

The logo for the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font inside a black square.

Technical Assistance Report

Project Number: 53145-001
Transaction Technical Assistance Facility (F-TRTA)
May 2019

India: Strengthening Capacity to Design and Implement Water and Rural Infrastructure Facility

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 May 2019)

Currency unit	–	Indian rupee (₹)
₹1.00	=	\$0.0142
\$1.00	=	₹70.35

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
MTR	–	midterm review
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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TRANSACTION TECHNICAL ASSISTANCE FACILITY AT A GLANCE

Project Classification Information Status: Complete

TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 53145-001	
Project Name	Strengthening Capacity to Design and Implement Water and Rural Infrastructure Facility	Department/Division	SARD/SAER
Nature of Activity	Project Preparation, Capacity Development	Executing Agency	Department of Economic Affairs
Modality	Facility		
Country	India		
2. Sector		ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Agricultural policy, institutional and capacity development		2.00
		Total	2.00
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
	Components	Effective gender mainstreaming (EGM)	✓
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	High
Household Targeting	No		
General Intervention on Poverty	No		
SDG Targeting	Yes		
SDG Goals	SDG2, SDG5, SDG10		
6. Risk Categorization		Complex	
7. Safeguard Categorization		Safeguard Policy Statement does not apply	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		2.00	
Transaction technical assistance: Technical Assistance Special Fund		2.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		2.00	
Currency of ADB Financing: USD			

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. India is experiencing rapid overall economic growth; however, economic disparity between urban and rural areas persists and rural transformation and poverty reduction are slow compared to other countries in the region.¹ Contributing to this is the absence of well-planned rural infrastructure, which undermines agricultural productivity and increases vulnerability to natural hazards and climate change. A key cause is the weak capacities and poor coordination in the planning, design, and implementation of projects of rural infrastructure stakeholders—comprising local, state, and central government; private sector (consultants and contractors); and academic institutions. Exposure to new innovations and good practices in the agriculture and natural resources sector is limited, resulting in the continuation of a “business as usual” approach. The result is persistently slow progress in meeting targets for rural development, design, construction supervision, performance, and sustainability of the assets, as well as limited consideration of external factors, such as climate change.

2. Two of the seven operational priorities of the Asian Development Bank (ADB) Strategy 2030 are (i) promoting rural development and food security; and (ii) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability.² ADB’s investments in these areas have generated jobs, raised rural incomes, and reduced poverty.³ The Strategy 2030 emphasizes the need for (i) increasing the focus on the water–food–energy security nexus; (ii) improving market connectivity and agriculture value chain linkages; (iii) increasing agricultural productivity and food security; and (iv) enhancing food safety. Strengthening governance and institutional capacity of executing and implementing agencies for effective project implementation to achieve inclusive and sustainable development is also a priority. This is also essential to support the Strategy 2030’s objectives in streamlining ADB business processes to strengthen development effectiveness and ensure that ADB delivers value for money.

3. Continuous support to enhance skills and competencies of executing and implementing agencies is needed to improve project preparation, implementation, and overall portfolio performance. Sustainable development of ADB water and rural infrastructure projects requires stronger interaction between stakeholders coupled with dedicated government capacity building in the areas of project design and implementation. The proposed transaction technical assistance (TA) facility would bridge capability gaps and enable the application of best practices to ADB-funded projects. Capacity-building support will be provided through the provision of incremental consulting services to enhance project preparatory and project implementation capacity. The TA facility will be demand-driven to ensure ownership by, and commitment from, the executing and implementing agencies.

4. The TA facility will support project preparation, including capacity-building, undertaking due diligence, and increasing project readiness for ensuing investment projects, including those identified in the country operations business plan for India, 2019–2021.⁴ It will initially support:

¹ IFAD. 2016. *Rural Development Report 2016 Fostering Inclusive Rural Transformation*. Rome.

² ADB. July 2018. *Strategy 2030 – Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific*. Manila.

³ ADB. 2010. *Evaluation Study: Sector Synthesis—Performance of ADB Assistance to Agriculture and Natural Resources: Evidence from Post-Completion Evaluations*. Manila.

⁴ ADB. August 2018. *Country Operation Business Plan: India, 2019–2021*. Manila.

- (i) Ara Canal Water Productivity Improvement Project (formerly Bihar Irrigation Project);
- (ii) Himachal Pradesh Subtropical Horticulture and Irrigation Value-Addition Project;
- (iii) Capacity Development for Irrigation Management and due-diligence for new projects including Upper Bhadra Project and Lower Suktel Irrigation Project;
- (iv) Assam Flood and Riverbank Erosion Protection Project (follow-on loan 2020);
- (v) Maharashtra Sustainable Coastal Protection and Management;
- (vi) Maharashtra Rural Connectivity Improvement Project; and
- (vii) Preparation of Maharashtra Agribusiness Network Project.

5. These projects are all in the rural sector and have similar due diligence requirements. The TA facility approach is suitable as it will (i) enhance project preparation efficiency and improve readiness for projects that have limited processing resources; (ii) reap important synergies from working with the same team of consultants, including reducing lengthy tendering processes and improving knowledge transfer; and (iii) strengthen coordination. Overall, this TA facility will reduce transaction costs through minimizing the resources of standalone transaction TA projects.

6. The TA facility will also support ongoing projects with additional expertise as required and agreed with the project's executing agencies. It will initially support:

- (i) Assam Integrated Flood and River Erosion Risk Management and Investment Program;
- (ii) Madhya Pradesh Irrigation Efficiency Improvement Project;
- (iii) Climate adaptation in Vennar Subbasin in Cauvery Delta Project; and
- (iv) Karnataka Integrated and Sustainable Water Resources Management Investment Program.

7. These ongoing projects are suffering from weak project implementation capacity and require similar technical specialist support to ensure project sustainability. The TA facility will support projects that are listed in the current country operations business plan for India, as well as future projects that the government may propose for ADB's assistance.

B. Outputs and Activities

8. **Output 1: Well-designed agriculture, rural development and water resource project proposals and project readiness achieved.** Technical expertise will be provided to support preparation of selected investment projects for potential ADB financing. This will include necessary due diligences involving assessments of (i) technical suitability; (ii) economic and financial sustainability; (iii) capacity and institutional issues; (iv) environmental and social safeguards; and (v) identification of measures to strengthen project implementation capacity of projects. Assistance to meet project readiness conditions will also be provided, including recruitment of project implementation consultants and technical inputs for loan processing. Detailed activities will include support for (i) feasibility studies required for the ensuing investment; (ii) economic analysis; (iii) financial management assessment, financial evaluation and financial analysis; (iv) gender analysis, collection of baseline data, and gender action plans; (v) risk assessment and management plans; (vi) safeguards documents on environment, involuntary resettlement, and indigenous peoples; (vii) climate risk and vulnerability assessments and adaptation measures; (viii) sector assessment; (ix) preparation of loan processing documents; (x) project implementation consultant recruitment; (xi) preparation of bidding documents and assisting with advance procurement activities; and (xii) initiating resettlement plan implementation.

9. **Output 2: Project implementation and management capacity of executing agency improved.** Technical expertise and capacity building will be provided to selected executing agencies in India to enhance water and rural investment sustainability. Support will be provided through consultants to ongoing or ensuing water and rural investments and programs within the core TA facility priority areas. The focus will be on enhancing procurement, construction and contract management, fiduciary requirements and safeguard processes, gender mainstreaming, and monitoring capacity. The TA facility will utilize the same consultants across multiple projects to allow knowledge transfer of best practices. Support will also include workshops and on-the-job-training to enhance the capacity of State line departments.

C. Cost and Financing

10. The TA is estimated to cost \$2,000,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-Others). The key expenditure items are listed in Appendix 1. The TA facility scope is expected to be expanded to cover other additional activities, consistent with the TA's outputs and outcome, and funds will be replenished from time to time as required.

11. The State line departments responsible for each project will be asked to provide counterpart support in the form of assigning counterpart staff providing office accommodation, workshop and training facilities, domestic transportation, project related information, and other in-kind contributions. The government was informed that approval of the TA facility does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

12. The Department of Economic Affairs of the Ministry of Finance will be the executing agency of the TA facility. ADB through its South Asia Department's Environment, Natural Resources, and Agriculture Division will be responsible for TA facility administration and will work closely with the executing and State line departments of the ongoing and planned projects in India. ADB will be responsible for the recruitment, management and administration of all consultants financed by the TA facility. ADB will inform the Department of Economic Affairs and the relevant State line departments of selected consultants prior to their mobilization.

13. The TA facility will be implemented over 3 years, from June 2019 to May 2022. Disbursements under the TA facility will be in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

14. The implementation arrangements are summarized in Table 1.

Table 1: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	June 2019 – May 2022		
Executing agency	Department of Economic Affairs, Ministry of Finance		
Implementing agency	Various State line department		
Consultants	To be selected and engaged by ADB. ^a		
	ICS (international)	44.50 person-months	\$1,202,000
	ICS (national)	80.60 person-months	\$532,000
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

Aspects	Arrangements
Asset turnover or disposal arrangement upon TA completion	None

^a Individual consultants will be the preferred selection method however, if needed, consulting firms may be selected for which the quality- and cost-based selection method will be used with a ratio of 90:10 for technical to financial scoring. ADB = Asian Development Bank, ICS = individual consultant selection, SAER = South Asia Department Environment, Natural Resources, and Agriculture Division, TA = technical assistance.
Source: Asian Development Bank.

15. **Consulting services.** The TA facility will provide an initial 125.1 person-months of consulting services (44.5 person-months, international and 80.6 person-months, national) in the field of rural infrastructure, water resources and irrigation, flood Management, procurement, economics, financial management, environment, safeguards, social development, gender, and project coordination.⁵ It is expected that the consultants will be recruited using individual consultant selection method and deployed based on the requirements of each project based on each project's needs. The consultants will be competitively engaged by ADB in accordance with ADB Procurement Policy (2017, as amended from time to time) and the associated project administration instructions/TA Staff Instructions.⁶ Individual consultant selection, rather than a team of consultants through a firm, is appropriate in this instance because the TA facility involves multiple activities that are not necessarily interdependent and will require a varied range of consultants and services. However, where suitable, recruitment through a firm might be considered.

E. Governance

16. Since ADB will administer the TA facility, the financial management, procurement and integrity risks during TA facility implementation are assessed to be low. However, thorough risk assessments for financial management, procurement, and integrity for ensuing investment projects implemented in any of the target countries will be conducted under the TA facility.

II. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$2,000,000 on a grant basis to India for the Strengthening Capacity to Design and Implement Water and Rural Infrastructure Facility and hereby reports this action to the Board.

Takehiko Nakao
President

⁵ TA facility savings may be utilized for additional consultant inputs, as may be necessary.

⁶ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	1,202.0
ii. National consultants	532.0
b. Out-of-pocket expenditures	
i. International and local travel	121.0
ii. Reports and communications	10.0
iii. Miscellaneous administration and support costs	5.0
2. Surveys	5.0
3. Training, seminars, and conferences	25.0
4. Contingencies	100.0
Total	2,000.0

Note: The technical assistance is estimated to cost \$2,000,000, of which contributions from the Asian Development Bank are presented in the table above. Executing agencies of each project will be asked to provide counterpart support in the form of assigning counterpart staff, providing office accommodation, workshop and training facilities, domestic transportation, project related information and other in-kind contributions. The value of government contribution is estimated to account for 10% of the total TA facility cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-Others).

Source: Asian Development Bank estimates.

Item	Total person- months	Ensuing projects					Ongoing or planned projects					
		A complex	B complex	C complex	D complex	E complex	F complex	G complex	H complex	I complex	J complex	K Low
Agricultural specialist	6.00	1.50	2.50			2.00						
Procurement specialist	8.00		2.50		1.00	1.50		1.00	1.00	1.00		
Economist	6.50	1.50	1.00		1.00	1.00					2.00	
Financial Management specialist	6.50	1.00	1.00	0.50	0.50	1.50					2.00	
Environmental safeguard specialist	3.00	1.00			1.00				1.00			
Social development specialist	8.50	1.50	1.00	1.00	1.00	1.00	1.00		2.00			
Gender specialist	1.00			0.50			0.50					
Project Coordinator	18.00	1.50	3.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Institutional Capacity Assessment Specialist	0.50				0.50							
Coastal Processes and Hydrodynamics Specialist	1.50				1.50							
Geotechnical	0.50				0.50							
Communication Specialist	2.80	0.50	0.50	1.00	0.80							
Unallocated	4.80	2.00			0.30				1.00			1.50
Subtotal B.	80.60	13.50	17.50	4.50	9.60	8.50	3.00	2.50	8.00	2.50	8.00	3.00
Total (A + B)	125.10	18.80	26.20	8.30	13.20	11.80	5.50	4.30	13.30	4.00	13.40	6.30

- (A) Himachal Pradesh Subtropical Horticulture and Irrigation Value-Addition Project
(B) Capacity Development for Irrigation Management including Upper Bhadra Project and Lower Suktel Irrigation Project;
(C) Assam Flood and River Bank Erosion Protection Project (follow on loan 2020);
(D) Maharashtra Sustainable Coastal Protection and Management;
(E) Preparation of Maharashtra Agribusiness Network Project;
(F) Assam Integrated Flood and River Erosion Risk Management and Investment Program;
(G) Madhya Pradesh Irrigation Efficiency Investment Project;
(H) Climate adaptation in Vennar Subbasin in Cauvery Delta Project;
(I) Ara Canal Water Productivity Improvement Project (formerly Bihar Irrigation Project);
(J) Karnataka Integrated and Sustainable Water Resources Management Investment Program;
(K) Maharashtra Rural Connectivity Improvement Project;

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=53145-001-TARreport>

1. Terms of Reference for Consultants