I. Project Context

Country Context

Due in part to the recent global recession, India’s average annual Gross Domestic Product (GDP) growth has declined from 10.4 percent in 2010 to a forecast rate of only 5.7 percent for 2013 and 6.2 percent in 2014-15. Earlier strong economic performance, coupled with high levels of investment and savings, and strong export growth, helped finance an expanding number of national development programs to improve social, economic and environmental conditions for the rural poor. These programs are still critically important since more than 400 million people still live in poverty with the majority living in rural areas and dependent on rainfed agriculture or other land-based resources for their livelihood. Many of India’s newly non-poor, especially in rural areas, remain vulnerable and minor shocks such as illness, natural disasters, poor crop yields, indebtedness, can easily push them below the poverty line. While the Indian economy is expected to continue recovering, increasing pressure on government spending has meant that large programs aimed at the rural poor, including those addressing integrated watershed management and livelihoods in rainfed areas, need to become more efficient and produce improved outcomes.
Sectoral and institutional Context

Agriculture is a key sector for the country’s continued development. However, the sector has grown below government targets; between 2000 and 2010, agriculture grew at an average rate of 3.1 per annum while the target for the last two Five-Year plans was 4.0 percent. Stressed natural resources, poor rural infrastructure, inadequate technology, limited access to credit, underdeveloped extension and marketing services, and insufficient agricultural planning at the local level contribute to the lackluster performance. Ongoing global food security concerns, pronounced food-price volatility, and concerns about climate change all highlight the urgency of boosting India’s agriculture.

Irrigated agriculture is reaching limits in terms of large productivity increases. Therefore, rainfed regions need to increase agricultural production. Thirteen states account for about three-quarters of total rainfed area, amongst the largest in the world, characterized by low rainfall less area under irrigation, and higher rates of poverty. Rainfed areas have lagged far behind and often experienced severe resource degradation due to poor land and water husbandry, and low investments. India as a whole, but especially states with large areas of drier, rainfed lands, also have large pressures on water, particularly groundwater, and competition between ground and surface water, and different water uses. The future will only bring greater pressures on India’s water resources, especially in drier, rainfed areas.

Watershed management can provide a constructive framework to address these challenges in rainfed areas in India, for example by improving the recharge of local aquifers and improving downstream water flows; helping farmers better manage surface and ground water resources; increasing vegetative cover and decreasing soil erosion; increasing agricultural productivity; and guiding farmers to adapt to climatic change. The national Integrated Watershed Management Program (IWMP), financed by the Government of India (GoI) through the Department of Land Resources (DoLR), currently forms the cornerstone of the government support for watershed development. IWMP has planned to treat approximately 27 million ha across 27 states through an allocation of approximately USD1.1 billion during the period 2009-2013. It is estimated that IWMP could treat around 55 million hectares by 2027. The IWMP is the second largest watershed program in the world, after China. Besides the IWMP, there are a number of other centrally financed schemes that can potentially contribute to watershed management, agriculture, and rural livelihoods, which to varying degrees would help address development needs in rainfed areas. The experience so far shows that program integration and convergence has only been achieved on a limited scale in selected cases and States; there are significant opportunities for greater efficiencies in terms of targeting and allocations, common processes and shared resources.

The GoI recognizes the importance of these issues. On August 6, 2012, the GoI sent the World Bank a formal request to support a new National Watershed Mission (Neeranchal). The Bank is in a strong position to play a major role in improving the performance and outcomes from GoI watershed management operations. For more than three decades, the Bank has been supporting the Government of India’s (GoI) efforts to improve watershed management programs in rural, rainfed areas through a series of single state, stand-alone operations. This partnership has helped shape the design of new central schemes for watershed management, including the current IWMP. Ongoing Bank-supported projects in Himachal Pradesh, Uttarakhand, and Karnataka continue to generate valuable lessons across a wide range of landscapes.

The proposed Neeranchal project represents a major shift in how GoI and the Bank can work together to support watershed management in India, and acknowledges that GoI has sufficient
resources to finance physical works in basic watershed programs like IWMP. Rather than investing in new single state, stand-alone projects operating outside IWMP, at this time the Bank can provide technical assistance as a critical catalyst to help demonstrate improved performance and outcomes for IWMP in selected sites. The proposed project will address a number of key issues as defined by the Planning Commission and various other reports/experts surrounding watershed programs in India by filling gaps and allowing for innovation and experimentation, and demonstrating success with new approaches and tools that is not possible within the current IWMP framework on its own. As lessons are learned, disseminated, and incorporated into IWMP operations at a wider scale in each state, the measurable achievements on the ground with communities and farmers would influence and leverage institutional change in IWMP through reforms to national watershed guidelines.

II. Proposed Development Objectives
The Project Development Objective (PDO) is to support IMWP through technical assistance to improve incremental conservation outcomes and agricultural yields for communities in selected sites, and adoption of more effective processes and technologies into the broader IWMP in participating project states.

III. Project Description

Component Name
Central Institutional and Capacity Building
Comments (optional)
The Component will strengthen DoLR, for more effective planning, implementation, monitoring and evaluation, and reporting of watershed management programs.

Component Name
National Innovation Support
Comments (optional)
The Component will support the application of innovative, science-based knowledge, tools, and approaches to underpin improvements to IWMP around watershed planning and implementation.

Component Name
Support to IWMP in Participating States
Comments (optional)
The Component will provide intensive, science-based support to improve IWMP operational effectiveness, convergence/integration with other government programs, and measurable impacts.

Component Name
Project Management and Coordination
Comments (optional)
The Component will ensure effective, efficient and responsive project management to successfully implement the Neeranchal project.

IV. Financing (in USD Million)

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<th>Total Project Cost:</th>
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<tbody>
<tr>
<td>Total Bank Financing:</td>
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<td>Financing Gap:</td>
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<tr>
<td>For Loans/Credits/Others</td>
<td>Amount</td>
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V. Implementation
The DoLR has the overall responsibility at national level for planning and delivering centrally financed watershed schemes, such as the IWMP. Field implementation is by states through existing State Level Nodal Agencies (SLNAs) assigned under IWMP for watershed development. To ensure that the Neeranchal project directly links to IWMP field activities and experiences in the selected sites, the project will be implemented in a similar manner; at the central level by the DoLR under the Ministry of Rural Development (MoRD) of the GoI; at state level through SLNAs.

High level national oversight would be provided by the Project Empowered Committee (PEC) in MoRD. The PEC would review general progress, approve yearly plans and budgets, and provide policy guidance. The PEC would comprise of senior representatives from relevant central ministries and departments related to watershed management.

Central level project execution would be through a Project Implementation Unit (PIU) established and integrated within the existing DoLR structure. The PIU would be headed by a full-time Joint Secretary and Project Director who would be supported by three Project Units, covering a number of support cells; i) Research and Technical matters and coordination of the PIU technical specialists, including Monitoring and Evaluation and Management Information Systems; ii) Project Administration, and iii) Accounts and Finance. A contracted national-level agency will assist the PIU and DoLR to manage human resources and procurement of agencies for specialized services. In addition to overall project implementation, DoLR would directly lead the delivery of operational Components 1 and 2, with support from a number of key implementing agencies, while participating states would be implementing partners for the delivery of operational Component 3. Project funds would flow from DoLR to participating states based on approved annual work plans. At the state level, project funds for Component 3 would be managed by SLNAs. DoLR would be responsible for overall financial management and reporting for the project.

VI. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
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<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
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<td>Pest Management OP 4.09</td>
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<td>Projects in Disputed Areas OP/BP 7.60</td>
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Comments (optional)
By design, Neeranchal would provide technical assistance for improved watershed management by
strengthening the national capacity for policy development, planning, implementation, and monitoring of IWMP, and convergence with other programs. The crucial factors for the success of the project would depend upon effective convergence with other line departments at the State and district levels especially between IWMP and MGNREGS, two flagship schemes that are already into implementation across the country. The value addition of Neeranchal would come through enhanced social inclusion, improved M&E systems, and community mobilization besides improved environmental sustainability gains of the IWMP. Therefore, proposed investments under Neeranchal do not pose any significant and/or irreversible adverse environmental and social impacts. On the other hand it provides opportunities to improve the social and environmental outcomes of the IWMP. Nonetheless, the technical assistance under Neeranchal may result in some localized adverse impacts, if the interventions are not implemented in a proper manner. In order to ensure that any adverse impacts are identified and mitigation measures developed to reverse, contain and/or arrest adverse impacts, a Strategic Environmental and Social Assessment (SESA) was undertaken. A two-phase approach is being adopted and Phase 1 of SESA focused on identifying potential adverse impacts and appropriate mitigation measures. An Environmental and Social Management Framework (ESMF), based on field surveys, stakeholder consultations and review of safeguards instruments in the three ongoing World Bank supported watershed projects in India has been developed and disclosed. Based on the requirements for mitigating adverse impacts, the ESMF includes a Monitoring and Capacity Building Plan. In the second phase, that would be undertaken during initial period of project implementation, a detailed review of investments made in the watershed sector would be undertaken to develop a roadmap and action plan for mainstreaming proactive environmental and social processes into the implementation cycle of IWMP at the national level. The second phase of SESA would also look into possible policy reforms to achieve a higher degree of convergence with other schemes that provide support to watershed development activities.

VII. Contact point

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