



India: MFF - Bihar Urban Development Investment Program (Facility Concept)

Project Name	MFF - Bihar Urban Development Investment Program (Facility Concept)
Project Number	41603-013
Country	India
Project Status	Active
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	MFF Facility Concept 0067-IND: MFF - Bihar Urban Infrastructure Development Sector Program (Facility Concept) Ordinary capital resources US\$ 200.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth
Drivers of Change	Governance and capacity development
Sector / Subsector	Water and other urban infrastructure and services - Water supply and sanitation
Gender Equity and Mainstreaming	Effective gender mainstreaming
Description	Bhagalpur, Darbhanga, Gaya, and Muzaffarpur are the four largest towns with the highest economic growth potential in Bihar, after the state capital, Patna. Despite being the economic centers of Bihar, the four towns have been unable to achieve the national urban service goals or match many of the national averages for urban service delivery performance in India. Their inability to sustain water supply and sewerage services is the result of inadequate size and condition of infrastructure, mainly attributed to inadequate new investment and operation and maintenance (O&M). The investment program will improve and expand the water and sewerage infrastructure in the four towns, and help urban local bodies (ULBs) of the four towns the infrastructure owners to ensure discipline and structures for operations that result in sustainable O&M.

In FY2010, Bihar's gross state domestic product (GSDP) ranked 14th among all states in India; its per capita GSDP of Rs17,959 at current prices was the lowest. Bihar's GSDP largely depends on economic activities in urban areas; thus the importance of urban services for economic growth has been increasing. In FY2011, tertiary sectors contributed 61% of the GSDP, secondary sectors 18%, and primary sectors 21%. Therefore, an increase in productivity in urban areas is key to stimulating Bihar's GSDP.

Improving the urban environment and quality of life will lead to better health for the urban population and, hence, to an increase in labor productivity. Urban service in the four towns is poor. The deterioration of key urban services (water supply, sewerage, and solid waste management [SWM]) may jeopardize the potential of the towns to continuously play their role as engines of economic growth in Bihar. Poor urban services negatively impact labor productivity an increase in cases of water- and vector-borne diseases will prevent affected members of the working age population from engaging in income-generating activities. The consequences of poor urban services greatly constrain women from engaging in much-needed additional and alternative sources of income as they are responsible for household water collection, waste disposal, family hygiene, and care of the sick.

The core problem for the ability of towns to sustain key urban services is the inadequate size and condition of infrastructure. This is mainly attributed to inadequate new investment and O&M, stemming from four main problems:

(i) User charges. With no user charges, ULBs cannot recover O&M cost. Inability to capture (a) accrued revenues and expenditures; and (b) apportioned common expenses makes the calculation of appropriate user charges difficult, even if ULBs are willing to levy user charges.

(ii) Accounting practice. In the absence of a dedicated account specific for each urban service, ULBs cannot accumulate internal reserves for major investments. As a result, they rely on grants from various national and state schemes. Uncertainty of the availability of financial resources makes planning for the future difficult.

(iii) Public administration. The absence of a municipal civil service system means that ULBs have difficulty accumulating skills. Most staff are contracted with multiple assignments, often not having the qualifications and rarely devoted to specialized tasks.

(iv) Human resources. Too few staff are recruited to sustain the water supply, sewerage, and SWM services at the national target. Along with difficulty attracting qualified personnel, ULBs have difficulty preparing a long-term plan and project proposals to attract financiers.

Urban service delivery. India's Eleventh Five-Year Plan (April 2007-March 2012) sets out 27 national targets, covering economic and social goals, including (i) ensure clean drinking water is available to all by 2009, with no slippages by the end of the plan; and (ii) treat all urban wastewater by 2011/2012 to result in clean river water. The plan recognizes infrastructure bottlenecks and lack of long-term funds for infrastructure investment as binding constraints for achieving the goals. The plan calls for public sector investment to meet infrastructure requirements where private participation is less likely.

Road map for achieving service targets. To achieve the national and state targets for water supply, sewerage, and SWM services in the four towns, the Bihar state government, with assistance from the Asian Development Bank (ADB) through the project preparatory technical assistance (TA), formulated a plan that matches short- and long-term goals with specific solutions to help meet the targets a road map for 2010 2021. The key findings are as follows:

(i) The physical investment for water supply, sewerage, and SWM will cost about Rs35 billion by 2021, and will incur annual O&M cost of about Rs414 million upon full completion.

(ii) To create a sustainable environment for physical investment, the ULBs, in collaboration with the state government, need to (a) formulate and adopt user charge and subsidy policies; (b) establish an administrative body for recommending user charges; (c) migrate to an accrual-based, double-entry accounting system; (d) establish accounts dedicated to each urban service operation; (e) install automated billing systems for the user charge; (f) increase O&M staff numbers; and (g) train O&M staff in the ULBs.

(iii) The nonphysical investment for construction management, systemic improvements in operations, and capacity building will require Rs2,270 million.

Government and state government efforts. Various ongoing and planned investment projects of the national and state governments, valued at about Rs3,500 million, cannot meet the physical investment requirements of the road map.

Ongoing external assistance in Bihar. Since 2010, the state government has been undertaking various urban municipal governance reforms with assistance from the Support Program for Urban Reforms (SPUR), financed by the Department for International Development of the United Kingdom. SPUR is a 61 million (\$95 million equivalent) program to support urban governance and planning, municipal financial management, municipal infrastructure management, local economic development, and poverty reduction in 28 ULBs, which include the four towns. SPUR focuses on capacity building covering most of the reform requirements of the road map. ADB strategy and focus. The country partnership strategy and ADB assistance program for 2009-2012 were designed to support the Government of India's efforts to address the binding constraints in the plan through four strategic pillars. One of the pillars emphasizes the continuation of ADB assistance to infrastructure development in various sectors, including the urban sector. The country operations business plan for India, 2012-2014 places more focus on less-developed states, and allocates an MFF of up to \$200 million for the investment program.

Through the investment program, ADB will support a part of the funding shortfall for water supply and sewerage infrastructure improvement proposed in the road map. The aim is to develop a complete system in a town by complementing the ongoing investment of the national and state governments. The investment program will also increase the efficiency and cost-effectiveness of O&M by outsourcing operations through design-build-operate (DBO) contractual arrangements, and support ongoing efforts to address user charges, subsidies, and accounting specific to water supply and sewerage operations.

A series of project loans through an MFF is the most suitable lending modality, as it will enhance continuity and predictability. Long-term engagement of consultants and DBO contractors will be financed through multiple loans. Greater predictability of financing availability under the MFF will enable the four towns to prepare the MFF tranches and investment in accordance with the road map beyond ADB's country programming period. It will provide a clear financial envelope in advance, and allow them to graduate from a traditional mode of planning preparing a project after budget is sanctioned. Greater continuity and predictability will enable the state government to plan and execute investment in a holistic manner.

Impact	Urban population in relatively poor and weak capacity state (Bihar) has improved access to water supply and sanitation facilities.
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Project Outcome

Description of Outcome	People, especially vulnerable household, will have access to better quality and sustainable urban water supply and sewerage services in Bhagalpur, Darbhanga, Gaya and Muzaffarpur.
Progress Toward Outcome	Implementation of Tranche 1 project covering Bhagalpur water supply subproject is progressing well. Advance action for Tranche 2 is ongoing.

Implementation Progress

Description of Project Outputs	Water supply infrastructure in 3 towns improved. Sewerage infrastructure in 1 town improved. O&M of the asset created by the subprojects improved. Urban service delivery management improved. Project management and implementation skills and transparency in improved.
Status of Implementation Progress (Outputs, Activities, and Issues)	Both the project management consultants (PMC) and design and supervision consultants (DSC) have already been mobilized and are helping the Project Management Unit in project implementation. Under the approved Tranche 1, design-build-operate contract was already awarded and is currently in the design phase. Construction is expected to start in late 2015. For Tranche 2, advance actions covering Gaya water supply subproject are ongoing. Approval of Tranche 2 is expected in 2015.

Geographical Location

Safeguard Categories

Environment	B
Involuntary Resettlement	B
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	The categorization of individual Projects/Tranches will be determined in accordance with the Environmental Assessment and Review Framework.
Involuntary Resettlement	The categorization of individual Projects/Tranches will be determined in accordance with the Resettlement Framework.
Indigenous Peoples	There are no IPs or EM groups in all subproject towns. These are supported by census data and confirmed by FGDs and transect walks. The categorization of individual Projects/Tranches will be reconfirmed in accordance with the Indigenous Peoples Planning Framework was prepared.

Stakeholder Communication, Participation, and Consultation

During Project Design	There were two initial workshops to introduce the PPTA in May 2010, inviting state government officials, senior officers and engineers of Bhagalpur, Darbhanga, Gaya and Muzaffarpur municipal corporations and nongovernment organizations. As soon as the scope of the ensuing investment became clear, the community development specialist of the PPTA team conducted stakeholder analysis, and consultations including workshops and focus group discussions, and discussions with key stakeholders. Between August and October 2010, 21 consultations with focus groups of 241 (126 men and 115 women) across the various socio-economic groups have been undertaken. Participants were asked about the usage of water supply, status of sanitation and willingness pay to water and sewerage services. After preparing the draft investment program, one workshop was organized to share information about the investment program with ADB, state government of Bihar, SPUR, local elected representatives, ULB officers, nongovernment organizations and community-based organizations. In December 2010 and February 2011, the PPTA team held discussion with the general residents of the area regarding sites for proposed water treatment plant and other water supply assets at 7 locations in Bhagalpur.
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During Project Implementation	<p>The draft consultation and participation plan envisages:</p> <ol style="list-style-type: none"> 1. Six one-day project orientation workshops organized by PMU for: <ol style="list-style-type: none"> (i) Information sharing (ii) Consultation (iii) Shared responsibility (iv) Shared decision-making 2. Six half-day project orientation seminars in each of the four towns organized by PIU in collaboration with NGO, ULB and WDC for: <ol style="list-style-type: none"> (i) Information sharing (ii) Consultation (iii) Shared decision-making 3. Two half-day focus group discussion workshops on water supply and sewerage services organized by PMU, PIU, ULB in collaboration with NGO for: <ol style="list-style-type: none"> (i) Information sharing (ii) Consultation 4. A one-day knowledge sharing workshop organized by PMU, PIU and ULB in collaboration with NGO for: <ol style="list-style-type: none"> (i) Information sharing (ii) Consultation (iii) Shared decision-making 5. A half-day semiannual participatory monitoring meetings for community watchdogs organized by PIU and ULB in collaboration with NGO and WDC for: <ol style="list-style-type: none"> (i) Information sharing (ii) Consultation 6. Four half-day focus group discussions, and eight half-day small group meetings on resettlement and entitlement organized by PMU, PIU and ULB in collaboration with NGO for: <ol style="list-style-type: none"> (i) Information sharing (ii) Consultation 7. A half-day consultation workshop with temporarily affected persons organized by PMU, PIU and ULB in collaboration with NGO for: <ol style="list-style-type: none"> (i) Information sharing (ii) Consultation 8. A half-day consultation workshop with fishing communities in Bhagalpur organized by PIU and ULB in collaboration with NGO for: <ol style="list-style-type: none"> (i) Information sharing (ii) Consultation.
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Business Opportunities

Consulting Services	<p>All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The indicative consults recruitment activities are: quality- and cost-based selections, 64 person-months international and 1,236 person-months national consultants, \$ 17.6 million in two contracts. Each will be carried out by the same team throughout the investment program from 2012 to 2020 to ensure continuity and consistency. These will cover the entire implementation period of the investment program from 2012 to 2020. The initial loan will cover the consulting service contracts for the first 5 years while the subsequent loans will cover the remaining period of the contracts.</p>
Procurement	<p>All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). The indicative procurement activities are: (i) international competitive bidding, 3 contracts, \$185 million; (ii) national competitive bidding, 4 contracts, \$58 million, (iii) shopping, 8 contracts, \$ 0.7 million. Large international competitive bidding contracts, which cover construction of an entire water supply system or a sewage treatment plant on DBO basis, will be proposed for each subproject so as to achieve clear accountability for functioning of the system or the plant. The contractor will design, build and operate the asset in about 9 years (up to 1 year for design, up to 3 years for construction and 5 years for operations). One loan may cover the whole design and construction periods of a DBO contract, and another loan(s) may continue to finance a part of the operations period of the same contract up to the initial 3 years. In the ninth year, the implementing agency, the employer of the contractor, will have options to have the operational responsibility transferred to the ULB, to continue engaging the same operator or engage other operator through the state procedure.</p>

Responsible Staff

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Executing Agencies	<i>Urban Development and Housing Department Govt. of Sikkim, NH 31A Gangtok-797101, India</i>

Timetable

Concept Clearance	11 Apr 2011
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Fact Finding	07 Apr 2011 to 15 Apr 2011
MRM	15 Jul 2011
Approval	29 Mar 2012
Last Review Mission	-
Last PDS Update	13 Mar 2015

MFF Facility Concept 0067-IND

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	285.71	Cumulative Contract Awards			
ADB	200.00	-	0.00	0.00	%
Counterpart	85.71	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

Project Page	https://www.adb.org/projects/41603-013/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=41603-013
Date Generated	12 April 2017

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