



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 13-Oct-2020 | Report No: PIDC233193



**BASIC INFORMATION**

**A. Basic Program Data**

Country India	Project ID P175221	Parent Project ID (if any)	Program Name Chennai City Partnership: Sustainable Urban Services Program
Region SOUTH ASIA	Estimated Appraisal Date 10-Dec-2020	Estimated Board Date 15-Mar-2021	Does this operation have an IPF component? No
Financing Instrument Program-for-Results Financing	Borrower(s) Republic of India	Implementing Agency Finance Department, Government of Tamil Nadu	Practice Area (Lead) Urban, Resilience and Land

**Proposed Program Development Objective(s)**

The Program Development objective is to strengthen institutions, financing, quality, and sustainability of selected urban services in the Chennai Metropolitan Area.

**COST & FINANCING**

**SUMMARY (USD Millions)**

<b>Government program Cost</b>	1,430.00
<b>Total Operation Cost</b>	430.00
Total Program Cost	430.00
<b>Total Financing</b>	430.00
<b>Financing Gap</b>	0.00

**FINANCING (USD Millions)**

<b>Total World Bank Group Financing</b>	150.00
World Bank Lending	150.00
<b>Total Government Contribution</b>	130.00



<b>Total Non-World Bank Group and Non-Client Government Financing</b>	150.00
Multilateral and Bilateral Financing (Concessional)	150.00

Concept Review Decision

The review did authorize the preparation to continue

**B. Introduction and Context**

Country Context

1. **India’s Gross Domestic Product (GDP) growth has slowed in the past three years, and the COVID-19 outbreak is expected to have a significant impact.** Growth has moderated from an average of 7.4 percent during FY15/16-FY18/19 to an estimated 4.2 percent in FY19/20. The growth deceleration was due mostly to unresolved domestic issues (impaired balance sheets in the banking and corporate sectors), which were compounded by stress in the non-banking segment of the financial sector, and a marked decline in consumption on the back of weak rural income growth. Against this backdrop, the outbreak of COVID-19 and the public health responses adopted to counter it have significantly altered the growth trajectory of the economy, which is now expected to contract sharply in FY20/21. On the fiscal side, the general government deficit is expected to widen significantly in FY20/21, owing to weak activity and revenues as well as higher spending needs. However, the current account balance is expected to improve in FY20/21, reflecting mostly a sizeable contraction in imports and a large decline in oil prices. Given this, India’s foreign exchange reserves are expected to remain comfortable.

2. **Although India has made remarkable progress in reducing absolute poverty, the Covid-19 outbreak has reversed the course of poverty reduction.** Between 2011-12 and 2017, India’s poverty rate is estimated to have declined from 22.5 percent to values ranging from 8.1 to 11.3 percent. Recent projections of GDP per capita growth rate indicate that as result of the pandemic, poverty rates in 2020 have likely reverted to estimated levels in 2016. The extent of vulnerability is reflected in labor market indicators from high frequency surveys. Data from the Centre for Monitoring Indian Economy (CMIE), shows urban households are facing greater vulnerabilities: between September-December 2019 and May-August 2020, the proportion of people working in urban and rural areas has fallen by 4.2 and 3.8 percentage points respectively. Approximately, 11 and 7 percent of urban and rural individuals, identifying themselves to be employed in the recent period, have performed zero hours of work in the past week. Short-term employment outlook is contingent on whether these temporarily unemployed workers can fully re-enter the labor force. Overall, the pandemic is estimated to have raised urban poverty, creating a set of new poor that are likely to be engaged in non-farm sector and receive at least secondary or tertiary education, as compared to existing poorer households who are predominantly rural with lower levels of education.

Sectoral (or multi-sectoral) and Institutional Context of the Program

3. **India’s economic growth is closely associated with urbanization, with cities offering a pathway to rapid poverty alleviation and the achievement of middle-income status and the southern State of Tamil Nadu is the one of India’s most urbanized states and an economic powerhouse.** It is estimated that over 50 percent of Indians already live in cities. By 2030, 70 percent of new employment is expected to be generated in cities and the number of urban households in the



middle class is likely to more than quadruple.<sup>1</sup> Urbanization is placing cities as the main engines of economic opportunities and shared prosperity. By 2011, nearly half (48.4 percent) of Tamil Nadu's population of 72.1 million was already urban. With the rapid urbanization that is underway, share of the urban population is expected to increase to 63 percent by 2030. From 2004 to 2012, the state's GDP grew at an annual average of 9.3 percent – around two percentage points higher than the national average— while per capita income witnessed a compound annual growth of 15.9 percent in the same period. The majority of GDP is generated in urban areas and is reflected in the contribution of the services (58%) and industry/manufacturing sectors (38%) to the state's economy. Automobile, pharmaceuticals, garments, textiles, chemicals, and plastics are among the state's main manufacturing products.

4. **The Chennai Metropolitan Area (CMA) epitomizes both the economic potential and vulnerabilities of the State's rapid urbanization.** The CMA is the fourth-most populous metropolitan area in India and encompasses an area of 1189 sq km. With an estimated population of about 10.9 million people and an estimated GDP of \$78.6 billion, CMA is also rated as the fourth-largest economy in India. Its diverse economy includes electronic manufacturing, automobiles, and IT/IT-enabled services. It accounts for 14 percent in the country's information and technology services, making it second largest exporter in the IT and BPO sector. The CMA is also home to some of India's largest automobile companies. At the same time, the CMA is highly vulnerable to natural disasters, climate change and, as the Covid-19 emergency revealed, to pandemics. It is, for instance, plagued by recurring cycles of floods and droughts. Frequent disaster events—such as the devastating flood in 2015, debilitating drought in 2018 and 2019, Cyclone Gaja in 2018, and the ongoing Covid-19 pandemic (2020)—are inflicting huge economic losses, causing loss of life and livelihoods, and adversely impacting infrastructure and service delivery.

5. **In Chennai city, capital of Tamil Nadu state and heart of the CMA, economic growth and dynamism has been coupled with rapid physical growth and changes in its boundaries.** The growth in Chennai's footprint has been significant from 1997 to 2017. In recognition of the growth, in 2011, the area under the jurisdiction of Greater Chennai Corporation (GCC) was expanded from 176 sq km to 426 sq km, by incorporating the surrounding 42 local bodies (9 Municipalities, 8 Town Panchayats, 25 Village Panchayats).

6. **GCC, the largest ULB in the CMA, is directly responsible for delivery of several but not all urban services in its jurisdiction.** The population in GCC's jurisdiction was 4.68 million in 2011 (Census 2011) and accounted for 54 percent of the total population of CMA (8.65 million as per Census 2011). The current population in GCC's jurisdiction is estimated at 7.4 million, while that of CMA is about 10.9 million. GCC's service responsibilities include delivery of local roads and streetlights, storm water drainage, municipal solid waste management, health and family welfare services, education, land and estate facilities, public spaces and pedestrian infrastructure. By contrast, services such as water, sewerage, public transport are provided by separate agencies such as Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB), Metropolitan Transport Company (MTC), and Chennai Metro Rail Company (CMRL). Chennai Metropolitan Development Authority (CMDA) is responsible for metropolitan planning and development regulation. These agencies are responsible for delivery of services not only in the GCC area but also all other local bodies in the CMA. They also have varying degree of autonomy and capacity, and report to different state-level departments.

7. **Overall, service delivery responsibilities in Chennai and the broader CMA are fragmented across jurisdictions, service delivery arrangements are complex, and quality and sustainability of services requires improvement.** Urban service delivery in critical sectors such as water supply and sewerage, urban mobility, two municipal services (solid waste management and public health care), and emergency preparedness and response face challenges due to: a) fragmentation of responsibilities across multiple institutions and jurisdictions; b) lack of institutional capacity and mechanisms for integrated planning and delivery; c) operating frameworks that focus on investments for infrastructure asset creation

<sup>1</sup> McKinsey Global Institute 2010. "India's Urban Awakening: Building inclusive cities, sustaining economic growth"



rather than on service delivery performance measured in terms of coverage, quality, sustainability and resilience; and d) lack of sustainable financing frameworks, with very low own-source revenue generation, excessive reliance on Government of Tamil Nadu (GoTN) for input-based budget allocations and operating subsidies, and few incentives for cost-effective service delivery and private sector participation.

8. **The Covid19-induced crises has highlighted the need for better services but also the limitations of current delivery models. It has created an imperative to pivot towards sustainable delivery and building back better.** During the first few months of the Covid-19 pandemic, Chennai was among the 10 large Indian cities that quickly became hot spots and accounted for the vast majority of cases in the country. As with other city corporations, GCC has been at the front lines of the response. On the one hand, the Covid-19 pandemic has underscored the need for additional, better and more resilient services in precisely these sectors—water, sanitation, public health care, and public transportation. On the other hand, with the severe economic downturn that is underway, state, local governments and utilities are all financially strapped and unable to continue delivering highly subsidized services, let alone scale up and improve them significantly.

9. **The GoTN is committed to strengthen key service delivery institutions,** overhaul current service delivery models, and pivot towards arrangements that can, over time, deliver world-class services in a manner that is environmentally and financially sustainable as well as socially inclusive. Given the commonality of challenges across services, GoTN is setting up an urban service delivery improvement program for CMA, aligned with Tamil Nadu’s Vision 2023 and focused on poverty reduction, good quality service delivery with universal access and environmental conservation.

#### Relationship to CAS/CPF

10. **The Program is consistent with the World Bank Group Country Partnership Strategy FY18-22** discussed by the Board on September 20, 2018 (Report 126667-IN). Pillars I and III of the Systematic Country Diagnostic (SCD) recognize the role of efficient cities as a direct contributor to a resource-efficient growth path for India. The SCD identifies policies and actions to make cities more productive and livable, including reduction of environmental impacts, strengthening of city finances, and strengthening the public sector. Similarly, area I of CPF on “promoting resource efficient growth” focuses on creating greener, livable, productive, and sustainable cities while improving disaster risk management and resilience to climate change. Further, the Program will also support the World Bank Group’s strategic objectives of improving human endowments and removing constraints for more and better jobs. The Program will identify concrete opportunities to strengthen public sector institutions delivering services in CMA and explore opportunities to leverage private sector participation for financing and technical expertise to strengthen the service delivery systems, with a focus on sustainability, resilience and inclusion.

#### Rationale for Bank Engagement and Choice of Financing Instrument

11. **World Bank has been engaged in a long-standing partnership with Tamil Nadu for over three decades through a series of state-level lending engagements in various sectors,** including urban development, roads and transport, public health, disaster risk management, rural development, agriculture and affordable housing. In addition, Tamil Nadu is also supported through a number of national/multi-state lending engagements. Building on this long-standing partnership, the Bank is well-positioned to respond to the GoTN’s proposal to create a unique city-level partnership focused on strengthening of service delivery institutions and systems in CMA. Globally, the Bank has a wide and diverse experience of supporting mega-cities and metropolitan areas for strengthening of planning, governance, financing, institutional and service delivery systems, especially in Asia, Africa and Latin America. Over the last few years, the Bank has developed deep multi-sector engagements for urban transformation in other South Asian cities such as Karachi, Dhaka and Colombo. Hence, given the Bank’s long-standing partnership with Tamil Nadu, the successful global experience that can be leveraged



and the alignment of the proposed Program with the India CPF, the Bank is well-positioned to engage in this strategic multi-sector and multi-phased city partnership to support the transformation of Chennai.

12. **The first phase of the city partnership is proposed as a multi-sector Program-for-Results (PforR) operation which would set a programmatic framework for multi-sectoral service delivery reforms and investments under the Chennai City Partnership.** The proposed programmatic approach may include a series of lending operations, starting with a PforR that initiates a core set of reforms, especially transversal reforms, across select urban services and supports some priority investments. This may be followed on with operations to support deepening of sector reforms and additional investments in water supply, resilience, urban mobility and spatial development. The use of the **PforR instrument for this first operation** would add value to the implementation of the Chennai City Partnership program by: (i) introducing a focus on critical results rather than the current approach of focusing on inputs and creation of infrastructure assets; (ii) providing incentives to steadily and progressively move up the ladder of reforms identified by GoTN to tackle core policy and institutional constraints in urban service delivery systems; (iii) supporting and influencing a larger government program and expenditures framework; and (iv) using and strengthening existing government systems, rather than creating parallel systems and, thereby, contribute to the goal of systems development and capacity building.

### C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

#### Program Development Objective(s)

13. The Program Development objective is to strengthen institutions, financing, quality, and sustainability of selected urban services in the Chennai Metropolitan Area.

#### PDO Level Results Indicators

14. The PDO level results indicators tentatively include the following:
- Chennai Metropolitan Urban Transport Authority operationalized and provided allocative control over a share of sector budget (% increase in share of sector budget managed)
  - GCC's human resource capacity strengthened (% increase in professional staff in Group 1 and 2)
  - Mechanism operationalized for integrated water resource planning and management to enhance water security.
  - Improvement in service delivery performance indices of MTC, CMWSSB and GCC (relative to baseline)
  - Improved financial performance in MTC, CMWSSB and GCC (relative to baseline)

### D. Program Description

#### PforR Program Boundary

15. **The proposed Government program GoTN is setting up is focused on improving the quality and access of core urban services in CMA to enhance the livability, productivity, resilience and competitiveness of Chennai, as the biggest metropolitan area and economic growth engine of the state.** The program adopts a comprehensive approach for service delivery improvement by focusing on four pillars across all the identified services including: (i) strengthening policies and institutions; (ii) strengthening service delivery systems; (iii) infrastructure development; and (iv) expansion of funding and financing mechanisms for capital and operational expenditures. In its first phase, the program will focus on the following: (i) water supply services with an emphasis on integrated urban water resource management and resilience; (ii) urban mobility services; (iii) municipal services including solid waste management and public health services; and (iv) emergency response services for disaster management.



16. **The Government program will be implemented over a period of 9 years (2021-2030) with a total estimated government budget of USD 1.43 billion** for development of institutions, infrastructure and systems in identified service sectors. The geographical coverage of the Government program would include the complete CMA region including GCC, eight municipalities and surrounding local bodies. The program will be managed by Tamil Nadu Infrastructure Development Board (TNIDB) at the state level and will provide financial and technical support to all the key service delivery institutions at metropolitan and ULB level in CMA.

25. **The proposed PforR Program under the Chennai City Partnership will support and strengthen the implementation of the Government program** by focusing on a core set of service delivery improvement results across the identified service sectors. As a subset of the Government program, the boundaries of PforR are tentatively defined as follows:

- Services that the PforR Program will cover include all the identified service sectors under the Government program primarily: (i) urban mobility, with a focus on strengthening bus service delivery, municipal pedestrian infrastructure and women's safety in public spaces; (ii) water resource management and resilience (including flood management); (iii) water supply and sanitation; (iv) municipal public health care services; (v) municipal solid waste management; and (vi) emergency management and response.
- Duration of the PforR Program will be five years (2021-26).
- Financing support for the proposed PforR Program is USD 430 million, with USD 150 million from IBRD, potential co-financing of USD 150 million from AIIB, and USD 130 million as counterpart funding from GoTN.
- Geographical coverage of the PforR Program will be the CMA region. Among the ULBs, there is a specific focus on GCC as the largest and most economically important ULB.
- Implementation responsibility of the PforR Program will be with the TNIDB as the manager at the state level. It will help coordinate Program-level activities, including monitoring and evaluation, and will provide necessary technical and financial support to the relevant service delivery agencies in CMA. The main implementing agencies are CMWSSB, GCC, MTC, SDMA and WRD. The Program will be implemented following government systems designed for the broader Government program.

## E. Initial Environmental and Social Screening

17. **A preliminary environment and social risk screening have been carried out for the PforR Program.** The risk screening considered the likely environmental impacts, social and gender impacts, contextual risks, institutional capacity and complexity risks, and political and reputational risk. The screening revealed that the Program may have limited dispersed risks due to the minor, reversible environmental and social impacts of activities that can be addressed through management measures and strengthened capacity. There may be some investments to be implemented in densely populated areas, which would be reviewed from an eligibility standpoint during the preparation. The institutional and service delivery improvements targeted in the Program are expected to provide significant positive environmental and social benefits to citizens in CMA including better natural resource management, improved services and enhanced public health outcomes. The contextual risks are limited as these are within the existing, well-established environmental regulatory agencies in Chennai. There are no environmental risks arising from institutional aspects or due to complexity. Political and reputational risks arising from environmental issues are not envisaged from the Program as it is oriented largely towards institutional reform and service delivery improvements. The preliminary social assessment shows that capacities of various service delivery institutions involved in this Program need to be strengthened to minimize social risks and enhance positive social outcomes. The risk screening also confirmed that Program activities do not include ineligible activities for financing.





18. **At this stage, environmental and Social risks are rated as ‘Moderate’ since most of the proposed activities fall under low to moderate risk category.** These are primarily associated with (i) construction induced impacts, if there are any, that may lead to temporary loss of livelihood on both formal and informal occupants, occupational and community health and safety and risks associated with labor influx; (ii) distribution of benefits and exclusion of women and other marginalized groups; (iii) inaccessibility of facilities and services by the differently abled people and old and lack of capacity of vulnerable people to pay increased tariffs; (iv) challenges to have consultations and stakeholder engagement; (v) increased cost of services that may lead to opposition and reputational risks (vi) systems for effective and accessible grievance redressal mechanisms and addressing the feedback received from the stakeholders; (vii) enforcement of labor welfare laws and occupational health and safety measures; (viii) processes to address gender based violence at workplace and with increased influx of labor; and (ix) need for improvement in the institutional capacity to manage risks; and (x) monitoring and evaluation of management of risks.

19. **An Environment and Social Systems Assessment (ESSA) will be carried out during preparation,** focusing on the following aspects: (i) nature and significance of environmental and social (E&S) risks including direct, indirect, induced, and cumulative impacts/risks that may affect achievement of the proposed development outcomes; (ii) the state’s capacity (all GoTN agencies involved) to manage the identified environmental and social impacts including the respective agency’s performance till date; and (iii) the prevailing systems in respect of laws, regulations, standards, procedures, and implementation performance—against the six core E&S principles to identify any significant differences between them that could affect Program performance. Further stakeholder consultations in each of the sectors and at the state level will be conducted. Consultations covering both environmental and social aspects will be conducted, and the findings will feed into the Program design. Grievance management mechanisms relevant to environmental and social issues will also be considered for its appropriateness across various agencies. The ESSA will include an assessment of legal policy framework and practices to identify areas for improvement across policies, systems and procedures and institutional capacity framework to develop appropriate measures to enhance both environment and social management systems and outcomes. Based on the full assessment, the overall environmental and social risk rating will be reviewed and only those activities eligible for the PforR financing will be included in the final Program design.

20. The ESSA will also include sector-specific **gender analysis** to identify and implement concrete actions to achieve gender equality and inclusion outcomes through the PforR Program. For each service sector, gender gap analysis will discuss differential access to services for men and women as well as female-headed households. Program actions will expand women’s participation in participating local government organizations. Stakeholder engagement will be an essential element of the ESSA process to ensure **citizen engagement**. A context-specific approach and flexible process of consultation with stakeholders will be adopted that is commensurate with both the complexity and risks associated the program. Given the ongoing pandemic, virtual platforms will be used for target group consultations and workshops to ensure that the stakeholders are provided opportunity to meaningfully participate in the process and inform the preparation of the action plan for risk management throughout the lifecycle of the operation. Once the draft ESSA report is ready, it shall be publicly disclosed and disseminated through a state-level consultation workshop before project appraisal.





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