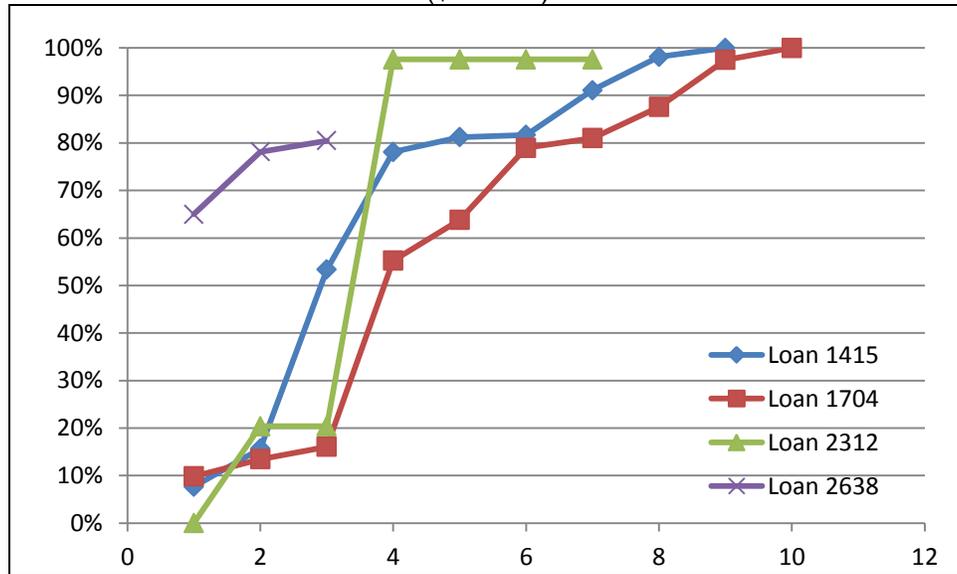


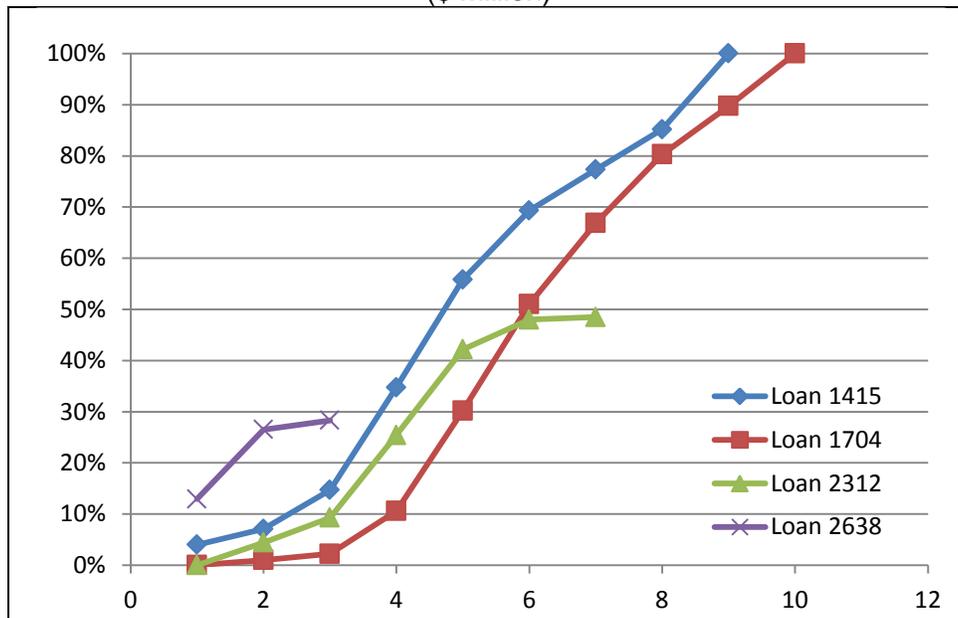
LESSONS LEARNED FROM PROJECT IMPLEMENTATION IN KARNATAKA

1. Three previous ADB-financed projects for urban development in Karnataka have provided both the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) and the Asian Development Bank (ADB) with valuable lessons on how to improve project performance. As reflected in the figure below, Loans 1415, 1704 and 2312 took 3 to 4 years from approval to secure the bulk of the contract awards and commence disbursement.

Cumulative Contract Awards under Loans 1405, 1704, 2312 and 2638
(\$ million)



Cumulative Disbursement under Loans 1405, 1704, 2312 and 2638
(\$ million)



Note: Numbers may not sum precisely because of rounding.
Source: Asian Development Bank estimates.

2. Notably loan 1415, approved in 1995, which secured the earlier mobilization of high quality project management staff, performed better than other projects approved subsequently. Of significance also is the performance of Loan 2638-IND, the second tranche for the North Karnataka Urban Sector Investment Program, approved in 2010, which through significant advance action secured 65% contract awards within 1 year of approval.

3. To learn from previous experiences and advance financial progress under the new Investment Program, the following table highlights key lessons and/or factors affecting delays under ongoing and previous projects, and proposes mitigation measures, which have been incorporated in the design.

Summary of Delay Factors and Mitigation Measures

Delay Factors	Mitigation Measures Addressed in Design of New Loans
Start-up Delay. A substantial delay in project start-up due to absence of PMU at the early period of implementation.	<ul style="list-style-type: none"> ⇨ To expedite implementation, KUIDFC should retain staff from recently completed ADB and WB-financed projects with demonstrated capacity. ⇨ Early conceptualization, approval and establishment of PMUs/PIUs should be secured, including number of positions, expertise and a description of roles and responsibilities. ⇨ KUIDFC should seek to immediately advance training of project staff (from ADB and on-going projects) on key implementation topics such as procurement, consultancy recruitment, contract management, safeguards, project financial management and disbursement ⇨ To facilitate the transition from feasibility to project implementation, a small team of consultants will assist KUIDFC during the bringing period in the recruitment of consultancy packages and initiation of tendering. In parallel, KUIDFC is advancing the preparation of designs and bid documents through existing assignments.
Unsuitable/Inconsistent Designs. Weak design concept in feasibility study resulted in lengthy review and redesign process after loan agreement.	<ul style="list-style-type: none"> ⇨ Designs will be based on primary data or validated secondary data in all instances. ⇨ Comprehensive geotechnical and topographical investigation need to be conducted prior to bidding ⇨ Designs need to consider the adoption of new/modern technologies and materials promoting both sustainability and ease of construction. ⇨ For Tranche 1, PMU technical staff will review all designs and conduct spot checking at the field.
Changes in Scope as a Result of ULB Allocating Projects to Other Initiatives.	<ul style="list-style-type: none"> ⇨ Upfront signed confirmation of scope and commitment of no overlap by ULBs as well as district authorities

Slow Land Acquisition Process.	<ul style="list-style-type: none"> ⇒ Advance Appointment of Land Revenue Officer in the PMU to liaise with District administration. Regular follow up with District administration by the town level PIUs. Follow up at the PMU level on a weekly basis. Unresolved issues presented at District Level Committee or Empowered Committee level Advance Appointment of Resettlement NGO to facilitate the land acquisition process. ⇒ The investment program will not involve major resettlement.
Utility Shifting and Statutory Clearances.	<ul style="list-style-type: none"> ⇒ Upfront preparation of inventory of right of way and statutory clearances per town with prepared timelines for different milestones by PMU/design team ⇒ Follow up at the PMU level on a weekly basis. Unresolved issues presented at District Level Committee or Empowered Committee level
Lack of Effective Supervision. The performance of consultants and project staff was poor in some several cases, requiring contract termination.	<ul style="list-style-type: none"> ⇒ Preparation of TORs with clearly stated outputs. ⇒ Recruitment process to allocate greater weight to quality of proposal (90:10 Q:C ratio) ⇒ Development of a supervision monitoring system, with clear (non-duplicating) responsibilities ⇒ Regular training of PIU staff on contract administration and quality assurance
Nonperforming contractors. The performance of contractors was poor in some several cases, requiring contract termination.	<ul style="list-style-type: none"> ⇒ Project-level business opportunities seminar will be conducted to inform prospective bidders and encourage competition. Packages will be widely advertised and hand-holding/extensive information provided, if required, by supervisory staff. ⇒ Packaging has been prepared considering the need to target capable contractors through larger packages, subsector peculiarities and municipal administration responsibilities. ⇒ KUIDFC will use market rates for estimating the contract values. Reasonable contract duration and realistic cost estimates will reduce the chances of discrepancy between the engineers' contract value estimates and actual bid prices. This will minimize the likelihood of rebidding and major deviations by contractors.