



Technical Assistance

TAR: IND 38272

Technical Assistance to India for Preparing the Uttarakhand Urban Development Project

July 2005

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 7 July 2005)

Currency Unit	–	Indian rupee/s (Re/Rs)
Re 1.00	=	\$0.0230
\$1.00	=	Rs43.42

ABBREVIATIONS

ADB	–	Asian Development Bank
CA	–	Constitutional Amendment
DUD	–	Department of Urban Development
EIA	–	environmental impact assessment
EMP	–	environment management plans
GOU	–	Government of Uttaranchal
IEE	–	initial environmental examination
O&M	–	operation and maintenance
PIU	–	project implementation unit
PMU	–	project management unit
PSP	–	private sector participation
TA	–	technical assistance
UJS	–	Uttaranchal Jal Sanstan
ULB	–	urban local body
UPJN	–	Uttaranchal Pey Jal Nigam

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Water supply, sanitation, and waste management
Subsector	–	Integrated urban development
Themes	–	Inclusive social development, Sustainable economic growth
Subtheme	–	Improving urban environment and services

NOTES

- (i) The fiscal year of the Government ends on 31 March.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. Uttaranchal is a new state of India, created in 2000. It has a population of 8.4 million, 25% of whom live in urban areas. The government of Uttaranchal (GOU) views urban development as one of its growth pillars supporting its lead economic sector of tourism as well as the key to achieving the millennium development goals. Accordingly, GOU has set a vision of enhancing living standards, productivity, and sustainability of all cities and towns while securing the cultural and environmental heritage. GOU's strategy to realize this vision involves investments in basic urban infrastructure and services. The strategy also commits itself to enhanced roles and powers for urban local bodies (ULBs) with concurrent measures to strengthen local capacities. GOU recently committed considerable funds for a feasibility study for urban infrastructure and services development, and requested Asian Development Bank (ADB) assistance to support its feasibility work. The Government and ADB agreed that technical assistance¹ (TA) would be provided in 2005.

2. The Fact-Finding Mission visited Delhi and Uttaranchal State during 10-15 April 2005 to formulate the TA for preparing the Uttaranchal Urban Development Project. The Mission met representatives of the central Government, GOU, and ULBs. Field visits were made to several towns. From discussions with the stakeholders and a review of related documents and experience of ADB's earlier assistance in India, the Mission reached an understanding with the Government on (i) the division of tasks between GOU and ADB in preparing the proposed project; and (ii) the objective, scope, cost estimates, implementation arrangements, and terms of reference of the consultants under the TA. The preliminary design and monitoring framework is in Appendix 1.

II. ISSUES

3. Uttaranchal is located on the northern boundary of India, and shares borders with Nepal and the People's Republic of China. Over 90% of the state's terrain is classified as hilly, and 62% is forests, limiting the accessibility and availability of land for agriculture. However, the state has great potential for tourism with its pristine and picturesque environment, mountains and rivers, pilgrimage sites, national parks, hill stations wildlife, and historical sites. Tourism is the mainstay of the economy and a major source of employment, with annual tourist arrivals reaching almost three times the state population and contributing to the 5% annual growth of the state's gross domestic product.

4. About 2.1 million people of Uttaranchal's population live in 63 designated urban areas. Urban growth is rapid with a decadal growth rate of about 33%, much higher than the state population growth rate of 19%. Urbanization rates vary across the state. The northern part of the state is less urbanized than the south and southwest districts where trade, commerce, transport, and diversification of economy gave rise to the town's growth and the more urbanized regions. Dehradun is the largest city with a population of about 450,000. Two towns have populations above 100,000, while 17 have populations between 20,000 and 100,000. The remaining 30% of the urban population live in towns with populations of less than 20,000. Regardless of the population size, many of these urban areas are major tourism destinations or the gateways to other tourist spots, and experience significant seasonal population increases. These towns are also centers of agro-industry, trade, and commerce. Given the low potential for agricultural growth, urban areas where tourism and nonagricultural economy can flourish present great opportunities for Uttaranchal's development.

5. However, the potential role that urban areas can play in the state's development is significantly constrained by deficiencies in basic urban infrastructure and services and poor environmental conditions. The overall shortfall in water supply exceeds 50% due partly to inadequate sources and distribution and partly to leakage from old and dilapidated pipelines. The

¹ The TA first appeared in *ADB Business Opportunities* (Internet Edition) on 20 April 2005.

difficulty of creating water storage reservoirs in hilly towns further contributes to inadequate supply. Service level is poor, with water available for only 2-6 hours per day. Less than 20% of the urban population is served by sewerage networks. Because sewage is generally disposed off without appropriate treatment into lakes and water bodies that also serve as sources of drinking water, public health problems are significant. More than 50% of the urban solid waste generated is not collected; the problem is compounded during the tourist season when the quantum of solid waste increases manifold, straining the already limited capacities in solid waste management. Urban roads are in poor condition, and road networks and parking spaces are insufficient to meet the demands of the current traffic volume that has doubled over the past 10 years. The hilly terrain without adequate storm water drainage leads to severe erosion that causes environmental damage and threatens the stability of roads. These deficiencies particularly affect the poor and impact on the quality of their life. It is estimated that 10-25% of the urban population live in slums. The initial poverty and social analysis is in Appendix 2.

6. Inadequate urban institutional and financial frameworks and capacities are the major cause of the prevailing poor environmental conditions and lack of sustainability in urban service delivery. The responsibility for providing infrastructure and services (except water and sewerage), including on-site sanitation, solid waste management, road maintenance, street lighting, and slum improvement lies with ULBs. However, ULBs cannot effectively perform their duties as they generally lack the required skills, appropriate management tools, and efficient working culture. While GOU has taken some steps² to implement the 74th Constitutional Amendment (CA), which provides the requisite enabling framework for decentralized urban governance, most of the provisions of the CA are not yet operational in the state. ULBs depend, to a large extent, on grants and aid from the state, which itself suffers from massive deficits. Currently, ULBs generate only 15-55% of their total income. In many cases, own source income together with state transfers is not sufficient to meet the salary and establishment cost. The current revenue base is too limited. There are no matching sources of funds for many ULB functions, e.g., road maintenance. The property tax, a major source of local revenue, falls short of its full potential due to inadequate assessment, incomplete coverage of the tax net, and low collection efficiencies. Current solid waste collection charges that are based on a percentage of the property tax are inadequate to meet the cost of the service. The task of meeting the service needs of a large seasonal tourist population places an extra financial burden on ULBs in the absence of any direct revenues accruing to ULBs from tourism. Furthermore, ULBs lack credible accounting, financial reporting, and budgeting systems to efficiently manage their scarce resources. These capacity constraints coupled with a lack of an enabling framework also impact on the ability to outsource urban service delivery to the private sector.

7. Two statutory bodies are involved in urban water supply and sewerage. Uttaranchal Pey Jal Nigam (UPJN) is responsible for the construction of water supply and sewerage systems, while Uttaranchal Jal Sansthan (UJS) is in charge of operating and maintaining water supply and sewerage facilities in urban and rural areas. However, sustainability of water supply and sanitation is in question due to high operating ratios (1.59), high production costs, and poor asset management. High administrative costs, system losses of 30-50%, and additional costs of pumping water in hilly terrain contribute to high production costs. Sewerage and water tariffs are low. Water charge is no more than one fourth of water production cost, and does not consider replacement costs. Metering is used only for the commercial sector and does not cover domestic users. State allocations made to UJS's budget for capital works and maintenance are reportedly used to meet the salary bill of a large establishment, leaving insufficient funds for operation and maintenance.

² The municipal law is prepared. GOU formed the State Finance Commission which prepared a report on assessment of and recommendations for enhancing the ULBs' fiscal situation in line with the 74th CA. The Department of Urban Development initiated master planning for all towns. ULBs' computerization is ongoing. Hardware for a geographic information systems (GIS) was installed, and staff training on GIS is about to begin.

8. Despite its overwhelming investment needs, Uttaranchal to date has not received any external assistance for urban development. ADB's urban sector assistance has focused on other states. Since 1995, ADB has provided eight loans to the urban sector in India. The strategic thrust of ADB's assistance has been poverty reduction through shared growth, social development, and good governance. These objectives have been translated into action by mostly integrated urban infrastructure and services projects. Past experience reveals the issues of (i) delays in project implementation especially during project start-up, and (ii) sustainability of project assets. The experience suggests that up-front support for building capacities for project management has the potential to prevent project start-up delays. The experience also implies that greater care is needed to ensure sustainability by building the capacities of ULBs and supporting the process of decentralization. A performance-oriented approach to town selection and mechanisms to enhance ownership of the project by the state and ULBs are also likely to help improve sustainability.

9. Recently, growing regional disparities in India have become a concern to ADB and the Government in the context of the common core objective of poverty reduction. ADB made a commitment to diversify its operations to the northern states. Uttaranchal has been identified as one of the geographic areas of priority for ADB assistance.³ Developing the urban areas in Uttaranchal will help utilize optimally existing urban potentials for the attainment of the Government's target of redressing regional imbalances and GOU's vision of improved quality of life for urban residents and enhanced state economy, especially tourism. There is need to improve basic urban infrastructure and services in Uttaranchal. Further, physical investments need to be combined with additional interventions to overhaul institutional and financial frameworks, develop local capacities, promote private sector participation, and mobilize local resources for sustainable service delivery in line with the spirit of the 74th CA. Moreover, all these interventions need to be accompanied by efforts to address the capacity weaknesses in project management as a priority activity based on past experience. GOU showed its commitment to and demonstrated its capacity by initiating project preparation for Uttaranchal urban development. The TA is required to complement GOU's project preparation activities to help meet ADB's due diligence and policy requirements, and to strengthen the project management capacity of GOU and ULBs.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

10. The objectives of the TA are twofold: (i) to support GOU in preparing a project suitable for ADB financing that will improve the urban environment and living conditions of urban residents—especially the poor—and enhance economic growth, and (ii) to strengthen the project management and implementation capacity of state agencies, ULBs, and utilities to ensure successful implementation of the investment project. The ensuing investment project is expected to blend urban infrastructure and services improvements with interventions for urban policy and institutional reforms and capacity building for sustainable urban service delivery.

11. The TA will have two phases – phase 1 will be dedicated to support the determination of the feasibility of an investment package, and phase 2 will focus on activities to improve the project management capacities of relevant agencies. Since GOU is already in the lead in designing an investment project, use of a sector loan modality will be adopted for the investment project. This modality will (i) provide a planned approach by placing the project in a wider sector development context with a long-term sector investment plan and agenda for urban policy, and institutional and financial reforms; (ii) ensure flexibility in undertaking an investment program in multiple towns, addressing the towns' real demands; and (iii) have the potential to a promote performance-oriented approach in town selection.

³ ADB's Country Strategy and Program includes a loan for Uttaranchal Power Sector Development Project in 2005, and another loan for Uttaranchal State Roads Project in 2006, in addition to the loan for Uttaranchal Urban Development Project in 2007.

12. The outputs of phase 1 will include (i) an investment project suitable for financing by ADB with a representative set of urban infrastructure subprojects together with the criteria and methodology for developing and appraising further subprojects; (ii) detailed feasibility studies including assessment of the social, economic, financial, and environmental viability and sustainability of the selected subprojects, and implementation arrangements for the loan project; and (iii) an agreed-upon urban policy and institutional reform agenda, together with a program of capacity building for sector institutions including ULBs and utilities. Outputs from phase 2 will be enhanced project management capacities with competent project management unit (PMU) and project implementation units (PIUs) and consequent smooth project implementation.

B. Methodology and Key Activities

13. Phase 1 of the TA will assist GOU in preparing the investment project. As GOU will take charge of preparing the feasibility of the investment plan and subprojects, the TA consultants will review, complement, and, as required, augment the study prepared by GOU to have a project suitable for ADB financing. More specifically, the TA will review and confirm (i) the criteria and procedures for including the towns in the ensuing sector loan project; (ii) assessments of urban infrastructure and services requirements and institutional, regulatory, and financial frameworks for planning and managing urban infrastructure and services; (iii) investment proposals and indication of procurement packages for the first batch of towns to be included in the loan project and subprojects, together with feasibility assessments; (iv) reform proposals to promote decentralization, especially enhanced urban revenue generation and financial management of ULBs, efficiency and self-sufficiency of utilities, and a program of capacity building; and (v) proposals for creating an enabling framework and workable modalities for private sector participation in urban infrastructure and services delivery. The TA will also prepare frameworks for safeguarding the environment, plans for resettlement and indigenous peoples, and other related plans. The TA will further assist GOU in following a participatory approach in preparing the investment project.

14. The TA consultants will review the assessments and reports prepared by GOU upon the start of their respective assignments. They will review ADB and GOU policies and guidelines as they apply to particular areas. Meetings with GOU will be arranged during inception to obtain an overview of the thrust and approach of GOU in relation to project preparation. The inception report will reflect the approach and activities for the duration of the project as well as towns ranking and towns proposed for inclusion in the investment project based on agreed-upon criteria. The TA consultant will produce a report consolidating GOU's feasibility and all the analyses and information necessary to prepare the project for ADB financing and scoping work.

15. Phase 2 will include (i) development of project management systems and procedures, (ii) assistance in establishing PMU and PIUs with optimal managerial and technical personnel structure and skills, (iii) training of staff in ADB procedures and basic project management and implementation skills, and (iv) hands-on assistance in project start-up activities and preparations for implementing the urban reform agenda linked to the investment project.

C. Cost and Financing

16. The total cost of the TA is estimated at \$750,000 equivalent comprising \$302,000 in foreign exchange and \$448,000 equivalent in local currency. The foreign exchange cost and \$298,000 equivalent in local currency, totaling \$600,000, will be financed on a grant basis by ADB's TA funding program. GOU will provide \$150,000 equivalent to cover the remuneration of counterpart staff, provision of office accommodation and facilities, local transportation for counterpart staff, and funds for workshop facilities. The Government of India has been informed that approval of the TA does not commit ADB to finance any ensuing loan project. Details of the cost estimates and financing arrangements are in Appendix 3.

D. Implementation Arrangements

17. The Department of Urban Development (DUD) of GOU will be the Executing Agency (EA) for the TA. DUD is considered suitable as EA as it is the focal body for urban development programs, environmental management, and coordination of ULBs and development authorities. DUD is also responsible for urban policy making, urban legislation, and capacity building of ULBs. DUD with an appropriately skilled staff of 10 will oversee the TA activities and coordinate with other relevant agencies, particularly with the Department of Drinking Water Supply and UJPN and UJS. DUD has already appointed a qualified project director experienced in ADB projects. The project director will be supported by an adequate number of professional and support staff. DUD will provide the consultants with administrative and technical support and logistics. A core TA Coordination Committee will be formed and have monthly meetings to give to the TA inputs from the key sector departments, including urban development, drinking water supply, and finance. GOU will also form a TA steering committee/empowered committee, chaired by the state's chief secretary, consisting of the secretaries of all concerned state departments and ULB representatives. The Committee will meet to review TA progress and guide on policy issues at key stages, at least three times: at inception, midterm, and draft final stage.

18. The TA will be undertaken by two teams of international and domestic consultants to be engaged as individuals in two consecutive stages in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. About 45 person-months of consulting services will be required for the two phases— nine international and 36 domestic. The TA team for the phase 1 will comprise international experts (person-months are in parenthesis) in urban development and municipal engineering acting as a team leader (4), an economist (2), a financial analyst/utility-municipal finance specialist (2), and a private sector participation specialist (1). The team for phase 1 will also include domestic experts (13) in water supply and sanitation, environment, social development, urban planning, and governance and institutional development. The TA team for phase 2 will comprise domestic experts (23): one for project management acting as team leader, and experts in procurement/civil engineering, and financial management and urban governance. Outline terms of reference for consulting services are in Appendix 4.

19. Phase 1 will be implemented over 6 months from September 2005 to March 2006. The consultants will submit an inception report, including the approach, scope, work program, and towns selection together with criteria and methodology, within 1 month; an interim report containing an assessment of towns' needs and urban policy and institutions and preliminary project proposals within 4 months; and a draft final report comprising the feasibility and investment package within 6 months of the start of the TA. Tripartite meetings will be held with GOU, ADB, and the consultants to discuss reports. Workshops will also be held to discuss the interim and draft final reports with stakeholders. A final report will be submitted 1 month after the Government and ADB comment on the draft report. The start of phase 2 of the TA will be subject to timing of the loan fact-finding mission. The TA will be implemented over 1 year with inception, interim, and final reports to be submitted by the end of the second, seventh, and twelfth months, respectively. Equipment provided under the TA will be procured by the consultants in accordance with ADB's *Guidelines on Procurement* and will be handed over to DUD upon completion of the TA.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$600,000 on a grant basis to the Government of India for preparing the Uttaranchal Urban Development Project, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/ Indicators	Data Sources Reporting Mechanism	Assumptions and Risks
<p>Impact Sustainable improvements to the living conditions of city residents and enhanced productivity by improving urban infrastructure and services and promoting robust urban reforms, financial sustainability, and capacity building for sector institutions</p>	<p>City environment and public health improved Poverty incidence reduced Growth of tourist arrivals at 12% Sustainable urban service delivery due to enhanced management and financial capacities</p>	<p>Central and state government statistics Reports of bilateral and multilateral organizations</p>	<p>Assumption</p> <ul style="list-style-type: none"> • The Government is committed to sustainable urban development in Uttaranchal. <p>Risk</p> <ul style="list-style-type: none"> • The 74th CA is not fully operational in the state.
<p>Outcome Improved urban environment and public health by improving urban infrastructure and services (i) Water supply and sewerage (ii) Solid waste management (iii) Storm water drainage (iv) Roads and parking spaces (v) Slum upgrading</p> <p>Robust urban reforms and enhanced institutional and financial capacities to plan, develop, operate, and maintain urban infrastructure and services on a sustainable basis</p>	<p>By 2010: Increased percentage of urban population with access to quality water supply and adequate water resources, sewerage/ proper on-site sanitation, solid waste management Increased percentage of urban poor households with access to basic infrastructure and services Improved operation and maintenance</p> <p>Sustainable sources of funds for urban service delivery and improved financial management practices in place</p>	<p>Monitoring against project baseline surveys on service access in the towns and sector-specific secondary data on service levels Periodic project progress reports Project completion report Independent monitoring by third parties (civil society and nongovernment organizations in slums)</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • GOU is committed to implement 74th CA and other necessary reforms to develop ULBs' institutional and financial capacities. • ULBs willing to undertake reforms for efficiency and appropriate pricing of services • Willingness by urban residents to connect to the systems and pay for tariffs, charges, and fees for improved services exist <p>Risk</p> <ul style="list-style-type: none"> • Delay in implementing the project and the reform agenda
<p>Outputs 1. A feasible and bankable investment package; 2. A widely agreed-upon sector strategy, sector investment plan, and urban policy and institutional reform agenda; 3. A capacity-building program tailored to the needs of urban institutions; and 4. Competent PMU and PIUs to carry on project management and implementation activities for the ensuing loan</p>	<p>TA report containing a feasible sector loan investment package, a sound urban reform agenda, and well-tailored capacity-building program to be submitted by May 2006</p> <p>TA report documenting project management strengthening activities and outcomes</p>	<p>Consultant progress reports Inception, interim, draft final and final reports Resettlement planning documents ADB review missions Feedback from ADB staff, GOU, and other stakeholders</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • A high-quality report providing good analysis, needs assessment, and feasible investment and reform proposals is prepared. • Qualified consultants are mobilized in a timely manner. • GOU cooperation and support for TA implementation are adequate. <p>Risks</p> <ul style="list-style-type: none"> • Delayed recruitment of qualified consultants • GOU's delayed response to TA outputs

Design Summary	Performance Targets/ Indicators	Data Sources Reporting Mechanism	Assumptions and Risks
<p>Activities with Milestones</p> <ol style="list-style-type: none"> 1. Assessing Uttaranchal urban sector, infrastructure and services conditions, ranking towns based on established criteria, and selecting up to 6 sample towns 2. Assessing in-depth sector needs in sample towns; preparation of preliminary subproject proposals; establishment of criteria and procedures for further appraisal of subprojects during loan implementation; sector institutional and policy assessments and prospective areas of interventions 3. Workshop 4. Developing final sector loan project proposals and feasibilities, urban sector reform agenda, proposals for capacity building 5. Workshop 6. Identifying institutions responsible for managing and implementing the ensuing investment project; assessing the needs to build the capacity for project management and implementation; assessing the preparatory actions for implementing the reform agenda linked to the project; and a plan of action for capacity building and assistance for reforms 7. Facilitating the establishment of PMU and PIUs in first batch towns; determining the terms of reference for PMU and PIU staff and targeted levels of competencies; design of training programs and plans 8. Training for managerial and technical staff 9. Hands-on assistance in project start-up activities 10. Documenting the TA activities and outcomes 	<p>September I (2005)</p> <p>November I (2005)</p> <p>November II (2005) February I (2006)</p> <p>February II (2006) April I (2006)</p> <p>May I</p> <p>July I (2006) July I (2006)</p> <p>September I (2006)</p>	<p>Inception report</p> <p>Interim report</p> <p>Workshop proceedings Draft final report including resettlement planning documents</p> <p>Workshop proceedings Inception report</p> <p>Monthly progress reports</p> <p>Interim report</p> <p>Draft final report</p>	<p>Inputs</p> <ul style="list-style-type: none"> • ADB - \$600,000 • Government - \$150,000 <p>International experts - 9 person-months Domestic experts - 36 person-months</p>

I = phase 1, II = phase 2, ADB = Asian Development Bank, CA = constitutional amendment, GOU = government of Uttaranchal, PIU = project implementation unit, PMU = project management unit, ULB = urban local body.

INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Is the sector identified as a national priority in country poverty analysis? Yes	Is the sector identified as a national priority in country poverty partnership agreement? Yes
<p>Contribution of the sector or subsector to poverty reduction in India:</p> <p>The Government's poverty reduction strategy, presented in the 10th Plan of 2002, sets a high growth target of 8% to induce rapid reduction in income poverty and attain ambitious human development goals. The Asian Development Bank's (ADB) country strategy and program (CSP) prepared in 2003 supports the 10th Plan and rests its poverty reduction assistance on the three pillars of pro-poor growth, social development, and good governance. CSP regards urban development as one of the major operational instruments to achieve the social development pillar in an inclusive manner. The technical assistance (TA) which aims to prepare an investment project for urban infrastructure and services, will contribute to inclusive social development by (i) focusing on Uttaranchal, which is identified in the CSP as a priority state for addressing the concerns of interregional disparities; and (ii) increasing access of the urban population, especially the poor, to basic infrastructure and services. A preliminary assessment of the current situation in Uttaranchal urban areas reveals the poor quality of the urban environment and deficiencies in service provision that undermine the public health and well-being. The ensuing project that is expected to include basic services such as water supply, sanitation, and waste management will contribute to human development, public health improvements, and enhanced productivity. The impact on the poor through citywide improvements will be reinforced further through targeted interventions such as slum improvement programs that the ensuing project is likely to include.</p>	

B. Poverty Analysis

Targeting Classification: General Intervention

What type of poverty analysis is needed?

Poverty and social analysis will be carried out to determine the socioeconomic profile of the population, urban poverty incidence, the nature and characteristics of poverty, and perceived priorities of the poor.

The poverty analysis will track potential adverse effects over the short, medium, and long term for the poor and excluded groups. It will review options to eliminate such negative effects through design changes, or mitigate them through specific mitigating measures to be included in the project design and costed as part of the total project cost. The poverty analysis will also review options to extend or enhance the benefits for the poor and excluded through design changes in the scope and/or pace of the policy conditions.

C. Participation Process

Is there a stakeholder analysis?

Yes

The stakeholder analysis will be undertaken to identify key project stakeholders, their interests, and the way they affect project risk and viability. The stakeholders are likely to include state government, urban local bodies, urban residents, and the poor and excluded.

Is there a participation strategy?

Yes

Based on the stakeholder analysis, a participation strategy/plan, outlining how to involve which stakeholders at different stages of the project cycle, will be prepared. The emphasis will be on ensuring fair representation of the interest of each group, especially the poor and excluded.

D. Gender and Development

Strategy to maximize impact on women:

Yes

Given the likely scope of the ensuing investment project and the dominant role of women in household management, women are expected to be the primary recipients of the benefits from infrastructure and service improvements, especially improvements to water supply, solid waste management, and sanitation. Women's commitment to and ownership of the project will have a great influence on the viability and sustainability of the project outputs. The TA will design specific measures to ensure that (i) women actively participate in the project design and identification of options as well as project implementation, (ii) women and men benefit equally from the project, and (iii) the project addresses differential gender needs.

E. Social Safeguards and Other Social Risks

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Output Required
Resettlement	Not significant	Most of the improvements will be carried out on rights-of-way and Government land, and land acquisition will be minimal. But the TA will thoroughly review and confirm the needs for a full or a short resettlement plan and prepare the required safeguards including a resettlement framework in consultation with stakeholders.	Resettlement framework and short resettlement plans
Affordability	Not significant	Selection of design options for infrastructure services will consider affordability to the households. The potential negative impact of water and sewerage tariffs and solid waste collection fees on the poor will be reviewed and addressed by employing pro-poor block tariffs and other innovative financing instruments.	Not significant
Labor	None	The project will not lead to any job losses. Construction and operation and maintenance of the ensuing project are likely to generate significant employment opportunities.	No
Indigenous Peoples	None	Although no adverse impact is expected on indigenous people, the project preparatory technical assistance will further verify if there are any potential issues and prepare an indigenous people's development plan if necessary.	No
Other Risks/ Vulnerabilities	Not significant	Social risks and vulnerabilities including involuntary resettlement will be identified during the TA and specific measures will be developed to mitigate them.	Resettlement framework

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. International			
i. Remuneration	180.0	0.0	180.0
ii. Per Diem	40.0	0.0	40.0
b. Domestic			
i. Remuneration	0.0	144.0	144.0
ii. Per Diem	0.0	80.0	80.0
b. International Travel	25.0	0.0	25.0
2. Equipment ^b	0.0	12.0	12.0
3. Studies, Surveys, and Reports	7.0	3.0	10.0
4. Communications	5.0	0.0	5.0
5. Workshops	0.0	15.0	15.0
6. Miscellaneous Administration and Support Costs	0.0	15.0	15.0
7. Contingencies	45.0	29.0	74.0
Subtotal (A)	302.0	298.0	600.0
B. Government Financing			
1. Office Accommodation and Facilities	0.0	70.0	70.0
2. Counterpart Staff Remuneration	0.0	60.0	60.0
3. Local Transportation Assistance	0.0	5.0	5.0
4. Equipment	0.0	10.0	10.0
5. Workshop Facilities	0.0	5.0	5.0
Subtotal (B)	0.0	150.0	150.0
Total	302.0	448.0	750.0

^a Financed by the Asian Development Bank's technical assistance funding program.

^b Includes the cost of two computers and appurtenances with one printer, and one photocopy machine.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will have two phases to be implemented in two consecutive stages. The TA consultants teams for both phases will comprise international and domestic consultants engaged (as individual consultants) as two teams to be recruited in accordance with the Asian Development Bank's (ADB) *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. The consultants will closely coordinate with the TA consultants commissioned by the government of Uttaranchal (GOU).

A. Phase I

1. Municipal Engineer/Urban Specialist/Team Leader (international, 4 person-months)

2. The consultant will have a degree in municipal engineering with experience in assessing the feasibility of urban infrastructure and services. The consultant (i) should have broad exposure to urban planning, management, and institutional aspects; (ii) will provide overall guidance to, and supervise and coordinate the work of other consultants; (iii) will take overall responsibility for quality and timeliness of the TA outputs, preparing reports and consolidating the reports of the domestic consultants; and (iv) will closely coordinate with the TA team commissioned by GOU and liaise with the Executing Agency and other agencies concerned in arriving at a broad consensus on the scope, objectives, and outputs of the project.

3. The consultant will review and confirm (i) the sector investment plan prepared by GOU consultants as required for the sector loan projects; (ii) the criteria for town selection/inclusion in the investment project and town ranking based on established criteria; (iii) the subproject selection, preparation, and design criteria, and appraisal procedures, roles and responsibilities in preparing and approving subprojects; (iv) the town development frameworks/master plans providing the basis for infrastructure improvements; (v) the sample subproject proposals; and (vi) if the principle of least-cost option is observed.

4. The consultant will (i) review and comment on assessment of the urban institutional framework and the proposed urban sector reform program identifying areas of broad consensus and decisions that remain to be taken by GOU; (ii) review and confirm (a) the proposed project implementation arrangements, roles and responsibilities of each unit, staffing arrangements, and coordination mechanisms between agencies; (b) the procurement methods and packages in accordance with ADB's *Guidelines on Procurement*; and (c) the outline terms of reference for consulting services for project management and implementation.

5. The consultant will consolidate all the reports reviewed and strengthened, and prepare a final report in a format suitable for ADB loan processing. The report will (i) describe the urban sector in Uttaranchal, GOU policies and plans, and sector issues including deficiencies of infrastructure and services, and planning and management; issues involved in urban institutional, legal, and financial frameworks; and capacities of institutions especially urban local bodies (ULBs) and utility agencies; and (ii) provide the project framework for the subsequent investment project, rationale, objectives, and scope; city and subproject selection criteria and procedures, detailed cost estimates, financing plan, implementation arrangements, policy and institutional reform agenda and economic, financial, environmental, and social justification of subprojects, and project performance monitoring framework and procedures. The consultant will make sure that the detailed cost estimates will be as detailed as possible, presenting a unit price of goods and services exclusive of tax, and required quantity of the goods and services in each year of project implementation for each activity under each component.

2. Municipal and Utility Finance Specialist (international, 2 person-months)

6. The consultant will work with financial analysts appointed for GOU's feasibility studies and review the methodology for the financial analysis of each subproject in the sample towns to ensure that it complies with ADB's *Guidelines for the Financial Governance and Management of*

Investment Projects (2001). The costs should be expressed in equivalent US dollars and broken down into direct and indirect foreign exchange and local currency for each project town. The estimated project costs should also be presented by sector (i.e., water, sewerage, solid waste, drainage, slums, roads) broken down by category, i.e., costs of land, civil works, materials and equipment, consulting services, incremental administration, and operation and maintenance (O&M). The tax and duty elements should be calculated separately for each budget line.

7. The consultant will work with financial analysts appointed for GOU's feasibility studies and also review (i) the financial management assessment of the Executing Agency and Implementing Agencies—in accordance with the *Guidelines for Financial Governance and Management of Investment Projects*—including a review of corporate planning and budgetary controls, financial management accounting and reporting, internal control and auditing systems, and data processing; (ii) for at least 5 financial years the summary of the historical financial position of each sector institution (ULBs, utilities) responsible for O&M of investment and assess the financial impacts of the project on their finances in terms of capital and O&M costs relative to cost recovery possibilities and financial projections to demonstrate the affordability of the project facilities; (iii) the proposed cost recovery mechanisms based on ADB's position on tariffs (Economic Research Department Technical Notes 9 and 10 and related reports; and (iv) the financing plan including flow of funds from the central Government to the state and from the state to ULBs, and proposals for on-lending and grant elements.

8. Further, the consultant will work with financial analysts appointed for GOU's feasibility studies and will (i) review the revenue sources of ULBs including own source revenues (e.g., taxes, service fees, and charges) and intergovernmental fiscal transfers; (ii) assess the adequacy of revenues vis-a-vis the mandate of ULBs; (iii) assess institutional capacities, regulatory, and legal impediments to local revenue mobilization, and identify necessary interventions to expand ULB's revenue base, collection efficiencies, and fiscal transfers; and (iv) also review and strengthen the proposed financial action plans for ULBs and utilities, with recommendations for enhancing revenues and improving accounting, budgeting, and management information systems.

9. The consultant will work with GOU's consultants and review and ensure that separate assessments are undertaken for (i) water and wastewater tariffs and structure, and their adequacy for achieving Government objectives and ADB's position on tariffs; and (ii) the mechanism for approving water and wastewater tariff increases. The consultant will review and strengthen as necessary (i) the financial improvements plan, taking into consideration the full cost recovery requirement, cross subsidy, affordability, future operating capacity, replacement and expansion (capital investment), and debt repayment; and (ii) the plan for tariff increases. The consultant will also review and confirm (i) estimates of the financial internal rate of return with sensitivity analysis, (ii) estimates of project-related subsidies in accordance with ADB's *Criteria for Subsidies*, (iii) assessment of distributive justice by looking at the affordability of new tariff at new consumption level among different socioeconomic groups, and (iv) assessment of the financial sustainability of the project, and if sustainability is felt to be at risk, recommend appropriate mitigating measures.

3. Economist (international, 2 person-months)

10. The consultant will work with economists in GOU or the GOU's economic consultants to develop an investment plan for urban development. The economic analysis of the plan will follow relevant publications from ADB's Economic Research Department, and will include but not necessarily be limited to (i) the economic rationale for government involvement; (ii) setting goals for the plan; (iii) identifying how to achieve the goals at least cost, including specifying simple and economically sound criteria for selecting subprojects; (iv) reviewing associated economic policies, including tariff policy; and (v) identifying economic risks.

11. The consultant will work with economists preparing the domestic feasibility studies to ensure that the economic analysis of subprojects is consistent with ADB's *Guidelines for the Economic Analysis of Projects*, and other relevant publications from ADB's Economic Research Department. The consultant will first ensure that the economic selection criteria are sound, and are simplified to ensure that economic analysis is efficient and feasible. Once appropriate selection criteria are developed, the consultant will work with economists preparing the domestic feasibility studies to provide additional guidance as needed in applying the selection criteria, to assess available expertise in applying the criteria for all future subprojects, and to provide training as needed. The consultant will recommend and provide TOR for future consulting or technical assistance in economic analysis, as needed.

12. The consultant will work with the Team Leader and other consultants to determine the nature of ADB's support of the plan, including whether a sector loan or project loan is appropriate. The consultant will prepare an economic analysis for an ADB loan to support the sector investment plan, following the analysis in relevant publications from ADB's Economic Research Department. The analysis will include the analysis of the plan (points i to v above), as well as an analysis of ADB's role, including (vi) the government's capacity to execute the plan; (vii) the government's commitment to the plan and goals; (viii) coordination of foreign aid in Uttaranchal and other relevant areas; (ix) fungibility of government funds; and (x) conditions that should be attached to the loan.

4. Private Sector Participation Specialist (international, 1 person-month)

13. The specialist will (i) assess the legal, regulatory, and institutional constraints to private sector participation (PSP) in providing urban infrastructure and services, (ii) propose necessary interventions to remove the constraints to PSP, (iii) determine the types of urban infrastructure and services that lead themselves more easily to PSP, (iv) review best practices in PSP in India and elsewhere that may be applicable to Uttaranchal, and (v) make proposals for the most suitable forms and modalities of PSP together with necessary regulatory and institutional reforms and capacity building assistance.

5. Environment Specialist (domestic, 2 person-months)

14. The consultant will review the categorization of the project in the sample towns and review and strengthen the following documents developed by GOU's consultants: (i) the overall initial environmental examination (IEE) or environmental impact assessment (EIA) reports that document the comprehensive appraisal of the environmental impacts of the overall project, including the design of appropriate mitigating measures (environmental mitigation and monitoring costs) in accordance with ADB's environmental policy and *Environmental Assessment Guidelines* (2003); (ii) the sample IEE or EIA for individual subprojects in the sample towns; (iii) the environmental management plans (EMP) developed for environmentally sensitive subcomponents, covering project-specific environmental mitigating measures, monitoring indicators, environmental monitoring plans, and organizational and institutional arrangements for implementing the monitoring and mitigation program. The consultant will make sure that the EMP includes an environmental assessment and review procedure (EARP) to guide environmental assessment of subprojects during sector loan project implementation. The consultant will work closely with the state and local environmental protection and management agencies, to confirm that the EMP is practical and meaningful and ensure the state's ownership of and commitment to implementing it.

15. As part of the review, the consultant will ensure that during the preparation of the IEE or EIA in the sample towns, as well as of the sample IEE or EIA of subprojects, special attention is given to the following: (i) public consultation; (ii) collection and dissemination of project-specific and quantitative information, wherever available, on potential environmental impacts (both positive and negative) and proposed suitable mitigating measures; (iii) evaluation of executing

and implementing agencies' capabilities for implementing environmental mitigating measures and, where necessary, proposing a training program for improving capacity; and (iv) preparation of summary IEEs and EIAs.

16. The consultant will also examine the adequacy of the current environmental regulatory framework related and assess whether additional safeguards are required for a safe and environment-friendly sewerage component, and recommend environmental standards and monitoring and enforcement mechanisms, where necessary.

6. Water Supply and Sanitation Specialist (domestic, 2 person-months)

17. The expert will review, revise as necessary, and ensure the adequacy of assessments on (i) existing sources of water supply; (ii) water treatment; (iii) status of water distribution systems; (iv) unaccounted-for water; (v) water service providers (utility and non-utility water); (vi) water market audit; (vii) water metering, systems for monitoring water quality; (viii) existing and future water demand and willingness to pay; (ix) needs for system optimization, expansion of coverage, source augmentation, and viability of promoting 24-hour water supply; (x) institutional issues and state policies on water supply and sanitation; and (xi) utility/ULB performance in water supply. The expert will also examine the adequacy of the (i) sector investment plan as regards to water supply, (ii) subproject selection and design criteria, and (iii) project proposals and feasibility assessments of proposed water supply subprojects in selected sample towns based on the preceding assessments. The expert will also review the short- and long-term institutional and policy reform proposals to enhance efficiency in water supply operations.

18. The expert will also review/undertake, as necessary, and ensure the adequacy of assessments on (i) existing sanitation systems—e.g., sewerage or on-site sanitation systems and their adequacy; (ii) stakeholder preferences and the preferences of the poor; (iii) institutional capacities and affordability of operating and maintaining sewerage options; (iv) needs for system rehabilitation, including the networks, treatment plants and discharging; (v) need for expanding the sewerage network and treatment plants; (vi) need for on-site sanitation improvements; and (vii) analysis of individual sanitation versus piped systems-option analysis. The expert will review and ensure the adequacy, responsiveness, sustainability, and feasibility of the sector investment plan; subproject selection and design criteria; and proposed subprojects in sample towns. The expert will also review institutional reform proposals to ensure sustainability.

7. Social Development Specialist (domestic, 3 person-months)

19. In accordance with *Guidelines for Incorporation of Social Dimensions in ADB Operations and Handbook for Incorporation of Social Dimensions in ADB Projects*, the consultant will review the assessments and strengthen as necessary (i) the social profile of affected and beneficiary population (ii) assessment of positive and negative impacts and benefits, (iii) needs of the target population, their willingness and affordability to pay for improved services and to participate in formulation, implementation, and O&M of the Project. In accordance with ADB's *Handbook on Poverty and Social Analysis, Handbook on Integrating Poverty Analysis in the Economic Assessment, Guidelines on Mainstreaming Participatory Development Processes*, and guidelines on gender analysis, the consultant will review and, where necessary, strengthen the social and poverty analysis and strategy, including poverty reduction impact and impact on vulnerable groups; strategy for stakeholder participation in the design and implementation of the project; and strategies to address the issues in gender, resettlement, affordability, and indigenous people. The consultant will review ongoing poverty reduction programs in the state, develop options for strengthening them, and, where necessary, identify more effective options for targeted and integrated poverty interventions.

20. The consultant will review the resettlement framework, including (i) procedural guidelines with respect to public participation, compensation and entitlement, and grievance redress; (ii) institutional responsibilities; (iii) monitoring and evaluation of resettlement; and (iv) full or short resettlement plans for the sample towns, taking into account the applicable laws of the Government of India and its national policy on resettlement and ADB's policy and *Guidelines on Involuntary Resettlement* and *Handbook on Resettlement*. The consultant will ensure documentation of mechanisms for providing public information, beneficiary consultation, grievance procedures, and public participation, especially by women and poor households; and recommend ways to improve the grievance procedures for resettlement planning, and implementation. The consultant will ensure that the resettlement framework and plans meet ADB's standards and requirements, and that the English and local language versions of the resettlement plans are submitted to ADB. The consultant will make sure that the Government has disclosed the resettlement information to the affected people in a form and language that the affected people can understand.

21. The consultant will review the application of the indigenous people's checklist in *Handbook on Poverty and Social Analysis* that will be used to ascertain the number of indigenous peoples and their socioeconomic profiles and the anticipated impact on them. The consultant will prepare, as applicable, the framework and development plans for indigenous peoples describing the risks and the measures to mitigate these risks in accordance with ADB policy and guidelines on indigenous people's development.

22. The consultant will review and ensure that (i) gender analysis undertaken, (ii) potential gender-differentiated impact of the project and options to maximize benefits and minimize adverse impacts assessed, (iii) relevant policies reviewed as necessary, and (iv) gender concerns are addressed in the project design and actions are identified. The expert will also ensure that employment generated by the ensuing project will comply with the core labor standards in accordance with ADB's Social Protection Strategy (2001).

8. Urban Planner (domestic, 3 person-months)

23. The tasks of the expert will include, but will not be limited to, the following: (i) review, revise, and assist in preparing, as necessary, the town development frameworks/master plans, sector investment plan, town ranking, and town selection methods and criteria; (ii) review assessments on the legal, regulatory, and institutional aspects of town planning and land use and infrastructure planning; (iii) assess the performance of plans, evaluate why such plans have or have not been implemented, and the resultant effects on environmental quality, land markets, poverty, and other parameters; (iv) assess the role of ULBs and the scope for enhancing ULBs' role in land use and infrastructure planning, and development control; (v) recommend interventions to improve the institutional and regulatory framework and capacities for land use/infrastructure planning and land management systems, with the estimated cost and benefits of such improvements.

9. Urban Governance/Institutional Development Specialist (domestic, 3 person-months)

24. The expert will (i) assess the urban institutional framework, interagency coordination, and problems; (ii) assess the implementation status of the 74th constitutional amendment (CA) in the state; (iii) assess institutional constraints to providing adequate and sustainable urban infrastructure and services and urban financing; (iv) assess capacities of urban institutions, state-level agencies, ULBs, and utilities in relation to the mandated tasks and responsibilities under the 74th CA; and (v) together with the team leader, identify areas for further institutional reforms for ULBs and utilities and areas of high priority for capacity building.

B. Phase 2

1. Project Management Specialist/Team Leader (domestic, 12 person-months)

25. The task of the specialist will include, but will not be limited to the following: (i) assess the capacity of executing and implementing agencies to manage the activities for the ensuing loan, and identify the need for capacity building for timely and effective implementation of the proposed loan project as well as the urban reform agenda linked to the loan project; (ii) recommend an optimal managerial and technical personnel structure with related terms of reference for the key personnel; (iii) assist in establishing PMU and PIUs; (iv) develop and conduct training programs for the key staff to familiarize them with ADB procedures and develop their capacity to undertake project management activities effectively; (v) assist in developing detailed project management systems and procedures; (vi) assist in establishing the systems for sector loan implementation, e.g., subproject preparation and appraisal; (vii) provide hands-on assistance in preparing and finalizing all documentation for recruiting consultants for project management, detailed design, and construction supervision; and (viii) provide hands-on assistance to the PMU in all other project management-related activities.

2. Procurement/Civil Engineering (Domestic, 7 person-months)

26. The task of the expert will include, but will be limited to, (i) assisting the international Project Management Specialist in his/her activities, (ii) assist the PMU in performing possible advance procurement activities in accordance with ADB guidelines and procedures to minimize the time lag between loan effectiveness and award of contracts; (iii) review the suggested contract packages already prepared under the proposed investment project, and finalize their grouping and mode of procurement; (iv) provide on-the-job training on procurement; and (v) assist the PMU in identifying the fast-track packages that can be undertaken as soon as the loan becomes effective.

3. Financial Management and Urban Governance Specialist (domestic, 4 person-months)

27. The task of the expert will include, but will not be limited to (i) designing and assisting in implementing the accounting systems for project financial management to be used by executing and implementing agencies, (ii) assisting in preparing withdrawal applications, and (iii) assisting in preparing monthly financial statements and other reports. In addition, the expert will review and assist in undertaking initial activities to implement the urban reform agenda, with particular focus on municipal and utility finance. The expert will conduct meetings with agencies responsible for implementing reforms proposed under the TA and identify immediate actions required to start implementing reforms, assist the agencies in undertaking necessary reform actions, and maintain the continuity of interest in and commitment to urban reforms by GOU and ULBs.