



India: Karnataka State Highways Improvement III Project

Project Name	Karnataka State Highways Improvement III Project	
Project Number	42513-014	
Country	India	
Project Status	Proposed	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	Loan: Karnataka State Highways Improvement III Project	
	Ordinary capital resources	US\$ 350.00 million
	Private Sector	US\$ 138.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Transport - Road transport (non-urban) - Transport policies and institutional development	
Gender Equity and Mainstreaming	Some gender elements	
Description	The Karnataka State Highways Improvement III Project (KSHIP III) is designed to improve transport connectivity in the state by rehabilitating and upgrading state highways (SHs) forming part of the Core Road Network (CRN) in the state. The Project constitutes (i) rehabilitating and upgrading about 418 km of SHs; (ii) improving road maintenance and asset management through the use of hybrid annuity contracts; and (iii) improving road safety. Consulting services will be provided to supervise the implementation of civil works. A project preparatory technical assistance (PPTA) of \$600,000 has been included.	

Project Rationale and Linkage to Country/Regional Strategy

State Context. Karnataka state in the south-west of India has an area of about 192,000 sq.km and population of about 61 million. Karnataka has been amongst the fast growing states in India, unemployment rate and poverty are lower than the national averages, and the state receives substantial foreign direct investment. In terms of transportation, the rail network in the state is rather sparse, with only about 3000 route km, mostly on single line. Because of the terrain along the Western Ghats (hill ranges), east-west rail connectivity is also limited to just one line from Hassan in the hinterland to Mangalore on the west coast. The road network is therefore a critical element of the economic infrastructure. Under ADB TA 7324-IND, Technical Assistance for Karnataka State Highway Network Improvement, consultants completed a study for identifying a Core Road Network' (CRN) in the state.

Priority Road Corridors. A pre-feasibility report was conducted on the CRN, based on broad financial assumptions, to categorize projects that could be taken up on some form of PPP: toll based, or with state support for part of capital cost, and/or availability payments on an annuity basis. Based on these studies, KSHIP identified nine key road corridors, portions of which will be taken up for upgrading through ADB's financial assistance, using appropriate PPP frameworks.

Road Institutions. Karnataka Public Works, Ports, and Inland Water Transport Department (KPWD) is the main institution of the government of Karnataka (GOK), responsible for SHs and MDRs. KPWD established Karnataka Road Development Corporation (KRDCL) in 1999, to promote surface infrastructure by taking up specific road works and bridges, and to take up projects on PPP formats. In addition, Karnataka State Highways Improvement Project (KSHIP) was established as a project implementation unit (PIU) to undertake multilaterally financed projects. KSHIP has an independent structure with its own offices, staff, and headed by a Chief Project Officer. For rural roads, GOK has established the Karnataka Rural Roads Development Agency (KRRDA), which manages rural roads through KRRDA funds made available from the state budget and national rural roads scheme.

Government Strategy. While Karnataka is amongst the better performing states in India, development is uneven, being focused around the capital region of Bangalore/ Mysore and the coastal towns of Mangalore/ Udupi. Given its poor rail network, Karnataka is heavily dependent on its road network for linkage between the rural and urban economies. In its state road policy (2009) GOK recognizes the importance of road development as an engine of economic growth, and proposes to develop the CRN to Indian Roads Congress (IRC) standards with 2-lane width. To achieve this, GOK has been using a combination of budgetary, PPP, World Bank, and ADB financing to improve state roads. KSHIP-I was a World Bank Project of 2001 approval for \$360 million. KSHIP-II, which is ongoing and covers about 1500 km of roads, has two parts: a World Bank approval of 2011 for a \$350 million loan, and an ADB approval of 2010 for a \$315 million loan. However, the development of the CRN roads requires further substantial funding, estimated to be of the order of \$1.7 billion.

ADB's Participation. ADB's contribution to such development will foster inclusiveness by enabling larger segments of the state's population to better access markets and basic services. The project will also continue and strengthen ADB's engagement in the state and benefit the state' road program with continuity and consistency. ADB's value addition would also be from the proposed use of private sector financing to leverage government financing while improving sustainability of capital investments, as well in structuring an accident response system to improve road safety. The project is harmonious with the strategic objective set out in the Country Partnership Strategy 2013-2017.

Impact	Improved road transport connectivity in the state of Karnataka
Outcome	Improved road efficiency in Karnataka
Outputs	1. Improved and rehabilitated state roads 2. Improved road maintenance and asset management 3. Accident response system structured
Geographical Location	

Safeguard Categories

Environment	B
Involuntary Resettlement	A
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design	<p>The potential primary beneficiaries of the project are the road users, communities in the vicinity of the project influence area, villagers, Panchayats (rural local government), KPWD, other development partners active in India's transport sector development, and business and community groups. The poor and the excluded also get an easy access to roads, which further help them in reaching markets and other services. Adversely impacted stakeholders would primarily be those who lose land or livelihood. However, the Project's focus is on improving and rehabilitating existing roads, thus land acquisition will be limited to areas where roads need some geometric improvement, bridge approaches, or bypasses' to avoid infringing existing settlements. Adverse impacts will be mitigated through proper stakeholder consultations and incorporated into the resettlement plan.</p> <p>The proposed Project's objective is improved road connectivity in the state of Karnataka, leading to improved access to basic services, trade, and employment. Primary concerns for poor and vulnerable stakeholders would be loss of land and/or livelihood as a result of land acquisition activities. The project preparation will include investigations and consultations covering all beneficiaries, including the poor and vulnerable stakeholders.</p> <p>Community meetings and focus group discussions will be organized as part of the poverty and social analysis. The local consultative meetings will involve all relevant stakeholders including representatives of the poor and other socially excluded groups (e.g., women, scheduled tribes, etc.) to disseminate the information as well as to get the feedback about the project design and its potential impacts. Other key stakeholders such as the relevant line departments, local government representatives and NGOs will also be consulted. Consultations will also be undertaken with the affected households and communities during the course of the census survey and socioeconomic survey along the project roads for the preparation of the safeguard plans.</p>
During Project Implementation	<p>Adverse impacts will be mitigated through proper stakeholder consultations and incorporated into the resettlement plan.</p> <p>The proposed Project will build on the consultation and community participation exercises undertaken during the PPTA, with the support from PPTA consultants NGOs, and CBOs. These include community participation for planning, design and implementation in highly dense and poor settlements. Community consultations will also be carried over to the project implementation stages and user awareness will be included as an important activity.</p>

Business Opportunities

Consulting Services	<p>All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time). KSHIP will engage "Independent Engineers" (engineering consulting firms) for the implementation of the performance-based, hybrid-annuity contracts. Recruitment process for Independent Engineers under advance contracting has commenced in Q3/2016.</p> <p>A consortium of firms has already been engaged to undertake the project preparatory technical assistance. The consulting firm was engaged following the quality- and cost-based selection method, in accordance with ADB's Guidelines on the Use of Consultants (March 2013). The assignment is completed and closed.</p>
Procurement	<p>The implementing agency would be KSHIP. KSHIP envisages the application of advance contracting to accelerate implementation. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (April 2015, as amended from time to time). The works contracts will likely be based on a "hybrid-annuity" concession model, where a percentage of the project cost will be paid during construction, and the balance, including operating and maintenance payments, will be paid on an annuity basis over a period of 7 years or so. Procurement actions for all the three hybrid annuity contract packages, under advance contracting, have commenced in Q1/2017.</p>

Responsible Staff

Responsible ADB Officer	Peri, Ravi Venkat
Responsible ADB Department	South Asia Department
Responsible ADB Division	Transport and Communications Division, SARD
Executing Agencies	<p><i>Government of Karnataka Dr Ambedkar Rd., Sampangi Ramnagar, Bangalore, Karnataka, India</i></p>

Timetable

Concept Clearance	24 Jul 2014
Fact Finding	23 Jun 2016 to 30 Jun 2016
MRM	26 Jul 2017
Approval	-

Last Review Mission	-
Last PDS Update	20 Mar 2017
Project Page	https://www.adb.org/projects/42513-014/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=42513-014
Date Generated	11 April 2017

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.