

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC200

<b>Project Name</b>	Third Maharashtra Rural Water Supply and Sanitation Project (Jalswarajya-II) (P126325)
<b>Region</b>	SOUTH ASIA
<b>Country</b>	India
<b>Sector(s)</b>	Water supply (75%), Sanitation (20%), Public administration- Water, sanitation and flood protection (5%)
<b>Theme(s)</b>	Rural services and infrastructure (87%), Water resource management (10%), Rural policies and institutions (3%)
<b>Lending Instrument</b>	Specific Investment Loan
<b>Project ID</b>	P126325
<b>Borrower(s)</b>	Department of Economic Affairs, Government of India
<b>Implementing Agency</b>	Government of Maharashtra
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	14-Mar-2013
<b>Date PID Approved/ Disclosed</b>	14-Mar-2013
<b>Estimated Date of Appraisal Completion</b>	15-Apr-2013
<b>Estimated Date of Board Approval</b>	04-Jun-2013
<b>Concept Review Decision</b>	

## I. Introduction and Context

### Country Context

In 2011, about 69 percent of India's 1.2 billion population is rural. The growth rate of population in rural and urban areas in the 2001-2011 decade was 12.18 percent and 31.80 percent respectively. While India is fast urbanizing, its rural economy is still significant, contributing roughly about 40 percent to India's GDP. Rural India will continue to play a significant role in the coming decades. Access to water and sanitation to rural communities is therefore an important development priority for India. Therefore, Government of India spends about US\$2 billion annually through various programs to improve access to rural water supply and sanitation (RWSS) facilities. Although these expenditures have resulted in substantial RWSS coverage in rural areas, there continues to be a considerable gap between the infrastructure constructed and service reliability and availability at the household level. The country's main RWSS sector issues that contribute to this situation include:

systems that are financially, technically, and environmentally unsustainable; the challenges associated with water scarce and water stressed areas; and monitoring and evaluation systems that focus on infrastructure and expenditures rather than on the outcomes of efficient and reliable service delivery. These issues, however, do not apply uniformly throughout the country and some states (e. g., Maharashtra) have developed and implemented successful approaches to achieving sustainable RWSS service delivery.

### **Sectoral and Institutional Context**

**National Level.** The challenge facing India is not to increase access to RWSS infrastructure per se, but to increase access to reliable, sustainable, and affordable services. In this regard, the Government of India (GoI) recognizes the need to improve the functionality and sustainability of RWSS schemes and has launched significant sector reforms since 1999. Two major 'demand responsive' reform programs, the Sector Reform Project (SRP) and the Swajaldhara Program, were launched in early 2000 for decentralizing service delivery. Establishing the necessary institutional arrangements, building capacity, and bridging financing gaps for scaling-up are the major challenges. Recognizing the continuous slippages of 'fully covered' habitations to 'partial' or 'not covered' status, GoI sector plans have assigned priority to the conjunctive use of groundwater, surface water, and rainwater harvesting systems, with emphasis on decentralized, community-based and demand driven approaches.

The Ministry of Drinking Water Supply (MoDWS) recently developed a framework for implementing the National Rural Drinking Water Program (NRDWP), which brings Panchayati Raj Institutions (PRIs) and communities into the center of the decision-making process. The Ministry is also drawing up arrangements designed to reward good performance and achievement of sustainable RWSS services, and has defined some key performance monitoring indicators, including the preparation of water security plans, conjunctive use of water resources, convergence of various other sector programs with NRDWP, strengthening institutions, adoption of regulatory processes, and adoption of Public Private Partnerships (PPPs). Going forward, MoDWS is expected to monitor RWSS sector performance in the states using these indicators.

**RWSS in Maharashtra.** Maharashtra is the second most populous state in India in 2011, with a population of 112.4 million (55% rural) spread across 33 districts and in Mumbai region. In about 83% of the rural habitations of the state, water supply interventions have been implemented to increase the access to safe water. About 56% households access drinking water through taps (community and/or individual connections), compared to national average of 30%. Currently about 68% of the rural population in around 32% of Gram Panchayats (GPs) in the state have access to safe sanitation facilities.

From 2003 to 2009, Maharashtra successfully implemented an IDA-financed RWSS Project (JALSWARAJYA), which supported the state's reform program in the sector using a community-driven approach with strong participation of the GPs. The project provided 4,140 new piped water schemes, and 1,848 GPs became Open Defecation Free (ODF), made important progress on O&M and introduced culture of paying for services by users. By project closure, water service was fully operational in about 2298 GPs, constituting around 0.9 million households and 6.7 million people. Maharashtra was the first state in the country to declare a uniform policy of making the communities responsible for 100% of the O&M cost and 10% of the capital costs of RWSS facilities of its programs, from user fees, and the project played a critical role in demonstrating the feasibility and effectiveness of this policy. The project has also demonstrated the significant role

that women can play in decision making on RWSS services, and in O&M of assets built, by forming Self-Help Groups and benefited a large tribal population of about 1.1 million. The state government has decided to scale up the Jalswarajya approach state-wide, and has issued policies providing detailed guidelines on the state's RWSS schemes following this approach.

Maharashtra currently spends about US\$330 million annually in improving the RWSS infrastructure and service delivery in the State, of which about US\$190 million is received annually from the GoI. In water supply, GoM's program focuses on expanding coverage and enhancing service levels to uncovered areas, habitations with poor water quality, partially covered habitations, and minority/tribal/scheduled caste or scheduled tribe concentrated areas. The program also provides incentives for delegation of O&M responsibility to rural communities and for water quality monitoring and surveillance. For sanitation, GoM's program aims to increase access and achieve open defecation free (ODF) villages through subsidies or credits for toilet construction and use, awareness campaign, construction of community and public toilets, and awards for clean villages.

Challenges. Despite its many achievements in the RWSS sector, the GoM continues to face many challenges in ensuring the sustainability of RWSS service delivery, with regard to system reliability, sustainability and affordability.

- a) Reliability. The main challenges are continued water scarcity in poor rainfall areas and in water stressed areas; ground water quality issues (chemical and bacteriological); failure of a large number of existing multi village (or regional) water supply schemes (MVSs) (160 out of 991) due to poor O&M and low operational efficiency; less than satisfactory quality of services (in terms of water quantity, quality and continuity); problems of peri-urban areas witnessing unplanned growth and urbanization; There are challenges to meet better standards at scale such as provision of universal household connections, and better management of non-revenue water.
- b) Sustainability. The main challenge is sustainable service provision in the villages, particularly with large populations (>5000 population); preventing slippages of villages from open defecation free status (12% slip annually); and solid and liquid waste management in villages for achieving integrated sanitation outcomes.
- c) Affordability. The main challenge relates to the need to provide transparent subsidies to large single or multi-village water schemes that have high O&M expenditures.

Sector Institutions. At the state level, the Water Supply and Sanitation Department (WSSD) of GoM is responsible for both urban and rural water supply and sanitation in the state, overseen by the State Water and Sanitation Mission (SWSM), headed by the Chief Secretary, consisting of Secretaries of different departments. One key entity for RWSS under WSSD is the Maharashtra Jeevan Pradhikaran (MJP) (state water board), responsible for implementing large technically complex water supply schemes on behalf of Zilla Parishads (ZPs) (district local governments) and Urban Local Bodies (ULBs). MJP also provides most of the engineering staff to the PRIs on deputation, and operates and maintains many of the large water supply schemes as a service provider. To enhance the professional approach of MJP to the sector, the GoM has planned to restructure it to a corporate model that would enable it to take up projects nationally and globally. In that direction, the GoM has recently created two verticals, a Project Management unit and an O&M unit under MJP. The plan is to transform these two verticals to two separate government owned companies; developing and sustaining their own businesses. The rest of the MJP will be strengthened to focus on standard setting, regulation, quality control and assurance. Another technical agency, Geological Surveys and Development Agency (GSDA), is responsible for ground

water development and management in the state.

PRIs at the district, block (sub-district), and village levels are responsible for planning, implementing and managing RWSS services. At the district level, the function is overseen by a District Water and Sanitation Mission (DWSM) consisting of district political representatives, district collector (executive head), district level officials of different departments and NGOs. The water supply and sanitation unit of the ZPs is responsible for implementing RWSS initiatives/ investments. Under the project, ZPs will continue to be the main implementing agencies at the district level. In order to strengthen the implementation capacity of ZPs, as recommended by GoI guidelines, GoM created Block Resource Centres (BRCs) at the sub-district level. The MJP and GSDA also have their units at the district and sub-district levels. At the village level, GPs will continue to be the main implementing agencies. GPs deliver the RWSS program through the Village Water Supply and Sanitation Committee (VWSC). The Grama Sabha (village assembly of voters) clears investment, planning, implementation, and O&M decisions.

Looking Forward. The state conceived a vision of Sujal Nirmal Maharashtra supported by specific results to be achieved in phases during the period 2012-2022. Building on earlier successes under Jalswarajya-I and other programs, it aims to improve the effectiveness and sustainability of the sector and reach targeted communities. Its specific objectives are to:

- Increase sustainable and enhanced access to water supply and sanitation for the rural population of Maharashtra, including those living in remote areas;
- Make rural habitations open defecation free ;
- Revamp the RWSS institutions, particularly to restructure the MJP and to improve linkages between Village Water Supply Committees and local governments.

#### **Relationship to CAS**

The proposed project is consistent with the Country Strategy for the period FY09-FY12 which is organized around three pillars – rapid and inclusive growth, sustainable development, and service delivery – with a cross-cutting focus on improving the effectiveness of public spending and achieving results. The project will be designed to both enhance sustainable development and improve service delivery in rural areas.

Rationale for Bank Engagement. Over the past two decades, the Bank has partnered with GoI and seven states in implementing RWSS projects. Bank-assisted RWSS projects, either ongoing or concluded, will have contributed more than \$1.4 billion of financing and benefited about 24 million rural inhabitants in over 15,000 villages in India. In Maharashtra alone, the Bank has supported two RWSS projects: (i) Maharashtra Rural Water Supply and Environmental Sanitation Project (MRWSES) implemented during the period 1991-98; and (ii) Jalswarajya-I, implemented during the period 2003-09. A recent study showed that 87 % of the Bank-assisted RWSS schemes are still functioning well at least three years after commissioning. More than 60% of Bank-supported schemes covered at least their operating expenses through user fees, compared to a typical 21 percent under the traditional schemes. In terms of sector strategies, these Bank projects progressed successively from an initial focus on the community-driven approach, to the systematic involvement of local governments (or PRIs) with long term sustainability, to the latest generation of projects using sector-wide approaches to support the overall sector strategies, policies, systems and procedures.

The proposed project will move this sector engagement strategy to the next level with a strategic partnership with GoM for a state-wide result-based RWSS program, based solidly on the success of the previous projects. The government's declared policies and planned programs to mainstream and scale up the approaches adopted under Jalswarajya-I provide the base for support by the Bank to its overall RWSS program. Success in Maharashtra will have important demonstration effect on other states in India. Because this approach is community based and will provide service coverage throughout the state of Maharashtra, this partnership also will allow the Bank to facilitate sustainable and inclusive social development in one of India's important middle-income states.

## II. Proposed Development Objective(s)

### Proposed Development Objective(s) (From PCN)

The overall Program Development Objective (PDO) is to improve the access of rural communities in Maharashtra to sustainable drinking water and sanitation services and to strengthen the capacity of Water Supply and Sanitation institutions for improved sector management.

### Key Results (From PCN)

Tentatively, the key PDO level results indicators for the program are the following. They are based on the Bank's Operations Policy and Country Services' core sector indicators.

- People provided with access to improved water sources (percentage);
- Improved community water points constructed / rehabilitated under the project (number);
- New piped household connections resulting from the project interventions (number); and
- People provided with access to improved sanitation facilities (percentage).

The following are the intermediate indicators that measure progress against specific initiatives under the project:

- Sector institutions strengthened and effectively functioning [details to be defined during preparation];
- Integrated RWSS Strategic Plans are developed and form the basis for investment decisions; and
- Implementation models for meeting new and emerging sector challenges demonstrated.

## III. Preliminary Description

### Concept Description

Support to the GoM will be provided for a period of six years, with the first year's support to be used for the transition from the ongoing government program to a more refined sector program implemented from the second year onwards. The project will have three main components as summarized below (fund allocations are indicative):

- Component A – Program Development, Management and Institutions Building (USD 150 M) will focus on overall program development and management for the sector, institution building activities at state, district and sub-district levels, and operational costs – all administrative and management activities to make things happen on the ground.
- Component B - Village Level Capacity Building ( USD 150 M ) will focus on village level support activities – both for the community and institutions at this level – to build their capacity,

including relevant costs of resources to deliver the program at the village level. These include technical assistance to PRIs at the village level, covering mainly the costs of SOs, TSPs, exposure visits of village community and village level institutions, organizing community mobilization activities, exhibitions, community training and orientation activities, IEC and Hygiene promotion activities at the village level, and women empowerment activities.

- Component C - Infrastructure Development and Service Delivery (USD 1200 M) will focus on the RWSS infrastructure required to increase access to village community to water supply including rehabilitation, upgrading, expansion, extension and augmentation of existing schemes and building new schemes and sanitation including support for construction of toilets for households with income levels below the poverty line, community and school sanitation facilities, and solid and liquid waste management facilities. This component will also include piloting of new technologies/ approaches in remote and tribal areas.

#### IV. Safeguard Policies that might apply

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

#### V. Financing (in USD Million)

Total Project Cost:	1500.00	Total Bank Financing:	225.00
Total Cofinancing:		Financing Gap:	0.00
<b>Financing Source</b>		<b>Amount</b>	
BORROWER/RECIPIENT		700.00	
International Development Association (IDA)		225.00	
Local Communities		75.00	
Local Govts. (Prov., District, City) of Borrowing		500.00	
Total		1500.00	

#### VI. Contact point

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