

Local Self Government Department, Government of Kerala  
Asian Development Bank

# Kerala Sustainable Urban Development Project

(LOAN 2226-IND)

QUARTERLY PROGRESS REPORT

Main Report – Period Jul through Sep 2007

OCTOBER 2007

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## **Currency Equivalent**

Currency Unit	-	Indian Rupee/s (Re/Rs)
Re. 1.00	=	US\$ 0.022
US\$ 1.00	=	Rs. 45 (based on forex at the time of Loan approval)
10 Million	=	1 Crore

## **Abbreviations**

ADB	:	Asian Development Bank
ADS	:	Area Development Societies
AMC	:	Asset Management Company
AOP	:	Annual Operating Plan
APR	:	Annual Progress Report
AWP	:	Annual Work Plan
BOO	:	Build Own Operate
BOOT	:	Build Own Operate and Transfer
BOT	:	Build Operate and Transfer
BPL	:	Below Poverty Line
CAG	:	Comptroller Auditor General
CAPP	:	Community Awareness and Participation Program
CBO	:	Community Based Organization
CC	:	Coordination Committee
CDS	:	Community Development Society
CDS	:	Community Development Societies
CIF	:	Community Infrastructure Fund
CIF	:	Community Infrastructure Fund
CPR	:	Constriction and Procurement Report
CQS	:	Consultant's Qualification Selection
CRAM	:	Consultant Recruitment Activity Monitoring
CSO	:	Civil Society Organization
DMC	:	District Mission Coordinator
DMC	:	Developing Member Countries

DRR	:	Disbursement and Reimbursement Records
DSC	:	Design and Supervision Consultant
DSC	:	Design and Supervision Consultant
DUA	:	Director of Urban Affairs
DUA	:	Directorate of Urban Affairs
EA	:	Executing Agency
EAP	:	Externally Aided Project
EARF	:	Environmental Assessment Review Framework
EC	:	Empowered Committee
EMP	:	Environmental Management Plan
FAB	:	Fluidized Aerobic Bioreactor
FBS	:	Fixed Budget Selection
FGIA	:	First Generation Imprest Account
FY	:	Fiscal Year
GIS	:	Geographic Information System
GoI	:	Government of India
GoK	:	Government of Kerala
IA	:	Implementing Agency
ICB	:	International Competitive Bidding
IEC	:	Information, Education and Communication
IEE	:	Initial Environmental Examination
IKM	:	Information Kerala Mission
IPDF	:	Indigenous People's Development Framework
JBIC	:	Japanese Bank of International Cooperation
KILA	:	Kerala Institute of Local Administration
KLGF	:	Kerala Local Government Development Fund
KSUDP	:	Kerala Sustainable Urban Development Project
KUDFC	:	Kerala Urban Development and Finance Corporation
KWA	:	Kerala Water Authority
LCS	:	Least-Cost Selection
LIB	:	Limited International Bidding
LIBOR	:	London Interbank Offered Rate
Lpcd	:	Liter Per Capita Per Day
LS	:	Lump Sum

LSGD	:	Local Self Government Department
MC	:	Municipal Corporation
MIS	:	Management Information System
NCB	:	National Competitive Bidding
NGO	:	Non Government Organization
NSDP	:	National Slum Development Program
O&M	:	Operation and Maintenance
OCR	:	Ordinary Capital Resources
PAIP	:	Poverty Alleviation Investment Plan
PAM	:	Project Administration Memorandum
PCR	:	Project Completion Report
PCSS	:	Procurement Contract Summary Sheet
PFMA	:	Project Financial Management and Account
PIU	:	Project Implementation Unit
PMU	:	Project Management Unit
PPMS	:	Project Performance Monitoring System
PPR	:	Project Performance Report
PSF	:	Poverty Social Fund
PSF	:	Poverty Social Fund
QBS	:	Quality Based Selection
QCBS	:	Quality and Cost Based Selection
QPR	:	Quarterly Progress Report
RMR	:	Review Mission Report
RRP	:	Report and Recommendation of the President
SBD	:	Standard Bidding Document
SC	:	Steering Committee
SCDO	:	Social and Community Development Offers
SCDO	:	Social and Community Development Officer
SDO	:	Social Development Officer
SGIA	:	Second Generation Imprest Account
SJSRY	:	Swarna Jayanti Shahari Rozgar Yojna
SoE	:	Statement of Expenditure
SPEM	:	State Poverty Eradication Mission (Kudumbashree)
SSS	:	Single Source Selection

SWM	:	Solid Waste Management
TCPO	:	Town & Country Planning Organization
TSU	:	Technical Support Unit
ULB	:	Urban Local Bodies
VAMBAY	:	Valmiki Ambedkar Awaz Yojna
VO	:	Variation Order

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Telephone	:	+91 (495) 236 5040
Website	:	-

## LOAN PROCESSING HISTORY

(i)	Approval of PPTA	May 09, 2003
(ii)	Loan Fact-Finding Mission	May 01-21, 2005
(iii)	Management Review Meeting	July 25, 2005
(iv)	Appraisal Mission	August 28 – September 06, 2005
(v)	Staff Review Committee Meeting	October 03, 2005
(vi)	Loan Negotiations	November 14-16, 2005
(vii)	Board Circulation	November 29, 2005
(viii)	Board Consideration and Approval	December 20, 2005
(ix)	Loan Agreement Signing	December 08, 2006
(x)	Loan Effectiveness	February 08, 2007
(xii)	Loan Closing Date <sup>1</sup>	June 30, 2012

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<sup>1</sup> This date will be the closing date for withdrawals from the loan account. Goods must have been delivered and services rendered on or before this date to be eligible for payment by the Bank. No payments from the loan can be made after the loan closing date. However, when there is no formal request for extension of the loan closing date, the loan account may still be kept open for a period of three months beyond the loan closing date in order to complete disbursement of outstanding contracts under the loan. This would also allow the EA time to collect and submit documentation and invoices pertaining to expenditures incurred before the loan closing date.

## I. PROJECT OVERVIEW

### A. Area and Location

1. The Kerala Sustainable Urban Development Project (KSUDP) covers five municipal corporations in Kerala: Kochi, Kollam, Kozhikode, Thiruvananthapuram (the State capital), and Thrissur. The combined population of these municipal corporations is 2.5 million.

### B. Objectives and Scope

2. The objectives of the Project are to improve urban environment, economy, and living conditions for people living in the five Project cities under the Project. To this end, the Project will aim to support the State to (i) improve and expand urban infrastructure and services; (ii) enhance livelihoods; and (iii) improve urban management, planning, and financing capacity of the sector institutions especially the MCs for sustainable provision of urban infrastructure and services in the five Project cities.
3. The Project comprises following Parts:
  - (i) Part A: Urban Infrastructure and Services Improvement. This Part will cover the rehabilitation, improvement, and expansion of the following municipal infrastructure services: (i) urban water supply; (ii) sewerage and sanitation; (iii) urban drainage; (iv) solid waste management; and (v) roads and transportation.
  - (ii) Part B: Urban Community Upgrading. This Part will target the interventions for poor communities through integrated interventions for basic infrastructure and services improvements and livelihood enhancement.
  - (iii) Part C: Local Government Infrastructure Development. This Part will provide the ULBs with assistance for sub-projects for urban infrastructure.
  - (iv) Part D: Support for Capacity Building and Project Management. This Part comprises capacity building activities to help facilitate sustainability of investments under Part A. This Part will also provide support for Project implementation activities to the PMU and the PIUs.
4. The Project is expected to be completed by 31 December 2011.

Figure 1: Project Location



05-5406 RM

## C. Project Components

### 1. Part A: Urban Infrastructure and Services Improvement

5. The component will target urban infrastructure development and will be implemented in close partnership with State Line Utilities. The Design and Supervision Consultants (DSCs) will prepare detailed engineering designs to implement the components identified through the feasibility study. Detailed engineering designs for the Solid Waste Management and Urban Roads and Transport components was undertaken through the TA 4518-IND: Capacity Building for KSUDP.
- (a) Water Supply. This component will include (i) improvements to water treatment plants and rehabilitation of existing transmission mains and pumping machinery in Kollam; (ii) rehabilitation of the trunk water transmissions in Kochi; (iii) rehabilitation of transmission mains and pumping machinery in Thrissur; (iv) a leak detection program with rehabilitation and strengthening of the existing distribution network in Kochi, Kollam, and Thrissur; and (v) an increase in and metering of house service connections (including repairs to damaged meters) and installation of bulk water meters in Kochi, Kollam and Thrissur. Water supply improvement in Thiruvananthapuram and Kozhikode will be under the purview of the Kerala Water Authority (KWA) through the Japanese Bank for International Cooperation (JBIC) assisted project.
- (b) Sewerage and Sanitation. In all municipal corporations except Thrissur, sewerage networks will be rehabilitated and expanded and sewage treatment plants constructed. Equipment for sewer maintenance will be supplied. For lower density areas where septic tanks are generally used, the Project will supply emptying equipment. In Thrissur, where it is uneconomical to develop a sewerage system, the Project will provide facilities for drying and digestion of septic tank sludge.
- (c) Drainage. In all municipal corporations, drainage systems will be improved through (i) rehabilitation of existing culverts and construction of new ones; (ii) improvements to main drains and secondary drains; and (iii) construction of new drains to improve the storm water drainage network.
- (d) Solid Waste Management. In all municipal corporations, except Thiruvananthapuram, the solid waste collection and treatment capacity will be increased. This will include (i) the provision of dumpers, refuse collectors and compactors; (ii) provision of community waste collection containers; and (iii) civil works to develop sanitary landfill sites in Kollam, Kozhikode, and Thrissur. Compost plants will be installed by the municipal corporations in Thrissur and Kollam.<sup>2</sup>

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<sup>2</sup> The Sanitary Landfill and Compost Plant for Kochi will be established under the Government of India's

- (e) Roads and Transport. In all municipal corporations, traffic congestion will be reduced and road safety improved through (i) improvements to critical roads and junctions by providing pedestrian footpaths, off-street parking, and bus-bays; (ii) improvements to street lighting on major roads in all cities except Thiruvananthapuram; (iii) road safety improvements in Kochi and Thrissur through construction of footpaths, traffic islands, and signals; (iv) construction of an underpass in Kollam; (v) construction of pedestrian subways under busy roads in Thrissur, and (vi) construction of a flyover in Kozhikode to enable effective and smooth traffic interchange.

## 2. *Part B: Urban Community Upgrading*

6. The component will target the poor by combining improvements to basic infrastructure and services with livelihood promotion. It will be implemented in close partnership with civil society organizations (CSOs). The outline poverty alleviation investment plan (PAIP) developed as part of the feasibility study will be refined during project implementation to provide a systematic basis for interventions.
- (a) Community Infrastructure and Services. Funds will be available to poor communities in the five municipal corporations for improvements to basic infrastructure (including water supply, sanitation, local drainage, narrow road paving, street lighting) and services for women and children slum dwellers (including community halls, day care centers, physical infrastructure for primary health care and education, and scaling-up of innovative government social programs).
- (b) Livelihood Promotion. Funds will be available to finance programs for income generation, for confederations of self-help groups, and for micro-enterprise development.

## 3. *Part C: Local Government Infrastructure Development*

7. The component will help ULBs to develop and finance sub-projects on water supply, sanitation, solid waste management, roads (including street lighting), transportation, sites and services, area development, and other urban infrastructure. The Local Self Government Department (LSGD) of GoK will provide ULBs with technical assistance to develop sub-projects and select sub-projects for financing.
8. GoK plans to establish a specialized financial intermediary for local government infrastructure financing. Under the Kerala Urban Policy and Action Plan, the Kerala Urban

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Jawaharlal Nehru National Urban renewal Mission (JNNURM). KSUDP will therefore finance only the solid waste management equipment in Kochi. While the Project did not envisage construction of a Compost Plant in Thrissur, during detailed engineering design it was found imperative to establish one within the existing premises. Hence, a Compost Plant has been provided for in the Project.

Development and Finance Corporation (KUDFC) will be reformed to make it a more efficient financial intermediary. Once this has been done, ADB may conduct in-depth financial due diligence to assess the capacity of the new financial intermediary to delegate the implementation of the component.

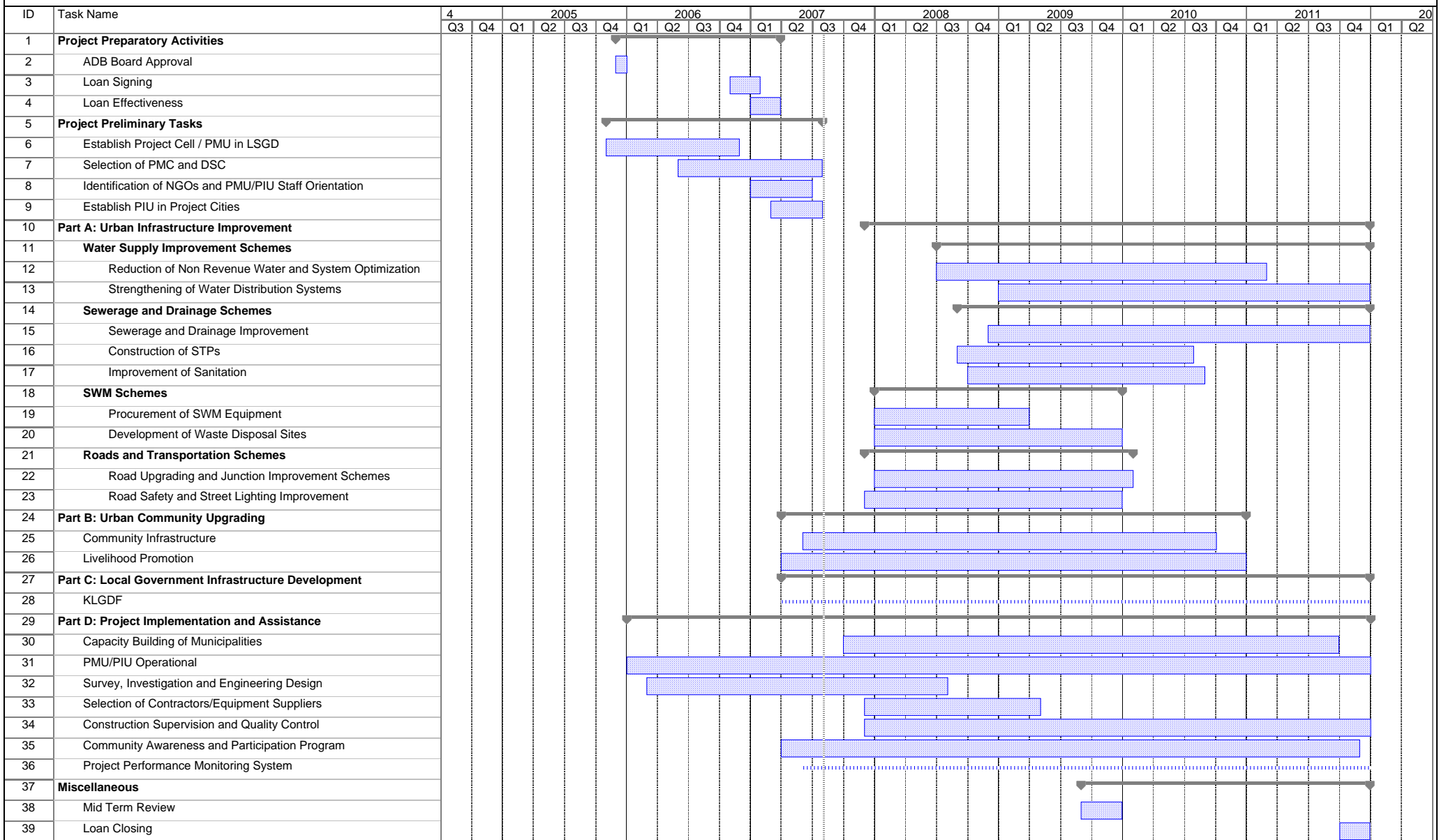
4. *Part D: Support for Capacity Building and Project Management*





9. The component will improve the State and Municipal Officials' capacity to implement and monitor the Project, and improve ULB's governance and management practices regarding ULB functions and long-term Project component sustainability. It will also provide Project management and implementation support to ensure appropriate execution of the Project.
- (a) Capacity Building for Improved Urban Management. Capacity building activities will be designed to improve the sustainability of investments made under the Project. At the state level, these activities will be directed at institutionalizing systems to enable the LSGD to monitor the performance of and oversee service delivery by ULBs and municipal corporations through databases for municipal services, assets and human resources. Also at the state level, staff will be trained in how to establish guidelines for user charges and prepare budget manuals to help LSGD to develop the financial management and revenue capacity of ULBs and municipal corporations. At the municipal level, the capacity of municipal corporations and ULBs to conduct urban planning, asset inventory, prudent financial management, revenue mobilization, and explore private sector participation in urban infrastructure and services will be improved. In municipal corporations and ULBs, staff will be trained in project development, design, and implementation.
- (b) Support for Project Management and Implementation. Consulting services will be provided to help the PMU and PIUs in each municipal corporation to (i) strengthen their project management and implementation capabilities; (ii) prepare detailed engineering designs for investment components of each municipal corporation; (iii) support construction supervision and quality control of civil works under the Project; (iv) help in the appraisal, implementation and monitoring of ULB sub-projects; and (v) contribute to benefit monitoring and evaluation by generating baseline data and assessing the impact of the Project and by providing feedback to the PMU to enable adjustments.
- (c) Community Awareness and Participation. PMU will assist GoK to promote community awareness of the Project, including an understanding of its long-term benefits. This will strengthen the support to Project beneficiaries and stimulate demand for better urban infrastructure and services. Beneficiaries will also be made aware of issues such as water rates, user charges, and property tax reform. In addition, beneficiaries will be informed about how to prevent environmental health-related hazards and their responsibilities for reducing and avoiding inefficient use of water.

## D. Project Implementation

10. The following pre-implementation activities were carried out to ensure expeditious utilization of committed funds:

- (i) Project Preparation. The LSGD/Executing Agency undertook: (i) to notify the terms and functions of the Empowered Committee for ensuring smooth functioning of the Project and undertaking policy decisions for facilitating Project functioning; (ii) notify terms and functions of the Tender Approval Committee to take decisions on all tenders – award of goods, works and services, establish the disbursement and fund flow mechanism in light of the back-to-back arrangement regarding Externally Aided Projects (EAPs), establish the Project Fund Account in a Nationalized Bank, and at the city-level form Steering Committees and Civil Society Organizations; and (iii) prepared to commence operations of the Kerala Local Government Development Fund (KLGDF).
- (ii) Procurement Assistance. The LSGD/Executing Agency undertook to complete processes associated with procuring goods, works and services. The activities comprised finalizing procurement packages, constituting the Evaluation Committee, developing Procurement Management System, appointing the Technical Support Unit and the Design and Supervision Consultants, and preparing Standard Bidding Documents.
- (iii) ADB TA 4518-IND. The Capacity Building for Kerala Sustainable Urban Development Project (TA 4518-IND) provided support to the PMU in the following areas: detailed engineering designs for solid waste management and urban roads and transport sub-components, preparation of GIS-based City Base Maps, environmental and social impact mitigation for the solid waste management and urban roads and transport sub-components, development of the Project Administration Memorandum and the Project Financial Management and Accounting Manual, and undertaking preliminary training and capacity building.
- (iv) ADB TA 4497-IND. The Capacity Building for Municipal Service Delivery (TA 4497-IND) was constituted to provide support for improving the accounting, auditing, management information system, and human resource/personnel management aspects of the five municipal corporations and two municipalities (Allepey and Thalamaserry). The Accounting TA will attempt to create a Balance Sheet for the beneficiary Urban Local Bodies for the Financial Year 2007.
- (v) Establishment of the PMU and PIU. The LSGD/Executing Agency has established the Project Management Unit (PMU) at the state-level and the Project Implementation Unit (PIU) at all five municipal corporations before Loan effectiveness. The current staffing for the PMU and PIU is detailed in **Appendix 1**.



Project: KSUDP QPR PE Sep 07 5-Ye      Task  Split  Milestone  Project Summary 

## E. Implementation Arrangements

### 1. Executing and Implementing Agencies

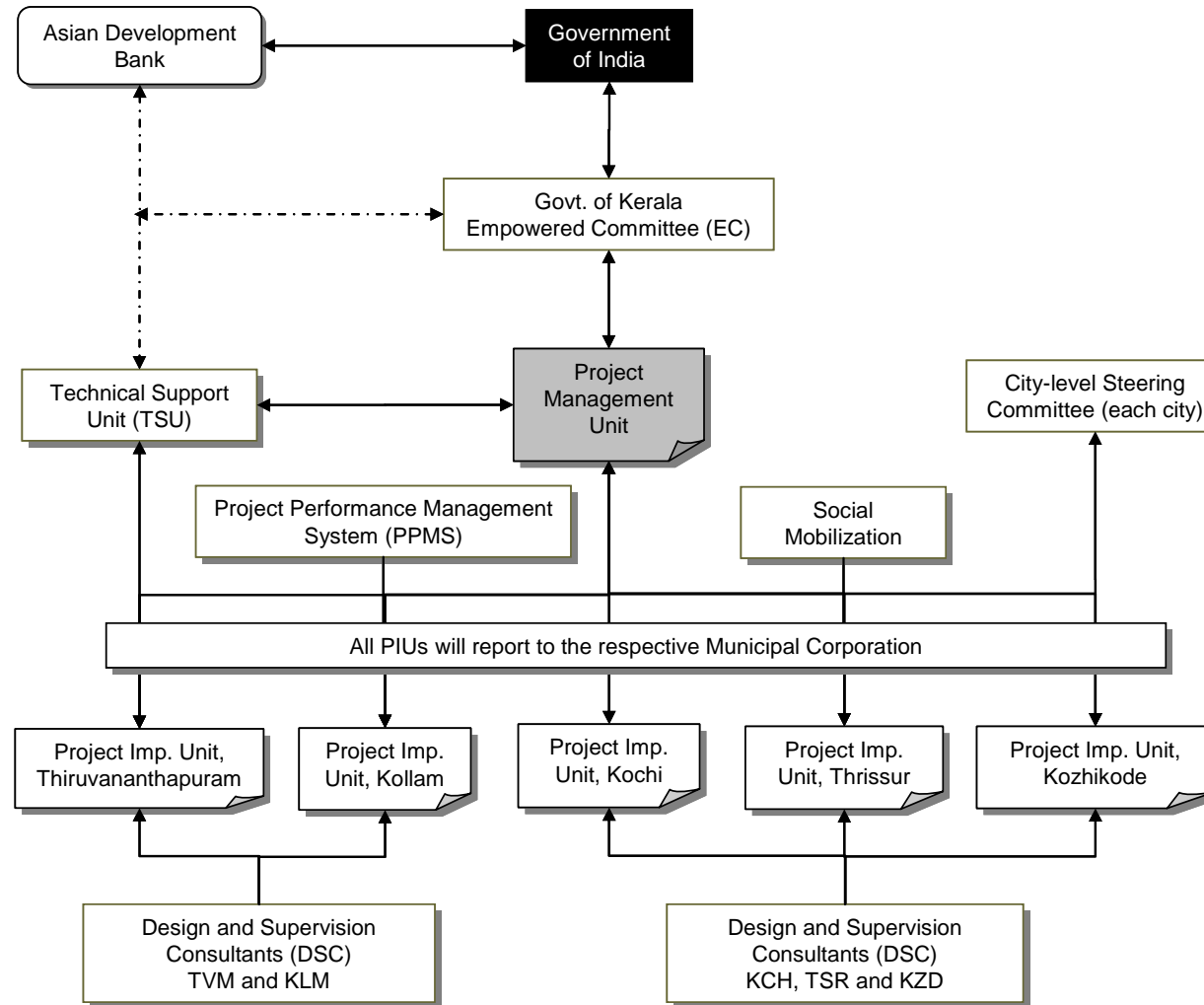
11. LSGD of GoK is the Executing Agency of the Project and is responsible for overall strategic guidance, technical supervision, and implementation of the Project, and for ensuring compliance with ADB's loan covenants. A state-level PMU, led by a full-time Project Director, is responsible for overall project implementation, monitoring and supervision, and will report directly to the Secretary, LSGD. The Project Director is assisted by three Deputy Project Directors handling (i) technical (for components A, B[a] and C); (ii) social and institutional development (for components B[b] and D[a]); and (iii) finance. The PMU is staffed by experts in urban planning, water and wastewater engineering, urban roads and municipal engineering, procurement, environment, finance and accounting, social and community development, institutional development and law. The project management organization structure is detailed in **Figure 3**.
  12. A state-level Empowered Committee (EC) was set up with full powers to decide on matters related to the Project. The EC comprises the Minister for Local Self Government (Chairman), State Chief Secretary (Vice Chairman), Additional Chief Secretary, Secretaries of LSGD, Finance, Planning, Water Resources, Irrigation, and Public Works, and MGP; the Executive Director of Kudumbashree; Mayors of the Project municipal corporations; and the Project Director, as Member Secretary. The EC also includes the Director of Urban Affairs and the Chief Town Planner. The Project Director, KSUDP is the Member Secretary of the Empowered Committee. The EC meets regularly to review project performance and decides on major issues, such as counterpart funding, implementation bottlenecks, land disputes, procurement, and policy reforms. The minutes of the Empowered Committee meetings is detailed in **Appendix 11**.
  13. A state-level Coordination Committee (CC) comprising Secretaries of LSGD, Finance, Planning, Modernizing Government Program, and the Project Director, as Convener, meets at regular intervals to ensure smooth functioning of the Project. The minutes of the Coordination Committee meetings is detailed in **Appendix 12**.
- ### 2. Project Management Unit
14. The PMU was set up before Loan effectiveness and is responsible for: (i) appointing the Technical Support Unit (TSU), two detailed Design and Supervision Consultants (DSCs) – one for Thiruvananthapuram and Kollam, and another for Kozhikode, Kochi and Thrissur, Project Performance Monitoring System (PPMS) consultants, and Non-Government Organizations (NGOs); (ii) approving the design of investment components prepared by PIUs; (iii) selecting subprojects of ULBs, obtaining ADB approvals for sub-project finance, assisting and monitoring implementation of subprojects; (iv) pre-qualifying contractors; (v) preparing standard bid documents that comply with ADB guidelines; (vi) monitoring the tendering process, reviewing the bid evaluation, and preparing bid

evaluation reports for approval by ADB; (vii) procuring equipment and services at the state level; (viii) reviewing community awareness and participation programs; (ix) ensuring project compliance with loan covenants; (x) coordinating with ADB on matters related to disbursements; (xi) undertaking institutional development assistance and capacity building programs; and (xii) maintaining project documents and submitting timely reports to ADB and GoK, including audit reports.

### 3. *Project Implementation Units*

15. Municipal corporations are the Implementing Agencies for the Project. In each municipal corporation, a PIU was established and is headed by a Project Manager, and supported by specialists in water supply, sewerage, civil engineering, solid waste management, urban planning, procurement, environment, finance and accounting, and social and community development. The PIU will be assisted by two Design and Supervision Consultants (DSCs).
16. In each municipal corporation, PIUs will be guided by a city-level Steering Committee (SC). The SC comprises the Mayor, the Corporation Secretary, the District Collector, representatives of state-level departments (such as the Public Works Department, the Electricity Board, Kerala Water Authority, and the Pollution Control Board), standing committee chairpersons of health, welfare, works, and finance, and representatives of Community-Based Organizations (CBOs). The city-level steering committee will review Project progress, resolve local issues, and provide guidance on policy matters.
17. The PIUs are responsible for: (i) carrying out detailed surveys, investigations and engineering designs of investment components; (ii) inviting tenders, evaluating bids and awarding works, and performing contract administration, supervision and quality control; (iii) evaluating work done by contractors and certifying payments; (iv) conducting public awareness campaigns and participation programs; (v) carrying out PPMS surveys; (vi) carrying out environmental assessments; (vii) ensuring municipal corporations comply with ADB loan covenants; and (viii) preparing monthly reports.

**Figure 3: Project Management Structure and Organization Chart**



## II. PART A: URBAN INFRASTRUCTURE AND SERVICES IMPROVEMENT

### A. Overview

#### 1. *Project Detailed Designs*

18. Detailed engineering designs are proposed for the water supply, sewerage and sanitation, and drainage subcomponents. Detailed designs under the solid waste management and urban roads and transport subcomponents were prepared under ADB TA 4518-IND. The Work Program of the two DSCs is attached to **Appendix 2**. Currently, while preparing for the detailed engineering designs, the DSCs are undertaking surveys and investigations and the progress on 31 October, 2007 are detailed in **Appendix 2**. A summary of the progress made under various subcomponents of the survey and investigation activity is detailed in **Table 1**.

#### 2. *Environmental Safeguards*

19. The Project has been classified as Environmental Category B and initial environmental examinations (IEEs) were carried out for Project sub-components in all five municipal corporations covered by the Project. The IEEs showed that none of the proposed components would have significant adverse environmental impacts. Anticipated minor environmental impacts include some loss of on-site ecology and the conversion of small amounts of rural agricultural land; dust generation due to excavation activities; and increased vibration, noise, fumes and traffic during construction.
20. Mitigation measures have been proposed to minimize impacts from inadequate maintenance of sewerage systems and/or gases generated during the decomposition of solid waste. Significant environmental benefits resulting from the Project include improved hygiene and sanitary conditions in all municipal corporations; better waste handling, treatment and disposal; a healthier ecosystem because of the reduction in the waste discharged into protected areas; a decrease in water losses resulting from the currently defective water distribution system; and better air quality as a result of improvements to traffic and road conditions. Environmental management plans (EMPs) were drawn up for sanitary landfill sites and sewage treatment plants to be financed by the Project.
21. Update IEEs for the solid waste management and urban roads and transport component were prepared under TA 4518-IND. IEEs for the water supply, sewerage and sanitation, and storm water drainage component will be updated during detailed engineering design.

**Table 1: Status of Surveys and Investigations**

Project Cities <i>Itemized Works</i>	TVM			KLM			KCH			TSR			KZD		
	<i>Plan (km<sup>2</sup>)</i>	<i>Actual (km<sup>2</sup>)</i>	<i>% Comp.</i>	<i>Plan (km<sup>2</sup>)</i>	<i>Actual (km<sup>2</sup>)</i>	<i>% Comp.</i>	<i>Plan (km<sup>2</sup>)</i>	<i>Actual (km<sup>2</sup>)</i>	<i>% Comp.</i>	<i>Plan (km<sup>2</sup>)</i>	<i>Actual (km<sup>2</sup>)</i>	<i>% Comp.</i>	<i>Plan (km<sup>2</sup>)</i>	<i>Actual (km<sup>2</sup>)</i>	<i>% Comp.</i>
a) Pipeline corridor survey	178	27	15	58	58	100	354	115	32	101	#	#	83	*	*
b) Storm water drainage	178	27	15	58	58	100	354	115	32	101	#	#	83	*	*
c) Preparation of city base and contour maps	-	-	-	-	-	-	354	115	32	101	#	#	83	*	*
d) Survey of slums and detailed survey	-	-	-	10 Nos	3 Nos	30	20 Nos	9 Nos	45	10 Nos	2 Nos	20	15 Nos	2 Nos	13
e) Area Survey for new treatment plants proposed under the project (if any)	-	-	-	1 No	1 No	100	4	-	-	-	-	-	-	-	-
f) Area survey for existing treatment plants	-	-	-	-	-	-	4	0.1	2.5	-	-	-	-	-	-
g) Junction surveys	-	-	-	-	-	-	12 Nos	-	-	-	-	-	-	-	-

### 3. *Land Acquisition and Resettlement*

22. The physical components included under the Project were selected in order to minimize land acquisition, resettlement, and relocation. Most of the proposed improvements and construction will be on land owned by the municipal corporation or by another government agency. The total land acquisition requirement is about 1.55 hectares (0.09 hectares for overhead water tanks and 1.46 hectares for sewage pumping stations). There may be a need to temporarily displace or relocate hawkers and vendors during road improvements and pipe laying for water, sewerage and sanitation, and drainage. If necessary, alternative temporary spaces will be provided nearby to minimize the disruption to economic activities of hawkers and vendors.
23. The Project also comprises a Resettlement Framework providing guidelines on preparing Resettlement Plans. The total number of people affected by the Project, and the significance of the resettlement impacts, if any, can only be estimated after the detailed design of the components. A Short Resettlement Plan (SRP) for Kollam roads was prepared during the PPTA and will be implemented prior to undertaking road works.

### 4. *Indigenous People*

24. The Project is unlikely to have any impacts on indigenous people in Kerala, as activities will be concentrated in urban areas where few indigenous people are to be found. The Project comprises an Indigenous People's Development Framework (IPDF), which provides guidelines on formulating appropriate development planning instruments such as Indigenous People's Development Plans (IPDPs) or "specific actions" to address such impacts.

### 5. *Project Construction and Execution*

25. Bids have been invited for the solid waste management and urban roads and transport subcomponents. Details of the Notice Inviting Tenders are attached to **Appendix 7** and all bid documents have been uploaded to the Project website (<http://www.ksudp.org>).

## **B. Thiruvananthapuram**

26. *Water Supply.* The subcomponent is not proposed under KSUDP and forms a part of the JBIC project.
27. *Sewerage and Sanitation.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and sewerage zoning is being developed.
28. *Storm Water Drainage.* Topographical surveys are currently underway to develop the

contours for detailed engineering design. Preliminary concept plans and drainage zoning is being developed.

29. *Solid Waste Management.* The subcomponent is not proposed under KSUDP and forms a part of the Capital Region Development Project.
30. *Urban Roads and Transport.* The NIT for contract package TVM-RT-01 was issued on September 14, 2007 with a deadline for bid submission scheduled for October 30, 2007.

### **C. Kollam**

31. *Water Supply.* Surveys and Investigations are pending and shall commence based on the signing of the tripartite Memorandum of Understanding (MoU) between the municipal corporation, Kerala Water Authority (KWA) and the LSGD. Detailed designs will commence subsequently.
32. *Sewerage and Sanitation.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and sewerage zoning is being developed.
33. *Storm Water Drainage.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and drainage zoning is being developed.
34. *Solid Waste Management.* The NIT for contract package KLM-SW-01 was issued on October 01, 2007 with a deadline for bid submission scheduled for November 21, 2007.
35. *Urban Roads and Transport.* The NIT for contract package KLM-RT-01 was issued on September 19, 2007 with a deadline for bid submission scheduled for November 01, 2007.

### **D. Kochi**

36. *Water Supply.* Surveys and Investigations are pending and shall commence based on the signing of the tripartite Memorandum of Understanding (MoU) between the municipal corporation, Kerala Water Authority (KWA) and the LSGD. Detailed designs will commence subsequently.
37. *Sewerage and Sanitation.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and sewerage zoning is being developed.
38. *Storm Water Drainage.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and drainage zoning is

being developed.

39. *Solid Waste Management.* Equipment procurement awaits Municipal Corporation clearance.
40. *Urban Roads and Transport.* The NIT for contract package KCH-RT-01 was issued on September 25, 2007 with a deadline for bid submission scheduled for November 16, 2007.

#### **E. Thrissur**

41. *Water Supply.* Surveys and Investigations are pending and shall commence based on the signing of the tripartite Memorandum of Understanding (MoU) between the municipal corporation, Kerala Water Authority (KWA) and the LSGD. Detailed designs will commence subsequently.
42. *Sewerage and Sanitation.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and sewerage zoning is being developed.
43. *Storm Water Drainage.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and drainage zoning is being developed.
44. *Solid Waste Management.* The NIT for contract package TSR-SW-01 was issued on September 25, 2007 with a deadline for bid submission scheduled for November 13, 2007.
45. *Urban Roads and Transport.* The NIT for contract package TSR-RT-01 was issued on September 25, 2007 with a deadline for bid submission scheduled for November 12, 2007.

#### **F. Kozhikode**

46. *Water Supply.* The subcomponent is not proposed under KSUDP and forms a part of the JBIC project.
47. *Sewerage and Sanitation.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and sewerage zoning is being developed.
48. *Storm Water Drainage.* Topographical surveys are currently underway to develop the contours for detailed engineering design. Preliminary concept plans and drainage zoning is being developed.

49. *Solid Waste Management.* The NIT for contract package KZD-SW-01 was issued on September 25, 2007 with a deadline for bid submission scheduled for November 15, 2007.
50. *Urban Roads and Transport.* The NIT for contract package KZD-RT-01 was issued on September 25, 2007 with a deadline for bid submission scheduled for November 14, 2007.

### III. PART B: URBAN COMMUNITY UPGRADING

#### A. Overview

51. The PIUs are responsible for detailed engineering, procurement, construction supervision and quality control for the community infrastructure and livelihood promotion activities in Part B. A Civil Society Organization (CSO) will be formed in each municipal corporation, which will essentially comprise city-level stakeholders including but not limited to the Municipal Corporation, business groups, resident welfare associations, NGOs, CBOs, CDS and Kudumbashree. The Corporation Mayor will chair the CSO and the Secretary, Municipal Corporation shall convene the meetings. This will facilitate the establishment of a consensus on the Urban Community Upgrading sub-components. Sub-components proposed by Community Development Societies (CDS), Area Development Societies (ADS), and NGOs will be reviewed and endorsed by the CSO. They will then be submitted to the PIU, which will obtain approval for implementation from the city-level SC. Kudumbashree will continue to play an active role in advising and monitoring activities facilitating poverty reduction. The guideline for Community Upgrading Component is detailed in **Appendix 3**.
52. Eligible subproject/components for funding under the programs will be designed by the community with assistance from the Social and Community Development Officer at the city's Project Implementation Unit (PIU) and Kudumbashree representative. Where the proposal involves detailed designs for slum infrastructure components, the PIU will provide guidance and assistance in appropriate design standards and ensure integration with the major infrastructure component under the Project. Implementation arrangements for other components will be discussed by the Civil Society Organization (CSO). Based on the components identified, the CSO shall make recommendations to the City-level Steering Committee for the inclusion of components under KSUDP.
53. Financing of Urban Community Upgrading sub-component will be made available through two funds – the Community Infrastructure Fund (CIF) addressing community infrastructure services and Poverty Social Fund (PSF) addressing livelihood programs. The amounts made available in the CIF and PSF will be disbursed to Project cities based on the demand and the extent of CDS preparation to handle works.
54. All components identified for poverty alleviation that involves detailed engineering designs will require the PMU's approval. The PMU shall make payments to the PIU for works based on a Statement of Expenditure (SoE). Further payments will be earmarked based on the Work Plan prepared by the PIU and released on submission of a SoE. All bids for goods, works and services under the Community Infrastructure Fund (CIF) / Poverty Social Fund (PSF) will be finalized and approved by the PMU.
55. Work progress will be monitored by the PIU Social and Community Development Officer (SCDO) along with a Kudumbashree representative and CDS member. Payments will be

based on certification by the SCDO and the PIU Project Manager. The Secretary, MC, will be authorized to make payments on behalf of the PIU/MC. The CSO will be informed of all physical and financial matters related to poverty alleviation works. The PMU will keep Kudumbashree informed about poverty alleviation programs in order to avoid any duplication of schemes under KSUDP as compared to schemes under Centrally Sponsored Programs – SJSRY, VAMBAY and NSDP.

## **B. Thiruvananthapuram**

56. *Community Infrastructure.* The Municipal Corporation of Thiruvananthapuram undertook a process of poor settlements/slum identification during the period and prioritized 116 slums for infrastructure upgradation. Through the PIU, NGOs and CDS, socio-economic surveys were conducted to identify beneficiaries. Surveys and investigations were conducted and preliminary designs prepared in select slums.
57. *Livelihood Promotion.* The Project is currently in the process of identifying and selecting beneficiaries under the component.

## **C. Kollam**

58. *Community Infrastructure.* The Municipal Corporation of Kollam undertook a process of poor settlements/slum identification during the period and prioritized 52 slums for infrastructure upgradation. Through the PIU, NGOs and CDS, socio-economic surveys were conducted to identify beneficiaries. Surveys and investigations were conducted and preliminary designs prepared in select slums.
59. *Livelihood Promotion.* The Project is currently in the process of identifying and selecting beneficiaries under the component.

## **D. Kochi**

60. *Community Infrastructure.* The Municipal Corporation of Kochi undertook a process of poor settlements/slum identification during the period and prioritized 70 slums for infrastructure upgradation. Through the PIU, NGOs and CDS, socio-economic surveys were conducted to identify beneficiaries. Surveys and investigations are currently underway for preparing preliminary designs in select slums.
61. *Livelihood Promotion.* The Project is currently in the process of identifying and selecting beneficiaries under the component.

**E. Thrissur**

62. *Community Infrastructure.* The Municipal Corporation of Thrissur undertook a process of poor settlements/slum identification during the period and prioritized 10 slums for infrastructure upgradation. Through the PIU, NGOs and CDS, socio-economic surveys were conducted to identify beneficiaries. Surveys and investigations are currently underway for preparing preliminary designs in select slums.
63. *Livelihood Promotion.* The Project is currently in the process of identifying and selecting beneficiaries under the component.

**F. Kozhikode**

64. *Community Infrastructure.* The Municipal Corporation of Kozhikode undertook a process of poor settlements/slum identification during the period and prioritized 15 slums for infrastructure upgradation. Through the PIU, NGOs and CDS, socio-economic surveys were conducted to identify beneficiaries. Surveys and investigations are currently underway for preparing preliminary designs in select slums.
65. *Livelihood Promotion.* The Project is currently in the process of identifying and selecting beneficiaries under the component.

#### IV. PART C: LOCAL GOVERNMENT INFRASTRUCTURE DEVELOPMENT

##### A. Overview

66. The Kerala Local Government Development Fund (KLGDF) and the Fund Manger/Asset Management Company is proposed to be created by amending the Kerala Local Authorities Loan Act, 1963 as a Statutory Body. Section 3 of the Act deals with the borrowing powers of the Local bodies and the proposed Section (3A) would provide a mechanism by which the funds would be made available to the Local Self Government Institutions (LSGIs).
67. The KLGDF will comprise a Governing Board that will decide the policy and procedures to be followed while approving the projects and any facility apart from the lending facility. The following is the prospective composition of the Governing Board: (i) the Chairman of the Fund may be the Honorable Minister for Local Self Government; (ii) the Secretary (LSGD); (iii) the Secretary (Planning); (iv) the Secretary (MGP); (v) the Secretary (Finance); (vi) the Director of Urban Affairs; (vii) one Mayor from Corporations; (viii) one Chairman from Municipalities; (ix) one President from a large Urbanizing Panchayat; (x) representatives from Financial Institutions. The GoK may nominate a Convener from the Board.
68. A separate Asset Management Company (AMC) will manage the Fund. The Governing Board of the Fund will constitute the AMC and also approve the Management Contract between the Fund and the AMC. The Fund will review the performance of the AMC once in a year and at such periodical intervals, as the Fund Board may decide. The proposal is to restructure the existing Kerala urban and rural development finance corporation (KURDFC) and transform the same as the Asset Management Company of the Fund.
69. The Board of Directors of the AMC will be vested with full management and control over the company. The composition of the Board will be based on the equity held. Based on the features of the AMC, the ownership structure of the AMC will have a shareholding pattern with higher stake with the participating institutions (74%) and lower stake with the Government of Kerala (26%).The non-government participants may include reputed All India financial Institutions and Management institutes such as ICICI, HDFC, HUDCO, SBT, SBI, IIM-Kozhikode, etc. It is proposed that the Secretary LSGD will chair the AMC Board and the Chief Executive of the Board to be selected from the market and appointed by the AMC board. Other members of the AMC Board are to be nominated among Government secretaries. The Board of Directors will approve projects (up to a threshold) and also the human resource policies of the AMC.

**B. Current Status**

70. The Draft Legislation is currently being discussed at the State Government level and further progress on KLGDF is contingent on GoK decisions.

## V. PART D: SUPPORT FOR CAPACITY BUILDING AND PROJECT MANAGEMENT

### A. Overview

71. Under the Capacity Building for Improved Urban Management subcomponent, the Project has undertaken the various capacity building initiatives as detailed in **Table 2** below. A plan for the period till March 2009 and details of the Workshops are provided in **Appendix 5**.

**Table 2:** Capacity Building Initiatives

Subject	Venue	Date	Participants
Induction Training to KSUDP Staff	MGP Hall, Thiruvananthapuram	9-10 May, 2007	PMU and PIU Staff (25 participants)
Six Regional Workshops on Introduction to Double Entry Accounting in ULBs	Kannur Kozhikode Kottayam Kollam Kalamaserry Thrissur	20 July, 2007 21 July, 2007 23 July, 2007 24 July, 2007 25 July, 2007 26 July, 2007	ULB Staff (over 200 participants)
Entrepreneurship Development	Municipal Guest House	28 July, 2007	Classes conducted by Dr. R Rammohan, Sr. Lecturer, IMG and Prof. Job, CMD (145 participants)
Procurement Training	MGP Hall, Thiruvananthapuram	23 August, 2007	PMU and PIU Staff (12 participants)
Workshop on DCB and GIS based Property Tax Mapping	MGP Hall, Thiruvananthapuram	06 September, 2007	ULB, PMU and PIU Staff (38 participants)
Paper Bag Making - Skill Development Training organized by PIU, Thiruvananthapuram	STED, Thiruvananthapuram	10-14 September, 2007	Five beneficiaries
Disbursement Training	Residency Tower, Thiruvananthapuram	22 September, 2007	PMU, PIU and State Department Staff (34 participants)
Motivation Workshop	Avenue Centre, Kochi	6 October, 2007	PMU and PIU Staff (7 participants)
Ban of Plastic organized by Corporation of Thiruvananthapuram in association with PIU, Thiruvananthapuram	VJT Hall, Thiruvananthapuram	8-9 October, 2007	NHGS, NGOs. Inauguration: Hon. Minister for Parliamentary Affairs Shri M Vijayakumar

## B. Project Consultants

72. Three types of consultancy services were proposed under the KSUDP – Technical Support Unit (TSU), Design and Supervision Consultants (DSCs), and Project Performance Monitoring System (PPMS) Consultants.

- (i) Technical Support Unit. An international consulting firm was appointed as the Technical Support Unit (TSU) to the PMU. The Consulting Firm comprises a consortium of Wilbur Smith associates, USA and Nippon Koei UK Ltd. In association with domestic consulting firms, it will help the Project Management Unit (PMU) in overall project management. The TSU will also assist the PMU and Project Implementation Units (PIUs) in project formulation, management, monitoring and evaluation, financial and environmental management, implementation of poverty alleviation programs, and the selection of sub-projects by ULBs. The TSU will review the inputs of the DSCs, and the PPMS consultants and advise the PMU and PIUs accordingly. The estimated professional staffing requirement for the TSU is 126 person-months (18 international and 108 domestic).
- (ii) Design and Supervision Consultancy. Two domestic consulting firms were engaged as Design and Supervision Consultants (DSCs) to assist the PIUs located in the municipal corporations to carry out detailed engineering design, procurement of goods, equipment and services, construction supervision, quality control, community awareness, and poverty reduction programs. One DSC will assist the PIUs in the southern region (covering Kollam and Thiruvananthapuram) and another will assist the PIUs in the northern region (covering Kochi, Kozhikode, and Thrissur). The Consulting Engineers Services Ltd (CES) led Consortium was appointed to undertake works in the southern region and the WAPCOS led Consortium was appointed to undertake works in the northern region. The estimated staffing requirement for the DSCs is 2,688 person-months (1,176 person-months for the southern region and 1,512 for the northern region).
- (iii) Project Performance Monitoring System Consultancy. A domestic firm / individual consultants will be appointed to undertake activities under the Project Performance Monitoring System (PPMS) Consultancy. The PPMS consultancy will monitor the delivery of services anticipated and measure benefits as they accrue; the PPMS comprises: (i) the preparation and analysis of benchmark information; and (ii) benefit monitoring services to evaluate the benefits of a completed Project. The PPMS has the objective of identifying and evaluating broad macroeconomic, socioeconomic and environmental impact of the Project and to ensure that Project facilities are managed efficiently and the benefits of the Project reach the target groups. The estimated staffing requirement for the PPMS Consultant is 45 person months.

## VI. COST ESTIMATES AND FINANCING PLAN

### A. Cost Estimates

73. The total cost of the Project is estimated at INR 14,225 million (\$316.1 million) equivalent (including taxes and duties of INR 945 million/\$21.0 million equivalent), of which INR 4,847 million/\$107.7 million (34 percent) is foreign exchange cost, including INR 1,319 million/\$29.3 million earned in interest during construction and other charges, and INR 9,378 million/\$208.4 million equivalent (66 percent) is local currency cost (**Table 3**).

**Table 3:** Project Cost Estimates

Component	Foreign Exchange (INR mn)	Local Currency (INR mn)	Total Cost (INR mn)
<b>A. Base Cost</b>			
Part A. Urban Infrastructure Improvement	2,840	3,731	6,570
Part B. Community Upgrading	198	815	1,013
Part C. Local Government Infrastructure Development	-	2,435	2,435
Part D. Capacity Building and Implementation Assistance	113	675	788
<b>Subtotal (A)</b>	<b>3,150</b>	<b>7,659</b>	<b>10,805</b>
<b>B. Contingencies</b>			
1. Physical Contingency <sup>a/</sup>	158	374	531
2. Price Contingency <sup>b/</sup>	225	401	626
<b>Subtotal (B)</b>	<b>383</b>	<b>774</b>	<b>1,157</b>
<b>C. Taxes and Duties</b>			
	-	<b>945</b>	<b>945</b>
<b>D. Interest During Construction</b>			
1. Interest during Construction <sup>c/</sup>	1,220	-	1,220
2. Commitment Charges	99	-	99
<b>Subtotal (C)</b>	<b>1,319</b>	<b>-</b>	<b>1,319</b>
<b>Total</b>	<b>4,847</b>	<b>9,378</b>	<b>14,225</b>
Percentage	34%	66%	100%

a/ Estimated at 5% for civil works, equipment, vehicles, furniture, materials, training, study, research, development, consulting services, staff salary, and administrative costs.

b/ Estimated on the basis of annual increases of from 3% to 6.4% for local currency cost and from 1.9% to 3.0% for foreign exchange cost.

c/ Interest rate during construction is estimated using 5-year London Interbank Offered Rate (LIBOR) plus a 0.60% spread. The actual rate charged will be based on the 6-month LIBOR rate.

Source: Asian Development Bank estimates.

### B. Financing Plan

74. To help finance the Project, the Government of India has borrowed a loan of \$221.2 million from ADB's Ordinary Capital Resources (OCR). The loan has a 25-year term,

including a grace period of 5 years, an interest rate determined in accordance with ADB's London Interbank Offered Rate (LIBOR)-based lending facility, conversion options in accordance with ADB's conversion guidelines, a commitment charge of 0.75 percent per annum, and such other terms and conditions set forth in the Loan and Project Agreement. The Government of India has relented the ADB loan proceeds on the same terms as the ADB loan (on back-to-back arrangements). The period of Loan utilization is until June 2012 and the estimated Project completion date is 31 December 2011.

75. The ADB loan of INR 9,954 million (\$221.2 million) will finance 100 percent of the foreign exchange cost, including interest and other charges on the loan during construction, and INR 5,108 million (\$113.5 million) equivalent, or 54.5 percent, of the local currency cost. Local cost financing covers part of the cost of civil works, equipment, consulting services, project management support, and incremental administration costs, but excludes land, and duties and taxes.
76. In line with the current policy on externally financed projects in India, the Government of India will make available to GoK the ADB loan proceeds on the same terms as the ADB loan. GoK will also provide INR 2,691 million (\$59.8 million) equivalent (19 percent of the Project cost) as its contribution, part of which will be spent on state level activities (such as the PMU and sub-projects). The five municipal corporations will also provide INR 1,580 million (\$35.1 million) equivalent (11 percent of the Project cost) to finance land acquisition, equipment and materials, civil works, consulting services, and the cost of counterpart staff for the proposed PIUs. The financial positions of the municipal corporations and GoK have been assessed and sufficient resources will be available to meet counterpart financing arrangements. **Table 4** summarizes the financing plan.

**Table 4:** Financing Plan

Source	Foreign Exchange (INR mn)	Local Currency (INR mn)	Total Cost (INR mn)	Distribution (%)
Asian Development Bank	4,847	5,108	9,954	70
Government of Kerala	-	2,691	2,691	19
Municipal Corporations	-	1,580	1,580	11
<b>Total</b>	4,847	9,378	14,225	<b>100</b>

Source: Asian Development Bank estimates.

### C. Revised Estimates and Allocation of Loan Proceeds

77. Based on: (i) the detailed engineering estimates for the Solid Waste Management component and the Urban Roads and Transport component, issued for bidding; (ii) the finalized consultancy fee (Category 5); and (iii) the cost for GIS-Property Tax mapping (Category 2), the revised cost of the Project is INR 14,735 million. Interest and Charges (Category 6) and Unallocated (Category 7) have been maintained at the original figures. Details of the revised project estimates are provided in **Appendix 6**.

## VII. PROCUREMENT

### A. Overview

78. *Administrative Sanctions.* The Project was approved by the Cabinet of Ministers on 02 March, 2007 and through a Government Order dated 09 July, 2007 the Government of Kerala accorded an Administrative Sanction to the Project.
79. *Technical Sanctions.* A State-level Technical Committee (SLTC) was constituted through a Government Order on 26 July, 2007 under the chairmanship of Prof. AR Velayudhan Pillai (Retd Principal, College of Engineering) for according technical sanctions to subprojects under KSUDP. The SLTC has accorded technical sanction to five urban roads and transport works and three solid waste management works under the Project.

### B. Goods and Works

80. In accordance with ADB procedures and approved Bid Documents for the Project, the following procurement methods were followed:
- (i) Goods – Equipment and Materials. Each supply contract for equipment or materials estimated to cost the equivalent of more than \$1,000,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the *Procurement Guidelines (April 2006)* and those estimated to cost the equivalent of \$1,000,000 or less (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the *Procurement Guidelines (April 2006)*. Each draft invitation to bid and related bid document for contracts to be awarded shall be submitted to ADB for approval before they are issued. Notwithstanding paragraph 2.59 of the *Procurement Guidelines (April 2006)*, any award of contract shall be subject to prior ADB approval.
  - (ii) Civil Works and Related Services. Civil works will be packaged according to the type of work, experience available in and likely interest by local or international contractors, time required for detailed engineering designs, preparation of bidding documents, and other relevant factors. The above factors will be considered when deciding whether civil works should be procured through International Competitive Bidding (ICB) or National Competitive Bidding (NCB) procedures. However, contracts over \$10 million will invariably be procured through ICB, while those of \$10 million or less will be procured following either NCB or ICB procedures – Standard Bidding Documents (SBDs) for Large Contracts will be adopted in case of ICBs and SBDs for Small Contracts will be adopted for NCBs (where post qualification may be applied). Some civil works, such as sewage treatment plants, solid waste treatment and disposal, will be undertaken on a turnkey basis.

- (iii) Community Upgrading Works. Certain items costing the equivalent of \$100,000 or less (including community infrastructure works and items that are part of poverty reduction activities) will be procured through ADB's Direct Contracting procedures.

### C. Procurement Status

81. Notice Inviting Tenders for Item Rate Contracts comprising solid waste management (compost plant and sanitary landfill) and urban roads and transport have been issued. Details of the NIT are attached to **Appendix 7** and a summary is detailed in **Table 5**. Bids are expected to be submitted during the months of October 2007 and November 2007.

**Table 5: Procurement Status**

Project City	Work Description	Package No.	Date of NIT	Date of Pre-bid Meeting	Date of Bid Submission
Thiruvananthapuram	Urban Roads and Transport	TVM-RT-01	14-Sep-07	15-Oct-07	30-Oct-07
Kollam	Solid Waste Management	KLM-SW-01	01-Oct-07	30-Oct-07	21-Nov-07
	Urban Roads and Transport	KLM-RT-01	19-Sep-07	17-Oct-07	01-Nov-07
Kochi	Urban Roads and Transport	KCH-RT-01	25-Sep-0	26-Oct-07	16-Nov-07
Thrissur	Solid Waste Management	TSR-SW-01	25-Sep-07	23-Oct-07	13-Nov-07
	Urban Roads and Transport	TSR-RT-01	25-Sep-07	22-Oct-07	12-Nov-07
Kozhikode	Solid Waste Management	KZD-SW-01	25-Sep-07	25-Oct-07	15-Nov-07
	Urban Roads and Transport	KZD-RT-01	25-Sep-07	24-Oct-07	14-Nov-07

## VIII. DISBURSEMENT

### A. Overview

82. In accordance with the Government Order according Administrative Sanction to the Project, the funds for the Project will be released out of budget provisions of the State Government against the respective functional head.

### B. Statement of Expenditure

83. The Project currently exercises the Statement of Expenditures (SoE) procedure for reimbursement of eligible expenditures for the Project. Before a disbursement is made for any contract issued by the Project, a Procurement Contract Summary Sheet (PCSS) is created. Copies of all signed contracts and supporting documents were sent to ADB as soon as they are available. Cumulative expenditure to date is detailed in **Appendix 8** and a summary is provided in **Table 6**.

**Table 6:** Disbursement Status

Category	Item	Foreign Currency	Local Currency	Total
<b>1</b>	<b>Civil Works</b>	-	-	-
<b>2</b>	<b>Equipment, Vehicles, Workshops, Studies etc.</b>	-	<b>7,074,937</b>	<b>7,074,937</b>
	Equipment, Materials and Furniture	-	-	-
	Vehicles	-	-	-
	Local Training and Workshops	-	-	-
	Studies, Research and Development	-	7,074,937	7,074,937
<b>3</b>	<b>Livelihood Services</b>	-	-	-
<b>4</b>	<b>Local Government Infrastructure Development</b>	-	-	-
	Subprojects	-	-	-
	Project Development	-	-	-
<b>5</b>	<b>Consulting Services</b>	-	<b>61,524,280</b>	<b>61,524,280</b>
	International Consultants	-	-	-
	Domestic Consultants	-	45,122,966	45,122,966
	Incremental Administration Cost	-	16,401,314	16,401,314
<b>6</b>	<b>Interest and Charges</b>	-	-	-
	Interest During Construction	-	-	-
	Front-end Fees	-	-	-
	Commitment Charges	-	-	-
<b>7</b>	<b>Unallocated</b>	-	<b>561,229</b>	<b>561,229</b>
	Counterpart Staff	-	-	-
	Land Acquisition and Resettlement	-	-	-
	Contingencies	-	-	-
	Tax and Duties	-	561,229	561,229
	<b>Total</b>	-	<b>69,160,446</b>	<b>69,160,446</b>

## **IX. PROJECT REPORTING, MONITORING AND EVALUATION**

### **A. Annual Operational Plans**

84. By December of each year of Project implementation, the PMU will provide ADB with an Annual Operating Plan (AOP) for the following fiscal year. The plan will also provide estimates of the operation and maintenance budget and ensure that adequate counterpart funds are provided. The plan will include:

- Data on the proposed allocations;
- Status of agreed-upon policy reforms and covenants; and
- Fully costed Project activities proposed for each subcomponent, with performance targets.

### **B. Reporting**

85. The PMU has received Monthly Progress Reports from the Consultants after the date of mobilization. The Implementation Progress and M&E Report (**Appendix 9**) and the Covenant Compliance Report (**Appendix 10**) are attached to the Quarterly Progress Report.

### **C. Project Review**

86. An ADB Loan Review Mission was fielded between 31 July and 4 August 2007. Major issues reviewed comprised: (i) creation of a public relations officer (PRO) post for Information, Education and Communication; (ii) completion of PMU and PIU staffing; (iii) completion of migration to new office; (iv) exit strategy to capacity building assistance (TA 4487-IND); (v) establishing e-government procurement procedures and acceptance to field a mission in September 2007 – as an outcome, the SWM equipment will be procured using the e-procurement procedures; (vi) progress made on the Local Government Infrastructure Development; (vii) implementation arrangements for the community upgrading works; (viii) review of contract awards and disbursement; (ix) property tax mapping to update GIS-based City Maps; (x) submission of Quarterly Progress Reports; (xi) computerized monitoring of PPMS; and (xii) operation and maintenance of Project facilities.

87. A TA review mission is scheduled for November 2007 and a KLGDF financial due diligence review mission is scheduled for December 2007.

## **X. ACCOUNTING AND AUDITING**

### **A. Accounting Requirement**

88. GoK, acting through the PMU, will maintain records and accounts adequate to identify goods, works and services financed from the loan proceeds. GoK will ensure that each PIU maintains adequate records and accounts for the Project. PMU will maintain separate accounts for the Project and ensure that accounts and financial statements are audited annually by independent external auditors acceptable to ADB.

### **B. Auditing Requirement**

89. The Auditor's report and copies of the certified accounts and related financial statements, including the Auditor's opinion on the use of loan proceeds, compliance with loan covenants, and use of the Imprest Account under ADB's Statement of Expenditures (SoEs) procedure, will be submitted to ADB in English not later than 9 months after the close of GoK's fiscal year. The independent external auditing services will be financed from the loan proceeds.
90. The Project Management Unit (PMU) and the Project Implementation Unit (PIU) shall undertake pre-audit activities through Audit Officers appointed by the Comptroller and Auditor General (CAG) of India. The nature of activity and scope of work of the concerned staff is detailed in the *Project Financial Management and Accounting (PFMA) Manual*.

## **XI. KEY ISSUES AND PLAN FOR NEXT QUARTER**

### **A. Key Issues**

91. The Project is currently in its design phase for Part A – water supply, sewerage and sanitation, storm water drainage and community upgrading works. While bids are expected for solid waste management and urban roads and transport during the month of November 2007, an Evaluation Committee has been formed for the anticipated bids.
92. Surveys and investigations have been hampered due to the monsoons and in anticipation of a formal understanding with the Kerala Water Authority in terms of providing requisite permission and data – both issues are expected to be resolved in the following quarter.

### **B. Plan for Next Quarter**

93. Key activities planned for the following quarter, period ending December 2007 comprise:
  - (i) Completion of 70 percent of surveys and investigation;
  - (ii) Completion of 60 percent of data collection on Part A works;
  - (iii) Submission of Concept Plans for sewerage and sanitation, and storm water drainage;
  - (iv) Completion of solid waste management and urban roads and transport bid evaluation;
  - (v) Updation of Initial Environmental Examination (IEE) and preparation of Short Resettlement Plans (SRPs), if any;
  - (vi) Completion of designs for Community Upgrading works;
  - (vii) Completion of planned capacity building and training workshops; and
  - (viii) Progression on property tax mapping.