

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SAUD

Division: SAO

TA No., Country and Name TA 4518-IND: Capacity Building for Kerala Sustainable Urban Development			Amount Approved: \$500,000	
			Revised Amount:	
Executing Agency(ies) Local Self Government Department		Source of Funding: Japan Special Fund	Amount Undisbursed: \$48,676.94	Amount Utilized: \$451,323.06
TA Approval Date: 20 Dec 2004	TA Signing Date: 07 Nov 2005	Fielding of First Consultant(s): 01 Feb 2006	TA Completion Date Original: 31 Dec 2005 Actual: 31 Mar 2007 Account Closing Date Original: 31 Dec 2005 Actual: 19 Nov 2007	
Description. The TA aimed to assist the state and urban local bodies (ULBs) of Kerala to efficiently manage, coordinate, and monitor the urban infrastructure and governance improvement initiatives of the Government of Kerala (GoK). Its initiative materialized as a form of an investment project, the Kerala Sustainable Urban Development Project ¹ (the Project), financed by the Asian Development Bank (ADB) loan. In view of the lessons learned from other ADB-assisted urban projects in India, particular emphasis was given to up-front capacity building of the Project's executing and implementing agencies in the following key areas: (i) to develop an efficient project management system within the Executing Agency (EA), the Local Self Government Department (LSGD), to monitor and supervise all activities under the Project; (ii) to train key project stakeholders on implementation arrangements, ADB policies and procedures, and urban sector issues in Kerala; and (iii) to provide public consultations and a participation program to involve project beneficiaries in subproject identification and development; and (iv) to operationalize the proposed financial intermediary (FI), the Kerala Local Government Development Fund (KLGDF).				
Expected Impact, Outcome and Outputs. The TA's impact was to successfully implement the Project on time. Its outcome was enhanced capability of the project management unit (PMU), KLGDF, and the project implementation units (PIUs) to implement the Project as planned. The final TA outputs would be (i) establishment of a modern project financial management system, (ii) establishment of a procurement management system (including assistance to preparation of various standard bid documents [SBD]), (iii) assistance to recruitment of consultants under the advance actions provision of the loan, (iv) development of training manuals, (v) organization of participatory workshops, and (vi) assistance to preparation of business plan and operational manual for the proposed FI.				
Delivery of Inputs and Conduct of Activities. Commencement of the TA was delayed by one year, due to GoK's late signing of the TA letter in spite of ADB mission's numerous follow-ups. GoK had to delay its decision to accept the TA, as there were vocal public debates about needs for external borrowing. The TA would become meaningful only when GoK takes the ADB loan. As a result, substantive activities started after the loan negotiations of the loan.				
The objectives and terms of reference were adequate, relevant and in alignment with (i) ADB's Country Strategy Program (2003–2006) and its updates, (ii) Government's priorities, and (iii) findings reported by review missions. The design of the TA initially envisaged the recruitment of 2 person-months of international and 32 person-months national individual consultants. Through mutual discussions with the EA, however, international consultants became unnecessary; and the input was revised to 65 person-months national individual consultants, due to extended assignment period and increase in input of engineers for supporting capacity building in detailed engineering design. It was not possible to provide support for operationalizing KLGDF, as GoK was not able to establish KLGDF under the Project during implementation of the TA. GoK prepared a draft legislative document on establishment of KLGDF, but could not seek approval from the state assembly during the TA implementation period due to lack of political consensus. GoK will obtain support using its own fund once the Act is issued.				
ADB conducted 5 review missions during TA implementation in December 2005, September 2006, November 2006, March 2007 and July 2007.				
Evaluation of Outputs and Achievement of Outcome. The TA produced the following outputs: (i) Project financial management manual and related trainings and workshops;				

¹ The objective of the Project is to improve urban environment, economy and living conditions for people living in the Project cities and urban local bodies under the Project through investment into improvement and expansion of urban infrastructure and services. The Loan for \$221.2 million was approved by ADB on 20 December 2005. The Loan and Project Agreements were signed on 8 December 2006 and the Loan became effective on 19 March 2007.

- (ii) Procurement management manual and related trainings and workshops;
- (iii) Trainings and workshops on ADB's environmental and social safeguards;
- (iv) Assistance to preparation of the request for proposal (RFP), and assistance to proposal evaluation for recruitment of technical support consultants (TSC) and design and supervision consultants (DSC), in accordance with the ADB procedure through on-the-job training (OJT);
- (v) Base map for geographic information system (GIS) prepared for the project cities;
- (vi) Assistance to preparation of various types of SBD for national competitive bidding (NCB) through OJT;
- (vii) Assistance to preparation of the detailed project reports (DPRs) as per GoK's requirements, and detailed engineering reports to prepare individual bid documents through on-the-job training (OJT).

The Government of India (GoI) and GoK signed the loan and Project Agreements in December 2006, and made the loan effective in 19 March 2007. Before the loan effectiveness, the PMU and the PIUs were established. The project staff developed project management skills through OJT and a series of workshops by the time of loan effectiveness. As a result of the TA, the loan project achieved remarkable progress.

Achievement	Date	Months passed since loan effectiveness
Consultant Recruitments		
RFP for DSC issued	11 September 2006	6 months before loan effectiveness
Contract award for DSC	3 March 2007	1 month before loan effectiveness
RFP for TSC issued	9 February 2007	1 month before loan effectiveness
Contract award for TSC	6 July 2007	4 months after loan effectiveness
Procurement		
SDB approved by ADB	4 September 2006	6 month before loan effectiveness
1 st procurement notification	5 July 2007	4 months after loan effectiveness
1 st contract award	18 September 2007	6 months after loan effectiveness

There was good financial progress that the EA awarded \$13 million worth of contracts on 31 December 2007. The EA's initial expectation was at a higher financial figure, but due to the delay in the state government's technical sanction, only few contracts were awarded in year 2007.

Overall Assessment and Rating. Based on the above evaluation, the TA is considered successful bordering on highly successful. Despite a delay in implementation, the outputs significantly contributed to up-front capacity building of the EA. Based on the above the final rating is 'successful'.

Major Lessons.

- (i) A bridging assistance between loan approval and loan effectiveness for up-front capacity building, namely a bridging TA, minimizes start-up delay in project implementation, and therefore, is an effective tool for project implementation.
- (ii) Recruitment of individual consultants is more appropriate than recruitment of consulting firms. This is because (a) a lengthy firm recruitment process adds further delay in up-front capacity building, and jeopardizes the purpose of the TA; and (b) the needs of the EA are likely to change by the time the TA paper is drafted, and a flexible and quick recruitment process is important to meet these needs.
- (iii) The EA will need assistance in preparing technical parts of the DPRs which is a basis of project approval by the municipal corporation's councils, and technical sanction by the state government. A provision for recruitment of engineers under a bridging TA is necessary.
- (iv) Engineers require a series of field survey with the assistant/junior engineers under their supervision. To finance the cost of such surveys, items for "studies, surveys and reports" and "assistant/junior engineers inclusive of all expenses" should be included as a part of out-of-pocket expenses in their contracts.
- (v) The consultants must complete preparation and issuance of specific bid documents, and must not hand over unfinished tasks to DSCs, to maintain engineering consistency.
- (vi) Preparation of a GIS base map is extremely beneficial for subsequent project activities. If GIS images are available in the state, a bridging TA should include provision for preparation of a GIS base map.
- (vii) Disbursement training needs to be incorporated in the scope of TA, in collaboration with the resident mission staff in charge of disbursement.

Recommendations and Follow-Up Actions

1. The loan project is ongoing and the functions of the TA have been taken over by the various project consultants. ADB will continue to monitor and support the Project, routine reviews and reporting will be carried out regularly.
2. There is no need for further follow-up of this TA, as its objective has been achieved.