

## India : Punjab Municipal Services Improvement Project

### 1. Project Information

Project ID:	P000448	Instrument ID:	L0448A
Member:	India	Region:	Southern Asia
Sector:	Urban	Sub-sector:	Urban public services
Instrument type:	<input checked="" type="checkbox"/> Loan:105.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	World Bank
ES category:	A	Borrowing Entity:	Ministry of Finance, India
Implementing Entity:	Punjab Municipal Infrastructure Development Company		
Project Team Leader:	Ankur Agrawal		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Rizal Rivai, OSD - Procurement Specialist; Shodi Nazarov, OSD - Financial Management Specialist; Parthapriya Ghosh, OSD - Environment & Social Development Specialist; Ankur Agrawal, Back-up PTL; Jinghui Li, Project admin		
Completed Site Visits by AIIB:	Sep, 2022 AIIB joined the mission led by the World Bank which included field visits to the two cities - Amritsar and Ludhiana May, 2023 AIIB joined the mission led by the World Bank which included field visits to the two cities - Amritsar and Ludhiana Dec, 2023 AIIB joined the mission led by the World Bank which included field visits to the two cities - Amritsar and Ludhiana from Dec 11-14.		
Planned Site Visits by AIIB:	Jun, 2024 Next Site visit to the project cities is planned in June 2024 to monitor the implementation progress.		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/06		

### 2. Project Summary and Objectives

**Project Objective:** To support strengthening of urban governance, finances, and delivery of sustainable water services in Amritsar and Ludhiana.

**Project Summary:** The project will establish the foundations for more effective and responsive urban services in Amritsar and Ludhiana by strengthening local service delivery systems and creating performance incentives for the two Municipal Corporations (MCs). The project will: (i) invest in bulk water infrastructure; (ii) establish new institutional models for Water Supply and Sanitation (WSS) service delivery; (iii) introduce private sector

participation in WSS; and (iv) strengthen financial sustainability and customer orientation in WSS delivery.

The project has four components: Component 1 will strengthen urban service delivery systems by supporting Amritsar's and Ludhiana's transition into more financially sustainable and administratively efficient MCs and establishing and operationalizing WSS utilities in the two cities; Component 2 will finance water supply infrastructure - raw water intake structures, water treatment plants (WTP, 440 Million Liters per Day (MLD) in Amritsar and 580 MLD in Ludhiana), clear water pumping systems, transmission lines and overhead storage reservoirs (OHSRs) in both cities; Component 3 will finance short- to medium-term non-medical interventions to address the COVID-19 crisis; and Component 4 will support various project management activities.

The project will be implemented from April 2021 to March 2026.

The total project cost is USD 300 million which shall be financed by the World Bank and AIIB in the amount of USD 105 million each while the balance USD 90 million shall be provided by the Government of Punjab.

### 3. Key Dates

Approval:	Apr. 27, 2021	Signing:	Oct. 12, 2021
Effective:	Dec. 15, 2021	Restructured (if any):	
Orig. Closing:	Sep. 30, 2026	Rev. Closing (if any):	

### 4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	5.90	Most recent disbursement (amount/date):	1.96/Aug. 09, 2023
Undisbursed:	99.10	Disbursement Ratio (%) <sup>1</sup> :	5.62

### 5. Project Implementation Update

The Design-Build-Operate (DBO) contract for bulk water supply infrastructure in Amritsar was signed in April, 2021 and the contractor has been undertaking construction of WTP, OHSRs and the transmission lines. Overall, the construction is behind schedule; physical progress is about 35%. The contract award for Ludhiana DBO has been delayed although technical evaluation was completed in Q4CY23. Contract award is expected in Q1CY2024. The water utility for each of the two cities has been established and is currently preparing a transition plan.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Strengthening urban service	The water utility for each of the two cities has now been	NA	The selection of consultants/consulting firm under this component is

<sup>1</sup> Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

delivery systems	<p>established.</p> <p>Other activities such as establishment of GIS/IT cell in the PMU, strengthening of Public Financial Management of the ULBs and providing support for Capital Investment Planning and an Asset Registry &amp; Asset Management Plan in the project cities are in process. ToRs for hiring experts to support these activities have been prepared. Contracts are expected to be awarded by Q2CY24.</p>		underway and is expected to be completed by Q2CY24.
Component 2: Improving water supply infrastructure	<p>Amritsar: The DBO contractor has been undertaking works for construction of WTP, OSHRs and the transmission lines. Overall, the construction is behind schedule and the overall physical progress is about 35%. The WTP site including excavation work for raw water reservoir and clear water reservoir are 41% complete. Progress for DI pipes and MS pipes for transmission is 57% and 13% respectively. For OHSRs, work is going on in 24 OHSRs. The progress for new OHSRs is 18% and for rehabilitation is 29%.</p>	<p>Consultants for Environment and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) to support the PMU are already onboard. Both the PIUs (Amritsar and Ludhiana) need to hire E&amp;S specialists. Though Social Specialist is onboard in Amritsar PIU, Environment Specialist is yet to be hired. The ESIA for Amritsar is expected to be finalized and disclosed by Q1CY24. E&amp;S screening for the canal works package is yet to commence.</p>	<p>1. Amritsar: - The DBO contract for bulk water supply infrastructure in Amritsar was signed in April, 2022. - The procurement for canal works is underway and expected to be completed by end of June 2024.</p> <p>2. Ludhiana: - The contract award for the DBO contract for WTP and associated transmission network and OHSRs is expected in Q1CY24. - The procurement documents for the canal works are being finalized.</p>
Component 3: COVID-19 crisis response	<p>Project funds under this component can potentially support rehabilitation of existing emergency response structures or other appropriate structures designated for emergency response with improved facilities such as office space,</p>	NA	No Procurement under this component has been made/prepared.

	testing centers, storage facilities etc. as needed by the respective MCs. The PMU had submitted an initial proposal but due to several issues including safeguard issues, this component has not progressed. PMU might request reallocation of this component to other components.		
Component 4: Project management	The PMU at PMIDC and the PIUs at AMC and LMC have been set up with initial staffing in place.	ESIA and RAP consultants to support the PMU have been hired in October 2022. ESIA's have been prepared and are being reviewed by the lead bank.	Procurement of PIU staff in LMC has been pending and is expected to be completed by Q2CY24.

**Financial Management:**

PMIDC, AMC and LMC have opened project-specific bank accounts, which are also registered in the state Public Financial Management System (PFMS) system. The consolidated Interim Unaudited Financial Reports (IUFs) have been submitted to the WB on time. Staffing of FM functions at PMU and PIUs needs to be strengthened as the project implementation picks up pace. The first consolidated audit was due by December 31, 2022, within nine months after the end of the first Borrower's fiscal year of implementation, which ended on March 31, 2022. However, since there was no actual loan disbursement in the period that ended on March 31, 2021, the audit was combined with the audit period ending March 31, 2023. Therefore, the revised audit period is from October 12, 2021 to March 31, 2023 and the first audited Project Financial Statements is due for submission by December 31, 2023. PMIDC was supposed to recruit Chartered Accountancy (CA) firms for internal and external audits by March 31, 2023 but it is still in process and it is expected to be done by Q1CY24.

**6. Status of the Grievance Redress Mechanism (GRM)**

Project Implementing Agencies (Punjab Municipal Infrastructure Development Company (PMIDC), Amritsar Municipal Corporation (AMC), and Ludhiana Municipal Corporation (LMC) have existing grievance redressal mechanism. A robust Grievance redressal system has been developed where citizens can raise their grievances from multiple sources like web portals, Mobile Applications, toll-free numbers, or Whatsapp chatbots. All the grievances raised land into one single system called 'mseva' (<https://mseva.lgpunjab.gov.in/citizen/add-complaint>). Grievances are checked by the grievance cell and assigned to the last mile employee responsible for resolving the same.

The Amritsar PIU has so far received 86 grievances, of which 78 have been resolved. The grievances are largely related to dust and noise due to construction activities and access/traffic issues while laying the transmission pipeline. Most of them have been resolved by PIU through the contractor by using water sprinkles and better traffic management. Some complaints pertain to OHSR site issues as residents in the vicinity are objecting to constructing OHSR in their vicinity. New sites are being identified in consultation with the community in such cases. The GRM at the Amritsar PIU needs to be strengthened further. The contractor is not documenting complaints that are received verbally at the site into the GRM monitoring system, indicating a lack of quality control and adequacy of grievances managed by the contractor. The works are yet to start in the Ludhiana and no grievances have been received so far.

**7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)**

Given the delay in the start of physical construction works, results for infrastructure related indicators are behind schedule.

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**Remarks:**

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Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments	
			Baseline		2021		2022		2023		2024		2025		2026		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual				
People provided with access to safely managed water supply	Project	Number	2021		0		0		0		0		3		3		2026	3					
Improved AMC operational efficiency as measured by enhancement in e-governance	Project	Yes/No	2021		No		No		No		Yes		Yes		Yes		2026	Yes					
Improved LMC operational efficiency as measured by enhancement in e-governance	Project	Yes/No	2021		No		No		Yes	No	Yes		Yes		Yes		2026	Yes					
Water utility established in Amritsar	Project	Text	2021		No		Establishment of autonomous utility	Yes	Core staff positions in the company filled with full time staff with minimum tenure	No	Transfer of all material assets and contracts from the MC to the utility on sale or lease		Yes		Utility established and operational		2026	Utility established and operational					
Water utility established in Ludhiana	Project	Text	2021		No		Establishment of autonomous utility	Yes	Core staff positions in the company filled with full time staff with minimum tenure	No	Transfer of all material assets and contracts from the MC to the utility on sale or lease		Yes		Utility established and operational		2026	Utility established and operational					

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments
			Baseline		2021		2022		2023		2024		2025		2026		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			

Share of professional MC staff receiving training in technical and professional development disaggregated by gender	Project	Number	2021		0		20	0	20	0	30		40		50		2026	50			
Percentage of Board Directors in Amritsar water utility who are female	Project	%	2021		0		0	0	0	0	0		0		30		2026	30			
Percentage of Board Directors in Ludhiana water utility who are female Year	Project	%	2021		0		0	0	0	0	0		0		30		2026	30			
Number of water treatment plants built and operational Year	Project	Number	2021		0		0	0	0	0	2		2		2		2026	2			
Number of storage facilities built/rehabilitated in Amritsar	Project	Number	2021		0		10	0	20	0	40		60		90		2026	90			
Number of storage facilities built/rehabilitated in Ludhiana	Project	Number	2021				40	0	50	0	70		90		110		2026	110			
Reduced energy consumption of the operated water supply system in Amritsar (as a result of rehabilitation)	Project	Megawatt hour	2021				0.03	0	0.03	0	0.02		0.02		0.02		2026	0.02			
Reduced energy consumption of the operated water supply system in Ludhiana (as a result of rehabilitation)	Project	Megawatt hour	2021				0.08	0	0.08	0	0.03		0.03		0.03		2026	0.03			
Number of MC receiving support under Component 3	Project	Number	2021		0		5	0	12		12		12		12		2026	12			