

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub: Karnataka Urban Water Sector Improvement Project – Phase-I –
Guidelines for implementation arrangements – Reg.
Ref: Government Order. No. UDD 26 PRJ 2003, dated 7.2.2004.

Sanction has been accorded for the implementation of the Karnataka Urban Water Sector Improvement Project (KUWSIP), vide the Government Order cited above. It has been stated in this Government Order that guidelines for implementation arrangements will be issued separately. Further, the name of the project has been changed from Karnataka Urban Water Supply And Sanitation Improvement Project to Karnataka Urban Water Sector Improvement Project. The Karnataka Urban Infrastructure Development & Finance Corporation (KUIDFC), Bangalore, has now sent a proposal for issue of guidelines for the implementation of the Project. Hence, the following order.

GOVERNMENT ORDER NO: UDD⁹⁰ PRJ 2004 BANGALORE, DATED: 13-07-2004.

The following Institutional and Implementation arrangements are stipulated for the implementation of the Karnataka Urban Water Sector Improvement Project:

- 1 The KUIDFC shall be the overall Implementation Agency for this project and the Managing Director, KUIDFC, Bangalore, shall be the Project Director.
 - i. The KUIDFC shall have full responsibility for project execution and follow-up, including financial management, procurement and reporting to Government of Karnataka and World Bank;
 - ii. To carryout these responsibilities, the KUIDFC shall establish a Project Management Unit (PMU), which will coordinate project execution and be the main Bank interlocutor. This unit will provide for project technical and financial follow-up, coordinate / carry out all project procurement, prepare reports, coordinate all financial management tasks including audits, and in general become KUIDFC interlocutor with the City Corporations (City Corporations of Belgaum, Gulbarga and Hubli-Dharwad), other participants in project execution and the Bank;

- iii. KUIDFC shall establish Project Implementation Units (PIUs), one for each of the three City Corporations. The Commissioner of the respective city Corporation shall be the administrative head of the PIU. The PIU will be adequately staffed with technical, financial and administrative staff drawn on deputation.
 - iv. The Demonstration Projects will be implemented by KUIDFC by procuring an Operator-Consultant (O C);
- 2 The sector reform component (component A1 - *Components are explained in detail in the annexure to this order*) shall be implemented through the policy / technical cell of the KUIDFC, until the State Water Council (SWC) is operational. The Government of Karnataka's Urban Development Department (UDD) will oversee the implementation.
- 3 Subject to para 1 above, the Karnataka Urban Water Supply & Drainage Board (KUWS&DB) shall be the executing agency for the priority investments (Component B1). The KUWS&DB shall
- i. Sign along with KUIDFC and City Corporations, the KUIDFC – OC Agreement as a party; authorise the KUIDFC to act on their behalf vis-à-vis the OC, including issuing and receiving all notices for performance of the respective obligations as set out in the OC Agreement.
 - ii. Establish detailed description of roles, procedures and functions, information supply, reporting etc., in relation to component B1 (Priority Investments);
- 4 The City Corporations, as main beneficiaries and for the successful implementation of the project, shall
- i. follow-up, participate and facilitate implementation of components A2, B1, B2, and B3.

- ii. sign along with KUIDFC and KUWS&DB, the KUIDFC - OC Agreement as a party; authorise the KUIDFC to act on their behalf vis-à-vis the Operator Consultant, including issuing and receiving all notices for performance of the respective obligations as set out in the OC Agreement;
- iii. depute the staff working in the demo zone to OC as envisaged in the OC Agreement;
- iv. adopt suitable water tariffs / tariffs policies, including structure and levels, setting mechanisms, management features, initial plan and time table within the demo zones;
- v. adopt mechanisms and tim-etable for ring fencing of water supply accounts to allow the follow up of its costs and revenues in the demo zones. If necessary, the ring fencing could be extended to the service in the entire Corporation, keeping the demo zones separate and
- vi. adopt mechanisms and timetable to improve the overall commercial system and establish the appropriate inter-relationship and co-ordination with the billing system to be developed by the OC.

5 The component wise detailed implementation arrangements for each component are given in the annexure attached to this order.

By order and in the name of the
Governor of Karnataka.

(T.RANGANATH),
Under Secretary to Government,
Urban Development Department,
(Project Monitoring Cell).

13/7/04

To:

1. The Accountant General, Karnataka, Bangalore.
2. The Secretary to Government of India, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi.
3. The Secretary to Government of India, Ministry of Urban Development & Poverty Alleviation, Nirman Bhavan, New Delhi.
4. The Secretary, Planning Commission, Yojana Bhavan, New Delhi.
5. The Country Director, World Bank, 70, Lodhi Estate, New Delhi.
6. The Chief Secretary to Government, Vidhana Soudha, Bangalore.

7. The Additional Chief Secretary to Government, Vidhana Soudha, Bangalore.
8. The Additional Chief Secretary and Principal Secretary to Government, Finance Department, Vidhana Soudha, Bangalore.
9. The Principal Secretary to Government, Urban Development Department, M.S.Bldg., Bangalore.
10. The Secretary to Government, Urban Development Department, M.S.Bldg., Bangalore
11. The Development Commissioner, North Karnataka, O/o.the Deputy Commissioner, Belgaum.
12. The Principal Secretary to Government, Planning Department, Vidhana Soudha, Bangalore.
13. The Secretary to Chief Minister, Vidhana Soudha, Bangalore.
14. The Director of Municipal Administration, V.V.Tower ,Bangalore.
15. The Deputy Secretary-III to Government, Finance Department, Vidhana Soudha, Bangalore.
16. The Deputy Secretary to Government, PMU, Finance Department, 12th Floor, V. V. Towers, Bangalore.
17. All the Deputy Secretaries / Under Secretaries / Internal Financial Advisor / Joint Director (Planning), Urban Development Department, M.S.Bldg., Bangalore.
18. The Managing Director, Karnataka Urban Infrastructure Development & Finance Corporation, (KUIDFC), Bangalore.
19. The Managing Director, Karnataka Urban Water Supply & Drainage Board, Bangalore.
20. The Mayor, City Municipal Corporation, Hubli-Dharwad, Belgaum, Gulbarga.
21. The Commissioner, City Municipal Corporation, Hubli-Dharwad, Belgaum, Gulbarga.
22. The Deputy Commissioners, Hubli-Dharwad, Belgaum, Gulbarga Districts.
23. The P S to the Hon'ble Minister for Municipal Administration & KUIDFC.
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ANNEXURE TO G.O. No. UDD 90 PRJ 2004 DATED: 13-07-2004.

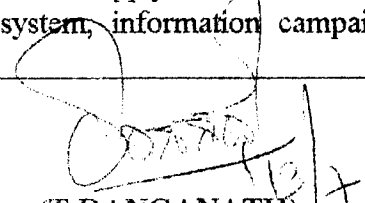
Guidelines for the implementation arrangements for the KUWSIP:

Component wise details

Component A1 (Policy Implementation and State Level Institutional Strengthening)	For the implementation of this component, the KUIDFC shall create a policy/technical cell that will function as a technical secretariat reporting to UDD; consultants would be appointed as needed. This arrangement would facilitate coordination as well as speed up hiring and administrative matters. KUIDFC will be responsible for procurement of various studies and activities under this component, and signing the contracts. The responsibilities and activities of this team will be taken over by the State Water Council, as soon as it is established under the project and becomes operational.
Component A2 (Strengthening of Service Delivery, and Preparation of follow-on projects in ULBs)	This component will be managed by the PMU in the KUIDFC, assisted by the PIUs located in the City Corporations, in close consultation with UDD, the KUWS&DB, and the City Corporations.
Component B1 (Priority Investments)	The KUWS&DB will be the agency of the KUIDFC for the priority investments including the design, technical aspects of procurement and construction / supervision. The KUWS&DB will evaluate the bids, and recommend award, through the Project Director, to the Empowered Committee of the Project. KUWS & DB will sign the contracts. An independent Third Party Technical Audit consultant will be appointed to test pipes and equipment and also to audit the works in close collaboration with KUWS&DB. All Contractors payments will be released by KUIDFC with the certification of KUWS&DB to pay. KUWS&DB shall establish a small central unit, including engineering and procurement capacity, and will establish separate units in each of the Corporations for works supervision. Further details on flow of funds and KUWS&DB's execution arrangements shall be as given in the Project Implementation Plan (PIP). The Corporations will be the owners of completed works. In Hubli-Dharwad, the KUWS&DB will operate them on behalf of the Corporation (as per the current agreement between the Corporation and KUWS&DB). In respect of Belgaum and Gulbarga, separate decision will be taken..
Component B2 (Works in city distribution networks in all three ULBs)	This component will be identified through an initial study and mapping of the cities distribution networks, under the first phase of City-wide Engineering feasibility Studies (under Component B1). The identified works would be contracted by KUIDFC. An arrangement similar to the third party consultant will be put in place to supervise and monitor the implementation of these works.
Component B3 (Demonstration Projects)	The Demonstration Projects will be implemented by KUIDFC by procuring an Operator-Consultant (OC). There will be a single OC contract for all the three City Corporations (ULBs). The OC will study the Demonstration Zones in

each of the Corporations ULB, prepare a strategy for achieving the performance targets demanded of them, estimate the cost of works and prepare procurement and implementation plans. The Third Party Technical Audit consultant would critically review the strategy, plans and costs. Based on the agreed strategy by KUIDFC in consultation with the Corporations ULBs, OC will prepare the bidding documents, which would be again reviewed by the Third Party Technical Audit consultant. The works would be tendered out by the OC, who will also sign the contracts. The payments to the contractors would be vetted and certified by the OC and passed on to KUIDFC for payment. KUIDFC releases payments expeditiously through a Special Account, with a balance of Rs. Five Crores at Corporations all the time in its commercial bank, similar to the arrangement currently in place under ADB-funded projects. Further details on Financial Management arrangements will be elaborated in Finance Management Manual to be issued by the KUIDFC.

Monitoring impacts of continuous water supply would be done by KUIDFC, through establishing a monitoring system, information campaigns, workshops and surveys etc.


(T.RANGANATH),
Under Secretary to Government,
Urban Development Department,
(Project Monitoring Cell).

12/2/04