



Progress Report

Technical Assistance Number: 4814
July 2008

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

CURRENCY EQUIVALENTS

(As of 07 July 2008)

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

Re1.00 = \$0.023

\$1.00 = Rs43.12

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.

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I. INTRODUCTION

1. Asian Development Bank (ADB) approved technical assistance cluster (TAC) 4814-IND for \$15 million to the Government of India (the Government) on 30 June 2006. The TAC is financed by the Government of the United Kingdom through its Department for International Development (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 of Directors (the Board) had approved the inclusion of project preparatory technical assistance (TA) activities under the TAC on an exceptional basis¹. The design and monitoring framework for the TAC is provided in Appendix 1.

2. The TA cluster has been completed with effect from 30 June 2008. The original TA completion period of 30 months had to be reduced to 24 months i.e., from 31 December 2008 to 30 June 2008 to co-terminate with the closure of the United Kingdom Cooperation Fund (Poverty Focused) for Technical Assistance (DFID Trust Fund for India).

3. This consolidated report on the implementation progress of the TAC has been prepared in accordance with paragraph 26 of the TAC paper, which requires periodic submission of a consolidated Board Information Paper (BIP), to the Board and the Management of the ADB. This is the third BIP, the previous two having been submitted in March 2007 and September 2007. This BIP is being submitted on conclusion of the TA Cluster to enable comprehensive reporting of progress and impacts.

II. SUMMARY OF IMPLEMENTATION PROGRESS

A. Impact and Outcome

4. **Improved project implementation readiness and efficiency.** Twenty four months of TAC implementation has resulted in 21 well prepared projects for \$6 billion, ready for implementation, for the ADB India program (2006-2010). The TAC has also significantly improved the efficiency of preparing, processing, and approving TAs, aided by the TAC's simplified procedures. As a result, 22 CTAs were endorsed for implementation within 12 months of TAC effectivity.

5. Through project preparatory activities and detailed design activities, the component TAs (CTAs) included under the TAC have directly contributed to enhancing project preparedness, improving project design, and strengthening effective implementation capacity under ADB's India program.

6. Comprehensive and better project preparation has reduced delays in project commencement after loan approval and will reduce the accrual of commitment charges to the Government because of start-up delays. The TAC has also contributed to reduced need for stand-alone TA projects and increased the Government's ownership of follow-up projects. The TAC has also strengthened the link between the country programming exercise and project preparation schedule.

¹ TACs were introduced in ADB. 1997. *Review of the Bank's Technical Assistance Operations*. Manila. However, TACs were restricted to advisory TA projects.

7. **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 the Joint Task Force (JTF) have enabled the Government to directly participate and engage in the planning and monitoring of project preparation activities. Many of the changes in work scope of the CTAs have been undertaken in response to the need of executing agencies (EAs) for additional TA support.

B. Outputs

8. The TAC has supported a range of preparatory and feasibility studies to support investments suitable for development financing. These have resulted in the following outputs:

Eight follow on loan projects were approved for ADB financing worth \$2.7 billion. The projects are:

- (i) Madhya Pradesh State Roads II Project (\$320 million)
- (ii) Madhya Pradesh Power Sector Development Investment Program (\$620 million),
- (iii) Jammu and Kashmir Urban Sector Investment Program (\$300 million)
- (iv) North Karnataka Urban Sector Investment Program (\$270 million)
- (v) Kolkata Environment Improvement Project (Supplementary Financing) (\$80 million).
- (vi) India Infrastructure Project Financing Facility (\$500 million)
- (vii) Rajasthan Urban Sector Development Investment Program (formerly Rajasthan Urban Infrastructure Development Phase II) (\$273 million)
- (viii) Uttaranchal Urban Development Project (\$350 million)

9. Thirteen loan projects are proposed for approval over 2008-2010 for \$3.24 billion. The projects are:

- (i) Himachal Pradesh Clean Energy Development Investment Program (\$800 million)
- (ii) Bihar Power Sector Development Program (\$500 million)
- (iii) Khadi and Village Industries Development Program (\$150 million)
- (iv) North Eastern States Trade and Investment Creation Initiative (\$100 million)
- (v) Mizoram Public Resource Management Development Program (\$150 million)
- (vi) Agribusiness Infrastructure Development Project (\$250 million)
- (vii) Orissa Integrated Irrigated Agriculture and Water Management Project (MFF for \$188.5 million)
- (viii) North Eastern State Integrated Flood and Riverbank Erosion Management Project (Arunachal Pradesh component for \$80 million)
- (ix) State Roads Projects in Chattisgarh and Jharkhand (\$200 million)
- (x) North Eastern State Roads Investment Program (\$300 million)
- (xi) Nagpur Water Supply Project (\$40 million in 2008) and another \$40 million for Vijayawada Water Supply in 2009. (Total of \$80 million)
- (xii) Tourism Infrastructure Development Project (\$300 million)
- (xiii) Bihar Urban Sector Development Investment Program (\$150 million)

10. **The TAC has greatly improved project readiness.** It has helped projects to graduate from preparation of preliminary designs to meeting advanced requirements like detailed project reports (DPRs) and its subsidiary documents (bidding documents, terms of reference for

supervision consultants, resettlement plans, environment management plans, etc.). This is helping EAs in pre-construction activities on the ground. In the proposed Jharkhand State Roads project, for example, detailed engineering designs as well as resettlement plans based on 100% census are already in place, much ahead of the programmed approval of the project early next year. Such high levels of readiness will help development projects get implemented without delays and thereby reduce accrual of commitment charges to the Government.

11. **Capacity Building and Advisory Support across sectors, EAs and states.** The TAC has provided capacity development and project preparatory support to many less developed states and new subsectors. Prominent sub-sectors which received project preparatory support were municipal infrastructure, trade and investment infrastructure for the northeastern states, agribusiness infrastructure, tourism infrastructure, flood and riverbank erosion control, natural resource management, clean energy, and power transmission, in addition to transport and urban infrastructure development. Specific capacity development assistance was provided in clean development mechanism, integrated water resource management, tourism planning, environmental planning, hydropower project design, environment and social safeguards assessments, international credit rating, model procurement documents for public private partnerships, municipal innovations in bankable urban sector projects, introduction of non sovereign local currency lending products and conducting due diligence for private sector operations of ADB. It also built government capacity in carrying out due diligence and preparation for loan projects on MFF.

12. The TAC has improved the planning and operational capacity of the executing agencies of the proposed follow-up loans in states like Bihar, Orissa, Mizoram, Chattisgarh, Jharkhand and Northeastern states.

C. Methodology and Key Activities

13. As a cluster grant facility, the TAC financed 24 CTA projects under the ADB India program for 2006–2008. These CTAs supported 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.

14. The original TAC comprised 15 CTAs from the India program for 2006–2008 with an overall allocation of \$15 million, including TAC administration costs. Subsequently, on recommendations of the Joint Task Force (JTF) and approval of the CTA papers and implementation plans by the Director General of the South Asia Department (SARD), the TAC was expanded to include 24 CTAs.

15. Of the original TA cluster of 15 CTAs, 12 of them were retained, and the following 3 CTAs were cancelled after JTF's endorsement :

- Capacity Development for the Rural Roads Sector (\$200,000)
- Railway Sector Improvement Project II (\$1,000,000)
- Private Participation in the Energy Sector (\$1,000,000)

16. Twelve new CTAs were developed and proposed for the consideration of the JTF², making a total of 24 CTAs under the cluster grant facility. Once the JTF had endorsed the new

² This excludes the 2 CTAs which were included as new additions, but were dropped subsequently on JTF recommendation. These were on National Housing Bank Limited (\$200,000) and High-value crops and agro processing - opportunities and constraints in Uttaranchal and Bihar (\$250,000)

CTAs, the TA papers / Implementation Plans of all CTAs were agreed with DEA and approved by DG, SARD in line with the TAC implementation arrangements.

17. The revisions made in the CTAs reflect the Government's sectoral and project processing priorities with respect to ADB's operations and program in India. The revisions were based on (i) feasibility of CTAs delivering project readiness by the completion date of the TAC; (ii) changes in the project processing schedule of the Government for 2006–2008; (iii) feedback and 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. Many CTAs had to substantially revise their scope of work due to shorter timeframe available for implementation or other implementation and processing issues. Most CTAs were extended up to TA completion date of 30 June 2008 to compensate for delays in project commencement or for accommodating additional scope of work requested by the EAs. All additions and deletions were made within the total approved outlay of the TA cluster of \$15 million. The revised list of CTAs included under the TAC is provided in Appendix 2.

18. Of the \$15 million allocated, a total of \$12.5 million was committed by 30 June 2008 and 130 contracts were awarded. A total of \$7 million had been disbursed by 31 May 2008, with the balance expected to disburse within the DFID specified time frame of 31 December 2008.

D. Cost and Financing

19. The \$15 million TAC is financed by the Government of the United Kingdom on a grant basis. The Government of India provided 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 closure of the DFID financing on 30 June 2008 compelled the closure of the TA cluster by this date.

E. Implementation Arrangements

20. **Reduced project implementation period.** The TAC was made effective on 25 July 2006, within 1 month of Board approval. The TAC was implemented over a period of 24 months, from 1 July 2006 to 30 June 2008, instead of the originally envisaged 30 months completing on 31 December 2008. The 6 month reduction in implementation period was necessitated by termination of the TAC financing from DFID.

21. The TAC is executed by the Department of Economic Affairs (DEA) and administered by the India Resident Mission (INRM). The Joint Task Force (JTF) formed under the TAC has proactively guided the programming and implementation of the TAC. JTF comprised the joint secretary and the director of the DEA, the country director INRM and the project team for the TAC, the SARD sector directors and the CTA project officers. The JTF met 5 times during TAC implementation to review progress and 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 2006–2010, and recommended changes in the composition of the TAC.

22. All project officers provided updates on the processing status and risks associated with their respective CTAs, to enable the JTF to take corrective action. As required, the CTA Project officers prepared Board Information papers for individual CTAs. The project officers have also taken steps to complete the ongoing contracts and affect financial closure thereafter.

23. International and national consultants were engaged through 130 contracts, in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). A TAC completion report will be prepared for the TAC as a whole, based on the inputs provided by the project officers of the component TAs.

III. CONCLUSION

24. The TAC has responded well to Government's emphasis on the need for greater project preparedness in ADB projects. The TAC has delivered its intended outcomes, namely, improving project implementation readiness, strengthening local capacity and ownership, and enhancing the efficiency of project preparation and implementation. *Each \$1 million utilized under the TAC has the potential of leveraging development investment of about \$397 million.*

25. Comprehensive project preparation is expected to reduce delays in project commencement after loan approval and lead to reduced accrual of commitment charges to the Government because of start-up delays.

26. 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. The TAC has highlighted the importance of supporting project readiness for timely and cost-effective delivery of ADB's India program.

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</p> <ol style="list-style-type: none"> 1. Feasibility study 2. Detailed design 3. Bidding documents 4. Procurement 5. Due diligence 6. Capacity development 	<ol style="list-style-type: none"> 1. Feasibility studies completed 2. DPRs for the component TAs completed 3. Bidding documents completed 4. Procurement process initiated 5. Due diligence of social and environmental safeguard measures of all ADB supported projects undertaken as necessary 6. Project implementation units strengthened. 7. Project staff at state and field levels trained in project arrangements 8. Project MIS established and fully operational (financial, physical, institutional, 	<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> <ul style="list-style-type: none"> • Executing and support agencies provide due support, including (i) data and information, (ii) resources for land acquisition, and (iii) cooperation in providing environmental clearance • Monitoring and quality support are effective • States and executing agencies are willing to implement TA/projects and provide committed counterpart support/ contributions

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	socioeconomic, etc.) 9. Policy and other enabling framework established		
<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 nongovernmental 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**

Name of Component TAs under TA 4814	Original Allocation (per board paper)	Revised Allocation (per CTA paper/ implementation plan)
ENERGY		
1.National Hydroelectric Power Corporation Capacity Development (NHPCCD)	\$500,000	\$89,000
2. Himachal Pradesh Clean Energy Development Investment Program (HPCEDIP)	0	\$406,000
3. Madhya Pradesh Transmission Strengthening Project (Madhya Pradesh Power Sector Investment Program)	\$500,000	\$490,000
4. Supporting the proposed Bihar Power Sector Development Program (BPSDP) ^g	0	\$599,000
Private Participation in the Energy Sector *	\$1,000,000	\$0
GOVERNANCE AND FINANCE		
5. India Infrastructure Project Financing Facility	0	\$300,000
6. Khadi and Village Industries Development Program	0	\$300,000
7. North Eastern States Trade and Investment Creation Initiative	0	\$150,000
8. Capacity Development for Commodity Futures Market (Formerly strengthening commodity futures markets)	\$1,000,000	\$100,000
9. Preparing the Mizoram Public Resource Management Development Program	0	\$135,000
AGRICULTURE AND NATURAL RESOURCE		
10. Agribusiness Infrastructure Development Project	0	\$330,000
11. Orissa Integrated Irrigated Agriculture and Water Management Project	\$2,500,000	\$1,500,000
12. Preparing the North Eastern State Integrated Flood and Riverbank Erosion Management Project (Arunachal Pradesh)	0	\$715,000
TRANSPORT AND COMMUNICATION		
13. National Highways Public-Private Partnership Project	\$400,000	\$170,000
14. Project Preparation Support for State Roads Projects in Chattisgarh and Jharkhand	0	\$1,100,000
15. Design and Project Management Support for the Proposed North Eastern State Roads Investment Program	\$1,500,000	\$2,600,000
16. Project Preparation Support for the Madhya Pradesh State Roads Project II	\$2,000,000	\$250,000
Capacity development for the Rural Roads Sector *	\$200,000	\$0
Railway Sector Improvement Project II (Feasibility study and Detailed Design)*	\$1,000,000	\$0
URBAN DEVELOPMENT (8)		
17. Jammu and Kashmir Urban Sector Development Investment Program	\$500,000	\$500,000
18. Innovative Financing Options for Municipal Infrastructure Sector (formerly Jawaharlal Nehru National Urban Renewal Mission)	\$500,000	\$500,000
19. Tourism Infrastructure Development Project	0	\$500,000
20. Rajasthan Urban Sector Development Investment Program (formerly Rajasthan Urban Infrastructure Development Phase II)	\$1,200,000	\$1,500,000
21. North Karnataka Urban Sector Infrastructure Program	\$300,000	\$450,000
22. Capacity Building for Protection of East Kolkata Wetlands	0	\$400,000
23. Supporting the proposed Bihar Urban Sector Development Investment Program (BUSDIP) ^f	0	\$500,000
24. Uttarakhand Urban Development Project	\$1,500,000	\$500,000
TAC/MANAGEMENT / CONTINGENCY	\$400,000	\$916,000
Total	\$15,000,000	\$15,000,000

* CTAs cancelled