

Facility Administration Manual

Project Number: 43253
Facility Number: XXXX
Loan and/or Grant Number(s): {LXXXX; GXXXX}
March 2014

India: Karnataka Integrated Urban Water
Management Investment Program

TABLE OF CONTENTS

	Page
I. INVESTMENT PROGRAM DESCRIPTION	1
A. Summary of the Facility's Rationale, Location and Beneficiaries.	1
B. Impact and Outcome of the MFF	1
C. Outputs of the MFF	1
D. Project 1 Outcome and Outputs	2
E. Tranche Scheduling	2
II. IMPLEMENTATION PLANS	3
A. Project Readiness Activities	3
B. Overall Project Implementation Plan	4
III. PROJECT MANAGEMENT ARRANGEMENTS	7
A. Program and Project Implementation Organizations – Roles and Responsibilities	7
B. Key Persons Involved in Implementation	12
C. Project Organization Structure	13
IV. COSTS AND FINANCING	14
A. Program Investment Costs	14
B. Allocation and Withdrawal of Loan and Grant Proceeds for Tranche 1	15
C. Detailed Cost Estimates by Expenditure Category	16
D. Detailed Cost Estimates by Financier for Tranche 1	17
E. Detailed Cost Estimates by Outputs/Components for Tranche 1	18
F. Detailed Cost Estimates by Year for Tranche 1	19
G. Contract and Disbursement S-curve	20
H. Fund Flow Diagram	21
V. FINANCIAL MANAGEMENT	22
A. Financial Management Assessment	22
B. Disbursement	24
C. Accounting	26
D. Auditing	26
VI. PROCUREMENT AND CONSULTING SERVICES	27
A. Advance Contracting and Retroactive Financing	27
B. Procurement of Goods, Works and Consulting Services	27
C. Procurement Plan	29
D. Consultant's Terms of Reference	29
VII. SAFEGUARDS	30
A. Key Safeguard Documents	30
B. Key Responsibilities	30
C. Environmental Safeguards	31
D. Social Safeguards	31
VIII. GENDER AND SOCIAL DIMENSIONS	33
IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	37
A. Project Design and Monitoring Framework	37
B. Monitoring	37

C.	Evaluation	39
D.	Reporting	39
E.	Stakeholder Communication Strategy	40
X.	ANTICORRUPTION POLICY	41
XI.	ACCOUNTABILITY MECHANISM	42
XII.	RECORD OF FAM CHANGES	43

List of Appendixes

1. Reform Oriented Project Selection Process
2. Detailed Description for Project 1
3. Summary of Output Based Toilet Program
4. Project Readiness and Advance Action Summary
5. Template Financial Statements
6. Procurement Capacity Assessment
7. eProcurement Assessment
8. Procurement Plan for Project 1
9. Indicative Terms of Reference for Consultants
10. Semi-Annual Environmental Monitoring Report Template
11. Monthly Safeguards Monitoring Report Template
12. Semi-Annual Social Safeguards Monitoring Report Outline
13. Guidance Note on Social Safeguards Implementation
14. Consultation and Participation Plan
15. Design and Monitoring Frameworks for the Investment Program and Project 1
16. Outline Quarterly Progress Report Format
17. Communication Strategy

Facility Administration Manual Purpose and Process

The facility administration manual (FAM) describes the essential administrative and management requirements to implement the multitranche financing facility (MFF) and each of its tranche projects on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. This FAM will also serve as project administration manual for Project 1 (PAM1). The FAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the FAM.

The Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC), urban local bodies (ULBs) and the Karnataka Municipal Reform Cell (KMRC) are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by KUIDFC, KMRC and ULBs of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the FAM and ensure consistency with the Loan/Grant agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the FAM and the Loan/Grant Agreement, the provisions of the Loan/Grant Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the FAM.

ABBREVIATIONS

ADB	=	Asian Development Bank
AFS	=	audited financial statements
DMF	=	design and monitoring framework
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
ICB	=	international competitive bidding
IEE	=	initial environmental examination
IPP	=	indigenous people plan
IPPF	=	indigenous people planning framework
LAR	=	land acquisition and resettlement
LIBOR	=	London interbank offered rate
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAI	=	project administration instructions
PAM	=	project administration manual
PIU	=	project implementation unit
QBS	=	quality based selection
QCBS	=	quality- and cost based selection
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SGIA	=	second generation imprest accounts
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference

I. INVESTMENT PROGRAM DESCRIPTION

A. Summary of the Facility's Rationale, Location and Beneficiaries.

1. 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.

B. Impact and Outcome of the MFF

2. The impact of the proposed investment program will be improved sustainable water security in selected river basins in Karnataka. The expected outcome will be improved water resource management in urban areas in selected river basins in Karnataka.

C. Outputs of the MFF

3. The investment program has three outputs, which are consistent with ADB's Water Operational Plan 2011-2020 and ADB's Urban Operational Plan 2013-2020:

- (i) **Output 1: Expanded and upgraded UWSS infrastructure.** KIUWMIP will finance physical investments associated with (a) the rehabilitation and upgrading of inefficient water supply systems in subprojects that prioritize water efficiency (e.g. such as water loss minimization through NRW reduction programs), and water security (e.g. restoration of riverbank reservoirs); and (b) the expansion of sanitation (through an output-based toilet program), sewerage networks, sewage treatment capacity and effluent reuse infrastructure for subprojects that promote environmental protection and improvement of water bodies (e.g. preventing discharge of untreated sewage), and water productivity and financial sustainability (e.g. effluent reuse for industry).
- (ii) **Output 2: Improved water resource planning, monitoring and service delivery.** This output will finance non-physical investments for the following purposes: (a) establishment and operationalization of the ULB incentive fund intended to finance reform activities among KIUWMIP candidate ULBs;¹ (b) development and roll-out of IT-based ULB water reform modules for water audits, water tariffs, asset management, and water quality disclosure by the Karnataka Municipal Reform Cell; (c) drafting of State Guidelines on efficient and effective management of stand-posts; (d) development of management documents (contractual, monitoring), and assistance to implement contracts with private

¹ See Appendix 1 for further details regarding the Reform Oriented Project Selection Process.

sector participation through performance based contracts and; (e) development of improved communication and awareness campaign.

- (iii) **Output 3: Strengthened operational and administrative capacity of KUIDFC and ULBs.** This output will finance non-physical investments associated with (a) project management, (b) capacity development and restructuring of KUIDFC to strengthen its financial intermediary function, and (c) ULB administrative capacity building.

D. Project 1 Outcome and Outputs

4. The expected outcome will be improved water resource planning, monitoring and service delivery in 3 towns of the Upper Tunga Bhadra subbasin project 1 will have 3 outputs as described below:

- (i) **Output 1: Expanded and upgraded UWSS infrastructure in 3 towns of the Upper Tunga Bhadra subbasin.** This component will finance water and sewerage infrastructure in the towns of Byadagi, Davangere, and Harihar. Project 1 will additionally serve 52,000 households with water supply, 5,000 households with basic sanitation and 60,000 with sewerage. To achieve this 1,050 km of water piped network and 365 km of sewerage pipes will be added or rehabilitated, water production and treatment capacity increased by 48 MLD.²
- (ii) **Output 2: Improved water resource planning, monitoring and service delivery.** Project 1 will support the establishment and finance a fraction of the UIF, draft the standpost guidelines, prepare IT-based water reform modules for water audits, water tariffs, asset management and water quality disclosure and pilot it in the 3 project 1 towns. Project 1 will also provide assistance to (a) mainstream performance based management contracts in water schemes, (b) study the potential establishment of a water utility in the three project 1 towns, and (c) conduct early communication campaigns.
- (iii) **Output 3: Strengthened operational and administrative capacity of KUIDFC and ULBs.** This output will finance non-physical investments associated with (a) program and project management (including design and construction supervision for project 1 and design for Project 2) assistance, (b) capacity development and restructuring of KUIDFC to become a fully functioning financial intermediary, and (c) development of a water-management capacity building program for ULBs.

E. Tranche Scheduling

5. Tranche 1 (\$75 million) is expected to be approved in 2014, shortly after MFF's consideration by ADB's Board of Directors. Tranche 2 is expected in 2016. Tranche 2 is forecasted to initially amount to \$75 million. Development partners have however expressed interest in this project. If substantial cofinancing was to be confirmed, Tranche 2 would be reduced to leverage resources and partnerships. In such case, Tranche 3 would be processed in 2018 with expected additional cofinancing.

² Further information on the Detailed Outputs, see Appendix 2. Further information on the Output Based Toilet Program is in Appendix 3.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Milestones	Responsible Agency	2013	2014				
		Apr-Oct	Nov	Dec	Jan	Feb	Mar...
Advance contracting actions							
• Surveys and detailed design of all Subprojects completed	EA	X	X	X	X	X	May'14
• Tendering of 30% of the subprojects completed	EA			X	X	X	
• Contract Award of 30% of the subprojects completed	EA						Aug'14
Resettlement and Land Acquisition	EA/ULBs			X	X	X	Aug'14
ADB Loan Appraisal Mission Fielding	ADB	Apr'13			Jan'14		
Loan Negotiations	ADB and EA					X	
ADB approval	ADB						X
Loan signing	ADB, DEA and EA						Sep'14
Government legal opinion provided	EA						Oct'14
Government budget inclusion	EA						Mar'14
Loan effectiveness	EA, DEA, ADB						Nov'14

6. The status of advance actions is available in Appendix 4.

Project Preparation Activities Advance Action Project Activities

[illegible]

[illegible]

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Program and Project Implementation Organizations – Roles and Responsibilities

Organization	Key Management Roles and Responsibilities
Integrated Water Resources Management (IWRM) Steering Committee	<p>The IWRM Steering Committee will:</p> <ul style="list-style-type: none"> (i) provide policy direction on matters relating to IWRM in Karnataka; (ii) provide strategic guidance and oversee the coordination IWRM programs in the State; (iii) ensure coordination on water resource management among State agencies; <p>The IWRM Steering Committee, constituted vide Govt Order dated 19-07-2010, will comprise:</p> <ul style="list-style-type: none"> (i) Chief Secretary (chair), (ii) Principal Secretary, Water Resources Department (member secretary), (iii) Principal Secretary, Urban Development Department, (iv) Principal Secretary, Rural Development Department, (v) Principal Secretary, Agriculture Department, (vi) Principal Secretary, Commerce and Industries Department, (vii) Principal Secretary, Forest, Ecology and Environment Department, (viii) Secretary, Minor Irrigation, (ix) Managing Director, KUIDFC, (x) Managing Director, Karnataka Urban Water Supply and Drainage Board, (xi) Chairman, Bangalore Water Supply and Sanitation Board
State-level Empowered Committee	<p>The State-level Empowered Committee will:</p> <ul style="list-style-type: none"> (i) provide policy direction in all aspects other than IWRM, including (but not limited to) <ul style="list-style-type: none"> (a) implementation of the urban institutional reform agenda; (b) service standards, including coverage, quality (incl. hrs of service, quality parameters at point of delivery and discharge); (c) utility management, including establishment of special purpose vehicles (SPVs) and PPP structures; (d) financial mechanisms for managing water demand and securing sufficient revenues for adequate operation and maintenance and asset replacement; (e) State Guidelines to manage stand posts. (ii) provide project strategic guidance, including (but not limited to) <ul style="list-style-type: none"> (a) confirming the design and approval process of the UIF for Improved Water Sector Planning, Monitoring and Use; (b) confirming the selection of towns receiving assistance under the UIF; (c) endorsing ULB IT-based modules for reform implementation and improved service delivery; (d) reviewing and endorsing proposed managerial and technical advances under the project. (iii) provide project oversight, including (but not limited to): <ul style="list-style-type: none"> (a) reviewing the performance of the investment program and each of its tranches, including outcome and output delivery and inputs allocated for this; (b) reviewing and providing direction on compliance (1) with loan covenants under ADB loans, and (2) environmental and social safeguards;

	<ul style="list-style-type: none"> (c) reviewing and providing direction on any critical issues affecting the project; (d) providing a venue for high level interdepartmental coordination on project related matters. (e) approving balance sheets, audit reports and other project related annual reports, if deemed necessary; (f) approving evaluation reports prepared tender evaluation committees, and contract awards for large packages, as well as contract variations above a predetermined ceiling; (g) reviewing and approving annual budgets and the delivery of projected contract awards and disbursements, as agreed with ADB; (h) securing the establishment and adequate staffing of central and regional project management units (PMUs); (i) confirming that resolutions have been passed by relevant ULBs, prior to proposing a subproject, as necessary. <p>The State-level Empowered Committee will comprise:</p> <ul style="list-style-type: none"> (i) Additional Chief Secretary (chair); (ii) Principal Secretary, Urban Development Department; (iii) Principal Secretary, Planning Department; (iv) Secretary for Municipalities and Urban Development Authorities; (v) Principal Secretary for Expenditure of the Finance Department; (vi) Director, Directorate of Municipal Administration; (vii) Managing Director, KUIDFC; (viii) Managing Director, KUWSDB.
District-level Steering Committee	<p>The District-level Steering Committee will:</p> <ul style="list-style-type: none"> (i) monitor implementation of subprojects and institutional reforms in the Investment Program ULBs; (ii) coordinate between local agencies to facilitate approvals and clearances; (iii) coordinate among subbasin ULBs in the district, if any dispute relating to water was to arise among the ULBs; (iv) coordinate with other ULBs within the subbasin, if any issues arise. (v) assist the project Grievance Redress Mechanism process for social and environmental issues that cannot be addressed at subproject level (CPMU/RPMU/PIU) (vi) approve certain contracts and contract management actions, as proposed by the State <p>The District-level Steering Committee will comprise:</p> <ul style="list-style-type: none"> (i) the Deputy Commissioner of the District (chair); (ii) the Deputy Project Director from the concerned Regional PMU; (iii) Municipal Commissioners/Chief Officers of the Investment Program ULBs; (iv) Presidents/Chairpersons of the ULBs; (v) Project Director, District Urban Development Cell.
Urban Development Department	<p>The Urban Development Department will:</p> <ul style="list-style-type: none"> (i) provide coordination among agencies under its purview, including project implementation agencies (KUIDFC and KMRC) and other agencies with urban-related mandates (e.g. the Directorate of Municipal Affairs and KUWSDB); (ii) secure annual project budgetary allocations proposed by KUIDFC; (iii) guiding KMRC in the design of ULB IT-based modules for reform implementation and improved service delivery; (iv) provide policy guidance, strategic direction and oversight in KUIDFC's transitioning towards financial intermediation.

KUIDFC	<p>As executing agency for the Program and Project, with the support of the Central Program Management Unit, will:</p> <ul style="list-style-type: none"> (i) oversee the overall implementation of the program and each of its tranches; (ii) liaise and correspond with ADB on all issues relating to the investment program and each project; (iii) coordinate with (a) national and state agencies to resolve any interdepartmental issues, and (b) other aid agencies for implementation of non-physical activities; (iv) based on predetermined performance parameters, undertake selection of towns eligible for financing of infrastructure and institutional development assistance under 2nd and subsequent tranches; (v) approve <ul style="list-style-type: none"> (a) detailed engineering designs; and (b) training and capacity building programs; (vi) Procure consultancy services for implementation of each project (vii) Oversee and manage the procurement of services, works and goods by the respective implementing agencies; (viii) manage program management consultants, design and supervision consultants, and contractors and suppliers, where KUIDFC is the employer; (ix) advice ULBs on procurement-related and contract management issues (x) monitor the adequate implementation of <ul style="list-style-type: none"> (a) Project compliance with ADB Safeguard Policy Statement (2009) (b) resettlement plans (RPs) and tribal people planning (TPP), when required; (c) environment management plans (EMPs); (d) corrective action plans consistent with safeguard frameworks; including, <ul style="list-style-type: none"> (a) the timely review and submission of semiannual safeguards monitoring reports to ADB (b) ensure that RPs and Initial Environmental Examinations (IEEs)/EMPs are updated by consultants during detailed design (c) confirm that EMPs are included in the bidding and contract documents of all civil works packages (d) the timely disclosure of safeguards documents to affected persons, in an accessible place and in a form and language understandable to them. (xi) maintain project accounts and submit consolidated quarterly reports; (xii) establish and maintain a project performance monitoring system (PPMS) at each subproject level, as well as a project and investment program levels. (xiii) monitor physical and non-physical investment activities under each project; (xiv) obtain necessary data for establishing (baseline), maintaining and updating the PPMS; (xv) prepare and submit <ul style="list-style-type: none"> (a) Reports to the Steering Committees for consideration and approval; (b) Periodic progress reports on each investment activities; (c) Periodic Financing requests (through DEA) for ADB's consideration; (d) Audit reports; and (e) Reports mandated under the loan and project agreements; (xvi) consolidate and submit disbursement application to ADB in a timely manner; (xvii) secure annual budgetary allocations for the Project. (xviii) disseminate information related to the investment program and each
--------	--

	<p>project to the public and media.</p> <p>As executing agency for projects, with the support of the Regional Project Management Units, will:</p> <ul style="list-style-type: none"> (i) assist ULBs and project implementation units (PIUs) in <ul style="list-style-type: none"> (a) passing the necessary resolutions, (b) preparing feasibility studies and detailed engineering designs; (c) procuring and evaluating services, works and goods under the program; (d) obtaining right of way clearances with related State and National agencies; (e) implementing safeguards requirements in compliance with ADB's policies; (f) managing contracts awarded under the program and recommending payments; (ii) In respect of safeguards, <ul style="list-style-type: none"> (a) guide and review Project Management, Design and Supervision Consultant (PMDSC) in preparing and updating safeguards documents (RPs, TPPs and IEEs/EMPs); (b) recruit, support and monitor the work of resettlement NGO with assistance from PMDSC; (c) monitor, assist and provide guidance to output-based Toilet Program NGO to comply with ADB safeguards policy for land requirement for community toilet (d) consolidate, prepare and submit semiannual safeguards monitoring reports for all project components to CPMU (e) support ULB/PIUs establish project Grievance Redress Mechanism, assist and provide guidance, and maintain records on submitted complaints and resolution status. (f) KUIDFC will also ensure that the dedicated safeguard specialist will be engaged to work with the CPMU/ RPMU throughout the investment program period (iii) plan, implement, and monitor: <ul style="list-style-type: none"> (a) Project-level monitoring (b) Public relations activities; (c) Gender mainstreaming initiatives; (d) Community participation activities. <p>As Implementing Agency will:</p> <ul style="list-style-type: none"> (i) prepare the design and establish the UIF, together with appropriate rules and regulations, and manage the UIF; (ii) promote UIF, undertake the evaluation of applications and selection of towns eligible for preliminary funding; (iii) assist ULBs preparing applications for the UIF and monitor the implementation of activities as per agreement. (iv) in close consultation with other State agencies and civil society, KUIDFC will coordinate the formulation of a draft State Guidelines to manage stand posts developed. (v) in consultation with ULBs, identify a pilot scheme to be modeled as water utilities; (vi) assist ULBs in design, structure and define obligations of each party in water utilities; (vii) subject to preliminary positive feedback, seek opportunities for up-scaling the pilot; (viii) for single (or multiple) water ULB schemes, assist ULBs in preparing, tendering and managing performance-based-management contracts;
--	---

	<ul style="list-style-type: none"> (ix) in consultation with ULBs, identify pilots scheme to test the utilization of extended O&M wastewater management contracts. KUIDFC will assist ULBs in preparing, tendering and managing these contracts; (x) seek means to promote new and more efficient treatment and reuse technologies with lower losses applied, through training, study tours, etc. (xi) implement strategic communication campaigns to promote community understanding of (i) water-sanitation-health nexus, (ii) volumetric tariffs, (iii) stand post management, metering and progressive phase out. (xii) formulate Business and Financial Strategy/Plans for KUIDFC, including capital adequacy, asset quality, liquidity, and profitability programs; (xiii) draft credit and risk management policies, operating systems, and procedures; (xiv) develop corporate and financial governance and management systems and a new organization structure position to undertake financing intermediation; (xv) develop procedures to assess and monitor the economic, social, and environmental impact of subprojects and staff capacity reevaluated and approved; (xvi) review human resources and determine whether this match the project assessment and management and financial transaction demands; (xvii) prepare transition and change management plans.
ULBs	<p>ULBs, with the support of KUIDFC and the PIUs, will:</p> <ul style="list-style-type: none"> (i) apply and implement funds received from the UIF in accordance with the agreed activities to improve water resource planning, monitoring and use. (ii) implement approved subprojects for rehabilitation and upgrading of inefficient water supply systems and expansion of sewerage networks, sewage treatment capacity and effluent reuse infrastructure, including: <ul style="list-style-type: none"> (a) the approval of the necessary resolutions, (b) preparing feasibility studies and detailed engineering designs; (c) procuring and evaluating services, works and goods under the program; (d) obtaining right of way clearances with related State and National agencies; (e) implementing EMPs and RPs (and TPPs if any) in compliance with ADB's policies; (f) managing contracts awarded under the subprojects. (iii) carry out subproject procurement process. (iv) publish and formally disclose the project cutoff date to the affected people and communities upon finalization of Detail Measurement Survey (DMS) for updating the required resettlement plans (RPs) (v) assist PMDCS prepare and update the safeguards documents (vi) supporting and submit to RPMU monthly safeguards progress report, with complaint-grievances status included, for the preparation of semiannual safeguards monitoring report (vii) acting as focal point, with support from RPMU, for the implementation of Grievance and Redress Mechanism and complaint resolutions.
KMRC	<p>As Implementing Agency for Output 2.2 will:</p> <ul style="list-style-type: none"> (i) develop ULB IT-based modules for volumetric tariff setting, water accounting and effluent discharge (new) and improved MIS and Asset Management; (ii) roll out the new/upgraded IT modules in selected ULBs; (iii) train ULBs on the new/upgraded IT modules and provide support.

B. Key Persons Involved in Implementation

Executing Agency

Karnataka Urban Infrastructure
Development and Finance
Corporation

Darpan Jain, Managing Director
Ramamani, Task Manager
Telephone: +91 080 2223 2021
Facsimile: +91 080 2223 2157
Email address: info@kuidfc.com
Office Address: Silver Jubilee Block, 2nd Floor
Unity Building Annex, 3rd Cross
Mission Road, Bangalore

ADB

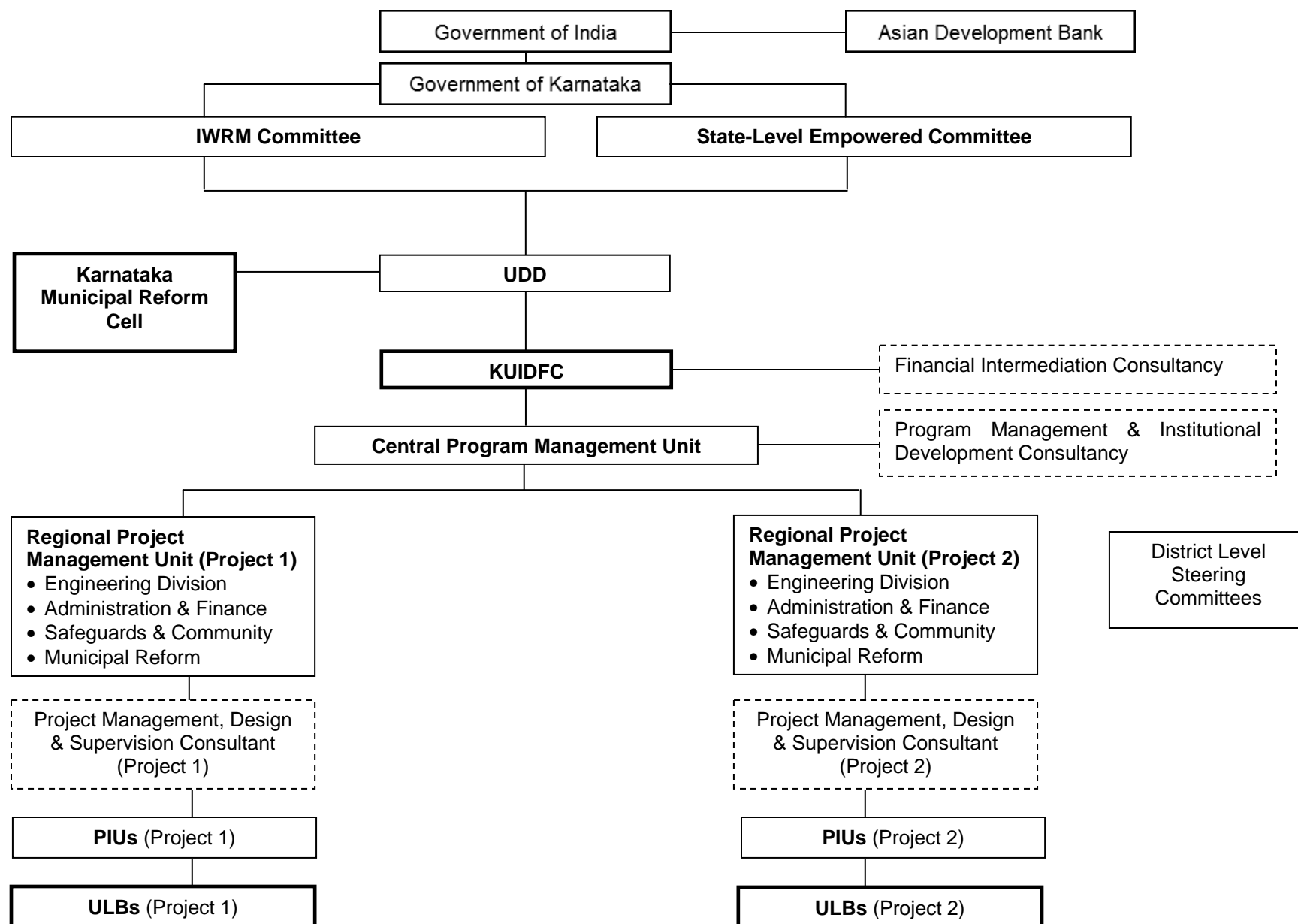
Urban and Water Division,
South Asia Department (SAUW)

Fei Yue, Director
Telephone No: +63 2 636 4444
Facsimile: +63 2 636 2293
Email address: fyue@adb.org

Mission Leader

Tatiana Gallego-Lizon,
Principal Urban Development Specialist
Telephone No: +63 2 632 5279, +62 3 632 6140
Email address: tgallgolizon@adb.org
Office Address: Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines

C. Project Organization Structure



IV. COSTS AND FINANCING

A. Program Investment Costs

7. The investment program is estimated to cost \$227.0 million inclusive of taxes duties, interest and other charges on the loan during construction. Tranche 1 for project 1 is estimated to cost \$117.0 million.

Table 1: Program Investment Costs
(\$ million)

Item	Investment Program	Project 1 ^a
A. Base Cost^b		
1. Output 1: Expanded efficient urban water supply and sanitation infrastructure	152.0	75.4
2. Output 2: Improved water resource planning, monitoring, and service delivery	13.5	5.8
3. Output 3: Strengthened capacity	17.0	9.7
Subtotal (A)	182.5	90.9
B. Contingencies^c	32.5	20.0
C. Financing Charges during Implementation^d	12.0	6.1
Total (A+B+C)	227.0	117.0

^a Includes taxes and duties of \$12.2 million to be financed from government resources.

^b In early-2014 prices.

^c Physical contingencies computed at 7.9% for civil works and 5% for equipment. Price contingencies computed at 2% on foreign exchange costs and 8.65% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.6%, including 0.1% of maturity premium. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

8. To meet the total project investment costs, the government has requested ADB to finance \$152 million or 66.1% of the total costs of the Investment Program, to be financed from ADB's ordinary capital resources at the London interbank offered rate (LIBOR).

9. The government has submitted a Periodic Financing Request for Tranche 1. The cost of project 1 under Tranche 1 is estimated at \$117.0 million equivalent, including taxes and duties of \$12.2 million equivalent to be financed by the government. The government has requested a loan of \$75 million from ADB's ordinary capital resources. The loan will have a 25-year term, including a grace period of 5 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions to be set forth in the draft loan and project agreements. The government will make the loan proceeds available to the State promptly and on terms and conditions acceptable to ADB. The government has opted for a straight-line repayment option, the average loan maturity is 15.25 years and the maturity premium payable to ADB is 0.1% per annum. The State and the ULBs will contribute \$40.2 million. Urban Financing Partnership Facility will provide grant cofinancing in the amount of \$1.8 million, to be used for the implementation of the output-based toilet program. ADB will administer the grant.

9. Tranche 2 is expected in 2016. Agence Française de Développement and German development cooperation through KfW have expressed interest in cofinancing it on a parallel basis.

Table 2: Financing Plan

Source	Investment Program		Project 1	
	Amount (\$ million)	Share (%)	Amount (\$ million)	Share (%)
Asian Development Bank				
Ordinary capital resources (loan)	150.0	66.1	75.0	64.1
Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility (grant) ^a	2.0	0.9	1.8	1.5
Government of Karnataka and Urban Local Bodies	75.0	33.0	40.2	34.4
Total	227.0	100.0	117.0	100.0

^a Contributor: the Government of Sweden. Administered by ADB.
Source: Asian Development Bank estimates.

B. Allocation and Withdrawal of Loan and Grant Proceeds for Tranche 1

Allocation and Withdrawal of ADB Loan Proceeds				
Category				ADB
Number	Item	Amount Allocated \$		Percentage and Basis for Withdrawal from the Loan Account
		Category		
1	Civil Works	59,407,000	79%	percent of total expenditure claimed
2	Equipment	513,000	89%	percent of total expenditure claimed*
3	Unallocated	15,080,000		
	Total	75,000,000		

* Exclusive of taxes and duties imposed within the territory of the Borrower.

Allocation and Withdrawal of UEIF-UFPF Grant Proceeds				
Category				UFPF
Number	Item	Amount Allocated \$		Percentage and Basis for Withdrawal from the Grant Account
		Category		
1	Toilet construction through OBA	1,800,000.0	100%	percent of total expenditure claimed*
	Total	1,800,000.0		

* Exclusive of taxes and duties imposed within the territory of the Borrower.

C. Detailed Cost Estimates by Expenditure Category

Table 3: Project Costs by Expenditure Category
(\$, million)

	Items	Gross	Net	Tax
A.	Investment Costs			
1	Civil Works	74.78	66.77	8.01
2	Equipment	0.57	0.51	0.06
3	Land Acquisition and Resettlement	0.66	0.66	-
4	Capacity Development	9.62	8.46	1.15
	a. Project Management and Design Supervision	7.37	6.50	0.87
	b. GIS, MIS, Water Audit and Reforms	1.65	1.45	0.20
	c. Public Communication	0.59	0.51	0.08
5	ULB Training	0.30	0.30	-
	Subtotal (A)	85.93	76.70	9.23
B.	Recurrent Costs *			
	Incremental Administrative Costs	2.00	2.00	-
	Subtotal (B)	2.00	2.00	-
	Total Base Cost	87.72	78.70	9.23
C.	Contingencies			
1	Physical Contingencies	5.02	4.28	0.73
2	Price Contingencies	15.01	12.81	2.20
	Subtotal (C)	20.03	17.10	2.93
D.	Financing Charges During Implementation			
	Interest and Commitment Charges	6.04	6.04	-
	Subtotal (D)	6.04	6.04	-
E.	ULB Incentive Fund			
	Incentive Fund for ULBs	3.00	3.00	-
	Subtotal (E)	3.00	3.00	-
	Total Project Cost (A+B+C+D+E)	117.00	104.84	12.16
	% Total Project Cost	100.0%	89.6%	10.4%

* Including bank charges, local transport and insurance.

** Total may not add correctly due to rounding off.

Source: ADB estimates.

D. Detailed Cost Estimates by Financier for Tranche 1

Table 4: Detailed Cost Estimates by Financier (\$, million)

Item	OCR		UFPF-UEIF		Tax	Government			Total Costs
	\$	%	\$	%		\$	Total	%	
A. Investment Costs									
1 Civil Works	59.41	79.4%	1.80	2.4%	8.01	5.56	13.57	18.6%	74.78
a. Civil Works	59.41	79.4%	0.00	0.0%	8.01	5.56	13.57	18.6%	72.98
b. Output Based Toilet Program	0.00	0.0%	1.80	100.0%	0.00	0.00	0.00	0.0%	1.80
2 Equipment	0.51	89.3%	0.00	0.0%	0.06	0.00	0.06	12.8%	0.57
3 Land Acquisition and Resettlement	0.00	0.0%	0.00	0.0%	0.00	0.66	0.66	100.0%	0.66
4 Capacity Development	0.00	0.0%	0.00	0.0%	1.15	8.46	9.62	97.9%	9.62
a. Project Management and Design Supervision	0.0	0.0%	0.00	0.0%	0.87	6.50	7.37	100.0%	7.37
b. GIS, MIS, Water Audit and Reforms	0.0	0.0%	0.00	0.0%	0.20	1.45	1.65	100.0%	1.65
c. Public Communication	0.00	0.0%	0.00	0.0%	0.08	0.51	0.59	100.0%	0.59
5 ULB Training	0.00	0.0%	0.00	0.0%	0.00	0.30	0.30	0.0%	0.30
Subtotal (A)	59.92	69.7%	1.80	2.1%	9.23	14.98	24.21	28.6%	85.93
B. Recurrent Costs									
Incremental Administrative Costs	0.00	0.0%	0.00	0.0%	0.00	2.00	2.00	100.0%	2.00
Subtotal (B)	0.00	0.0%	0.00	0.0%	0.00	2.00	2.00	100.0%	2.00
Total Base Cost	59.92	68.1%	1.80	2.0%	9.23	16.98	26.21	30.2%	87.93
C. Contingencies									
1 Physical Contingencies	3.84	76.6%	0.00	0.0%	0.73	0.44	1.17	23.4%	5.02
2 Price Contingencies	11.24	74.9%	0.00	0.0%	2.20	1.58	3.77	25.1%	15.01
Subtotal (C)	15.08	75.3%	0.00	0.0%	2.93	2.02	4.95	24.7%	20.03
D. Financing Charges During Implementation									
Interest and Commitment Charges	0.00	0.0%	0.00	0.0%	0.00	6.04	6.04	100.0%	6.04
Subtotal (D)	0.00	0.0%	0.00	0.0%	0.00	6.04	6.04	100.0%	6.04
E. ULB Incentive Fund									
Incentive Fund for ULBs	0.00	0.0%	0.00	0.0%	0.00	3.00	3.00	100.0%	3.00
Subtotal (E)	0.00	0.0%	0.00	0.0%	0.00	3.00	3.00	100.0%	3.00
Total Project Cost (A+B+C+D+E)	75.00	64.1%	1.80	1.5%	12.16	28.04	40.20	34.36%	117.00

UEIF-UFPF = Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility Contributor: The Government of Sweden. Administered by ADB.

Total may not add correctly due to rounding off.

Source: ADB estimates.

E. Detailed Cost Estimates by Outputs/Components for Tranche 1

Table 5: Detailed Cost Estimates by Outputs (\$, million)

Items	Output 1		Output 2		Output 3		Total Costs
	\$	%	\$	%	\$	%	
A. Investment Costs							
1 Civil Works	74.78	100.0%	0.00	0.0%	0.00	0.0%	74.78
2 Equipment	0.00	0.0%	0.57	100.0%	0.00	0.0%	0.57
3 Land Acquisition and Resettlement	0.66	100.0%	0.00	0.0%	0.00	0.0%	0.66
4 Capacity Development	0.00	0.0%	2.24	23.3%	7.37	76.7%	9.62
a. Project Management and Design Supervision	0.00	0.0%	0.00	0.0%	7.37	100.0%	7.37
b. GIS, MIS, Water Audit and Reforms	0.00	0.0%	1.65	100.0%	0.00	0.0%	1.65
c. Public Communication	0.00	0.0%	0.59	100.0%	0.00	0.0%	0.59
5 ULB Training	0.00	0.0%	0.00	0.0%	0.30	100.0%	0.30
Subtotal (A)	75.44	87.8%	2.82	3.3%	7.67	8.9%	85.93
B. Recurrent Costs							
Incremental Administrative Costs	0.00	0.0%	0.00	0.0%	2.00	100.0%	2.00
Subtotal (B)	0.00	0.0%	0.00	0.0%	2.00	100.0%	2.00
Total Base Cost	75.44	85.8%	2.82	3.2%	9.67	11.0%	87.93
C. Contingencies							
1 Physical Contingencies	4.99	99.5%	0.03	0.5%	0.00	0.0%	5.02
2 Price Contingencies	13.37	89.1%	0.44	2.9%	1.20	8.0%	15.01
Subtotal (C)	18.36	91.7%	0.47	2.3%	1.20	6.0%	20.03
D. Financing Charges During Implementation							
Interest and Commitment Charges	5.24	86.7%	0.19	3.1%	0.62	10.2%	6.04
Subtotal (D)	5.24	86.7%	0.19	3.1%	0.62	10.2%	6.04
E. ULB Incentive Fund							
Subtotal (E)	0.00	0.0%	3.00	100.0%	0.00	0.0%	3.00
Total Project Cost (A+B+C+D+E)	99.04	84.6%	6.47	5.5%	11.49	9.8%	117.00

Total may not add correctly due to rounding off.

Source: ADB estimates.

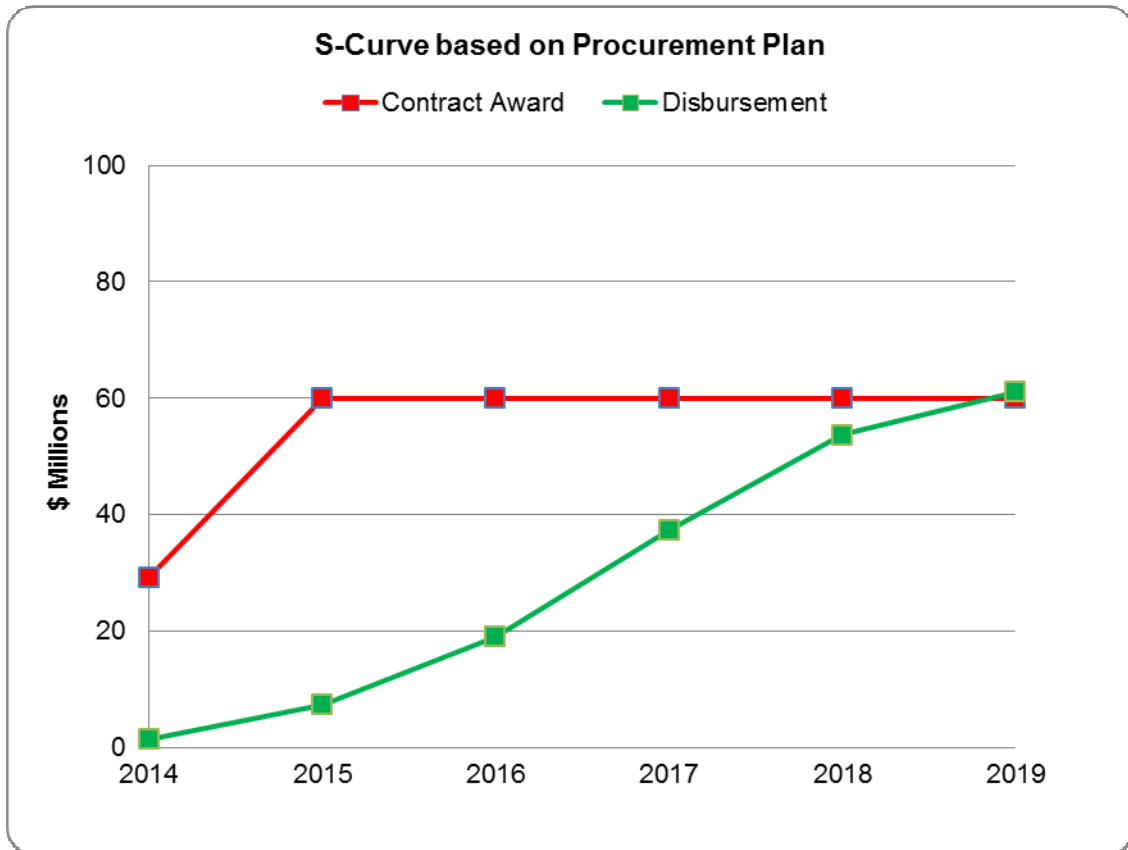
F. Detailed Cost Estimates by Year for Tranche 1

Table 6: Detailed Cost Estimate by Year (\$, million)

Item	Total	2014	2015	2016	2017	2018	2019
A. Investment Costs							
1 Civil Works	74.78	1.59	6.55	13.28	20.66	20.79	11.91
2 Equipment	0.57	0.00	0.00	0.19	0.29	0.10	0.00
3 Land Acquisition and Resettlement	0.66	0.00	0.49	0.16	0.00	0.00	0.00
4 Capacity Development	9.62	3.72	0.82	1.21	1.79	2.01	0.07
a. Project Management and Design Supervision	7.37	2.85	0.63	0.92	1.37	1.54	0.05
b. GIS, MIS, Water Audit and Reforms	1.65	0.64	0.14	0.21	0.31	0.35	0.01
c. Public Communication	0.59	0.23	0.05	0.07	0.11	0.12	0.00
5 ULB Training	0.30	0.00	0.00	0.08	0.10	0.10	0.03
Subtotal (A)	85.93	5.31	7.87	14.92	22.84	22.99	12.00
B. Recurrent Costs							
Subtotal (B)	2.00	0.33	0.33	0.33	0.33	0.33	0.33
Total Base Cost	87.93	5.64	8.20	15.25	23.17	23.33	12.33
C. Contingencies							
1 Physical Contingencies	5.02	0.11	0.45	0.89	1.40	1.39	0.78
2 Price Contingencies	15.01	0.22	0.65	1.84	3.89	5.09	3.33
Subtotal (C)	20.03	0.33	1.10	2.73	5.29	6.48	4.11
D. Financing Charges							
1 Interest During Implementation	5.54	0.12	0.30	0.61	1.10	1.58	1.83
2 Commitment Charges	0.50	0.11	0.10	0.09	0.08	0.06	0.06
Subtotal (D)	6.04	0.23	0.40	0.71	1.17	1.64	1.89
E. ULB Incentive Fund							
Subtotal (E)	3.00	0.00	0.10	0.30	1.00	1.00	0.60
Total Project Cost (A+B+C+D+E)	117.00	6.20	9.80	18.99	30.64	32.45	18.93
% Total Project Cost	100.0%	5.3%	8.4%	16.2%	26.2%	27.7%	16.2%

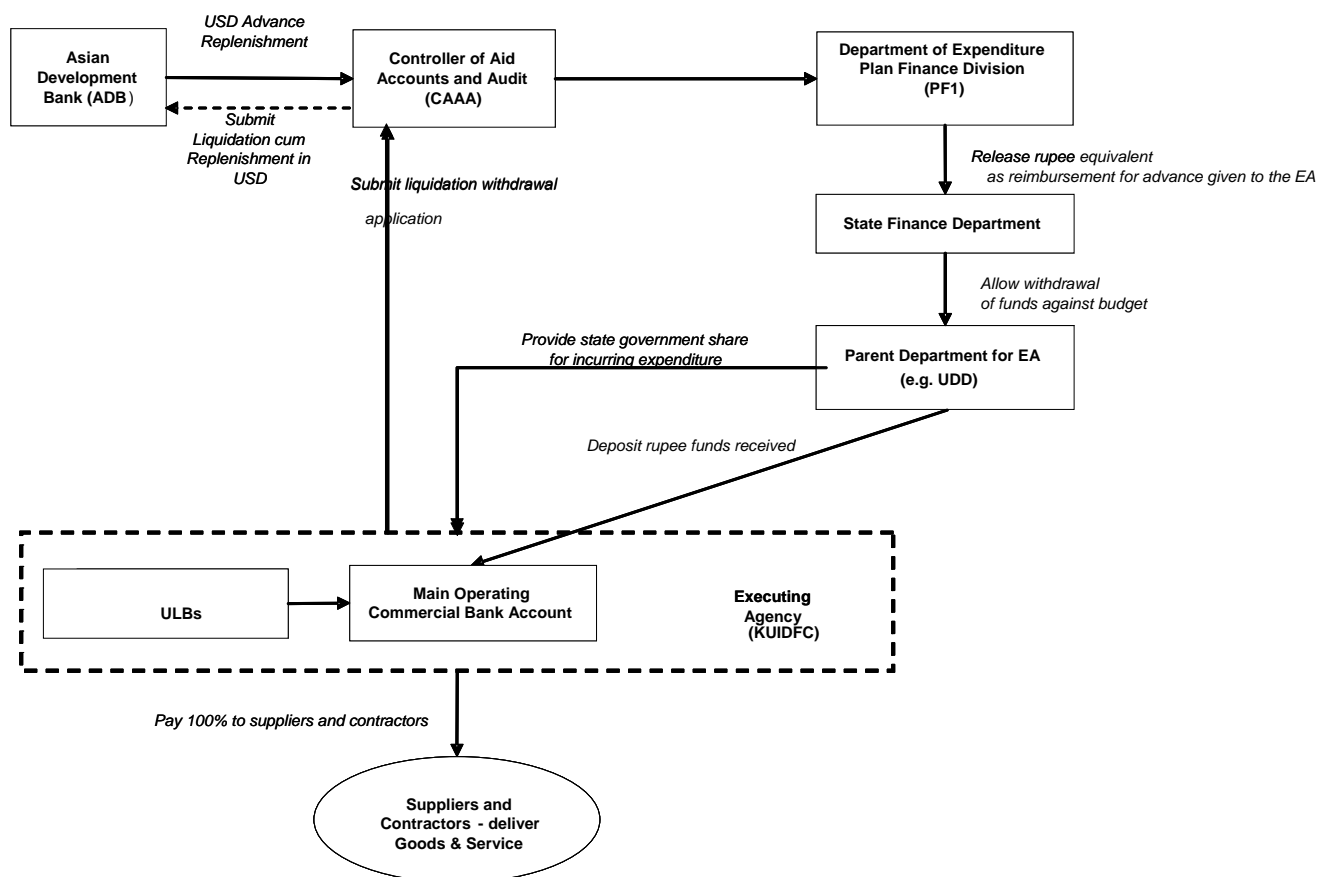
Total may not add correctly due to rounding off.

Source: ADB estimates.

G. Contract and Disbursement S-curve

H. Fund Flow Diagram

Figure: Fund Flow Diagram for Tranche 1



V. FINANCIAL MANAGEMENT

10. KUIDFC is the executing agency for the ongoing North Karnataka Urban Sector Investment Program and has completed two other ADB projects. The assessment on financial management on KUIDFC is summarized below. The financial management assessment also includes assessment of the 3 municipalities (ULB) which will be the implementing agencies of certain project components under project 1.

A. Financial Management Assessment

11. The financial management assessment (FMA) was conducted April 2013 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and Financial Due Diligence: a Methodology Note, and Technical Guidance Notes. The FMA considered the capacity of the executing agency and implementing agencies, including funds-flow arrangements, governance, staffing, budgeting, accounting and financial reporting systems, internal control procedures, financial information systems, and internal and external auditing arrangements. Findings are below.

Area of Assessment	Findings
Executing Agency and Implementing Agency	<ul style="list-style-type: none"> The executing agency is the Karnataka Urban Infrastructure Development Finance Corporation (KUIDFC). KUIDFC is staffed by drawing personnel from the state finance department, line agencies and contract employees as required. The implementing agencies are the ULBs of state government under Section 4 of the Karnataka Municipalities Act (KMA). The financial assessment has been done for Davangere, Harihar, Byadagi.
Major Experiences of Executing Agency and Implementing Agencies in Managing ADB Financed Projects	<ul style="list-style-type: none"> KUIDFC has managed 3 ADB financed projects, Karnataka Urban Infrastructure Development Project (KUIDP), Karnataka Urban Development and Coastal Environment Management Project (KUDCEMP), and North Karnataka Urban Sector Improvement Program (NKUSIP). KUIDFC is currently implementing Projects 1 to 4 under NKUSIP. The average annual loan disbursement in 2013 for project 1 to 3 was \$9 million. Project 3 was approved in August 2012 and the loan agreement was signed in July 2013. Two of the three municipalities, except for Byadagi, have experience of implementing external aided projects.
Fund Flow Arrangements	<ul style="list-style-type: none"> Fund flow for project 1 of the Investment Program will follow the existing fund flow arrangements for NKUSIP. ADB disburses the loan proceeds to the Government of India (Government) account in the Reserve Bank of India (RBI). Government shall onlend the loan proceeds on back to back basis to Government of Karnataka (GOK). GOK provides funds through budgetary support in advance. The ULBs will enter into sub-loan agreements for water supply and sewerage subprojects with the GOK. GOK authorizes KUIDFC to sign the sub-loan agreement by a government order and KUIDFC receives loan repayment on behalf of GOK. KUIDFC, as a state nodal agency, will manage loan proceeds through direct payment procedures, statement of expenditure procedures, and reimbursement procedures. The three ULBs under project 1, being the project implementation units (PIUs), will receive funds from KUIDFC to cover for project administrative costs. Expenditures are consolidated monthly by KUIDFC and reimbursement claims are then referred to ADB through Controller of Aid, Accounts and Audit (CAAA), Department of Economic Affairs (DEA), Ministry of Finance, New Delhi.

Area of Assessment	Findings
Organization and Staffing of Executing Agency and Implementing Agencies	<ul style="list-style-type: none"> Currently, there are 75 staff at KUIDFC. At the initial stage of the Program, about 3 finance and accounting staff with relevant experience and qualifications will be involved in the day to day recording, administrating and management of accounts and funds. The number of finance and accounting staff will increase as project implementation commences. Key finance personnel at KUIDFC include: <ul style="list-style-type: none"> General Manager (Project Finance): Chief of Finance Section, heading ADB and World Bank projects Deputy General Manager, external aided projects Assistant General Manager, external aided projects Manager (Finance), external aided projects Manager (Finance), GOK Trust, GBWASP, Tax matters For the 3 ULBs, initially one Accountant at each PIU with relevant experience and qualifications will support day to day recording and management of project accounts. There are two existing accounting staff working at each of the ULBs.
Accounting Policy and Procedure and Information System	<ul style="list-style-type: none"> The financial year is from 1 April to 31 March. The financial statements are presented in local currency. KUIDFC accounts are maintained on accrual basis on ERP platform of TALLY 9 accounting software based in Indian accounting standards which compare well with international standards. The accounting system is maintained as per Companies Act, 1956. KUIDFC's information system is computerized with the accounting system being maintained in "TALLY" accounting software. The ULBs have also established double-entry accrual and fund-based computerized accounting systems and has created separate charts of accounts under the title of water and sewerage fund, enterprise fund, and general fund. ULB accounts are maintained as per the KMA. However, there is no further operating cost breakdown between water supply and from sewerage management. There are established procedures for recording the transactions, record keeping and reports, and cost accounting (including cost control and analysis) at KUIDFC and the ULBs.
Segregation of Duties in Executing Agency	<ul style="list-style-type: none"> Authorization to execute a transaction, recording of the transaction; and custody of assets involved in transaction are performed by different persons. The functions of ordering, receiving, accounting for, and paying for goods and services are segregated.
Budgeting System in Executing Agency and Implementing Agency	<ul style="list-style-type: none"> KUIDFC prepares the budget once in a year according to financial year following an assessment of fund requirements for various activities – in terms of physical and financial targets for the financial year. Finance manager prepares the Budget which is approved by the Managing Director. Actual expenditure is compared with budget on regular basis. KUIDFC also prepares monthly financial reports comparing actual against budget figures and explanations are required for significant variations from the budget. Monthly progress reports provide information about stage of project execution. ULBs prepare budgets once a year according to financial year. The Accounts Section prepares the budget which is then approved by Municipal Commissioners and Municipal Councils. Actual expenditures are compared to budget for significant variations.
Payments in Executing Agency	<ul style="list-style-type: none"> All bills and invoices are stamped PAID.
Cash at Bank in Executing Agency	<ul style="list-style-type: none"> Authorized signatories for issuance of all real time gross settlement/national electronic fund transfer from the Managing Director and the General Manager. Single authorized signatory from the Municipal Commissioner is required for issuance of all check payments at the ULBs. KUIDFC and the ULBs maintain adequate, up-to-date cashbooks, recording receipts and payments. Accounts are reconciled on monthly basis.
Safeguard over Assets by Executing Agency and Implementing Agencies	<ul style="list-style-type: none"> The fixed assets register exists, following the laws and rules. KUIDFC assets are covered under insurance depending upon the nature and cost of assets. Except for vehicles, ULBs do not insure for other assets.
Other Offices of Executing Agency	<ul style="list-style-type: none"> KUIDFC has established controls and procedures for flow of funds, financial

Area of Assessment	Findings
	information, accountability, and audits in relation to its Regional Office and Divisional offices.
Internal Audit in Executing Agency	<ul style="list-style-type: none"> Internal audit of KUIDFC is outsourced to an Indian firm of Chartered Accountants. The professional firm for internal audit reports to the Managing Director. For the ULBs, local fund auditor from the State Finance Department does the pre-audit of all receipts and payments and reports to Municipal Commissioner.
External Audit in Executing Agency	<ul style="list-style-type: none"> The Annual Statutory Audit is conducted by a firm of Chartered Accountants different from the firm conducting internal audit and is appointed by Comptroller and Auditor General (CAG) of India under the Companies Act 1956. In addition to the Annual Statutory Audit, CAG also conducts audit on the basis of the Statutory Audit Report. The CAG will also conduct expenditure Audit, Performance Audit from time to time. The audit report issued by CAG is presented before the state legislature. Detailed audit guidelines are provided by the CAG. AR Viswanathan & Co. is an empanelled firm by the CAG. The audit reports of the on-going ADB projects included opinions on the financial statements as well as on the use of loan proceeds, the compliance with financial covenants, the use of the statement of expenditures and the imprest account as required by ADB. There are no major audit recommendations that need to be implemented.
Reporting and Monitoring in Implementing Agency	<ul style="list-style-type: none"> Financial Statements of the ULBs are prepared in accordance with Indian accounting standards (IAS), as issued by the Institute of Chartered Accountants of India and in the format as prescribed by the Companies Act, 1956 and under generally accepted accounting principles. Financial statements are prepared implementing unit wise, funding source wise and project wise. Project wise financial statements are submitted to KUIDFC on a monthly basis. In addition to the financial statements, monthly and quarterly internal financial reports which are useful to the management for decision making purpose are also prepared. Management information reports are then prepared on the excel spreadsheet on the basis of the accounting report generated through automated accounting system.

12. **Conclusion and Recommendations.** There is no major issue identified for financial management during implementation of ADB projects, however, some measures to expand the current accounting and finance functions in response to the reporting requirements from project 1 of the investment program include: (i) timely placement of a designated account staff at each of the project implementing units at the ULBs; (ii) linking physical and financial planning in a computerized system at the ULBs; and (iii) separating the water supply and sewerage operations into different sub-accounts as per national municipal accounting norms.

B. Disbursement

13. The loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time),³ and detailed arrangements agreed upon between the government and ADB. Pursuant to ADB's Safeguard Policy Statement (SPS),⁴ 2009 (SPS), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5 of the SPS) to subprojects financed by ADB.

14. **Types of Disbursement Procedures.** There are four major types of disbursement procedures:

³ Available at: <http://www.adb.org/documents/loan-disbursement-handbook>.

⁴ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

- (i) Direct payment procedure where ADB, at the borrower's request, pays a designated beneficiary directly;
- (ii) Commitment procedure where ADB, at the borrower's request, provides an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a supplier against a letter of credit financed from the loan account;
- (iii) Reimbursement procedure where ADB pays from the loan account to the borrower's account, for eligible expenditures which have been incurred and paid for by the project out of its budget allocation or its own resources; and
- (iv) Imprest fund procedure where ADB makes an advance disbursement from the loan account for deposit to an imprest account to be used exclusively for ADB's share of eligible expenditures.

15. For this particular facility, the Borrower has indicated that it will be using reimbursement procedure only.

16. **Statement of Expenditures.** SOE procedures⁵ will be adopted for reimbursement and liquidation and replenishment of the imprest account and sub-account, for eligible expenditures not exceeding \$100,000 per individual payment. Original supporting documentation for expenditure claimed under the SOE procedure should be retained by the government and KUIDFC, as appropriate and made available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. ADB has designed specific SOE and summary sheet formats to facilitate accurate preparation of withdrawal applications⁶. These formats will be provided to the government and KUIDFC for implementation and are available at ADB's website <http://lfis.adb.org>.

17. Before the submission of the first withdrawal application, the government should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on their behalf, together with the authenticated specimen signatures of each authorized person.

18. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. KUIDFC will consolidate claims to meet this limit for reimbursement and for imprest account and sub-account claims. Withdrawal applications and supporting documents will demonstrate, among other things, the goods and/or services were produced in or from ADB members, and are eligible for ADB financing. Withdrawal applications and other loan disbursement information are available at ADB Controller's Department's website <http://lfis.adb.org>.

19. For cost items financed by ADB and other co-financiers on a joint basis, KUIDFC will submit one withdrawal application to ADB and one withdrawal application to the co-financiers for their records. ADB will review and approve the withdrawal application and advise the co-financier to execute the payment on a pro rata basis. For cost items solely financed by other co-financiers, KUIDFC will follow the respective disbursement requirements of the co-financiers.

20. **Disbursement Practice.** KUIDFC will be responsible for: (i) preparing annual contract award and disbursement projections; (ii) requesting budgetary allocations for counterpart funds;

⁵ Follow the format provided in Appendix 9B and 9C of the *Loan Disbursement Handbook*.

⁶ Follow the format provided in Appendix 7B, 8B, 9B and 9C of the *Loan Disbursement Handbook*.

(iii) collecting supporting documents; and (iv) preparing and sending withdrawal applications to ADB through the office of the Controller of Aid Accounts and Audit (CAAA). KUIDFC should submit to ADB, annual contract awards and disbursement projections at least a month before the start of each calendar year.

21. To expedite disbursement, ADB's Loan Disbursement Handbook has a dedicated section in Chapter 4 and Chapter 5 on (i) actions to be taken by the Borrower, (ii) basic requirements for disbursement, and (iii) withdrawal application.

C. Accounting

22. KUIDFC will maintain separate project financial statements and records by funding source and by output components for all expenditures incurred under each of the loans and/or grants of the Investment Program in accordance with financial reporting arrangements acceptable to ADB. Each project's financial statements will follow generally accepted accounting principles followed in India and the accounting standards followed by the government and the State of Karnataka.

D. Auditing

23. KUIDFC will cause the project financial statements, including the Statement of Sources and Application of funds, and Statement of Expenditures by Financier and by Components to be audited in accordance with the standards prescribed by the Comptroller and Auditor General of India and/or the Institute of Chartered Accountants of India, and those applicable to the project, by an independent auditor, whose qualifications, experience and terms of reference are acceptable to ADB. The audited financial statements, together with the auditors' report and management letter, will be submitted in the English language to ADB within 6 months of the end of the fiscal year by KUIDFC. Template financial statements are in Appendix 5.

24. The annual audit report will include a separate opinion on (i) the use of the loan proceeds for the intended purpose of the project, (ii) the use of the imprest accounts and the SOE procedures, and (iii) the compliance with all financial covenants of the Loan Agreement. The audit reports should include an assessment of the adequacy of the accounting and internal control systems, the ability to maintain proper and adequate records and documents in support of transactions, and the eligibility of incurred expenditure for ADB financing. ADB retains the right to: (i) review and examine any account; and (ii) verify the validity of the certification issued by the executing agency for each withdrawal application.

25. The audited project financial statements will be disclosed on ADB's website in accordance with ADB's Public Communications Policy (2011). The government and KUIDFC have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited financial statements. ADB reserves the right to verify the project's financial statements to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures. Further, any critical audit observations on the project should be reported to ADB, and action taken should also be monitored. For KUIDFC whose annual financial statements are subject to annual statutory audit, ADB requires submission of the annual audit report and audited financial statements within one month of their approval.

VI. PROCUREMENT AND CONSULTING SERVICES

26. KUIDFC has implemented 2 ADB project loans previously, and is currently responsible for the implementation of the North Karnataka Urban Sector Investment Program (NKUSIP).⁷ KUIDFC has also implemented several World Bank loans. KUIDFC staff is familiar with ADB's procurement processes and procedures. An updated Procurement Capacity Assessment is in Appendix 6.

A. Advance Contracting and Retroactive Financing

27. All advance contracting and retroactive financing will be undertaken in conformity with ADB's *Procurement Guidelines* (March 2013, as amended from time to time) (ADB's *Procurement Guidelines*)⁸. The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The borrower, executing, and implementing agencies have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the Project.

28. **Advance contracting.** "Advance contracting" refers to the process for procuring goods and related services and works, up to the stage of ADB's approval of the executing agency's recommendation for award of contract before the effective date of the loan agreement. Advance contracting may be requested under each loan of the Facility for (i) civil works, (ii) equipment and materials, and (iii) recruitment of consultants. Advance contracting that may be concluded in advance include: (i) pre-qualification of contractors, preparation of tender documents, tendering, bid evaluation for civil works packages; (ii) preparation of tender documents to procure materials and equipment, tendering and bid evaluation

29. **Retroactive financing.** "Retroactive financing" refers to ADB's financing of project expenditures incurred and paid for by the borrower or recipient of grant financing before each related loan agreement under the facility becomes effective. Except as otherwise agreed with ADB, the expenditures incurred for civil works, equipment and materials, and consulting services that are eligible for advance contracting, and program management and implementation expenses will be eligible for retroactive financing of up to 20% of the proposed amount for the loans under the Facility for eligible expenditures in each category incurred prior to effectiveness of each loan, but no earlier than 12 months before the signing of the respective loan agreement.

30. For project 1, KUIDFC has requested advance contracting and retroactive financing for the preparation of bid documents, tendering, bid evaluation and award of civil works packages for water and sewerage in three project towns.

B. Procurement of Goods, Works and Consulting Services

31. **Goods and Works.** 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.

⁷ ADB. 2006. *Report and Recommendation of the President to the Board of Directors on a Proposed Multitranchise Financing Facility to India for the North Karnataka Urban Sector Investment Program*. Manila

⁸ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

32. Under project 1, the following methods of procurement are proposed: international competitive bidding (ICB) procedures will be used for civil works contracts estimated to cost \$40 million or more, and supply contracts valued at \$1 million or higher. Below these thresholds, national competitive bidding (NCB) will be generally used. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000. Water supply packages will be procured as turnkey contracts including design, construction and operation and maintenance (O&M) for 5-8 years on a performance basis. As highlighted above, KUIDFC has gained experience structuring and implementing such projects under the on-going NKUSIP and several World Bank projects. Sewerage packages will be generally on a bill-of- quantities (BOQ) or turnkey basis for treatment.

33. **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. The terms of reference for consulting services to be financed under project 1 are detailed in Section D.

34. Under project 1, an estimated 1264 person-months (all national) of consulting services are required to (i) facilitate program and project management and implementation, (ii) strengthen the institutional and operational capacity of the executing agency and (iii) implement the community led output-based toilet program. Five major packages will be procured: (i) project management, design and supervision consultancies for Projects 1 and 2 (2 packages) and (ii) a program management and institutional development consultant. In addition, 2 consultancies will be recruited prioritizing quality: (iii) KUIDFC Financial Intermediation Development and (iv) IEC & Toilet Program NGO.

35. One small consultancy⁹ for ULB Capacity Development Training will be recruited under single source selection. The program will be delivered by the Karnataka's State Institute for Urban Development (SIUD). This institute, the only one of this type in the country, has established programs for municipal officials and the tasks proposed represent a natural continuation of previous work undertaken by SIUD. SIUD has adequate facilities, academia and partnerships with organizations to optimally and efficiently undertake the proposed tasks. ADB has worked with SIUD under the on-going Capacity Development TA administered by INRM.

36. **eProcurement.** An eProcurement assessment consistent with requirements in PAI 3.13 was conducted and is in Appendix 7. The assessment has concluded that KUIDFC's eProcurement systems are appropriate and consistent with the Procurement Guidelines and with the principles of economy, efficiency, transparency, and award of contract to the lowest evaluated priced, substantially responsive bid. eProcurement may therefore be applied to the ICB, NCB, Limited International Bidding and Shopping modes of procurement. The use of eProcurement does not apply to recruitment of consultants. Considering the features of the eProcurement system in Karnataka, and to facilitate bidder's participation, particularly under international processes, it is requested that a Bid Securing Declaration be required instead of a Bid Security (as this process still requires a manual submission).

⁹ The assignment is estimated at \$300,000, which is believed to be very small against the size of project 1, which represents an annual budget of about \$60,000-90,000.

37. The use of electronic systems does not excuse deviation from any current practices, except those specific to the electronic handling and management of bidding documents and bids. Opportunities may be advertised electronically, bidding documents may be issued electronically, correspondence may be electronic, and bids may be received electronically. All other requirements, such as use of standard bidding documents for ICB are retained.

C. Procurement Plan

38. The procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Appendix 8. The procurement plan provides: (i) a list of goods, works, and consulting services contract packages that will be processed over the next 18 months with milestone dates for activities; (ii) the proposed methods for procurement of such contracts that are permitted under the respective loan agreements; and (iii) the related ADB review procedures. The procurement packages in the procurement plan¹⁰ will be updated by the PMU for approval by ADB. The procurement plan should be updated at least every June (more frequently if necessary) and should cover the next 18 months of procurement activity. A delay in loan effectiveness, other start-up delays, and delays during implementation will require an unscheduled procurement plan update. ADB will review each updated procurement plan prior to its publication. When appropriate, this activity may be undertaken in the field by ADB missions working with the executing and implementing agencies.

D. Consultant's Terms of Reference

39. Indicative Terms of reference for all consultancy contracts are in Appendix 9.

¹⁰ The first procurement plan should provide indicative procurement contracts, acceptable to ADB setting forth: (i) a list of goods, works, and consulting services contract packages that will be processed over the next 18 months with milestone dates for activities; (ii) the proposed methods for procurement of such contracts that are permitted under the financing agreement; and (iii) the related ADB review procedures. The procurement plan shall list all packages in value by procurement method and the date by which procurement activity is expected to commence. The first procurement plan and the annual updates will be published on adb.org.

VII. SAFEGUARDS

A. Key Safeguard Documents

40. The following safeguard documents were prepared for the Investment Program as per ADB's Safeguards Policy Statement (SPS, 2009) and the government rules;

- (i) Initial environmental examinations (IEEs) for Tranche 1 towns dated April 2013 and January 2014
- (ii) Environment assessment and review framework (EARF) dated January 2014
- (iii) Resettlement plans (RPs) for Tranche 1 towns dated May 2013 and January 2014
- (iv) Resettlement framework (RF) dated January 2014
- (v) Indigenous/Tribal Peoples Development Framework (IPPF/TPPF) dated May 2013

41. The EARF and the resettlement framework and IPPF/TPPF serve to guide safeguard assessments and the preparation of relevant safeguard documents in all tranches of the MFF.

42. The safeguard frameworks cover the Facility specific information and requirements in accordance with ADB's Safeguard Policies (2009) (SPS): (i) the general anticipated impacts of the projects likely to be financed under the Facility on the environment, involuntary resettlement, and indigenous peoples; (ii) the safeguard criteria that are to be used in selecting projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of impacts management and mitigation plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; (iv) the institutional arrangements (including budget and capacity requirements) and Republic of India and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

B. Key Responsibilities

43. The KUIDFC as the acting Executing Agency is responsible for the overall compliance of all the requirements prescribed in Schedule 5 of the FFA and the safeguard frameworks that have been prepared with respect to the Facility (and of which ADB has been provided full copies and are deemed incorporated herein by reference), during the processing and implementation of the investment program.

44. Prior to the preparation of each PFR, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and ethnic minority will be reviewed and updated by the KUIDFC to ensure relevance and consistency with applicable laws and regulations in India and ADB's safeguard policies, as amended from time to time.

45. In all cases, for each new PFR preparation, the KUIDFC will review ongoing projects to check on the status of compliance with the safeguards plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the project included in the tranche being processed. For the subsequent projects of the investment program that will involve LAR and/or indigenous people, the Government and KUIDFC will ensure that no civil works contract is awarded until the RP, and when required IPP, has been prepared and agreed with ADB. The RP and IPP must be prepared and disclosed to the affected people before submission of the relevant PFRs to ADB for review and approval. RPs and IPPs will be posted in the Project and ADB's webpage.

46. In any case, if major noncompliance is discovered in the course of the review of ongoing projects, a corrective action plan will be prepared and submitted to ADB. KUIDFC will also ensure that the safeguards specialists will be engaged to work with the CPMU/RPMU/PIUs throughout the Investment Program period.

C. Environmental Safeguards

47. KUIDFC and the concerned ULBs will oversee the preparation of IEEs in accordance with the EARF, and submit them to ADB for review and clearance before bidding out the relevant civil works packages. Environmental management plans (EMPs) are prepared as part of the IEEs. The EMPs are to be included in the bidding and contract documents for civil works packages. The EMPs are to be implemented and monitored during construction, and the CPMU is to submit semiannual progress reports to ADB for review and disclosure on ADB's website.¹¹

48. KUIDFC and the ULBs will be responsible for: (i) confirming that the EMP is included in the bidding and contract documents for civil works packages; (ii) confirming that the IEE and the EMP are updated by the consultants during detailed design; (iii) providing oversight on environmental management aspects of subprojects and ensuring that the EMP is supervised by consultants and implemented by contractors; (iv) facilitating and confirming overall compliance with all government rules and regulations regarding site and environmental clearances as well as any other environmental requirements, as relevant; (v) supervising and providing guidance to the design and supervision consultants and contractor in proper EMP implementation; (vi) reviewing, monitoring and evaluating all indicators in the EMP, assessing the effectiveness with which the EMP is implemented, and recommending necessary corrective actions; (vii) reviewing and consolidating the monthly environmental monitoring reports from the consultants and submitting semiannual monitoring reports to ADB in the agreed format; (viii) ensuring the timely disclosure of the final IEE and EMP and contact information in locations and in a form accessible to the public; and (ix) establish a grievance redress mechanism as outlined in the IEE and addressing grievances in a timely manner.

D. Social Safeguards

49. KUIDFC and the concerned ULBs will ensure that:

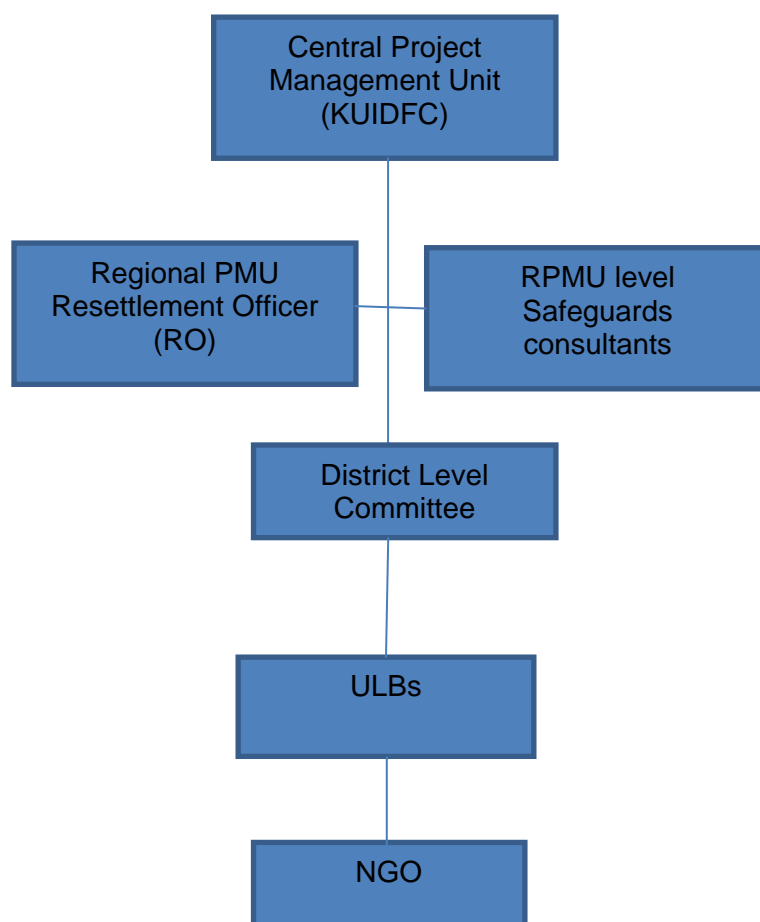
- (i) all land and rights of way required under the investment program are made available in a timely manner;
- (ii) update the draft RPs upon the completion of the detailed engineering design for ADB final review and endorsement prior implementation
- (iii) In the event that indigenous peoples issues are identified during RP finalization or project implementation, adequate mitigation measures or separate indigenous people planning (IPP) documents, as required, will be prepared and submitted to ADB for review and approval
- (iv) establish and implement the Grievance Redress Mechanism (GRM) of the Project and public disclosure through various media,
- (v) when required, appointing a third independent party (such as an NGO) to facilitate, monitor and report willing seller's consent,

¹¹ The semi-annual environmental monitoring template is in Appendix 10.

- (vi) No civil works should start prior to completion activities in the approved resettlement plans (RPs) for both temporary and permanent impacts on land acquisition and/or economic displacement.
- (vii) contractors' activities are in compliance with requirements of the RF, RPs, TPF and IPPs,
- (viii) reviewing and consolidating the monthly social monitoring reports (Appendix 11) from the consultants and submitting semiannual social safeguards monitoring reports to ADB in the agreed format (Appendix 12),

50. KUIDFC will assign dedicated officer/staff at CPMU to be responsible for the management of safeguards matters at field levels to support the resettlement/environmental officer at RPMU. Social safeguards specific assurances for project 1 activities are specified in the Appendix 13 of this FAM.

Safeguards Implementation Arrangement



51. The safeguard frameworks, the draft and final resettlement plans (and updated versions thereafter), and final IEEs (and updated versions thereafter) will be disclosed on ADB's website according to ADB's Public Communications Policy (2011), and EIAs and/or IPDPs if applicable in future tranches. Semiannual safeguard monitoring reports will also be disclosed on ADB's website. The CPMU/ RPMU and ULBs will provide relevant environmental and resettlement-related information, including information from the safeguard documents, to the affected people

in a timely manner, in an accessible place, and in a form and language understandable to them. This information can be made available in brochures, leaflets, or booklets.

VIII. GENDER AND SOCIAL DIMENSIONS

52. Overall social and gender-focused activities will be implemented with the support of the RPMU. Activities will include i) social awareness campaigns; ii) mobilization activities focusing on creating increased demand for services, especially amongst the poor and other disadvantaged populations; and iii) capacity development initiatives that promote social leadership and decision-making skills amongst disadvantaged women. Under the OBA toilet program, an NGO will provide training support focused on promoting positive behavior toward health, hygiene and sanitation amongst low income disadvantaged households, including female-headed households. The ULBs of the program areas and RPMU will work closely with the NGO to ensure that activities are implemented in accordance with program strategies and plans.

53. A consultations and participation plan has been prepared (see also Appendix 14). Components of the plan will be implemented by the RPMU and partner NGO(s). The focus of the plan will be to i) promoting knowledge of socially inclusive and gender-focused programming knowledge amongst primary and secondary stakeholders; ii) mobilizing women and men on issues related to health, hygiene and sanitation; and iii) promoting the involvement of disadvantaged communities in project planning, implementation and monitoring.

54. Project 1 is classified as Effective Gender Mainstreaming. A gender action plan (GAP) has been prepared to ensure that social and gender equality activities are effectively carried out. Components of the GAP will be implemented by various partner agencies, including the PMU and the OBA toilet program NGO. The project will target the poor, disadvantaged and female-headed households through quality urban services, including water supply, sewerage and sanitation. Information, Education and Communications (IEC) materials will be developed to educate communities on the benefits of accessing better health opportunities and ensuring proper hygiene and sanitation measures. Government functionaries, including Urban Local Bodies in the program areas, will be sensitized on social and gender concepts and best practices.

GENDER ACTION PLAN: KARNATAKA INTEGRATED URBAN WATER MANAGEMENT INVESTMENT PROGRAM (PROJECT1)

Activity	Indicators/Targets	Responsibility	Time Schedule
Overall gender-focused awareness building and social mobilization activities			
a) Build awareness on gender issues and ensure women's participation in the implementation and monitoring of project activities	<p>Partnership with NGO developed to conduct social marketing, social mobilization, and behavior change communications focused on gender, health, hygiene, and sanitation (T: 40% women staff)</p> <p>3 gender and social inclusion focused workshops conducted for women and men staff of KUIDFC, ULBs, PMU, PIUs (T: >33% women participation) [Davangare-1 workshop, Harihar-1 workshop, Byadgi-1 workshop]</p>	<p>PMU/ Toilet Program NGO</p> <p>PMU with support of PIUs</p>	<p>Year 1</p> <p>Year 1-2</p>
Output 1. Expanded efficient UWSS infrastructure			
a) Rehabilitation and upgrade of inefficient water supply systems	<p>Households, including for female-headed, BPL/other disadvantaged and SC households,¹² provided with upgraded, metered water connections and receive 24x7 water supply in program ULBs</p> <p>Town-wise targets: Davangare: 44,000HHs (FHHs – 11%, BPL/other disadvantaged HHs-17%, SC/ST HHs-16%) Harihar: 7,000 HHs (FHHs-7%, BPL/other disadvantaged HHs-36%, SC/ST HHs-12%) Byadgi: 1,000 HHs (FHHs-6%, BPL/other disadvantaged HHs-37% , SC/ST HHs-18%)</p>	<p>Program area ULBs</p> <p>Program area ULBs</p>	<p>Year 2-4</p> <p>Year 2-4</p>
b) Expansion of sanitation, sewerage networks, sewage treatment capacity and effluent reuse infrastructure	<p>Household coverage of sewerage connection increased in the program to cover entire ULBs</p> <p>Town-wise targets: Davangare: 44,500 HHs (FHHs – 11%, BPL/other disadvantaged HHs-17%, SC/ST HHs-16%)</p>	Program area ULBs	Year 3-5

¹² These include households in notified and unnotified slums in the project areas, 70%-87% of whom own their dwellings, but are equally vulnerable.

	<p>Harihar: 11,500 HHs (FHHs–7%, BPL/other disadvantaged HHs–36%, SC/ST HHs–12%) Byadgi: 4,000 HHs (FHHs–6%, BPL/other disadvantaged HHs–37% , SC/ST HHs–18%)</p> <p>5,000 household toilets for the poor and other disadvantaged households (including low income female headed households) in program ULBs constructed and connected to the sewer network. Town-wise targets (individual household toilets): Davangere=3800 Harihar=700 Byadgi=500</p> <p>Implementation of existing government policies that ensure affordability of water user rates and installation of household toilets in accordance with the 'Bharat Nirman Abhiyan'.</p>	Program area ULBs	Year 3–5
Output 2. Improved water resource planning, monitoring and service delivery			
a) Improved communication and citizen, including women's, participation	<p>3,500 IEC leaflets developed and disseminated to spread awareness on water conservation, health, hygiene and sanitation issues (T: Davangere–2,000, Harihar–1,000, Byadgi–500).</p> <p>75 CWGs, with equal participation of women in each CWG, formed to promote positive behavior in health, hygiene and sanitation issues (T: Davangere–25, Harihar–25, Byadgi–25)</p> <p>Social and behavioral change training program on toilet demand creation, social leadership, health, hygiene and sanitation conducted for women and men, including promotion of ODF communities.</p> <p>Town-wise targets of participants by sex (50:50)</p>	<p>Program area ULBs with support of Communications/PR Specialist in PMU</p> <p>Toilet Program NGO</p> <p>Toilet Program NGO</p>	<p>Year 1</p> <p>Year 1–2</p> <p>Year 2–3</p>
Output 3. Strengthened KUIDFC capacity			

a) Improved financial intermediation capacity	Procedures to assess and monitor social and gender equality related impacts of subprojects and staff capacity re-evaluated and approved	KUIDFC/PMU	Year 3
b) Project mgmt system operational	PMIS containing social and gender related monitoring indicators developed and implemented	CPMU/RPMU	Year 1
	Sex-disaggregated data collected, analyzed and findings disseminated to address implementation gaps	CPMU/RPMU	Year 1
c) Improved ULB administrative capacity building	Women participation in training programs (>33%).	CPMU/ULBs and Karnataka Urban Training Institute	Year 2 and Year 4

BPL=Below Poverty Line; CPMU = Central PMU; CWG=Community Water Groups; FHH=Female Headed Households; HH=Households; IEC=Information, Education and Communications; KUIDFC=Karnataka Urban Infrastructure Development Finance Corporation; NGO=Non-Government Organization; PIU=Project Implementation Unit; PMIS=Project Management Information System; PMU=Project Management Unit; RPMU = Regional Project Management Unit; SC=Scheduled Caste; ST= Scheduled Tribe; T=Target; ULB=Urban Local Bodies; UWSS = Urban Water Supply and Sanitation

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

55. The design and monitoring framework (DMF) for the investment program and project 1 are in Appendix 15.

B. Monitoring

56. IWRM and State-Level Steering Committees will be the highest authority responsible for monitoring and providing policy directions (IWRM and all other matters, respectively). Accordingly, any undertakings or covenants pertaining to IWRM reform steps will be reviewed by the former, whereas any other project related matters will be submitted to the State-Level Empowered Committee, including among others (i) critical implementation issues and project interdepartmental coordination, (ii) implementation of the reform agenda, and (iii) compliance with the social and environmental safeguards. To facilitate the monitoring process, the CPMU will establish (i) investment program and (iii) project (at tranche level) PPMS systems in a form and substance acceptable to ADB. The PPMS will cover four areas and will be consistent with the following aspects of the DMFs:

- (i) Investment program performance monitoring;
- (ii) Project performance and financial monitoring (including contract awards and disbursements, physical and financial progress, contract problems);
- (iii) Reform monitoring; and
- (iv) Safeguards, gender, and social dimension monitoring.

57. **Project performance monitoring.** Preliminary baseline data for the investment program and subprojects under project 1 was collected by the PPTA in 2012/2013. The data will be reviewed, confirmed and/or updated by Central and Regional PMU in 2013 and data entered in the PPMS systems within 3 month of MFF and project 1 effectiveness. For subsequent tranches, the same data collection and system entering timelines will apply. Data will include:

- (i) Baseline data for outputs and outcome indicators of the investment program DMF and each tranche project DMF, which are disaggregated by sex as well as poverty level;¹³ and
- (ii) all water and sewerage indicators defined by the Service Level Benchmarks¹⁴ of Ministry of Urban Development.

58. The Program and Project Performance Monitoring System Specialists, engaged under project 1, will assist KUIDFC in monitoring performance using the targets, indicators, assumptions, and risks in the project design and monitoring framework (including how beneficiaries will be involved in project monitoring and evaluation) and report it in the quarterly progress reports to be submitted to ADB (an outline is provided in Appendix 16). These reports will provide information necessary to update ADB's project performance reporting system. For subprojects with public-private partnership contract, key performance indicators satisfactory to ADB will be developed during the preparation of requests for proposals and draft contract documents for each subproject.

¹³ Outcome and output indicators will be monitored on a 6 monthly basis. However data disaggregated by sex and poverty levels will be collected at the beginning and the end of the projects.

¹⁴ Ministry of Urban Development. June 2010. *Handbook on Service Level Benchmarking*. New Delhi. <http://www.urbanindia.nic.in/programme/uwss/slb/Handbook.pdf>

Table 7: Project Performance Structure and Responsibilities

Unit in Charge	Responsibility
Project Director, KUIDFC	Endorse Reports of the units and submit it to the State-Level Steering Committee and ADB for review.
Task Manager, Central PMU	Generate and consolidate and verify monitoring data on all aspects. Separately monitor reform and capacity building activities. Analyze the consolidated monitoring data on physical investment activities, and report the results and corrective actions for Program and individual Projects.
Deputy Project Directors, Regional PMU	Generate monitoring data on physical investment activities, input, contract management and safeguards, and report the results and corrective actions to the Project Director.

PMU = program and project management unit, PPMS = project performance monitoring system.

59. **Compliance monitoring:** Undertakings in the framework financing agreement and covenants in loan and project agreements will be regularly monitored. The compliance monitoring team responsible for oversight and reporting would have the following responsibilities:

Table 8: Compliance Monitoring Structure and Responsibilities

Staff in Charge	Responsibility
Project Director, KUIDFC	Endorse the report of the Task Manager, and submit it to the Steering Committee for review. Include information, findings and corrective actions in the Quarterly Progress Report.
Central PMU headed by Project Director	Generate compliance monitoring data on loan covenants, input them in the PPMS, analyze, and report the results and corrective actions to the Managing Director.

PMU = project and program management unit, PPMS = project performance monitoring system.

60. **Safeguards, Gender, and Social¹⁵ Dimension Monitoring.** The safeguards, gender and social monitoring team structure and responsibilities are summarized in the Table below. Safeguards monitoring requirements including suggested monitoring report formats are in safeguards plans and frameworks. The PMDSC will support the RPMUs monitor safeguards, the GESI and consultation, participation, and communication strategies.

Table 9: Safeguards, Gender and Social Monitoring Team Structure and Responsibilities

Task Team	Responsibility
Project Director, Central PMU	Oversee safeguard implementation for the Program by safeguard related KUIDFC staff and consultants. Submit semi-annual safeguard monitoring reports to ADB.
Safeguards Unit, Central PMU	Analyze the consolidated monitoring data on safeguards, gender and social dimensions against GESI and communication strategy, and report the results and corrective actions to the Project Director. Review and submit the semiannual safeguards monitoring reports to ADB
Environment Officer, Regional PMU	Oversee field work of contractors and consultants. Review monthly environmental reports submitted by consultants.
Resettlement Officer and Social Officer, Regional PMU	Oversee field work of contractors and consultants. Review monthly land acquisition and resettlement reports submitted by consultants. Consolidate and verify monitoring data on consultation and participation. See Plan in Appendix 14. Prepare, consolidate, analyze the monthly safeguard monitoring

¹⁵ ADB's *Handbook on Social Analysis: A Working Document*, is available at: <http://www.adb.org/Documents/Handbooks/social-analysis/default.asp>, *Staff Guide to Consultation and Participation*: <http://www.adb.org/participation/toolkit-staff-guide.asp>, and, *CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations*: <http://www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp>

Task Team	Responsibility
	reports submitted by IAs for the preparation of semiannual safeguards monitoring reports
	Prepare, consolidate, and analyze the monthly GESI Action Plan Update Records submitted by IAs as attachment to the quarterly progress reports.
Environmental Specialist and Resettlement Specialist, PMDSC	Will monitor safeguards implementation of the contractor
	Assist and support RPMU for the preparation semiannual safeguards monitoring reports to be submitted to CPMU

SCS = stakeholder communication strategy, GESI = gender equality and social inclusion action plan, PMU = project management unit.

C. Evaluation

61. **Regular Review.** The PPMS will aim to detect any deficiency and discrepancy between the plan and the execution of the investment program and each tranche project in order to ensure that timely corrections can be made to adjust the design of the investment program. Each of the monitoring teams will evaluate the causes of any deficiency and discrepancy between the plan and the execution illuminated by the PPMS, propose corrective measures, and seek policy guidance from the Steering Committees if still unresolved. There will be evaluation processes at three different levels in different intervals:

- (i) The executing agency through the PMUs (monthly);
- (ii) The Steering Committee (semi-annually); and
- (iii) ADB (semi-annually).

62. **Midterm Reviews.** In addition, a midterm review for each loan and a midterm for the Facility will be undertaken during the implementation period. The midterm reviews will evaluate in detail the scope of the Facility and the loans, implementation arrangements, any outstanding issues, environment and resettlement as well as other safeguard issues, achievement of scheduled targets, contract management progress, reforms and other issues, as appropriate and generate agreement on any changes that may be needed.

D. Reporting

63. KUIDFC will provide ADB with six types of reports, and all are subject to disclosure in compliance with ADB's Public Communications Policy (2011):

- (i) Semi-annual safeguards monitoring reports;
- (ii) Quarterly project progress reports in a format consistent with ADB's project performance reporting system within 30 days of the end of each quarter;¹⁶
- (iii) Facility annual reports including: (a) progress achieved by output as measured through the DMF indicator's performance targets; (b) key implementation issues and solutions; (c) updated procurement plan; and (d) updated implementation plan for next 12 months;
- (iv) Each project accounts under the investment program, and the asset owning agencies' annual financial statement together with the associated auditor's report.
- (v) A project completion report¹⁷ within 6 months of physical completion of the each project under the investment program; and

¹⁶ An outline is provided in Appendix 13.

¹⁷ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

- (vi) A Facility completion report within 3 months of physical completion of the final tranche under the investment program.

E. Stakeholder Communication Strategy

64. The Stakeholder communication strategy is in Appendix 17. 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.

65. In accordance with ADB's Public Communications Policy (2011), ADB will disclose documents which ADB prepared and/or received, such as:

- (i) Project data sheet;
- (ii) Information to affected people and other interested stakeholders;
- (iii) Project safeguards documents;
- (iv) Initial poverty and social analysis;
- (v) Technical assistance reports and documents produced under technical assistance;
- (vi) Report and recommendation of the President and supporting documents;
- (vii) Legal agreements;
- (viii) Audited project accounts;
- (ix) Major changes; and
- (x) Completion reports.

X. ANTICORRUPTION POLICY

66. The Government, State and implementing agencies are advised of ADB's Anticorruption Policy (1998, as amended to date). Consistent with its commitment to good governance, accountability and transparency, implementation of the Projects under the Facility shall adhere to ADB's Anticorruption Policy. ADB reserves the right to review and examine, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Projects under the Facility. In this regard, investigation of Government officials, if any, would be requested by ADB to be undertaken by the Government.

67. To support these efforts, relevant provisions are included in the loan/grant regulations and the bidding documents for the Project. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹⁸ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.¹⁹

68. ADB's Anticorruption Policy designates the Office of Anticorruption and Integrity (OAI) as the point of contact to report allegations of fraud or corruption among ADB-financed projects or its staff. OAI is responsible for all matters related to allegations of fraud and corruption. For a more detailed explanation refer to the Anticorruption Policy and Procedures. Anyone coming across evidence of corruption associated with the project may contact the Anticorruption Unit by telephone, facsimile, mail, or email at the following numbers/addresses:

by email at integrity@adb.org or anticorruption@adb.org

by phone at +63 2 632 5004

by fax to +63 2 632 62152

by mail at the following address (Please mark correspondence Strictly Confidential):

Office of Anticorruption and Integrity
Asian Development Bank
6 ADB Avenue Mandaluyong City
1550 Metro Manila, Philippines

¹⁸ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹⁹ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

XI. ACCOUNTABILITY MECHANISM

69. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²⁰

Contract details:

Secretary
Compliance Review Panel
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila, Philippines

Tel + 63 2 632 4149

Fax +63 2 636 2088

Email: crp@adb.org

Web: www.compliance.adb.org

²⁰ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

XII. RECORD OF FAM CHANGES

70. All revisions/updates during course of implementation will be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the FAM.

APPENDIX 1: URBAN LOCAL BODY REFORM DRIVEN SELECTION PROCESS

1. **The Process.** The proposed design promotes reform at State and Urban Local Body (ULB) level through a multipronged approach including (i) ULB performance based selection and financial assistance to enable reform, (ii) IT based platforms, and (iii) State Level reforms. The program will promote town selection based on willingness to undertake IWRM and financial management reforms. For this purpose, a two-phase methodology will be followed for tranches subsequent to project 1. The process is diagrammatically shown in Figure 1.

2. In Phase I, towns may draw a small amount of funds from the *ULB Incentive Fund (UIF)* for *Improved Water Sector Planning, Monitoring and Use* to enable them, amongst other, to undertake water and energy audits, ascertain the condition of existing assets,¹ undertake water planning exercises and achieve improvements in financial management (particularly collection efficiencies). Upon meeting pre-agreed criteria parameters – e.g. (i) achieving water tariff collection efficiencies in excess of 80%, (ii) updating of customer databases, (iii) completion of preliminary water balances and asset mapping and condition assessments and identification of illegal connections, and (iv) city-level water and sanitation Master Plans – the ULB would then receive approval for further physical investments. A separate small pool funding allocation will be made under Tranche 1 to assist ULBs undertake rapid assessments.

3. Town eligibility will be determined at 3 stages: (i) reform willingness (granting with access to ULB Incentive Fund), (ii) preparation of a urban watershed Master Plan and brief concept paper by willing ULBs (granting in principle acceptance by GOK), and (iii) preparation of a full feasibility study and detailed designs (for subsequent approval by ADB).

4. Phase II will further promote the appraisal, approval and implementation of infrastructure subprojects, where further systems improvements (e.g. creation of utility SPVs, promotion of PPP contractual arrangements etc) may be explored.

5. **Phase I - Eligible Activities for Financing under UIF.** UIF will finance services, goods and/or civil works in support of water-related reform targets. Maximum financing for any one ULB will be determined by a combination of parameters, including the ULB's size and number of reform objectives and associated activities, up to a maximum of \$1 million. Grant fractions/concessionality will be linked to the speed and level of success with which reform initiatives were undertaken. Typical water-related reforms eligible for support and sample activities are listed in Table 1.

Table 1: UIF Eligible Activities

Key Area	Sample Assistance
Water Planning	<ul style="list-style-type: none">• Water audits• Urban watershed masterplans (water, sewerage, drainage and flood protection)
Water Use Efficiency	<ul style="list-style-type: none">• Installation of strategic bulk meters• Fitting meters and automatic shut-off valves at all standposts
Asset Management	<ul style="list-style-type: none">• Asset mapping and condition assessments
Commercial and Cost Recovery	<ul style="list-style-type: none">• Customer databases surveys and/or computerization• Illegal connections surveys/assessment. Disconnection works
Demand	<ul style="list-style-type: none">• Installation of revenue meters (for pilot purposes).

¹ Funds may finance small procurement contracts for items such as bulk flow meters, household surveys or specialized services such as technical audits and asset condition assessments.

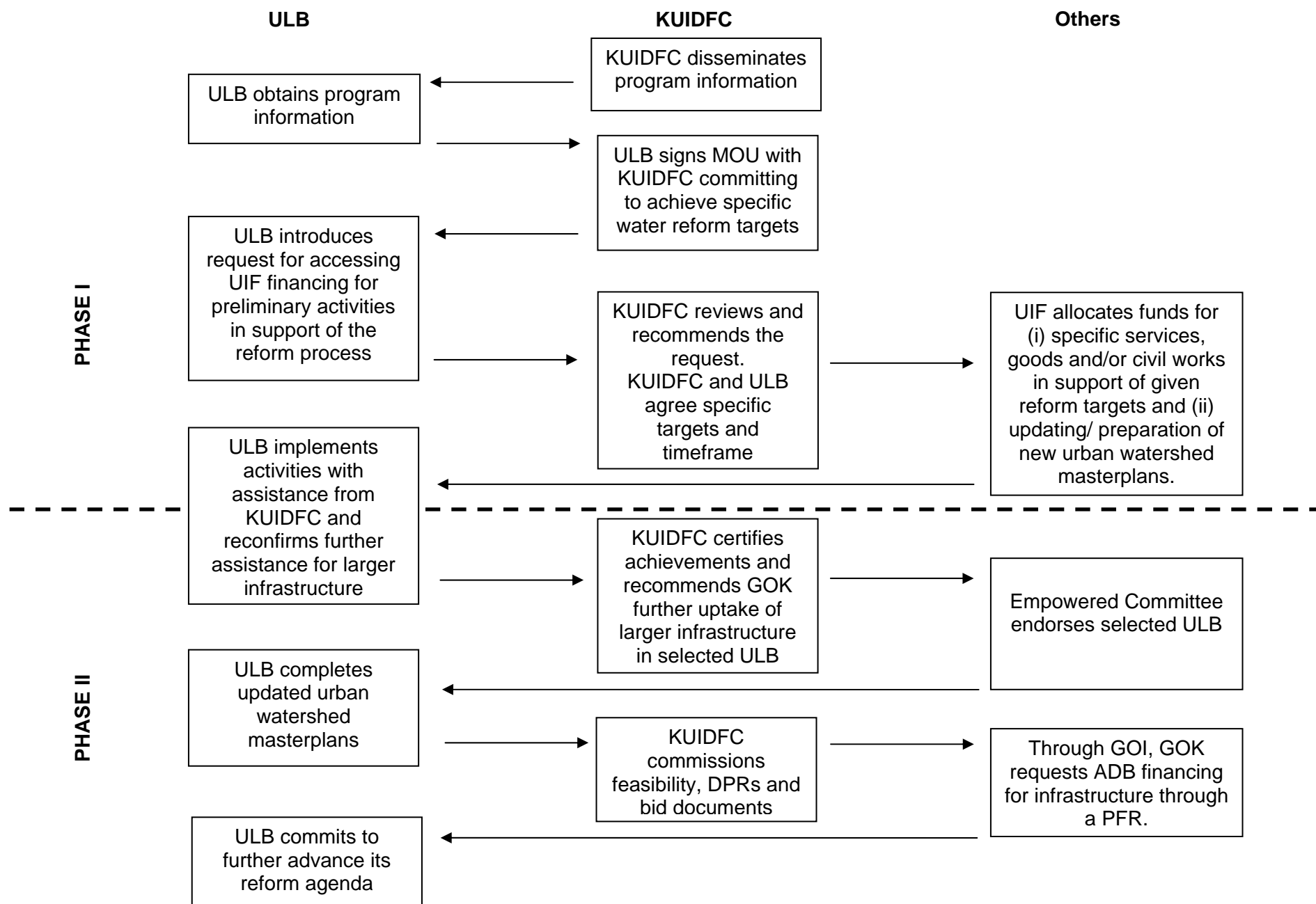
Key Area	Sample Assistance
Management	<ul style="list-style-type: none"> • Volumetric tariff modeling and roll out.
Transparency	<ul style="list-style-type: none"> • Customer service levels publication. • Water quality parameters at production and distribution points web disclosure. • Effluent quality at discharge point web disclosure.

6. **Phase II – ULB Conditional Access to Infrastructure.** In line with the process described in paras 1 to 4 and Figure 1, ULBs would become eligible for water and sewerage infrastructure and services financing upon complying with the urban reform targets. These are tentatively set as follows (if applicable):

Key Reform Area	Target Compliance
Water Planning	<ul style="list-style-type: none"> • Up-to-date urban watershed masterplan available, including proposed medium term financing plan (for capital investment and O&M)
Water Use Efficiency	<ul style="list-style-type: none"> • NRW analyses and action plan
Commercial and Cost Recovery	<ul style="list-style-type: none"> • Customer databases up to date • Illegal connections assessment available • Water and sewerage tariff in force, if applicable • >80% Collection Efficiency (Water Charges for Current Year) • 90% efficiency in redressal of customer complaints • Water accounts ring fenced
Demand Management	<ul style="list-style-type: none"> • Resolution for full water metering approved by the council • Resolution for volumetric tariffs approved by the council for enforcement immediately after commissioning.
Transparency	<ul style="list-style-type: none"> • Customer service levels published. • Water quality parameters at production and distribution points disclosed. • Effluent quality at discharge point disclosed.

7. The **ULB Incentive Fund (UIF)** for Improved Water Sector Planning, Monitoring and Use will be established and maintained by KUIDFC to provide ULBs access to a limited amount of resources to finance services, goods and/or civil works required to accomplish essential water-related reform. KUIDFC, with the support of the institutional and financial consultant, will develop the design of UIF, which among others will include, (i) the objective, scope and structure of the UIF; (ii) required initial amount and source of funding; (iii) ULBs and projects eligibility criteria; (iv) financing ceiling and percentage under the UIF; (v) project appraisal, evaluation and approval process, (vi) monitoring and evaluation frameworks, (v) financing recovery mechanisms to ensure sustainability; and (vii) fiduciary oversight, audit and reporting mechanism. The UIF will be submitted to the State and ADB for review and concurrence within 6 months of the Tranche 1 loan effectiveness.

Figure 1: Town Selection Process and Access to ULB Incenting Fund



APPENDIX 2: DETAILED PROJECT DESCRIPTION

1. Project 1 of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) (the Project) supports improvements in urban infrastructure and services in the following 3 ULBs: Byadagi, Davangere and Harihar, and institutional development, improved municipal management and project implementation capacity across the State. The Project has the following components:

Output 1.1: Water Supply Infrastructure

2. This output comprises rehabilitation and expansion of potable water supply systems in the 3 ULBs: Byadagi, Davangere and Harihar. The following will be the specific outputs under this component:

- (i) Rehabilitation and expansion of water treatment plants (WTPs) – 13 MLD capacity in Harihar, 14 MLD capacity in Davanagere;
- (ii) Construction of new WTPs – 15 MLD capacity in Harihar;
- (iii) Rehabilitation and expansion of storage reservoirs – 2 reservoirs in Harihar, 11 reservoirs in Davanagere and 1 reservoir in Byadgi;
- (iv) Construction of new transmission mains – 11 Km in Harihar and 35 Km in Davanagere;
- (v) Construction of new distribution network – 157 km in Harihar, 800 Km in Davanagere and 100 Km in Byadgi km; and
- (vi) Procurement and installation of 120 bulk meters and around 82,000 household meters for all 3 ULBs.

Output 1.2: Sanitation Infrastructure

3. This output comprises expansion of sewerage systems in the following 3ULBs. The following will be the specific outputs under this component:

- (i) Construction of new sewer network – 72 Km in Harihar, 214 Km in Davanagere and 79 Km in Byadgi;
- (ii) Construction of new lift stations – 4 lift stations in Harihar;
- (iii) Construction of new sewage treatment plants (STPs) – 5 MLD capacity in Byadagi, 20MLD capacity in District 1 and 1a and 5 MLD capacity in District 3 in Davangere and 18 MLD capacity in Harihar; and
- (iv) Provision of 5,087 toilets across the 3 ULBs .

Output 2: Improved water resource planning, monitoring and service delivery

4. This component will finance in Tranche 1:

- (i) A first installment for the ULB Incentive Fund;
- (ii) Preparation of 4 IT-based modules for volumetric tariff setting, water accounting and effluent discharge and improved MIS and Asset Management and testing in three project 1 Towns;
- (iii) PSP approaches in water and sewerage service delivery.
- (iv) The preparation of the public communication and awareness program and materials.

Output 3: Strengthened capacity

5. This component comprises the following specific outputs:

- (i) Professional services to assist KUIDFC prepare strategic documents to enhance their financial intermediation capacity;

- (ii) Project management and design and construction supervision services for project 1;
- (iii) Training programs for developing administrative and water management capacity at ULB level in three project 1 towns.

Table 1: Summary of Infrastructure Outputs per Town

Sector	Indicator	Town			Total
		Byadgi	Davanagere	Harihara	
Water	Current coverage (%)	64	44	55	54
	Target coverage (%)	>90	>90	>90	>90
	NRW Estimate (%)	29	41	31	34
	Current HH connections	2,962	42,870	6,480	52,312
	HH connections after completion of the project	4,030	87,500	13,400	104,930
	Current number of HH meters	0	0	122	122
	Final number of HH meters	5,000	65,000	12,000	82,000
	Current water treatment capacity (MLD)	0	99	9	108
	Add'l water treatment capacity (MLD)	0	0	15	15
	Current storage capacity (KL)	3,430	29,250	6,000	38,680
	Rehabilitated storage capacity (KL)	0	1,000	900	1,900
	Add'l storage capacity (KL)	900	10,000	1,800	12,700
	Current length of piped network (Km)	54	485	70	609
	New water supply distribution network (Km)	100	800	157	1,057
Sanitation	Current coverage (%)	0	35	0	12
	Target coverage (%)	>80	>80	>80	>80
	Current HH sewer connections	0	36,100	0	36,100
	HH sewer connections at the end of the project	4,000	73,700	11,500	89,200
	Existing waste water treatment capacity (MLD)	0	54	0	54
	Additional waste water treatment capacity proposed (MLD)	5	25	18	48
	Length of existing sewer network (Km)	0	410	0	410
	Length of sewer network proposed under other projects (NKUSIP/ KMRP/ UIDSSMT)	0	46	46	92
	Length of sewer network proposed under KIUWMIP (Km)	79	214	72	365
	Number of households without having access to toilets	585	7,610	1,592	9,787
	Proposed toilets under KIUWMIP	530	3,805	752	5,087
	Expected toilet coverage at the end of the project (%)	>97	>95	>91	>94

Annex 1: Summary of Feasibility Engineering Designs (Water Supply)

The primary objective of the proposed IWRM Investment programme under Water Supply (WS) component is increased Water accountability, efficiency in water usage including improved water quality to be achieved through continuous water supply (24 x 7). The fundamental activities related to increased water accountability and continuous water supply are:

- Flow Measurements (through bulk and domestic metering including establishments of DMA's).
- Rehabilitation of existing distribution networks to reduce incidence of water losses including Laying of New WS Distribution network in newly developing areas (including regularized house service connections).
- Provision of storage reservoirs including laying of clear water mains for improved service delivery.
- Adequate water treatment capacity to cater to the growing demand for potable water.

Once the above activities and accountability established for the WS network have been accomplished, the WS system will be upgraded to a 24 x 7 continuous supply systems. Summary of technical proposals contemplated for continuous water supply systems in project 1 ULBs are outlined below:

Davangere

Davangere is the largest ULB within the Tunga-Bhadra sub-basin, and as such its demand is considerable. The city presently has 3 sources of water, the Tunga-Bhadra river, Bhadra-Harihar branch canal and Kundawada lake. The entire system shall be integrated with water zoning and interdependency of the systems as the key approach to make the supply reliable and for improved service. Bulk water supply system improvements are already in progress under NKUSIP including upgrading at Bathi water treatment plant (WTP) from 40 MLD to 60 MLD. As such, proposals for bulk water supply in the city are limited to:

- 1 Rehabilitation of existing WTP at TV Station (14 MLD) including proposals for re-use of filter backwash and improved monitoring through SCADA.
- 2 Installation of bulk meters (90 Nos.) on outlet of WTPs and on all clear water transmission mains.

Improvement of the distribution network is contemplated through water zoning and encompasses

- 3 Regularizing existing household connections including installation of an estimated 40,500 domestic meters on all existing connections.
- 4 Preparation of hydraulic model including construction of new distribution network (800 Kms).
- 5 For improved water supply, 11 elevated storage reservoirs (1,000 KL to be rehabilitated and an additional 10,000 KL to be constructed) have been contemplated for newly developing areas and existing localities, where there is a shortage of storage capacity against demand, including interconnecting them with clear water transmission mains (35 Kms).
- 6 Provision of increased connectivity including new domestic meters to an estimated 25,000 connections.

Harihara

Harihara, although located on the banks of Tunga-Bhadra, faces the critical issues of water availability, largely owing to its intake being located at the downstream end of most of existing

intakes catering to other urban local bodies. The improvement proposals for bulk water supply for Harihara are contemplated through:

- 1 Capacity augmentation (by 15 MLD) and rehabilitation of the existing WTP, including recycling of filter back-wash and improved monitoring through SCADA.
- 2 Provision and installation of bulk water meters (18 Nos) on the raw water and clear water transmission mains.

Distribution needs for Harihara are proposed to be attended through:

- 3 Regularization of existing household connections, including installation of an estimated 7000 domestic meters on all existing connections.
- 4 Construction of storage reservoir (of 900 KI) are contemplated for improved distribution where there is a shortage of storage capacity against demand, including interconnecting them with clear water transmission mains (11 Kms)
- 5 Preparation of hydraulic model including construction of new distribution network (157 Km).
- 6 Provision of increased connectivity including new domestic meters to an estimated 5000 connections.

Byadgi

Bulk water supply for the city is being provided through a design, construction, and commissioning contract for a 6.8 MLD Water Treatment Plant, which includes laying of transmission main. The contract has been tendered KUWS&DB. Proposals for **bulk water** in the ULB are therefore limited to:

- 1 Providing and installing bulk water meters (12 Nos.) on the clear water transmission mains.

Proposals for **improvement of the distribution system** are contemplated through:

- 2 Laying of a strategic network, connecting the GLSR to the distribution network through a ring main encircling the town. Considering the proximity of the Bettada Malappa hillock, proposals for construction of storage reservoir (of 900 KI) are contemplated for improved distribution.
- 3 Provisions for water accountability is proposed through regularization of existing household connections including installation of an estimated 3500 domestic meters in the existing network.
- 4 The existing distribution network in the town was comprehensively laid in 2007 by the KUWS&DB. Proposals are therefore limited to inter-linking this to newly developing areas through a new distribution network (of 100 Kms).
- 5 Providing new Household connections including installation of domestic meters to an estimated 1500 connections.

Annex 2: Summary of Feasibility Engineering Designs (Sewerage)

The following factors are considered to improve wastewater and sanitation services in the selected sub-project towns.

1. Extend the coverage of sewer networks to 100% of the service area with an exception where development is scattered.
2. Collect and treat sewage to the desired standards of Pollution Control Board.
3. To improve sanitation services and to extend toilet coverage for all households in the selected towns.

The following components are proposed to improve wastewater and sanitation services in Davanagare.

1. Laying 214 km of sewer network in Sewerage District 1, District 1a and District 3 in addition to the sewer network proposed under NKUSIP.
2. Construction of sewage treatment plants (STP) with a capacity of 5 MLD for District 3 and 20 MLD for District 1 and 1a in addition to the 20 MLD STP proposed under NKUSIP.
3. 3805 individual HH toilets, 43 community toilets.

The following components are proposed to improve wastewater and sanitation services in Harihar.

1. Laying 72 km of sewer network in North Sewerage District 1(NSD1), North Sewerage District 3 (NSD3) and South Sewerage District 3 (SSD2) in addition to the network proposed under KMRP.
2. Construction of 18 MLD STP.
3. Four sewage lift stations.
4. 752 individual HH toilets; 80 community toilets.

The following components are proposed to improve wastewater and sanitation services in Byadgi.

1. Laying 79 km of new sewer network for the entire town.
2. Construction of 5 MLD STP ;
3. 530 individual HH toilets; 107 community toilets.

APPENDIX 3: KARNATAKA INTEGRATED URBAN WATER MANAGEMENT INVESTMENT PROGRAM OBA TOILET PROGRAM GUIDELINES

1. Background

1. The proposed ADB funded Karnataka Integrated Urban Water Management Investment Program (KIUWMIP) intends to enhance water security and improve river environment through integrated urban water management (IUWM) interventions. KIUWMIP aims to build on water supply and sanitation considerations within an urban settlement by incorporating urban water management within the scope of the entire river basin. Therefore the program focuses on immediate investments in urban water supply and sanitation and also aims to improve access and service delivery amongst the urban poor.

2. Four towns in the upper Tunga Bhadra sub basin, in the central-northern region of Karnataka, have been selected to receive assistance under Tranche 1 of KIUWMIP: namely (i) Davanagere; (ii) Renebennur; (iii) Harihar and (iv) Byadgi for Tranche 1 investments. Typical water and sanitation investments planned for these towns include (i) rehabilitation and construction of new water treatment plants; (ii) replacement and construction of new storage reservoirs; (iii) rehabilitation and construction of transmission and distribution mains; (iv) installation of bulk, district and domestic water meters; (v) construction of new waste water treatment plants; (vi) rehabilitation and expansion of sewer network including individual connections; and (vii) construction of new household, community and mobile toilets.

3. It is proposed that an output based aid (OBA) mechanism will be utilized to increase access to sanitation for the poor and vulnerable populations identified in the four towns. OBA is a results-based financing mechanism where payments of funds or subsidies are linked to the achievement of specified outputs as opposed to traditional inputs. Under the KIUWMIP, OBA will be used for three sanitation components (i) construction and connection to the sewer network of new individual household toilets; and (ii) construction and connection to the sewer network of community and mobile toilets; and (ii) sanitation marketing to promote open defecation free (ODF) communities.

4. The construction and connection of individual household and community toilets will be funded by a grant (USD 1.8 million) that has been secured under KIUWMIP. The sanitation marketing component of the program will be funded under the investment program.

2. Project Rationale

5. The Government of India (GOI) under its National Urban Sanitation Policy has a vision for all towns to become totally sanitized to sustain public health and environmental outcomes for their citizens with a special focus on hygienic and affordable sanitation for the urban poor and women.¹ The main goals of the policy are (i) awareness generation and behavior change; (ii) open defecation free cities; and (iii) integrated city-wide sanitation. To achieve these goals, GOI recognizes the need for state and city level institutions to take initiative as the sanitation situation and constraints of each urban city across India is different. Therefore GOI requires each state and city to develop and implement its own sanitation strategy and city sanitation plan (CSP) respectively to conform to the National Policy.

¹ National Urban Sanitation Policy, Ministry of Urban Development, 2010
(<http://urbanindia.nic.in/programme/uwss/NUSP.pdf>)

6. In the state of Karnataka, regional disparities in toilet access are evident. Whilst recent surveys and 2011 census show that 85% of households in the state have access to toilets within the premises, the inland northern region has the lowest access (66%) than the state average. This region also records highest in open defecation (25%) and direct discharge of wastewater from toilets into open drains. Table 1 provides the distribution of access to sanitation in the four northern region towns targeted for investments under Tranche 1 of the KIUWMIP.

Table 1: Access to Sanitation Facilities in Davanegere, Renebennur, Harihar and Byagdi

Towns	Individual	Shared	Public	None
Davanegere	91%	5%	1%	3%
Renebennur	63%	3%	11%	24%
Harihar	61%	5%	11%	23%
Byagdi	54%	3%	2%	41%

Source: Baseline survey conducted in 2012 by KIUWMIP PPTA team

7. Households that do not have access to sanitation facilities practice open defecation. In Davangere, Renebennur and Harihar low income households that had a monthly per capita expenditure of Rs 0-1,400 did not have access to sanitation facilities. In Byagdi, middle to high income households that had a monthly per capita expenditure of Rs 1,400 to >Rs 2,100 (up to 40% of households surveyed) did not have access to sanitation facilities and preferred to practice open defecation. This was however the view of men, who believed that open defecation was better than having a toilet in/ near the house. This view was however not shared by the women of the same households.

8. Further, access to sewerage system is reported to range between 13% in Harihar, 47% in Ranebennur, 77% in Davangere and none in Byadgi. Lack of house service connections in Ranebennur even in areas where UGD exists and blockages and consequent flooding in Davangere have serious environment and public health implications.

9. Based on the disparity in access to sanitation facilities evident in the four towns, especially amongst the low income households and the need for demand promotion to promote ODF communities, OBA mechanism has been proposed to be used.

10. OBA approaches with their pro-poor targeting have been piloted in several countries and have been shown to improve the targeted and efficient delivery of subsidies to support sanitation services. OBA has typically been used to support services along the sanitation value chain from demand promotion to collection/ access, transport, treatment and disposal/ reuse for poor and vulnerable populations. A major hurdle for the urban poor to obtaining access to sanitation and other basic services is the high initial cost. OBA can reduce this barrier by paying a subsidy to bridge the gap between actual cost and what users are willing to pay. In the case of this project, OBA mechanism has been chosen to increase the access of sanitation to primarily low income households in the four towns through (i) construction and connection to the sewer network of new individual household toilets; (ii) construction, connection to the sewer network and operation of community toilets; and (iii) sanitation marketing to increase demand for toilet construction and use and promote open defecation free (ODF) communities.

3. Other Toilet Programs and Lessons Learned

11. Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC) has successfully implemented toilet programs in several towns under the ADB funded Karnataka Urban Development and Coastal Environment Management Project (KUDCEMP)

and the World Bank funded Karnataka Municipal Reform Project (KMRP). These programs have been implemented using a similar mechanism to OBA for the construction of low cost individual household toilets amongst the lower income groups in several towns in Karnataka.

12. The joint involvement of Urban Local Bodies (ULBs), non-governmental organisations (NGOs) and community based groups contributed to the success of implementing the toilet programs, especially under KUDCEMP. Further, the willingness of the beneficiaries to contribute their share towards the construction of toilets resulted in achieving sustainable use of the toilets.

13. KUIDFC and ADB under KUDCEMP observed that community toilets constructed in the past (under various other schemes) were either abandoned or not maintained overtime due the lack of dedicated resources available for the on-going operation and maintenance. This in particular was the case in towns where there were no onsite or centralize treatment facilities. The 4 towns under project 1 of KIUWMIP will have investments in centralized sewer networks and treatment systems. Therefore it is proposed that community toilets that have been identified to be constructed under the investment program will be connected to the sewer network. Further, a key eligibility criteria for the construction of community toilets will be the development and submission of operational and management plans by the relevant community groups upfront prior to consideration and commitment for construction.

14. Drawing from these lessons learned, the KIUWMIP OBA toilet program guidelines is drafted below.

4. Guidelines for Design and Implementation Arrangements

15. The aim of the KIUWMIP OBA toilet program is to increase the demand and use of properly designed (pour flush or similar) and constructed household and community toilets connected to the sewer network by providing subsidies to low income households.

16. There are also funds available to urban local bodies (ULBs) through various government schemes and programs. CSPs for the towns are either drafted or are in the process of being drafted and provide information on the number of toilets that are likely to be funded through the various government schemes. Based on this information, gaps were identified and estimation was made on the number of toilets that will be covered under the KIUWMIP Tranche 1 through an OBA mechanism. Table 2 provides the number of individual household and community toilets for each town to be covered under KIUWMIP Tranche 1.²

Table 2: Required No. of Toilets at Town Level

Type of Toilets	Davanagere	Ranebennur	Harihar	Byadgi	Total
Individual HH	3805	1425	752	530	6512
Community*	43	120	80	107	350

**Community toilets correspond to the number of seats required in each town. The standard is 8 households per seat.*

² Detailed assessment of individual toilet requirements in the 4 towns is available in, TA 7954-IND Final Report: Annex 6 Social Analysis report dated December 2012.

17. It is estimated that the approximate population to be covered by the OBA toilet is 47,579 (approximately 9,312 households are targeted for toilet coverage) across the 4 tranche 1 towns. For each town it is estimated to be:³

- (i) Davanagere = 19,500 (4,149 households targeted for toilet coverage)
- (ii) Renebennur = 13,356 (2,385 households targeted for toilet coverage)
- (iii) Harihar = 7,516 (1,392 households targeted for toilet coverage)
- (iv) Byadgi = 7,207 (1,386 households targeted for toilet coverage)

18. The cost to construct and connect to the sewer for the various toilets is estimated as follows:

- (i) Individual HH toilets = INR 15,000/ toilet
- (ii) Community Toilets = INR 30,750/ seat (per seat requires an area of approximately 20.5 sqft @ INR 1,500/ sqft)

19. Based on the required number of toilets specified in Table 2 and the cost per toilet construction and connection, it is estimated that the total cost will be INR 10,84,42,500 which is equivalent to USD 2.0 million (based on an exchange rate of USD 1 = INR 54). It is suggested that KIUWMIP will cover 70% of the cost through grant, 20% will be covered through ULB/ Government of Karnataka contribution and 10% will be from beneficiary contribution. A grant of USD 1.8 million has been secured under KIUWMIP for implementing this OBA toilet program.

20. The OBA toilet program will be implemented by the ULBs with assistance from a local NGO and community based groups (newly created or existing). Technical support to the ULBs will be provided by the investment program's project management, design and construction supervision consultants (PMDSCS). Further, the active participation of beneficiaries is critical to the success of the program.

21. ULBs will provide grant subsidies to (i) low income households for construction and connection of individual household toilets to the sewer network; and (ii) low income community groups for the construction and connection of community toilets.

4.1 Roles and Responsibilities of the local NGO

22. The NGO will assist the ULBs to; (i) conduct social surveys and verify existing baseline data to identify OBA beneficiaries in the 4 towns; (ii) facilitate the creation of new community groups (in the absence of existing ones) who will oversee and coordinate the construction of toilets and their connection to the sewer network; and (iii) develop and implement a participatory social sanitation marketing program to increase demand for toilet construction, connection and use and promote open defecation free (ODF) communities through effective hygiene promotion.

23. The NGO will in particular develop and implement social and behavioral change training program on toilet demand creation, social leadership, health, hygiene and sanitation conducted for women and men, including promotion of ODF communities (T: F-50%, M-50%). It is estimated that the NGO will facilitate 100 community based groups, with equal participation of women in each group, formed to promote positive behavior in health, hygiene and sanitation issues (T: Davangere-25, Harihar-25, Ranebennur-25, Byadgi-25)

³ Calculated based on 2011 Census data where household size for Davangere is 4.7, Renebennur is 5.6, Harihar is 5.4 and Byadgi is 5.2.

24. The local NGO will also be responsible for the independent verification of the toilets being constructed for social acceptability during and upon completion of construction and connection to the sewer network.

4.2 Roles and Responsibilities of the Community Based Groups

25. The community based groups will oversee the overall construction and connection of individual household and community toilets with support from the local NGO. The community groups will actively mobilize the toilet program at the community level through active participation in the formulation, design, construction and connection of toilets.

26. The community based groups will be responsible (with support from the NGO) for receiving, assessing and submitting beneficiary applications to the ULBs for final assessment and approval. The community based groups will also monitor progress of construction and connection of toilets under the OBA program.

27. The community based groups will also play a key role as community mobilisers in the sanitation marketing program to be implemented by the NGO.

4.3 Roles and Responsibilities of the PMDCSC

28. The PMDCSCS under the investment program will be responsible for the design of appropriate toilets in liaison with the local NGO and community based groups. The consultants will provide standard certified drawings for toilet construction and connection in accordance to government standards and codes.

29. The consultants will be responsible for the independent verification of the toilets being for technical adequacy during and upon completion of construction and connection to the sewer network. The consultants will also conduct independent verification of the sanitation marketing program that will be implemented by the NGO.

4.4 Roles and Responsibilities of the Regional Project Management Unit (RPMU)

30. The Regional Project Management Unit (RPMU) will engage the local NGO to assist the ULBs to implement the OBA toilet program. The RPMU will also play an overall supervisory role in the implementation of the program.

31. The RPMU will be responsible for the disbursement of grant money to the ULBs (who will make final payment of the grant subsidy to the beneficiaries directly) as OBA targets are achieved.

4.5 Roles and Responsibilities of the Beneficiaries

32. The beneficiaries will be responsible to; (i) participate in household surveys and sanitation marketing program; (ii) apply for OBA subsidy for construction of toilets; (iii) commit to 15% contribution towards the construction of toilets; (iv) commit to the on-going operation and maintenance of toilets; and (v) ensure design and standards of toilets being built are adhered to.

4.6 Implementation of OBA for Individual HH Toilets

33. **Eligibility criteria and application:** The following eligibility criteria applies (i) low income households who have a monthly per capita expenditure of INR 0 to INR 1,400; (ii) the availability of space within or adjacent to the house; and (iii) willingness to bear the 15% beneficiary contribution in terms of labor, materials or cash. The community group and NGO contact the household to confirm OBA eligibility. They discuss the various models and benefits, the cost, grants and ability to pay. The households that are interested apply to the community group for OBA assistance. The community group with support from the NGO assess the applications and submit it to the ULBs for final assessment, selection and confirmation for OBA subsidy. The community group reaches an agreement with the household regarding financing, benefits, and obligations. The household commits to a date by which the substructure of the toilet will be completed. Part of the eligibility agreement includes a requirement for the household to participate in the sanitation marketing program being implemented by the NGO.

34. **Design, Suppliers and Construction:** The construction of individual HH toilets will be the responsibility of the house owner and the water user group will periodically monitor the progress. Individual HH toilets will be full flush toilets. The design of the toilets shall be to GOI standards and technical assistance for quality control will be provided by the KIUWMIP Tranche 1, PMDCSC. The community group issues a stamped voucher for a fixed list of supplies and prices that permits the household to obtain materials and supplies needed from suppliers. The voucher guarantees payment to the supplier within 30 days (payment will be made directly by the ULB to the supplier). Once the substructure of the latrine is completed, the household will send a statement to the water users group regarding completion. The water users group will ask the individual verifier (NGO and the PMDCSC) to verify quality and completion.

35. Alternatively the household can hire a contractor to construct the toilet. In this case the household that receives the certified voucher may provide it to the contractor to procure the supplies and complete the toilets. The household will request an independent verification and upon satisfactory completion the beneficiary is reimbursed from the ULB.

36. **Verification:** Prior to construction, the NGO takes a photograph and provides a brief description of the site to note evidence of current sanitation practices. Independent verification will take place at two instances, once following construction of substructure and after the completion of all construction (superstructure and fittings). After the construction is complete, the household sends a statement to the community group and requests for an independent verification. The PMDCSC inspects the toilet for technical adequacy and the NGO inspects it for social acceptability. The individual verifiers (NGO and PMDCSC) issue a report to the ULB and water users group before any reimbursement is made. 6 months after the completion of the construction the NGO will verify if the toilet is satisfactorily operated and a report will be issued to the ULB and community group.

37. **Payment of OBA Subsidy to the Beneficiary:** The maximum OBA subsidy to be provided for the construction of one household toilet by KIUWMIP is INR 10,500 and by ULB is INR 3,000. The beneficiary will contribute the remainder INR 1,500 either in labor, materials or cash. Following satisfactory construction of the substructure verified by the NGO and PMDCSC, 60% of the OBA subsidy will be provided to the beneficiary. 30% of the OBA subsidy will be released following the satisfactory completion of the superstructure and the balance 10% of the OBA subsidy will be released 6 months after, following independent verification that the toilet is operating satisfactorily. The ULB's with assistance from the NGO and community groups will make direct payment of subsidies at the specified stages to the beneficiaries. Initial disbursement of funds for OBA subsidy for construction and connection of HH toilets will be from the Government. The Government will reimburse expenses from the UFPF grant.

4.7 Implementation of OBA for Community Toilets

38. **Eligibility criteria:** The following eligibility criteria applies (i) low income communities who have a monthly per capita expenditure of INR 0 to INR 1,400; (ii) communities that do not have space for individual household toilets; and (iii) willingness to pay nominal charges (50p/ use or INR 50/ month/ household) towards use and maintenance including submission of operational and maintenance plan. The ULB with support from the NGO contact the community through the community groups to confirm OBA eligibility. They discuss the various models and benefits, the cost, grants and ability to pay nominal charges. The communities that are interested apply to the ULB through the community groups and NGO for OBA assistance. Part of the eligibility agreement includes a requirement for the community to participate in the sanitation marketing program.

39. **Design, Suppliers and Construction:** The ULB will engage a service provider or the community group to construct, operate and maintain the community toilets. The ULBs will periodically monitor the progress. Community toilets will be full flush toilets or similar. The design of the toilets shall be to GOI standards and technical assistance for quality control will be provided by the KIUWMIP Tranche 1, PMDCSC. The ULB will enter into a build and operate contract with a certified service provider or the community group. The ULB issues a stamped voucher for a fixed list of supplies and prices that permits the service provider or the community group to obtain materials and supplies needed from suppliers. The voucher guarantees payment to the supplier within 30 days (payment will be made directly by the ULB to the supplier). Once the substructure of the toilets is completed, the service provider or the community group will send a statement to the ULB regarding completion. The ULB will ask the individual verifier (NGO and the DSC) to verify quality and completion.

40. **Verification:** Prior to construction, the NGO takes a photograph and provides a brief description of the site to note evidence of current sanitation practices. Independent verification will take place at two instances, once following construction of substructure and after completion of all construction (superstructure and fittings). After the construction is complete, the service provider or community group sends a statement to the ULB and requests for an independent verification. The PMDCSC inspects the toilet for technical adequacy. And the NGO inspects it for social acceptability. The individual verifiers (NGO and DSC) issue a report to the ULB before any reimbursement is made. 6 months after the completion of the construction the NGO will verify if the toilets are satisfactorily being operated and maintained and a report will be issued to the ULB.

41. **Payment of OBA Subsidy to Service Provider/ Community Group:** The maximum OBA subsidy to be provided for the construction of community toilets by KIUWMIP is INR 21,525/ seat and by ULB is INR 6,150/ seat. The beneficiaries will contribute the remainder INR 3,075/ seat either in labor, materials or cash. Following satisfactory construction of the substructure verified by the NGO and PMDCSC, 60% of the OBA subsidy will be provided to the service provider or community group. 30% of the OBA subsidy will be released following the satisfactory completion of the superstructure and the balance 10% of the OBA subsidy will be released after 6 months following independent verification that the toilet is operating satisfactorily. The ULB's with assistance from the NGO will make direct payment of subsidies at the specified stages to the service provider/ community group. Initial disbursement of funds for OBA subsidy for construction and connection of community toilets will be from the Government. The Government will reimburse expenses from the UFPF grant.

4.8 Implementation of OBA for Social Sanitation Marketing

42. The local NGO will develop and implement a participatory social sanitation marketing program.

43. **Eligibility:** All toilet-less households in all 4 towns despite socio-economic status will be targeted for this component.

44. **Type of service delivery and outputs:** The ULB will engage the NGO through a performance based contract (lump sum) to implement a participatory community based social sanitation marketing program. The ULB will monitor the progress of the contract periodically.

45. The NGO will need to achieve the following 4 outputs following implementation of the program:

- (i) Output 1 - Conduct social and behavioral change training program on toilet demand creation, social leadership, health, hygiene and sanitation for women and men, including promotion of ODF communities of targeted households (T: F-50%, M-50%).
- (ii) Output 2 - 10% of low income (average monthly income INR 0 – INR 1,400) participants build/ rehabilitate individual household or community toilets following the program.
- (iii) Output 3 - 20% of middle income and high income (average monthly income >INR 1,400) participants build/ rehabilitate individual household or community toilets following the program.
- (iv) Output 4 - 40% of targeted households become ODF at the completion of the program.

46. **Verification:** The PMDCSC will conduct the independent verification. At start up, the consultant will verify the participation level of targeted households. Once target participants build/ rehabilitate individual or community toilets, the NGO will notify the ULB. The PMDCSC will inspect the toilets for technical adequacy and social acceptability. At the end of the program the PMDCSC will independently verify the percentage of participants who become ODF. Independent verification reports will be submitted to the ULB.

47. **Performance based payment:** The RPMU will release payment to the NGO as key outputs are being achieved. The following payment schedule is proposed:

Stage of Release of Payment to NGO	Percentage of Lump Sum Fee to be Released
NGO mobilisation (upfront)	10%
Achievement of Output 1	40%
Achievement of Output 2	20%
Achievement of Output 3	20%
Achievement of Output 4	10%

5. Conclusion

48. These guidelines have been proposed for the OBA mechanism which will be utilized to increase access to sanitation for the poor and vulnerable populations identified in the four towns under KIUWMIP Tranche 1. The guidelines have been developed based on the review of learning from past sanitation programs implemented by KUIDFC and various OBA literature.

Therefore the acceptance of these guidelines is subject to further discussions with the executing agency and relevant stakeholders of the KIUWMIP.

APPENDIX 4: PROJECT READINESS CHECKLIST (as of 18 February 2014)
Karnataka Integrated Urban Water Management Investment Program – Tranche 1

Sl. No.	Milestones	Action points	Responsible agency	Status / Projected date for meeting readiness milestone
1	Before loan fact-finding mission of ADB	PPTA, if any, is substantially completed	ADB/EA	Completed
		1.2 Feasibility study report and preliminary design completed	EA	Completed
2	Before loan appraisal mission of ADB	2.1 Concurrence of the line Ministry/Competent Authority	Line Ministry/ DEA	Obtained
		2.2 Approval under FRBM Act from Deptt of Expenditure	EA	Obtained
		2.3 Approval for Govt of India guarantee by Budget Division, if required	DEA	Obtained
		2.4 Commitment to provide counterpart funds	EA	Secured
		2.5 Budgeting for at least 30% of land acquisition and resettlement requirements completed, if any.	EA	A provision of Rs 30 crores has been made in the Budget for FY 2013-2014.
		2.6 Designation of PMU/PIUs staff completed and core staff for the project assigned	EA	CPMU established at KUIDFC, Head Office, Bangalore. RPMU & PIUs created, to be staffed.
		2.7 Procurement plan for the project detailing contract packages, modes of procurement, pre-requisites for awarding the contracts, approval flow chart, decision making structure and schedule for each contract be in place	ADB/EA	Completed
		2.8 Terms of reference (TOR) for all consultancy contracts including Project Management consultants, shortlist of consultants/consulting firms and documents for prequalification of contractors are prepared and approved/reviewed by ADB	ADB/EA	TORs prepared. Standard Bidding document of Sewerage approved by ADB.
		2.9 Environmental Management Plan (EMP) for the first two years of project implementation be finalized. Complete IEE/EIA and secure ADB approval	ADB/EA	IEEs completed. Minor updates may be required for few subprojects after completion of DPRs
		2.10 Relief & Resettlement Plan for the first two years of the project implementation should be finalized and confirmation regarding R&R activities are aligned with the Procurement Plan be conveyed.	ADB/EA	RP prepared as part of the feasibility and being updated as part of detailed design.

Sl. No.	Milestones	Action points	Responsible agency	Status / Projected date for meeting readiness milestone
3	Before loan negotiations	3.1 Bidding documents for all contracts, including criteria for consultant recruitment and procurement, to be awarded during first 12 months of project implementation should be prepared, approved and issued. Issue of RFP for consultants and calling of bids for civil works	ADB/EA	PMDCSC & FMIDC Consultants shortlisted, RFPs issued, proposals received and under evaluation by CSC. NCB Bidding documents for small civil works approved by ADB.
		3.2 Project Implementation Plan/ Administration Manual/ Memorandum covering scope, organization and its TOR, procurement, budgeting, disbursement, reporting and auditing arrangement be finalized.	ADB/EA	FAM prepared as part of Loan Fact Finding. To be discussed and finalised during loan negotiations.
		3.3 At least 50% of land acquisition (if required) to be completed	EA	72% of land available with the ULBs. Subprojects tendered/ for immediate tendering do not require land.
		3.4 Establish (a) financial management system (b) auditing arrangement (c) fund flow arrangement (d) system of oversight.	ADB/EA	Established.
		3.5 All Statutory clearances like environmental/forest clearances to be in place	EA	CFEs for STPs in process. No forest dept. clearances required.
		3.6 Administrative clearances for temporary use of land i.e. right of way taken	EA	Further action will be taken by the ULBs as per the provisions in the Municipal Act.
		3.7 Administrative approval for shifting of utilities taken	EA	Will be obtained wherever required.
		3.8 At least 30% of the tendering work should be completed for awarding	EA	Two packages amounting to 30% of the total contract value for civil works under the loan have been tendered. 1. Harihara sewerage: Bids

Sl. No.	Milestones	Action points	Responsible agency	Status / Projected date for meeting readiness milestone
				invited on 30 December 2013. 2. Davangere sewerage : Bids invited 3 February 2014.
		3.9 Provision of budget for project implementation in first financial year	EA	A provision of Rs 30 crores has been made in the Budget for FY 2013-2014.

APPENDIX 5: TEMPLATE OF FINACIAL STATEMENTS

Name of the Executing Agency
Name of the Implementing Agency
Name of the Project
Loan/Grant No.

STATEMENT OF RECEIPTS AND PAYMENTS REPORT FOR THE YEAR/PERIOD ENDED XX, XXXX

in (INR) '000

Particulars	Note Reference	During the Current Year	During the Previous Year	Cumulative Project to Date
		for 12 month period	for 12 month period	As at [end of CURRENT year]
Opening balance¹ (A)				
Receipts				
Funds received from Government ²	4			
ADB Loan ³	6			
ADB Grant ³	6			
Co-financier 1	7			
Co-financier 2	8			
Beneficiary contribution (if any)	9			
Other receipts such as interest income, sale from disposals of fixed assets, etc.	10			
Total Receipts (B)				
Total (C = A + B)				
Payments				
Investment Costs⁴	11			
Civil Works				
Mechanical and Equipment				
Environment and Social Mitigation				
Consultants				
a. Project Management				
b. Capacity Development				
Others				
Subtotal (D)				
Recurrent Costs	12			
Salaries				
Accommodation				
Equipment Operation and Maintenance				
Others				
Subtotal (E)				
Total Payments				
Financing Charges During Implementation (F)	13			
Total Project Cost (G = D + E + F)				
Closing Balance (C – G)				

¹ If cash balance are controlled by the entity, indicating cash balance, imprest account and SGIA balance separately

² These will include external assistance received by Government for the project.

³ This shall include amounts received in the Bank Account as well as amounts deemed to be received against direct payments made by ADB to the suppliers of goods and services under Direct Payment procedure and Commitment Letter procedure

⁴ Expenditure categories are based on the cost allocation table as per Loan/Grant Agreement

Notes 1 to x of the financial statements form an integral part of these financial statements

Name of the Executing Agency
Name of the Implementing Agency
Name of the Project
Loan/Grant No.

STATEMENT OF EXPENDITURE BY CATEGORY AND FINANCIER
REPORT FOR THE YEAR/PERIOD ENDED XX, XXXX

in (INR) '000

Particulars	ADB ⁴			Co-Financier		Government		Total Expenditure 8
	Percentage of financing ¹ 1	Actual Expenditure		Actual Expenditure		Actual Expenditure		
		Amount 2	% 3	Amount 4	% 5	Amount 6	% 7	
Investment Costs²								
Civil Works								
Mechanical and Equipment								
Environment and Social Mitigation								
Consultants								
a. Project Management								
b. Capacity Development								
c. Others								
Subtotal (A)								
Recurrent Costs								
Salaries								
Accommodations								
Equipment Operations and Maintenance								
Others								
Subtotal (B)								
Total Cost (C=A+B)³								
%Total Project Cost								
Total Project Cost for [insert prior year period]								

¹ The financing percentages for ADB funds should directly correlate to the financing percentages in the allocation table(s) of the financing agreement(s).

² Expenditure categories are based on the cost allocation table as per Loan/Grant Agreement

³ The figures shown against various categories of expenditure should agree with the current year's payment in Annexure 1, Statement of Receipts and Payments.

⁴ This shall include total expenditure claimed from ADB under various disbursement procedures, i.e. direct payment, reimbursement, imprest account and commitment letter.

Notes 1 to x of the financial statements form an integral part of these financial statements

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]
Loan/Grant No.

FOR THE YEAR ENDED [YEAR END DATE]

Statement of Disbursement

Details of the disbursement by method are given below:

in (INR) '000

Statement of Disbursement	Note	Current Year	Prior Year	Cumulative Project to Date
ADB Fund claimed during the year				
Reimbursement ³	6.1	10		
Imprest Fund ³	6.2	10		
Direct Payment	6.3	10		
Commitment Letter	6.4	10		
Subtotal	(A)	40		
Total Expenditure made during the year¹	(B)			
Less:				
Expenditure not yet claimed	(C)			
Borrower's share ²	(D)			
Total Eligible Expenditure claimed (B – C – D = E = A)	(E)			

¹ The total expenditure as per Statement of Receipts and Payments.

² This should tally with the Government share included in Statement of Expenditure by category and financier (Column 6)

³ Includes both claims using SOE and full supporting documentation

Notes 1 to x of the financial statements form an integral part of these financial statements

[NAME OF THE COUNTRY/IMPLEMENTING AND EXECUTING AGENCY]

[NAME OF THE ENTITY/PROJECT]

[ADB LOAN REFERENCE]

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED [YEAR END DATE]**

1. Project Nature and Activities

1.1 *Description of the Project, the nature of activities, commencement and expected completion dates. Mention location, domicile, legal form, controlling IA/ EA, brief nature of the project outputs,*

1.2 Give legislative framework

Insert as relevant

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in India. This refers to the cash basis of accounting applied with due regard to the General Financial Rules, PWD Codes, Treasury Codes, and similar financial rules and codes as are in effect and applicable to the operations of the Project.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Statements

This comprises of the Statement of Receipts and Payments, the Statements of Expenditure by Category and Financier, the Statement of Disbursement and related notes and appendices to the financial statements

3.2 Basis of measurement

Financial statements have been prepared under the historical cost convention and on *[cash/ accrual]* basis of accounting

3.3 Changes in Accounting policies

Describe changes in accounting policies, if any

3.4 Fund Flow mechanism

Describe the fund flow mechanism, in particular, whether the IA/EA control funds or whether all payments are centralized

3.5 Advances and other receivables

Describe treatment of advances against expenditures

3.6 Cash and cash equivalents

Cash equivalents comprise [define components of cash]. Explain if the entity controls unspent advances, only petty cash, or has a nil balance, as applicable

3.7 Accrued and other liabilities

Disclose any major liabilities which have not been accrued under the cash basis policy

3.8 Income

- i) Describe nature of different types of income and how they are recognised. For example grants, sale of proceeds of fixed assets, interest income on bank accounts etc.*
- ii) [Include if applicable] Free of cost office space, electricity and certain other services provided by {insert name} are not valued and accordingly, are not recognized in these financial statements as income of the Project.*

3.9 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Project are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Indian Rupee (INR).

(b) Transactions and balances

Transactions in foreign currency are converted at the exchange rate prevailing at the date of transaction. Foreign currency bank balances are re-stated at the year end rate, and the resulting gains/losses are recognized in the statement of receipts and payments account. Conversion Rate: USD \$ 1 = INR ____ as of 31 March ____

3.10 Allocation of Common Costs

Describe how common costs are allocated to different output/activities

3.11 Interest Expenses and Financial Charges

Describe how financial charges are treated and recorded. For example if these are not allocated to the Project by the CAA.

4. Funds Received from the Government

Give details of the government budgeting and funding mechanism

	in (INR) '000		
	Current Year	Prior Year	Cumulative Year to date
Government Counterpart funding Amount Reimbursable to Government			
Total	=====		

5. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the _____
of _____ on

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]

Loan/Grant No.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED [YEAR END DATE]**

6. Funds Received from ADB

Give key terms and conditions of the loan, including date of loan agreement, loan effectiveness date, key terms and conditions, disbursement schedule, commitment fee and interest rates etc.

in (INR) '000

ADB Source of Funds – Method of Withdrawal	Note Reference	During the Current Year	During the Previous Year	Cumulative Project to Date
ADB Loan				
- By Reimbursement Method	6.1			
- By Imprest Account ¹	6.2			
- By Direct Payment	6.3			
- By Commitment Procedure	6.4			
ADB Loan Total				
ADB Grant				
ADB Loan and Grant Total				

¹ This should agree with the advances/replenishments net of refunds in Statement 6.2.

6.1 Funds Received from ADB through Reimbursement Method

Give details, if necessary

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]

Loan/Grant No.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED [YEAR END DATE]

6.2 Reconciliation of the Imprest Account and the Bank Statement is given below

STATEMENT OF IMPREST ACCOUNT
FOR THE YEAR/PERIOD ENDED XX, XXXX.

		in (INR) '000	
		Prior Year	Current Year
Balance brought forward from previous period		100	140
Add:			
Advance ¹		200	200
Replenishment received during the year/period ¹			
Interest Earned		10	10
Subtotal (A)		310	350
Deduct:			
Payments made during the year/period		150	150
Replenishment /Liquidation ¹	50		
Expenditure yet to be claimed	100		
Amount refunded during the year/period		20	20
Closing Balance (B)		140	180
As per bank statement (copy attached)		140	180

1 Withdrawal application-wise references required

6.2.1 The US \$ equivalent notational amount held at the RBI in respect of the above Imprest Account balance is _____ US \$ (bank statement attached)

6.3 Details of Payments made directly by ADB are given below

(Add relevant details here)

6.4 Details of payments made through commitment procedure

(Add relevant details here)

6.5 Details of Grants

(Give relevant details for grants)

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]

Loan/Grant No.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED [YEAR TO DATE]

6.6 Details of disbursement claimed under the Statement of Expenditure (SOE) Procedure are given below

**DISBURSEMENT CLAIMED UNDER STATEMENT OF EXPENDITURE (SOE) PROCEDURE
 FOR THE YEAR/PERIOD ENDED XX, XXXX**

in (INR) '000

W/A No.	SOE Sheet No. 2	Category 3	Total Amount Paid 4	ADB Financing % ¹ 5	Net Eligible Expense 6 (4x5)	Amount Reimbursed 7	Imprest Fund Replenished/ Liquidated 8	Total Disbursement Using SOE Procedure 7 + 8 = 9
00001	1	Civil Works	100	80%	80	60	20	80
	2	Mechanical and Equipment						
00002	1	Consultants						
	2	Salaries						
	3	Accommodation						
00005	1	Environment and Social						
	2	Mitigation						
		Equipment Operation and Maintenance						
		Total						
		Total for [prior year]						

¹ The financing percentages within the table for ADB funds are as per loan agreement Schedule 3.

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]

Loan/Grant No.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED [YEAR END DATE]

in (INR) '000		
Current Year	Prior Year	Cumulative Project to Date

7 – 13

If any of the amounts given on the Statements of Receipts and Payments require further detail or Break-down, provide this here against relevant Note

Name of the Executing Agency
Name of the Implementing Agency
Name of the Project
Loan/Grant No.

STATEMENT OF APPROPRIATION VS. ACTUAL

[illegible]

Name of the Executing Agency
Name of the Implementing Agency
Name of the Project
Loan/Grant No.

EXPENDITURE BY OUTPUT COMPONENTS

In INR '000															
	Unallocable common costs			Output 1 ¹			Output 2			Output 3			Total Expenditure		
	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date
Investment Costs															
Civil Works															
Mechanical Equipment															
Environment and Social Mitigation															
Consultants															
a. Project Management															
b. Capacity Development															
Others															
Subtotal (A)															
Recurrent Costs															
Salaries															
Accommodation															
Equipment Operation and Maintenance															
Others															
Subtotal (B)															
Total Cost (C=A+B)															
% Total Project Cost															

¹ Allocate the expenditure to the different Project Output Components as per the Loan Agreement. Add as many columns as required. For common costs allocated, specify the sharing ratios in the note 3.10

APPENDIX 6: PROCUREMENT CAPACITY ASSESSMENT REPORT AND RECOMMENDATIONS

Proposed Project Name: Karnataka Integrated Urban Water Management Investment Program		Proposed Amount: \$75million
Executing/Implementing Agency: Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC), Government of Karnataka		Source of Funding: Ordinary Capital Resources
Assessor: Saugata Dasgupta		Date: April 2013
Expected Procurement The procurement under project 1 of the proposed Investment Program will mainly consist of 3 international competitive bidding (ICB) and 5 national competitive bidding (NCB) works contract packages for up-gradation and expansion of the municipal water supply and sewerage system for the project towns. This will be supported by the procurement of consulting services (project management consultants, design and supervision consultants, capacity building consultants, water auditor, community awareness and non-government organization)		
General Procurement Environment Assessment		
<u>Risk Assessment</u> Low	<u>Summary of Findings:</u> The proposed project is a state and municipality-level project; and the state rules and regulation will govern its implementation. The state's procurement rules and regulations are comparable to ADB's procurement policies. Government of Karnataka has developed its own standard documents for procurement of goods, works and consultants, under Karnataka Transparency in Public Procurement Act. These are mainly used for the government funded projects. While implementing projects of multilateral institution, KUIDFC and municipalities follow the procurement procedure and use procurement documents of the funding agency. For the proposed project KUIDFC and the municipalities have agreed to: (i) use ADB's standard bid documents and procedures for procurement of ICB and NCB contracts; and (ii) recruit consultants using ADB's consultant selection procedures. To ensure wider dissemination of procurement information, KUIDFC publishes procurement notices in the leading national newspapers and its website and outcome of all procurement are also disclosed in KUIDFC's website upon completion of the process.	
Organizational and Staff Capacity		
<u>Risk Assessment</u> Low	<u>Summary of Findings:</u> KUIDFC, the executing agency of the project, was established in 1993 for implementation of Karnataka Urban Infrastructure Development Project, ADB's first urban project in India. Over the last 20 years, it has grown in strength with the execution of 3 ADB and 2 World Bank assisted urban projects. The agency is headed by managing director and reporting to its Board. The KUIDFC board has seven directors, represented by head of various state departments. KUIDFC's technical team comprises 180 full time engineers led by two chief engineer level officers. Similarly the Finance department comprises 54 full time qualified accountants headed by two senior accounting officers. Since its establishment, KUIDFC has successfully procured and administered about 500 contracts in accordance with ADB/ World Bank guidelines. For the execution of the project a separate project management unit (PMU) will be created under KUIDFC. The PMU will be headed by a civil servant and it will have about six fulltime technical staff, of which 2 staff will be dedicated for procurement activities. Municipalities will establish town level PIUs with its own staff and staff deputed from KUIDFC. PMU and PIU will be supported by the procurement and technical experts of the project consultants. The staff of PMU and PIUs, who are not familiar with ADB procurement procedures, will attend training programs regularly organized by the Indian Resident Mission. KUIDFC has a well-established bid approval procedure for the ongoing ADB assisted program (NKUSIP), same will be used for the project.	
Information Management		
<u>Risk Assessment</u> Low	<u>Summary of Findings:</u> The signed original contract and the evaluation reports will be retained for at least two years after project completion. In addition to these two documents, KUIDFC also retains copy of the original invitation document, winning bid or proposal, and contract administration papers. KUIDFC has recently initiated a program to archive the electronic copy of all procurement documents with given specific number and referenced properly.	

Procurement Practices: <i>Procurement of Goods and Works</i>	
Risk Assessment: Low	<p><u>Summary of Findings:</u></p> <p>KUIDFC has already procured and administered more than 300 goods and works packages following ADB procedures under Loan 1415, Loan 1704 and NKUSIP. No mis-procurement or deviation from ADB's guidelines has been reported. KUIDFC, for implementation of NKUSIP, where similar implementation arrangement has been followed, sets out procedures for procurement. The same procedures will be used for the project. Under NKUSIP, ADB noted few delays in KUIDFC's internal decision making process while finalizing the procurement decision. For the proposed project KUIDFC has agreed to take actions to complete procurement process within bid validity period. ADB assesses that there is no foreseeable risk envisaged for procurement of works and goods.</p>
Procurement Practices: <i>Consulting Services</i>	
Risk Assessment: Low	<p><u>Summary of Findings:</u></p> <p>KUIDFC has selected and administered more than 15 consulting contract packages under Loan 1415, Loan 1704 and NKUSIP, of which 10 are major packages (contract amount more than \$2 million and duration more than 5 years). KUIDFC faced some difficulties in consultant management due to high turnover of personnel in consulting firms and poor quality of some experts. To mitigate the risk KUIDFC will (i) stipulate specific provision for replacement of experts in agreement with ADB and (ii) adopt QCBS with 90:10 ratio instead of standard 80:20. Overall it is assessed that KUIDFC has now gained adequate experience in selection and management of consultants following ADB procedures.</p>
Effectiveness	
Risk Assessment: Low	<p><u>Summary of Findings:</u></p> <p>KUIDFC has full autonomy and decision making power on procurement and project management. As practiced during implementation of past ADB projects, evaluation will be carried out by the tender evaluation committee (TEC) within the PIU and will be approved by the KUIDFC's empowered committee, headed by Additional Chief Secretary Level officer. KUIDFC provides on job training to all the members of the TEC and send them to procurement training organized by INRM. KUIDFC's accounting system is independent, and payments and disbursements are being processed and made from the head office in Bangalore.</p>
Accountability Measures	
Risk Assessment: Low	<p><u>Summary of Findings:</u></p> <p>The process control and oversight mechanism of any public sector investment are stipulated in the state government's and national codes. KUIDFC will also falls under their preview. These procedures are robust and time tested. It was observed that those procedures facilitate compliance with ADB's procurement policies. Results of procurement are disclosed on the project's web site.</p>
Summary Assessment	
<p>The overall procurement risk for the proposed project is low considering the following:</p> <ul style="list-style-type: none"> (i) KUIDFC has grown in strength with the execution of 3 ADB and 2 World Bank assisted projects in last 20 years and successfully procured and administered about 500 contracts in accordance with ADB/ World Bank guidelines. (ii) KUIDFC has well established and proven system for internal decision making process and majority of the technical staff are familiar with ADB's procurement procedures. (iii) Being a corporate body, KUIDFC enjoys the flexibility to adopt professional approach in management and administration; and this enables KUIDFC to recruit the required human resources from open market. (iv) KUIDFC, as a government undertaking, it comes under the oversight mechanism of the government, which is quite robust and time tested. <p>However, the capacity of the participating municipalities, particularly its technical staff who will be part of PIUs, needs strengthening. To provide handholding support to town level PIUs following measures have been suggested:</p> <ul style="list-style-type: none"> • KUIDFC will depute its experienced and qualified technical staff in each PIU. They will be part of PIU's TEC. • The TORs of project consultants' will have sufficient person months' for procurement experts and will support PMU and PIUs in procurement and administration of project. • ADB will provide a staff consultant to provide handholding support, particularly to the PIUs, during initial project period. • KUIDFC with the support of ADB will organize project specific project implementation cum business opportunity seminar. • KUIDFC will send project staff to attend regular training programs organized by ADB, INRM. 	

Specific Recommendations, Project Implementation		
Risks	Recommended Action	Responsibility and comment
Considering the experiences accumulated by KUIDFC in last 20 years, there is no major risk identified.	Organize project specific project implementation cum business opportunity seminar.	KUIDFC with the support of ADB
Capacity Constraint	Recommended Action	Responsibility and comment
Considering the experiences accumulated by KUIDFC in last 20 years, there is no major risk identified. However, capacity of town level PIUs, particularly the staff deputed from municipalities, is limited.	<ul style="list-style-type: none"> • Depute experienced and qualified technical staff in each PIU and ensure that they are part of TEC • Send project staff to attend regular training programs organized by ADB, INRM. • Organize project specific project implementation cum business opportunity seminar. • Provide staff consultant to provide handholding support, particularly to the PIUs, during initial project period • Keep sufficient person months' for procurement experts in the TORs of project consultants' to support PMU and PIUs in procurement and administration of project. 	<p>KUIDFC.</p> <p>KUIDFC</p> <p>KUIDFC with the support of ADB</p> <p>ADB</p> <p>KUIDFC and ADB</p>
General Recommendations, EA/IA		
Risks/Capacity Constraint	Recommended Action	Responsibility and comment
In the ongoing NKUSDIP some delays in KUIDFC's internal decision making process were observed while finalizing the procurement decision. This has resulted need for extension of bid validity and delay in contract award.	Prepare guideline with a time frame for completing each steps of procurement activities and responsibility matrix to ensure timely award of contracts as well as completion of project.	KUIDFC with the guidance from the loan processing team.
General Recommendations, Procurement Environment		
Risk/Capacity Constraint	Recommended Action	Responsibility and comment
No major risks and constraint are identified.	None	None

e-GP System Assessment Report

Karnataka Integrated and Sustainable Water Resources Management Investment Program

September 6, 2013

Table of Contents

1	Introduction	2
2	Procurement in KNNL and KUIDFC.....	3
2.1	KNNL.....	3
2.2	KUIDFC	3
3	Assessment Methodology.....	5
4	About GoK's e-Procurement System	6
4.1	Government Organization Creation.....	7
4.2	Government User ID Creation and Management	8
4.3	Supplier User ID Creation and Management	8
4.4	Estimate Preparation and Tender Publication	10
4.5	Bid Submission	11
4.6	Tender Opening and Evaluation.....	13
4.7	Award of Contract.....	14
5	Reliability and Security.....	16
6	Governance Mechanism, Training and Change Management	17
6.1	Governance Mechanism Adopted for Implementation.....	17
6.2	Training	17
6.3	Help-Desk Setup.....	17
6.4	Support Services.....	18
7	Suggestions for Using GoK's e-Procurement Software.....	19
8	e-GP Specific Clauses in Standard Bid Document	20
9	System Related Risks.....	22
9.1	Criticality – High	22
9.2	Criticality – Medium.....	22
9.3	Criticality – Low	23
10	Clarifications / Confirmation Required	24
10.1	Center for e-Governance	24
10.2	ADB, KNNL and KUIDFC.....	25
11	Annexure.....	26
11.1	Supplier Registration.....	26
11.2	Government Organization Creation.....	26
11.3	Supplier Registration.....	27
11.4	Estimate Preparation and Tender Publication.....	28

1 Introduction

The Karnataka Integrated and Sustainable Water Resources Management Investment Program is designed to enhance availability of water resources in selected river basins in Karnataka. This program is being implemented by the Water Resources Department (WRD), the State Government of Karnataka. The Irrigation component and the Urban Water Supply and Sanitation (UWSS) components in this Program are implemented by Karnataka Neeravari Nigam Limited (KNNL) and Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC), respectively.

The Asian Development Bank (ADB) is co-funding this Program as given below:

- (i) USD 150 Million for Irrigation Component
- (ii) USD 150 Million for the UWSS Component

The Government contribution for each of the 2 components is USD 75 Million. Thus, USD 450 million worth investments will be made under this Program. This program is scheduled to be implemented during 2014 – 2021.

Both KNNL and KUIDFC are already using the e-Procurement platform implemented in the State Government of Karnataka (GoK) for their routine procurement activities. Center for e-Governance (CEG) is designated as the nodal agency for implementation of e-Procurement in GoK. The GoK selected a Private Partner through a tendering process to provide e-Procurement as a service in Public-Private-Partnership (PPP) model. The Karnataka Transparency in Public Procurement (KTPP) Act was duly modified in 2007 to enable implementation of a single unified e-Procurement platform by all government procurement entities in the State of Karnataka. The e-Procurement platform of the GoK went live in November 2007, wherein a Government entity was notified under provisions of the KTPP Act to use the e-Procurement platform. Since then, more departments including KNNL and KUIDFC joined the platform and use it to process pre-tendering and tendering activities.

The assessment of GoK's e-Procurement system is done to verify compliance to the e-Tendering guidelines laid down by the Multi-lateral Development Banks (MDB) and e-Procurement related conditions in Project Administration Instructions of the ADB.

The following key details are provided in this report:

- (i) An overview of the procurement procedure adopted in KNNL and KUIDFC
- (ii) Methodology adopted for assessment of the e-Procurement system
- (iii) Overview of GoK's e-Procurement system
- (iv) Reliability and Security in GoK's e-Procurement system
- (v) Suggestions for using GoK's e-Procurement system
- (vi) e-Procurement related Standard Bid Documents (SBD) clauses
- (vii) Known risks
- (viii) List of clarifications / confirmations sought about GoK's e-Procurement system

2 Procurement in KNNL and KUIDFC

2.1 KNNL

Procurement of works, goods and services is envisaged under this Program as given below:

- (i) Civil Works tender in Gondi
- (ii) Procurement of Goods for installation of Telemetry
- (iii) Procurement of Project Support Consultants

Financial delegation of powers in KNNL for Technical sanction and approval of Draft Tender Schedule (DTS) is given below:

- (i) Executive Engineer (EE) = < USD 0.1 Million (Approx. INR 60 Lakhs)
- (ii) Superintendent Engineer (SE) = USD 0.1 – 0.5 Million (INR 60 Lakhs – 3 Crores)
- (iii) Chief Engineer (CE) = USD 0.5 – 1 Million USD (3 Crores – 6 Crores)
- (iv) Technical Sub Committee (TSC) = > 1 Million USD (> INR 6 Crores); Managing Director, KNNL is a member of TSC

Both Gondi Civil works procurement and Telemetry procurement will be higher than 1 Million USD, hence TSC will provide Technical sanction and DTS approval.

The Gondi civil works tender will be published by the Executive Engineer, Bhadravati, under whose jurisdiction the work will be executed. Work estimate for the Gondi civil works tender will be prepared mostly from the Schedule of Rates (SoR) of the Water Resources Department.

The tenders for Telemetry and Project support consultants will be published by the Managing Director, KNNL.

Bidders shall submit their bids in two envelopes viz. Technical and Financial. The results of tender evaluation for both Gondi civil works and Telemetry tenders will be submitted to the TSC for approval. A separate committee will be constituted for approval of the Services tender.

KNNL is already using the GoK's e-Procurement platform. Key officials in the department are already trained in using the e-Procurement platform and own Digital Signature and Digital Encryption certificates required.

A few works contracts will be assigned directly to Water Users Cooperative Societies (WUCS). About 125 WUCS will be involved in this project, of which some WUCS can get more than one contract. The contract(s) assigned to WUCS will not be tendered as value of a contract under WUCS procurement will not ordinarily exceed 5 Lakhs.

2.2 KUIDFC

Procurement of 8 works tenders is envisaged under this program, of which 3 tenders will be large sized (i.e. prospective International Competitive Bidding (ICB) tenders). Expression of Interest (EoI) route is adopted for procurement of consultancy services. KUIDFC has already published two EoI's for procurement of consultancy services. Such consultancy procurement will be National Competitive Bidding (NCB) tenders.

The administrative sanction for all the tenders will be provided by the Steering / Empowered Committee chaired by the Chief Secretary or the Additional Chief Secretary. Chief Engineer is the designated authority to provide Technical Sanction for all the tenders.

Work estimate for the tenders will be prepared primarily based on Karnataka Urban Water Supply and Drainage Board (KUWSDB) and Public Works Department (PWD) SoR's. The preparation of work estimates is done by the Project Implementation Unit (PIU). This project will have 3-4 PIU's in Davanegere, Harihar, Ranibennur and Byadagi.

The team deployed for the project is from KUIDFC is as given below:

- Assistant Executive Engineer (5)
- Executive Engineer (2)
- Chief Engineer (1)
- Managing Director (1)

The Chief Engineer heads the Regional office in Hubli and the Managing Director sits out of the Head office in Bangalore. Results of evaluation of the technical proposals received in response to the tenders are submitted to a Technical committee for approval. Chief Engineer will be a member of this Committee.

KUIDFC is already using the e-Procurement platform for World Bank assisted projects.

3 Assessment Methodology

The e-Tendering requirements of the ADB are prepared by consolidating the following reference documents:

- a) MDB's e-Tendering guideline
- b) Section 2.12 (b) of ADB's Procurement guideline and
- c) ADB's Project Administration Instruction guidelines

This consolidated requirement was shared with both KNNL and KUIDFC seeking their response to the same. As most of the requirements are technical in nature, both the departments forwarded the questionnaire to CEG for inputs.

A representative from CEG provided response to the consolidated requirements on the 12th of July 2013. The Consultant reviewed the response provided by CEG and visited on-site in the 3rd week of July to discuss the response in detail and view demonstration of the system. This demonstration was provided in a test server used by the e-Procurement team for training activities. Subsequently, the CEG team shared selected screenshots sought by the Consultant on the 27th of July.

The Consultant could assess and judge the system only from visual demonstration of the functionalities and only to the extent functionalities could be demonstrated within the short time he was on-site. The primary objective of the assessment exercise is to verify compliance of e-GP system to the ADB's e-Tendering requirements. Besides that, the Consultant studied the e-Procurement system in detail to understand the process to configure KNNL's and KUIDFC's operations within this system. Also, the consultant advises KNNL and KUIDFC to use the system in a certain way, so as to satisfactorily address the e-Tendering requirements of the ADB. Further, the Consultant critically evaluated the system to identify areas which could possibly go wrong. As a precautionary measure, incorporation of certain clauses in the Standard Bid Document (SBD) is recommended. Few of the clauses proposed are specific to GoK's e-Procurement system.

As per Section 9.2 of MDB's e-Tendering assessment requirement, *"there shall be no outstanding audit issues that represent material risk to the integrity or security of any project."* A key fundamental assumption of this assessment is that integrity and security related issues will have been audited (i.e. by verification of key activities in the file / database level, where the data is stored) in detail by a 3rd party agency. A report by the audit agency and / or a declaration from the assessee stating that there aren't audit issues will be taken as valid *prima facie*. The consultant studied the system to the extent possible – to verify compliance to e-Tendering assessment requirements – during this short on-site visit and observations of the Consultant from this assessment are explained herein this report.

The post tendering modules viz. Contract and Catalogue management and e-Auction module were not evaluated as scope of the assessment is limited to e-Tendering.

4 About GoK's e-Procurement System

Center for e-Governance – a Government owned Society – is designated as the Nodal agency for implementation of unified e-Procurement platform in the State Government of Karnataka. The e-Procurement system – www.eproc.karnataka.gov.in – is designed such that one single instance of the software is used as a shared infrastructure by all State government owned procurement entities. Broadly, the system is conceptually divided into the following functional modules:

- (i) Supplier Registration
- (ii) e-Tendering
- (iii) Indent Management / Estimate management
- (iv) e-Auctions
- (v) Contract Management and
- (vi) Catalogue Management

The first 4 modules listed above are widely used by procurement entities in the State, whereas the Contract and Catalogue Management modules are implemented only on a pilot basis.

The system is fully Public Key Infrastructure (PKI) enabled, wherein users – viz. government users and contractors – are required to digitally sign and approve key actions taken. A robust workflow engine is built within the System, which can be configured to address the following key procurement workflows as per department specific requirements:

- (i) Estimate approval
- (ii) Draft Tender Schedule (DTS) approval
- (iii) Corrigendum / Addendum approval and
- (iv) Bid evaluation approval

The System is implemented in Private-Public-Partnership (PPP) model, wherein Hewlett Packard India Sales India Private Limited (HP) is selected as the Private Partner. HP provides e-Procurement as a service and earns its revenue by charging transaction fees from suppliers as given below:

- (i) Supplier Registration
 - a. Fixed registration fee to be paid by suppliers during registration: Rs. 500
 - b. Annual maintenance fees: Rs. 100
- (ii) Bid Submission
 - a. Tenders where Estimated Contract Value (ECV) is published and all Works tenders
 - i. 0.025% of ECV with cap values as given below:
 - 1. Minimum transaction fee = Rs. 500 per paid
 - 2. Cap for contract value upto Rs. 10 Lakhs = Rs. 1250
 - 3. Cap for contract value between 10 – 50 Lakhs = Rs. 1250
 - 4. Cap for contract value 50 Lakhs – 1 Crore = Rs. 2500
 - 5. Cap for contract value between 1 Crore – 10 Crores = Rs. 5000
 - 6. Cap for contract value more than 10 Crores = Rs. 7500
 - ii. Fixed fee of Rs. 550 per bid for Non-ECV tenders (i.e. tenders where estimated cost value is not published)
- (iii) Certain transaction fees is charged from suppliers for usage of Contract and Catalogue management modules

Bidders can view and download the entire set of tender documents for free of charge. However, bidders shall necessarily pay bid submission fee as pre-requisite to participate in the tenders and have their bids considered for evaluation. A full-fledged e-Payment solution is implemented to enable e-Payment of the transaction fees and Earnest Money Deposit (Bid Security). Bidders can make payment using any of the following online / offline payment options:

- (i) Credit Card (Visa / Mastercard)
- (ii) Debit Card (Visa / Mastercard)
- (iii) Net Banking (bouquet of 36 Banks provided on an aggregator model); refer Annexure for the relevant screenshot
- (iv) Over the Counter (OTC) in 168 designated bank branches spread across India
- (v) From all National Electronic Fund Transfer / Real Time Gross Settlement enabled Bank branches in India

The transaction fees payable to the Banking service provider for using Credit card / Debit card / Net Banking / OTC / NEFT / RTGS shall be borne by the bidder (i.e. in addition to the transaction fees payable for using the e-Procurement platform).

Transaction fee and Bid Security payments are deposited in the Bank accounts of e-Procurement cell, Center for e-Governance. The transaction fees specified above is determined by a tendering process. ECV and non-ECV segregation is done to classify the various tender types and accordingly transaction fees as defined above are determined.

Key information about usage of the System since it went live in November 2007 is given below:

- (i) Number of registered suppliers: 35,000 (approx.)
- (ii) Number of government users: 12,000 (approx.)
- (iii) Number of government agencies using the platform: 240
- (iv) Number of tenders floated by KNNL till date: 12,000 (approx.)
- (v) Number of tenders floated by KUIDFC till date: 22
- (vi) Number of tenders processed in the system till date: 120,000 (approx.)
- (vii) Estimated value of tenders published in the system: USD 30 Billion (approx. INR 170,000 Crores)

This statistics is provided to show the quantum of tenders processed using the system (i.e.) as a measure of system maturity.

The e-Procurement system of the GoK can be accessed over the Internet using popular web browsers such as Internet Explorer, Chrome and Firefox. However, users are recommended to use Internet Explorer 6.0 & above.

4.1 Government Organization Creation

A Government organization seeking to use the GoK's e-Procurement platform is required to send an official communication to Center for e-Governance (CEG) detailing its request. In response, CEG will send a team to study the organization structure, delegation of powers and workflows and accordingly create the organization in its system. Subsequent to that, user ID's are created, Digital Signature Certificate and Digital Encryption Certificate are organized for the designated users, organization hierarchy is created and workflows are mapped through configurations in the e-Procurement platform. Thus, the Government organization is created, subsequent to which the organization can publish and process tenders in the platform.

Both KNNL and KUIDFC are already created in the e-Procurement system. Refer Annexure for relevant screenshots.

4.2 Government User ID Creation and Management

The GoK's e-Procurement system is role and access based, wherein the function a user is authorized to perform is managed by assignment of certain roles and associated attributes. A couple of key roles defined in the system are:

- (i) Estimate approver
 - a. Admin sanction
 - b. Technical sanction
- (ii) Tender Inviting Authority (TIA) and
- (iii) Tender Acceptance Authority (TAA)

The system will enable a user to perform a role provide he/she is assigned the requisite role and attribute. For example, a Superintendent Engineer in KNNL can provide Technical Sanction for an estimate provided the "Estimate Approver" role is assigned and value of the estimate (i.e. attribute) is lesser than INR 3 Crores.

User ID for Government users are created and managed primarily from the e-Procurement cell in CEG, wherein a designated System Administrator engaged by CEG creates the ID and assigns the requisite roles and attributes. The User ID is created for a designation / position and user (i.e. person) is tagged to the User ID. The roles and attributes in essence are mapped to a designation in the System. Transfer of officers is managed by changing user name and by attaching the new officer's Digital Signature Certificate (DSC) and as applicable Digital Encryption Certificate. CEG provides assistance to users in Government organizations in obtaining Class-II DSC's from NIC-CA.

A user's manager is mapped during ID creation. A user typically has one manager and can have one or more sub-ordinates. Thus, the organization hierarchy is built within the system. Workflows in-built in the application are operated primarily based on the organization hierarchy and the role information associated with User ID.

The system auto-generates password during user ID creation or when user transfer is implemented and sends the same to e-mail address of the user. The user would then login using the system generated password and change the password after logging into the system.

A user can authenticate his/her identity using the DSC attached to the User ID and seek to reset the password using the "Forgot password" option. A user can seek to know the Login ID by specifying the primary e-mail address associated with the login ID.

4.3 Supplier User ID Creation and Management

Suppliers seeking to submit bids online have to get registered in the e-Procurement platform. As per the procedure laid down, the supplier or supplier representative shall authenticate his/her identity vide a Class-III DSC issued by any Certification Authority (CA) recognized by the Controller of Certification

Authority (CCA), Government of India. Further, the supplier shall upload a scanned copy of “Power of Attorney” or “Affidavit” stating that he/she is authorized to represent the legal entity registered in the e-Procurement platform. A supplier can get registered as one of the many applicant types as given below:

- (i) Company
- (ii) Sole Proprietor
- (iii) Partnership
- (iv) Foreign firm
- (v) Others

Suppliers registered as a legal entity in India shall upload a scanned copy of Permanent Account Number (PAN) card issued by the Income Tax Department. The system will validate and confirm that the PAN is not already registered in the system. It is understood that a designated official in e-Procurement cell validates the correctness of PAN number vis-à-vis scanned copy of the PAN card. Thus, identity of a supplier is authenticated during supplier registration.

Besides Power of Attorney / Affidavit and PAN details, suppliers shall input the following mandatory information to complete the online application form:

- a) Address
- b) Firm registration certificate
- c) Phone
- d) Preferred e-mail ID and alternative e-mail ID
- e) Nature of business; broadly categorized under works, goods and services
- f) Subscribe for tender notifications by e-mail
- g) Bank account information (a scanned copy of Bank account verification document to be uploaded)

Then, supplier shall pay the transaction fee for registering in the e-Procurement platform using one of the online / offline payment options. The application form will reach the designated official in CEG for processing after the payment is successfully reconciled. The application form thus submitted will be reviewed by CEG and approved as per the procedure laid down for supplier registration. Suppliers will be notified about User ID, system generated login password and application status by system generated e-mails.

A Supplier already registered in the System can replace his/her own DSC and nominate another user to represent a legal entity already registered in the e-Procurement platform. Such nomination is effected in the system by tagging DSC of the nominated user. The user thus nominated will have to register afresh in the system as a “Nominated user”, wherein the system will read DSC of the user and ascertain the legal entity to which the user’s DSC is already tagged in the system. Thus, two or more users are tagged to a single legal entity in the System. A validation in-built in the system disallows a legal entity to create more than one bid for a tender. If a user has already initiated the process of bid preparation, the system will disallow another user from the same legal entity to initiate response afresh for the same tender.

Just as it with Government users, suppliers can re-set the password by DSC authentication and can seek to know their User ID by keying in the preferred e-mail ID.

Suppliers registered as legal entities from outside India (i.e. foreign suppliers) are not required to key in PAN number and upload scanned copy of the PAN card. The two fields though present are disabled if

Applicant type is selected as “Foreign Firm”. A Foreign firm however shall own a Class-III DSC issued by a CA authorized by CCA, Government of India.

4.4 Estimate Preparation and Tender Publication

The process flows provided in the System for tender publication by Government officers are given below:

- (i) Works tender
 - a. Prepare work estimate using the many Schedule of Rates (SoR) loaded in the System and send the same for administrative sanction, then technical sanction as per department specific workflows and then for Draft Tender Schedule (DTS) approval
 - b. Prepare work estimate using the many SoR and send the same directly for technical sanction and then for DTS approval
 - c. Prepare work estimate and send it directly for DTS approval
- (ii) In case of Goods tender, an indent is prepared and sent for approval as per department specific workflows. Draft Tender Schedule (DTS) is prepared based on approved indent and sent for approval.
- (iii) Draft Tender Schedule (DTS) is prepared directly and sent for approval in case of services tenders

An official assigned the role of “Tender Inviting Authority” (TIA) prepares the Draft Tender schedule (DTS) by configuring the following key parameters:

- (i) Whether to publish the Estimated Cost Value or not
- (ii) Whether the tender is one envelope or two envelope or three envelope
- (iii) Whether the tender is open for all bidders or restricted to only selected bidders
- (iv) Whether bidders are required to enter their quote item-wise or one single lump sum rate for all items in the tender or if the tender is DBOT / PPP model
- (v) Whether bidders are required to quote in Rupees or in percentage
- (vi) Whether to allow bidders to bid in a foreign currency
- (vii) In case of goods tenders:
 - a. Whether it is mandatory for bidders to bid for all items in the tender
 - b. Grouping of items into one or more groups
 - c. Whether system should allow award of contract to multiple bidders from a single tender

A facility to process Expression of Interest (Eoi) type procurement is available in the System.

The following additional information is captured during tender preparation viz.:

- (i) General conditions of eligibility
- (ii) Technical qualification criteria
- (iii) Upload of Tender documents by Government
- (iv) Bid documents (evidence) required from bidders
- (v) Tender Acceptance Authority (TAA) designated for the tender, whose public key will be used for encryption of commercial quotes submitted by the bidders
- (vi) Appellate Authority designated for the tender is selected
- (vii) Contact information of procurement entity
- (viii) Tender amount details (i.e. Estimate Cost Value (ECV) of tender as applicable, Tender processing fees and EMD) and

(ix) Tender schedule

Bill of Quantity (BoQ) details will be carried forward from the approved estimate / indent in case of works and goods tenders respectively. In case of service tenders, the item description in commercial bid format will be defined during DTS preparation.

Commercial bid format is auto-generated by the System in a standardized format as per which bidders shall upload commercial quotes. Procurement organization may choose to seek certain additional information (e.g. break-up the quotes provided) as a file attachment in a prescribed format.

The receipt and refund of tender payments (i.e. processing fees and EMD) is handled centrally by the e-Procurement cell, CEG. A two day mandatory gap is introduced between the “Last Date & Time for receipt of tenders” and Date & Time for tender opening, during which time CEG will reconcile the tender payments received in response to the tender.

The Draft Tender Schedule (DTS) thus prepared will be sent for approval as per department specific workflows. After DTS approval, TIA will validate the tender schedule and publish the tender. The tender thus published will be available for public view and documents uploaded in the tender can be viewed and downloaded by all interested parties.

Tender Inviting Authority (TIA) designated for a tender has the authority to create addendum or corrigendum for the tender. Modification of tender dates is done directly in the System vide a corrigendum, wherein TIA will propose the change of dates and the corrigendum will get effected when TAA assigned for the tender accepts the proposed change. TIA can key in free text or include both free text and file attachments in addendum to a tender. Just as it is with corrigendum, addendum is published after it is approved by the TAA. The addendum / corrigendum published can be freely viewed by all interested parties directly from the e-Procurement portal. Addendum / corrigendum published in a tender are identified by distinct icons shown under the “Actions” column in “Search Tenders” page. An e-mail digest is mailed once a day to all registered suppliers (i.e. those who sought to receive this digest) with the list of tenders published and addendum / corrigendum published in the previous working day (e.g. 0430 hours of previous day and 0430 hours of today).

Pre-bid meeting for tenders published in GoK’s e-Procurement is done in offline mode. Online pre-bid conference and chat facilities are not part of the system.

Refer to Annexure for relevant screenshots

4.5 Bid Submission

Any interested party can view and download bid documents and corrigendum published in the portal without registering in the System. However, registration in the system is a pre-requisite for bid submission by contractors.

Bidder has a provision to search, identify and participate in tenders published by any of the approx. 240 government organizations using the e-Procurement platform. The key sections to be filled out by bidder during bid submission are:

- (i) Tender processing fee
- (ii) EMD payment

- (iii) General conditions of eligibility
- (iv) Technical qualification criteria
- (v) Upload bid documents
- (vi) Financial bid and
- (vii) Declaration

Each of the sections listed above will have requirements specified by TIA during tender preparation. For example, system will require bidder to pay EMD of Rs. 100,000 if TIA had specified Rs.100,000 as the EMD amount during tender publication. And, bidder shall upload “Certificate of Incorporation” under “Upload bid documents” if the same is sought during tender preparation.

The system validates whether all mandatory items (i.e. fields and file uploads) are completed by bidder and allows the bidder to submit its bid only after completion of all mandatory fields. Bidder has an option to save its bid in draft and update its bid over a period of time. “My documents” feature is available in the System, wherein bidders can upload and maintain a repository of documents relevant for bid submission. During bid submission, files required for a particular bid can be referenced (and presumably copied to the bid) from the repository instead of uploading the same document afresh.

Each bid is identified by a bid reference number assigned automatically by the System. A validation built in the system disallows a bidding entity to prepare more than one bid against a tender.

Bidders can make tender payments (i.e. EMD payment and tender processing fees) using one of the following payment options:

- (i) Credit Card (online payment)
- (ii) Debit Card (online payment)
- (iii) Net Banking (online payment)
- (iv) Remittance at the Bank counter – Challan (offline payment)
- (v) NEFT (offline payment)

For offline payments, bidder shall print a Challan and make the payment either by remitting the money at one of the 168 designated bank branches or any of the all National Electronic Fund Transfer / Real Time Gross Settlement enabled Bank branches in India. Then, the bidder shall key return back to the system and key in the Bank transaction reference number and payment date. The Principal Bank of CEG will update e-Procurement system on a periodic basis about the payments received in the e-Procurement Bank account vide an electronic scroll. Information submitted in the electronic scroll will be compared with the information keyed in bidders automatically by the system for payment reconciliation. Reconciliation status of the payments can be monitored by bidder until bid submission. A bidder can make payment in offline mode just before bid submission, key in the bank transaction reference number and submit its bid. Reconciliation of this payment will be done within the 2 days mandatory gap between bid submission date and bid opening date. Thus, reconciliation of payment is not an essential pre-requisite for bid submission. A bidder could have submitted its bid but the payment presumably made by the bidder shall necessarily reach Bank account of e-Procurement cell on or before the bid submission date. Further, EMD and tender processing fees shall be paid as two separate payments only. Else, there will be issues in reconciliation of the 2 payments on account of which the bid will not be available for tender evaluation.

In online payments, payment status is known real-time.

The e-Procurement system restricts bidders from uploading file attachments larger than 30 MB for Technical documents and 1 MB for Financial documents. Documents uploaded under the Technical documents and financial documents link will be viewable after technical bid opening and financial bid opening respectively. The files uploaded as Financial documents will be encrypted using asymmetric key just as commercial data entered in online form is encrypted.

Commercial bids filled out by bidders are encrypted using bidder's key while bid is in draft stage. During bid submission, commercial bids are encrypted using public key of the (i.e. one single person) "Tender Acceptance Authority" designated for the tender upfront during tender publication. The bids thus encrypted can be decrypted only by private key corresponding to the public key. Controls in-built in the system will allow the TAA to decrypt bids only if the pre-requisite conditions are satisfied: Technical bid evaluation ought to have been completed and only the commercial bids of technically qualified bidders will be available for decryption

Bidder has to digitally sign its bid using the DSC attached to its Login ID and then encrypt its commercial bid. The sign and encryption is a single function, which can be acted upon only if all mandatory items in a tender are filled out by the bidder.

Bidder has the provision to withdraw and re-submit its bid any number of times until expiry of tender submission time. However, financial bid submitted by the bidder will be fully deleted when a submitted bid is withdrawn. In which case, the bidder shall re-enter its commercial quote afresh.

Until expiry of the due date and time for tender opening, users of the e-Procurement system cannot know about the list of participants for a tender.

Refer to the Annexure section for relevant screenshots

4.6 Tender Opening and Evaluation

The opening of tender will be done by an official designated to complete the task in e-Procurement system during tender publication. e-Procurement system will auto generate tender opening task, which will be available in Dashboard of the official. Reconciliation of tender payments will be done at first regardless of the tender type (e.g. one or two envelopes). Only the bids for which tender payments are reconciled will be taken forward for next steps in tender evaluation. A dedicated team in e-Procurement cell, CEG coordinates with the Principal Bank and reconciles payments before the date and time for tender opening. The government official designated to open a tender can view the reconciliation status and take a decision to accept/reject bidders as per the reconciliation status.

Bidders can participate in tender opening by logging into the e-Procurement portal and checking the bid status under "My Past Bids" section. Therein, bidders can see the tender status, names of all bidders participating in the tender and their bid evaluation status.

The official designated as the Tender Acceptance Authority (TAA) will get the task for opening and evaluation of pre-qualification / technical / financial proposals. Evaluation is a multi-step procedure, wherein the number of steps is determined by the tender type. For example, both technical and financial aspects of the bid will be opened together in case of a single envelope (cover) tender.

Whereas, bid evaluation will be two step procedure in case of two envelope tenders. Technical bids will be opened at first and then sent for evaluation by the TAA. As per provisions of the KTPP Act, TAA may choose to constitute a Tender Scrutiny Committee (TSC), in which case the evaluation task gets assigned to a designated representative of TSC. The documents uploaded and online forms filled in the bidders can be viewed and downloaded by the TAA or TSC representative. Technical bid evaluation per se is done offline and results of the evaluation are keyed into the system (i.e.) bidders are qualified or disqualified. Then, a new task is generated by the system for commercial bid opening. The TAA designated for the tender will decrypt commercial bids of only the technically qualified bidders and save the decrypted commercial quotes in the database. Both TAA and the technically qualified bidders are provided the same view of the decrypted commercial quotes. In other words, if TAA can view commercial quotes of all the bidders, so can each of the technically qualified bidders view commercial quotes of all the bidders from their respective user ID's.

TAA and TSC representative have a provision to upload a copy of the evaluation proceedings as file attachment to substantiate their decisions. An official copy of the meeting proceeding uploaded by TAA can be viewed by all the qualified bidders from their respective user ID's.

A bidder rejected during tender evaluation can submit an appeal online to the appellate authority designated for the tender. This appeal will be considered by the Appellate Authority as per provisions of the Karnataka Transparency in Public Procurement (KTPP) Act. Evaluation status of the bidder will be duly modified and its proposal taken for further evaluation if appeal submitted by the bidder is accepted by the Appellate Authority.

Only bid security received online as electronic cash is refunded back. Refund of bid security is made by CEG as per instructions of the Tender Inviting Authority (i.e. employer) provided online in e-Procurement system. System has certain in-built controls, which will allow the employer to initiate refund of bid security only if certain conditions are satisfied viz. bidder is rejected / bidder is selected. Employer can choose to confiscate bid security of the bidder either in part or fully. The system does have a provision to auto-initiate refund of bid security to disqualified bidders for all tenders published by a procurement entity. KNNL / KUIDFC has to inform CEG if they seek to adopt this function

4.7 Award of Contract

Depending on the tender type (i.e. as configured during tender publication), system allows for selection of one or more suppliers for a single tender. In other words, selection of bidders could be done at the item level or at a tender level.

The designated government official may choose to issue Letter of Intent (LoI) or opt for negotiation. When negotiation is opted, supplier is given the provision to revise its commercial quotes and also upload revised terms and conditions. This revised quotation is submitted back to the designated government official for review and acceptance. Post acceptance of the negotiated rates, LoI is issued. The LOI thus issued will have to be accepted by the bidder, after which status of the tender is marked as accepted.

The following details are published in e-Procurement portal for public view under Bid evaluation results, provided LoI issuance is done online:

- (i) Tender name
- (ii) Tender title

- (iii) Department
- (iv) Selected supplier (name)
- (v) Bid amount

5 Reliability and Security

- a. Security Audit: As per the response to clause 9.2. of MDB's e-Tendering guideline: *"Security and integrity audit happens periodically. There are no outstanding audit issues as on today. Reputed Audit agency has done the audit."*
- b. Load Handling capabilities: Clarification sought in this regard: *"Kindly provide data about load handling capabilities of the System and a brief write-up on the scalability architecture"*
- a) Encryption methodology: It is clarified that *"The bid documents are encrypted at the client machine and decrypted at the machine of the tender official. The encrypted bid documents are stored in the e-Procurement server for the purpose of retrieval of the same by the tender official to enable decryption at his / her machine. The documents will continue to exist in the encrypted format even after the tender is closed."* Commercial Bids are kept encrypted using bidder's key while bid is in draft stage. During bid submission, commercial bids are encrypted using public key of the (i.e. one single person) "Tender Acceptance Authority" designated for the tender upfront during tender publication. The bids thus encrypted can be decrypted only by private key corresponding to the public key. By definition, the private key is under custody of the TAA in an e-Token. The risk is that bids received in response to a tender cannot be decrypted if the e-Token with the requisite private key is lost or if the commercial bid is improperly encrypted or if the private key in the e-Token gets corrupted.
- c. Original Encrypted Data: Clarification sought in this regard *"With reference to Clause 5.3 of MDB's e-Tendering guideline "...Copies taken and decrypted for bid evaluation purposes shall not affect the integrity of the original record." kindly confirm if digitally signed and encrypted documents are preserved in their original form even after they got decrypted"*
- d. Data Back-up Policy and Disaster Recovery: Clarification sought in this regard: In response to section 9.4. of MDB's e-Tendering guideline, it is stated that *"All tender related information is available online for all the time. Logs are maintained. It is kept in secured storage."* In this regard, kindly provide the Recovery Point Objective of all data pertaining to the system (i.e. data and file systems). In other words, what is the maximum possible data loss should disaster occur at any point in time. Kindly provide a brief write-up on the procedure followed for data back-up.
- e. Anti-virus: The following response is provided to Section 5.2 of MDB's e-Tendering requirement: *"The e-GP System is hosted in the State Data Centre. The infrastructure deployed in the State Data Centre is installed with up-to-date versions of firewalls and anti-virus solutions at internet gateway. The documents which are uploaded by the bidders during bid submission activity enter the SSL tunnel of the State Data Centre prior to the actual upload in the e-Procurement server."* In this regard, kindly clarify whether all files uploaded by bidders are scanned real-time and does the system reject a document if it is found to be virus infested and communicate virus as the reason for rejection of the uploaded document back to the bidder.
- f. System Malfunction Procedure: Clarification sought in this regard: It is not clear if the System is governed by an approved policy to address system mal-function (i.e. unexpected shut-down or slow down). This policy should specifically address the concerns aggrieved bidders – who were unable to submit their proposals due to this unexpected shut down – would have.

6 Governance Mechanism, Training and Change Management

6.1 Governance Mechanism Adopted for Implementation

- a) Government has amended the Karnataka Transparency in Public Procurement (KTPP) Act vide Karnataka Act No. 13 of 2007 dated 27th of April 2007 as cited below:
 - “18A. E-Procurement.-
 - (1) There shall be a single unified e-procurement platform for all procurement entity which may be notified under sub-section (2).
 - (2) With effect from such date, as may be specified by the Government, by notification, a procurement entity in respect of a class of procurement if any, as may be notified shall procure its procurements through the e-procurement platform.”
- b) A Steering Committee Chaired by Additional Chief Secretary is constituted vide Government Order No. DPAR 26 EGV 2003 Bangalore, dated 3rd June 2003 to coordinate and implement the e-Procurement system.
- c) A Project Monitoring Committee chaired by the Principal Secretary, e-Governance is constituted to provide detailed guidance in implementation of the e-Procurement project
- d) As per Section 18A(1) of the Act, government organizations are notified to use the unified e-Procurement platform of the State to process all tenders in excess of certain value (i.e. 50 lakhs and above) from a certain date (e.g. April 2012) using e-Procurement mode only.
- e) An e-Procurement cell is formed to manage implementation of the project under the Center for e-Governance. The e-Procurement cell has been assigned the responsibility to carry out the following key activities:
 - Provide training to government officers and suppliers
 - Facilitate issuance of DSCs from NIC to government officers.
 - Provide complete operational support and troubleshooting to all line departments and autonomous bodies regarding e-Procurement application on need basis
 - Registration of contractors
 - Reconcile processing fee and EMD payments in a time bound manner
 - User administration
 - Coordinate with the Principal Bank and enable timely reconciliation of all e-Payments in a time bound manner
 - Refund EMD as per refund instructions passed by the concerned government organization

6.2 Training

The e-Procurement cell in CEG provides hands-on training to Government users and suppliers. This training is conducted in Government premises for free of charge on a regular basis. More than 10,000 government officers and suppliers have been trained so far.

6.3 Help-Desk Setup

A dedicated Help Desk is setup for e-Procurement to provide necessary information/ support /assistance to the users. This Help desk is reachable over phone from Monday to Sunday between 9 AM and 9 PM at +91 80 25501227 and hphelpdesk.blr@intarvo.com.

The e-Procurement cell can be reachable at the following phone and e-mail addresses:

- (i) Supplier/Contractor Registration(registrar.eproc@gmail.com) : +91 94800 51498

- (ii) EMD Refunds(refund.eproc@gmail.com) : +91 94800 51519, +91 94800 51499
- (iii) Payments Reconciliation(reconcile.eproc@gmail.com) : +91 94800 51521
- (iv) DSC Applications (Govt. Officers)(dsc.eproc1@gmail.com) : +91 94800 51498

The Principal Bank (i.e. ICICI) has set-up a helpdesk to provide guidance to suppliers on e-Payment related services, which can be accessed at 080-41296235, 41296261 and helpdeskeproc@icicibank.com & helpdeskceg@icicibank.com.

6.4 Support Services

The e-Procurement cell provides hand-holding support on a need basis to Government officers and suppliers.

7 Suggestions for Using GoK's e-Procurement Software

The following operational recommendations are provided in using GoK's e-Procurement software, so KNNL and KUIDFC can consistently address the ADB's e-Tendering requirements:

- a) Award of Contract procedures shall be completed in the system and not done manually after opening of commercial proposal. Else, tender status will not be updated in the System
- b) Verify and confirm whether the commercial bid format auto-generated by the System complies fully with the requirements of KNNL / KUIDFC
- c) KNNL / KUIDFC to inform CEG to enable the multiple currency feature for their departments, so it can be used to process International Competitive Bidding (ICB) tenders
- d) KNNL / KUIDFC to declare bid documents uploaded in the e-Procurement platform as legally binding documents
- e) KNNL / KUIDFC to maintain a master copy of electronic documents in print form, suitably authenticated by signature, stamp or other instrument acceptable to ADB as per Clause 12.6 of MDB's e-Tendering requirement
- f) As per clause 12.5 of MDB's e-Tendering guideline, KNNL / KUIDFC must provide bidding documents in print form to bidders requesting for the same
- g) With reference to clause 8.2. of MDB's e-Tendering guideline, KNNL / KUIDFC are informed to complete the tendering process with publication of contract award information in e-Procurement portal
- h) With reference to clause 5.3 of MDB's e-Tendering guideline, the designated TAA for tenders published by KNNL / KUIDFC shall be informed to keep the private key required for decryption of commercial quotes in safe custody.
- i) KNNL / KUIDFC representatives are informed to define "General Conditions for Eligible Tenders" in the e-Procurement system as per their tender requirements
- j) Refer clause 8.2 of MDB's e-Tendering guidelines: "*Contract awards shall be published online consistent with bid advertising*". The e-Procurement system is designed such that contract award information is published online for public view if Letter of Intent is issued in the system. Hence, it is recommended that KNNL / KUIDFC complete the tender evaluation process online in the e-Procurement system with the issuance of Letter of Intent to selected bidder(s).

8 e-GP Specific Clauses in Standard Bid Document

It is recommended that KNNL and KUIDFC – referred herein as <<DEPT>>¹ - insert the following clauses in Standard Bid Document of tenders processed using the e-Procurement platform of the State Government of Karnataka:

- a) Bidders shall submit their response to this tender only electronically vide the e-Procurement system of the State Government of Karnataka: <https://eproc.karnataka.gov.in>. <<DEPT>> shall not accept manual submission of bids from the bidders.
- b) Bidders are informed to get acquainted with the bid submission process in e-Procurement system of the State Government of Karnataka by contacting the e-Procurement cell, Center for e-Governance (CEG). CEG conducts training sessions for prospective bidders at regular intervals. Refer to <https://eproc.karnataka.gov.in> for further details.
- c) Any changes to tender document, pre-bid clarifications, addendum and corrigendum to the tender shall be published online in the e-Procurement portal. Bidders are informed to check the portal at regular intervals for any such amendments to the tender. Bidders are informed to download the legally binding bidding documents from the e-Procurement portal <https://eproc.karnataka.gov.in>
- d) Bid opening date specified in the e-Procurement site shall be taken as the final date. <<DEPT>> reserves the right to open bids received in response to a tender on or after the bid opening date and time specified in the e-Procurement site: <https://eproc.karnataka.gov.in>.
- e) Bid submission and bid opening timelines will be defined as per the e-Procurement server clock only.
- f) Bidders are informed to submit clarifications they may have in writing by e-mail or by fax or to the following addresses:
 - a. E-mail:
 - b. Fax number:
 - c. Address:
- g) Bidders shall take due care to ensure that the documents uploaded by them in the e-Procurement system are virus free. <<DEPT>> shall not be held liable for upload of corrupt or virus infested documents by the bidders.
- h) <<DEPT>> shall not accept any responsibility for failures or breakdowns for systems other than in those systems strictly within the control of <<DEPT>> and its e-Procurement service provider. Bidders shall take due care to ensure purchase of Digital Signature Certificates requisite for tender submission in the e-Procurement portal, safe keeping of Digital Signature Certificates availability of internet connectivity and requisite client software.
- i) Bidders can participate in tender opening by logging into the e-Procurement portal and checking the bid status under “My Past Bids” section.
- j) Physical copy of documents (if any) sought by <<DEPT>> shall be submitted on or before the Bid Opening date specified in the tender. A bidder is liable to be rejected if the requisite physical documents are not submitted in time.
- k) <<DEPT>> reserves the right to verify original copies of scanned documents uploaded by bidders. <<DEPT>> may seek additional documentary evidence or clarifications from bidders on their technical proposals, which the bidders shall provide either online using the e-Procurement or in manual form.

¹ <<DEPT>> to be replaced by the Government Organization name (i.e. KNNL or KUIDFC)

- l) <<DEPT>> reserves the right to seek extension of bid validity from the short-listed bidders in offline mode, just as it is in the manual system.
- m) Bidders are advised to submit their bids well in time before the Last date & Time for receipt of the tenders. The system will strictly disallow bidders to submit their bids after expiry of the bid submission timeline specified for a tender. Only the bids marked as Submitted post expiry of the last date and time for receipt of the tenders will be considered for evaluation.
- n) <<DEPT>> reserves the right to extend bid submission timeline or recall the tender if e-Procurement server is down (i.e. inaccessible / inoperative) for a prolonged period of time within the last 24 hours of the bid submission due date. <<DEPT>> shall consult CEG and seek its opinion and decide to extend the bid submission timeline in accordance with the technical explanation provided by the CEG.
- o) Aggrieved bidders shall submit their appeal online using the e-Procurement platform to the Appellate Authority designated for the tender. This appeal will be considered by the Appellate Authority as per provisions of the Karnataka Transparency in Public Procurement (KTPP) Act. Evaluation status of the bidder will be duly modified and its proposal taken for further evaluation if appeal submitted by the bidder is accepted by the Appellate Authority.
- p) The Application Service Provider (ASP) of the e-Procurement platform wherein this tender is processed is disallowed from participating in the tender.
- q) Bids are encrypted using the public key of a designated official identified during tender publication. The private key corresponding to the public key shall be used to decrypt bids received in response to the tender.
- r) The e-Procurement system restricts bidders from uploading file attachments larger than 30 MB for Technical documents and 1 MB for Financial documents. Hence, the bidders are informed to restrict the size of file attachments uploaded as part of their bid response to less than 30 MB per file for Technical documents and 1 MB for Financial documents.
- s) Bidders shall bring to notice of Procurement entity about any disputes they may have on authenticity of the uploaded content as shown to the user within a period of one month of bid opening
- t) Bidders shall not lock electronic files uploaded in their proposal with passwords of their choice. <<DEPT>> reserves the right to reject password locked files outright and not consider contents within such locked files for bid evaluation
- u) Bidders shall upload their bid documents in formats, which can be opened and read by open standard interfaces
- v) Commercial rate quoted by bidders in the field "Unit Rate (all inclusive)" within the financial bid details link is the all-inclusive price quoted by bidder. Bidder shall ensure that commercial quote specified in online form is consistent with file attachments if any uploaded by the bidder. <<DEPT to include its standard clause to address such discrepancy>>
- w) Bidders shall make the tender payments viz. Tender Processing Fees and EMD Payment as per the e-Payment procedure prescribed by the e-Procurement cell, CEG. The two tender payments shall reach the Bank account of e-Procurement cell on or before the due date for bid submission. Bidders shall remit tender processing fees and EMD payment as two separate payments. Technical and commercial bid proposals submitted by bidders will be considered for evaluation only upon receipt of the two payments as defined above
- x) Bidders shall install the requisite plug-ins and verify and confirm that browser and client settings are suitably modified as required by the e-Procurement system. Further, Bidders are informed to use Internet Explorer 6.0 & above to access the e-Procurement system.

- y) Documents uploaded under Technical documents links will be opened by the system automatically during technical bid opening. A bidder is liable to be rejected if financial bid details to be submitted in the financial cover are uploaded under the Technical documents link.

9 System Related Risks

9.1 Criticality – High

9.2 Criticality – Medium

- a) Refer clause 3.4 of MDB's e-Tendering guideline: *"Contracting Authorities shall track receipt by bidders/consultants when distributing pre-bid amendments, substitutions and clarifications online."* The receipt of addendum / corrigendum by a particular set of bidders is not specifically tracked in the system. Instead, an e-mail digest is sent to all registered suppliers on a daily basis, wherein a list of corrigendum / addendum issued in the previous day is provided. Inclusion of the following clause is prescribed to address this risk:
- a. Work around: Insertion of the following Standard Bid Document (SBD) clause is prescribed: *"Any changes to tender document, pre-bid clarifications, addendum and corrigendum to the tender shall be published online in the e-Procurement portal. Bidders are informed to check the portal at regular intervals for any such amendments to the tender."*
- b) Refer clause 3.6 of MDB's e-Tendering guideline: *"Correspondence during bid evaluation for the purpose of clarification may also be done electronically with the normal restrictions against modification of the substance and price of the bid. Any correspondence of this type shall be directed through the Chairperson of the evaluation committee. Confidentiality of the bid evaluation process shall be maintained."* The GoK's e-Procurement system does not have the functionality to enable online correspondence between Chairperson of the evaluation committee and bidders. Inclusion of the following clause is prescribed to address this risk:
- a. Work around: <<DEPT>> may seek additional documentary evidence or clarifications from bidders on their technical proposals, which the bidders shall provide either online using the e-Procurement or in manual form.
- c) With reference to Clause 5.3 of MDB's e-Tendering guideline: *"...At no time shall bids/proposals be in unencrypted format...."*, it is understood that commercial bids are encrypted using public key of the (i.e. one single person) "Tender Acceptance Authority" designated for the tender upfront during tender publication. The bids thus encrypted can be decrypted only by private key corresponding to the public key. By definition, the private key is under custody of the TAA in an e-Token. The risk is that bids received in response to a tender cannot be decrypted if the e-Token with the requisite private key is lost or if the private key in the e-Token gets corrupted or if the commercial bid is improperly encrypted. This is a known risk inherent to the security implementation. It is understood that the loss of e-Token by TAA or corruption of the e-Token has not happened frequently. However, if the private key is inaccessible, there is no option but to re-call the tender and seek proposals afresh for the tender.
- a. Work around: An ideal work around is to encrypt the commercial bid data twice in duplicate using the public key of two designated officials identified upfront during tender publication. Either of the two officials would then be able to decrypt the commercial bid data after the pre-requisite conditions (i.e. technical bid evaluation

ought to have been completed and only the commercial bids of technically qualified bidders will be available for decryption) are satisfied.

- b. This issue is implicitly acknowledged in the SBD clause: *"Bids are encrypted using the public key of a designated official identified during tender publication. The private key corresponding to the public key shall be used to decrypt bids received in response to the tender."*
- c. ADB, KNNL and KUIDFC to confirm if this risk is acceptable
- d. The following clarification is sought from CEG in this regard: *"Kindly provide data based on your past experience on the number of instances where private key was unavailable due to loss of the key by the TAA or due to improper encryption of the financial bid or due to corrupted key."*

9.3 Criticality – Low

- a) It is recommended that that PAN details keyed in by suppliers is verified against the PAN database (i.e. PAN number is valid and Person / Company name keyed in by supplier matches with the PAN database). A scanned copy of PAN card is taken from suppliers while they seek to register in the System and presumably PAN number keyed in by suppliers is verified vis-à-vis the scanned copy. Despite that, verification of PAN details vis-à-vis PAN database using the Bulk PAN query provided by the Income Tax department is a better method for authenticating supplier's identity.

10 Clarifications / Confirmation Required

10.1 Center for e-Governance

- a) Kindly confirm whether the functionality to auto-extend tender submission date is available if minimum number of bids (e.g. zero bids) were not received before the specified bid submission due date and time
- b) Kindly share Standard Bid Document clauses already prepared by CEG, especially the e-Payment related clauses
- c) Kindly confirm whether the currency exchange rate (i.e. INR = Foreign currency) for the currencies used by bidders will be keyed in during unlocking of technical bid. The system will then convert the rates provided by bidders in multiple different currencies into INR and then provide comparative view of the rates quoted by the bidders in INR. In this regard, please share screenshots related to evaluation of multiple-currency tender.
- d) Kindly confirm if tenders published in GoK's e-Procurement portal are uploaded in the Central Public Procurement Portal (CPPP), Government of India. If yes, please specify the time taken to upload tender information in CPPP.
- e) Kindly clarify if Notice Inviting Tender (NIT) information about restricted tenders are published in the e-Procurement portal
- f) Refer 9.4 of MDB's e-Tendering guideline: *"EGP systems and information security shall ensure that secure records are kept of every process, procedure, transmission, receipt, transaction in terms of the content, executing individual and authorizations, time and date. These records shall be kept for at least two years after the closing date of the Loan Agreement and be made available for audit on request"*. The Loan agreement of this project is scheduled to close in 2021. With reference to the clause cited above, kindly confirm that records pertaining to this project will be kept until 2023 and made available for audit on request.
- g) With reference to the audit requirement in 9.2 of MDB's e-Tendering guidelines, kindly share audit certificate provided by the 3rd party audit agency
- h) With reference to Clause 5.3 of MDB's e-Tendering guideline *"...Copies taken and decrypted for bid evaluation purposes shall not affect the integrity of the original record."* kindly confirm if digitally signed and encrypted documents are preserved in their original form even after they got decrypted
- i) Kindly confirm if the following statement correctly summarizes the encryption methodology implemented in GoK's e-Procurement system: *"Commercial bids are kept encrypted using bidder's key while bid is in draft stage. During bid submission, commercial bids are encrypted using public key of the "Tender Acceptance Authority" designated for the tender upfront during tender publication."*
- j) Kindly provide data based on your past experience on the number of instances where private key was unavailable due to loss of the key by the TAA or due to improper encryption of the financial bid or due to corrupted key.
- k) Kindly provide data about load handling capabilities of the System and a brief write-up on the scalability architecture
- l) In response to section 9.4. of MDB's e-Tendering guideline, it is stated that *"All tender related information is available online for all the time. Logs are maintained. It is kept in secured storage."* In this regard, kindly provide the Recovery Point Objective of all data pertaining to the system (i.e. data and file systems). In other words, what is the maximum possible data loss

should disaster occur at any point in time. Kindly provide a brief write-up on the procedure followed for data back-up.

- m) The following response is provided to Section 5.2 of MDB's e-Tendering requirement: *"The e-GP System is hosted in the State Data Centre. The infrastructure deployed in the State Data Centre is installed with up-to-date versions of firewalls and anti-virus solutions at internet gateway. The documents which are uploaded by the bidders during bid submission activity enter the SSL tunnel of the State Data Centre prior to the actual upload in the e-Procurement server."* In this regard, kindly clarify whether all files uploaded by bidders are scanned real-time and does the system reject a document if it is found to be virus infested and communicate virus as the reason for rejection of the uploaded document back to the bidder.
- n) Kindly inform if the system is governed by an approved policy to address system mal-function (i.e. unexpected shut-down or slow down). This policy should specifically address the concerns aggrieved bidders – who were unable to submit their proposals due to this unexpected shut down – would have.

10.2 ADB, KNNL and KUIDFC

- a) A bidder registered outside India as a legal entity shall necessarily obtain a Class-III Digital Signature Certificate (DSC) by a Certification Authority (CA) authorized by the Controller of Certification Authority (CCA). Authorized representative of foreign bidder shall authenticate its identity in person to obtain a Class-III DSC. Indeed, the simplest approach for a foreign bidder would be to identify a person located in India as authorized representative of the bidder. One or two CA's have developed certain procedures to issue DSC to foreign bidders without requiring their physical presence in India. Some of the workarounds are flexible and user friendly but does not have proper legal backing. If the procedure is strictly to be followed, procurement of DSC for foreign bidders will be an inconvenience and time consuming activity (i.e. at least a week to 10 days). Refer to section "Authentication" in MDB's e-Tendering guidelines for certification requirements.

GoK's e-Procurement system has the multiple-currency bidding feature, which if enabled during tender publication will allow bidders to submit their bids in an (i.e. one single) international currency of their choice in online form. If a bidder seeks to submit bid in more than one currency (i.e. some components of the bid in Currency A and other components of the same bid in Currency B), such break-up shall be provided in an Excel sheet or another file type uploaded as a file attachment in commercial bid. The Excel sheet or another file type is encrypted using asymmetric key just as the online form data is encrypted.

Considering the above (i.e. procurement of DSC by foreign bidders and multiple currency implementation), ADB, KNNL and KUIDFC may take an informed decision on whether to use GoK's e-Procurement platform for International Competitive Bidding (ICB).

- b) With reference to clause 1.5(a) of MDB's e-Tendering guideline, KNNL and KUIDFC are advised to inform if they seek exclusive use of e-Procurement platform for NCB and ICB tenders
- c) Refer Clause 6 of MDB's e-Tendering guidelines: *"In order to facilitate the procurement process when using electronic systems or means, bid securities are not encouraged. Contracting Authorities may employ other measures, such as requiring bidders/consultants to sign a declaration and/or sanctioning bidders who do not honor bids."* Kindly confirm whether bid security should be collected for tenders floated by KNNL / KUIDFC

11 Annexure

11.1 Supplier Registration

Pay By **Net Banking**

Net Banking

Please Select Your Bank Account

<input type="radio"/> Bank of Bahrain and Kuwait	<input type="radio"/> Dhanlaxmi Bank	<input type="radio"/> Karur Vysya Bank	<input type="radio"/> State Bank of Travencore
<input type="radio"/> Bank of Baroda	<input type="radio"/> Federal Bank	<input type="radio"/> Kotak Mahindra Bank	<input type="radio"/> Taminad Mercantile Bank
<input type="radio"/> Bank of India	<input type="radio"/> ICICI Bank	<input type="radio"/> Oriental Bank Of Commerce	<input type="radio"/> Union Bank of India
<input type="radio"/> Bank of Maharashtra	<input type="radio"/> IDBI Bank	<input type="radio"/> South Indian Bank	<input type="radio"/> United Bank Of India
<input type="radio"/> Canara Bank	<input type="radio"/> Indian Bank	<input type="radio"/> Standard Chartered Bank	<input type="radio"/> Vijaya Bank
<input type="radio"/> Central Bank of India	<input type="radio"/> Indian Overseas NetBanking	<input type="radio"/> State Bank Of Bikaner and Jaipur	<input type="radio"/> Yes Bank
<input type="radio"/> City Union Bank	<input type="radio"/> Indusind Bank	<input type="radio"/> State Bank of Hyderabad	
<input type="radio"/> Corporation Bank	<input type="radio"/> ING Vysya Bank	<input type="radio"/> State Bank of India	
<input type="radio"/> DCB Bank	<input type="radio"/> J&K Bank	<input type="radio"/> State Bank of Mysore	
<input type="radio"/> Deutsche Bank	<input type="radio"/> Karnataka Bank	<input type="radio"/> State Bank of Patiala	

TECHPRO™ **ONLINE PAYMENT SOLUTION**

Continue to Payment **Cancel**

Figure 1: List of Banks under Net Banking Payment Option

11.2 Government Organization Creation

Tender Number:

Tender Title /Name :

Tender Description /Scope :

ECV Range :

Status :

Tender Published From Date:

Tender Submission From date:

Category:

Sub-Category :

District:

Department:

Department Location:

Tender Published To Date:

Tender Submission To Date:

☐ Regular tenders ☐ Prequalification

Search **Clear** **Close**

Figure 2: KNNL in e-Procurement platform

Tender Number:

Tender Title /Name :

Tender Description /Scope :

ECV Range :

Status :

Tender Published From Date:

Tender Submission From date:

Category:

Sub-Category :

District:

Department:

Department Location:

Tender Published To Date:

Tender Submission To Date:

☐ Regular tenders ☐ Prequalification

Search **Clear** **Close**

Figure 3: KUIDFC in e-Procurement platform

11.3 Supplier Registration

Applicant Information

Applicant Type :* -Select-

User Type :* -Select- ☐ Authorized Signatory ☐ Nominated User

Digital Certificate Information

COMPANY
SOLE PROPRIETOR
PARTNERSHIP
FOREIGN FIRM
OTHERS

Figure 4: List of Applicant Types

Applicant Type :* -Select-

User Type :* ☐ Authorized Signatory ☐ Nominated User

Digital Certificate Information

Name of the person registering :*

Certifying Authority :*

Certificate's serial No. :*

Validity: Start date :*

Validity: End date :*

Figure 5: Authorized user and Nominated user

11.4 Estimate Preparation and Tender Publication

Draft Tender Schedule Preparation	
General Tender Information	
Tender Category :	GOODS
Tender Number :*	sTest_Dept01/2013-14/IND2348
Tender Name :*	Supply of furniture
Scope :*	Supply of furniture
Amount put to Tender (INR) :	0
ECV ? :*	<input type="radio"/> ECV <input checked="" type="radio"/> Non ECV
Evaluation Type:*	<input type="radio"/> One Cover (Financial) <input checked="" type="radio"/> Two Cover (Technical,Financial) <input type="radio"/> Three Cover (Pre-Qualification,Technical,Financial)
Multiple Currencies allowed(Yes/No) :*	<input checked="" type="radio"/> Yes <input type="radio"/> No
Type of Procedure	
Tender Type :*	<input checked="" type="radio"/> Open <input type="radio"/> Pre-Qualified
Commercial Bid Type :*	Itemwise
Enable Item wise Technical Evaluation(Yes/No) :*	<input type="radio"/> Yes <input checked="" type="radio"/> No
Enable Multiple Supplier Selection(Yes/No) :*	<input type="radio"/> Yes <input checked="" type="radio"/> No
Save As Template	<input type="checkbox"/>
Denomination (Rupees/Percentage)*	<input checked="" type="radio"/> Rupees <input type="radio"/> Percentage

Figure 6: List of parameters during tender creation








2213 KPCL	KPCL/2013-14/IND733	IMPLEMENTATION OF 2X10MW ADDITIONAL GENERATING UNITS AT GRBCPH	29/05/2013 15:39:35	23/10/2013 15:00:00	  
2214 KPCL	KPCL/2013-14 /OW/WORK_INDENT1744	Providing power supply to KPCL colonies in Sharavathy Complex from Linganamakki power house by establishing 110/11 kV transformer bay and allied works	23/05/2013 11:39:43	11/09/2013 15:00:00	  

Figure 7: Addendum and corrigendum

2	Typographical error corrected for Capitalization of losses For 10MVA ,1MVA Transformer	19/08/2013 12:49	
---	--	------------------	---

Description for Addendum :

Replay to pre-bid queries raised in pre-bid meeting held on 26.06.2013

Addendum Documents :

SI No	
1	pre bid queries sharavathy power supply (2) (autosaved).xls

Figure 8: View of addendum description and addendum documents

Tender Dates		
	Date	Original Date
Last Date & Time for receipt of tenders		25-07-2013 16:00:00
Last Date & Time for Tender Queries/Clarifications		16-08-2013 16:00:00
Date & Time for Opening of Financial Bid	27-07-2013 16:15:00	19-08-2013 12:00:00

Figure 9: Sample corrigendum

Schedule B				
SI No	Item Code	Item Name	Unit	Quantity
1	2.3	KSRB 2-2.1 : Earthwork excavation for foundation of buildings, culverts, water supply, sanitary lines and electrical conduits either in pits or in trenches 1.5m and above in width, in ordinary soil not exceeding 1.5 m. in depth including dressing the bottom and sides of pits and trenches, stacking the excavated soil clear from edges of excavation with lead upto 50 m. after breaking of clods complete as per specifications. specification. No. KBS 2.1(a) / 2.3.5	cum	150.3
2	4.3	KSRB 4-1.3 : Providing and laying in position plain cement concrete of mix M7.5 with OPC cement @ 180kgs, with 40mm and down size graded granite metal coarse aggregates @0.85cum and fine aggregates @ 0.57cum machine mixed, machine mixed, concrete laid in layers not exceeding 15 cms. thick, well compacted, in foundation and plinth, including cost of all materials, labour, HOM of machinery, curing complete as per specifications. Specification No. KBS 4.1, 4.2	cum	28.92
3	4.12	KSRB 4.2.3 : Providing and laying in position reinforced cement concrete of mix M15 with OPC cement @ 240kgs, with 20mm and down size graded granite metal coarse aggregates @0.878cum and fine aggregates @ 0.459cum, machine mixed, concrete laid in layers not exceeding 15 cms thick, vibrated for all works in foundation plinth and ground floor level for roof slabs, staircase, lintels, retaining walls, return walls, walls (any thickness) including attached plasters, columns, piers, abutments, pillars, posts, struts, buttresses, string or lacing courses, parapets, coping, bed blocks, anchor blocks, plain window cills, fillets etc., including cost of all materials, labour, HOM of machinery, curing, complete as per specifications. Specification No. KBS 4.1, 4.6	cum	186.46
4	4.33	KSRB 4-6.6 : Providing and removing centering, shuttering, strutting, propping etc., and removal of form work for columns, pillars, piers, post and struts, circular or curved in plan including cost of all materials, labour complete as per specification. Specification No. KBS 4.6.2	Sqm	288
5	4.28	KSRB 4-6.1 : Providing and removing centering, shuttering, strutting, propping etc., and removal of form work for foundations, footings, bases of columns for mass concrete including cost of all materials, labour complete as per specifications. Specification No. KBS 4.6.2	Sqm	366.4
6	4.46	KSRB 4.9.2 : Providing T.M.T steel reinforcement for R.C.C work including straightening, cutting, bending, hooking, placing in position, lapping and / or welding wherever required, tying with binding wire and anchoring to the adjoining members wherever necessary complete as per design (laps, hooks and wastage shall not be measured and paid) cost of materials, labour, HOM of machinery complete as per specifications. Specification No. KBS 4.6.3	q	93.23
7	2.13	KSRB 2.6 : Providing and filling sand in foundation upto plinth to required depth for sub soil treatment including watering ramming with all lead and lift complete as per specifications. specification. No. KBS 2.10.2	cum	47.25
8	7.9	KSRB 7.9 : Providing and fixing M.S.grill work for windows and ventilators weighing 21kg/sqm using M.S. flats, or M.S. square rods, or combination of M.S. flats and square rods as per approved design, drawing including cutting steel sections and welding the same to required pattern with a coat of red lead primer, cost of materials, fixtures, labour and HOM of machinery complete as per specifications. Specification No. KBS 7.12	kgs	11718

Figure 10: A view of Schedule B auto generated by e-Procurement system based on approved work estimate

e-Procurement Government of Karnataka
List of Tenders and Auctions published from : 2013-09-04 04:30:52 To 2013-09-05 04:30:00

Number of Regular tenders published : 96

Number of Pre-Qualification tenders published : 1

Number of Addendum published for Regular Tenders : 5

Number of Corrigendum published for Regular Tenders : 3

Figure 11: Summary view of e-mail digest

List of Addendum Published for Regular Tenders :

Department/Location	Tender Number	Tender Title	Category	Sub Category	Estimated Value	NIT Published Date	Last Date for Bid Submission
KPCL	KPCL/2013-14/IND781	Supply of Chemicals viz. Liquor ammonia, Hydrazine hydrate & Sodium hydroxide pellets required at BTPS.	GOODS		----	2013-08-19 16:36:27.0	2013-09-18 17:00:00.0

Figure 12: Sample addendum shown in e-mail digest

11.5 Bid Submission

Actions :

Verify Settings

Check Browser and client settings

It is highly RECOMMENDED to click the above link and verify that your browser and client settings. Failure could result in being unable to sign, encrypt and submit the bid in the final stage.

Tender Details

View Tender Details

Download Tender Documents

Actions	Status
Tender Processing Fee	
EMD Payment	
General Conditions of Eligibility	
Technical Qualification Criteria	
Upload Bid Documents	
Item wise Bid Financial Offer	
Declaration	

[Close](#) [Submit Bid](#) [Bid Submission Summary](#)

Figure 13: Bid submission summary / overview

General Conditions for Eligible Tenderers		
Sl No	Criteria	Compliance
1	Tenderers should not be associated, or have been associated in the past, directly or indirectly, with a firm or any of its affiliates which have been engaged by the Purchaser to provide consulting services for the preparation of the design, specifications, and other documents to be used for the procurement of the goods to be purchased under this Invitation of Tenders.	-Select-
2	Bidders shall not be under a declaration of ineligibility for corrupt and fraudulent practices issued by any State Government / Government of India / Union Territory.	-Select-
3	It shall be the responsibility of the Bidder to ensure credit of Tender Processing Fee and EMD into the respective receiving bank accounts of e-Procurement on or before the last date and time of bid submission.	-Select-

Figure 14: General conditions for Eligible Tenderers

Compliance:

Criteria: **Appropriate Class of Registration of Contractor certificate issued by KPCL.** Remarks :

Compliance

Documents:

SI No	Document Description	Document Upload	
1	Registration certificate	<input type="button" value="Browse..."/> No file selected.	<input type="button" value="Select from My Documents"/>

Figure 15: Upload of file from My documents

Upload Technical Documents(**File size limit 30MB**):

Document Name	Mandatory(Yes/No)	Document Type	Select Document	Select from My Documents
Organization / Manufacturer / Name of the Sales person	Yes	Technical Bid	<input type="button" value="Browse..."/> No file selected.	<input type="button" value="Select from My Documents"/>
Organization / Establishment Date and Registration Number & Date (Certificate to be Attached)	Yes	Technical Bid	<input type="button" value="Browse..."/> No file selected.	<input type="button" value="Select from My Documents"/>
Organization Manufacturers Address / Phone Number and Mobile Number	Yes	Technical Bid	<input type="button" value="Browse..."/> No file selected.	<input type="button" value="Select from My Documents"/>

Figure 16: Upload technical bid documents

Upload Financial Documents(**File size limit 1MB**):

Document Name	Mandatory(Yes/No)	Document Type	Select Document	Select from My Documents	Remarks	Delete	Encr
Additional Financial Documents(Only 1 file can be uploaded):							
File Name	<input type="button" value="Browse..."/>	<input type="button" value="Select from My Documents"/>	Description	<input type="button" value="Encrypt Document"/>			
Selected File from My Documents:							
File Description	File Name	Delete					

Figure 17: Upload financial documents

Supplier/Contractor Details

Name of the Supplier/Contractor : RAMANATHAN SOMASUNDARAM .

Name of the Supplier/Contractor's Company :

Supplier Registration Number : S10111

Supplier Registered Address : No. 207, Suraksha Elegance, , Near Kodichikanahalli main road, Bangalore, 560078.

Supplier Telephone No. :

Amount (INR In Figures) : 4925

Amount (INR In Words) : Four Thousand Nine Hundred and Twenty Five (dot) Zero Only.

Select the Bank Account (for NEFT) * :

Select Refund Account * :

**** EMD Payments through e-Payment mode shall be made as one single transaction and payments made in part are liable for rejection**

Bank Transaction Reference No * :

Payment Date * :

Figure 18: Screen to update offline payment information

APPENDIX 8: PROCUREMENT PLAN

PROJECT1 – KARNATAKA INTEGRATED URBAN WATER MANAGEMENT

Project Number: 43253	Program Name: Karnataka Integrated Urban Water Management Investment Program – Proposed Project 1
Loan Amount: \$75 million	Executing Agency: KUIDFC
Grant Amount: \$1.80 million	
Date of First Procurement Plan:	Date of This Procurement Plan: 18 February 2014

Process Thresholds, Review, and 18-Month Procurement Plan

1. Program Procurement Thresholds

1. Except as ADB may otherwise agree to, the following process thresholds shall apply to the procurement of goods and works.

Procurement of Goods and Works	
Method	Threshold
International Competitive Bidding for Works	\$40,000,000 or more
International Competitive Bidding for Goods	\$1,000,000 or more
National Competitive Bidding for Works	Below \$40,000,000
National Competitive Bidding for Goods	Below \$1,000,000
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000
List here any other methods of procurement approved for use	

2. Prior Review or Post Review by ADB

2. Except as ADB may otherwise agree to, the following prior review or post review requirements apply to procurement and consultant recruitment methods to be used in the program.

Procurement of Goods and Works		
Procurement Method	Prior or Post	Comments
International Competitive Bidding for Works	Prior	
International Competitive Bidding for Goods	Prior	
National Competitive Bidding for Works	Post	First set of NCB model documents to be reviewed by ADB prior to tendering for each type.
National Competitive Bidding for Goods	Post	
Shopping for Works	Post	
Shopping for Goods	Post	
List other methods of procurement		

Recruitment of Consulting Firms and NGOs		
Procurement Method	Prior or Post	Comments
Quality- and Cost-Based Selection (QCBS)	Prior	
Quality-Based Selection (QBS)	Prior	
Other selection methods: Consultants Qualifications (CQS), Least-Cost Selection (LCS), Fixed Budget (FBS), and Single Source (SSS)	Prior	
Individual Consultants	Prior	

3. Consulting Services Contracts Estimated under the First Periodic Financing Request of KIUWMIP

3. The following table lists the consulting service contracts for which procurement activity is either ongoing or expected to begin within the next 18 months.

General Description	Contract Value \$million (base cost)	Recruitment Method (cost ratio)	Advertisement Date (quarter/year)	International or National Assignment	Comments
Package 1 – PMIC	0.75	GOK procured and financed	Q2 2013	National	
Package 2 – PMDSC Project 1	4.10	GOK procured and financed	Q2 2013	National	
Package 3 – PMDSC Project 2	0.64	GOK procured and financed	Q2 2014	National	
Package 4 – KUIDFC Financial Intermediation Development	1.39	GOK procured and financed	Q1 2014	National	
Package 5 – Public Communications and Awareness Consultant	0.51	GOK procured and financed	Q1 2014	National	
IEC & Toilet Program NGO	0.37	GOK procured and financed	Q1 2014	National	Will lead community mobilization, training and assist in the management of the toilet construction subsidy voucher program.
Water Auditors	0.20	GOK procured and financed	TBD	National	3 rd party auditors will monitor and certify baselines and performance-based payments.
ULB Capacity Development Training Programs	0.30	GOK procured and financed	NA	National	Various ULB capacity development programs to be delivered by Karnataka's State Institute for Urban Development.

DSC = design review and construction supervision consultant, IEC = information, education and communication, PMDSC = project management, design and supervision consultancy, PMIC = program management and institutional development consultant, QBS = quality based selection, QCBS = quality- and cost-based selection.

4. Goods and Works Contracts Proposed under the Third Periodic Financing Request

4. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to begin within the next 18 months.

List of Contract Packages

S. No.	Contract Packages	Number of Packages	Total Cost (\$ million)	Procurement Method	Expected Date of Advertisement	Prior Review Required
A. Sanitation Infrastructure						
01BDG01	Design, Build, Operate & Maintain for 6 years for Byadgi comprehensive scheme from covering FAL STP (5 MLD), network (79km), and 3000 manholes	1	6.45	NCB	Apr 2014	N

S. No.	Contract Packages	Number of Packages	Total Cost (\$ million)	Procurement Method	Expected Date of Advertisement	Prior Review Required
01HRH01	Expansion of the sewerage network (72 km sewers, 2200 nos manholes, 4 nospumping stations, 18 MLD STP) in Harihar.	1	7.39	NCB	Dec2013	Y (first civil works package)
01DVG01	Expansion of Sewerage System for Davangere (Districts 1, 1a and 3), (214 km sewers, 7950 manholes)	1	14.27	NCB	Feb2014	N
01DVG01A 01DVG01B ^a	DBO for 20 MLD SBR STP & DBO for 5 MLD SBR STP in Davangere	2	3.35 1.16	NCB	Feb 2014 Feb 2014	Y (first plant package)
B. Water Supply						
01WS02 ^b	Water supply works on 24x7 performance based management contract basis including 1. Design, construct & 6-8 yr O&M for full network in Davangere. Includes extension and rehabilitation of the distribution (DPR in progress) 2. Design, construct & 6-8 yr O&M for full network in Harihara. (157 km distribution, 11 km transmission, 12000 hscs, 15 MLD WTP, 2 rservoirs) 3. Design, construct & 6-8 yr O&M full network in Byadgi.(DPR in progress)	1	38.15	ICB (PBMC)	Apr 2014	Y
C. IT Equipment						
01KMRC01	Various IT equipment procurements for KMRC and the ULBs	Several	0.5	Shopping	Jun 2014	N

ICB = international competitive bidding, NCB = national competitive bidding. PBMC = performance based management contract

^a Packages are tentatively planned as separate packages. KUIDFC will hold a contractors meeting to determine the most responsive package sizing.

^b It is proposed that this package be tendered together water supply works and O&M for the town of Ranebennur, which will be financed by GOK. ADB will exclusively finance capital works for the towns of Byadagi, Davanagere and Harihara. The contract will seek comprehensive services from a contractor for all 4 towns, but is prepared in an itemized manner, which will enable the separation of bills and payments. The total base cost of this package for all 4 towns is \$54.35 million.

APPENDIX 9: INDICATIVE TERMS OF REFERENCE FOR FACILITY MANAGEMENT AND INSTITUTIONAL DEVELOPMENT CONSULTANT

Objective	<p>The Objective of the Project Management, Design and Supervision Consultant (project 1) is to provide assistance to Central and Regional project management units (PMUs) in implementing the first tranche of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP), which will be financed by an Asian Development Bank's (ADB's) loan under a Multitranche Financing Facility.</p> <p>The investment program will aim to achieve sustainable water security in selected river subbasins in Karnataka through improving water resource management in urban areas. Tranche 1 will concentrate in delivering these objectives in 4 towns of the upper Tungtha Badra subbasin: Byadagi, Davangere, Harihar and Ranebennur. The tranche will deliver this through three outputs: (i) expanded efficient urban water and sanitation infrastructure; (ii) improved water resource planning, monitoring and service delivery; and (iii) strengthened KUIDFC capacity.</p> <p>Reform-Based Selection of Towns. Firstly, the program will promote town selection based on willingness to undertake IWRM and financial management reforms. For this purpose, a two-phase methodology will be followed (for tranches subsequent to project 1). In Phase I, towns will be able to draw a small amount of funds to enable them to undertake water and energy audits, ascertain the condition of existing assets, undertake water planning exercises and achieve improvements in financial management (particularly collection efficiencies). Upon meeting pre-agreed criteria parameters – such as (i) achieving water tariff collection efficiencies in excess of 85%, (ii) updating of customer databases, (iii) completion of preliminary water balances and asset mapping and condition assessments and identification of illegal connections, and (iv) city-level water and sanitation Master Plans – the ULB would then receive approval for further physical investments. A separate small pool funding allocation will be made under Tranche 1 to assist ULBs undertake rapid assessments.</p> <p>The subproject preparation consists of 3 stages: (i) reform willingness (with access to self-help fund), (ii) preparation of water sector Master Plan and concept paper, and (iii) full feasibility study. This consultancy will assist KUIDFC in handling stages (i) and (ii) (named as Phase 1), and overall management, monitoring and evaluation of the entire Multitranche Financing Facility and its tranches. Separate Design and Construction Supervision consultancies for each Tranche will be responsible for the preparation of full feasibility studies and detailed designs (Phase 2).</p> <p>Progressing ULB Reforms through IT. Secondly, building on the extensive work undertaken by the Karnataka Municipal Reform Cell (KMRC) to date, (i) supplementary utility-based IT modules for GIS, MIS, Asset Management and volumetric tariff setting (to assist demand management) and, (ii) new modules for water accounting and water quality and effluent discharge reports, will be developed in partnership with this agency and rolled out.</p> <p>State Level Reforms. At State Level, the program will support Government of Karnataka (i) establish the Water Council as a precursor regulatory body for drinking water supply and sanitation, (ii) develop a State Policy to manage, meter and progressively phase out stand posts.</p>
Scope of Services	<p>The consultant will support KUIDFC Central PMU undertake its project management, monitoring and coordination and institutional reform monitoring functions:</p> <ul style="list-style-type: none"> (i) assist the implementation of reforms through (a) the operationalization and implementation of the ULB Incentive Pool Fund for Improved Water Sector Planning and Monitoring, and (b) implementation of the reform-oriented selection process for ULBs under subsequent tranches. (ii) assist KUIDFC (a) prepare State Policies to manage, meter and progressively phase out stand posts and (b) establish the Water Council. (iii) review and consolidate subproject reports prepared in accordance with subproject selection criteria, for submission to ADB in the form of comprehensive periodic financing requests,

	(iv) monitoring overall Program implementation and secure compliance with the agreed facility implementation program.
Estimated assignment period	Seven years, from Q1 2014 to Q1 2021 in 2 phases: T1 (Q1 2014 to Q1 2018) and T2 (Q1 2018-Q1 2021)
Financing sources	The first loan will partly cover the consulting service contract (4 years). Subject to satisfactory performance, the contract may be extended under the second loan for a further period (3 years).
Activities	<p>The activities include, but not limited to:</p> <p>Urban Governance and Financial Reform</p> <ul style="list-style-type: none"> (i) Manage the ULB subproject selection and investment process, including for Phase 1 (access to self-help fund, committal to reform and subproject concept preparation and approval): <ul style="list-style-type: none"> a. Preparation of guidelines for accessing (1) 'self-help' fund to finance small elements of reform oriented program, (2) information dissemination across the State. b. Preparation of standardized forms defining processes and criteria, eligible items, targets and eligible preliminary investments and expenditures, basic costing and expected returns. c. Preparation of standardized MOUs between KUIDFC and ULB linking reform objectives to access to funds in Phases 1 and 2. d. Define criteria of eligibility for financing of works, thresholds and repayment to KUIDFC, as well as criteria enabling uptake of investments under Phase 2. e. Assist KUIDFC in the evaluation of proposals submitted by ULBs. (ii) Provide direct advice to project 1 and prospective interested ULBs in relation to the implementation of the reform agenda, including basic assistance to prepare and submit forms to KUIDFC. (iii) Assist the ULBs in conducting procurement of small packages for equipment (e.g. bulk water meters, automatic shut off valves), services (e.g. water and energy audits, household surveys) and very minor civil works, compliant with agreed guidelines for procurement and recruitment of consultants. (iv) Monitor implementation of reforms and preliminary works undertaken with financing from the ULB incentive fund and prepare period reports. (v) Provide recommendations for further uptake of ULBs under Phase 2, i.e. large civil works, justifying completion of minimum reform commitments. <p>State Level Reforms</p> <ul style="list-style-type: none"> (i) Assist GOK in the process of formulating a State policy on managing, metering and progressively phase out stand posts; including support for consultation, addressing feedback and official adoption and dissemination. (ii) Assist GOK with establishing and operationalizing the Water Council, provide advice, and assist through the development of methodology and a model for tariff setting, and the preparation of customer service guidelines, service standards and performance indicators. (iii) In respect of tariff setting, coordinate and guide KMRC in the development of a module to be rolled out to ULBs across Karnataka. (iv) Review and analyze legal and institutional barriers and capacity constraints to sustainable management of water services by ULBs. (vi) Assist KUIDFC develop appropriate SPV models. (vii) Assist ULBs in the establishment of SPVs with ring-fencing of operations, accounts and resources. (v) Revise/update draft articles of association or equivalent for regional company SPVs . (vi) Prepare guidelines for the preparation of urban watershed management plans. (vii) Prepare guidelines for the preparation of urban water safety plans and assist PIUs in the preparation for program towns. (viii) Prepare model TORs and Request for Proposals for consultancies for water and energy audits, urban watershed management plans, water asset GIS mapping and condition assessments to be utilized under the ULB incentive fund. (ix) Prepare model standard bid documents for the procurement of small civil works and goods (e.g. bulk water meters) to be utilized under the ULB incentive fund. <p>Program Management and Monitoring</p>

	<ul style="list-style-type: none">(i) Prepare a common program management system (framework) for all tranches and ULBs; given distance and communication constraints, a web-bases system may be most appropriate with KUIDFC/ULB access and selected sections for public disclosure.(ii) Prepare common guidelines for benefit monitoring and evaluation and train all PIUs and ULBs accordingly.(iii) Prepare a common repository system within PMU for secondary data across the program (with primary data being maintained at the district level).(iv) Prepare and agree common frameworks for reporting (a) progress (physical and financial), (b) accounts, (c) procurement, (d) safeguards compliance and (e) covenant compliance, etc(v) Support KUIDFC with any other activities relating to management and monitoring of the program.(vi) For subsequent tranches, assist KUIDFC and PIUs office devise a program for rigorous impact evaluation demonstrating the benefits of the investment program, train staff and devise a robust sampling framework.																																																							
Output/report requirements	<ul style="list-style-type: none">(i) Program performance monitoring system baseline data and their semi-annual updates in accordance with the facility administration manual.(ii) Consolidated quarterly progress reports for all tranches.(iii) Draft standpost policy.(iv) Draft volumetric tariff for water supply and sewerage service model and service standards and guidelines.(v) Draft notifications as requested by the PMU.(vi) Updated draft articles of association or equivalent for regional company SPVs.(vii) Assessment of legal and institutional barriers and capacity constraints to sustainable management of water services by ULBs.(viii) Fund guidelines, access and management forms, draft MOUs, information dissemination materials.(ix) Model TORs and bid documents for various ULB incentive fund target activities.(x) Guideline, templates and outline of safeguards reports and monitoring reports in consultations with safeguards specialist of KUIDFC/RPMU(xi) Semi-annual fund reports.(xii) Inception report, progress reports, draft final report and final report.																																																							
Office, support staff and equipment	<p>The PMU will provide office accommodation and office equipment, including desks and chairs.</p> <p>The consultants will quote the remuneration, per-diem, cost of support staff and assistants, and domestic travels.</p> <p>The cost of organizing workshop and meetings, office supplies, communication and annual subscription for on-line database services will be paid out of the provisional sum, subject to prior approval by KUIDFC.</p>																																																							
Inputs Nat. = 342 person-months	<table><tr><th colspan="5">Estimated Input Requirements</th></tr><tr><th></th><th>Positions</th><th>Type</th><th>Inputs T1</th><th>Inputs T2</th></tr><tr><td>1</td><td>Policy & Institutional Specialist/Team Leader</td><td>Nt'l</td><td>48</td><td>36</td></tr><tr><td>2</td><td>Water Sector Specialist</td><td>Nt'l</td><td>27</td><td>36</td></tr><tr><td>3</td><td>Wastewater and Sanitation Specialist</td><td>Nt'l</td><td>27</td><td>36</td></tr><tr><td>4</td><td>Water Economic Regulation Specialist</td><td>Nt'l</td><td>6</td><td>0</td></tr><tr><td>5</td><td>Utility Commercial and Financial Specialist</td><td>Nt'l</td><td>18</td><td>24</td></tr><tr><td>6</td><td>Procurement Specialist</td><td>Nt'l</td><td>16</td><td>8</td></tr><tr><td>7</td><td>IT/MIS Expert</td><td>Nt'l</td><td>12</td><td>0</td></tr><tr><td>8</td><td>Monitoring and Evaluation Specialist</td><td>Nt'l</td><td>30</td><td>18</td></tr><tr><td></td><td>Total</td><td></td><td>184</td><td>158</td></tr></table> <p>Source: ADB estimates.</p>	Estimated Input Requirements						Positions	Type	Inputs T1	Inputs T2	1	Policy & Institutional Specialist/Team Leader	Nt'l	48	36	2	Water Sector Specialist	Nt'l	27	36	3	Wastewater and Sanitation Specialist	Nt'l	27	36	4	Water Economic Regulation Specialist	Nt'l	6	0	5	Utility Commercial and Financial Specialist	Nt'l	18	24	6	Procurement Specialist	Nt'l	16	8	7	IT/MIS Expert	Nt'l	12	0	8	Monitoring and Evaluation Specialist	Nt'l	30	18		Total		184	158
Estimated Input Requirements																																																								
	Positions	Type	Inputs T1	Inputs T2																																																				
1	Policy & Institutional Specialist/Team Leader	Nt'l	48	36																																																				
2	Water Sector Specialist	Nt'l	27	36																																																				
3	Wastewater and Sanitation Specialist	Nt'l	27	36																																																				
4	Water Economic Regulation Specialist	Nt'l	6	0																																																				
5	Utility Commercial and Financial Specialist	Nt'l	18	24																																																				
6	Procurement Specialist	Nt'l	16	8																																																				
7	IT/MIS Expert	Nt'l	12	0																																																				
8	Monitoring and Evaluation Specialist	Nt'l	30	18																																																				
	Total		184	158																																																				
Recruitment	<p>The firm will be recruited following the Quality-and-Cost Based-Method following a 90:10 ratio. A time-based contract may be executed.</p>																																																							

**INDICATIVE OUTLINE TERMS OF REFERENCE FOR
PROJECT MANAGEMENT, DESIGN AND CONSTRUCTION SUPERVISION CONSULTANTS
FOR PROJECT 1**

Objective	<p>The Objective of the Project Management, Design and Supervision Consultant (project 1) is to provide assistance to Central and Regional project management units (PMUs) in implementing the first tranche of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP), which will be financed by an Asian Development Bank's (ADB's) loan under a Multitranchise Financing Facility.</p> <p>The investment program will aim to achieve sustainable water security in selected river subbasins in Karnataka through improving water resource management in urban areas. Tranche 1 will concentrate in delivering these objectives in 4 towns of the upper Tungtha Badra subbasin: Byadagi, Davangere, Harihar and Ranebennur. The tranche will deliver this through three outputs: (i) expanded efficient urban water and sanitation infrastructure; (ii) improved water resource planning, monitoring and service delivery; and (iii) strengthened KUIDFC capacity.</p>
Scope of Services	<p>The consultants will update various studies and project preparation documents; carry out contract planning and review detailed engineering designs for proposal submitted by contractors under turnkey tenders; update schedules of quantities and specifications, if deemed necessary, during implementation; review drawings prepared by the contractors; support the PMU in preparation and review of any bid documents, if deemed necessary, invitations, receipt and evaluation of bids. The consultants will supervise and manage the construction with frequent site visits, carry out quality control, testing and reporting, monitor construction activities and certify contractor's progress claims.</p> <p>The preparation of detailed designs and bidding documents for tranche 1 towns have been already been conducted under KUIDFC's supervision. Therefore design functions are expected to be limited to a minimum, as may arise from time to time, either in relation to the review of designs prepared by contractors for turnkey contracts (Byadagi) or during contract implementation.</p> <p>The consultants will identify appropriate technologies and prepare detailed designs for household and community toilets in liaison with the OBA toilet program NGO. The consultants will also act as technical independent verifiers for the OBA toilet program.</p> <p>The consultants will also be responsible for supporting and reviewing safeguards compliance, community mobilization and benefit monitoring and evaluation, as well as assisting the RPMU with overall project management for tranche 1, including the consolidation of reports for the preparation of semiannual safeguards monitoring report to be reviewed and submission to ADB by CPMU.</p>
Estimated assignment period	This assignment is estimated over 4 years, from Q1 2014 to Q1 2018.
Financing sources	The first loan under the facility will finance consulting services for this assignment.
Activities	<p>The activities include, but not limited to:</p> <p>Overall Management</p> <ul style="list-style-type: none"> (i) Assist the project director with the day-to-day management of Project activities (ii) Coordinate planning, control, and management of the work of a multidisciplinary team. (iii) Develop construction implementation schedules and resource requirements; (iv) Monitor and evaluate progress, and identify and resolve constraints. (v) Provide long-term input to the development of project methodologies. (vi) Identify appropriate technologies and the need for standardization of equipment and materials. (vii) prepare and update implementation schedules and resource requirements (preferably in Microsoft Project Management) (viii) Report analysis of the existing assets. (ix) define quality control mechanisms and parameters for subprojects/components

	<ul style="list-style-type: none"> (x) establish a contract tracking systems, including implementation schedules and milestones achievable (xi) assist KUIDFC present designs to all stakeholders, seek their feedback and address their concerns where necessary; (xii) Carry out baseline and benefit monitoring surveys (xiii) Ensure the contractors comply with environmental management plans, and initial environmental examination. (xiv) Ensure the contractors comply with ADB safeguards policy and agreed resettlement plan (RP), that no civil works will be carried out prior the complete compensation payment of relevant RP implementation. (xv) update costs and economic and financial information, when needed (xvi) prepare an asset registry for all assets built under the Project and ensure that as built drawings are transferred into the ULBs' GIS; (xvii) Prepare monthly project progress reports in accordance with the facility administration manual (xviii) Assist the PMU in collecting the baseline data from primary sources, and monitoring the progress as per the project performance monitoring system as well as the service level benchmarks defined by the Ministry of Urban Development, (xix) ADB safeguards policy and agreed resettlement plan (RP), that no civil works prior the complete compensation payment of relevant RP implementation. (xx) Assist the PMU in other tasks as assigned by the PMU. (xxi) Provide all necessary information regarding project related issues and prepare solutions for recommendations to the Project Director. (xxii) Accompany client in meetings with KUIDFC and state government officials, police, local representatives, utility service providers as and when necessary. (xxiii) Conduct ADB safeguards briefings on ADB SPS (2009), safeguards related procedures and requirements to RPMU staff, IAs (ULB/PIU) staffs and contractors' prior project implementation in the concerned areas. <p>Survey and Design</p> <ul style="list-style-type: none"> (i) Update maps and plans of the water supply and sewerage project sites, as deemed necessary, during contract implementation stages. (ii) Review available secondary data, and update the data with primary sources. (iii) Update the detailed designs, technical specifications, cost estimates, and bid documents for subprojects, in accordance with the ADB procurement guidelines and standard bidding document, if deemed necessary (e.g. if rebidding is necessary). (iv) Assist the PMU with all aspects of procurement including preparation of bid document, bid invitation, evaluation and award of work. (v) Ensure compliance of contractors with ADB's procedures and guidelines for project implementation and management. (vi) Ensure designs are implemented on the ground with the path of least disturbance to other utilities. (vii) Prepare the operation and maintenance manual of the mechanical assets created by the project in collaboration with the respective contractors and the public communication and social development consultant. (viii) Update/ finalize the draft resettlement plans with support by recruited NGO for resettlement upon the completion of final design for ADB review and approval prior implementation. (ix) Update/ finalize draft IEEs/ EMPs prior to bidding of civil works packages. (x) Identify suitable technologies and prepare detailed designs for approved household and community toilets for the OBA toilet program. (xi) Assist households and community in liaison with the NGO in the proper selection, design, location and use of toilets and fixture. <p>Supervision</p> <ul style="list-style-type: none"> (i) Administer and manage the works and supply contracts. (ii) Provide most reasonable interpretation of technical specifications in consultation with the PMU. (iii) Verify the surveyed maps and design in the light of the ground situation and make necessary modifications, if required, with approval by the PMU.
--	--

	<ul style="list-style-type: none"> (iv) Scrutinize and improve the contractors' detailed work program and guide contractors for each contract. (v) Scrutinize the construction methods proposed by contractor including environmental; safety, personnel and public issues. (vi) Monitor the construction method by assessing the adequacy of the contractor's input materials, labor, equipment, and construction methods. (vii) Review and modify the detailed construction drawings as necessary during the works contractual period. (viii) Supervise and monitor construction work of each contract. (ix) Monitor contractors' implementation of environmental standards, environmental and social safeguards, and gender action plans, and provide contractors with mitigation measures in case of failures. (x) Assist PMU/ IAs compliance with ADB Safeguards policy and requirement during project 1 implementation (xi) Establish quality assurance system including verification of source of material and certification. (xii) Carry out necessary quality control activities and certify that the quality of works conforms to the specifications and drawings. (xiii) Supervise the construction of the various contract packages for achieving the expected outputs of the project. (xiv) Record the work measurement and certify the contractors' interim and final bill of payment. (xv) Assist third party inspections, if necessary, as decided by the employer. (xvi) Review and finalize the "as built" drawings submitted by Contractor. (xvii) Assist the employer in issue of completion certificates. (xviii) Assist for resolution of all contractual issues including examining the contractor's claims for variations/extensions, or additional compensations, etc., and prepare recommendations for approval by the employer. (xix) Inspect the works at appropriate intervals during defect liability period and issue certifications. (xx) Support, assist and provide guidance for complaints- resolution matters and implementation project Grievance Redress Mechanism to the RPMU and IAs, as required. <p>Independent Verification Agent for OBA Toilet Program</p> <ul style="list-style-type: none"> (xxi) Conduct independent technical inspection and verification on the construction of household and community toilets. (xxii) Conduct independent technical inspection and verification of connection of household and community toilets to the sewer network. (xxiii) Conduct independent verification of the social sanitation marketing program implemented by the NGO. (xxiv) Preparation and submission of periodical technical independent verification reports to CPMU/ RPMU. (xxv) Provide certification of constructed toilets, connections and approval for contractors for sanitation works and materials.
Output/report requirements	<ul style="list-style-type: none"> (i) Review and updating of engineering designs. (ii) Monthly progress reports on physical, financial, safeguards and gender action plan compliance, (iii) Final/updated RPs for submission to ADB through KUIDFC prior implementation (iv) Draft semiannual safeguard monitoring reports (v) Update bidding documents for each contract. (vi) Draft Evaluation Reports and associated documentation. (vii) Manuals for operations of mechanical assets, (viii) Draft completion certificates, (ix) Third party inspection reports, (x) Project performance monitoring system updates, (xi) Briefing notes to the Project Director on project related issues, (xii) Inception report, progress reports, draft final report and final report.
Office, support staff and equipment	<p>The consultants will be based in project 1 towns and be responsible for any office rental and transportation.</p> <p>The consultants will quote the remuneration, per-diem, cost of support staff and assistants, and domestic travels.</p>

	The cost of organizing workshop and meetings, office supplies, computer consumables, communication and annual subscription for on-line database services will be paid out of the provisional sum.		
Inputs Nat. = 738 person-months	Estimated Input Requirements		
		Positions	Type
			Inputs
	1	Water Engineer and Team Leader	National
	2	Sanitation Engineer and Deputy Team Leader	National
	3	Sr. Design Engineer (Water)	National
	4	Sr. Design Engineer (Wastewater)	National
	5	Instrumentation, Controlling and Automation Engineer	National
	6	Structural Engineer	National
	7	Mechanical Engineer	National
	8	Electrical Engineer	National
	9	Environmental Specialist	National
	10	Social Development Specialist (R&R & Community)	National
	11	Procurement/Contract Management Specialist	National
	12	Monitoring & Evaluation Specialist	National
	13	Resident Engineer (4)	National
	14	Assistant Resident/Junior Engineers (8)	Support
	15	Quantity Surveyor	Support
	16	Draftspersons (CAD, 2)	Support
		Total	738
Source: ADB estimates.			
Recruitment	The firm will be recruited following the Quality-and-Cost Based-Method following a 90:10 ratio. A time-based contract may be executed.		

**INDICATIVE OUTLINE TERMS OF REFERENCE FOR
PROJECT MANAGEMENT, DESIGN AND CONSTRUCTION SUPERVISION CONSULTANTS
FOR PROJECT 2**

Objective	<p>The Objective of the Project Management, Design and Supervision Consultant (Project 2) is to provide assistance to Central and Regional project management units (PMUs) in preparing and implementing the second tranche of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP), which will be financed by an Asian Development Bank's (ADB's) loan under a Multitranchise Financing Facility.</p> <p>The investment program will aim to achieve sustainable water security in selected river subbasins in Karnataka through improving water resource management in urban areas. Tranche 2 will concentrate in delivering these objectives in 4-6 towns in Karnataka. The towns will be defined prior to tendering of this package and will have been selected based on their commitment and performance in implementing water and urban reform improvements. Tranche 2 is expected will deliver the objective through two outputs: (i) expanded efficient urban water and sanitation infrastructure; (ii) improved water resource planning, monitoring and service delivery.</p>
Scope of Services	<p>The consultants will update various studies and project preparation documents; prepare subproject appraisal reports and all feasibility assessments, including the technical studies, economic and financial analyses, safeguards documents (environment and social) etc.</p> <p>The consultants will also prepare detailed engineering designs, schedules, bills of quantities and specifications, support the PMU in the preparation of procurement packages and bid documents. The consultants will assist the PMU preparing invitations, receiving and evaluating the bids. They will carry out contract planning and review drawings prepared by the contractors. The consultants will also supervise and manage construction activities on-site, carry out quality control, testing and reporting, monitor construction activities and certify contractor's progress claims.</p> <p>The consultants will be responsible for supporting and reviewing safeguards compliance, community mobilization and benefit monitoring and evaluation, as well as assisting the RPMU with overall project management for tranche 2.</p>
Estimated assignment period	This assignment is estimated over 5 years, from Q4 2014 to Q4 2019, in 2 phases T1 (Q4 2014 to Q4 2015) and T2 (Q1 2016-Q42019)
Financing sources	The first loan will cover the consulting service contracts for tranche 2 preparation, including feasibilities, detailed design and bid documentation. The second loan will cover the remaining balance, including inputs for tendering, construction supervision and project management.
Activities	<p>The activities include, but not limited to:</p> <p>Project 2 Preparation</p> <ul style="list-style-type: none"> (i) <u>Technical</u>. Assess infrastructure condition and deficit in selected project towns. Conduct an inventory of, and review, all relevant initiatives for infrastructure development, studies, plans and programs, and public and private sector proposals. (ii) Describe, map, and quantify the condition of basic amenities and services in urban and rural areas, highlighting needs and deficiencies in the water supply, sanitation, sewerage and sewage treatment, and drainage subsectors. (iii) Conduct a physical reconnaissance of underground and surface water supplies. (iv) Assess the impact of wastewater collection and treatment on the water quality of receiving watercourses before and after project construction. (v) Prepare a preliminary engineering design for all project towns. (vi) Screen all viable technical options and complete the technical design for selected least-cost solutions. (vii) Prepare an integrated and comprehensive program in each town for reducing nonrevenue water, taking into consideration capacity for local implementation. (viii) Assess the adequacy of wastewater treatment options, including decentralized systems.

	<ul style="list-style-type: none"> (ix) Review and/or define design criteria and standards. (x) Outline designs; arrangements for construction staging, implementation, and tendering; major civil works schedules; staffing requirements; and methods for selecting appropriate equipment, including maintenance and inspection of subcomponents. (xi) Discuss existing managerial and administrative arrangements. (xii) Estimate project costs at market rates. (xiii) <u>Economic and Financial</u>. Prepare detailed financing and disbursement plans. (xiv) Describe existing relevant operation and maintenance (O&M) procedures, tariffs, and status of billing and collection for the selected subsectors. (xv) Collect and assess community data on general affordability and willingness to pay for water supply and sanitation. (xvi) Update water demand and wastewater discharge data and calculate projections for various end user groups. (xvii) Propose cost-recovery mechanisms. (xviii) Estimate the detailed economic project costs for selected options, applying appropriate disaggregation of costs, standard conversion factors, and shadow prices as required. (xix) Identify all quantifiable and unquantifiable project economic benefits, considering with and without Project scenarios, as well as incremental and nonincremental benefits. (xx) Review the financial management performance of selected towns. Prepare financial projections for operations 10 years after project completion. Compute relevant financial indicators for each town to assess financial viability. (xxi) Assess the Project's financial viability. (xxii) Estimate economic and financial internal rates of return and perform sensitivity analyses, including switching values and calculation of the real weighted average cost of capital. (xxiii) Calculate the poverty impact ratio and conduct a distribution analysis. (xxiv) <u>Social Safeguards</u>. In line with ADB's SPS (2009), identify the scale of impacts, conduct due diligence for social safeguards categorization and enumerate people likely to be affected by involuntary resettlement impacts through a survey and/or census and preparing an asset inventory that identifies all types of losses; ascertain preferential relocation areas, compensation, and livelihood restoration through consultation with those who might be affected. (xxv) Establish an entitlement cutoff date and estimating the requirements for financial resources, comparing these with available resources. Provide options for relocating housing and other structures, including transfer to established new sites, options for livelihood restoration, and mechanisms for addressing grievances. (xxvi) Assess any possible project impacts that may affect indigenous people (IP) located in the project areas that may trigger the application of ADB SPS SR 3 on Indigenous People. (xxvii) Prepare resettlement plans, and indigenous people plan (IPP) as required, based on subproject design for each town. Define institutional responsibilities for approving, implementing, managing, financing, and monitoring the resettlement plan and/or IPP, along with implementation schedules, capacity building, financial plans and budgets, and a plan for internal and external monitoring and evaluation of the resettlement plan for subproject categorized as A. (xxviii) Conduct due diligence for lesson learned from the implementation of resettlement plans of project 1 for improvement in the Project 2 activities. (xxix) <u>Environmental Safeguards</u>. In line with ADB's SPS (2009), prepare initial environmental examinations or environmental impact assessments and an associated environmental management plans for each of the project towns, including all subcomponents. Conduct consultations in line with ADB requirements. <p>Overall Management</p> <ul style="list-style-type: none"> (i) Assist the project director with the day-to-day management of Project activities (ii) Coordinate planning, control, and management of the work of a multidisciplinary team. (iii) Develop construction implementation schedules and resource requirements; (iv) Monitor and evaluate progress, and identify and resolve constraints. (v) Provide long-term input to the development of project methodologies.
--	--

	<ul style="list-style-type: none"> (vi) Identify appropriate technologies and the need for standardization of equipment and materials. (vii) prepare and update implementation schedules and resource requirements (preferably in Microsoft Project Management). (viii) Report analysis of the existing assets. (ix) Agree quality control mechanisms consistent with PMDSC1 and parameters for subprojects/components. (x) Establish a contract tracking systems, including implementation schedules and milestones achievable. (xi) Assist KUIDFC present designs to all stakeholders, seek their feedback and address their concerns where necessary. (xii) Carry out baseline and benefit monitoring surveys. (xiii) Ensure the contractors comply with environmental management plans, and approved environmental assessments. (xiv) Carry out baseline surveys, and ensure the contractors comply with ADB safeguards policy and agreed resettlement plan (RP), that no civil works prior the complete compensation payment of relevant RP implementation. (xv) Update costs and economic and financial information, when needed. (xvi) Prepare an asset registry for all assets built under the Project and ensure that as built drawings are transferred into the ULBs' GIS for Project 2 towns. (xvii) Prepare monthly project progress reports in accordance with the project administration manual. (xviii) Assist the PMU in collecting the baseline data from primary sources, and monitoring the progress as per the project performance monitoring system as well as the service level benchmarks defined by the Ministry of Urban Development. (xix) Assist the PMU in other tasks as assigned by the PMU. (xx) Assist the RPMU and IAs for the recruitments of third independent party, as required, for monitoring and reporting land acquisition through willing buyer and willing seller mechanism. (xxi) Conduct ADB safeguards briefings on ADB SPS (2009), safeguards related procedures and requirements to RPMU staff, IAs (ULB/PIU) staffs and contractors' prior project implementation in the concerned areas. (xxii) Provide all necessary information regarding project related issues and prepare solutions for recommendations to the Project Director. (xxiii) Accompany client in meetings with KUIDFC and state government officials, police, local representatives, utility service providers as and when necessary. <p>Design and Tender</p> <ul style="list-style-type: none"> (i) Undertake necessary surveys and investigations (including but not limited to topographical and geotechnical surveys) on the project sites and its surroundings. (ii) Screen and categorized the subproject impacts on safeguards for submission and approval by ADB (iii) Update maps and plans of the water, drainage and sewerage project sites. (iv) Review available secondary data, and update the data with primary sources. (v) Report analysis of the existing assets before designing. (vi) Prepare detailed designs of the agreed technical options, technical specifications, cost estimates, and bid documents for subprojects which should be in accordance with the ADB procurement guidelines and standard bidding document. (vii) Prepare of detailed project reports for advance preparations of subproject for subsequent loans, if any. (viii) Carry out baseline surveys, and ensure the contractors' proposals comply with environmental management plans, and initial environmental examination. (ix) Carry out baseline surveys, and ensure the contractors' proposals comply with resettlement plan. (x) Assist the PMU with all aspects of procurement including preparation of bid document, bid invitation, evaluation and award of work. (xi) Assist the PMU to avoid or minimize impacts on involuntary land acquisition and resettlement (both permanent and temporal) in project activities. (xii) Ensure compliance of contractors with ADB's procedures and guidelines for project implementation and management. (xiii) Ensure designs are implementable on ground with the path of least disturbance to other utilities.
--	--

	<ul style="list-style-type: none"> (xiv) Recommend design, technology, and process having the simplest and least expensive for operation and maintenance. (xv) Prepare the operation and maintenance manual of the mechanical assets created by the project in collaboration with the respective contractors and the public communication and social development consultant. (xvi) Prepare and finalize required RP and IPP (xvii) Assist the PMU and IA for project disclosure and public consultations <p>Supervision</p> <ul style="list-style-type: none"> (i) Administer and manage the works and supply contracts. (ii) Provide most reasonable interpretation of technical specifications in consultation with the PMU. (iii) Verify the surveyed maps and design in the light of the ground situation and make necessary modifications, if required, with approval by the PMU. (iv) Scrutinize and improve the contractors' detailed work program and guide contractors for each contract. (v) Scrutinize the construction methods proposed by contractor including environmental; safety, personnel and public issues. (vi) Monitor the construction method by assessing the adequacy of the contractor's input materials, labor, equipment, and construction methods. (vii) Assist PMU/ IAs compliance with ADB Safeguards policy and requirement during Project 2 implementation (viii) Review and modify the detailed construction drawings as necessary during the works contractual period. (ix) Supervise and monitor construction work of each contract. (x) Monitor contractors' implementation of environmental standards, environmental and social safeguards, and gender action plans, and provide contractors with mitigation measures in case of failures. (xi) Establish quality assurance system including verification of source of material and certification. (xii) Carry out necessary quality control activities and certify that the quality of works conforms to the specifications and drawings. (xiii) Supervise the construction of the various contract packages for achieving the expected outputs of the project. (xiv) Record the work measurement and certify the contractors' interim and final bill of payment. (xv) Assist third party inspections, if necessary, as decided by the employer. (xvi) Review and finalize the "as built" drawings submitted by Contractor. (xvii) Assist the employer in issue of completion certificates. (xviii) Assist for resolution of all contractual issues including examining the contractor's claims for variations/extensions, or additional compensations, etc., and prepare recommendations for approval by the employer. (xix) Inspect the works at appropriate intervals during defect liability period and issue certifications. (xx) Support, assist and provide guidance for complaints- resolution matters and implementation project Grievance Redress Mechanism to the RPMU and IAs, as required.
Output/report requirements	<ul style="list-style-type: none"> (i) Summary appraisal reports and feasibility studies of all subcomponents for towns in Tranche 2, including technical studies, economic and financial analyses, safeguards documents (IEEs/EIAs and Resettlement Plans) (ii) Detailed engineering designs and DPRs of all subcomponents for towns in Tranche .Bidding documents for each contract. (iii) Bid Evaluation Reports and associated documentation. (iv) Manuals for operations of mechanical assets. (v) Draft completion certificates. (vi) Third party inspection reports. (vii) Monthly progress reports on physical, financial, safeguards and gender action plan compliance. (viii) Project performance monitoring system updates. (ix) Draft semiannual safeguards monitoring reports (x) Briefing notes to the Project Director on project related issues.

	(xi) Inception report, progress reports, draft final report and final report.																																																																																																				
Office, support staff and equipment	<p>The consultants will be responsible for any office rental and transportation.</p> <p>The consultants will quote the remuneration, per-diem, cost of support staff and assistants, and domestic travels.</p> <p>The cost of organizing workshop and meetings, office supplies, and communication will be paid out of the provisional sum.</p>																																																																																																				
Inputs Nat. = 922 person-months	<table><tr><th colspan="5">Estimated Input Requirements</th></tr><tr><th></th><th>Positions</th><th>Type</th><th>Input T1</th><th>Input T2</th></tr><tr><td>1</td><td>Water Engineer and Team Leader</td><td>Nt'l</td><td>6</td><td>48</td></tr><tr><td>2</td><td>Sanitation Engineer and Deputy Team Leader</td><td>Nt'l</td><td>0</td><td>48</td></tr><tr><td>3</td><td>Sr. Design Engineer (Water)</td><td>Nt'l</td><td>10</td><td>8</td></tr><tr><td>4</td><td>Sr. Design Engineer (Wastewater)</td><td>Nt'l</td><td>10</td><td>8</td></tr><tr><td>5</td><td>Instrumentation, Controlling and Automation Engineer</td><td>Nt'l</td><td>6</td><td>12</td></tr><tr><td>6</td><td>Structural Engineer</td><td>Nt'l</td><td>6</td><td>12</td></tr><tr><td>7</td><td>Mechanical Engineer</td><td>Nt'l</td><td>4</td><td>6</td></tr><tr><td>8</td><td>Electrical Engineer</td><td>Nt'l</td><td>4</td><td>6</td></tr><tr><td>9</td><td>Environmental Specialist</td><td>Nt'l</td><td>6</td><td>15</td></tr><tr><td>10</td><td>Social Development Specialist (R&R & Community)</td><td>Nt'l</td><td>6</td><td>22</td></tr><tr><td>11</td><td>Economist/Financial Specialist</td><td>Nt'l</td><td>5</td><td>0</td></tr><tr><td>11</td><td>Procurement/Contract Management Specialist</td><td>Nt'l</td><td>6</td><td>18</td></tr><tr><td>12</td><td>Monitoring & Evaluation Specialist</td><td>Nt'l</td><td>3</td><td>15</td></tr><tr><td>13</td><td>Resident Engineer (4)</td><td>Nt'l</td><td>0</td><td>192</td></tr><tr><td>14</td><td>Assistant Resident/Junior Engineers (8)</td><td>Support</td><td>0</td><td>384</td></tr><tr><td>15</td><td>Quantity Surveyor</td><td>Support</td><td>4</td><td>12</td></tr><tr><td>16</td><td>Draftspersons (CAD, 2)</td><td>Support</td><td>20</td><td>20</td></tr><tr><td></td><td>Total</td><td></td><td>96</td><td>826</td></tr></table> <p>Source: ADB estimates.</p>	Estimated Input Requirements						Positions	Type	Input T1	Input T2	1	Water Engineer and Team Leader	Nt'l	6	48	2	Sanitation Engineer and Deputy Team Leader	Nt'l	0	48	3	Sr. Design Engineer (Water)	Nt'l	10	8	4	Sr. Design Engineer (Wastewater)	Nt'l	10	8	5	Instrumentation, Controlling and Automation Engineer	Nt'l	6	12	6	Structural Engineer	Nt'l	6	12	7	Mechanical Engineer	Nt'l	4	6	8	Electrical Engineer	Nt'l	4	6	9	Environmental Specialist	Nt'l	6	15	10	Social Development Specialist (R&R & Community)	Nt'l	6	22	11	Economist/Financial Specialist	Nt'l	5	0	11	Procurement/Contract Management Specialist	Nt'l	6	18	12	Monitoring & Evaluation Specialist	Nt'l	3	15	13	Resident Engineer (4)	Nt'l	0	192	14	Assistant Resident/Junior Engineers (8)	Support	0	384	15	Quantity Surveyor	Support	4	12	16	Draftspersons (CAD, 2)	Support	20	20		Total		96	826
Estimated Input Requirements																																																																																																					
	Positions	Type	Input T1	Input T2																																																																																																	
1	Water Engineer and Team Leader	Nt'l	6	48																																																																																																	
2	Sanitation Engineer and Deputy Team Leader	Nt'l	0	48																																																																																																	
3	Sr. Design Engineer (Water)	Nt'l	10	8																																																																																																	
4	Sr. Design Engineer (Wastewater)	Nt'l	10	8																																																																																																	
5	Instrumentation, Controlling and Automation Engineer	Nt'l	6	12																																																																																																	
6	Structural Engineer	Nt'l	6	12																																																																																																	
7	Mechanical Engineer	Nt'l	4	6																																																																																																	
8	Electrical Engineer	Nt'l	4	6																																																																																																	
9	Environmental Specialist	Nt'l	6	15																																																																																																	
10	Social Development Specialist (R&R & Community)	Nt'l	6	22																																																																																																	
11	Economist/Financial Specialist	Nt'l	5	0																																																																																																	
11	Procurement/Contract Management Specialist	Nt'l	6	18																																																																																																	
12	Monitoring & Evaluation Specialist	Nt'l	3	15																																																																																																	
13	Resident Engineer (4)	Nt'l	0	192																																																																																																	
14	Assistant Resident/Junior Engineers (8)	Support	0	384																																																																																																	
15	Quantity Surveyor	Support	4	12																																																																																																	
16	Draftspersons (CAD, 2)	Support	20	20																																																																																																	
	Total		96	826																																																																																																	
Recruitment	<p>The firm will be recruited following the Quality-and-Cost Based-Method following a 90:10 ratio. A time-based contract may be executed.</p>																																																																																																				

INDICATIVE TERMS OF REFERENCE FOR FINANCIAL INTERMEDIATION CAPACITY DEVELOPMENT CONSULTANT

Background and Objective	<p>The Objective of the Project Management, Design and Supervision Consultant (project 1) is to provide assistance to Central and Regional project management units (PMUs) in implementing the first tranche of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP), which will be financed by an Asian Development Bank's (ADB's) loan under a Multitranchise Financing Facility.</p> <p>The investment program will aim to achieve sustainable water security in selected river subbasins in Karnataka through improving water resource management in urban areas. Tranche 1 will concentrate in delivering these objectives in 4 towns of the upper Tungtha Badra subbasin: Byadagi, Davangere, Harihar and Ranebennur. The tranche will deliver this through three outputs: (i) expanded efficient urban water and sanitation infrastructure; (ii) improved water resource planning, monitoring and service delivery; and (iii) strengthened KUIDFC capacity.</p> <p>KUIDFC was established in November 1993 under the Companies Act 1956, as a limited liability company with an authorized share capital of INR 100 million (about \$2.5 million). The entire equity of the company is from the government. While KUIDFC has the legal mandate to act as a financial institution, it has restricted its function to managing and passing on government funds, it has not borrowed funds directly, nor lent them on a commercial basis. Capital base and skills need strengthening.</p>
Scope of Services	<p>The consultants will be responsible for assessing KUIDFC's capabilities as a financial intermediary with respect to financial management, credit and risk management, project appraisal, loan management, and information systems. The consultants will accordingly develop appropriate (i) policies, (ii) frameworks (iii) procedures to transform KUIDFC into a viable financial institution.</p> <p>The consultants will also be responsible for assessing the present human resource strength and accordingly prepare a road map that ensures KUIDFC's conversion.</p>
Estimated assignment period	This assignment is estimated over 2 years, from Q2 2014 to Q2 2016.
Financing sources	The first loan under the facility will finance consulting services for this assignment.
Activities	<p>The activities include, but not limited to:</p> <p>Assessment of Present Capabilities</p> <ul style="list-style-type: none"> (i) Assess KUIDFC's financial management, credit and risk management, project appraisal, loan management, and information systems (ii) Assess KUIDFC's capacity to conduct social and environmental impact assessments, including policies, frameworks and procedures. (iii) Assess KUIDFC's ability to attract private capital and cofinancing, and capacity to structure PPP deals. (iv) Assess KUIDFC's human resource structure, and strengths. <p>Corporate and Finance</p> <ul style="list-style-type: none"> (xii) evaluate KUIDFC's current business model, pipeline and associated business objectives and strategy/plan, if any. (xiii) assess KUIDFC's internal structure and organization and its appropriateness in meeting business plan targets (xiv) reviewing KUIDFC's lending structure and policies (xv) evaluating KUIDFC's risk management, asset-liability management, credit appraisal, and financial policies, and assessing their suitability in light of KUIDFC's business plan (xvi) evaluating KUIDFC's collateral valuation process and perfection arrangements (if any) and minimum required loan to collateral ratio compared to private commercial bank market practice (xvii) review the existing exposure limit policy of KUIDFC and compliance with any other prudential regulations (xviii) evaluating KUIDFC's current financial position

	<p>(xix) examining KUIDFC's capital adequacy relative to India bank requirements and Bank for International Settlements guidelines</p> <p>(xx) reviewing KUIDFC's medium term (5-year) financial projections and evaluating the reasonableness of the assumptions used in the balance sheet, cash flow, and income statements</p> <p>(xxi) review the accounting standards followed in the most recent annual report, comparing them with International Accounting Standards, identifying major differences, and preparing key income, cash flow, and balance sheet data using International Accounting Standards;</p> <p>(xxii) identifying all existing credit facilities available to KUIDFC</p> <p>(xxiii) assess KUIDFC's financial soundness as evidenced by adequate capital, asset quality, liquidity, and profitability. Estimate total contingent liabilities, breakdown by type, and highlighting any major legal cases outstanding that could result in claims on KUIDFC, if any;</p> <p>(xxiv) assess KUIDFC's corporate and financial governance and management practices including, among other things, transparent financial disclosure policies and practices</p> <p>(xxv) assess KUIDFC's autonomy in lending and pricing decisions</p> <p>(xxvi) review human resource and recruitment policies for the KUIDFC</p> <p>(xxvii) assess KUIDFC's PPP current and future program</p> <p>Appraisal</p> <p>(xii) Review current appraisal and lending policies and procedures, including those pertaining to client eligibility, lending criteria, loan coverage, expenditure eligibility, exposure limit, security mechanisms,</p> <p>(xiii) Assess appraisal processes and criteria (including technical and design, costing, procurement, financial and economic assessments, and safeguards).</p> <p>(xiv) <u>Safeguards</u>. Based on KUIDFC's current and likely future portfolios, assess potential environmental and social impacts and risks associated, as well as its commitment to and capacity for environmental and social management.</p> <p>(xv) Assess safeguards appraisal, monitoring and management capacity.</p> <p>(xvi) Assess and review the environmental and social management system of KUIDFC, including (a) environmental and social policies; (b) safeguard screening, categorization, and review procedures; (c) current organization structure and staffing; (d) performance monitoring and reporting procedures; and (v) track record in environmental and social management.</p> <p>Based on the above findings,</p> <p>(xxviii) Assist KUIDFC develop/update the following</p> <ul style="list-style-type: none"> (a) Business and Financial Strategy/Plans (b) Recapitalization, asset quality improvement, liquidity, and profitability programs (c) Credit and risk management policies, operating systems, and procedures (d) Corporate and financial governance and management systems (e) Organization restructuring program (f) Human Resources strategy and associated plan (including base, recruitment, and training). (g) Reengineer business and appraisal processes, as necessary (h) Procurement policy/guidelines (i) Policies, systems, and procedures to assess and monitor the economic, social, and environmental impact of subprojects (in the form of an Environment and Social Management System) (j) Assess and recommend an IT base in support of project appraisal, monitoring and financing to computerize processes, secure data archiving and create an audit trail. (k) Guide/ advice KUIDFC on how to set up/ establish an Environmental and Social Management System (ESMS) that includes identification for the structures, policy, mechanism and resources/ skills requirements
Output/report requirements	<ul style="list-style-type: none"> (i) Business and Financial Strategy/Plans (ii) Recapitalization, asset quality improvement, liquidity, and profitability programs (iii) Credit and risk management policies, operating systems, and procedures

	(iv) Corporate and financial governance and management systems (v) Organization restructuring program (vi) Human Resources strategy and associated plan (including base, recruitment, and training). (vii) Reengineer business and appraisal processes, as necessary (viii) Procurement policy/guidelines (ix) Policies, mechanisms, and procedures to assess, manage and monitor the economic, social, and environmental impact of subprojects (in the form of an Environment and Social Management System) (x) IT-based assessment.																																																								
Office, support staff and equipment	The PMU will provide office accommodation and office equipment, including desks and chairs. The consultants will quote the remuneration, per-diem, cost of support staff and assistants, and domestic travels. The cost of organizing workshop and meetings, vehicles, office supplies and communication will be paid out of the provisional sum.																																																								
Inputs Nat. = 97 person-months	<table><tr><th colspan="4">Estimated Input Requirements</th></tr><tr><th></th><th>Positions</th><th>Type</th><th>Inputs</th></tr><tr><td>1</td><td>Urban Infrastructure Finance Specialist and Team Leader</td><td>National</td><td>15</td></tr><tr><td>2</td><td>Financial Policy Expert</td><td>National</td><td>10</td></tr><tr><td>3</td><td>Financial Management Specialist</td><td>National</td><td>10</td></tr><tr><td>4</td><td>Urban Infrastructure Planning Specialist</td><td>National</td><td>8</td></tr><tr><td>5</td><td>Enterprise Resource Planning Specialist</td><td>National</td><td>10</td></tr><tr><td>6</td><td>Public-Private Partnership Specialist</td><td>National</td><td>6</td></tr><tr><td>7</td><td>Human Resources Development Specialist</td><td>National</td><td>10</td></tr><tr><td>8</td><td>Environmental Specialist</td><td>National</td><td>8</td></tr><tr><td>9</td><td>Social Safeguards Specialist</td><td>National</td><td>8</td></tr><tr><td>10</td><td>Procurement Specialist</td><td>National</td><td>6</td></tr><tr><td>11</td><td>IT specialist</td><td>National</td><td>6</td></tr><tr><td></td><td>Total</td><td></td><td>97</td></tr></table> <p>Source: ADB estimates.</p>	Estimated Input Requirements					Positions	Type	Inputs	1	Urban Infrastructure Finance Specialist and Team Leader	National	15	2	Financial Policy Expert	National	10	3	Financial Management Specialist	National	10	4	Urban Infrastructure Planning Specialist	National	8	5	Enterprise Resource Planning Specialist	National	10	6	Public-Private Partnership Specialist	National	6	7	Human Resources Development Specialist	National	10	8	Environmental Specialist	National	8	9	Social Safeguards Specialist	National	8	10	Procurement Specialist	National	6	11	IT specialist	National	6		Total		97
Estimated Input Requirements																																																									
	Positions	Type	Inputs																																																						
1	Urban Infrastructure Finance Specialist and Team Leader	National	15																																																						
2	Financial Policy Expert	National	10																																																						
3	Financial Management Specialist	National	10																																																						
4	Urban Infrastructure Planning Specialist	National	8																																																						
5	Enterprise Resource Planning Specialist	National	10																																																						
6	Public-Private Partnership Specialist	National	6																																																						
7	Human Resources Development Specialist	National	10																																																						
8	Environmental Specialist	National	8																																																						
9	Social Safeguards Specialist	National	8																																																						
10	Procurement Specialist	National	6																																																						
11	IT specialist	National	6																																																						
	Total		97																																																						
Recruitment	The firm will be recruited following the Quality- Based-Method.																																																								

INDICATIVE TERMS OF REFERENCE FOR PUBLIC COMMUNICATION AND AWARENESS CONSULTANT

Objective	<p>The objective of the public communication and awareness consultant is to provide assistance to the central program and regional project management units (PMU) in successfully communicating and raising awareness in program towns on topics associated with the Karnataka Integrated Urban Water Management Investment Program, namely water management and urban reform.</p> <p>The investment program will aim to achieve sustainable water security in selected river subbasins in Karnataka through improving water resource management in urban areas. Tranche 2 will concentrate in delivering these objectives in 4-6 towns in Karnataka. The towns will be defined prior to tendering of this package and will have been selected based on their commitment and performance in implementing water and urban reform improvements. Tranche 2 is expected will deliver the objective through two outputs: (i) expanded efficient urban water and sanitation infrastructure; (ii) improved water resource planning, monitoring and service delivery.</p>
Scope of Services	<p>The consultants will (i) develop and provide information, education and communication materials in various paper and digital formats, (ii) provide strategic advice on public communication of the project, (iii) coordinate, organize, and supervise various participation and consultation activities in accordance with the Communication Strategy, and (iv) implementation of the effective gender mainstreaming initiative under the project following the Gender Action Plan.</p> <p>The consultants will report to and will work under the overall guidance, control and direction of the Project Director. The consultants will work closely with the program management and institutional development consultants, and design and supervision consultants, to deliver required outputs collectively.</p>
Estimated assignment period	This assignment is estimated over 4 years, from Q4 2014 to Q4 2019, in 2 phases T1 (Q4 2014 to Q4 2016).
Financing sources	The first loan will cover the services to assist tranche 1 towns.
Detailed Tasks	<p>The activities include, but not limited to:</p> <ul style="list-style-type: none"> (i) Prepare a new public communications and awareness strategy relating to water management and reform. Topics are expected to include (a) water conservation and management (household and common resources), (ii) water-hygiene-sanitation-health nexus, (iii) metering and volumetric tariffs, (iv) stand post management, metering and progressive phase out. (ii) The strategy should also incorporate gender and inclusion elements. (iii) Prepare information, education and communication materials in both printed and digital format, and update the printed materials every 3 months, and the digital materials every week. (iv) Format and standardize the digital presentation materials prepared by the PMU, program management consultant (PMIDC) and design and supervision consultant (PMDSC) to have a uniform look representing one organization. (v) Suggest editorial changes to written materials for public disclosure and submission to the financiers. (vi) Support the PMUs, through the preparation of artwork, including for various reports. (vii) Identify participants and organize awareness raising workshops and focus group meetings. (viii) Organize and conduct awareness campaign, workshops and focus group meeting. (ix) Prepare records/minutes of campaigns, workshops and meetings. (x) Develop gender sensitive materials. (xi) Provide support in developing radio broadcasting program on the program. (xii) Provide support in developing video program on the project for internet. (xiii) Recommend specific detailed action plan for raising awareness among the beneficiaries on their responsibilities, including issues such as water metering, and user-charges for water supply and sewerage services for achieving the goal of the project, and implement such actions upon endorsement by the Project Director.

	<p>(xiv) Open and maintain Facebook and twitter accounts dedicated for the project.</p> <p>(xv) Consolidate and summarize the comments, suggestions, and grievances posted on the project's website, Facebook and Twitter daily, and report it to the Project Director with recommended replies and solutions.</p> <p>(xvi) Collect the newspaper articles on the project daily, and maintain in a digital database archive, such as Evernote.</p> <p>(xvii) Liaise with all forms of media for all project activities.</p> <p>(xviii) Work with media to ensure regular positive coverage about the project in Kanada and English newspaper, and minimize the prejudice, bias, misconceptions and stereotypes on project impacts, outcome and outputs.</p>																																				
Output/report requirements	<p>(i) A new public relations strategy.</p> <p>(ii) Education and communication materials in both printed and digital format.</p> <p>(iii) Template and standard digital presentation materials.</p> <p>(iv) Awareness campaigns, workshops and focus group meetings on the project consistent with the Communication Strategy.</p> <p>(v) Records/minutes of campaigns, workshops and meetings.</p> <p>(vi) Radio broadcasting program on the project and airing.</p> <p>(vii) Video program on the project for internet and airing.</p> <p>(viii) Project's website, Facebook, and Twitter accounts.</p> <p>(ix) Recommendation on specific detailed action plan for raising awareness among the beneficiaries.</p> <p>(x) Consolidated and summarized comments, suggestions and grievances posted on the project's website, Facebook and Twitter accounts on every weekdays.</p> <p>(xi) Consolidated newspaper articles on the project everyday.</p> <p>(xii) Inception report, progress reports, draft final report, and final report.</p>																																				
Office, support staff and equipment	<p>The PMU will provide office accommodation and office equipment, including desks and chairs. The consultants will quote the remuneration, per-diem, cost of support staff and assistants, and domestic travels.</p> <p>The cost of organizing campaigns, workshops and focus group meetings, and mass publication of printed materials, social surveys, office supplies, computer consumables, communication and annual subscription for on-line database services will be paid out of the provisional sum.</p>																																				
Inputs Nat. = 53 person-months	<table><tr><th colspan="4">Estimated Input Requirements</th></tr><tr><th></th><th>Positions</th><th>Type</th><th>Inputs</th></tr><tr><td>1</td><td>Media relation management expert as team leader</td><td>National</td><td>12</td></tr><tr><td>2</td><td>Public communication strategy expert</td><td>National</td><td>9</td></tr><tr><td>3</td><td>Contents and editing expert</td><td>National</td><td>9</td></tr><tr><td>4</td><td>Public communication and event coordination expert</td><td>National</td><td>9</td></tr><tr><td>5</td><td>Digital contents and media creator</td><td>National</td><td>7</td></tr><tr><td>7</td><td>Social and community development expert</td><td>National</td><td>7</td></tr><tr><td></td><td></td><td></td><td>53</td></tr></table> <p>Source: ADB</p>	Estimated Input Requirements					Positions	Type	Inputs	1	Media relation management expert as team leader	National	12	2	Public communication strategy expert	National	9	3	Contents and editing expert	National	9	4	Public communication and event coordination expert	National	9	5	Digital contents and media creator	National	7	7	Social and community development expert	National	7				53
Estimated Input Requirements																																					
	Positions	Type	Inputs																																		
1	Media relation management expert as team leader	National	12																																		
2	Public communication strategy expert	National	9																																		
3	Contents and editing expert	National	9																																		
4	Public communication and event coordination expert	National	9																																		
5	Digital contents and media creator	National	7																																		
7	Social and community development expert	National	7																																		
			53																																		
Recruitment	<p>The firm will be recruited following the Quality-and-Cost Based-Method following a 90:10 ratio. A lumpsum contract may be executed.</p>																																				

INDICATIVE TERMS OF REFERENCE FOR OUTPUT BASED AID (OBA) TOILET PROGRAM NON-GOVERNMENTAL ORGANIZATION (NGO)

Background and Objective	<p>The Objective of the Non-Governmental Organization (NGO) is to provide assistance to the Central and Regional project management units in implementing the output-based aid (OBA) toilet program which will be financed as grant by the Asian Development Bank under the first tranche of the Karnataka Integrated Urban Water Management Investment Program (KIUWMIP), which will be financed by an Asian Development Bank's (ADB's) loan under a Multitranchise Financing Facility.</p> <p>The OBA toilet program will aim to increase the demand and use of properly designed and constructed household and community toilets by providing subsidies to low income households in 4 towns of the upper Tungha Badra subbasin: Byadagi, Davangere, Harihar and Ranebennur. The OBA mechanism will be used for three sanitation components (i) construction and connection to the sewer network of new individual household toilets; (ii) construction, connection to the sewer network and operation of community toilets; and (iii) sanitation marketing to promote open defecation free communities.</p>
Scope of Services	<p>The Non-Governmental Organization will assist the ULBs in the implementation of the output-based aid toilet program in accordance to the KIUWRMIP OBA Toilet Program Guidelines. The NGO will be responsible for identifying OBA beneficiaries to construct and connect to the sewer network, household and community toilets in 4 towns of the upper Tungha Badra subbasin: Byadagi, Davangere, Harihar and Ranebennur.</p> <p>The NGO will also be responsible for the independent verification of the social aspects of the construction, connection, operation and maintenance of household and community toilets.</p> <p>The NGO will develop and implement a social sanitation marketing program to promote open defecation free communities. This program will be developed and delivered using a participatory approach. The social marketing program will also be delivered using an OBA mechanism.</p>
Estimated assignment period	This assignment is estimated over 2.5 years, from Q2 2014 to Q4 2016.
Financing sources	The first loan under the facility will finance services for the NGO.
Activities	<p>The activities include, but not limited to:</p> <p>Identification of OBA Beneficiaries and Independent Verification</p> <ul style="list-style-type: none"> (i) conduct social surveys and verify existing baseline data to identify OBA beneficiaries in the 4 towns facilitate the creation of new community groups (in the absence of existing ones) who will oversee and coordinate the construction of toilets and their connection to the sewer network (ii) Facilitate the creation of community based groups to carry out long term implementation, operation and maintenance (iii) Identify those eligible for OBA grants in liaison with the community based groups (iv) Train and facilitate community groups in OBA process, beneficiary identification and selection, operation and maintenance etc (v) Review beneficiary applications and verify and recommend to the community groups (vi) Help households and communities in making informed decisions regarding toilet construction and connections (vii) Carry out role of independent verifier for social aspects of house connections. Verify agreed outputs have been delivered (viii) Verify social aspects and quality and workmanship of toilets and if its operational <p>Social Sanitation Marketing Program</p> <ul style="list-style-type: none"> (i) Promote toilet construction and good hygiene practices using participatory approaches similar to CLTS and/ or PHAST

	(ii) Work with other local sanitation programs where applicable (iii) facilitate 100 community based groups, with equal participation of women in each group to promote positive behavior in health, hygiene and sanitation issues (T: Davangare–25, Harihar–25, Ranebennur–25, Byadgi–25) (iv) Train and equip the community groups to provide continuous sanitation marketing in the community (v) develop and implement social and behavioral change training program on toilet demand creation, social leadership, health, hygiene and sanitation conducted for women and men, including promotion of ODF communities (T: F-50%, M-50%).																																
Output/report requirements	(i) Independent verification reports to ULBs (ii) Monthly progress reports to CPMU/ RPMU on project implementation																																
Office, support staff and equipment	The NGO will prepared a simplified proposal, including the remuneration, per-diem, cost of support staff and assistants, local travels, and administration costs																																
Inputs Nat. = 96 person-months	<table><tr><th colspan="4">Estimated Input Requirements</th></tr><tr><th></th><th>Positions</th><th>Type</th><th>Inputs</th></tr><tr><td>1</td><td>Community Development Coordinator</td><td>National</td><td>30</td></tr><tr><td>2</td><td>Public Health / Hygiene Promotion Officer</td><td>National</td><td>30</td></tr><tr><td>3</td><td>Training Materials Development Officer</td><td>National</td><td>12</td></tr><tr><td>4</td><td>Surveyor (1)</td><td>National</td><td>12</td></tr><tr><td>5</td><td>Surveyor (2)</td><td>National</td><td>12</td></tr><tr><td></td><td>Total</td><td></td><td>96</td></tr></table> <p>Source: ADB estimates.</p>	Estimated Input Requirements					Positions	Type	Inputs	1	Community Development Coordinator	National	30	2	Public Health / Hygiene Promotion Officer	National	30	3	Training Materials Development Officer	National	12	4	Surveyor (1)	National	12	5	Surveyor (2)	National	12		Total		96
Estimated Input Requirements																																	
	Positions	Type	Inputs																														
1	Community Development Coordinator	National	30																														
2	Public Health / Hygiene Promotion Officer	National	30																														
3	Training Materials Development Officer	National	12																														
4	Surveyor (1)	National	12																														
5	Surveyor (2)	National	12																														
	Total		96																														
Recruitment	The NGO will be recruited following the Quality-Based-Method. A performance-based lumpsum contract will be executed and payment schedule is as follows: (i) Mobilization allowance = 10 % of contract sum (ii) Completion of social and behavioral change training program on toilet demand creation, social leadership, health, hygiene and sanitation for women and men, including promotion of ODF communities of targeted households (T: F-50%, M-50%). = 40% of contract sum (iii) 10% of low income (average monthly income INR 0 – INR 1,400) participants of the social sanitation marketing program build/ rehabilitate individual household or community toilets following implementation of the program = 20% of contract sum (iv) 20% of middle income and high income (average monthly income >INR 1,400) participants of the social sanitation marketing program build/ rehabilitate individual household or community toilets following the program = 20% of contract sum (v) 40% of targeted households become ODF at the completion of the social sanitation marketing program = 10% of contract sum																																
Recruitment	The NGO will be recruited following the Quality- Based-Method. A contract with performance-linked milestones may be executed.																																

APPENDIX 10: SAMPLE SEMI-ANNUAL ENVIRONMENTAL MONITORING REPORT TEMPLATE

This template must be included as an appendix in the EIA/IEE that will be prepared for the project. It can be adapted to the specific project as necessary.

1. INTRODUCTION

- Overall project description and objectives
- Description of sub-projects
- Environmental category of the sub-projects
- Details of site personnel and/or consultants responsible for environmental monitoring
- Overall project and sub-project progress and status

No.	Sub-Project Name	Status of Sub-Project				List of Works	Progress of Works
		Design	Pre-Construction	Construction	Operational Phase		
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

2. COMPLIANCE STATUS WITH NATIONAL/ STATE/ LOCAL STATUTORY ENVIRONMENTAL REQUIREMENTS

No.	Sub-Project Name	Statutory Environmental Requirements	Status of Compliance	Action Required

3. COMPLIANCE STATUS WITH ENVIRONMENTAL LOAN COVENANTS

No. (List schedule and paragraph number of Loan Agreement)	Covenant	Status of Compliance	Action Required

4. COMPLIANCE STATUS WITH THE ENVIRONMENTAL MANAGEMENT AND MONITORING PLAN

- Provide the monitoring results as per the parameters outlined in the EMP. Append supporting documents where applicable, including Environmental Site Inspection Reports.
- There should be reporting on the following items which can be incorporated in the checklist of routine Environmental Site Inspection Report followed with a summary in the semi-annual report send to ADB. Visual assessment and review of relevant site documentation during routine site inspection needs to note and record the following:
 - What are the dust suppression techniques followed for site and if any dust was noted to escape the site boundaries;

- If muddy water was escaping site boundaries or muddy tracks were seen on adjacent roads;
- adequacy of type of erosion and sediment control measures installed on site, condition of erosion and sediment control measures including if these were intact following heavy rain;
- Are there designated areas for concrete works, and refuelling;
- Are there spill kits on site and if there are site procedure for handling emergencies;
- Is there any chemical stored on site and what is the storage condition?
- Is there any dewatering activities if yes, where is the water being discharged;
- How are the stockpiles being managed;
- How is solid and liquid waste being handled on site;
- Review of the complaint management system;
- Checking if there are any activities being undertaken out of working hours and how that is being managed.

Summary Monitoring Table

Impacts (List from IEE)	Mitigation Measures (List from IEE)	Parameters Monitored (As a minimum those identified in the IEE should be monitored)	Method of Monitoring	Location of Monitoring	Date of Monitoring Conducted	Name of Person Who Conducted the Monitoring
Design Phase						
Pre-Construction Phase						
Construction Phase						
Operational Phase						

Overall Compliance with CEMP/ EMP

No.	Sub-Project Name	EMP/ CEMP Part of Contract Documents (Y/N)	CEMP/ EMP Being Implemented (Y/N)	Status of Implementation (Excellent/ Satisfactory/ Partially Satisfactory/ Below Satisfactory)	Action Proposed and Additional Measures Required

5. APPROACH AND METHODOLOGY FOR ENVIRONMENTAL MONITORING OF THE PROJECT

- Brief description on the approach and methodology used for environmental monitoring of each sub-project

6. MONITORING OF ENVIRONMENTAL IMPACTS ON PROJECT SURROUNDINGS (AMBIENT AIR, WATER QUALITY AND NOISE LEVELS)

- Brief discussion on the basis for monitoring
- Indicate type and location of environmental parameters to be monitored
- Indicate the method of monitoring and equipment to be used
- Provide monitoring results and an analysis of results in relation to baseline data and statutory requirements

As a minimum the results should be presented as per the tables below.

Air Quality Results

Site No.	Date of Testing	Site Location	Parameters (Government Standards)		
			PM10 µg/m3	SO2 µg/m3	NO2 µg/m3

Site No.	Date of Testing	Site Location	Parameters (Monitoring Results)		
			PM10 µg/m3	SO2 µg/m3	NO2 µg/m3

Water Quality Results

Site No.	Date of Sampling	Site Location	Parameters (Government Standards)					
			pH	Conductivity $\mu\text{S/cm}$	BOD mg/L	TSS mg/L	TN mg/L	TP mg/L

Site No.	Date of Sampling	Site Location	Parameters (Monitoring Results)					
			pH	Conductivity $\mu\text{S/cm}$	BOD mg/L	TSS mg/L	TN mg/L	TP mg/L

Noise Quality Results

Site No.	Date of Testing	Site Location	LA _{eq} (dBA) (Government Standard)	
			Day Time	Night Time

Site No.	Date of Testing	Site Location	LA _{eq} (dBA) (Monitoring Results)	
			Day Time	Night Time

7. SUMMARY OF KEY ISSUES AND REMEDIAL ACTIONS

- Summary of follow up time-bound actions to be taken within a set timeframe.

APPENDIXES

- Photos
- Summary of consultations
- Copies of environmental clearances and permits
- Sample of environmental site inspection report
- Other

SAMPLE ENVIRONMENTAL SITE INSPECTION REPORT

Project Name
Contract Number

NAME: _____ DATE: _____
TITLE: _____ DMA: _____
LOCATION: _____ GROUP: _____

WEATHER CONDITION:

INITIAL SITE CONDITION: _____

CONCLUDING SITE CONDITION:

Satisfactory _____ Unsatisfactory _____ Incident _____ Resolved _____ Unresolved _____

INCIDENT:
Nature of incident:

Intervention Steps:

Incident Issues

Resolution

Project Activity Stage	Survey	
	Design	
	Implementation	
	Pre-Commissioning	
	Guarantee Period	

Inspection

Emissions	Waste Minimization			
Air Quality	Reuse and Recycling			
Noise pollution	Dust and Litter Control			
Hazardous Substances	Trees and Vegetation			
Site Restored to Original Condition	Yes		No	

Signature

Sign off

Name
Position

Name
Position

APPENDIX 11: MONTHLY SAFEGUARDS MONITORING REPORT
Period XXXX

A Component and Status of RP – IPP Finalization

Package	Detailed Measurement Survey (%)	Land Acquisition Initiated (Y/N)	Land ownership status assessed	Remarks

A. Component and Status of RP – IPP Implementation

Package	Entitlement	Status of Completion (%)	Date of Payment/ implementation	Expected Date of Completion
	Compensation			
	Rehabilitation			
	Other allowance			

B. Environmental Permits and Status of Compliance/Approvals

Particulars	Date Obtained	Conditions Provided in the Permit	Compliance/Remarks

C. Field Visits, Ocular Inspections, and Trainings Conducted

Field Visits/ Ocular Inspections	Date	Site Visited	Persons Met	Remarks
Training	Date	Location	Nature of Training	Participants

D. Environmental Management Plan Implementation

Particulars	Compliance (Yes/No)	Particulars of Non-Compliance	Actions Required
Prior to commencement of civil works			
(mitigation measure 1)			
(mitigation measure 2)			
(mitigation measure ...)			
Construction phase			
(mitigation measure 1)			
(mitigation measure 2)			
(mitigation measure ...)			
Occupational health and safety			

Social impacts			
Others			

E. Grievance Redressal

Date of Grievance	Details	Nature of Grievance	Action taken

F. Critical Issues for Immediate Action and Recommendations

Issues/Deviations for Immediate Action	Corrective Actions to be taken

F. Status of Corrective Actions for Past Critical Issues

Issues/Deviations Reported for Immediate Action	Corrective Actions Taken	Remarks/Status

Period covered: from _____ to _____

Prepared by: _____

Checked and verified by: _____

SUMMARY OF PROCEDURE FOR OBTAINING WRITTEN PERMISSION FROM DEPARTMENT OF ARCHAEOLOGY

Legislation	Regulatory Agency	Summary of Procedure	Time Frame
<p>Under Section 47 read with Section 43(b) of Antiquities (Amendment) Act No. 24 of 1998; Gazette Notification No. 1152/14 dated 04 Oct 2000</p> <p>Item 4: To make excavations exceeding 500 meters in length for purposes of laying conduit pipes for drainage, water, gas, electricity, and telephones</p> <p>http://www.archaeology.gov.lk/</p>	Department of Archaeology (DA)	1. Proponent to submit application to DA	During feasibility stage
		2. DA regional office to conduct preliminary observation and submit report to DA	About 30 days
		3. (i) If there are no antiquities according to the recommendation and observation report, land will be released for the project.	
		(ii) If the preliminary observation report has proposed to carry out an archaeological impact assessment survey, steps will be taken to conduct the survey, including scoping with other agencies.	30 days
		4. DA to call for quotations and award contract for archaeological impact assessment (AIA) survey	
		5. Selected agency to conduct AIA survey and submit report to DA	42 days
		6. DA to submit AIA report to minister in charge of approval	About 30 days
		7. DA to issue approval	

APPENDIX 12: OUTLINE SEMI-ANNUAL SOCIAL SAFEGUARDS MONITORING REPORT DURING PROJECT IMPLEMENTATION PERIOD

Following requirements of the ADB Safeguard Policy Statement (2009) and the *Operations Manual* section on safeguard policy (OM F1), borrowers/clients are required to establish and maintain procedures to monitor the status of implementation of safeguard plans and ensure progress is made toward the desired outcomes. For projects categorized as A or B in Involuntary Resettlement and/or Indigenous People, the Borrowers/clients are required to submit semiannual monitoring reports for ADB review. The level of detail and comprehensiveness of a monitoring report is commensurate with the complexity and significance of social safeguards impacts (IR and IP) and with the current status of project implementation phase.

This outline can be used for periodic monitoring report (semiannual) and RP/IPP completion report to start the civil works in the impacted areas. A safeguard monitoring report may include the following elements:

A. Executive Summary

This section provides a concise statement of project scope and impacts, key findings and recommended actions.

B. Background of the Report and Project Description

This section provides a general description of the project, including:

- Background/context of the monitoring report which includes the information on the project, project components, safeguards categorizations and general scope of the social safeguards impacts.
- Information on the implementation progress of the project activities, scope of monitoring report and requirements, reporting period, including frequency of submission and changes in project scope and adjusted safeguard measures, if applicable
- Summary table of identified impacts and the mitigation actions.

C. Scope of Impacts

This section outlines the detail of

- Scale and scopes of the project's safeguards impacts,
- Vulnerability status of the affected people/communities,
- Entitlements matrix and other rehabilitation measures, as applicable, as described in the approved final RP(s) /IPP(s).

D. Compensation and Rehabilitation¹

This section describes the process and progress of the implementation of the safeguards plan and other required activities as determined in the plan. This includes:

- Payment of the affected assets compensation, allowances, loss of incomes, etc. to the entitled persons;
- Provisions of other types of entitlement as described in the matrix and implementation of livelihood rehabilitation activities as determined in the plan.

¹ Depending on the status of the final detail design during the submission of the report this activity might not yet started. Provide the information on the expected date the activity to be conducted instead.

Quantitative as well as qualitative results of the monitoring parameters, as agreed in the plan, should be provided.

E. Public participation and consultation

This section describes public participation and consultations activities during the project implementation as agreed in the plan. This includes final consultations with APs during RP finalization after the completion of detail design; the numbers of activities conducted; issues raised during consultations and responses provided by the project team, implementing NGOs, project supervision consultants, contractors, etc.

F. Grievance Redress Mechanism (GRM)

This section described the implementation of project GRM as design in the approved RP/IPP. This includes evaluations of its effectiveness, procedures, complaints receive, timeliness to resolve issues/ complaints and resources provided to solve the complaints. Special attentions should be given if there are complaints received from the affected people or communities.

G. Institutional Arrangement

This section describes the actual implementation or any adjustment made to the institutional arrangement for managing the social safeguards issues in the projects. This includes the establishment of safeguards unit/ team and appointment of staff in the EA/IA; implementation of the GRM and its committee; supervision and coordination between institutions involved in the management and monitoring of safeguards issues, the roles of NGO and women's groups in the monitoring and implementation of the plan, if any.

H. Monitoring Results - Findings

This section describes the summary and key findings of the monitoring activities. The results are compared against previously established benchmarks and compliance status (e.g., adequacy of IR compensation rates and timeliness of payments, adequacy and timeliness of IR rehabilitation measures including serviced housing sites, house reconstruction, livelihood support measures, and training; budget for implementing EMP, RP, or IPP, timeliness and adequacy of capacity building, etc.). It also compared against the objectives of safeguards or desired outcomes documented (e.g. IR impacts avoided or minimized; livelihood restored or enhanced; IP's identity, human right, livelihood systems and cultural uniqueness fully respected; IP not suffer adverse impacts, environmental impacts avoided or minimized, etc.). For FI projects this includes the effectiveness of the Environmental and Social Management System (ESMS) managed by the FI and its participating institutions². If noncompliance or any major gaps identified, include the recommendation of corrective action plan.

I. Compliance Status

This section will summarize the compliance status of the project activities with the loan covenants, ADB SPS (2009) on SR 2 and the approved final RP(s).

J. Follow up Actions, Recommendation and Disclosure

This section describes recommendations and further actions or items to focus on for the remaining monitoring period. It also includes lesson learned for improvement for future safeguards monitoring activities. Disclosure dates of the monitoring report to the affected communities should also be included. A time-bound summary table for required actions should be included.

² Specific for the FI projects, external agency may be required to conduct an audit of the project ESMS.

Appendix 1

- i. List of Affected Persons and Entitlements
- ii. Summary of RP/IPP with entitlement matrix

Appendix 2

- i. Copies of AP's certification of payment (signed by the APs)
- ii. Summary of minutes of meetings during public consultations
- iii. Summary of complaints received and solution status

APPENDIX 13: GUIDANCE NOTE ON SOCIAL SAFEGUARDS IMPLEMENTATION

Specific Requirements on Land Acquisition, Resettlement, and Indigenous People Issues

1. KUIDFC and the ULBs, with supports from RPMU and DCSC, will ensure the implementation of the following requirements and procedures in each components of the KIUWMIP – Tranche 1:

- (i) Conduct consultations to ensure that affected families participate in subproject design.
- (ii) Monitor and support the resettlement NGO recruited for the project.
- (iii) Provision of adequate budget and resources for the project consultation and RPs disclosure activities
- (iv) Public disclosure of project cutoff date to project affected communities upon the completion of detailed measurement survey (DMS)

1. Water Supply

2. In respect of project 1, the ULBs and KUIDFC will ensure that:

- (i) No involuntary land acquisition activities are required for the construction new Service Reservoirs (SRs) and laying of transmission mains and distribution network, as land ownerships of the proposed new SRs sites belongs to ULBs and there are no pending issues.
- (ii) an independent party is appointed to observe and monitor the process of land donation and ensure ADB SPS compliance for the construction of new SR of Amravati Colony
- (iii) In the event of involuntary land acquisition/ resettlement activities becoming unavoidable during project implementation a new/adjusted resettlement plan/ mitigation action will be prepared following the prepared RF and submitted to ADB for review and endorsements.

2. Waste Water

3. In respect of project 1, the ULBs and KUIDFC will ensure that:

- (i) No involuntary land acquisition will be required for the constructions of sewerage pumping stations and expansion or rehabilitation of sewerage network system. When required provide the RPMU the copy of land ownership status.
- (ii) intergovernmental land transfer for the constructions of sewerage pumping stations (PS) in Harihar Town is completed.
- (iii) In the event of involuntary land acquisition/resettlement activities becoming unavoidable during project implementation a new/ adjusted resettlement plan/ mitigation action will be prepared following the prepared RF and submitted to ADB for review and endorsements.
- (iv) an independent external party (reputable NGO or CBO) is appointed to observe and validate the process of (1) negotiated settlement (land purchased) for the STP lands, and (2) voluntary land donation of the lift station. The external party will ensure that adequate and fair prices for land/and or other assets are offered and avoid asymmetry of information and bargaining power of the parties involves

(APs and ULBs). The independent external party will submit the report to ADB for review and approval.

3. Community Toilets

4. The ULBs, supported by the recruited NGO, will ensure that:

- (i) No activities under this component will require land acquisition and/or involuntary resettlement (for both permanent and temporary impacts). Specific due diligence will be conducted and reported to RPMU to confirm negative involvement or association with land acquisition and resettlement activities.
- (ii) ULB land will be used for the implementation of this component
- (iii) public consultations are conducted to ensure awareness and participation of the targeted communities during the design and site selection under the component.
- (iv) adequate budget is provided for the consultation activities as part of the subproject cost.
- (v) In the event of involuntary land acquisition/ resettlement activities becoming unavoidable during project implementation, the NGO has to report to RPMU and the required resettlement plan/mitigation action will be prepared following the prepared RF and submitted to ADB for review and endorsements.

4. Monitoring

5. Safeguards related tasks will be monitored internally and externally. Internal monitoring (IM) will be carried out by the RPMU. Resettlement monitoring activity has three main objectives; (1) to verify that resettlement activities have been effectively completed including quantity, quality, and timeliness and comply with the RF and final RP; (2) to assess whether APs have been able to restore, or improve their livelihoods to their pre-project status; and (3) to identify the necessary corrective actions when required.

5. Internal Monitoring (IM):

6. The Project Management, Design and Supervision Consultant (PMDSC) will undertake internal monitoring of safeguard covenants' compliance to be included in the quarterly/semiannually project progress report. IM will assess the process, outputs and results outlined in the safeguards document, their implementation/progress, and compliance ADB's policy. If necessary prepare/adjust the required action plan in the RP. The data will be collected directly from the field by ULBs/PIU through monthly progress report. The RPMU, with support from PMDSC, will analyze and consolidate the monitoring data in the semiannual safeguards reports submitted to the CPMU and ADB.

7. Specific IM indicators (as relevant to each subproject) will be:

- (i) Information campaign and consultation with APs;
- (ii) Status of land acquisition and payments on land compensation;
- (iii) Compensation for affected structures and other assets;
- (iv) Relocation of APs;
- (v) Payments for loss of income;
- (vi) Selection and distribution of replacement areas (as relevant)
- (vii) Income restoration/livelihood rehabilitation activities; and

- (viii) Ensure the gender mitigation measures are adhered to during the internal monitoring and reporting process.
- (ix) Status of grievance redress and complaint resolution

6. External Monitoring (EM):

8. For future tranches, for any subproject with significant LAR impacts, external monitoring (EM) will be carried out by an EMA on an ongoing basis. Its results will be communicated to the CPMU and ADB by quarterly, semi-annual or annual reports whichever is more efficient and practical. Indicators for EM tasks include:

- (i) Review and verify internal monitoring reports prepared by PMU,
- (ii) Review of the socio-economic and census and inventory of losses baseline information of pre-displaced persons;
- (iii) Identification and selection of impact indicators;
- (iv) Impact assessment through formal and informal surveys with the affected persons;
- (v) Consult APs, officials, community leaders for preparing review report;
- (vi) Assess the resettlement efficiency, effectiveness, impact and sustainability, drawing lessons for future resettlement policy formulation and planning;
- (vii) Ensure the gender mitigation measures are implemented.

9. The EMA will also assess the situation of affected vulnerable groups such as female-headed households, disabled/elderly, vulnerable IP, the landless and families below the poverty line.

10. The following will be considered as the basic indicators in monitoring and evaluating the project:

- (i) Socio-economic conditions of APs in the post-resettlement period;
- (ii) Communications and reactions from APs on entitlements, compensation, options, alternative developments and relocation timetables etc;
- (iii) Changes in housing and income levels;
- (iv) Rehabilitation of squatters, severely affected people, and different vulnerable groups;
- (v) Valuation of property;
- (vi) Ability to replace lost assets;
- (vii) Disbursement of compensation and other entitlements;
- (viii) Level of satisfaction of APs in the post resettlement period;
- (ix) Quality and frequency of consultation and disclosure; and
- (x) Conduct of grievance procedures.

B. Safeguards Reporting

11. The RPMU will prepare semiannual monitoring reports and will submit them to ADB, through CPMU, within 2 weeks from the end of the related semiannual period. Overall progress and compliance with conditions of the loan agreement will be monitored regularly and reviewed by ADB, consistent with existing project implementation requirements. Reports will include evaluation of issues and will recommend remedial actions when required. The reports will be disclosed in ADB website.

12. Internal and external monitoring and reporting will continue until the relevant project activities have been completed. Semiannual safeguards and external monitoring reports will be disclosed on the project/ADB website.

13. The recommended monthly progress report, the outline of semiannual monitoring reports and external monitoring reports for safeguards are in the Appendixes 9-11 of the FAM.

APPENDIX 14: CONSULTATION AND PARTICIPATION PLAN

Outputs and types of participation	Target stakeholders	Objectives
<p>Project Information</p> <p>1. One-day project orientation workshop organized by PMU for:</p> <ul style="list-style-type: none"> (i) Information sharing (ii) Consultation (iii) Shared responsibility <p>2. Project orientation seminar in each of the ULB program areas organized by the PMU with support of the ULBs (total: 4 seminars) for:</p> <ul style="list-style-type: none"> (i) Information sharing (ii) Consultation (iii) Shared responsibility 	<p>Urban Development Department ULBs WRD Consultants Contractors NGO(s)</p> <p>100 community members, preferably household heads, with at least 20% representation of women in each of the 4 seminars.</p>	<ul style="list-style-type: none"> (i) Introduce the project. (ii) Demonstrate the link between improved water supply, sewerage infrastructure and good health, hygiene and sanitation. (iii) Briefing on safeguards policies, social plans and disclosure requirements, including project grievance redress mechanisms (iv) Discuss roles and accountabilities of ULBs/WRD/other government departments (v) Reporting requirements (vi) Gather and agree on recommendations. (i) Introduce the project, highlighting its importance and benefits to the community. (ii) Demonstrate the link between improved water supply, sanitation, health, women's leadership roles and environmental protection. (iii) Inform of the plans, design and management of water supply, sewerage infrastructure and sanitation services. (iv) Present safeguards policies and social plans, including project GRM (v) Gather concerns and views related to water supply, sewerage and land acquisition. (vi) Solicit views, suggestions on plans, design, location, management of water supply, sewerage and sanitation facilities (vii) Gather recommendations. (viii) Project leaflet dissemination with IR entitlement matrix.

Outputs and types of participation	Target stakeholders	Objectives
<p>3. One day orientation workshop conducted by partner NGO on social and gender issues in the 4 ULB program areas:</p> <p>(i) Information sharing (ii) Shared responsibility</p>	<p>ULB staff with at least 20% women's representation</p>	<p>(i) Introduce the project, highlighting its importance and benefits to the community.</p> <p>(ii) Introduce gender and social inclusion concepts and share best practices.</p> <p>(iii) Demonstrate links between improved water supply, sewerage infrastructure, sanitation and good health and hygiene.</p> <p>(iv) Share best practices demonstrating women's roles and discuss the needs of women in relation to water supply and sanitation.</p> <p>(v) Inform of the plans, design and management of water supply, sewerage infrastructure and sanitation services.</p> <p>(vi) Gather concerns and views related to water supply, sewerage and land acquisition.</p> <p>(vii) Solicit views on plans, design, location, management of water supply and sewerage.</p> <p>(viii) Gather recommendations.</p>
<p>Field level monitoring</p> <p>4. Quarterly monitoring meetings, starting Q4 2014 to last quarter of 2018 for community water groups, other self-help group leaders organized by the partner NGO for:</p> <p>(i) Information sharing (ii) Consultation (iii) Shared responsibility (iv) Shared decision-making</p>	<p>100 representatives (50% women) from the local community in the 4 ULBs program areas</p>	<p>(i) Report progress made in community mobilization and behavioral change activities focusing on health, hygiene and sanitation</p> <p>(ii) Surface issues and concerns during project implementation.</p> <p>(iii) Discuss and recommend measures to address implementation gaps in social mobilization and community participation activities.</p> <p>(iv) Suggest way forward.</p>
<p>Involuntary resettlement</p> <p>5. Half day focus group and small group meetings (total 4 meetings) on resettlement and entitlements issues for updating the RP organized by the partner</p>	<p>APs, Social Safeguards Consultant Social Development Officer PMU PIUs</p>	<p>(i) Introduce the project</p> <p>(ii) Share ADB's safeguards policies and requirements</p> <p>Discuss possible alternate livelihood/business</p>

Outputs and types of participation	Target stakeholders	Objectives
(iv) Control		<p>program implementation progress, including challenges and means to mitigate them.</p> <p>(iii) Review loan covenants and status of compliance.</p> <p>(iv) Agree on next steps and suggest remedial measures.</p>
<p>9. Half day review meeting with District–Level Committee organized by PMU for:</p> <p>(i) Information sharing</p> <p>(ii) Shared responsibility</p> <p>(iii) Shared decision–making</p> <p>(iv) Control</p>	<p>GOK Urban Development Department</p> <p>KUIDFC</p> <p>District Administration</p> <p>ADB</p> <p>PMU</p> <p>PIUs</p>	<p>(i) Review progress of investment program.</p> <p>(ii) Discuss implementation challenges and means to mitigate them.</p> <p>(iii) Review loan covenants and status of compliance.</p> <p>(iv) Agree on next steps and suggest remedial measures to accelerate implementation.</p>

Activities with Milestones	Years
1. PMU organizes a project orientation workshop	March 2014
2. PMU organizes project orientation seminars	June 2014
3. Together with partner NGO, the Social Development Consultant organizes 1 day orientation workshop on gender and social issues	September 2014
4. PMU organizes one day monitoring meetings	Each quarter
5. Implementing NGO(s) organizes four half day focus and small group meetings on resolving issues in resettlement and entitlement issues	No specific timeline set, meeting to be held as and when required
6. PMU organizes one day strategic and action planning meeting	Annual
7. PMU organizes half day quarterly monitoring meetings	Every quarter, starting quarter 3 Semi-annual
8. PMU organizes half day review meeting	Annual; towards the end of calendar year

ADB=Asian Development Bank, AP=Affected Persons, CPP=Consultation and Participation Plan, FGD=focus group discussion, GAP=Gender Action Plan, GOK=Government of Karnataka, GRM= Grievance Redress Mechanism, KUIDFC=Karnataka Urban Infrastructure Development and Finance Corporation, NGO=Non-government Organization, PIU=Project Implementation Unit, PMDSC=Project Management Design and Supervision Consultants, PMU=Project Management Unit, SGD=small group discussion, ULB=Urban Local Bodies, WRD=Water Resources Department.

Workshop/Seminar topics and contents will be gender-sensitive, socially inclusive, and raise environmental awareness.

APPENDIX 15

DESIGN AND MONITORING FRAMEWORK FOR THE INVESTMENT PROGRAM

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Improved sustainable water security in selected river basins in Karnataka	<p>By 2026</p> <p>Surface water quality indicators reduced or maintained at statutory standards of ≤ 30 milligrams/liter biochemical oxygen demand level and total coliforms $< 5,000$ most probable number /100 milliliter coliform count in critical watersheds (2012 baseline: noncompliant).</p> <p>Waterborne disease incidence decreased by at least 10% in program ULBs.</p>	<p>Central and State Pollution Control Board and KUIDFC reports</p> <p>Program ULB hospital reports, socioeconomic surveys pre and post project completion</p>	<p>Assumptions</p> <p>No extreme natural calamities within the benefit monitoring period (2025).</p> <p>Risks</p> <p>Water resources deteriorate due to upstream states' abstraction and/or pollution.</p>
Outcome Improved water resources management in urban areas in selected river basins in Karnataka	<p>By 2024</p> <p>Improved water use efficiency with nonrevenue water reduction from average 40%–50% to $< 20\%$ in program ULBs.</p> <p>90,000 households served with access to new or improved water supply and 76,000 households served with new or improved sanitation.</p> <p>Medium-term (15 year) drinking water quantity demand forecasted for selected river subbasins (baseline: no planning or forecasts).</p> <p>National wastewater effluent quality discharge and reuse standards met in program ULBs (baseline: no treatment).</p>	<p>KUIDFC and Karnataka Municipal Reform Cell annual reports and ULB statistics</p> <p>ULB statistics and census data</p> <p>Advanced Centre for IWRM annual reports</p> <p>Karnataka State Pollution Control Board and ULB reports</p>	<p>Assumptions</p> <p>IWRM reforms implemented on schedule.</p> <p>No significant change in hydrological regime and basin water availability.</p>
Outputs 1. Expanded and upgraded UWSS infrastructure	<p>By End 2024</p> <p>1.1 Inefficient water supply systems rehabilitated and upgraded</p> <ul style="list-style-type: none"> • $> 95\%$ of households with metered water connection in program ULBs (from 21% average for Karnataka), including slums. • Average hours of water supply extended to 24x7 (including poor female-headed households) in program ULBs (baseline: average 2 hours daily). • Water supplied meets national standards (target: 95% of tests). • Water treatment capacity increased by about 30,000 m³/day in program ULBs. <p>1.2 Wastewater networks, treatment and effluent reuse infrastructure expanded</p> <ul style="list-style-type: none"> • $> 80\%$ household coverage sewerage connection in program 	<p>PPMS, KUIDFC, and ULB reports</p> <p>PPMS, KUIDFC, and ULB reports</p> <p>Karnataka State Pollution Control Board, Urban Development Department, and ULB reports</p> <p>PPMS, KUIDFC, and ULB reports</p> <p>PPMS, KUIDFC, and ULB reports</p>	<p>Assumptions</p> <p>Beneficiaries are willing to connect and pay for water supply and sewerage networks.</p> <p>Risks</p> <p>Insufficient demand for recycled treated effluent.</p> <p>Sewerage tariff set at insufficient levels to recover operation and maintenance costs.</p>

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>ULBs, from 25% average for Karnataka (including vulnerable and poor female-headed households).</p> <ul style="list-style-type: none"> Wastewater treatment capacity increased by 70,000 m³/day, with 30% effluent reused/ recycled (baseline: 0%). Sanitation program for poor and vulnerable households (target: increase toilet coverage and use in program ULBs from the state's average of 85% to >90%). 	<p>PPMS, KUIDFC, and ULB reports</p> <p>PPMS and NGO reports</p>	
2. Improved water resource planning, monitoring, and service delivery	<p>By End 2024</p> <p>2.1 ULB Incentive Fund operationalized</p> <ul style="list-style-type: none"> ULB Incentive Fund established. >80% revenue collection efficiency in program ULBs (baseline: 50% state average). <p>2.2 State and ULB Reform Program implemented</p> <ul style="list-style-type: none"> ULB IT-based modules for (i) volumetric tariff setting, water accounting and effluent discharge (all new), and (ii) improved management information systems and asset management systems developed. State guidelines on public standposts approved. Performance-based water supply contracts mainstreamed (at least 2 contracts). <p>2.3 Improved communication and citizen participation</p> <ul style="list-style-type: none"> Campaign for improved community understanding of (i) water management, (ii) water-sanitation-health nexus, (iii) volumetric tariffs, and (iv) standpost metering and phase out conducted (target: female-male facilitator ratio 50:50). Water data sharing system for river basin managers and agencies. 	<p>PPMS and ULB reports</p> <p>PPMS and ULB reports</p> <p>Karnataka Municipal Reform Cell web page and promotional materials</p> <p>Urban Development Department circular instruction</p> <p>PPMS, project contractual documents</p> <p>PPMS and NGO reports</p> <p>Advanced Centre for IWRM and KUIDFC reports</p>	<p>Assumptions</p> <p>State remains committed to use public-private partnerships to improve service delivery.</p> <p>Risks</p> <p>ULBs are slower at adopting pre-project reforms as described in selection process.</p>
3. Strengthened operational and administrative capacity of KUIDFC and ULBs	<p>By End 2024</p> <p>3.1 Improved KUIDFC financial intermediation capacity</p> <ul style="list-style-type: none"> KUIDFC adopts business and financial strategy, and plans developed, including capital adequacy, asset quality, liquidity, and profitability programs. Credit and risk management policies, operating systems, and procedures adopted. Corporate and financial governance and management systems developed and organization restructured. Procedures to assess and monitor 	<p>PPMS, KUIDFC annual reports</p> <p>PPMS, KUIDFC annual reports</p> <p>PPMS, KUIDFC annual reports</p> <p>PPMS, KUIDFC annual reports</p>	

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>the economic, social, and environmental impact of subprojects and staff capacity reevaluated and approved.</p> <p>3.2 Improved ULB administrative capacity</p> <ul style="list-style-type: none"> Capacity development programs (6) developed and delivered to water sector staff (target: >150 officials, of which 33% women). <p>3.3 Project management system operational</p> <ul style="list-style-type: none"> The project is implemented on time and within budget. Effective IWRM coordination mechanism at state level operationalized. 	<p>PPMS, State Institute for Urban Development reports</p> <p>PPMS and Tripartite Portfolio Review Meeting</p> <p>Minutes of steering committee meetings</p>	
<p>Activities with Milestones</p> <p>1. Output 1: Expanded and upgraded UWSS infrastructure</p> <p>1.1 Prepare detailed designs and bid documents (July 2013–June 2014 for project 1; June–October 2015 for project 2).</p> <p>1.2 Award civil work contracts (June–December 2014 for project 1; January–July 2016 for project 2).</p> <p>1.3 Construct and commission UWSS systems (2014–2019 for project 1, 2016–2023 for project 2).</p> <p>2. Output 2: Improved water resources planning, monitoring, and service delivery of selected ULBs</p> <p>2.1 Prepare design (2013–April 2014), evaluate proposals (2014) and implement (January 2015–April 2016) pool incentive fund for service delivery reforms.</p> <p>2.2 Design and encode IT modules (projects 1 and 2, July 2014–July 2016), roll out and provide ULB training (project 2, July 2015–July 2017).</p> <p>2.3 Award of performance-based contracts (February–October 2014 for project 1; January–July 2016 for project 2).</p> <p>2.4 Draft (by December 2014), consult (by June 2015), and approve (by December 2015) the state guidelines on standposts.</p> <p>2.5 Recruit communications consultant and NGO (end 2014). Launch of communications campaign (April 2015) with inputs from community members, including women and vulnerable groups.</p> <p>3. Output 3: Strengthened operational and administrative capacity of KUIDFC and ULBs</p> <p>3.1 Conduct ULB assessments and training modules in projects 1 and 2 (2014–2024).</p> <p>3.2 Establish central and regional project management unit offices (September–December 2013) and project implementation unit offices (June 2014) with core staff. Engage and mobilize consultants and contractors (April 2014).</p> <p>3.3 Conduct regular monitoring, reporting, and evaluation (2014–2024). Undertake surveys for project 1 (2014 and 2019) and project 2 (2019).</p> <p>3.4 Prepare and implement communications strategy on project benefits, especially for women and vulnerable groups (2014–2024).</p> <p>3.5 Conduct beneficiary perception surveys (2014, 2019 for project 1; 2016, 2014 for project 2)</p>			<p>Inputs</p> <p>ADB: \$150 million</p> <p>Government of Karnataka and ULBs: \$75 million</p> <p>Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility: \$2 million</p>

ADB = Asian Development Bank, BOD = biological oxygen demand, DPR = detailed project reports FHH = female-headed households, IT = information technology, IWRM-AC = Integrated Water Resource Management Advance Center, KMRC = Karnataka Municipal Reform Cell, KSPCB = Karnataka State Pollution Control Board, KUIDFC = Karnataka Urban Infrastructure Development and Finance Corporation, m³ = cubic meter, MPN = most probable number, NGO = nongovernment organization, OBA = output based assistance, O&M = operations and maintenance, PIU = project implementation unit, PMU = project management unit, PPMS = project performance monitoring system, QPR = quarterly progress report, SIUD = State Institute for Urban Development, SLB = service level benchmark, TPRM = Tripartite Portfolio Review Meeting, UDD = Urban Development Department, UEIF-UFPF=Urban Environmental Infrastructure Fund under Urban Financing Partnership Facility, UIF=ULB Incentive Fund, ULB=urban local body, UWSS=urban water supply and sanitation.

DESIGN AND MONITORING FRAMEWORK FOR KIUWMIP TRANCHE 1

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Improved sustainable water security in the Upper Tunga Bhadra subbasin	By 2022 <ul style="list-style-type: none"> Surface water quality indicators reduced or maintained at acceptable standard of $\leq 30\text{mg/l}$ BOD level and total coliforms $< 5,000\text{ MPN}/100\text{ ml}$ coliform count in critical watersheds (baseline: non-compliant). Reported annual incidence of waterborne diseases decreased by at least 10% in Byadgi, Davangere, and Harihara (from 13, 33 and 36 per 1000 population, respectively) 	<ul style="list-style-type: none"> Central and State Pollution Control Board and KUIDFC reports Program ULBs hospital reports, socioeconomic surveys pre project and post completion 	Assumptions <ul style="list-style-type: none"> No extreme natural calamities within the benefit monitoring period (2023). Risks Water resources may deteriorate because of upstream activities and/or pollution.
Outcome Improved water resources management in selected urban areas of the Upper Tunga Bhadra subbasin	By 2019 <ul style="list-style-type: none"> Improved water use efficiency through NRW reduction from average 40% (in 2012) to less than 25% in Byadgi, Davangere, and Harihara. Additional households served with new piped, metered water connections in target ULBs including the poor, females and socially excluded HH (Target: additional 52,000 HH; baseline: 52,000 HH) Households additionally served with sewers in target ULBs including the poor, females and socially excluded households (Target: additional 60,000 HH; baseline: 36,000 HH) National wastewater effluent quality discharge/reuse standards met in Byadgi, Davangere, and Harihara (Baseline, 2013: Davangere Zone 1, non-compliant; Harihar, partially compliant; Byadgi did not have operational STPs in 2013). 	<ul style="list-style-type: none"> KUIDFC and KMRC annual reports and ULB statistics PPMS, KUIDFC and ULB reports. ULB statistics PPMS, KUIDFC and ULB reports. ULB statistics KSPCB and ULB reports 	Assumptions <ul style="list-style-type: none"> IWRM/ULB reforms implemented on schedule. No significant change in hydrological regime and basin water availability.
Outputs 1. Expanded and upgraded UWSS infrastructure in three towns of the Upper Tunga Bhadra subbasin	By end 2019 <p>1.1 Inefficient water supply systems rehabilitated and upgraded</p> <ul style="list-style-type: none"> Average hours of water supply extended from 1 hour daily (average) to continuous 24x7 supply in project 1 ULBs Water supplied meets national standards (Target: 95% of tests; baseline: non-compliant). Water production and treatment capacity increased (additional $15,000\text{ m}^3/\text{day}$ baseline: $108,000\text{ m}^3/\text{day}$) Length of piped network added (1,050 km) (baseline: 609 km) <p>1.2 Wastewater networks, treatment and effluent reuse infrastructure expanded</p> <ul style="list-style-type: none"> Wastewater capacity increased (additional $48,000\text{ m}^3/\text{day}$; baseline: $54,000\text{ m}^3/\text{day}$) Sewers extended (additional 365 km) (baseline: 500km) 	<ul style="list-style-type: none"> ULB statistics and census data ULB reports PPMS, KUIDFC and ULB reports PPMS, KUIDFC and ULB reports PPMS, KUIDFC and ULB reports PPMS, KUIDFC and ULB reports PPMS, KUIDFC and ULB reports 	Assumptions <ul style="list-style-type: none"> Beneficiaries are willing to connect to water supply and sewerage networks. Risks <ul style="list-style-type: none"> Open defecation persists. Lack of consensus on effluent allocation limit efficacy and reuse opportunities. Sewerage tariff set at insufficient levels to recover operation and maintenance

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<ul style="list-style-type: none"> • 50% effluent recycled for agricultural or industrial purposes • Output-based toilet and connection program for poor and vulnerable households (Target: 5,000 new toilets reaching pop. 30,000, including FHH) • Community water groups in 3 towns, with equal participation of women, formed to promote water conservation, hygiene, and sanitation 	<ul style="list-style-type: none"> • PPMS, KUIDFC and ULB reports • PPMS and NGO reports • NGO reports 	costs.
2. Improved water resource planning, monitoring, and service delivery	<p>By end 2019</p> <p>2.1 ULB Incentive Fund established and piloted</p> <ul style="list-style-type: none"> • Water audits for four new ULBs developed. • Water asset mapping and condition assessments for two new ULBs conducted. • Customer databases in four ULBs updated. <p>2.2 State and ULB Reform Program implemented</p> <ul style="list-style-type: none"> • ULB IT-based modules developed and piloted in four project towns. • State guidelines on public stand posts. • Water supply contracts with private sector participation mainstreamed (three project towns). <p>2.3 Improved communication and citizen participation</p> <ul style="list-style-type: none"> • Social and behavioral change programs conducted across three ULBs conducted for community members, including women, men and adolescent girls. • IEC leaflets disseminated to spread awareness on gender equality, health, hygiene and sanitation prepared. 	<ul style="list-style-type: none"> • PPMS and ULB reports • PPMS and ULB reports • PPMS and ULB reports • KMRC web page and promotional materials • UDD circular instruction • PPMS, project contractual documents • PPMS and NGO reports • IEC materials 	<p>Assumptions</p> <p>Willingness among ULBs to work together as a water utility.</p>
3. Strengthened operational and administrative capacity of KUIDFC and ULBs	<p>By end 2019</p> <p>3.1 Improved KUIDFC financial intermediation capacity</p> <ul style="list-style-type: none"> • Business and financial strategy and plans developed, including capital adequacy, asset quality, liquidity, and profitability programs. • Credit and risk management policies, operating systems, and procedures developed. • Procedures to assess and monitor the economic, social, gender equality, and environmental impact of subprojects approved. <p>3.2 Improved ULB administrative capacity building</p> <ul style="list-style-type: none"> • Capacity development programs developed and tested with water sector staff of target ULBs in Tranche 1 towns (target: >75 officials, of which 33% women) <p>3.3 Project management system operational</p>	<ul style="list-style-type: none"> • PPMS, KUIDFC annual reports • PPMS, KUIDFC annual reports • PPMS, KUIDFC annual reports • PPMS and training materials 	<p>Assumptions</p>

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<ul style="list-style-type: none"> Project 1 implemented on time and within budget Workshops focusing on social and gender issues organized for KUIDFC, ULBs, PMU, PIU women and men staff Project MIS contains gender and social inclusion focused indicators. Sex-disaggregated data collected, analyzed, and key findings. 	<ul style="list-style-type: none"> PPMS and TPRM reviews PPMS, trainer records PPMS 	
Activities 1. Output 1: Expanded and upgraded UWSS infrastructure in three towns of the Upper Tunga Bhadra subbasin 1.1 Prepare detailed designs and bid document (July 2013 – June 2014). 1.2 Award civil work contracts (June - December 2014). 1.3 Construct and commission UWSS systems (2014–2019). 2. Output 2: Improved water resource planning, monitoring, and service delivery 2.1 Design (2013-April 2014), evaluate (2014) and implement proposals (January 2015-April 2016) of pool incentive fund for service delivery reforms. 2.2 Design and encode reform-related IT modules (July 2014-July 2015), roll them out and train ULBs (July 2015-July 2017). 2.3 Award of Tranche 1 24x7 PPP contracts (June-April 2015). 2.4 Draft (by December 2014), consult (by June 2015) and approve (by December 2015) the State Guidelines on stand posts. 2.5 Recruit communications consultant/NGO (end 2014) and launch communications campaign (April 2015). 3. Output 3: Strengthened operational and administrative capacity of KUIDFC and ULBs 3.1 Conduct ULB specific assessments and training modules (by end 2015) and deliver for Tranche 1 ULB administration (by mid 2018). 3.2 Establish central (September - December 2013) and regional PMU and PIU offices (June 2014) with core staff, engage and mobilize consultants and contractors, regional PMU and PIU offices before loan signing in 2014. 3.3 Establish PMU operations including capacity building of its staff to manage the project (2014-2019). 3.4 Monitor, report, and evaluate project progress, including surveys (2014-2019). 3.5 Recruit KUIDFC financial intermediation consultant (December 2014), deliver studies (August 2016)			Indicative Inputs Project 1 ADB: \$76.8 million OCR: \$75.0 million UFPP: \$1.8 million GOK: \$40.2 million

ADB = Asian Development Bank, BOD = biological oxygen demand, FHH = female headed household, IEC = information and education campaign, HH = household, IT = information technology, IWRM = Integrated Water Resources Management, km = kilometer, KMRC = Karnataka Municipal Reform Cell, KSPCB = Karnataka State Pollution Control Board, KUIDFC = Karnataka Urban Infrastructure Development and Finance Corporation, m³ = cubic meter, MIS = , MPN = most probable number, NGO = nongovernment organization, NRW = nonrevenue water, O&M = operation and maintenance, OBA = output based assistance, OCR = ordinary capital resources, PIU = project implementation unit, PMU = project management unit, PPMS = project performance monitoring system, QPR = quarterly progress report, SPV = special purpose vehicle, STP = sewage treatment plant, TPRM = Tripartite Portfolio Review Meeting, UIF = ULB Incentive Fund, ULB = urban local body, UWSS = urban water supply and sanitation, WSS = water supply and sanitation.

APPENDIX 16: OUTLINE QUARTERLY PROGRESS REPORT FORMAT

A. Introduction and Basic Data

- ☐ ADB loan numbers, project title, borrower, executing agency(ies), implementing agency(ies);
- ☐ total estimated project cost and financing plan per loan;
- ☐ status of project financing including availability of counterpart funds by loan;
- ☐ dates of approval, signing, and effectiveness of ADB loans;
- ☐ original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
- ☐ date of last ADB review mission.

B. Utilization of Funds (ADB Loan, and Counterpart Funds)

- ☐ cumulative contract awards financed by the ADB loan, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
- ☐ cumulative disbursements from the ADB loan, and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
- ☐ reestimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

C. Project Purpose

- ☐ status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
- ☐ an assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
- ☐ an assessment of changes to the key assumptions and risks that affect attainment of the development objectives.

D. Implementation Progress

- ☐ for each loan, provide a brief summary assessment of progress or achievements in implementation since the last progress report;
 - ☐ assessment of the progress of each project component, such as,
 - recruitment of consultants and their performance;
 - procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
 - the performance of suppliers, manufacturers, and contractors for goods and works contracts;
- [for this item, you may choose to instead cross refer to the Monthly Progress Reports prepared by KUIDFC and append the latest]**
- ☐ assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules; and
 - ☐ an assessment of outcome/output achievements versus targets.

E. Major Project Issues and Problems

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

F. Compliance with Safeguards and Covenants

- ☐ review the borrower's compliance with policy loan covenants, and, where relevant, provide any reasons for any noncompliance or delay in compliance;
- ☐ provide a summary assessment of compliance with resettlement and environmental safeguards;
- ☐ provide a summary assessment and update on the implementation of the and social inclusion action plan (GESI).

APPENDIXES

1. KIUDFC's latest monthly summary procurement and progress report
2. Summary Loan Covenant Review
3. Summary Safeguards Update (Resettlement and Environment)
4. Summary Gender Action Plan Progress (separate format available)
5. KUIDFC's Semi-annual Environmental Monitoring Report (separate format available)
6. KUIDFC's Semi-annual Resettlement Monitoring Report (separate format available)

APPENDIX 17 - STAKEHOLDERS' COMMUNICATIONS STRATEGY

Objectives	Key risks/Challenges	Audience/Main stakeholders	Messages (information to be communicated)	Means of Communication	Timeline/Frequency	Responsibility	Resources Required
Secure the trust and participation of the community in all stages of the project cycle	<ul style="list-style-type: none"> •Current low levels of participation leading to gaps in managing stakeholder expectations •Effectiveness of community awareness and mobilization programs •Apprehension about the implementing agencies, their capacities, justification of the project components, expenditures etc due to lack of formal awareness campaigns •Lack of awareness among user groups on charges towards better service delivery 	<ul style="list-style-type: none"> •Communities in ULB program areas, including the poor disadvantaged populations and women •Community water groups, municipal bodies and women's groups •ULB representatives, ward councilors, ward members and community leaders •Community service clubs 	<ul style="list-style-type: none"> •Project information on the objectives, targets, benefits, design, and pro-poor approaches to user charges. •Awareness generation and advocating behavioral change to communities on water conservation, health, hygiene, sanitation •Salient initiatives taken up under the project to ensure access, quality and affordability of urban services, including (i) infrastructure development plans and investments in infrastructure (ii) criteria for subproject selection (iii) user charges based on affordability assessments, and pro-poor tariff structures, and (iv) standards in design and quality including adoption of best engineering practices •Avenues and opportunities for participation of primary stakeholders in the project •Provisions in project for training and capacity development 	<ul style="list-style-type: none"> •Project information leaflets and brochures in English/Hindi/Kannada •Posters, fliers in a pictorial format •Sensitization workshops/ information sessions/ meetings at ward levels •Public awareness campaigns, distribution of printed materials •Planned news releases in local media (newspaper and radio) in English/Hindi/Kannada coinciding with community and sensitization workshops, and announcements such as availability of grievance mechanism •Targeted media interviews of project officials with sympathetic or neutral media •Dissemination on KUIDFC and ULB operated websites, PIB, videos of interviews, summaries of subprojects, other project documents, details of awareness campaigns, project schedules, primary and secondary stakeholders. •Visits of community groups/beneficiaries to project sites •Selected journalists site visit (need to manage risk of critical reporting) •Community participation 	<ul style="list-style-type: none"> •Within two years: (i) awareness campaigns (ii) content development for PIB, leaflets, fliers and posters and (iii) sensitization workshops/meetings •Dissemination of information in KUIDFC and ULB websites by 8th month of project initiation •Semi-annual meetings/works hops throughout implementation period •News releases: semi-annual, after 9 months of project initiation •Media interviews, alternating with news releases •Community meetings—quarterly in various wards of ULB program areas 	<ul style="list-style-type: none"> •PMUs •PIU •Public Relations Officer, Department of Information, GOK •Implementing NGO(s) •Communications Consultant 	<ul style="list-style-type: none"> •Content development and printing costs of brochures, posters, fliers •Costs for content development in KUIDFC and ULB websites •Social and community mobilization professionals in PMU and community development staff of partner NGO(s) •Workshop organizing costs •Advertisement costs towards media/news releases

Objectives	Key risks/ Challenges	Audience/Main stakeholders	Messages (information to be communicated)	Means of Communication	Timeline/ Frequency	Responsibility	Resources Required
				sessions (workshops– sensitization/ orientation/capacity building)			
Establish two-way information flow and dialogue with stakeholders concerned to integrate their concerns and increase their involvement in the project.	<ul style="list-style-type: none"> •Lack of Information sharing/disclosure leading to project implementation delays •Complaints, legal issues leading to negative publicity •Livelihood risks not addressed •Non-inclusion of vulnerable sections, poor, and women •Lack of transparency in addressing IR impacts •Genuineness of the claims of various interest groups, affected persons 	<ul style="list-style-type: none"> •NGOs/civil society/ community based organizations •Citizen groups •Affected Persons/ groups 	<ul style="list-style-type: none"> •Project information, objectives, targets benefits and designs, •Justification of subproject selection, extent of impacts and benefits •Consultation process followed, and incorporation/non-incorporation of suggestions into designs •Resettlement framework and entitlement matrix provisions, opportunities for relocation with sufficient compensation, and livelihood improvement measures •Mechanisms for redressing grievances and monitoring of social safeguards compliance issues •Compliance review mechanism–process, steps, key persons, and timeline. •ADB's accountability mechanism and the right of affected persons/CSOs to complain •Contact information (name, address, mail id, phone numbers) of key persons to be contacted for specific queries/grievances on subprojects, land acquisition, resettlement etc 	<ul style="list-style-type: none"> •Focus Group Discussions/Meetings •Presentation of analysis of alternative options and selection of best fit design solutions •PIB in English/Hindi/Kannada •Posters, fliers in a pictorial format •Disclosure of RPs and Summary RP •Representation in grievance redress meetings •Public Relations Officer of the GOK available to receive and respond to queries •Effective conflict resolution and mitigation measures •Featured article in local print media on consultation process and compliance review mechanism (in line with ADB's revised accountability mechanism policy) •Site visits to critical subprojects of media persons during implementation accompanied by project officials 	<ul style="list-style-type: none"> •Consultations/ FGDs during RP preparation •Consultations by NGO(s) •Periodic grievance redressal meetings •Semi-annual site visits to subprojects during implementation 	<ul style="list-style-type: none"> •PMU •Project Director •Social Safeguards Consultant •Public relations Officer, GOK •Communications Consultant •Resettlement Consultant 	<ul style="list-style-type: none"> •Content development and printing costs of brochures •Logistics/ meetings •PIB preparation and printing •RP implementing NGO costs •Grievance redress mechanisms–logistics and costs •Expenses for site visits •Media related expenses •Monitoring costs

Objectives	Key risks/ Challenges	Audience/Main stakeholders	Messages (information to be communicated)	Means of Communication	Timeline/ Frequency	Responsibility	Resources Required
Secure participation of quality professionals/contractors in project implementation, and creation of a pool of highly competent bidders	<ul style="list-style-type: none"> •Sustained interest of organizations/professional working in underserved areas •Compromise with quality standards •Diminishing interest in working with weak Government institutions due to delays in implementation of works due to layers of approval processes required 	<ul style="list-style-type: none"> •Contractors, consultancy firms, suppliers and manufacturers •Media 	<ul style="list-style-type: none"> •Information on opportunities in Karnataka in the urban sector •Comparative advantage of working with ULBs in urban infrastructure development projects •Highlights of transparency mechanisms in procurement and implementation •Adoption of performance based funds release mechanisms •Commitment of the GoK to maintain high standards in technical quality, timelines and procurement •Feedback from existing contractors/suppliers 	<ul style="list-style-type: none"> •Workshops/presentations in ULB program areas •Participation in construction industry events •Orientation workshops to contractors/suppliers •Videos/presentation materials on project •Participation of local media to cover business seminars/workshops 	<ul style="list-style-type: none"> •Opportunities Business Seminars •Contractor workshops annually in ULB program areas •Orientation workshops/videos/presentations as part of pre-bid meetings 	<ul style="list-style-type: none"> •PMU •KUIDFC •Public Relations Officer, GOK •Communications Consultant 	<ul style="list-style-type: none"> •Content development and printing costs of brochures/presentation materials/videos •Event management/seminar organization costs •Registration costs at seminars/workshops outside GOK