



Progress Report

Technical Assistance Number: 4814
October 2007

India: Technical Assistance Cluster for Project Processing and Capacity Development (Financed by the Government of the United Kingdom)

CURRENCY EQUIVALENTS

(as of 31 August 2007)

Currency Unit – Indian rupee/s (Re/Rs)

Re1.00 = \$0.024

\$1.00 = Rs41.11

ABBREVIATIONS

ADB	–	Asian Development Bank
BIP	–	Board information paper
CTA	–	component technical assistance
DEA	–	Department of Economic Affairs
DFID	–	Department for International Development
INRM	–	India Resident Mission
JTF	–	Joint Task Force
SARD	–	South Asia Department
TA	–	technical assistance
TAC	–	technical assistance cluster

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification – General intervention

Sector – Multisector

Themes – Sustainable economic growth, governance, capacity development

NOTE

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

Vice President	L. Jin, Operations Group 1
Director General	K. Senga, South Asia Department (SARD)
Director	T. Kondo, Country Director, India Resident Mission (INRM), SARD
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I. INTRODUCTION

1. This Board information paper (BIP) reports on the implementation progress of the technical assistance cluster (TAC), TAC 4814-IND,¹ for the period 1 February 2007–31 August 2007. It has been prepared in accordance with paragraph 26 of the TAC paper, which requires submission of a consolidated report, every six months, to the Board of Directors (the Board) and the management of the Asian Development Bank (ADB) on the progress of TAC implementation. The last BIP, for the period 25 July 2006–31 January 2007, was circulated to the Board in March 2007. The BIP for the TAC was also shared with the Government of India (the Government) and the U.K. Department for International Development (DFID). The next consolidated BIP for the TAC is due in March 2008.

2. ADB approved TAC 4814-IND for \$15 million to the Government on 30 June 2006. The TAC is financed by the Government of the United Kingdom through its DFID. The TAC, provided in response to the Government's request, fast-tracks high-priority infrastructure projects and supports improvements in project preparedness, project design, and implementation capacity under ADB's India program. The Board had approved the inclusion of project preparatory technical assistance (TA) activities under the TAC on an exceptional basis.²

II. THE TECHNICAL ASSISTANCE CLUSTER

A. Impact and Outcome

3. The TAC aims at enhancing project preparedness, improving project design, and strengthening effective implementation capacity under ADB's India program. It will reduce the need for stand-alone TA projects and will increase the Government's ownership of follow-up projects. The TAC will improve the quality and delivery of the more than \$3 billion ADB program of assistance for India. The design and monitoring framework for the TAC is provided in Appendix 1.

B. Methodology and Key Activities

4. As a cluster grant facility, the TAC finances several component technical assistance (CTA) projects under the ADB India program for 2006–2009. These CTAs support a range of project preparatory and capacity-building activities, including feasibility studies, preliminary designs, safeguard assessments, capacity development, procurement support, detailed engineering designs, and project reports.

5. The original TAC comprised 15 CTAs from the India program for 2006–2009 with an overall allocation of \$15 million, including TAC administration costs. Subsequently, based on the recommendations of the Joint Task Force (JTF)³ and approval of the CTA papers and implementation plans by the director general of the South Asia Department (SARD), the TAC has been expanded to include 24 component TAs. The revised list of CTAs included under the TAC is as follows:

¹ ADB. 2006. *Technical Assistance Cluster to India for Project Processing and Capacity Development*. Manila (TA 4814-IND, financed by the Government of the United Kingdom).

² TACs were introduced in ADB. 1997. *Review of the Bank's Technical Assistance Operations*. Manila. However, TACs were restricted to advisory TA projects.

³ The JTF is the TA steering committee that deliberates on addition, deletion, and amount enhancements and reductions of CTAs. It also reviews progress on these CTAs. On the basis of recommendations by the JTF, formal approval for CTAs is obtained from the director general of the South Asia Department.

- (i) National Hydroelectric Power Corporation Capacity Development (\$89,000);
- (ii) Madhya Pradesh Power Sector Investment Program (formerly the Madhya Pradesh Transmission Strengthening Project) (\$490,000);
- (iii) Capacity Development for Commodity Futures Market (formerly Strengthening Commodity Futures Markets) (\$1,000,000);
- (iv) National Highways Public-Private Partnership Project (\$170,000);
- (v) Project Preparatory Technical Assistance for State Roads Projects in Chattisgarh and Jharkhand (\$1,200,000);
- (vi) Design and Project Management Support for the Proposed Northeastern State Roads Investment Program (\$2,500,000);
- (vii) Project Preparation Support for the Madhya Pradesh State Roads Project II (\$250,000);
- (viii) Jammu and Kashmir Urban Sector Development Investment Program (\$500,000);
- (ix) Innovative Financing Options for Municipal Infrastructure Sector (formerly the Jawaharlal Nehru National Urban Renewal Mission) (\$500,000);
- (x) Tourism Infrastructure Development Project (\$500,000);
- (xi) Rajasthan Urban Sector Investment Program (formerly Rajasthan Urban Infrastructure Development Phase II) (\$1,500,000);
- (xii) North Karnataka Urban Sector Investment Program (\$400,000);
- (xiii) Capacity Building for Protection of East Kolkata Wetlands (\$400,000);
- (xiv) Agribusiness Infrastructure Development Project (\$330,000);
- (xv) Capacity Building Initiatives for India Infrastructure Finance Company Limited (\$200,000);
- (xvi) Project Processing and Institutional Development for Orissa Integrated Irrigated Agriculture and Water Management Project (\$1,500,000);
- (xvii) Khadi and Village Industries Development Program (\$300,000);
- (xviii) Bihar Urban Sector Development Investment Program (\$500,000);
- (xix) Bihar Power Sector Development Program (\$599,000);
- (xx) Bridging Assistance to Uttaranchal Urban Development Project (\$500,000);
- (xxi) Northeastern States Trade and Investment Creation Initiative (\$150,000);
- (xxii) Himachal Pradesh Clean Energy Development Investment Program (\$406,000);
- (xxiii) National Housing Bank Limited (\$200,000); and
- (xxiv) Preparing the Northeastern State Integrated Flood and Riverbank Erosion Management Project (\$700,000).

6. Appendix 2 shows key revisions in the original composition of the TA cluster. The revisions reflect the Government's sectoral and capacity-building priorities with respect to ADB's operations and program in India. The revisions were also based on (i) review of project readiness; (ii) revisions in the project processing schedule for 2006–2009; (iii) consultations with project executing agencies; (iv) reconsideration of the scope, suitability, and focus of the CTAs; and (v) suggestions of the Department of Economic Affairs (DEA) and ADB sector managers.

C. Cost and Financing

7. The \$15 million TAC is financed by the Government of the United Kingdom on a grant basis. The Government of India provides counterpart contributions in kind estimated at \$4 million. The revisions to the original list of CTAs included under the TA cluster have had no impact on the cost estimate and financing arrangements. The Government has agreed that approval of the CTAs does not commit ADB to finance any ensuing projects.

D. Implementation Arrangements

8. The TAC is executed by the DEA and administered by the India Resident Mission for a period of 30 months, from July 2006 to December 2008. The JTF consists of the joint secretary and the director of the DEA, the country director and sector specialists from the India Resident Mission, and SARD sector directors and mission leaders responsible for the CTA projects. International and national consultants are engaged in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time).

III. PROGRESS IN IMPLEMENTATION

A. Progress against Goals and Overall Impact

9. **Five Development Projects Take Off Within a Year.** The TAC has directly contributed to detailed project preparedness through relevant CTAs for five loans amounting to \$1.59 billion approved in 2006 and 2007. These loans are for the Madhya Pradesh State Roads II Project (\$320 million), the Madhya Pradesh Power Sector Development Investment Program (\$620 million), the Jammu and Kashmir Urban Sector Investment Program (\$300 million), the North Karnataka Urban Sector Investment Program (\$270 million), and the Kolkata Environment Improvement Project (Supplementary Financing) (\$80 million). Project preparatory and detailed design activities for another 14 loans estimated at \$3.7 billion are ongoing for possible approval in 2007–2009. Estimates indicate that each \$1 million spent under the TAC has the potential to leverage development investment of more than \$350 million.

10. **Support to New Partner States and Pro-Poor Sectors: Capacity Building and Advisory Support.** The Government has recognized the flexibility and responsiveness the TAC offers in relation to improving project preparedness under ADB's India program. It has appreciated the TAC's flexibility in addressing the advisory, capacity-building, and project preparatory requirements of new sectors and of the comparatively less developed states of Bihar, Chattisgarh, and Jharkhand and of the northeastern region. The TAC is also supporting emergent priority areas of the Government, as reflected by CTAs on agribusiness infrastructure, tourism infrastructure, flood and riverbank erosion control, natural resource management, clean energy, and infrastructure financing.

11. The TAC has been providing capacity development support to many of these less developed states and new subsectors. Prominent among the new sectors supported under the TAC are commodity futures, municipal infrastructure financing, wetland management, trade and investment infrastructure in the northeastern states, and housing finance.

12. **Enhanced Client Ownership and Responsiveness.** The TAC has been responsive to the Government's need for comprehensive project preparation, improved efficiency, and enhanced ownership of project preparation and implementation under ADB's India program. The TAC modality and the provisions for a JTF have enabled the Government to directly participate and be involved in the planning and close monitoring of project preparation activities under ADB's India program.

13. **Considerable Time Savings.** The TAC has significantly improved the efficiency of preparing, processing, and approving TAs, aided by the TAC's simplified procedure. Within 12 months of TAC effectivity, 22 CTAs have been endorsed for implementation. The 24 CTAs currently included under the TAC will also result in improving the planning and operational capacity of the executing agencies of the proposed follow-up loans.

B. Outputs and Activities Under the TAC

14. **Twenty-Four CTAs for \$14.88 Million Included Under the TA Cluster.** Based on JTF or DEA endorsement, the total number of CTAs included under the TAC has increased from 15 to 24, as of 31 August 2007. This includes the four CTAs that were included under the TAC during the 1 February 2007–31 August 2007 reporting period. Appendix 2 presents the revised list of CTAs included under the TAC.

15. **Twenty-Two CTAs for \$13.98 Million Prepared, Processed, and Approved for Implementation.** Since TAC effectivity on 25 July 2006, the director general of SARD has approved a total of 22 CTAs for \$13.98 million for implementation. This includes the 10 CTAs that were prepared, processed, and approved for implementation during the reporting period. Only two CTAs worth \$0.9 million are currently under preparation. Their inclusion is subject to approval of their implementation plan or TA paper by the director general of SARD. As of 31 August 2007, the 22 CTAs had committed nearly \$8 million and disbursed \$1.5 million.

16. **Three CTAs Completed.** Implementation has been completed for three CTAs: (i) the National Hydroelectric Power Corporation Capacity Development Project, (ii) the Madhya Pradesh Power Sector Investment Program, and (iii) project preparation support for the Madhya Pradesh State Roads Project II. Implementation for seven more CTAs is expected to be completed by December 2007. Implementation of the remaining 14 CTAs will be completed by June 2008, ahead of the TAC completion date of 31 December 2008.

17. **JTF Deliberations.** The JTF has been proactively guiding and overseeing the programming and implementation of the TAC. The JTF met 4 times during the first 12 months of TAC implementation to steer and streamline the composition of the TAC. Based on inputs from ADB staff, executing agencies, and the DEA, the JTF reviewed the relevance, implementation schedule, and financial allocation of each CTA with respect to the India program for 2006–2009. It recommended changes in the composition of the TAC that included canceling 3 CTAs, adding 12 new CTAs, increasing the financial allocation of 3 CTAs, and reducing the financial allocation of 6 CTAs. These revisions (Appendix 2) reflect the Government's project scheduling and sectoral priorities with respect to ADB's operations and program in India.

IV. CONCLUSION

18. The TAC has highlighted the importance of supporting project readiness for timely and cost-effective delivery of ADB's India program. By doing so, the TAC has established a close link between country programming and project preparation activities.

19. Implementation of the TAC is on track to deliver its intended outcomes, namely, improving project implementation readiness, strengthening local capacity and ownership, and enhancing the efficiency of project preparation and implementation. Most CTAs were prepared so as to be completed by 31 December 2007, even though the original completion date for the TAC was 31 December 2008. This was done because of the anticipated closure of TAC financing from the DFID by December 2007. However, based on an assessment of the work remaining to be done for effective operationalization of projects in the India program, the CTA project officers have been given an option of extending their CTA completion dates to 30 June 2008.

20. DFID financing of the TAC will close on 31 December 2007. Financing of CTAs beyond 31 December 2007 could either be from DFID's proposed partnership modality, which is currently under preparation and is subject to internal DFID approval, or from ADB's internal TA resources. If the DFID partnership modality does become operational on 1 January 2008 as anticipated, this would mean that the TAC would be financed under the new facility as of that date. If DFID financing does not materialize, ADB would need to find and allocate internal TA resources to finance the CTAs beyond 31 December 2007. This would be in accordance with ADB's commitment to provide a TAC of \$15 million equivalent to the Government of India.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Improvement of project implementation readiness</p>	<p>Subproject approval from ADB accelerated</p> <p>Procurement and contract awards accelerated</p> <p>Project implementation unit established</p>	<p>Approval percentages in the India program</p> <p>Disbursement ratios</p>	<p>Assumption Commitment by the Government</p>
<p>Outcome Achievement of better efficiency and ownership in relation to project preparation and implementation Promotion of private participation</p>	<p>Investment projects identified</p> <p>Private sector participation increased</p> <p>Consulting team mobilized and counterpart staff appointed within the agreed time frame</p> <p>Disbursement of funds and implementation of project within the agreed time frame achieved accelerated</p> <p>Number of component TAs with private sector participation [</p>	<p>Implementation plans and TA papers</p> <p>System to monitor project implementation readiness</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Active cooperation by the executing agencies and commitment to reform • Willingness of the private sector to participate
<p>Outputs Feasibility study Detailed design Bidding documents Procurement Due diligence 6. Capacity development</p>	<p>Feasibility studies completed</p> <p>DPRs for the component TAs completed</p> <p>Bidding documents completed</p> <p>Procurement process initiated</p> <p>Due diligence of social and environmental safeguard measures of all ADB supported projects undertaken as necessary</p> <p>Project implementation units strengthened.</p> <p>Project staff at state and field levels trained in project arrangements</p> <p>Project MIS established and fully</p>	<p>ADB review missions</p> <p>Project MIS data</p> <p>Prepared reports on PAM, training manuals, MIS manuals, etc.</p> <p>TA consultants' progress reports</p> <p>Consultancy and procurement packages</p>	<p>Assumptions</p> <p>Executing and support agencies provide due support, including (i) data and information, (ii) resources for land acquisition, and (iii) cooperation in providing environmental clearance</p> <p>Monitoring and quality support are effective</p> <p>States and executing agencies are willing to implement TA/projects and provide committed counterpart support/ contributions</p>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	<p>operational (financial, physical, institutional, socioeconomic, etc.)</p> <p>Policy and other enabling framework established</p>		
<p>Activities with Milestones</p> <p>A. By the Government and/or States</p> <p>1.1 Set up project offices and appoint counterpart staff prior to the start of TA</p> <p>1.2 Prepare draft DPRs</p> <p>1.3 Regularly work with consultants in relation to the provision of necessary surveys and other support and organization of meetings</p> <p>1.4 Provide office space; data, information, and documents; DPRs; and other inputs and support as appropriate</p> <p>B. By Consultants (including subcontracted nongovernment organizations)</p> <p>2.1 Undertake designated TA activities in close interaction with the Government, states, stakeholders, and ADB</p> <p>2.2 Undertake further preparation of subproject implementation packages</p> <p>2.3 Institutional strengthening for program delivery</p> <p>C. By ADB</p> <p>3.1 Recruit consultants in coordination with the Government</p> <p>3.2 Monitor and supervise TA activities regularly</p> <p>3.3 Guide TA activities through inception and review missions</p>		<p>Inputs</p> <ul style="list-style-type: none"> • Counterpart staff and operating, and other implementation expenses (in kind) • Engineering designs and other activities for DPR preparation as appropriate (in kind) <p>Capable international and domestic consultants</p> <ul style="list-style-type: none"> • Internal staff resources • Inception and review missions 	

ADB = Asian Development Bank, DPR = detailed project report, MIS = management information system, TA = technical assistance.

**LIST OF COMPONENT TECHNICAL ASSISTANCE PROJECTS
INCLUDED UNDER THE TECHNICAL ASSISTANCE CLUSTER**

No.	Component Technical Assistance	Allocation (\$)		Implement- ation Plan/TA Paper Approved by ADB?	Remarks
		Original (in TAC paper)	Existing		
1.	Project Preparation Support for the Madhya Pradesh State Roads Project II	\$2,000,000	\$250,000	Yes	Allocation reduced
2.	Design and Project Management Support for the Proposed Northeastern State Roads Investment Program	\$1,500,000	\$2,500,000	Yes	Allocation increased
3.	Railway Sector Improvement Project II (feasibility study and detailed design)	\$1,000,000	0		Dropped
4.	National Highways Public-Private Partnership Project	\$400,000	\$170,000	Yes	Allocation reduced
5.	National Hydroelectric Power Corporation Capacity Development	\$500,000	\$89,000	Yes	Allocation reduced
6.	Private Participation in the Energy Sector	\$1,000,000	0		Dropped
7.	Madhya Pradesh Power Sector Investment Program	\$500,000	\$490,000	Yes	Allocation reduced
8.	Rajasthan Urban Sector Development Investment Program (formerly the Rajasthan Urban Infrastructure Development Phase II)	\$1,200,000	\$1,500,000	Yes	Allocation increased
9.	Bridging Assistance to the Uttaranchal Urban Development Project	\$1,500,000	\$500,000	Yes	Allocation reduced
10.	Jammu and Kashmir Urban Sector Development Investment Program	\$500,000	\$500,000	Yes	
11.	Innovative Financing Options for Municipal Infrastructure Sector (formerly the Jawaharlal Nehru National Urban Renewal Mission)	\$500,000	\$500,000	Yes	
12.	Project Processing and Institutional Development for Orissa Integrated Irrigated Agriculture and Water Management Project	\$2,500,000	\$1,500,000	Yes	Allocation reduced
13.	Capacity Development for Commodity Futures Market (formerly Strengthening Commodity Futures Markets)	\$1,000,000	\$1,000,000	Yes	
14.	Capacity Development for the Rural Roads Sector	\$200,000	0		Dropped
15.	North Karnataka Urban Sector Investment Program	\$300,000	\$400,000	Yes	Allocation increased
16.	Capacity Building for Protection of East Kolkata Wetlands	0	\$400,000	Yes	New CTA
17.	Project Preparatory Technical Assistance for State Roads Projects in Chattisgarh and Jharkhand	0	\$1,200,000	Yes	New CTA
18.	Tourism Infrastructure Development Project	0	\$500,000	Yes	New CTA
19.	Capacity Building Initiatives for India Infrastructure Finance Company Limited	0	\$200,000	Yes	New CTA
20.	National Housing Bank Limited	0	\$200,000	No	New CTA
21.	Northeastern States Trade and Investment Creation Initiative	0	\$150,000	Yes	New CTA
22.	Agribusiness Infrastructure Development Project	0	\$330,000	Yes	New CTA
23.	Preparing the Northeastern State Integrated Flood and Riverbank Erosion Management Project (Arunanchal Pradesh)	0	\$700,000	No	New CTA
24.	Khadi and Village Industries Development Program	0	\$300,000	Yes	New CTA
25.	Bihar Urban Sector Development Investment Program	0	\$500,000	Yes	New CTA
26.	Bihar Power Sector Development Program	0	\$599,000	Yes	New CTA
27.	Himachal Pradesh Clean Energy Development Investment Program	0	\$406,000	Yes	New CTA

ADB = Asian Development Bank, CTA = component technical assistance,.
Source: ADB estimates.