



ASIAN DEVELOPMENT BANK

## India: MFF - North Karnataka Urban Sector Investment Program (Facility Concept)

Project Name	MFF - North Karnataka Urban Sector Investment Program (Facility Concept)		
Project Number	38254-013		
Country	India		
Project Status	Active		
Project Type / Modality of Assistance	Loan		
Source of Funding / Amount	<b>MFF Facility Concept 0006-IND: MFF - North Karnataka Urban Sector Investment Program (Facility Concept)</b>		
	Ordinary capital resources	US\$ 270.00 million	
Strategic Agendas	Inclusive economic growth		
Drivers of Change	Governance and capacity development		
Sector / Subsector	<b>Water and other urban infrastructure and services</b> - Water supply and sanitation		
Gender Equity and Mainstreaming	Effective gender mainstreaming		
Description	The North Karnataka Urban Sector Investment Program will help GoK rehabilitate existing urban infrastructure facilities and construct new ones in ULBs of North Karnataka. The Investment Program will assist GoK in meeting its urban sector investment plan and providing water supply systems, sewerage systems, drainage, and urban road resurfacing and junction improvements. The living environment in slums will be improved with the provision of basic services. Firefighting capacity improvements, tourism infrastructure, and lake rehabilitation are also included. The Investment Program will introduce private sector participation (PSP) in selected subsectors in selected ULBs and support ongoing institutional reforms and training for ULB staff currently being conducted by GoK under the Nirmala Nagar Program (NNP).		
Project Rationale and Linkage to Country/Regional Strategy	<p>A High Power Committee Report for Redressal of Regional Imbalances (the HPC report) prepared by GoK in 2002 indicates that while some diversification has taken place in North Karnataka, agriculture remains the primary economic driver in most districts in North Karnataka. The economy of North Karnataka has, therefore, remained susceptible to weather patterns, and it is clear that the current economic growth is not shared on an equitable basis throughout the state. The key reason for the limited diversification in North Karnataka is the lack of adequate urban infrastructure and services in the ULBs. The Project supports the investment plan recommended by the HPC report and has selected 25 ULBs located in North Karnataka to be assisted with their municipal functions, i.e., basic urban services, mandated by the 74th Amendment Act to the Constitution of India.</p> <p>The Project would be a logical progression of previous ADB assistance to the State in the southern and coastal areas, and would specifically address the imbalance in the level of infrastructure and services in the ULBs in North Karnataka. Furthermore, the Project would provide an opportunity to further develop the ongoing relationship between ADB and the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) and together build up the state-level capability as well as promote/involve the private sector to design, construct, operate and maintain infrastructure facilities for efficient and equitable provision of basic urban infrastructure and services. Urban service delivery and operation and maintenance (O&amp;M) is the responsibility of ULBs under Karnataka Municipalities Act (1964) and Municipality Corporations Act (1976). To fulfill the responsibility with additional infrastructure created under the Project, the Project ULBs need to maintain a financially sound balance sheet, and employ adequate, capable human resources.</p> <p>The proposed Investment Program is highly relevant to ADB's country strategy and program (CSP) for India, which rests on the three pillars of: (i) pro-poor growth for reducing income poverty; (ii) social development for reducing human poverty; and (iii) good governance for leveraging and maximizing the impact of development.</p>		
Impact	Improvement of Urban Infrastructure and services resulting in overall improvement in quality of life in project ULBs; and related increase in economic opportunities and growth in north Karnataka and reduced imbalances between north Karnataka and the rest of the state		

## Project Outcome

Description of Outcome	Improved basic urban services for at least the 4.3 million people living in the initially identified 25 Investment Program ULBs Improved and sustainable infrastructure services within Investment Program ULBs that will in turn benefit the agriculture, industry and tourism sectors PBDPS and/or PBMC modalities implemented and interest generated in other Indian states
Progress Toward Outcome	
<b>Implementation Progress</b>	
Description of Project Outputs	Implemented investment program for sanitation Implemented investment program for water supply Implemented investment program for slum improvement in Investment Program ULB slums Implemented investment program for nonmunicipal infrastructure Implemented investment program for urban transport improvement Improved institutional capacity
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	North Karnataka

## Safeguard Categories

Environment	B
Involuntary Resettlement	B
Indigenous Peoples	B

## Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples
<b>Stakeholder Communication, Participation, and Consultation</b>
During Project Design
During Project Implementation

## Business Opportunities

Consulting Services	100% Domestic Investment Program Consultants will be recruited under ADB's Guidelines on the Use of Consultants to assist the Government in implementing the Investment Program during the detailed engineering design (DED) and supervision phase for quality assurance and monitoring of both construction and operations. The recruitment will follow ADB's quality-and-cost-based (QCBS) selection method. Recruitment of private contractors under PBMC will be carried out under ADB's Guidelines on the Use of Consultants with some adjustments.
Procurement	Procurement of all goods and services under the Investment Program will be undertaken in accordance with ADB's Guidelines for Procurement, and in accordance with the rules and regulations of the Government acceptable to ADB. The Government has requested: (i) advance action for recruitment of Investment Program Consultants, and procurement and installation of household water meters in selected Investment Program ULBs; and (ii) retroactive financing of Investment Program Consultants, public awareness campaigns and workshops, procurement and installation of household water meters in selected Investment Program ULBs, implementation of the Nirmala Nagar Program (NNP) to cover the remaining 6 Investment Program ULBs, and incremental administrative costs of KUIDFC and the Government of Karnataka (GoK) related to the Investment Program. For selected sub-projects, alternative procurement modalities, such as Performance-Based Deferred Payment Structure (PBDPS) and Performance-Based Management Contract (PBMC), will be adopted in order to increase the level of PSP in the sub-sectors. The PBDPS modality requires private contractors to partially bridge-finance the construction and subsequent O&M costs of the sub-projects in exchange for annuity-like payments over a 10-year period, which comprise base fees that will be determined through bidding and bonuses that will be determined according to predetermined performance indicators. In addition to introducing private investments into the sector, thereby facilitating greater leverage of public funds, PBDPS will ensure higher accountability of the contractors by combining construction and actual service delivery during the operation phase into one single contract package, which cannot be achieved easily under conventional procurement modalities.

## Responsible Staff

Responsible ADB Officer	Dasgupta, Saugata
Responsible ADB Department	South Asia Department
Responsible ADB Division	India Resident Mission
Executing Agencies	<i>Karnataka Urban Infrast. Dev. and Finance Corp. Mr. Shrivastava, IAS jawaid@kuidfc.com Silver Jubilee Block, 2nd floor, Unity B 3rd Cross, Mission Road, Bangalore India 560 027</i>

## Timetable

Concept Clearance	07 Sep 2004
Fact Finding	20 Jun 2005 to 01 Jul 2005
MRM	29 Aug 2005
Approval	06 Dec 2006
Last Review Mission	-
PDS Creation Date	28 Mar 2006
Last PDS Update	02 Mar 2011

## MFF Facility Concept 0006-IND

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	270.00	Cumulative Contract Awards			
ADB	270.00	-	0.00	0.00	%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

Project Page	<a href="https://www.adb.org/projects/38254-013/main">https://www.adb.org/projects/38254-013/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=38254-013">http://www.adb.org/forms/request-information-form?subject=38254-013</a>
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