

**India: Capacity Building for Industrial Pollution Management Project
Aid-Memoire for Implementation Support Mission
March 3-14, 2014**

I. Summary

1. World Bank Team¹ carried out an implementation support mission for the Capacity Building for Industrial Pollution Management Project (CBIPMP) from March 3 -14, 2014, being implemented by Ministry of Environment and Forests (MoEF), Andhra Pradesh Pollution Control Board (APPCB) and West Bengal Pollution Control Board (WBPCB). During the mission, the team held discussions with the implementing agencies and visited sub-project sites in Andhra Pradesh (Hyderabad and Kadapa) and Kolkata in West Bengal, where pilot remediation activities are going to commence soon. The team wishes to thank the Government of India, the officials of MoEF, APPCB and WBPCB for the hospitality and courtesies extended during the mission.

2. The objectives of the mission were to review project progress towards the achievement of the Development Objective (DO) and follow up on the implementation status of the (i) four pilot remediation sub-projects in the participating states against the agreed action plan during the MTR mission in June, 2013, particularly with regard to the bidding process (ii) three policy studies for the development of National Program for the Remediation of Polluted Sites (NPRPS) being carried out by MoEF (iii) training and capacity building programs by the implementing agencies (iv) results framework agreed during the MTR mission and agree on the changes / modifications and (v) review overall project costs, component allocations and agree on the project restructuring, including reallocation / cancellation.

3. The Aid Memoire summarizes the findings of the team during the visits and agreements made with the implementing agencies during the wrap up meeting held in Delhi on March 10, 2014, chaired by Mr. Ajay Tyagi, Joint Secretary, MoEF. At the state level, meetings were also held with Mr. M. Samuel, Special Chief Secretary, Government of Andhra Pradesh (GoAP), Mr. B.S.S. Prasad, Special Secretary - Environment, GoAP and Ms. Janaki Kondapi, Chairperson, APPCB on March 6, 2014, and with Mr. Trilochan Singh, Additional Chief Secretary, Environment, Government of West Bengal (GoWB) and Dr. Binoy Dutta, Chairperson, WBPCB in West Bengal on March 4, 2014, to brief the respective state governments on the findings of the team's visit.

4. Debrief meeting with Mr. Brijesh Pandey, Deputy Secretary, Department of Economic Affairs, Government of India, was held on March 21, 2014.

II. Key Project Data

Project Data		Project Performance Ratings*		
Board Approval:	03-June-2010	<i>Summary Ratings:</i>	<i>Last</i>	<i>Now</i>
Effectiveness Date:	13-October-2010	Achievement of PDO	MU	MU
Original Closing Date:	30-September-2015	Implementation Progress	U	U
MTR Date:	15-June-2013	Project Management	MU	MU
Restructuring :	19-December-2013	Procurement	MS	MS
(IDA cancellation)		Safeguards	U	MU
		Financial Management	S	S

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Project Disbursement				
	Original, USD	Revised , USD	Cancelled, USD	Disbursed, USD
IBRD	25.21 million	25.21 million		0.063 million
IDA	38.94 million	28.97 million	9.96 million	9.55 million
	64.15 million	54.18 million		9.61 million (17.74 %)

*Ratings: **HS**=Highly Satisfactory; **S**=Satisfactory; **MS**=Moderately Satisfactory; **MU**=Moderately Unsatisfactory; **U**=Unsatisfactory; **HU**=Highly Unsatisfactory; **NA**=Not Applicable; **NR**=Not Rated

III. Implementation Status of the Project

5. The project activities have gained momentum and the following activities have progressed during past six months. A more detailed component wise progress of the project activities is provided in **Annex 1**.

(i) **Disbursements have improved marginally:** About US \$ 1 million have been disbursed by the project during the past six months, leading to a total disbursement of US \$ 9.61 million. In addition, US\$ 10 million IDA Credit has been cancelled in December 2013 to account for the savings accrued in the project due to Rupee depreciation against the US\$. Due to both these factors, the overall disbursement ratio of the project has improved from 13.4% in August, 2013 to 17.7% in February, 2014.

With the award of works for the upgradation of laboratory in AP, expected contract awards for three pilots in May 2014, about US \$ 2 million disbursement is expected by the end of June, 2014.

(ii) **Detailed Designs for three of the four Pilots Sites have been finalized:** Detailed designs for NMK Lake in Hyderabad, Municipal Solid Waste Disposal Site in Kadapa, Andhra Pradesh and Dhapa Municipal Solid Waste Disposal Site in Kolkata have been finalized.

Remediation Plan and Detailed Designs for the fourth pilot in Hooghly in Kolkata is delayed and is expected to be completed in April / May, 2014. Progress of this pilot needs to be monitored closely, as further delay in the finalization of remediation plan will not provide enough time for the implementation of works before project closing period.

(iii) **Bid Process for the Implementation of Remediation Works at three Pilot Sites has commenced:** Bids for remediation works for the above three pilot sites (amounting to about Rs. 1200 million - US \$ 20 million) have been invited in the third week of February 2014 and the bid process is scheduled to be completed by June 1, 2014. . The process is delayed by about 5 months from the action plan agreed during the mid-term review mission in May/June, 2013. With the current schedule, the works for these pilots will be completed by June/July, 2015. The progress of the works shall be monitored very closely to ensure that the remediation works are completed within the project closing date of September, 2015.

(iv) **APPCB has commenced Works for the Upgradation of Central Laboratory** in December, 2013 and the works amounting to Rs. 100 million (US \$ 1.5 million) are expected to be completed by April 2014. Procurement process for the upgradation of WBPCB's lab has commenced in February, 2014 and the works are expected to be awarded in May, 2014.

(v) **Policy, Institutional and Methodological Studies for the development of National Program for Remediation of Polluted Sites (NPRPS) have progressed:** The three studies commissioned by MoEF for the development of NPRPS have advanced and have completed four of the six tasks of the assignment. All the three studies are now being reviewed by Technical Expert Panel (TEP) of the ministry and have also been circulated to State Pollution Control Boards across the country. The

recommendations are expected to be finalized based on the comments and suggestions of the TEP and the state boards by May, 2014.

MoEF need to ensure early finalization of these studies, so that adequate time is available, to achieve the Project Development Objective of moving forward on developing appropriate policy for NPRPS.

- (vi) **Procurement of Additional Laboratory Equipment for Analysis of Hazardous Substances has been completed substantially:** Both State Pollution Control Boards (AP and WB) have completed procurement of additional laboratory equipment (about US \$ 2.5 million) required for the analysis of Hazardous Substances. Procurement of two equipment under Package 4 and 5 in West Bengal is underway and the contracts are expected to be awarded by June 1, 2014.
- (vii) **Business Plan for the Environmental Compliance Assistance Center (ECAC) in Andhra Pradesh is completed and is in the final stage in West Bengal.** Next steps to move forward on this initiative either through Project financing or with state's resources, however needs to be finalized.
- (viii) **Sectoral studies both in AP and WB are Progressing albeit slowly:** Sectoral studies for Solid Waste Management, Hazardous Waste Inventory and Electronic Waste in Andhra Pradesh, Hazardous Waste, Sponge Iron and Tannery Sector in West Bengal have progressed further, but with delays from the original schedule. Close monitoring is necessary to ensure that the studies are completed soon.
- (ix) **No Progress in Training and Other Capacity Building Activities:** The project has not carried out any training and capacity building activities during the past six months. Proposals for training programs on NPRPS by MoEF, exposure visit to Europe by APPCB have been initiated, but have not yet been finalized. As the remediation pilots are ready for implementation, the training programs are very critical to all the implementing agencies in supervising and managing issues of remediation.
- (x) **Project Management Continues to be a Concern:** Lack of adequate attention on project activities by MoEF due to multiple responsibilities, absence of "Project Oversight Committee" meetings, absence of technical experts, frequent changes of project officials, absence of Financial Management Specialist at MoEF for the past six months continues to be major concern for improving the project performance.

Both APPCB and WBPCB also need to augment their contract / project management skills to manage the implementation of remediation works for the respective pilots.

- (xi) **Reallocation of funds and Restructuring of the Project:** The project was restructured in December, 2013, by cancelling US 10 million IDA credit, to account for the savings accrued in the project due to Rupee depreciation against the US\$. However, the other actions of restructuring (reallocation of funds between various project components, revision of results framework) requested by GoI could not be taken up, due to lack of clarity on cost estimates of the pilot projects. With the detailed cost estimates of the pilots now finalized, it is emerging that there will be savings in Andhra Pradesh and MoEF activities and there is a likely short fall of about US \$ 3-4 million for West Bengal activities. In addition, certain activities such as PMC at MoEF, ECAC at states and some sectoral studies have been dropped, and revisions to the results framework have been agreed. In view of this, it has been agreed that restructuring process will be expedited and completed by the end of June, 2014.

IV. Achievement of Project Development Objective

6. The Development Objective (DO) of the project is to ‘ (i) build tangible human and technical capacity in selected state agencies for undertaking environmentally sound remediation of polluted sites and (ii) support the development of policy, institutional and methodological framework for the establishment of a National Program for Remediation of Polluted Sites (NPRPS)’.

7. With a delay of about 12 months in implementing the remediation pilots and completing NPRPS studies, no major training programs for more than a year, achievement of PDO continues to be at elevated risk. With current status of the project, remediation in three of the four pilot sites is likely to be completed within the project period and outcome of other indicators relating to the development of NPRPS, guidelines and standards for remediation, supervisory capacity on remediation, establishment of fully functional ECACs is uncertain. The current status of outcome indicators of the project is summarized in **Annex 2**.

8. Considering the above factors, the mission rates the achievement of PDO as ‘Moderately Unsatisfactory’. There has been good progress in initiating the bid process for three remediation pilots, completion of safeguard studies and other activities of the project. This momentum however needs to be closely monitored to complete the bid process by June 1 2014 and to ensure that the progress is sustained over a period of time. In view of the above, the implementation progress is rated as ‘Unsatisfactory’.

V. Procurement

9. The mission held discussions with the State Pollution Control Boards of Andhra Pradesh and West Bengal and MoEF, on procurement issues on specific contracts under implementation and capacity building plan for execution and management of civil works under remediation of the four identified sites in AP and West Bengal.

10. **Status of Procurement:** The procurement status of the project is reviewed vis-à-vis the current procurement plan of each of the implementing agencies, MoEF, APPCB and WBPCB.

11. **Procurement of Consultancy Services:** The major consultancy services which are planned for the current year are, hiring of supervision consultant for the 4 remediation civil works and hiring of NGOs for community communication. While APPCB has progressed with publication of REoIs for the supervision consultants for the two sites and the award of contract is expected by June 1, 2014, WBPCB has started the process for selection of supervision consultant and hiring of Communication NGOs for Dhapa remediation works, which shall be completed by June 1, 2014. However, the process of selection of supervision consultant for Hooghly remediation works has been delayed and the publication of REoI is expected by June 1, 2014. The hiring of Project Management Consultant at MoEF, was cancelled with a view to hire individual consultants who would provide strategic direction to the State implementing agencies. MoEF recently shared the ToR with the Bank, for hiring of these individual consultants. The process for appointment of the consultants is yet to commence.

12. **Procurement of Goods:** APPCB has completed procurement of all equipment planned under this Project. WBPCB informed the mission that the process for procurement of equipment under package-5 shall be completed by end of May 2014 and the remaining equipment under package 4 shall be procured following shopping method. The mission once again recommended the implementing agencies to procure a contract management tool which will help them to monitor the civil works. MoEF did not have any goods procurement planned under this Project.

13. Procurement of Civil Works: APPCB has published the notice for sale of bidding document for the remediation works for the two sites, i.e. NMK and Kadapa. This award of contract for these civil works is expected to be done by June 1, 2014. WBPCB has published the notice for sale of bidding documents for remediation works for Dhapa and the award of contract is expected June 1, 2014. The procurement process for civil works for remediation of Hooghly has been delayed and the publication of notice for sale of bidding documents is expected by June 1, 2014. The civil works for remediation of these dumpsites, being major component under this project, the disbursement under this project will improve only if the implementing agencies ensure timely award of civil works contracts and implementation of the same through effective contract management.

14. Procurement Capacity: The mission advised the implementing agencies to build contract management capacity of the procurement and contract management for the staff responsible for day to day management and monitoring of the remediation civil works contracts. The contract management training is a pending action from the last mission and this need to be done before the civil works contracts are awarded.

15. Procurement Disclosures: The mission noted that the implementing agencies have been publishing the contract award information on the Project websites. However, APPCB needs to publish the approved updated procurement plan.

16. Post Procurement Review (PPR): The mission requested the implementing agencies to prepare action taken report on last year's PPR findings and share the same with Bank. The mission also informed the implementing agencies that M/s. GPCL has been appointed by Bank for conducting PPR for FY14 for CBIPM Project and the implementing agencies shall be informed about the schedule of the same as and when it is planned by GPCL.

17. Procurement Rating: The mission reviewed the progress on procurement vis-à-vis the procurement plan and adherence to agreed procedure by various agencies engaged in the process and assigns 'Moderately Satisfactory' rating. This rating is due to (i) progress in initiating the procurement process for the civil works for remediation of three pilot sites by the two implementing agencies (ii) building contract management capacity by bringing on board contract management staff, and (iii) adherence to Bank's mandatory disclosures. The procurement rating shall be reviewed over next six months vis-à-vis the agreed actions and progress of procurement. The procurement risk at this stage continues to be rated as Moderate.

VI. Financial Management

18. Budgeting & Funds Flow: The MOEF based on the performance of the project in FY 2013-14, has made an annual budget provision of Rs 200.00 million (US \$ 3.5 million) for the financial year 2014-15. Considering that, bidding for about Rs. 1200 million (US \$ 20 million) has been initiated, the budget needs to be revisited (in the month of August, 2014 during Revised Budget Estimate discussions). Based on project's physical progress and funding requirement, additional budget provision will be made by MoEF. There have been no delays noticed in the transfer of funds by MoEF to the respective state pollution control boards.

19. State Government contribution: The AP pollution control board has not received (from project inception) the state contribution of 15% from the State budget. It is presently being contributed by APPCB itself. This issue was addressed by the mission to AP State finance department and the same is being reminded in every implementation support mission. The Bank team has suggested MoEF to

intervene to bring this matter to a closure. For the State of West Bengal, the contribution is appropriately made by the State to WBPCB.

20. Accounting and Financial Reporting: The Andhra Pradesh and West Bengal pollution control boards are maintaining adequate records to support the expenditures incurred under the project. The financial records are regularly updated, supported with payment vouchers/invoices and bank reconciliation is being carried out on a monthly basis. They are regular in the submission of financial reports to MOEF. The MOEF has submitted the consolidated interim financial report of quarter ended February, 2014 to the Bank.

21. Staffing: The FM staffing arrangements at AP and WB pollution control boards are adequate. **The position of FM consultant at MoEF is vacant and it has been agreed that the appointment will be made by May 31, 2014.**

22. Internal Audit: The internal audit of the AP and WB pollution control boards for FY 2012-13 have been completed. There were no accounting issues reported by the auditor. The AP pollution control Board has been advised to inform the internal auditors to provide an exclusive para in the internal audit report about project related transactions.

23. External Audit: The audit report for the financial year 2012-13 was submitted to the Bank. There has been a significant delay in the submission of audit report by MoEF. There were no significant accounting issues reported in the audit reports. The project has been advised to place the audited accounts of FY 2012-13 in the next Project Steering Committee meeting for necessary approvals. The process towards appointment of statutory auditors for FY 2013-14 has been initiated by AP and WB pollution control boards and it has been agreed that the auditors will be appointed without further delay.

24. Considering the above aspects, the financial management rating of the project is retained as 'Satisfactory'.

VII. Safeguards Management

Environment:

25. The mission noted that the Environmental Assessments for three pilots (Remediation of NMK Lake in Hyderabad, Kadapa Municipal Dump Site and Hooghly Dump Site in Kolkata) have been completed. Consultation and local disclosure of these studies has also been completed by the implementing agencies APPCB and WBPCB. However, the EA for the remediation of Hooghly site is being carried out and this is expected to be completed in April 2014, after the remedial plan for this pilot is approved by the Technical Expert Panel.

26. As has been highlighted by the team in the earlier occasions, each of these pilots required certain prior actions by various stake holder agencies. The mission reviewed the status of these prior actions and noted that (i) lake conservation committee comprising local representatives, NGOs and other stake holders, has been formed and (ii) process for the upgradation of existing treatment plan has been initiated for NMK Lake in Hyderabad. However, development of alternate municipal waste disposal site in Kadapa has been delayed. While alternate site has been identified and waste is being disposed at this site, Waste disposal at this site continues to be un-scientific. The mission met with the District Collector, Kadapa and the Commissioner of Municipal Corporation and emphasized the need for developing scientific disposal facilities at the site. **It was agreed during the meeting that the technical approval for the development of scientific landfill at this site shall be obtained in March, 2014 and contract will be awarded by June 1, 2014.** Until these works are completed, the mission advised the municipal

authorities to ensure that the waste is disposed in full compliance to the Municipal Solid Waste Management Rules of GoI and operation policies of the Bank.

27. With regard Dhapa Municipal Disposal Site in Kolkata, the proposed remediation works have obtained necessary permission from East Kolkata Wetlands Authority. The Kolkata Municipal Corporation has also initiated steps to identify alternate disposal site for the city and closure of the remaining disposal site which is currently in operation. GoWB is also exploring possible World Bank financing for these activities. With regard to the Hooghly site, the mission noted that the EA is being carried out including obtaining consent and agreement from the private land-owners for carrying out remediation activities. WBPCB is also coordinating with the Public Works Department (which is another land owning authority in the project area), which is proceeding with road extension, to ensure that the contaminate portion of the area road is appropriately managed.

Social and Communications

28. **Social Assessment and Social Management Plan:** The Social Assessment (SA) and Social Management Plan for NMK, Kadapa and Dhapa have been prepared and disclosed locally in February / March, 2014. The translation of summary of these documents in local language is ongoing and needs to be disclosed at the earliest. A summary information brochure in dual language is also planned to be disclosed and distributed at the site. However ESA and ESMP for the fourth pilot Hoogly site is awaited.

29. **Implementation of Social management Plan:** The EoI for the appointment of NGO has been published for three pilot sites for implementation of social components of ESMP. The hiring is likely to be completed by Mid-June 2014. PIU for the respective sites should prepare a detailed activity chart and initiate action on activity to be carried as per implementation schedule in ESMP and in particular activities linked to communication, disbursement of entitlements and grievance handling needs to be initiated by PIU till the NGOs are mobilized. Verification of ragpickers and issuance of ID cards needs to be expedited for NMK and Kadapa. The bids preparation and award of works for construction of community infrastructure to be provided as per ESMP for Dhapa needs to be expedited.

30. **Communication and complaint handling mechanism:** The WBPCB and APPCB need to take proactive steps to disseminate progress updates regarding the pilot sites and connect to the stakeholders as the works are about to be awarded. A lake management committee cum grievance redressal committee has been constituted for NMK site and first meeting has already been held. A GRC has also been constituted for Kadapa. Various means of collecting community feedback and informing the stakeholders was discussed and agreed during the mission for all the pilot sites in order to make the complaint/feedback mechanisms effective. These included provision of a link at project website, placing of complaint boxes at prominent places near the pilot site, dedicating a telephone number etc, setting up information boards, disclosing project updates etc. Mission reiterated the need for maintaining the record of all the stakeholder consultations carried out and complaints/feedback received under the project and its disclosure through project websites in the respective states. Most of the required communication material – short films, pamphlets, newsletter, posters, interpersonal communication tools – are still to be designed and developed. All the developments of the project need to be uploaded in a timely manner and all grievances must be recorded and monitored regularly. **The first progress on the action taken regarding the same has been requested by end April, 2014.**

31. **Monitoring progress of ESMP implementation:** PIU needs to prepare progress report for ESMP every month. So far no periodic progress reports on the social aspects with respect to pilot sites have been shared with the Bank.

32. Considering the overall progress made in completing the ESA reports and their local disclosure for three of the four pilot sites and initiation of process for the appointment of NGOs for the implementation of social management plan, the mission upgrades the safeguards rating of the project from 'Unsatisfactory' to 'Moderately Unsatisfactory'.

VIII. Key Issues, Restructuring and Agreed Actions

33. Based on the review of the current status of the project, the following key issues shall be monitored by MoEF and project implementation agencies. In addition, complete list of actions agreed for each of the implementing agencies (including the status of actions agreed during the previous mission) are provided in **Annex 3**.

- The ongoing procurement process for the three pilot projects shall be managed closely, to ensure that all the bids are awarded by June 1, 2014 and the works are completed within the project period.
- Remediation Plan for Hooghly Pilot is finalized at the earliest, so that the bid process is started by June 1, 2014 and the works are completed within the project period. Since the timeline is very tight and further delays would have to lead to cancellation of the activity.
- APPCB need to initiate steps to start the process of Ground water remediation and Upgradation of STP at NMK Lake and ensure that the works are completed within the project period.
- MoEF to work with the consultants to ensure NPRPS studies are completed by June 30, 2014 and sufficient time is available to move forward on the next steps for the development of NPRPS.
- MoEF to facilitate allocation of US \$ 20 million (Rs.1200 million) in FY 2014-15 for the implementation of the project.
- Organize POC Meeting to review the project status and obtain approval of annual plan for FY 2014-15.

34. The project was restructured in December, 2013, by cancelling US 10 million IDA credit, to account for the savings accrued in the project due to Rupee depreciation against the US\$. However, the other actions of restructuring (reallocation of funds between various project components, revision of results framework) requested by GoI could not be taken up, due to lack of clarity on detailed costs of the pilot projects. With the detailed cost estimates of the pilots now finalized, it is emerging that there will be savings in Andhra Pradesh and MoEF activities and there is a likely short fall of about US \$ 3-4 million for West Bengal activities. In addition, certain activities such as PMC at MoEF and some sectoral studies have been dropped and revisions to the results framework have been agreed. In view of this, the mission advises MoEF to review the component wise cost allocations for each implementing agency and share the details with the Bank. Once these details are finalized, the restructuring process will be expedited and completed by the end of June, 2014.

IX. Next Mission

35. The team proposes to carry out the next implementation support mission in August, 2014.

Annexes

Annex 1 - Component Wise Status of Implementation

Annex 2 – Status of Results Framework

Annex 3 – Status of Agreed Actions and New Actions Agreed

Annex 4 – Governance and Accountability Action Plan

Annex 5 – List of Persons Met

Annex 1
Component wise status of Implementation

1. The project activities have gained momentum during the past six months and have made some good progress. The component wise implementation status of the project activities, based on the review and discussions with the implementing agencies is provided below.

Component 1 - Strengthening Environmental Institutions: Building Capacity for Remediation (US\$ 16.74 Million)

2. This Component is rated ‘Moderately Satisfactory’, due to slow progress on NPRPS activities and satisfactory completion of laboratory strengthening in Andhra Pradesh, West Bengal and the business strategies of ECAC in both states.

3. **Sub-component 1(a) - National Program for the Rehabilitation of Polluted Sites (NPRPS):** The three baseline studies ((i) Financial, Institutional and Legal study for development of NPRPS (ii) development of methodologies and (iii) Inventory and Mapping of polluted sites) are nearing completion. Since March 2012, all three studies have completed the current situational analysis, field visits and review of international approaches. The draft final reports for four of the six tasks of the assignments are complete and are being reviewed by the Technical Evaluation Panel (TEP) before consultations with stakeholders (including all state PCBs and NCEF² states) are organized. The mission emphasized that the completion of these studies and moving forward on the next steps of NPRPS is critical for achieving the PDO of the project and advises MoEF to submit a roadmap comprising the next steps for finalization of the NPRPS and towards the development of policy on remediation following GoI procedures of policy formulation. **It was agreed that MoEF will share the road map on NPRPS by April 30, 2014 with the Bank and the same shall be closely monitored.**

4. **Sub-component 1 (b) - Environmental Compliance Assistance Centers:** The business strategy of for setting up ECAC in AP is finalized and is in the final stages in WB. While both the states are keen in moving forward with setting up the autonomous ECACs, during the MTR mission in June, MoEF has advised the states, not to move ahead on this activity. Considering the fact that ECAC is an outcome indicator of the project, the mission requests MoEF and the states to discuss and agree on the next steps by the end of April, 2014 on operationalization of ECACs. This will enable, appropriate modification / updation of results framework of the project.

5. **Sub-component 1(c) - Institutional Capacity Building of State Pollution Control Boards:** *Laboratory Strengthening:* AP has completed procurement of all the lab equipment envisaged under the project and refurbishment of the central lab is underway. For the purposes of implementing these works, APPCB has hired multi-disciplinary experts (civil and electrical engineering, air conditioning & mechanical ventilation, furnishing works, fire safety) for the works and a quality assurance consultant for supervision and quality control. The mission was informed that the works are expected to be completed by May 2014. With regard to West Bengal, procurement process for Package 4 and 5 to procure two equipment and the refurbishment of central lab has just commenced.

6. *Training:* There has been only one training activity undertaken under the project over the past two years. While MoEF has proposed training programs by NPRPS consultants and AP has requested MoEF’s approval for an exposure visit in Europe to understand the effectiveness of Geo-tubes in remediation. Both these proposals however have not moved forward. The mission discussed the need to expedite the training activities and suggested that the international study tour should include remediated sites which

² National Clean Energy Fund: The national program for remediation being implemented by the CPCB and 9 states

show-case the technologies being proposed for the 2 pilot sites (NMK Lake and Hooghly) and discuss these aspects with the consultants. It was agreed that MoEF will take this training program forward, including completing logistical arrangements and obtaining travel approvals from DEA and state governments. The mission also suggested that the training and study tours shall also involve CPCB and NCEF states, so that the objective of capacity building in India is achieved.

7. *Sectoral Studies by APPCB*: The studies on inventory and characterization of hazardous waste and MSW dumpsites are going smoothly. The draft reports of these studies are expected in June, 2014. Other sectoral study on inventory of e-waste is likely to be contracted in May, 2014.

8. *Sectoral Studies by WBPCB*: The studies on Sponge Iron and Tannery Industry sectors are considerably delayed and the mission was informed that the technical quality remains poor. The reports are being evaluated by the technical expert committee within WBPCB, and the report should be finalized by May, 2014. The study on inventorization and characterization of hazardous waste started in January, 2013, and the final report is expected to be submitted by April, 2014. The assessment study of 5 contaminated sites in naphthalene and mercury industrial clusters is also ongoing and the reports on SSTL³ values, and the Remediation plans are due to be submitted by May, 2014.

Component 2 - Investments in Priority Remediation and Environmental Improvements in orphan hazardous waste sites and municipal dumpsites (US\$ 52.80 Million)

9. Performance of this component is ‘Moderately Satisfactory’, as both the states have focused on the progress of this component during the past six months and made progress. APPCB is in the advanced stage of awarding contracts for construction of fence and weir at NMK Lake. Designs for remediation of NMK Lake in Hyderabad, Kadapa Municipal Disposal Site and Dhapa Municipal Disposal Site in Kolkata have also been finalized. Bid process for these three pilots have commenced in February, after a delay of about 5 to 6 months from the action plan agreed during the MTR. Process for the selection of supervision consultants and NGOs to implementation of social management plans have also been initiated by APPCB and WBPCB. The contracts for all the three pilots and supervision consultants are expected to be awarded in May-June 2014. The mission advises APPCB and WBPCB to stick to this time schedule and ensure that the bids are awarded at the earliest feasible time, so that maximum time is available for the implementation of the pilots.

10. The remediation plan for Hooghly pilot is still awaiting Technical Expert Panel’s approval. The approval is delayed due to the complex nature of the site and the need for additional lab and field sampling tests required for the proposed remediation technology. The consultants are now working on possible options for restoring the original condition of the site after remediation. The remedial plan is expected to be approved in April and the bid process is likely to commence in June, 2014. The mission advises WBPCB to ensure commencement of bid process at the earliest, so that the pilot can be remediated within the project time line. Any further delay in beyond June, 2014 would mean that the pilot can’t be implemented before the project closure in September, 2015.

11. Similarly, APPCB need to expedite remaining remediation activities of NMK Lake - ground water remediation and upgradation of existing sewage treatment plant. Both these activities are essential for achieving the objectives of complete remediation. The mission advises, MoEF to obtain clear time table from APPCB for completing these activities and monitor its implementation.

Component 3: Project Management (US\$ 5.28 Million)

³ Site specific target levels

12. This Component continues to be rated 'Unsatisfactory'. The key officials at MoEF have been changed twice during the past six months and have not been able to pay adequate attention to the project progress due to multiple responsibilities. The involvement of the Project Director in overall project management and monitoring also remains marginal. There has been a very limited progress in hiring of technical experts at MoEF. The position of 'Financial Management Specialist' at the PMU has been vacant for the past 6 months, leading to substantial delay in submission of audit report for FY 2012-13.

13. The meeting of the 'Project Oversight Committee' has not been convened for the past 2 years. This is a legal covenant of the project and the mission urged MOEF to take early action and convene this meeting by June, 2014. This is essential to obtain the approval of the annual plan for FY2014-15, remediation plans, road map for NPRPS and the approval of audit reports for FY 2012-13.

14. The two state PIUs (APPCB and WBPCB) are technical organizations with little or no experience in dealing with large civil work contracts. This capacity constraint is a major concern as the remediation pilots are in bidding, contract award and implementation stage. While both the PIUs have initiated the process of appointing supervision consultants to supervise the pilot remediation works, the responsibility of overall contract management rests with the PIUs. The mission advises the PIUs to conduct contract / project management training programs for the staff and build adequate capacity. Both PIUs should also ensure continuity / smooth transition of key PIU staff, so that the project activities are implemented in a timely manner.

Annex 2
Status of Project Outcome Indicators

Project Outcome Indicator	Base Line	Mid Term Target	Project Target	Current Status
1. National Program for Remediation of Polluted Sites (NPRPS) using Risk Assessment Methodology is for prioritizing polluted sites, supported by public consultations is developed	Nil	Approval of NPRPS by POC	Submission of NPRPS to Planning Commission	MTR Target not met. NPRPS likely to be ready by June, 2014. No Clarity of POC approval and next steps.
2. Pilots for remediation using area based approach ready for implementation including pollution profiling and mapping, indicators, detailed engineering plan, monitoring and after-care program	0 percent	25% site remediation/closure completed at 2 hazardous waste sites 20% closure completed at 2 solid waste sites	100 percent completed at four sites	Bid Process for one hazardous waste and two solid waste sites initiated
3. Establish national cleanup standards and monitoring mechanisms	Nil	Continuous monitoring of pilot sites using monitoring protocols and compliance standards specified for pilot sites	Continued compliance of remediated pilot sites with standards specified for pilot sites	Monitoring pilot sites is expected to commence from June, 2014 using monitoring protocols and compliance standards specified for pilots
4. Establish Environmental Compliance Assistance Center (ECAC) to promote measures for voluntary industrial compliance		Fully staffed and operational ECAC at West Bengal Stakeholder consultation completed for dissemination of best practices in HWM shared among PCBs	Sustainable funding mechanism for ECAC in place Fully staffed and operational ECAC at AP Programs for EM and compliance of SMEs in Chrome / metallurgical, petro chemical industries under implementation Clean Technology fair	ECAC at WB is partially staffed. Business Plan for AP finalized and WB is in final stages.
5. Establish Knowledge Dissemination network for SPCBs	Annual Meeting of SPCBs	Documentation and dissemination of lessons learnt from remediation good practices shared at workshop with state PCBs	Training completed for SPCB technical staff of states with orphan hazardous waste sites Dissemination of protocols (monitoring, liability, remediation technology) under NPRPs at workshop with states	Documentation of lessons learnt is being done by the respective remediation consultants Training on NPRPS is being initiated by MoEF

Annex 3
Status of Agreed Actions and New Actions

A. Status of Agreed Actions

Agreed Actions	Responsibility	Target	Current Status	Revised Target
Component Specific				
1.NPRPS Tasks 3 to be reviewed, commented upon, discussed and finalized	MOEF	February, 2013	Delayed	August 30, 2014
2.Hire experts in HW and MSW	MoEF	April, 2013	Delayed	August 30, 2014
3.Organize POC meeting	MoEF	March, 2013	Delayed	June 30, 2014
4.Complete training activities for FY13	AP and WB	March,2013	One Training Completed	Share revised schedule
5.Develop SPCB Network	MoEF	May, 2013	No Progress	At the earliest
6.Form NMK Lake conservation committee	GoAP	15 June, 2013	Completed	
7.Finalize consultation plan and commence consultations for pilots	AP and WB	March,2013	Completed in Nov / Dec, 2013	
8.Finalize ECAC business strategy	AP and WB		AP Completed in Jan, 2014	WB to complete in April, 2014
9.Agree on timelines with 5 industry owners on financing of remediation	WB	May, 2013		To be finalized
10.Complete ECAC staffing	WB	April, 2013	Delayed	At the earliest
11.Submit details of ECAC activities undertaken and 6-month action plan	WB	March, 2013	Completed	
12.Action Plan for NMK				
i.Finalize and Disclose ESMP for NMK Remediation	APPCB	10-Aug-13	Completed in February,2014	
i. Award Contract for fence around NMK Lake	APPCB	31-Aug-13	Delayed	June 1, 2014
ii. Award Contract for weir at NMK Lake	APPCB	31-Aug-13	Delayed	June 1 2014
iii. Award Contract for Remediation of NMK Lake	APPCB	30-Nov-13	Delayed	June 1, 2014
iv. Award Consultancy for Upgradation of STP	APPCB	30-Oct-13	Delayed	June 1 2014
v. Contract award for upgradation of STP	APPCB	August, 2014		December 31, 2014
vi. Commence Phase II Remediation	APPCB	July, 2015		January 1 , 2015
13.Closure and Containment of Kadapa Municipal Solid Waste Site				
i. Finalise and Disclose ESMP	APPCB	20-Jul-13	January,2014	
ii. Award of contract for closure	APPCB	30-Nov-13	Delayed	May 15, 2014
iii. Completion of works for development of cell at new landfill site	APPCB	15-Nov-13	Delayed	September 1, 2014

13. Closure and Containment of Dhapa Municipal Solid Waste Site				
i. Finalize and disclose of ESMP	WBPCB	5-Jul-13	Delayed	April 15, 2014
ii. Award contract for closure	WBPCB	15-Nov-13	Delayed	June 1, 2014
14. Remediation of Contaminated Sites in Hooghly				
i. Approval of Remedial Plan by TEP	MoEF / consultants	19-Jul-13	Delayed	April 30, 2014
ii. Finalize and Disclose ESMP	WBPCB	19-Jul-13	Delayed	May 15, 2014
iii. Award Contract for remediation	WBPCB	15-Nov-13	Delayed	September 1, 2014
Procurement				
15. Updated Procurement Plan shall be submitted for Bank's review	MoEF, APPCB, WBPCB	By second week of June 2013	Completed	
16. Bring on board staff with contract management experience	APPCB, WBPCB	At the earliest	Completed	
17. Training of staff on contract management	APPCB, WBPCB	By end of August 2013	Pending	June, 2014
18. Timely publish all mandatory procurement information on website and award result on UNDB	MoEF, APPCB, WBPCB	As and when event happens	Partially completed	
19. Submit draft Bidding Documents for remediation civil works for Bank's review	APPCB, WBPCB	By 2 nd week of July 2013	Completed with substantial delay.	
20. Submit TOR for consultancy services for civil works supervision and quality audit	APPCB, WBPCB	By 1 st week of July 2013	Completed with delay	
21. Submit the status of hiring of individual consultants in lieu of PMC	MoEF	By end of June 2013	Pending	August, 2014
Financial Management				
22. Submit audit report for FY 2012-13	AP and WB	September 30, 2013	Submitted in January, 2014	
23. Ensure counterpart financing by GoAP	GoAP	Immediate	Pending	Immediate

B. List of New Actions Agreed

Agreed Actions	Responsibility	Target Date
Component Specific		
1. Detailed Implementation Plan for each Component	MoEF with State inputs	April 30,2014
2. Review of component wise cost allocation and share final cost estimates for agency	MoEF with State inputs	April 30,2014
3. Facilitate allocation of US \$ 20 million in FY 2014-15 for the project	MoEF with DEA Support	August 30, 2014
4. Share road map for the development of NPRPS	MoEF	April 30,2014
5. Organize POC Meeting	MoEF	June 30, 2014
6. Approve RAP for Hooghly	MoEF and WBPCB	April 30,2014
7. Finalize ESIA / ESMP for Dhapa	WBPCB	Immediate
8. Initiate bid process for leachate treatment plant for Dhapa	WBPCB	June 1, 2014
9. Initiate bid process for social management works at Dhapa	WBPCB	June 1 , 2014
10. Commence Ground Water remediation Process around NMK	APPCB	June 30,2014
11.Ensure scientific waste disposal at new disposal site at Kadapa	APPCB	Prior to contract award for the pilot
12. Establish Grievance Redressal Mechanism	APPCB and WBPCB	Immediate
13. Organize Training Programs of Contract Management	APPCB and WBPCB	Immediate
Procurement		
14. Complete the award of civil works for remediation of NMK and Kadapa	APPCB	June 1,2014
15. Award contract for consultancy services for upgradation of STP	APPCB	June 1 ,2014
16. Issue RFP for inventorization of e-waste	APPCB	June 1 ,2014
17. Publish REoI for supervision consultant for Hooghly remediation works	WBPCB	June 1, 2014
18. Award of contract for supervision consultant for Dhapa remediation works	WBPCB	June 1, 2014
19. Publish REoI for selection of NGO for community communication for Hooghly	WBPCB	June 1, 2014
20. Award contract for procurement of equipment under package-5	WBPCB	June 1,2014
21. Award contract for civil works for Dhapa dumpsite remediation	WBPCB	June 1,2014
22. Publish notice for sale of bidding documents for civil works for Hooghly dumpsite remediation	WBPCB	June 1,2014
Financial Management		
24. Ensure counterpart financing is included in the upcoming Budget Process	APPCB	June 15,2014
25.Appoint FM Consultant at PMU, MoEF	MoEF	May 31,2014
25. Share an Action Plan for Audit Observations of FY 2012-13	MoEF	April 30, 2014
26. Appoint project auditors for FY 2013-14	APPCB and WBPCB	April 30, 2014

Annex 4

STATUS OF GOVERNANCE AND ACCOUNTABILITY ACTION PLAN

Item	Issues/Risk/Rating	Mitigating Actions	Responsibility	Timeline	Early warning indicators	Status
Implementation of remediation pilots	Demonstration effect diminished due to lengthy implementation (M)	-Agree on roles of project oversight structure and progress reporting	MOEF and State PCB	Agreement during appraisal/ negotiations	-Delayed progress reports -Delayed contracting of independent supervision -Delays in detailed engineering design	Observed despite mitigating measures in place, due to complex nature of remediation
	Poor performance by implementing agencies (M)	-Use project resources to strengthen and rationalize the technical capacity of State PCB -Nominate staff of PIU according to agreed TORs -Prepare timelines for implementation	MOEF and State PCBs	Y1	-Failure to nominate technical staff for training - Substantial deficiency in staffing of PIU - Failure to submit progress reports	Observed for MOEF and WBPCB
	Failure to sustain remediation results (M)	-Expand community outreach to change behaviors and prevent secondary pollution -Agree on a plan for regular monitoring of industries in the area by PCB	State PCB	Y1 and onwards	-PCB fails to inventorize and monitor units generating HW in the project area	Not yet observed
	Lack of appropriate communication to public and communities on remediation results (M)	- Expand community outreach activities using project resources	State PCBs	Public consultations during preparation of E&SA Y1 and onwards	-Complaints from communities continue - Social and Environmental issues inadequately addressed in progress reports	Complied with mitigating actions.
	SEMF and site specific mitigation measures not properly integrated in the pilots (L)	- Technical documentation and Bidding documents for site remediation includes safeguards provisions	State PCBs	Y1 and onwards	- Social and Environmental issues inadequately addressed as witnessed during site visits	Complied in designs. Issues can come while implementing
Project execution and contract management	Poor quality of technical documents causing delays (M)	-Early involvement of independent supervision in review of technical specs - Periodic review of bidding process and post review of contract awards just below the prior review threshold	State PIU	Y1 and Y2	-Poor quality of bidding documents	All the major contracts have been reviewed and cleared by the Bank
	Inaccurate invoicing of works	- Strengthen technical supervision and introduce mandatory field checks	State PIU	Y2 and onwards	-Costs either too low or too high and/or do not match with	Not yet observed

	(M)	- Ensure adequate capacity of PIU FM - Establish a register of late payments			progress of contract milestones -No compliance of completed and certified works	
	Payments made without prior verification of quantities and quality of site works (M)	- Mandatory site visits and reporting by independent supervision consultant - Combined Procurement and FM audits -Intensify site visits of completed works suspend payments if at fault	State PIU	Y2 and onwards	- Slow progress of site works	Not yet observed
	Non-compliance of contractors with site specific safeguards and site mitigation measures (L)	- Contractors workshops periodic review of quality of contractors documents	State PIU	Y2 and onwards	-Poor quality of bidding documents -Obvious omissions of safeguards requirements in contractors documents	Not yet observed
Procurement	Incomplete technical specifications (M)	-Pre-bid briefings and quality written clarifications to bidders in timely manner	MOEF and State PIU	Prior to effectiveness Y1 and onwards	-Procurement delays -Lack of response from bidders	Not yet observed
	Procurement delays and higher cost (L)	- Mandatory uploading on bidding documents at PCB website -Avoid 'slice and packaging' to attract bidders -Review quality of bidding documents	MOEF and State PIU	Y1 and onwards	-Winning bids too high compared to similar works - Delays in commencement of work after contract	Not yet observed
	Poor supervision of contracts (M)	-Maintain procurement staff of adequate quality	State PIUs	Y1 onwards	-Lack of proper reporting -Frequent changes in the procurement timeline	Not yet observed
	Collusion among contractors (M)	-Records of public openings of bids kept on the public domain and disseminated within 15 days of contract award	State PIU	Y1 onwards	-Bidders use same bank for security deposit and bank guarantees -Bids far too low	Not yet observed
	Delays in bid evaluation (M)	-Create procurement database for each pilot site with procurement plan - Keep accurate records of all documents with data of EIO, and bids -Undertake internal audits	State PIU MOEF	Y1 and onwards	-Lengthy time between bid submission and award -Number of extensions of bid validity exceeds the acceptable standards	Not yet observed
	Submission of forged documents to win contracts (M)	-Random verification of references of firms	POI and State PIUs	Y1 and onwards	-Incomplete of missing bank guarantee documents	
	Financial Management System and Internal controls	Inadequate and unreliable FM information and incomplete FMR (M)	- Ensure FM training before effectiveness -Obtain TA to improve the quality of record keeping (electronic and manually)	- PCB PIUs	Prior to effectiveness and Y1 onwards	-Inordinate delays in submission of quarterly FM reports - Pending receipts unaudited reports

	Lack of compliance with established internal financial controls (M)	- Strengthen financial management oversight through line ministry and State Governments	MOEF and States	Y1 onwards	-Significant variation of expenditure and budgets	Not yet observed
	Delays in hiring auditors and overdue audits (H)	-Hire auditor for three years with an agreed schedule	MOEF and state PCB	Y1 By December 2010	No evidence of hiring audit firm during supervision	Not yet observed
	Inability of auditors to provide quality and independent opinion (M)	-Same as above -Prepare clear TOR and agree with the Bank	PCB	After negotiations	-Inability of the auditors to pick up information on FM issues noted during supervision	Not yet observed
Monitoring and evaluation	Achievement of PDO adversely affected by the lack of project information (M)	-Disclosure policy agreed with pilot states -Abide to the provisions of RTI	MOEF State PCB	After effectiveness onwards	-Large number of request for information -Lack of evidence on timely responses	Not yet observed
	Achievement of PDO affected by inability to implement mid-term corrections (M)	- Carry out beneficiaries survey at midterm review to assess public perception	PCB PIUs	Y1 onwards	-Continuous delays -Absence of information from monitoring and evaluation of progress /results	Not yet observed
	Achievement of PDO affected by the lack of engagement of citizens in oversight of project pilots (M)	-Agree on the design and implementation arrangements of social accountability mechanism and public engagement	MOEF and PCBs	Y1 Mechanism to be in place by end of Y1	-Non- compliance with procedures and arrangements related to community involvement and beneficiaries surveys	Not yet observed
After-care and monitoring	Resources for after-care not planned adequately (H)	-Include first year after care in the remediation contract - Assign responsibility to PCB for regular monitoring of environmental parameter of the site and plan budget resources	PCB State Government	Y3-4 onwards Prior to Project completion	Complains for violation or improper management of the site reported(media or elsewhere) Site/Beneficiary survey during Y5 reports concerns from citizens	Not yet observed
	Transfer of responsibility for aftercare monitoring to other agency (M)	-Agree and ensure implementation of after care plans prior to completion of site remediation and transfer of site for management to municipality -Provide evidence for change of land use as necessary	States and MOEF	Y4-5 depending on completion of sites	Delays in agreeing on site management and monitoring arrangements	Not yet observed
	Environment improvements in the area affected by neglect (L)	-Engage citizen's groups /Ag University AP/ Chrom Producers Association in WB monitoring of the site	PCB and Municipalities	Y4-5	-Number of complains, media reports	Not yet observed
Overall risk.	M					

Note: N =High; M= Moderate, L= Low

Annex 5
List Of Persons Met

Ministry of Environment and Forests

1. Mr. Ajay Tyagi, Joint Secretary, MoEF & Project Director
2. Dr. Chanda Chaowdhary, Director, HSMD
3. Ms. Shruti Rai, Deputy Director, HSMD
4. Mr. R.K. Gupta, Procurement Consultant

Department of Economic Affairs

5. Mr. Brijesh Pandey, Deputy Secretary, MI Division

Government of Andhra Pradesh

6. Mr. M. Samuel, Special Chief Secretary, Environment, Forests, Science & Technology
7. Mr. B.S.S. Prasad, Special Secretary (Environment), Environment, Forests, Science & Technology
8. Mr. Kona Sasidhar, District Collector, YSR District, Kadapa
9. Mr. Challa Obulesh, Commissioner, Kadapa Municipal Corporation

Andhra Pradesh Pollution Control Board

10. Ms. Janaki R. Kondapi, Chairperson
11. Mr. Sanjay Kumar, Member Secretary (Project Director)
12. Dr. K.V. Ramani, Joint Chief Environment Scientist
13. Mr. S.S.S. Murali, Environment Engineer
14. Mr. W.G. Prasanna Kumar, Social Scientist
15. Mr. Y. Atchuta Ramayya, Procurement Specialist
16. Mr. D. Prasad, Monitoring Evaluation Specialist
17. Mr. P. Vinay Kumar Naidu, Chief Account Officer

Government of West Bengal

18. Mr. Trilochan Singh, Additional Chief Secretary

West Bengal Pollution Control Board

19. Prof. Binay K. Dutta, Chairman
20. Mr. Prashant Kumar Sarkar, Member Secretary & Project Director
21. Mr. Ujjal K. Mukhopadhyay, Chief Scientist
22. Mr. S.K. Adhikari, Sr. Environment Engineer
23. Mr. S.K. Khamrui, Finance & Accounts Manager
24. Ms. Sarmishta Kundu, Environment Engineer