<td>488,235</td>
</tr>
</tbody>
</table>

*Excess amount met by government

5.5 PARTNERSHIP WITH AUSAID

AusAID as the sole funder of the pilot has participated in all phases of the project, from concept design to the ongoing implementation. Staff from the Colombo Post also participated in the recent MTR of the project. In addition, the Task Team Leader has conducted face-to-face briefings for the staff at the Colombo Post to report on progress after every mission. In addition, AusAID has leveraged the Bank’s resources, including the expertise of its staff and its long-term relationship with GoSL in the water supply and sanitation sector, at little cost. It has also leveraged the Bank’s NEHRP that provided houses to communities, which are now benefiting from access to WSS services through this project. Initially, the pilot was to be scaled up with additional funds in 2013. AusAID has informed GoSL that this scale up will not take place as originally anticipated due to funding constraints. Given the positive results achieved by the pilot in providing access to WASH facilities in post-conflict communities within a short time frame, the extent of community participation generated it is important to scale up the project without losing the momentum that has already generated in these post conflict communities. The Bank is currently in discussions with the government regarding a potential WSS project in Sri Lanka. The partnership between AusAID and the World Bank for the Sri Lanka North East WASH pilot will lead to sustainable improvements in the quality of life of some of Sri Lanka’s most vulnerable populations.
The Local Services Improvement Project
6.1 THE CASE FOR LOCAL SERVICES IMPROVEMENT IN NORTH EAST SRI LANKA

The northern and northeastern provinces of Sri Lanka constitute a lagging region of the country that has experienced armed conflict for nearly three decades. Though the economy has continued to grow even during conflict, growth remains skewed with more than 50% of the country’s GDP coming from the Western Province, which includes the Colombo area. Per capita incomes in the north and east are 50% less than in the Western Province. The decades of fighting have negatively impacted growth in the region and the country at large. The armed conflict in the Eastern Province ended in July 2007 and in the Northern Province in May 2009, bringing to an end 26 years of armed conflict. During this period, starting in the early 1980s, people in the North and East have been repeatedly displaced and their houses, public facilities, and basic infrastructure damaged or destroyed. There is a considerable, conflict-induced backlog of local infrastructure and services in the Northern and Eastern provinces. Rural roads that provide connectivity, and village level infrastructure, such as drainage systems, primary health clinics, schools and markets, were all severely damaged during the conflict. Most urban, peri-urban, and rural drinking water schemes were in disrepair and needed to be reconstructed. Essential local services, such as street lighting and solid waste management, were either not available or were insufficient in many locations in this region.

The major challenge after initial resettlement of the displaced families was to restore and sustain the vital economic infrastructure and services needed for communities to ensure their livelihood. The destruction of property and basic infrastructure had severely undermined the capacity of people to rebuild their lives and develop their local economies. Without restoration and development of local infrastructure, these regions would continue to lag behind the rest of the country in terms of poverty, income, education, and other MDG indicators. Years of civil conflict and natural disasters have traumatized populations, resulting in a lack of trust in many communities. Provision of basic local infrastructure and services along with avenues for voice and participation and holding local governments accountable for service delivery, can help the healing process and build confidence in the local state.

Local governments are best placed to deliver basic services according to community priorities. The Local Authorities (LA) comprise the middle and lower tiers of government in Sri Lanka. The 13th Amendment of the Constitution created a sub-national system with Provincial Councils (PCs) at the provincial level and below them, the Pradeshiya Sabhas (PSs) in rural areas, and Urban Councils (UCs) and Municipal Councils (MCs) in urban areas. These institutions together constitute “Local Authorities.” The LAs as elected bodies mandated to deliver services, could play a vital role in participatory planning, prioritization, execution and maintenance of local facilities and services. LAs in the North-East however face several impediments in delivering services. These include lack of administrative and technical capacity, inadequate resources, and poor responsiveness to citizen’s needs and priorities. Central government transfers, the main source of funding, are insufficient and often unpredictable. The central government makes two types of grants, through the PCs to the LAs Criteria-Based Grants (which are allocated on the basis of a formula encompassing population, level of poverty, and other socio-economic indicators) and Province-Specific Development Grants.
Actual transfers are often lower than agreed allocations due to cash flow problems, revenue shortfalls or other problems affecting national finances. This hampers effective planning and implementation of local infrastructure investments. LAs are the front line of service delivery at the local level. Due to their closeness to citizens, they offer opportunities for community participation in local decision-making. However, participation and dialogue with communities needs to be institutionalized and strengthened to enhance accountability and responsiveness.

Lessons learned from post conflict regions in Asia and Africa indicate the importance of rebuilding the local state from bottom up through community participation and ownership, and providing basic local level infrastructure facilities. Extensive information and communication to inform citizens about project design, work plans, and a grievance redressal mechanism are necessary ingredients for successful implementation of projects. Experience from local government operations in South Asia and elsewhere attest to the positive impacts of improved resource allocation at the local level, along with enhanced accountability in planning and expenditure management based on community needs and priorities. These aspects are inter-related. To hold local governments accountable, it is important that these agencies have the resources to deliver services in a transparent and accountable manner. The upward and downward accountability relationships between the higher tiers of the state and the local community need to be enforced through institutionalizing participatory approaches for the planning and management of local development. Increased fund flows designed to enhance the role of local government also need to be accompanied by improvements in operational systems, management procedures and accountability mechanisms for local government to deliver results.

The GoSL strategy in the north-east region stresses relief, resettlement and rehabilitation, along with the restoration and development of livelihoods and reconstruction of basic infrastructure. It also focuses on the restoration of services and establishment of effective administration and service delivery arrangements. AusAID and World Bank strategies also stress the need for reconstruction and improvement of services in the region. After the initial humanitarian activities are over and once the displaced people return to their villages, it was important to quickly improve local infrastructure and services in the north and the east and to restore confidence in local governments by allowing communities to participate and hold their LA accountable. It was in this background that the World Bank designed the North East Local Services Improvement Project (NELSIP). The project which became effective from December 15, 2010 will be operational until December 2015.
6.2 PROJECT DESIGN AND OBJECTIVES

NELSIP, which was designed and prepared in the aftermath of the conflict in the north-east, addresses many of the issues noted above. The primary objective of the project is to improve the delivery of local infrastructure services by local authorities in the Northern and Eastern Provinces of Sri Lanka in an accountable and responsive manner. It provides much needed support for local infrastructure services, such as rural roads, drinking water supply, drainage and waste disposal that are provided and maintained by LAs in the Northern and Eastern provinces. By building the legitimacy and capacity of the local state, it also addresses the causes and consequences of the conflict in Sri Lanka. Besides targeting development, NELSIP also addresses issues of voice and empowerment of the different communities in the Northern and Eastern Provinces. Strengthening local government institutions and the ability of LAs to respond to local needs will help advance a durable solution to the concerns of citizens in the North-East region. The basic components of the project address the infrastructure gap through additional resources for service delivery, along with accountability measures to ensure resources are expended in a transparent and accountable manner. They also build the capacity of local governments to deliver services and of higher tier agencies and communities to hold them accountable. The three components are expanded upon below.

INFRASTRUCTURE SERVICE DELIVERY

This component funds the reconstruction of infrastructure and services by providing resources to improve local service delivery in a transparent and predictable manner within the context of a sound inter-governmental fiscal framework. It provides predictable and transparent capital grants to the LAs through the country’s budget system in accordance with the GOSL’s guidelines for participatory planning. The use of country systems to deliver aid is an integral part of the global aid effectiveness agenda. These grants cover infrastructure and services such as rural roads, drains, culverts and bridges, community buildings, markets and fairs, waste disposal, rural water supply, parks, recreation facilities and libraries, nursery schools, playgrounds, and dispensaries. The funds can also be used to improve local government utility services.

INSTITUTIONALIZING ACCOUNTABILITIES

This component ensures that LAs undertake public expenditures and deliver local services in a transparent and accountable manner. It strengthens upward and downward accountability systems at the local level. Activities under this component include improving accountabilities by instituting sub committees, standing committees and advisory committees to enable participation and oversight by stakeholders. It also includes an education and communication campaign to disseminate project information to various stakeholders. Preparation of participatory LA Development Plans that prioritize community development needs are another feature.

BUILDING CAPACITIES

This component strengthens the service delivery systems and capacities of LAs to deliver services. It also strengthens the monitoring capacities of provincial and national level institutions. It supports improvements in systems and processes related to planning, budgeting, financial management, revenue management and procurement at the LA level. It strengthens the audit of funds by improving the efficiency, timeliness and follow up of the internal and external audits of LAs. The funds under this component support the training of elected representatives and staff of LAs on financial management, procurement and project management.
Better and more effective technical support to LAs provided by the district local government staff is also funded. Another important feature is the development of a long-term capacity building strategy for LAs including the Organizational Development Unit (ODU) of local government departments. The project covers all the Local Authorities in the Northern and Eastern Provinces of Sri Lanka. The 79 LAs include 66 Pradeshiya Sabhas, out of which 28 are located in the 5 districts of the Northern Province and 38 in the 3 districts of the Eastern Province. In addition, it covers 9 Urban Councils – 5 in the North and 4 in the East and 4 Municipal Councils namely Jaffna, Kalmunai, and the newly created Akkurapattu and Batticaloa. NELSIP will result in an increase in the quantity and quality of public goods delivered and maintained by Local Authorities. Improved infrastructure connectivity will enable post-conflict communities in the north-east to benefit from enhanced access to social services and economic opportunities. The capacity of Local Authorities to deliver services will also be strengthened. Through these steps the project will help reduce poverty in the project implementation areas.

**Table 6 - NELSIP Coverage of Local Authorities in the Northern and Eastern Provinces**

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>DISTRICT</th>
<th>URBAN COUNCIL</th>
<th>PRADESHIYA SABHA</th>
<th>MUNICIPAL COUNCIL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTHERN PROVINCE</td>
<td>JAFFNA</td>
<td>3</td>
<td>13</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>KILINOCCHI</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>MULLAITIVU</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>VAVUNIYA</td>
<td>1</td>
<td>4</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>MANNAR</td>
<td>1</td>
<td>4</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>SUB TOTAL</strong></td>
<td><strong>5</strong></td>
<td><strong>28</strong></td>
<td><strong>1</strong></td>
<td><strong>34</strong></td>
</tr>
<tr>
<td>EASTERN PROVINCE</td>
<td>TRINCOMALEE</td>
<td>2</td>
<td>11</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>BATTICALOA</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>AMPARA</td>
<td>1</td>
<td>17</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td><strong>SUB TOTAL</strong></td>
<td><strong>4</strong></td>
<td><strong>38</strong></td>
<td><strong>3</strong></td>
<td><strong>45</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>9</strong></td>
<td><strong>66</strong></td>
<td><strong>4</strong></td>
<td></td>
<td><strong>79</strong></td>
</tr>
</tbody>
</table>
6.3 CO-FINANCING BY AusAID

AusAID is co-financing the project to the tune of AUD 24.86 million. Co-financing provides AusAID with the opportunity to support the development of a lagging post conflict region and of the vulnerable communities within this region. It will also help deepen the engagement with the Bank at the country level. Greater engagement with multilateral partners is a key recommendation of the Government of Australia’s Independent Aid Effectiveness Review, 2011. It also enables AusAID to leverage the Bank’s resources, both financial and non-financial including the expertise of its staff, relationship with the client, and Bank processes and systems, and thus minimize administrative costs.

NELSIP covers the entire Northern and Eastern Provinces of Sri Lanka, including the 79 Local Authorities in these two provinces. The fund requirement of a LA is between LKR 200 to 600 million of which, only a small portion is covered by government transfers. The Bank’s funding of NELSIP provides a total of approximately LKR 80 million over four years. AusAID funds will support the overall development objectives of NELSIP and all the three components discussed above. The co-financing by AusAID enables some of this funding gap to be bridged It will enable the project to be scaled up and will help increase the size of fiscal transfers to LAs. Along with increased capacity building it will lead to more and better service delivery by LAs. It will also improve local accountability both upward to Provincial Councils and downward to the community.

The higher-level outcomes from this partnership and project are expected to be a reduction in poverty, improved health and well-being, new economic opportunities, and more efficient and effective delivery of infrastructure and services. The project can also be replicated and scaled up to other lagging regions of the country, and GoSL has expressed interest in expanding the project to other provinces.

AusAID was to initially co-finance the project to the tune of AUD 37.77 million. These funds were to be delivered in three tranches, of which the first tranche of AUD 9.47 million was received in June 2011. However there has been considerable delay in the signing of the Grant Agreement (GA) by GoSL. Both the Bank and AusAID have been actively following up with government on this. The government wanted the project to be restructured after the Mid-Term Review (MTR). The MTR mission originally scheduled for December 2012 was finally approved by GoSL for March 2013. It has since taken place and AusAID staff from the Colombo Post participated in the MTR. On the basis of the MTR and subsequent discussions with GoSL, steps are underway restructure the project to include areas in adjoining provinces that were also impacted by the conflict in the north-east. Due to the delay in signing the GA, the second tranche has been withheld by AusAID. The co-financing has thus been reduced to AUD 24.86 million and will be limited to two tranches. The second tranche is now to be transferred in 2014. Government has agreed to sign the GA for the reduced amount. The GA is now expected to be signed after the restructuring takes place.
6.4 RESULTS TO DATE

The mid-term review of the project has taken place from March 12 to 25, 2013. All three components received a satisfactory rating though areas of weakness in monitoring and evaluation and project management were noted. Though cumulative disbursement to date is 74% there has been delay in project approval and implementation in the Northern Province which does not have an elected Provincial Council, this has resulted in the project implementation being noted as moderately satisfactory. Action is being taken to improve the approval of projects in the Northern Province. A key positive outcome noted is the high level of satisfaction among communities with regard to their LAs. Table 7 Results Framework and Monitoring shows high satisfaction among citizens with regard to LA performance. The targets for participation have been exceeded at the midpoint in the project lifecycle. The preparation of annual financial statements within 3 months of closure and acceptable audits of LA accounts are both outcome indicators that have been exceeded at the time of the MTR.

<table>
<thead>
<tr>
<th>PROJECT OUTCOME INDICATORS</th>
<th>TOTAL TARGET</th>
<th>MTR TARGET</th>
<th>MTR ACHIEVEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural and village roads (km)</td>
<td>1,000</td>
<td>618</td>
<td>303</td>
</tr>
<tr>
<td>Drainage systems (km)</td>
<td>245</td>
<td>32</td>
<td>16</td>
</tr>
<tr>
<td>Rural water supply schemes</td>
<td>439</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Playgrounds, markets and nurseries</td>
<td>405</td>
<td>112</td>
<td>21</td>
</tr>
<tr>
<td>Rural electrification</td>
<td>79</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>% capita grants released against allocations (IDA)</td>
<td>70</td>
<td>90</td>
<td>70</td>
</tr>
<tr>
<td>Rising satisfaction of local people on LAs (%)</td>
<td>80</td>
<td>60</td>
<td>87</td>
</tr>
<tr>
<td>LAs preparing annual financial statements within 3 months of closure</td>
<td>60</td>
<td>40</td>
<td>75</td>
</tr>
<tr>
<td>Acceptable financial audits of accounts</td>
<td>60</td>
<td>40</td>
<td>75</td>
</tr>
<tr>
<td>LAs with budgets prepared in a participatory manner</td>
<td>60</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>LAs whose revenues, expenditures and procurement decisions are publically disclosed</td>
<td>40</td>
<td>15</td>
<td>79</td>
</tr>
</tbody>
</table>
In little over two years, the project has shown that when local authorities are provided with resources and held accountable by the communities they serve, they can provide quality service in an accountable manner. NELSIP has empowered both local governments and citizens. Elected local governments are increasingly seen as an integral element of the local service delivery framework by both the upper tiers of government and by the communities they serve. The capacity of local governments to deliver basic services is no longer in doubt, and a positive practice of constructive interaction between citizens and LAs to prioritize community needs has emerged. This is no mean achievement in a post conflict environment, particularly in this short a period.
MARKET STALL, MALLAVI

COMMUNITY CONTRIBUTION, KILINOCHCHI

KULANAI ROAD, KARAVEDDI

GEMUNUPURA WATER SUPPLY

SERUWILA MARKET

MARKET COMPLEX, MUTHUR

UYLANKULAM WATER SUPPLY

AARAYAMPATHY CHILDREN PARK

ELECTRICITY EXTENSION, POTTUVIL

MAP 4 - INFRASTRUCTURE SERVICE DELIVERY BY THE PROJECT