

No. S-11011/5/2016-SBM  
Government of India  
Ministry of Drinking Water and Sanitation  
Swachh Bharat Mission (Gramin)

12<sup>th</sup> Floor, Paryavaran Bhawan  
CGO Complex, Lodhi Road  
New Delhi-110 003  
Dated 04.08.2016

To

The Principal Secretary/ Secretary,  
in-charge of Rural Sanitation,  
All States/UTs

**Subject: - Guidelines for World Bank Support to Swachh Bharat Mission (Gramin) –  
Introduction of Performance-based Incentive Grant Scheme – regarding.**

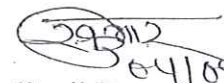
Madam/ Sir,

You are aware that the Government has approved a project of World Bank Support to Swachh Bharat Mission (Gramin), comprising incentivisation of States on the basis of performance against outcomes of SBM (G). Accordingly, guidelines for 'Performance-based Incentive grant scheme' have been drawn up and annexed with this letter.

3. The State/UT Governments are requested to implement the Performance based Incentive Grant Scheme in accordance with these guidelines. These guidelines be demand as part of SBM (G) guidelines.

**Encl.** As above

Yours faithfully,

  
04/08/16  
(Sunil Kumar)

Under Secretary (SBM)  
Ph: - 011-2436 9654

Copy to: - 1) SBM (G) State coordinator, all States  
2) TD (NIC) for hosting in website  
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## Guidelines for World Bank Support to Swachh Bharat Mission (Gramin) – Introduction of Performance-based Incentive Grant Scheme.

### Background

The Swachh Bharat Mission (Gramin) [SBM (G)] was launched on 2<sup>nd</sup> October 2014 as the new rural sanitation scheme, with a goal to achieve Swachh Bharat by 2<sup>nd</sup> October, 2019. The Mission emphasizes behaviour change intervention; strengthening implementation and delivery mechanisms down to the village level; and giving States flexibility to take into account local cultures, practices, sensibilities and demands. The SBM (G) also provides for incentivization of States on the basis of their performance. Besides outputs, outcomes are to be measured and rewarded.

2. An incentive framework was required to reorient the SBM (G) efforts towards achievement of desirable outputs and outcomes of SBM (G), such as reduction in open defecation, sustainable achievement of open defecation free (ODF) villages and improvement in solid and liquid waste management (SLWM). Further, these outcomes have to be reliably measured through an independent and credible verification agency. There was also a need to further strengthen the implementation capacities in terms of *inter alia* strengthening of behaviour change communication, capacity building and programme management etc.

3. In this background, Government of India has approved the project of 'World Bank Support to Swachh Bharat Mission' (called "Project" hereafter) for incentivising States on the basis of their performance in the ongoing SBM-G. The performance is to be gauged through certain performance indicators, to be called the Disbursement-Linked Indicators (DLIs).

4. These guidelines explain in detail the Project design, the DLIs and the incentive funding mechanism. These guidelines will be part of the SBM(G) guidelines.

### Project design

5. The World Bank Support Project is to put in place a mechanism for incentivizing States on the basis of certain specific outcomes of SBM (G) programme, to be measured through the DLIs, as detailed below. In other words, 'Performance-based Incentive Grant Scheme', as part of SBM (G), is proposed to be launched through this Project. The proposed Project is, therefore, not a new scheme, but part of the existing SBM (G) and provides part-funding to SBM (G) as Externally Aided Project (EAP) credit to support incentivisation of States. The World Bank Support is being provided through a performance-based funding using 'Program for Results' financing instrument.

6. The total World Bank Project Support is to the tune of US \$ 1500 million (Rs. 9000 crore @ US \$ 1=Rs. 60), of which US \$ 1475 million (Rs 8850 crore) is for providing incentive grant to the States and US\$ 25 million (Rs 150 crore) is for providing programme management and capacity support .



7. The overall Project objective is to reduce open defecation in rural areas and to strengthen capacity towards SBM (G) implementation. The specific objectives of the Project are:

- i. Reduced open defecation in rural areas
- ii. Open defecation free villages
- iii. Improved solid and liquid waste management
- iv. Strengthened implementation capacity

8. The proposed duration of the Project is five years i.e. from April 2016 to April 2021.

9. The Project will cover rural areas of all the States/UTs, where SBM (G) programme is being implemented.

#### Disbursement Linked Indicators (DLIs)

10. The Project envisages introduction of certain Disbursement Linked Indicators (DLIs).

11. The three DLIs, on the basis of which incentive grants will be released to the States are as follows:

i. Reduction in the prevalence of open defecation: The funds under this result area shall be released to the States on the basis of reduction in prevalence of open defecation amongst rural households in the State, compared to the previous year. This is a household level indicator. The prevalence of open defecation will be measured based on household level questions on access, usage and safety of toilets.

ii. Sustaining ODF status in Villages: The funds under this result area, shall be released on the basis of estimated population residing in ODF villages in a given year. This will include the villages that attained the ODF status in previous years and have sustained the ODF status.

iii. Rural population served by SLWM: The funds under this DLI will be based on the basis of population served with acceptable level of SLWM services.

12. The details of the DLIs are given at **Annexure 1**.

#### National Annual Rural Sanitation Survey (NARSS)

13. There will be a National Annual Rural Sanitation Survey conducted every year to measure the performance of the States/UTs in respect of the above three DLIs. Each round of survey will have components that will generate information on open defecation, sustaining ODF status, and on solid and liquid waste management (SLWM). This will be a third-party sample survey carried out by the MDWS, through an Independent Verification Agency (IVA), as per the guidelines of the Ministry of Statistics & Programme Implementation (MoSPI) dated 31.10.2011, regarding conduct of statistical surveys.

14. The first NARSS will provide baseline values for the DLIs.

### Incentive grant

15. The incentive grant to the States will be in addition to the funds released to States for the Annual Implementation Plans (AIP) and will be in the form of 100% grant from the Centre to the States.

16. The Government of India will release the incentive amount to the States for the first year on the basis of baseline results. From the second year onwards, the funds will be released to the States on the basis of progress against the three DLIs mentioned in para 11 above.

17. The States/UTs will pass on a substantial portion (more than 95 percent) of the Performance Incentive Grant Funds received from the MDWS, to the appropriate implementing levels of districts, Blocks, GPs etc. It is important that the States/UTs pass on the incentives to the right level of implementation to provide incentive for sustaining behaviour change at the village level. Since, DLI2 incentivises sustainability of ODF status at the village level, the States/UTs will ensure that the incentive grant received against this DLI reaches the respective villages and are spent in accordance with the decision at the village level.

18. The States will have flexibility to utilise incentive funds for activities pertaining to sanitation sector, such as making the villages open defecation-free through individual household latrines, community sanitary complexes, school/anganwadi toilets, rural sanitary marts and IEC/capacity building/triggering, providing water for sanitation, solid and liquid waste management activities including collection, segregation and safe disposal of household garbage, decentralised systems like household composting and biogas plants, safe disposal of menstrual waste, low cost drainage, soak pits etc. The incentive grant cannot be used as corresponding State share for SBM (G) or SBM (Urban) or any other Centrally Sponsored Scheme.

### Accountability for spending Incentive grant

19. The Project will be covered by the audit requirements (CAG audit and audit by empanelled Chartered Accountant of the CAG) as provided under the SBM (G) scheme. The revised formats for audit will be provided to the States by the MDWS.

20. The States will maintain details of the projects/activities undertaken at the State/district/block/village level out of Incentive grants and certify that these grants are utilised only for activities permissible/suggested as per these guidelines. The projects/activities undertaken will also be captured in the Integrated Management Information System of SBM (G).



Disbursement Linked Indicators (DLIs)

The World Bank Support Project entails certain Disbursement Linked Indicators (DLIs). These are meant to trigger disbursement of incentive grants from the World Bank to the Ministry of Drinking Water and Sanitation (MDWS) and from the MDWS to the States.

2. As far as disbursement from the MDWS to the States is concerned, there are three DLIs.

- i. DLI 1: Reduction in the prevalence of open defecation
- ii. DLI 2: Sustaining Open Defecation Free (ODF) status in Villages
- iii. DLI 3: Percentage of rural population served by SLWM

3. For disbursement from the World Bank to the MDWS, however, in addition to these three DLIs, there is a fourth DLI called 'Operationalization of the Performance Based Incentive Grant Scheme.'

4. The three DLIs to trigger disbursement of incentive grants to the States are detailed below.

DLI 1: Reduction in the prevalence of open defecation

5. The funds under this DLI shall be released to the States on the basis of reduction in prevalence of open defecation amongst rural households in the State, compared to the previous year. The open defecation will be measured based on household level questions on access, usage and safety of toilets.

6. The National Annual Rural Sanitation Survey will report on this prevalence based on a household level questionnaire. A household will be considered as practicing open defecation unless all the members of that household use the toilet 100% of the times.

7. The States will be divided into two categories for the purpose of incentivisation. The States which register a reduction of 0-3 percent in OD prevalence will be incentivised @ Rs. 360 per capita reduction. For States reporting more than 3 percent reduction in OD prevalence, an incentive of Rs. 540 per capita reduction will be provided.

DLI 2: Sustaining ODF status in Villages

8. The funds under this result area, shall be released on the basis of estimated population residing in ODF (open defecation free) villages.

9. The assessment of ODF will be based on the definition of ODF provided by the MDWS, which is as follows:

*“ODF is the termination of faecal-oral transmission, defined by*  
*a) no visible faeces found in the environment/village; and*  
*b) every household as well as public/community institutions using safe technology option for disposal of faeces*  
*(Tip: Safe technology option means no contamination of surface soil, ground water or surface water; excreta inaccessible to flies or animals; no handling of fresh excreta; and freedom from odour and unsightly condition)”*

10. The incentive amount will be calculated on the basis of rural population residing in ODF villages in the States, multiplied by Rs. 240 per capita.

#### DLI 3: Percentage of rural population served by SLWM

11. Based on the National Annual Rural Sanitation Survey, for each State/UT, the population served with acceptable level of SLWM services, shall be estimated and rewarded.

12. The incentive amount will be calculated on the basis of rural population residing in villages with acceptable level of SLWM, multiplied by Rs. 30 per capita.

13. The above mentioned three DLIs have a fixed per capita amount. The disbursement will however, be dependent on actual performance achieved as shown by the National Annual Rural Sanitation survey.

#### DLI 4: Operationalization of the Performance Incentive Grant Scheme

14. The baseline data pertaining to the above mentioned three DLIs will be captured through the first National Annual Rural Sanitation Survey. In order to trigger disbursement from the World Bank to the MDWS in the first year, there will be a fourth DLI 4, which will be operationalization of the 'Performance-based Incentive Grant Scheme'. This will be applicable only for the first year to set in motion those actions that make the incentive scheme possible and credible.

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### Abbreviations

MDWS	Ministry of Drinking Water and Sanitation
SBM(G)	Swachh Bharat Mission (Gramin)
ODF	Open Defecation Free
OD	Open Defecation
SLWM	Solid Liquid Waste Management
NARSS	National Annual Rural Sanitation Survey
DLI	Disbursement Linked Indicator
IVA	Independent Verification Agency