

Project Implementation Monitoring Report (#6)

Reporting Period From 2024/01 To 2024/06

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:	PSC1		
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:	Sep, 2024 Next Site visit to the project cities is planned in September 2024 to monitor the implementation progress.		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2023/12		
Brief justifications for assigned red flags:	Disbursement is much lower than projected.		

2. Project Summary and Objectives

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

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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:	83.00	Cancellation (if any):	0.00
Disbursed:	8.39	Latest disbursement (amount/date):	2.49/Feb. 23, 2024
Undisbursed:	96.61	Disbursement Ratio (%) ¹ :	7.99

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. The physical progress is about 50%.

The contract award for Ludhiana DBO has progress, the Notice of Intention to Award the Contract has been issued in June, 2024. The water utility for each of the two cities has been established and is currently preparing a transition plan.

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

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Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Strengthening urban service delivery systems	<p>The water utilities for the two cities have been established and board of directors have been appointed.</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 & 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 Q4CY24.</p>	NA	<p>No procurement has been done yet under this component due to delays in finalization of ToRs and further due to poor bid response (low bidder participation, overpriced bid etc.) for the packages tendered. PMU is expected to complete tendering by Q4CY24. The PMU has agreed to address the above issues through the following:</p> <ul style="list-style-type: none"> - PMU has initiated re-advertising of the Procurement Expert position, which is expected to be filled shortly. - The PMU in consultation with the World Bank, will consider revising the bidding/contractual terms to make it more attractive for the potential bidders to participate in PMSIP tenders.
Component 2: Improving water supply infrastructure	<p>Amritsar: The DBO contractor has been undertaking works for construction of WTP, OSHRs and the transmission lines.</p> <p>Overall, the construction is behind schedule and the overall physical progress is about 50% (against the planned progress of about 85%). At the WTP site the physical progress has been decent in the last six months – progress of raw water reservoir is 66% and clear water reservoir is 75%.</p>	<p>The ESIA and ESMP for Amritsar has been finalized and disclosed.</p> <p>The E&S documents for Ludhiana have been prepared but are yet to be finalized. Until then, the contractor will not be allowed to initiate the civil works.</p>	<p>1. Amritsar: The DBO contract for bulk water supply infrastructure in Amritsar was signed in April, 2021 with a contract completion date of 7th July 2024. Due to the delays in contract execution on account of several reasons including start-up delays, site handover delay, slow execution by the contractor etc. the contractor has requested for an extension of nine months to complete the remaining works. PMU is expected to extend the contract prior to its completion date.</p> <p>2. Ludhiana: Procurement</p>

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	Physical progress for DI pipes and MS pipes for transmission is 69% and 36% respectively. OHSR works are lagging due to non-availability of several sites, and the progress is only about 23%.		of the DBO contract for WTP and associated transmission network and OHSRs has witnessed serious delays due to delays in completion of technical evaluation and further due to election Model Code of Conduct. . The Notification of Intention to Award the contract has finally been issued in June, 2024 and it is expected that the award of contract will be done soon. As the contract requires a minimum three-year period to complete, the work will not be completed before the current project closing date and the Government will have to complete the contract from its own funds if the project closing date is not extended.
Component 3: COVID-19 crisis response	The PMU has not been able to use the funds under this component and might request reallocation of this component to other components.	NA	No procurement under this component is expected.
Component 4: Project management	The PMU at PMIDC and the PIUs at AMC and LMC have been set up with initial staffing in place. But key positions are still vacant and as a result they lack project management capacity.	Dedicated staff for safeguards monitoring is still lacking in the PIUs. While the PMU had advertised the positions, no suitable candidate could be recruited due to lack of applications from competent candidates. As an interim solution, PMU has hired consulting firm to conduct ESIA study for Ludhiana city. This will be closely monitored during the upcoming mission.	The non-availability of procurement experts in both PIUs has contributed significantly to the lack of implementation progress. PIUs are expected to recruit such procurement experts by Q4CY24.

Financial Management:

PMIDC, AMC and LMC have opened project-specific bank accounts, which are also registered in the state Public Financial Management System (PFMS) . The consolidated Interim Unaudited Financial Reports (IUFRs) have been submitted to the WB on time. Staffing of FM functions at PMU and PIUs

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needs to be strengthened as the project implementation picks up pace. A budget allocation of USD60 million for FY 2023-24 was originally made by GoP. The Revised Budget approved by the Finance Department for PMSIP for FY 2023-24 is about USD30 million. The expenditure incurred till December 31, 2023 during the financial year 2023-24 is USD14 million, with the bulk of the expenditures paid for the Amritsar water contract. The revised audit period was from October 12, 2021 to March 31, 2023 and the first audited Project Financial Statements was due for submission by December 31, 2023. While the audit has been completed and the audit report has been received, there has been a significant delay. The auditor issued an unmodified opinion, and the audit report was accepted by both the WB and AIIB. PMIDC has also recruited an internal auditor and the internal audit is now underway. The appointment of an external auditor for the current audit period, the fiscal year ending March 31, 2024, is expected to be completed in Q3CY24.

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 13 grievances in the reporting period and there are no unresolved grievances as on date. 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. Additionally, 29 grievances have been received from the workmen mainly related to workers accommodation and hygiene. All of those have been resolved.

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.

Remarks:

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	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	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	No	No	Yes	No	Yes		Yes		Yes		2026	Yes				
Water utility established in Amritsar	Project	Text	2021		No	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	No	Establishment of autonomous utility	Yes	Core staff positions in the company filled with full time staff	No	Transfer of all material assets and contracts from the		Yes		Utility established and operational		2026	Utility established and operational				

Number of storage facilities built/rehabilitated in Amritsar	Project	Number	2021		0	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			NA	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	0	12		12		12		2026	12				