

**INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE**

Report No.: AC3810

Date ISDS Prepared/Updated: 10/20/2010

I. BASIC INFORMATION

A. Basic Project Data

Country: India	Project ID: P107649
Project Name: Second Karnataka State Highway Improvement	
Task Team Leader: Binyam Reja	
Estimated Appraisal Date: November 29, 2010	Estimated Board Date: March 17, 2011
Managing Unit: SASDT	Lending Instrument: Specific Investment Loan
Sector: Roads and highways (100%)	
Theme: Infrastructure services for private sector development (67%);Other public sector governance (33%)	
IBRD Amount (US\$m.):	300.00
IDA Amount (US\$m.):	0.00
GEF Amount (US\$m.):	0.00
PCF Amount (US\$m.):	0.00
Other financing amounts by source:	
<u>Borrower</u>	209.00
	209.00

B. Project Objectives [from section 2 of PCN]

1. As a follow up to the successfully implemented KSHIP I, the proposed KSHIP II is designed to take the Bank's support for India's highway sector to a higher level by providing assistance for innovative financing, implementing government-owned sector-wide reforms, addressing road safety concerns during road construction and operation, and ensuring effective project implementation (including streamlined land acquisition and environmental clearance and well-managed procurement and FM processing).

2. As such, the project development objective is to assist GOK to accelerate the development of the Core Road Network through leveraging public sector outlays with private sector financing, and improve the institutional capacity of the road sector agencies to deliver effective and safe CRN to users.

C. Project Description [from section 3 of PCN]

3. In order to achieve the objective, the proposed project will comprise the following components:

Component 1: Highway Financing Modernization Component (Total Cost: US\$10 million # IBRD: US\$8 million / GOK: US\$2 million)

4. This component, which is partly supported by a PPIAF Sub-national Technical Assistance (SNTA) grant to GOK, is designed to assist GOK introduce innovative financing for the development of its Core Road Network. The project will help to facilitate non-sovereign borrowing by GOK from local financial institutions and capital markets for the road sector, and to promote private sector participation in highway financing and management in the state of Karnataka. The proposed project will finance the costs of a Financial/Transaction Advisor who will assist GOK to (a) prepare a detailed financing strategy for the state's road network, clearly delineating a range of possible approaches for developing and maintaining state highways and the associated requirements for raising funds, including private and public financing, domestic borrowing and multilateral financing; (b) identify suitable non-sovereign debt instruments, including credit enhancement measures, for borrowing from local financial institutions and capital markets, and assist GOK with raising resources locally for road infrastructure development, both directly and through various PPP approaches; (c) assist GOK in establishing a dedicated road fund as a Special Purpose Vehicle, whose revenues would be used for O&M, and to service domestic debt, annuity concession payments and contribution to VGF; (d) develop optimal PPP contractual models for CRN, taking into account traffic level, among other risks, on each road corridor and suitability for tolling, and support in the transaction process of PPP concessions (both toll and annuity).

Component 2: Road Improvement Component (Total Cost: US\$484 million # IBRD: US\$282.2 million / GOK: US\$26.8 million / Private Sector: US\$175 million)

5. This component will support the improvement of priority state highways under two contractual arrangements: (a) conventional item-rate contracts (about 260 km), and (b) Modified Annuity (Availability Payment) Concessions (about 600 km). The modified annuity concession are long-term DBFOM contracts whereby upgrading and widening of the roads will be carried out during the #construction phase#, and O&M will be done during #operation phase#. Unlike the commonly used annuity concession contracts in India where the private sector raises 100 percent of the project cost and gets paid an annuity payment during the concession period, the proposed project would modify this and pay upfront the concessionaire 30-50 percent of the project cost at completion of construction, and pay the rest of the project cost (including O&M cost) as annuity payments during the operation phase. This modification would reduce the risk to the concessionaire and thereby decrease the cost of the annuity contracts. At the same time, the annuity concessions would create a long-term partnership between the PWD and the private sector and ensure efficient maintenance and operation. The annuity concessions would also allow GOK to leverage the proposed IBRD loan with private sector and domestic financing and hence meet the large demand for improving the road network in relatively shorter period. Under this arrangement, the IBRD loan would be used to pay the upfront payment, and government and road fund resources would be used for the remaining 50 percent.

Component 3: Road Sector Policy and Institutional Development Component (Total Cost: US\$5 million # IBRD: US\$4 million / GOK: US\$1 million)

6. The project will support a program of institutional strengthening measures via a new Institutional Development & Strengthening Action Plan (IDSAP) for the period 2010-2015, recently finalized by the PWD in consultation with both the World Bank and the ADB for implementation with both ADB-TA and KSHIP II funding and support, particularly for carefully-targeted consultancy services, TA, technology upgrading and other inputs. The new IDSAP is designed to (a) build on progress made by the PWD in institutional strengthening initiatives launched under KSHIP I in relation to sector policy, legislation, regulation, organization, road asset data and HR development, training, with the aim of sustainable outcomes from those first-round institutional strengthening initiatives, as well as (b) engaging selected new institutional strengthening targets in road safety, network planning, ownership and management, road development financing and maintenance/asset management. This next-stage IDSAP will provide valuable continuity of strategy and focus across all the ongoing and newly-determined institutional strengthening targets of KSHIP-I and the proposed KSHIP-II, as well as being a basis for harmonizing the support for institutional interventions in this sector from the World Bank and the ADB. The main fields of the new ISAP will be as follows.

- # Road Development Policy and State Highways Act # updating of provisions and PWD and KRDCCL powers
- # Governance & Accountability # PWD and KRDCCL capacity for RTI-compliant public information access, performance reporting and stakeholder involvement
- # Road Asset Management # new IT-based functions and capability in road maintenance planning, funding and performance monitoring
- # Road Network Master Planning # update state-wide roads development master plan
- # Road Board Annual Road Program, Plan, Operational Policies and Procedures
- # PWD and KRDCCL Capacity Building # strengthened capacity in PPP and outsourcing; procurement, contracting and project management; ISO-based quality and environmental management; agency-wide Environment and Social Management functions and M&E processes
- # Road Safety Capacity Building # development of a dedicated Cell and resources in the GOK #lead agency# for effective Road Safety policy, administrative, coordination and monitoring functions.

7. As an important part of this Project component, a Governance & Accountability Action Plan (GAAP) has already been developed by the PWD and is expected to be endorsed by the GOK by project appraisal. The GAAP comprises a range of measures and initiatives aimed at (e.g.) enhancing the public disclosure of both Project and PWD activity information, transparent PWD-centered complaints handling and grievance processes, effective Monitoring / Evaluation / Reporting capacity, improved #vigilance# for and independent / third-party monitoring of PWD works quality, and effective sector / public communication and consultation processes.

Component 4: Road Safety Improvement Component (Total Cost: US\$10 million # IBRD: US\$6 million / GOK: US\$4 million)

8. The project will support the development of a Safe Corridor demonstration project that could provide a useful start for developing a comprehensive state-wide road safety strategy. A multi-sector demonstration project is envisaged to be the focus of the road safety component. A road safety management capacity review has been prepared by a Bank consultant to inform the design of the safety component. The main characteristic of the road safety component is that it is

result focus and would comprise of the development, implementation and monitoring of a variety interventions on the selected corridors as follows:

- # Improving the institutional arrangement for road safety management, including the establishment of a lead agency for road safety, improving horizontal and vertical coordination, and establishing multidiscipline technical working groups.

- # Improving the safety of road infrastructure

- # Improving road user compliance by enforcing key safety rules

- # Improving vehicle safety on the corridor

- # Improving appropriate aspects of the emergency medical system e.g. emergency response, first responder training.

- # Assisting the GOK (in collaboration with other development partners such as ADB) with the development and operationalization of the GOK's proposed Centre of Excellence for Road Safety Training, Education and Research.

D. Project location (if known)

9. Roads selected for KSHIP II are spread across Karnataka with a higher concentration in southern and northern parts, complementing the roads already improved under the previous KSHIP project. The state is known to be a leader in IT industry concentrated in Bengaluru and Mysore. It is also known for its efforts in forestry, water conservation and natural habitat protection. The project will be implemented in 14 out of 27 districts of Karnataka. Out of these, eight are from southern Karnataka and six are in northern Karnataka. These include Bangalore (Urban and Rural), Kolar, Belgaum, Dharwar, Koppal, Gadag, Gulbarga, Mandhya, Dakshin Kananda, Hasan, Haveri, Bellary and Davanagiri.

E. Borrower's Institutional Capacity for Safeguard Policies [from PCN]

10. Karnataka Public Works Department has been the implementing agency for the recently completed Karnataka State Highways Improvement (KSHIP) project. The Project Implementation Unit (PIU) for the project has an environmental cell at Bangalore with experienced and qualified staff from PWD as well as line departments such as Forests. It has been involved in the implementation of agreed EMPs for the previous project and in the preparation comprehensive EA and EMPs for KSHIP II. Under KSHIP, several training programs were held to train the staff of PWD on environmental management aspects. KPWD has also initiated the revision of its Departmental Code to include environmental management and resettlement and rehabilitation aspects. KPWD has also sanctioned environmental engineers on its own staff to ensure sound environmental management of all works executed through its resources, irrespective of the funding source. This capacity would be leveraged to ensure that the other stakeholders including contractors/concessionaires have sufficient resources available to ensure the implementation of the agreed EMPs.

11. Within PIU, a Social Development Cell has been functioning since 2001, which was created in for the implementation of previous Bank assisted project to manage the land acquisition and resettlement impacts. This cell will continue to function with further strengthening during the KSHIP II. This cell is currently headed by a Chief Administrative Officer (CAO) in the rank of Special Deputy Commissioner. He will be assisted by a Special Deputy Commissioner and two Assistant Commissioners (Land Acquisition) for managing the land acquisition and Assistant Director (Social Welfare) and Manager (R&R) for managing the

resettlement related impacts. A local IT firm has been hired to provide support in managing the data base related to land acquisition resettlement and tracking its implementation. The Assistant Commissioner (LA) will have delegated administrative powers for land acquisition and CAO will have powers for declaring the compensation awards. Two- Field offices (South and North) will be established and each field office will be headed by an Assistant Commissioner and supported by Deputy Thesildar, Revenue Inspectors, Social Development Officer, Social Welfare Inspector and Data Analyst. The field units will be supported by two NGOs providing implementation support for resettlement implementation.

F. Environmental and Social Safeguards Specialists

Mr I. U. B. Reddy (SASDS)

Mr Gaurav D. Joshi (SASDI)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
This policy is triggered to ensure that environmental aspects are duly considered in project design. Though there has been an upstream screening of potential roads for sensitive receptors such as known natural habitats, the more detailed assessment will help to reduce the residual negative impacts. These could include tree-cutting for road widening, damage/disturbance to roadside community properties, including cultural resources, increased levels of noise close to schools or health care facilities, etc. The EA would also provide an opportunity to identify any potential enhancements of locally important locations. The EA outputs would be integrated with other project documents as appropriate to ensure smooth implementation.			
Natural Habitats (OP/BP 4.04)		X	
Forests (OP/BP 4.36)	X		
Some of the project road alignments pass close to or form a boundary to protected / reserved forest areas. The policy is being triggered so that plans are in place to reduce to the extent possible, forest land requirement for road widening. It will be a project requirement to compensate for the tree-loss and change in land use of forests in line with the applicable regulations. Additional plantation may also be proposed for ox-bow lands or strips along the pavement within the Right of Way.			
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)	X		
There may be locally important community properties, including cultural resources adjacent to the existing alignments. These could face damage or have restricted access due to project interventions. There is also a possibility that the earthmoving for the works could lead to #chance-finds# of previously unknown cultural artefacts. This policy has been triggered to confirm that the EA covers these aspects, and devises measures commensurate with anticipated impacts as well as builds in measures in the contract documents in line with the regulatory requirements.			
Indigenous Peoples (OP/BP 4.10)		X	
Involuntary Resettlement (OP/BP 4.12)	X		
This policy is triggered, as there will be substantial private land acquisition (about 215 hectares) and impacts to project affected people in the form of loss of shelter and livelihood. The number of affected families are expected to be around 3,400 families. Of this, about 40% are			

Safeguard Policies Triggered	Yes	No	TBD
major impacts requiring additional support in addition to compensation for loss of land and other assets. In addition, some community assets such as worship places, drinking water sources, etc. will also be affected, which will be reconstructed to ensure that these facilities are available to the local people. The borrower has prepared a R&R policy framework consistent with the Indian National R&R policy and the World Bank's operational policy provisions to provide compensation and R&R assistance to the affected people.			
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	

Environmental Category: A - Full Assessment

III. SAFEGUARD PREPARATION PLAN

A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: 11/23/2010

B. For simple projects that will not require a QER, the target date for preparing the PAD-stage ISDS: N/A

C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS.

12. Environmental Assessment studies by the Design Consultant teams have been completed. The Bank team has reviewed the Environmental Screening and offered review comments. It is estimated that about 12 hectare of Forest land would need to be diverted and cutting of about 40,000 trees would be required along the entire length of project roads. Other impacts may be on sensitive receptors close to the RoW such as schools where noise levels could rise. Currently, review of EA and EMP preparation by Independent Consultants is on-going. Consultations have been initiated with key stakeholders as part of the EA and independent review process. Draft EA and EMPs will be revised appropriately in light of the review findings, if required.

13. A Resettlement Action Plan based on the findings of the social assessment and consultations has been prepared and endorsed by the Government. The Bank has also reviewed the RAP and provided its no objection for initiating its implementation. The magnitude of land acquisition is about 215 hectares including 10 hectares of government land. The number of families to be affected is about 3,400. Of these, half of them will suffer only minor impacts losing only small proportion of their land or assets. The policy framework provides adequate support for those losing substantial part of their assets (major impacts) to reestablish their livelihood or provide support for securing alternative source of

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

shelters and transitional support. The RAP has been disclosed both locally and Bank#s InfoShop.

IV. APPROVALS

<i>Signed and submitted by:</i>		
Task Team Leader:	Mr Binyam Reja	10/20/2010
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Mr Sanjay Srivastava	10/20/2010
Comments: cleared.		
Sector Manager:	Mr Michel Audige	10/20/2010
Comments: Cleared.		