



India: Karnataka Integrated Urban Water Management Investment Program

Project Name	Karnataka Integrated Urban Water Management Investment Program	
Project Number	43253-024	
Country	India	
Project Status	Active	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	MFF Facility Concept: Karnataka Integrated Urban Water Management Investment Program	
	Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility	US\$ 2.00 million
	MFF Facility Concept 0080-IND: Karnataka Integrated Urban Water Management Investment Program	
	Ordinary capital resources	US\$ 150.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Governance and capacity development Partnerships Private sector development	
Sector / Subsector	Water and other urban infrastructure and services - Water and other urban infrastructure and services	
Gender Equity and Mainstreaming	Effective gender mainstreaming	
Description	<p>Karnataka (the State) is one of India's most water-stressed states. With approximately 38% of the state's population living in urban areas, against 28% for the country as a whole, Karnataka is also the 4th most urbanized state in India, and this value is expected to increase to 50% by 2030. Karnataka's Vision 2020 anticipates increasing urbanization and industrialization. However without effective management of available resources, water will become the main constraint on economic development. The Karnataka Integrated Urban Water Management Investment Program (KIUWMIP or the Program) aims to improve water resource management in urban areas in a holistic and sustainable manner. Investment support will be provided to modernize and expand urban water supply and sanitation (UWSS) while strengthening relevant institutions to enhance efficiency, productivity and sustainability in water use. Innovative instruments, such as public-private partnership (PPP) or reform oriented incentive funds, will also be pursued. The Program will seek to assist more fragile environments increasingly affected by water resource degradation, often located in North Karnataka. The Program will also promote climate-resilient development, capacity-development for conducive adaptation.</p>	

Project Rationale and Linkage to Country/Regional Strategy

The Karnataka Urban Water Management Investment Program (the Program) aims to improve water resource management in urban areas in a holistic and sustainable manner. Investment support will be provided to modernize and expand urban water supply and sanitation (UWSS) while strengthening relevant institutions to enhance efficiency, productivity and sustainability in water use. Innovative instruments such as public-private partnership (PPP) will also be explored and implemented. The Program will specifically seek to support ADB's 'greening' and inclusiveness agendas, as it targets assistance to more fragile environments increasingly affected by water resource degradation, often located in Karnataka's more economically lagging regions. The Program will also support ADB's climate change strategic priorities by promoting climate-resilient development, capacity-development and policy implementation conducive to adaptation. It progress a multiprolonged approach combining:

- (i) improved planning and monitoring through: (a) city-level water sector master-planning, (b) improved water/effluent monitoring (quantity and quality), (c) integrated water/sewage treatment and full service coverage, and (d) promotion of water accounting and water conservation system.
- (ii) more efficient water infrastructure through: (a) nonrevenue water reduction and appropriate service delivery standards, and (b) testing of integrated urban-urban and urban-rural bulk water supply systems, where appropriate.
- (iii) improved sewerage infrastructure and services to: (a) rehabilitate and/or extend the distribution network and treatment capacity, prevent raw sewage discharge and improve (river) downstream quality; and (b) reuse of wastewater treated effluent for industry/irrigation/groundwater replenishment purposes.
- (iv) enhanced institutional performance through: (a) private sector participation, particularly through performance-based management contracts; (b) piloting of regional water operator SPVs; (c) improved demand management and tariff setting; and (d) introduction of regulatory mechanisms.

Karnataka (the State) is one of the most water-stressed states in India. Issues include surface water over-abstraction; deteriorating river water quality resulting from industrial and raw sewage discharge and poor watershed management. Groundwater is also over-utilized in 40% of the districts. Yet the State's annual water use is forecasted to further rise by up to 40% by 2025, threatening sustainable economic growth and poverty reduction. The impact of climate change, anticipated to exacerbate droughts and floods, may further reduce water availability. Effective and integrated water resources management and regulation are critical to meet the State's growing needs. Karnataka's economic development agenda for 2020 prioritizes the sustainability of the State's environment and natural resources (including water) and anticipates increasing urbanization and industrialization. Providing safe drinking water and sanitation is a high priority in the State's water and poverty reduction agendas. About 84% of the population has access to drinking water, and 38% has access to sanitation facilities. However, there are higher unmet demands: only 25% of urban local bodies (ULBs) can supply per capita requirements while only 11% have a functioning sewerage system. Most ULBs distribution systems are inefficient and unaccounted for water levels are high (30-70%). Meeting the rapidly rising urban and industrial water demand, protecting water bodies, and effectively treating, discharging, and reusing the effluents remain critical challenges.

The State has developed appropriate policy frameworks to address these challenges, including the 2002 State Water Policy (under review) and the 2002 Urban Drinking Water Supply and Sanitation Policy. At national level, India's draft National Water Policy 2012, India's Urban Sanitation Policy (2010) and Service Level Benchmarcks (2010) have set targets nation-wide. The Program is aligned (i) to the government's 12th Five Year Plan (2012-2017), and (ii) priorities of a likely second phase of the Jawaharlal Nehru National Urban Renewal Mission.

Lesson learned from on-going and completed ADB and World Bank projects have highlighted the importance of (i) involving community and local NGOs during implementation, (ii) conducting targeted awareness campaigns aimed at changing behaviors, (iii) progressively introducing private sector participation with clearly delineated performance targets, (iv) setting up a fully staffed project management unit and launching advance action for timely implementation, (v) progress reforms for long term sustainability. The program builds on the above lessons and incorporates ULB willingness to reform its structure and design.

The project will be implemented using the multitranches financing facility (MFF). The MFF is well suited for this investment as it is the most effective modality to: (i) maximize and measure project results in localized geographical areas; (ii) provide efficiencies associated with economies of scale as additional municipalities join regional utilities; and (iii) blend capacity development, assistance for policy implementation and infrastructure provision. The MFF will enable the client to programmatically implement a well structured road map combining clearly defined criteria and a process that values demand and ULBs willingness to progress reforms. The modality is well suited given (i) the State's sound record in the sector and willingness to undertake reforms and (ii) the executing agency's (EA's) proven capacity. Supplementary Appendix A outlines constituents for this MFF and provides a matrix explaining why the MFF is more suited for this program than other instruments and modalities.

Impact Improved sustainable water security in selected river basins in Karnataka.

Project Outcome

Description of Outcome Improved water resources management in urban areas in selected river basins in Karnataka

Progress Toward Outcome

Implementation Progress

Description of Project Outputs	Expanded and upgraded UWSS infrastructure. Improved water resource planning, monitoring and service delivery. Strengthened operational and administrative capacity of KUIDFC and ULBs
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Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects B

Involuntary Resettlement B

Indigenous Peoples C

Stakeholder Communication, Participation, and Consultation

During Project Design Information flows will focus on: (i) sharing project information (scope and progress) with decision makers, responsible agencies, consultants and contractors; (ii) explain the project and resolve concerns raised by affected persons; and (iii) involve beneficiaries in field-level monitoring activities. They provide information on: (i) who is responsible to ensure the actions and strategy are implemented, and (ii) what resources are required to implement the plan and strategy.

During Project Implementation Information flows focusing on: (i) sharing project information (scope and progress) with decision makers, responsible agencies, consultants and contractors; (ii) explaining the project and resolving concerns (if any) raised by affected persons; and (iii) involving beneficiaries in field-level monitoring activities. Providing information on: (i) who is responsible to ensure the actions and strategy are implemented, and (ii) what resources are required to implement the plan and strategy.

Business Opportunities

Consulting Services All consultants and nongovernment organizations (NGOs) will be financed by the State Government. KUIDFC has long standing experience recruiting and managing consultants. In line with clause 1.8 of ADB's Guidelines on The Use of Consultants (2013, as updated from time to time), ADB shall satisfy itself that (i) the procedures to be used will result in the selection of consultants who have the necessary professional qualifications, (ii) the selected consultants will carry out the assignment in accordance with the agreed schedule, and (iii) the scope of the services is consistent with the needs of the project.

Procurement All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). The concurred standard bidding documents for national competitive bidding will be applicable for use under all Projects under the Facility. The procurement plan indicates the threshold, mode of procurement and consultant selection, review procedures, and contract packages.

Responsible Staff

Responsible ADB Officer Matsunaga, Akira

Responsible ADB Department South Asia Department

Responsible ADB Division Urban Development and Water Division, SARD

Executing Agencies *Karnataka Urban Infrast. Dev. and Finance Corp.
Silver Jubilee Block
2nd Cross, Mission Road, Bangalore-27
INDIA*

Timetable

Concept Clearance 15 Jan 2013

Fact Finding 03 Apr 2013 to 11 Apr 2013

MRM 09 Jul 2013

Approval 28 Mar 2014

Last Review Mission -

Last PDS Update 16 Mar 2015

MFF Facility Concept 0080-IND

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	225.00	Cumulative Contract Awards			
ADB	150.00	-	0.00	0.00	%
Counterpart	75.00	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

Project Page <https://www.adb.org/projects/43253-024/main>

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