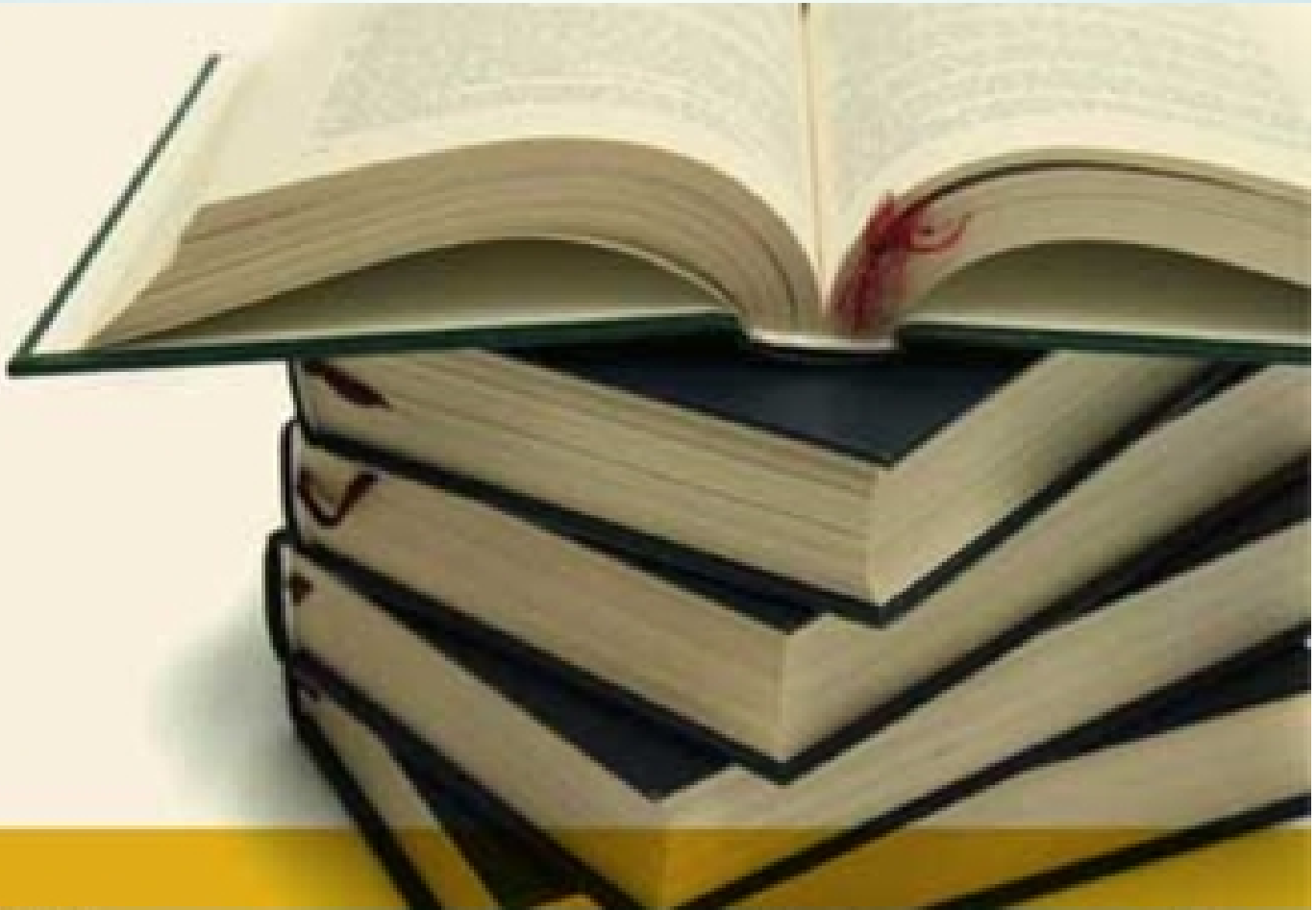




ODISHA URBAN INFRASTRUCTURE DEVELOPMENT FUND
(A Government of Odisha Trust)



OPERATING MANUAL

SEPTEMBER 2015

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List of Abbreviations

A/c - Account
ADB - Asian Development Bank
AO - Administrative Officer
CEO - Chief Executive Officer
CPM - Critical Path Method
DCPL - Darashaw & Company Private Limited
DMA - Directorate of Municipal Administration
DPR - Detailed Project Report
DSCR - Debt Service Coverage Ratio
EBITDA - Earning Before Interest Tax Depreciation and Amortization
ECSMF - Environment Climate Social Management Framework
EIA - Environmental Impact Assessment
EIRR - Economic Internal Rate of Return
EMP - Environmental Management Planning
EPC - Engineering Procurement and Construction
FA - Financial Advisor
FIRR - Financial Internal Rate of Return
GoI - Government of India
GoO - Government of Odisha
HUDD - Housing and Urban Development Department
IFSC - Indian Financial System Code
INR - Indian Rupees
ISR - Initial Screening Report
NPA - Non Performing Assets
OUIDF - Odisha Urban Infrastructure Development Fund.
O&M - Operation & Maintenance
OWSSB - Odisha Water Supply & Sewerage Board
PAN - Permanent Account Number
PAP - Project Affected People
PAT - Profit After Tax
PDA - Project Development Agency
PDF - Project Development Fund
PERT - Project Evaluation Review Technique
PHEO - Public Health Engineering Organisation
PMU - Project Monitoring Unit
PPP - Public Private Partnership
R&R - Rehabilitation & Resettlement
RBI - Reserve Bank of India
RFP - Request for Proposal
RFQ - Request for Quotation
RTGS - Real Time Gross Settlement
ROI - Rate of Interest
SIA - Social Impact Assessment
SLPMC - State Level Project Monitoring Committee
SOE - Statement of Expenditure

Operating Manual of OUIDF

QCBS - Quality and Cost Based Selection

TOR - Terms of Reference

ULB - Urban Local Body

ULF - Urban Loan Fund

VGSF - Viability Grant Support Fund

INTRODUCTION

Purpose of Operating Manual:

The Operating Manual lays down the guidelines, procedures and processes to be adopted by OUIDF for -

- project identification
- project development
- project financing
- project monitoring and
- loan recovery

It provides templates which are standardized for various sets of activities to ensure uniformity and work flow in a systematic manner.

Structure of Operating Manual:

The Operating Manual consists of two volumes -

- Volume I deals with the main provisions and procedures of OUIDF
- Volume II deals with specific annexes referred in Volume I

Volume I has two sections. Section I deals with the organization of OUIDF, its objective, components and sub-components under the OUIDF and the institutional arrangements. Section II deals with the Project Cycle and detailed procedures for project identification, project development, project financing, project monitoring and loan recovery.

Section I - About OUIDF

1. OUIDF - An introduction

An agreement on financial co-operation was signed on 15th May 2009 between Government of Federal Republic of Germany and Government of India for the financing of urban infrastructure projects with positive effects on the environment. A feasibility study was then undertaken by KfW Development Bank and the Housing and Urban Development Department (HUDD), Government of Odisha (GoO) on creation of the Odisha Urban Infrastructure Development Fund (OUIDF). The creation of OUIDF was approved by the State Level Project Monitoring Committee (SLPMC) on 21st June 2011 under the chairmanship of Chief Secretary, Odisha. The Committee approved the formation of OUIDF and authorized HUDD to take up further follow up action.

A Trust by the title "Odisha Urban Infrastructure Development Fund (OUIDF)" under HUDD was formed on 31st January 2013 for developing and financing projects with positive environmental impact by ULBs/ Statutory Bodies/ Public Sector Undertaking/ Private Investors.

The Board of Trustees is headed by the Chief Secretary with six other Trustees to collectively manage and administer the affairs of the Trust and Trust Funds.

In order to meet the goal of maintaining the current growth rates without jeopardizing the environment and its natural resources, Odisha requires an adequate expansion of its urban infrastructure particularly in the areas of water supply, sanitation and waste management. Financing the required urban infrastructure continues to pose a challenge for the ULBs/ Statutory Bodies/ Planning/ Development Authorities.

Thus OUIDF, a dedicated infrastructure fund is poised to fill the gap and also build institutional capacity of ULBs to undertake and manage projects.

2. Board of Trustees

The composition of Board of Trustees of OUIDF as on 1st June 2015 is as follows:-

- Chairperson (Chief Secretary, GoO is the Chairperson of the Trust)
- State Government Nominees - 4 Trustees
- Independent Trustees - 2 Trustees
- Government of India Nominee - Yet to be nominated by Govt. of India - Trustee

OUIDF Trust Secretariat manages the day to day functioning of the Trust. The Trust activities are supported by Project Development Agency (PDA) viz. Darashaw & Company Pvt. Ltd.

The organization chart of OUIDF Trust Secretariat and PDA is given in sub-section 4 of this Section-I.

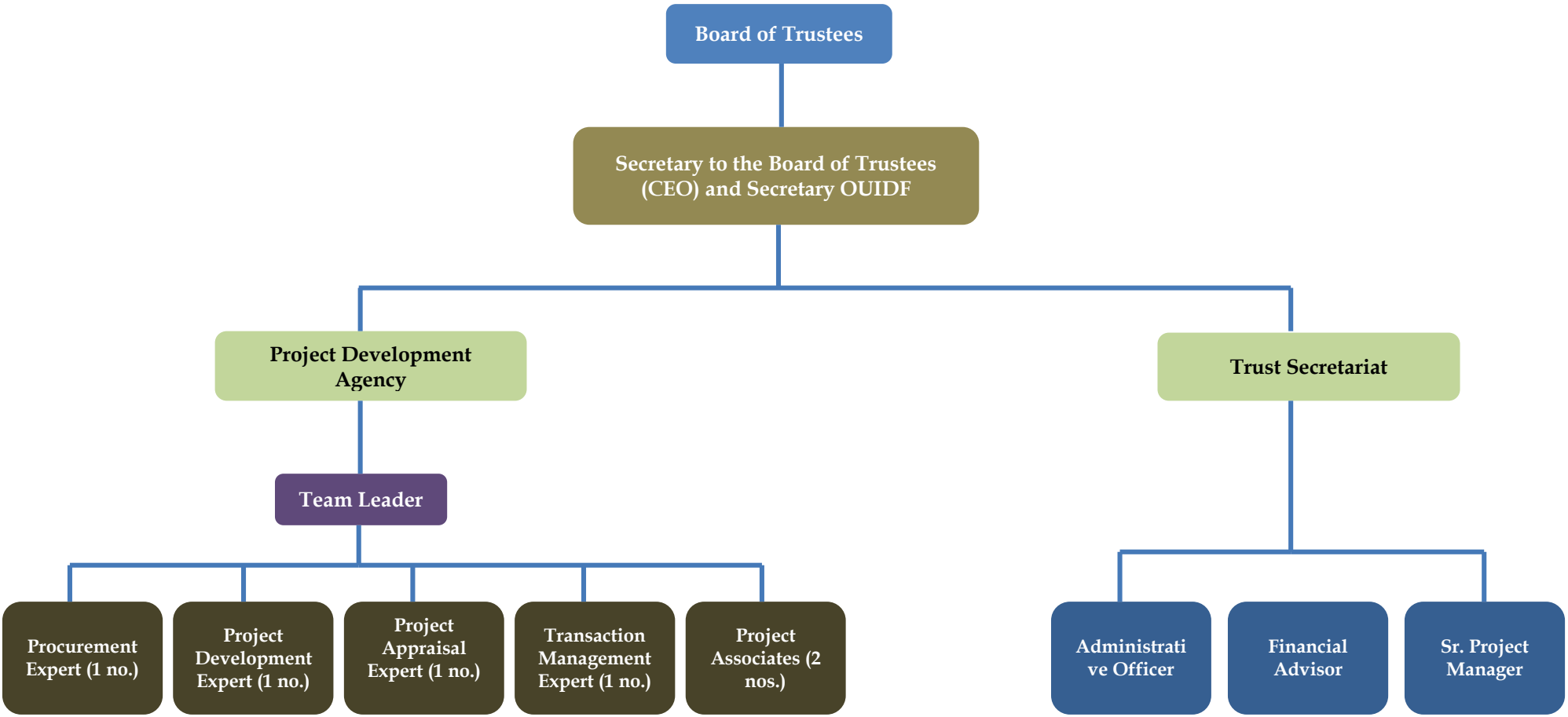
The roles and responsibilities of OUIDF Board of Trustees, Trust Secretariat and PDA are given in sub-sections 7, 8 and 9 of this Section-I.

3. Objectives of OUIDF

The objective of OUIDF is directed towards expansion of sustainable urban services through enhancing the quality of urban infrastructure and strengthening the institutional and financial framework. The primary objectives of creating OUIDF are:

- a. To provide financial assistance to Urban Local Bodies, Statutory Boards, Public Sector Undertakings and Private Investors, for implementing urban infrastructure projects with positive environmental impact in the State of Odisha.
- b. To provide loans or take equity position in the infrastructure projects sponsored by private investors on a commercial basis when the infrastructure projects are considered strategically important.
- c. To become financially self-sustainable and to mobilize sources (including private and capital market) to finance urban infrastructure development.
- d. To only invest in infrastructure projects that have a positive environmental impact, positive impact on climate change and no negative social impact.
- e. To strengthen the financial responsibility and project planning, financing and implementing capacities of the participating Urban Local Bodies/ Statutory Bodies/ Planning/ Development Authorities.

4. OUIDF Organization Structure



5. Components and sub components of the Fund

Assistance from OUIDF shall be available for promoting urban infrastructure projects. Three types of assistance are envisaged:

5.1. Urban Loan Fund (ULF)

Concessional term loan assistance with a maximum repayment period up to 20 years.

5.2. Viability Grant Support Fund (VGSF)

VGSF shall be provided as a viability grant for urban infrastructure projects.

5.3. Project Development Fund (PDF)

Project development assistance from out of the Project Development Fund (PDF) of OUIDF shall be utilized for all project development activities including but not limited to –

- Preparation of City Development Plans/ Master Plans
- Feasibility studies
- Detailed Project Report/ Bankable project report
- Preparation of tender documents with technical specifications and tender drawings
- Proof checking of reports/ designs/ drawings
- Procurement services/ Transaction Advisory services
- Construction supervision/ project management (Supervision Consultant/ Project Management Consultant/ Independent Engineer)
- Project monitoring/ Audit services
- Development of Environmental, Social and Climate Change Framework
- Development of innovative financial products
- Capacity building of ULBs, statutory boards, development authorities, regional improvement trusts, special planning authorities for O&M and sustainable management of new infrastructure. This would include technical training, establishing systems and processes; IT enabled solutions, GIS etc.
- Capacity Building of OUIDF / Asset Management Company

6. Sectors earmarked for funding

The following urban infrastructure projects are eligible for funding:

Core sectors:

- Water supply and water supply improvement schemes
- Underground sewerage scheme
- Solid waste management (including landfill sites, waste-to-energy, segregation, recycling and reuse, larger compost yards/ dump areas)

- Climate adaptation measures (e.g. stormwater and flood drains)
- Provision of basic urban infrastructure services in slums
- Rehabilitation and resettlement of slums

Other sectors:

- Energy efficiency projects including energy efficient street lighting
- Effluent treatment plants
- Bio medical waste management
- Roads, bridges, Road over Bridges, underpasses
- Traffic improvement schemes including junction improvements, traffic control systems
- Urban transportation projects including bus terminals, multi-level parking lots, bus shelters, improvement of urban transportation facilities such as Bus Rapid Transit System, Mass Rapid Transit System etc.
- Reclamation/ preservation of water bodies, river front development
- Slaughter house
- Electric crematorium
- Market complexes to regularize unauthorized hawking

However, under the existing line of credit available from KfW the core sectors mentioned above have been given priority (refer to OUIDF Lending Policy).

7. Role and responsibilities of Board of Trustees of OUIDF

- Enunciating guidelines for providing financial assistance in relation to infrastructure projects and also lay down policies relating to credit approval and investments.
- Enunciating guidelines for investment of unabsorbed Trust Funds not fully absorbed in infrastructure projects, in such a manner as Trustees deems fit.
- Enter into fund management agreement with private agency and delegation of powers as deemed appropriate to the fund manager.
- Monitor the performance of the Trust with respect to various objectives as stated in the Trust Deed and that of asset management on a quarterly basis.
- The Trustees shall at all times exercise due diligence in carrying out its duties for protecting interest of the beneficiaries.
- The Trustees shall ensure that all the transactions entered into by the fund manager have been properly entered into in accordance with this Deed of Trust.
- The Trustee shall supervise operations of the fund manager in relation to the Trust Fund.
- The Trustee shall formulate guidelines and set up additional mechanism including setting up and defining the role of an Operations Management Committee for oversight and monitoring of the Trust Fund and the activities of the fund manager.

8. Role and responsibilities of the Trust Secretariat

The Trust Secretariat is managed by the Secretary & CEO, OUIDF. The Secretary & CEO is responsible for guiding the Trust in its activities, providing strategic direction and monitoring day to day working of the Trust. The Secretary & CEO is assisted by the Administrative Officer, Financial Advisor and Senior Project Manager in the functioning of the Trust.

Role of Administrative Officer

The Administrative Officer (AO) is responsible for day to day smooth functioning and operation of OUIDF. AO will report to the Secretary, OUIDF. He will assist in supervising the payroll and personnel administration, purchase and managing the office operation.

- Administration of OUIDF employee files and records and ensure accurate payment of benefits and allowances
 - Administer employment agreements with Manpower service provider
 - Maintain leave records of OUIDF staff
 - Supervise completion of the payrolls and review of reports
- Supervise administrative services within OUIDF office
 - Management of documents; filing, security and storage
 - Repair and maintenance of computer and office equipments
 - Supervision of customer service and respond to inquiries
 - Preparation of proceedings of OUIDF Trust meetings and implementation of decisions
 - Administer contracts
- Perform other related duties as required and assigned by Secretary, OUIDF

Role of Financial Advisor

The Financial Advisor (FA) is responsible for the below mentioned financial affairs of OUIDF:

- Implement financial policies and procedures of OUIDF
- Assist in Budget formulation, scrutiny of projects and programs
- Opine in the matter of exercise of powers delegated under the rules
- Ensure maintenance of cash books, books of accounts and other registers
- Watch and review the progress of expenditures against sanctioned budget
- Ensure compliance of audit objections, inspection reports and draft audit paras and settle the objections with rectification of irregularities
- Reconciliation of Accounts
- Exercise control on all financial matters
- Perform other related duties as required and assigned by Secretary, OUIDF

Role of Senior Project Manager

The Senior Project Manager is responsible for all the following project financing aspects:

- Projects and Procurement
 - Technical, Procurement
 - Project Appraisal & Project Finance
 - Projects Monitoring & Management

- Project Development and Consultancy
 - Project development & generation of new projects
 - Empanelment & Procurement of consultants
 - Co-ordination of Consultancy Studies and Assignment

- Appraisal and lending Procedure
 - Project Appraisal-Technical, Financial, Environmental & Social Procedures
 - Loan sanction and documentation
 - Disbursement
 - Recovery
 - Management Infrastructure System
 - Assets Liability Management System

9. Role and responsibilities of the Project Development Agency

Darashaw & Company Private Limited (DCPL) has been selected as Project Development Agency (PDA) to manage Odisha Urban Infrastructure Development Fund through a transparent Bidding Process, an agreement to this effect was executed dated 5th August 2014. Scope of work of PDA -

9.1. Project Development

- Developing a strategy for Project development and getting the Project Development Plan approved.
- Continuous Project identification in consultation with the ULBs and GoO and working with ULBs, HUDD and OUIDF Board of Trustees to take up specific project preparation exercises and studies.
- Empanelment of consultants for carrying out project development activities referred to in sub-section 5.3 above.
- Consultative preparation of a shelf of bankable projects through a series of project preparation studies referred to in sub-section 5.3 above including -
 - crystallizing desired service outcomes,

- assessment of social, environmental and climate change impacts,
- project costs (capital and operation and maintenance),
- project structuring including determination of financing mix,
- revenue potential and project viability, cost benefit analysis, mechanism for setting tariff
- possible debt servicing capacity of the project
- implementation approach (EPC or PPP)
- capacity building including training
- O&M plans

9.2. Project Appraisal, Risk assessment

- Project Appraisal covering technical, financial, environmental and social and climate change appraisal
- Assessment of technical and financial risks, viability assessment for projects that are being developed.
- Assessment of borrowing capacity of borrowing agencies those are responsible for developing and maintaining the projects.
- Determination of financing mix (Loans, Grants, ULB funds) based on project viability and debt servicing capacity of the borrowing agency in consultation with borrowing agency and Trust Secretariat and recommendations on structuring including required credit enhancement measures. OUIDF Board of Trustees will decide on the financing mix taking into consideration the recommendations of the Loan Committee
- Analysis of the existing tariff system and the need for subsidies for sustainable O&M, interest payment and loan repayment
- Appraisal report for Loan and grant sanction in accordance with the Lending policy. The Loan and grant are sanctioned by Board of OUIDF Board of Trustees based on recommendations of the Loan Committee. The loan and other financing agreements with the ULBs are signed by Secretary & CEO, OUIDF.
- Entering into appropriate documentation with borrowing agencies including Loan cum Grant Agreements.

9.3. Project Contracting, Loan and Grant disbursements and Project Monitoring

- Preparation of model RFQs, RFP, Bid documents for selection of Consultants and Contractors
- Assist implementation agencies in procurement / contracting for both EPC and PPP projects in compliance with KfW and GoO requirements by appointment of consultants from empaneled consultants for DPR and tender document preparation and assistance in award of contract as part of Project Development activities

- Putting in place project implementation monitoring mechanisms such as appointment of supervision consultants from empaneled list of consultants as part of Project Development activities
- Recommendation to the Trust Secretariat for release of loan and grant in accordance with sanction and implementation schedule.
- Assist Implementation Agency in ensuring timely completion of projects and achievement of service delivery outcomes.

9.4. Collection of Loan and Interest Repayments

- Implement mechanisms for timely collection of Loan and Interest Repayments from various projects / implementation agencies
- Implement mechanisms for monitoring loan recovery, periodic reporting of loan performance and providing for Non Performing/Doubtful Assets in accordance with RBI guidelines and managing / mitigating Non-Performing Assets.

9.5. Mobilization of External Finance and Treasury Management

- Exploring avenues for raising external financing (including PPPs, Bond programs, Lines of Credit from other investors) depending on financing needs to augment available Line of Credit under the OUIDF for financing of urban infrastructure projects beyond the Line of Credit.
- Efficient Cash management and deployment of surplus cash under the various funds including Loan Fund, VGSF and PDF in safe but income-yielding securities / instruments. PDA shall submit its recommendations regarding deployment of funds to Trust Secretariat for its approval. Secretary & CEO, OUIDF shall decide on the deployment of funds.

9.6. Support to Capacity Building and reform initiatives of GoO

- Work with GoO and support GoO and its agencies in initiating and implementing specific reform measures to enable improved credit worthiness and project executing and operating capacity of Borrowing Agencies.

10. Security Mechanism

The security mechanism to secure OUIDF funds while financing a project is as follows:

- OUIDF shall have exclusive charge by way of hypothecation on all the machinery and equipments and mortgage of immovable property acquired/purchased for the purpose of implementing the project, as primary security.
- If the Borrower is an ULB, it should provide a Council Resolution authorizing the Government to adjust the dues of OUIDF (Principal, Interest and any other dues in the event of its default to repay the same as per the contractual obligation) from out of funds receivable for the ULB such as the State Finance Commission, Devolution of Funds, share on tax due to ULB or any other grant payable to the concerned ULB by HUDD, GoO.
- Letter of Comfort will be provided by HUDD to OUIDF to the effect that in case the Borrower defaults, HUDD shall pay the dues of OUIDF and adjust the same against the devolution fund/any other grant due to the concerned ULB. OUIDF shall send the demand notice to the concerned ULBs requesting for the payment of its dues as per the Terms of Agreement and a copy of the same shall be sent to Director, Municipal Administration (DMA). The default in payment shall be brought to the notice of DMA who will take appropriate action for payment of dues of OUIDF.
- In case of smaller ULBs, where the grant allocation is inadequate to meet the Debt service requirement of OUIDF, additional budgetary support shall be provided by the HUDD. The same shall clearly be recorded in the Appraisal Memorandum and be placed before the notice of the Board of Trustees of OUIDF at the time of sanction.
- The ULBs shall open an escrow account and the project revenues, property tax, professional tax collection and other revenues of the ULB shall be escrowed favoring OUIDF such that six month installment of the principal and interest is always maintained in the Escrow Account. This account will be in existence till the time of clearing the loan and other dues of this project to OUIDF. A tripartite agreement is to be executed between the borrowing ULB, Escrow Bank and OUIDF in this regard.
- If the Borrower is a Development Authority/Housing Board/or organization such as OWSSB, OUIDF shall escrow the receivables/grant paid by Government to the Borrower such that six month installment of the principal and interest is always maintained in the Escrow Account. A Board resolution needs to be provided by

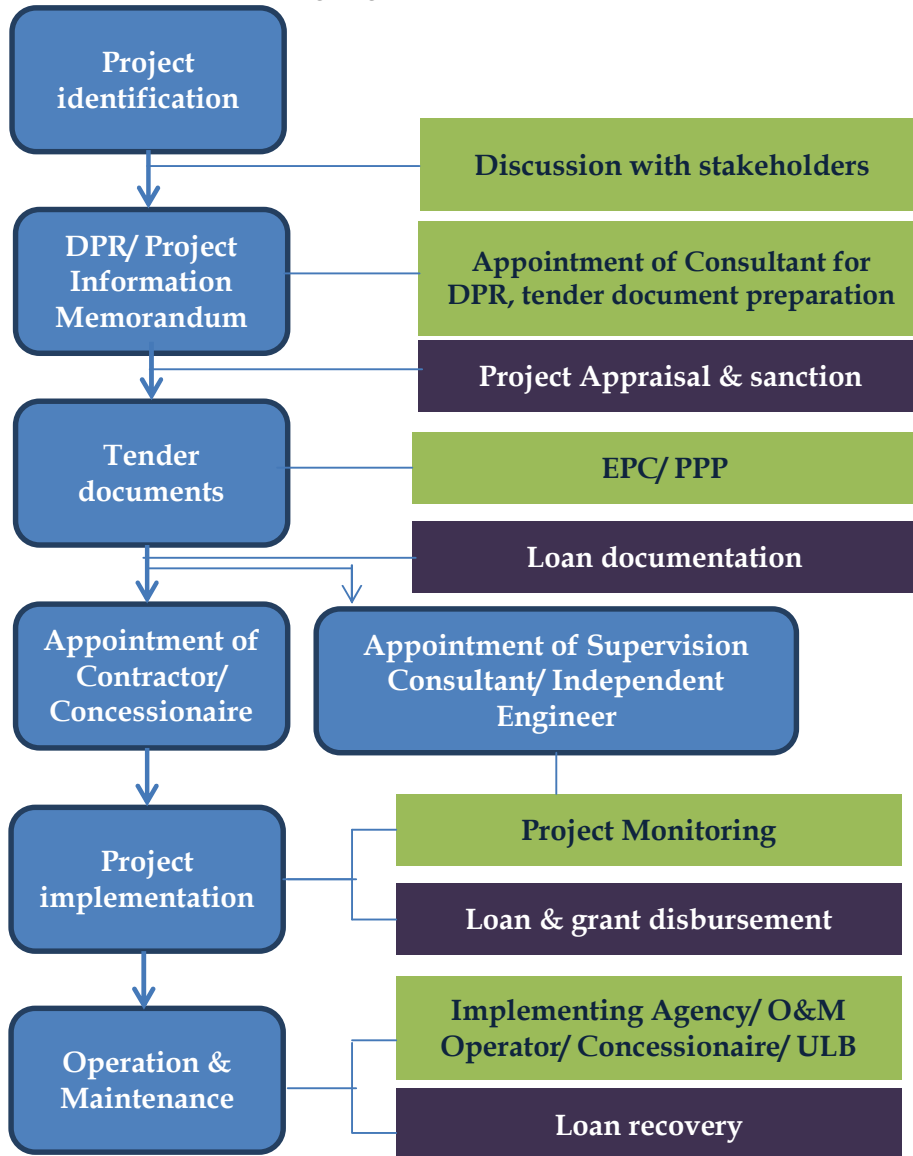
these Agencies accepting the above terms of condition of sanction by OUIDF, if they intended to avail financial assistance of OUIDF. A tripartite agreement is to be executed between the Borrowing Agency, Escrow Bank and OUIDF in this regard.

- If the Borrower is a Private Entity, Personal Guarantee of Promoters and Corporate Guarantee of Promoters are to be obtained by OUIDF.

Section II - Implementing Projects

1. Project Cycle

The various activities involved in a project cycle right from conceptualization to commissioning and post commissioning is given below.



A. Project identification

Project identification shall be done through discussions with the various stakeholders and implementing agencies.

B. DPR and tender document preparation

DPR and tender documents shall be prepared by the technical consultants appointed either by OUID or by the implementing agencies as given below:

OUIDF has empaneled technical consultants for preparation of DPR and tender documents, proof checking and construction supervision for various sectors. To avail Project Development Fund for DPR preparation, the borrowing agency shall follow the KfW guidelines for appointment of Consultants and shall select consultants from the empaneled list of consultants of OUIDF.

- Appointment of consultants by OUIDF for DPR and tender document preparation
 - OUIDF has empaneled a list of consultants for various sectors
 - RFP shall be issued to the empaneled consultants
 - Consultant shall be selected on Quality and Cost Based Selection (QCBS) basis
 - OUIDF shall follow contracting procedures of KfW or respective donor agency procedures such as World Bank, ADB etc. for selection of consultant. Only the empaneled consultants shall be requested for proposals.
 - TOR, qualification criteria for selection of consultants shall be tailor made for each project. The TOR shall clearly define the scope work of consultants including analysis of alternative solutions and their cost/benefit evaluation, aspects related to environmental, social and climate change framework, sustainability with regards to O&M, subsidies required etc.
 - Preparation of tender documents and assistance in appointment of contractor shall be part of scope of the work of the consultant
 - In case of PPP projects, appointment of concessionaire shall form part of scope of the consultant/ transaction advisor
 - The Evaluation Committee shall present the evaluation report to OUIDF CEO for approval. OUIDF CEO/ Officer authorized by OUIDF CEO shall issue work order to the selected consultant.

- Appointment of consultants by borrowing agency for DPR and tender document preparation
 - Implementing agencies such as PHEO, OWSSB undertake preparation of DPRs for various towns by prioritizing based on various parameters such as population, existing service delivery, technical feasibility etc. from time to time.
 - To avail Project Development Fund for DPR preparation, the borrowing agency shall follow the KfW guidelines for appointment of Consultants and shall select consultants from the empaneled list of consultants of OUIDF. Borrowing agency shall obtain no-objection from OUIDF prior to issue of work order to the Consultant.
 - If the Borrowing Agency intends to prepare DPR in-house or appoint a Consultant following procurement procedures other than that of KfW, then such DPR shall meet the requirements stipulated by OUIDF in the DPR including

analysis of alternative solutions and their cost/benefit evaluation, aspects related to environmental, social and climate change framework, sustainability with regards to O&M, subsidies required etc.

- In case of PPP projects, appointment of concessionaire shall form part of scope of the consultant/ transaction advisor
- For projects where DPR and tender documents are already available OUIDF will check the DPR and tender documents for quality and completeness. Any gaps in the DPR or tender document shall be rectified by the implementing agency. In case the DPR or tender documents prepared is of very poor quality, implementing agency shall prepare fresh documents by appointing consultant from OUIDF list of empaneled consultants.

▪ Broad scope of work of DPR consultant

I. Survey Analysis & Feasibility Study -

- Carry out a survey of the proposed project site and submit a survey analysis report.
- Technology selection with analysis of alternatives and proposal of best solution (cost/benefit ratio).
- Environmental, social, climate change impact assessment and mitigation measures assessing project feasibility.

II. Preparation of Detailed Project Report -

- Finalisation of technical option
- Detailed designs
- Cost estimates
- O&M plan

III. Preparation of tender documents -

- Technical specifications
- Tender drawings
- Bill of quantities
- Work description
- Tender conditions/instructions
- Contract conditions
- Technical Forms

Detailed cost estimate will be prepared by the Consultant for comparison with the bids.

C. Project implementation and monitoring

- EPC projects will be implemented by the contractor appointed by the borrowing agency and the liability of contractor shall end upon fulfillment of defects liability period (typically one year from commissioning) unless O&M is included as part of contractor's scope of work
- PPP projects will be financed, implemented and operated by the Concessionaire in accordance with the Concession Agreement
- For every project financed out of OUIDF, a Supervision Consultant shall be appointed for monitoring of the implementation to ensure technical quality of the construction as well as ensuring that KfW guidelines are followed.
- If the Borrowing Agency demonstrates availability of adequate manpower, relevant experience in implementing similar projects then the condition of appointment of Supervision Consultant can be waived with the approval of OUIDF. The Appraisal Report for such projects shall specify the capacity of the Borrower to undertake construction supervision on its own.
- Fees for Supervision consultants can either be paid out of the Project Development Fund (PDF) or out of the Borrower contribution. It can also be included as a part of total project cost and paid out of OUIDF loan fund or viability grant support fund (VGSF).
- If the fee of Supervision Consultant is to be paid out of PDF or OUIDF loan fund or OUIDF viability grant fund then the Supervision Consultant shall be appointed by following the procurement guidelines of KfW/ respective donor agencies. The supervision consultant shall be selected from the list of consultants empaneled by OUIDF.
- Project monitoring shall be done by supervision consultant appointed by OUIDF/ implementing agency preferably from the empaneled list of consultants of OUIDF.
- In case of PPP projects, project implementation shall be monitored by Independent Engineer appointed by the contracting authority.

D. Appointment of supervision consultant/ Independent Engineer

Supervision consultant/ Independent Engineer shall be appointed either by OUIDF or by the implementing agencies as given below:

- Appointment of supervision consultant/ Independent Engineer by OUIDF
 - OUIDF has empaneled a list of consultants for various sectors.
 - RFP shall be issued to the empaneled consultants.
 - Consultant shall be selected on Quality and Cost Based Selection (QCBS) basis
 - OUIDF shall follow contracting procedures of KfW/ respective donor agency procedures such as World Bank, ADB etc. for selection of consultant.

- TOR, qualification criteria for selection of consultants shall be tailor made for each project.
 - Review and approval of O&M manual submitted by contractor/ concessionaire shall be part of scope of work of supervision consultant.
 - Appointment of O&M operator may be included in scope of work of supervision consultant in certain cases.
 - OUIDF shall prepare Terms of Reference and Tender Documents for the appointment of Supervision Consultant.
- Appointment of supervision consultant by implementing agency
 - Implementing agencies such as PHEO, OWSSB, ULBs shall appoint supervision consultants as per procurement guidelines of KfW and select consultants from the list of empaneled consultants of OUIDF. Supervision consultant's fee is not payable from PDF or Loan Fund or VGFS unless KfW procurement guidelines are followed.
 - Review and approval of O&M manual submitted by contractor/ concessionaire shall be part of scope of work of supervision consultant.
 - Appointment of O&M operator may be included in scope of work of supervision consultant in certain cases.
 - OUIDF shall prepare Terms of Reference and Tender Documents and assist implementing agencies in the appointment of Supervision Consultant.
- Broad scope of work of construction supervision consultant
 - Proof checking and commenting on designs and drawings of the supervision consultant
 - Supervision of implementation of Environmental Management Plan, R&R measures
 - Quality control of works and factory inspection, if any.
 - Monitoring of progress of work and reporting
 - Certification of running bills
 - Issue of utilization/ completion certificate
 - Review and approval of O&M manual
 - Appointment of O&M operator may be included in scope of work of supervision consultant in certain cases.
- Broad scope of work of Independent Engineer
 - Review and approval of Concessionaire's plans, designs and drawings
 - Monitoring of the work and checking conformity to design standards, Concession Agreement

- Monitoring of progress of work and reporting
- All activities assigned to the Independent Engineer in the concession agreement

The reporting frequency of the supervision consultant/ independent engineer shall normally be on a monthly basis. However, depending on the nature of the assignment, the reporting frequency can be made weekly or fortnightly. The consultant will prepare a progress report under the following heads:

- Comparison of mile stones achieved versus the planned mile stones
- Explanation for the variance in the shortfall in physical achievement
- Receipt of funds - planned vs. actual
- Pending issue relating to shifting of services, land related issue (specific to project site)
- Problems which might hamper the time schedule and quality and risk mitigation measures
- Progress on the implementation of Environmental Management Plans
- Progress on the implementation of Rehabilitation and Resettlement Plans
- Progress of as-built drawings, quality and recommendations
- Training and capacity building

A review committee comprising of minimum five members shall be formed to review the progress report every month. The representatives of following agencies shall be present in the review meeting:

- Representatives of the implementing agency
- Representative from the Housing & Urban Development Department
- Representatives from OUIDF
- Contractor's representative
- Consultant's representative

E. O&M

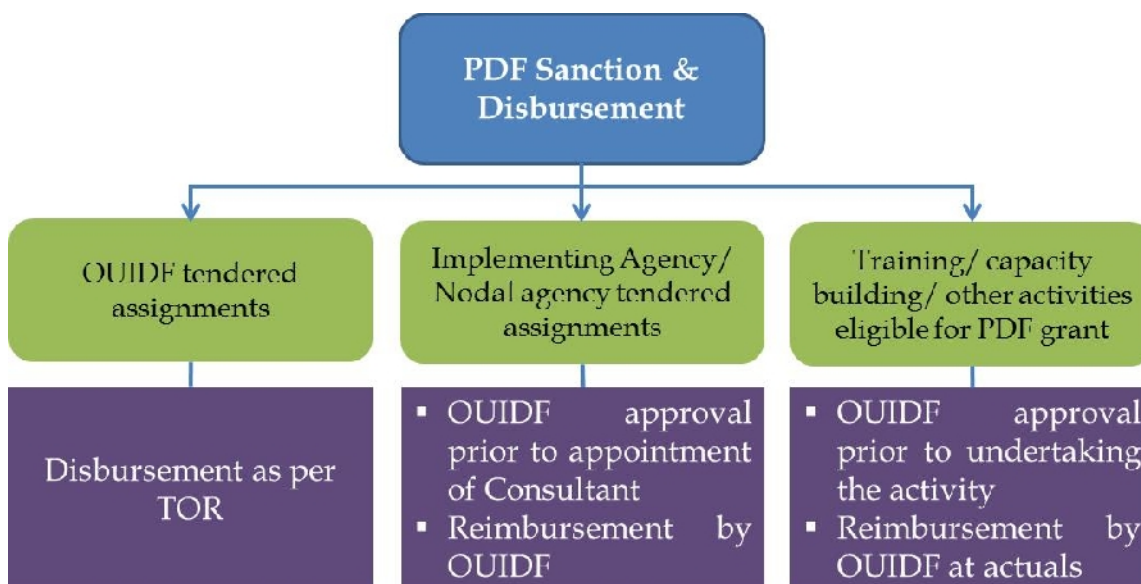
- O&M shall be undertaken by the implementing agency/ULB/ O&M operator
- Institutional framework for O&M shall be elaborated in the feasibility report/ DPR.
- The project appraisal will also look at the implementing capacities of the ULB
- Training needs of future O&M staff will be identified during preparation of DPR and the capacity building exercise shall be initiated and implemented during the project implementation phase itself
- If O&M operator is to be appointed for the project, the selection process for the same shall be initiated 9 months prior to commissioning of the project

Evaluation Committee

An evaluation committee comprising of minimum five members shall be formed comprising OUIDF representatives, respective department representatives and implementing agency representatives for evaluation and selection of consultants for construction supervision for various projects. The composition of the evaluation committee will be finalized prior to receipt of bids.

2. Procedure for appraisal and disbursement of PDF

Eligible items for which PDF can be disbursed are given in clause 5.3 of Section I. PDF grant shall be provided under the following three categories:



2.1 OUIDF tendered assignments

Project development activities will be taken up by OUIDF by appointment of Consultants for various services. The fees for various consultancy services shall be provided out of the PDF as per the Terms of Reference for the respective consultancy services assignment.

OUIDF shall review the reports submitted by the Consultants from time to time for various milestones and approve the same. Where possible, OUIDF shall conduct review meeting along with the implementing agency. Minutes of review meeting will be recorded. Disbursements shall be made only after approval of the reports. Format of disbursement memo is attached as Annexure 1.

2.2 Implementing Agency tendered assignments

Project preparation and development activities shall also be taken by the implementing agencies/ nodal agencies by appointment of consultancy firms. For availing PDF for such project preparation and development activities the implementing agency/nodal agency shall make an application to OUIDF. The application would cover the following:

- a. Project name
- b. Background and need for technical assistance
- c. Scope of services of the assignment
- d. Estimate of cost of consultancy services and the terms of payment
- e. Draft copy of the RFP document for consultancy services

OUIDF shall review the RFP document and suggest changes if any regarding scope of work, terms of payment and other conditions. The process for selection of consultants by implementing agency/ borrowing agency is given in Section II Clause 1 (D).

Implementing agency/ nodal agency shall submit the evaluation results to OUIDF for appointment of Consultant within 7 days from the date of finalization of results. OUIDF shall review the selection procedure and reserves the right to comment or object to the selection. Draft copy of work order/ consultancy services agreement shall also be submitted to OUIDF for approval by the implementing agency/ nodal agency prior to signing of such work order/ agreement.

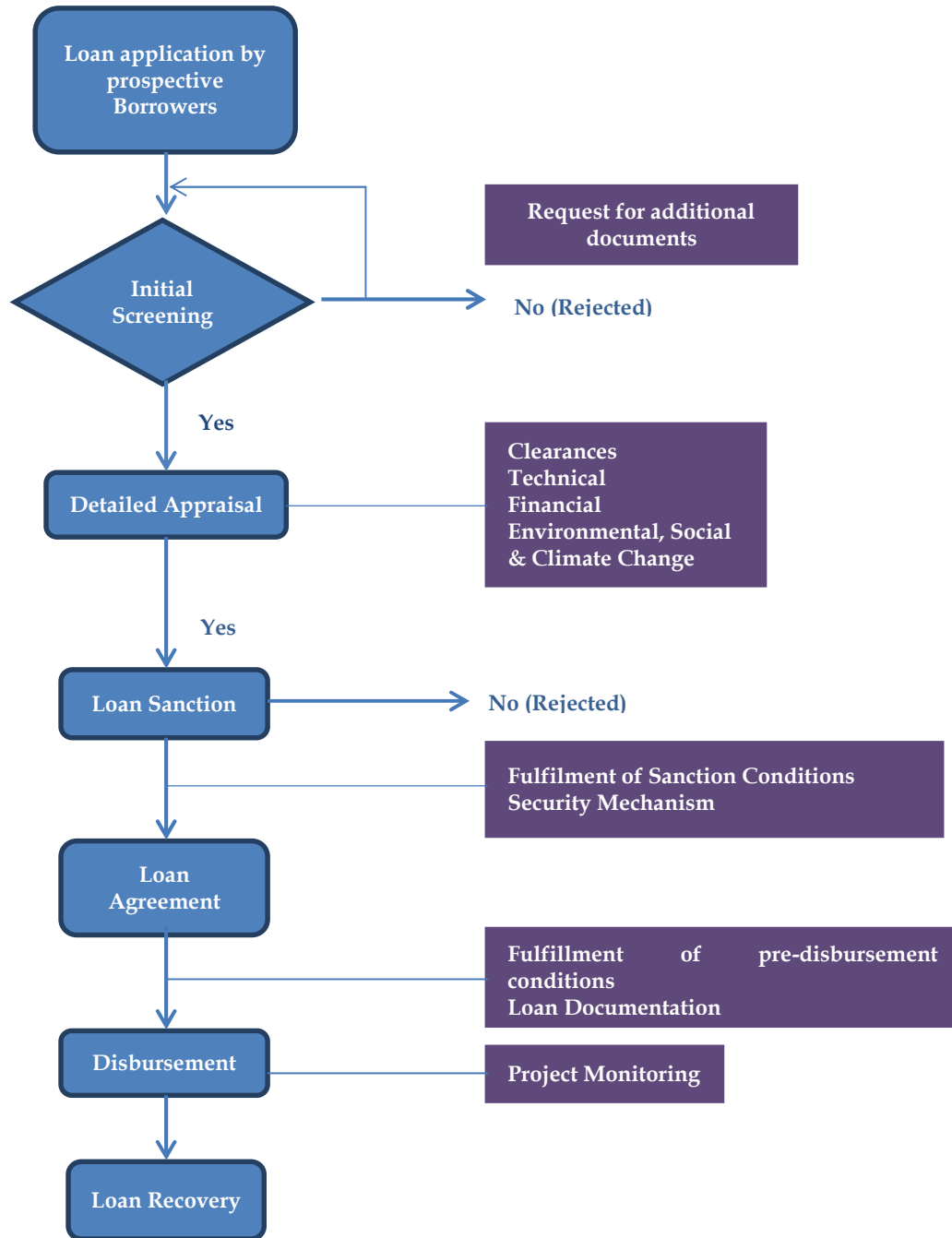
The implementing agency shall make payments to the appointed consultants as per the TOR. Within 15 days from the date of payment to the consultants, the implementing agency shall raise request for reimbursement to OUIDF. Alternatively, OUIDF may make direct disbursement to the consultants upon request from the implementing agency.

2.3 Other activities eligible for PDF grant (e.g. trainings and capacity building, supervision / project management consultants and other)

PDF shall also be made available for carrying out training and capacity building activities of OUIDF subject to KfW/ donor agency approval and implementing agencies. Implementing agencies intending to avail the PDF towards training and other capacity building initiatives shall apply to OUIDF with details of program, scope of services and the budget at least 10 days prior to such program. OUIDF shall review the program and grant approval. The agency shall submit request for reimbursement to OUIDF with proof of payments made along with copy of bills.

3. Viability Grant & Loan Appraisal Procedures

Appraisal of a project begins with submission of a loan application along with requisite documents by the prospective borrower. OUIDF provides financial assistance to project implementing agencies in the form of loan and grant. The loan appraisal by OUIDF involves the following steps:



3.1. Loan application by prospective borrower

Prospective borrower intending to avail loan and grant shall submit loan application form in the format provided in the Lending Policy along with the following documents:

- a. Council/Board Resolution (indicating the intention of the Council/ Board to undertake the project with OUIDF funding)
- b. 2 hard copy of Feasibility Study/ Detailed Project Report/ Project Information Memorandum and also soft copy with excel financial model, cost calculations, AutoCAD drawings. Feasibility Study/ DPR to include -
 - i. best project option amongst alternatives
 - ii. Environmental, Social and Climate Change impact assessment
 - iii. risk assessment
 - iv. financial/economic viability
 - v. institutional set up for O&M
 - vi. proposed tariff structure to recover O&M cost and debt service; alternative sources of revenue to meet O&M cost and debt service in case the project revenues are insufficient
- c. Status of land acquisition and the schedule for acquisition of the land for the project
- d. Key clearances required for the project and their present status
- e. Documents establishing inclusion of project in the City Development Plan (not a mandatory condition)
- f. Audited financial statements of the last five years
- g. Undertaking _____ to provide letter of comfort from GoO for repayment of dues to OUIDF in case of default of borrower
- h. Details of the person to act as Project/Nodal Officer of the project
- i. Organization for implementation
- j. In case of private sector
 - i. Project Information Memorandum
 - ii. Concession Agreement
 - iii. Memorandum of Association & Articles of Association of the project company and promoter company
 - iv. Existing Banker's details
 - v. Details of the associated concern
 - vi. Details of the existing firm / business
 - vii. Documentation relating to collateral security if any
 - viii. Outstanding loans/ interest arrears if any and whether any corporate debt restructuring has been undertaken for any of the group

- companies
- ix. Brief note on the Board of Directors and key management personnel of the parent company
- x. Credit rating of the borrower
- k. Project cost and means of finance and status of tie up of balance funds

3.2. Initial screening of project/ prospective borrower by OUIDF

OUIDF shall review the loan application and the supporting documents submitted and carry out initial screening of project/ prospective borrower. At initial screening stage OUIDF shall appraise/ review the following:

- a. Sector eligibility w.r.t lending policy
- b. Whether the loan sought by the prospective borrower is within the limits provided in the lending policy. If the loan sought is in excess of maximum permissible under lending policy, OUIDF shall return the documents to the prospective borrower for re-submission of loan application
- c. Whether the borrower/ project meets the minimum criteria prescribed in the lending policy
 - i. DSCR
 - ii. Debt equity
 - iii. Collection efficiency, revenue/ expenditure for ULBs
 - iv. FIRR/ EIRR
 - v. Net worth
- d. Board resolution/ council resolution approval
- e. Administrative approval
- f. Whether there are any issues relating to land acquisition/ clearances which would affect project implementation?
- g. Whether the project has a positive environmental impact?
- h. Whether the prospective borrower has given undertaking to provide security to the satisfaction of OUIDF?
- i. Credit worthiness of borrower based on past track record in terms of payment of principal and interest dues

The Initial Screening Report (ISR) is prepared based on the information provided by the borrower. Format of ISR provided in Annexure 2. The objective of the ISR is to analyse whether the initial parameters of the proposed project and the finances of the borrower (based on the information provided along with the application form) satisfy the appraisal criteria as set out in the lending policy. The ISR would contain an analysis of:

- Rationale of the project – OUIDF shall assess the need for the project in terms of the market demand, positive environmental impact, selected option for development vis a vis other possible development options etc. This can be done by taking factors like cost benefit ratio, low risks, borrower’s capability to operate and maintain the asset etc.
- Credit worthiness of the Borrower–The financial condition of the Borrower be assessed by taking into consideration the availability of assets and extent of liabilities. Further the history of their repayment of liabilities will also be undertaken to judge its credit worthiness. The Borrower should comply with DSCR and other requirements as prescribed in the lending policy.
- Environmental, Social& Climate Change impact – OUIDF shall study the DPR to ascertain any adverse comment being highlighted that may have a negative effect on the environmental and social conditions. The DPR should help understand how the proposed project would help in improved health and increased social benefits.
- Key approvals and clearances required for the project, must be in place, if not their current status must be updated.
- Adherence to Credit Policy – The compliance of the proposed project with OUIDF’s lending policies pertaining to exposure cap with respect to sectors of funding, borrower and OUIDF’s net worth shall be ensured at the stage of initial screening. Basis this compliance a detailed project appraisal would be carried out.

If a project does not satisfy the norms given in the Initial Screening Report (ISR), the project should be returned for compliance or shall not be taken up for further appraisal, as the contents of the ISR ensure safeguards to OUIDF for its loan.

Once it is found that the proposed project and the borrower finances satisfy the lending policy criteria, the detailed analysis is then taken up.

OUIDF - PDA would, within 20 days of the receipt, process the application and prepare the Initial Screening Report (ISR) along with recommendation, taking into account all the information provided by the borrower in the loan/grant application.

Recommendation

OUIDF shall prepare an initial screening report with recommendation of one of the following:

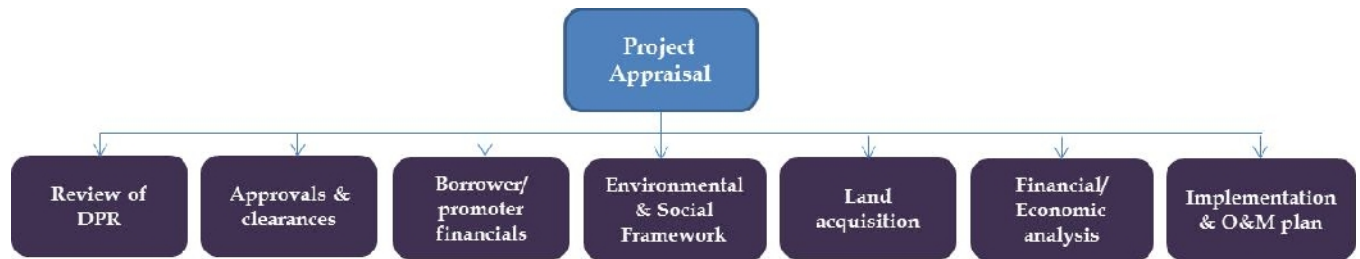
- Acceptance
- Rejection

- Request for additional documents
- Acceptance with the condition that the borrower shall provide additional documents prior to completion of detailed appraisal/loan sanction

The proposals accepted with/ without conditions shall be taken up for detailed appraisal.

3.3. Detailed Appraisal

The detailed appraisal involves the following steps:



i. Review of DPR

The detailed appraisal begins with the appraisal of the DPR for its completeness. Checklist for DPR is given in Annexure 3.

Technical appraisal

Technical appraisal involves review of –

- need for the project
- demand assessment
- site characteristics
- technology
- various project components
- designs
- conceptual drawings
- cost estimates

Demand analysis involves quantifying the existing and the required service levels. The difference between existing service levels and actual requirements would provide justification for developing such projects. This can be further identified and justified through consultations with the community and other stakeholders.

Site analysis would involve studying the site characteristics, access, physical infrastructure, connectivity and other parameters for its suitability. The other aspect regarding the site is the

legal ownership. The prospective borrower/ implementing agency/ state government shall have ownership of the land.

Technology is an important feature in a project. OUIDF shall review the technology proposed to be adopted for the project and assess its suitability covering various parameters including –

- Size of the project
- Site conditions
- Ease of operations
- Life cycle cost
- Compliance with statutory conditions etc.

Designs & drawings

OUIDF shall check whether all the components necessary for the smooth operations of the project are included in the project. OUIDF shall review the design calculations for its adequacy and corroborate with the drawings.

Work schedule

Once the layout and design are found to be satisfactory then the project work schedule is reviewed. The PERT and CPM charts of project shall be studied by OUIDF and checked whether all the project activities are included and whether there is scope for speeding up project implementation.

Cost estimates

With regard to cost estimates, OUIDF shall check the following:

- Whether all the cost components are included
- Whether the items flow from the project design
- Whether the basis for the cost estimates have been provided
- Whether suitable provision has been provided for pre-operative expenses, contingency and cost escalation

ii. Approvals and clearances

OUIDF shall also review the various approvals and clearances required for start of construction of the project, the timelines for obtaining clearances and the status of the same.

A checklist of all approvals and clearances required for the project shall be prepared for easy monitoring.

Keyclearances include -

- Land alienation/ acquisition - if not acquired (status and realistic timeline for acquisition/ alienation)
- Environmental Clearance/ Consent to Establish from Pollution Control authorities - if not obtained realistic timeline for obtaining approval to be any site related issues which would delay clearance, such issues to be stated by the Borrower
- Forest Department clearance if any required for the project

Other clearances include -

- Permission for tree cutting
- Power and water approval from respective departments
- Building permission approval from planning authority
- Administrative approval

iii. Borrower financials - Credit worthiness of borrower

Borrower credit worthiness is evaluated on the basis of past track record. OUIDF shall review last 3 year financial data of the borrower. Analysis will include -

- Study of various revenue sources of the borrower - user fees, grants etc.
- Collection efficiency, revenue/ expenditure in case of ULBs
- Outstanding loans and any arrear principal and interest due

iv. Environmental, ClimateChange and Social Management Framework

The DPR submitted by the prospective Borrower shall have detailed environmental impact assessment of the Project and the Environmental Management Plan to be adopted during implementation and operation of the Project.

The DPR shall also include a social impact assessment report with a clear Rehabilitation & Resettlement Plan wherever applicable. It must clearly state the positive and negative impacts of the project on the community. It must focus on Project Affected People (PAP). Although a sub project should ensure that there is no involuntary loss of land/built up structures, in case it is unavoidable, PAP shall be adequately compensated. Additionally a resettlement framework has to be developed in such cases; the cost involved in such resettlements should be incorporated in the cost of the project. The entitlement for PAP's shall be in accordance with the guidelines issued by Govt. of Odisha. The DPR shall address compliance with ECSMF.

The DPR shall include checklist on impact of the project on climate change and also climate proofing of the project.

v. Land acquisition

Most of the project delays arise due to issues associated with land acquisition. In many cases, even if land is in possession of the implementing agency, protests of local residents against the project derails/ delays a project. In view of this, the implementing agencies are advised to take the local population into confidence at the initial stage of a project itself. OUIDF shall review the status of land acquisition, the rehabilitation measures in place and whether there are any issues pending w.r.t the project site.

vi. Financial and economic analysis

OUIDF shall review the financial viability of the project. Key financial indicators evaluated would be

- FIRR
- DSCR
- EBIDTA & PAT margin

The prospective borrower shall indicate the proposed user charges to be levied post implementation of the project, the basis for such user charges backed by consultations with stakeholders and Board/ Council resolution to levy such charges.

The project revenues, O&M costs and cash flows shall be reviewed in detail to ascertain the accuracy and completeness of the assumptions and the projections.

Sensitivity analysis will be carried out for key project parameters.

- Increase in project cost
- Reduction in revenue
- Increase in O&M expenditure

For infrastructure projects which are not financially viable the test for project acceptance is Economic Internal Rate of Return which will quantify the social and economic benefits arising out of a project.

vii. Implementation plan

OUIDF shall review the implementation and O&M Plan. The institutional framework for O&M shall be in place prior to start of project implementation. OUIDF shall review the organization structure for implementation and O&M for its adequacy. Where training is required, OUIDF shall review the training program module for its completeness and relevance.

The DPR shall present an implementable O&M plan for the asset created, so that the Borrower would be able to continue operating and maintaining the system as planned, as and when the

asset is taken over from the contractor. The cost of maintaining the system must be mentioned in the DPR with break up and due justification for the same must be presented in it.

The capacity of the Borrower on the implementation side needs equal attention. The assessment is required to ensure that the Borrower possesses the required competent staff, especially in the technical area for operations and maintenance of the project after its implementation.

The DPR presented for appraisal should highlight the overall manpower strength required and the existing strength available and the gap to be filled with regards to human resources required to manage the project.

Additional parameters to be reviewed for PPP projects

In a typical PPP project, the developer designs, builds, finances and operates the asset/ project for a certain period (Concession period) and transfers the asset to the municipality/ government authority at the end of the concession period. The service level parameters to be adhered to by the developer during O&M period is well defined in the Concession Agreement. Review of PPP projects include -

a. Review of Concession Agreement

This includes review of -

- conditions precedent,
- user fees/ assurance of revenue stream for the project
- responsibilities of the Concessionaire and Contracting Authority
- key technical parameters
- service level benchmarks
- security mechanism for Lender – Escrow Agreement, Substitution Agreement
- Termination payments applicable to Lender

b. Borrower/ promoter financials - Credit worthiness of borrower

Borrower credit worthiness is evaluated on the basis of past track record. OUIDF shall review last 3 year financial data of the borrower/ promoter companies. Analysis will include -

- Debt Equity ratio
- DSCR
- Current ratio
- Outstanding debtors beyond six months
- Cash flows from operations
- PAT margin & EBIDTA margin
- Outstanding loans and any arrear principal and interest due/ any Corporate Debt Restructuring/ lender defaults/ NPAs

3.4.Preparation of Appraisal Note to the Loan Committee

After conducting the detailed appraisal, the observations are recorded in the appraisal note. The contents of the appraisal note would be:

- Introduction – Background of the town & town profile
- Debt status of borrower
- Demand and supply analysis
- Scope of the project
- Contracting procedure
- Cost Benefit Analysis / Economic rate of return
- Means of finance
- Institutional capacity to implement the project
- Implementation schedule
- Risks and uncertainties
- Environmental, climate and social impacts and compliance with ECSMF
- Recommendations

Appraisal note format is attached as Annexure 4.

3.5.Recommendation of a project by the Loan Committee

The structure of the Loan Committee is given below –

- Chairman
- Member Convenor
- Other members (2 members as on May 2015)

Once OUIDF carries out a detailed appraisal of the project, it is forwarded to Loan Committee for its recommendation before being placed before the Board of Trustees of OUIDF. The recommendations of the Loan Committee is incorporated in the appraisal note and is then forwarded to the Board of Trustees for their recommendation and subsequent approval.

4. Sanction of a project by Board of Trustees

The Board of Trustees based on recommendation of the Loan Committee shall either approve, reject or defer the project proposal with their observations.

Acceptance of sanction conditions by the prospective borrower

After the approval of a loan/ grant proposal by OUIDF Board, the draft sanction letter shall be issued to the prospective borrower for his comments and acceptance. The loan sanction letter format is given in Annexure 5.

The borrower shall obtain approval from council/ board for loan sanction letter for contracting the debt as per the governing law and also commitment to adhere to the security mechanism specified in the sanction letter. Format of the council/board resolution is attached as Annexure 6. The borrower shall accept the sanction letter within 45 days from the date of issue of sanction letter.

5. Loan Agreement

The borrower shall within 6 months from the date of acceptance of loan and grant sanction letter, fulfill the terms of sanction. Some of the conditions of sanction for fulfillment prior to signing of Loan Agreement shall be -

- Obtaining various approvals and clearances
- Administrative Sanction
- Technical Sanction
- Land acquisition
- Preparation of tender documents
- Appointment of construction supervision consultant/ Independent Engineer if applicable
- Undertaking to provide necessary collaterals, security as per the sanction letter
- Undertaking to bring promoter/ borrower contribution/ equity and source of same

A model of the loan agreement is attached as Annexure 7.

5.1. Procurement of Goods and Works

The tender procedures can simultaneously be taken up by the local bodies, during the time period taken for sanctioning the loan. But normally tender procedures can be taken up only upon tying up of funds for the project. In order to ease this procedure, it is suggested that on analyzing the finances of the implementing agency and post Initial screening, an in-principle sanction can be given if the finances are found satisfactory.

The agency, who obtains loan/ grant from OUIDF for implementing the project, shall follow the model bid documents approved by OUIDF.

5.2. Work Agreement with Contractor

The works agreement is entered into between the implementing agency and the contractor. OUIDF shall ensure that agreement is entered, as it provides a basis for releasing their payments for mobilization. A copy of the work agreement shall be made available in the files of OUIDF.

5.3.Appointment of Supervision Consultants

The Borrower shall appoint supervision consultants as prescribed in Section II 1 (D),who will be mandated to ensure smooth flow of work and a speedy progress.

5.4. Legal Documentation

Documentation comprises the internal compilation of files as well as the preparation and conclusion of credit agreements. From a risk perspective, the central issue here is the detailed description of the process steps to be carried out and the responsibilities in the internal guidelines.

After getting the council/board resolution and acceptance letter from the Borrower, the legal documentation is effected. The Borrower will execute a loan agreement with OUIDF.

Credit file is to be maintained for respective borrowers which would be the central instrument of documentation. All the original executed documents are to be filed in this credit file. It should include all documents and decisions relevant for the credit approval so that it is possible to review the credit approval process at any time. A distinction has to be made between the internal coordination and review of contracts and the legally effective conclusion of contracts between OUIDF and Borrower.

6. Disbursement to the Borrower

A. Fulfillment of pre-disbursement conditions

- Creation of Security to the satisfaction of OUIDF
- Letter of Comfort
- Appointment of Contractor
- Appointment of Independent Engineer/ Supervision Consultant
- Land in possession of implementing agency
- All approvals and clearances shall be in place
- Borrower contribution for the project to be brought in/ utilization of same to be provided
- Opening of Separate Account in case of ULBs/ Government borrowers and Escrow Account in case of private borrowers
- Approvals for designs and drawings of borrower by Independent Engineer in case of a PPP project
- Other project specific conditions, as decided upon by OUIDF Board of Trustees

6.1. Loan Disbursement

Prior to disbursing the credit, the Borrower's credit exposure should be subjected to a final check. This check should cover at least the following points:

- Compliance with internal guidelines;
- Completeness of the credit application;
- Receipt of confirmation that the credit applicant has complied with the conditions precedent; and
- Signing of the credit and collateral agreements in accordance with the decision-making structure.

Checklists should be used to achieve a risk-mitigating standardization of the process.

Principles to be followed:

1. The main objective in framing a disbursement rule is to minimize the interest during construction of a project.
2. The drawdown schedule should aim at following order of utilization
 - a. Equity contribution
 - b. Loan & Grant from Central and State Government Scheme
 - c. Using other interest free and non-refundable means of finance first
 - d. The refundable and low interest cost funds should be drawn next
 - e. OUIDF loan and grant as per the terms of disbursement
 - f. Disbursement by OUIDF shall be in tandem with disbursement by other lenders for the project
3. The disbursement should be based on the terms and conditions of the sanction of loan and in line with the loan agreement.

Disbursement Rules

Disbursement shall be done after receipt of the following

- Receipt of grant / loan requisition from the borrower
- Receipt of utilization certificate for the funds already disbursed if any
- Progress report (physical and financial) of the supervision consultant appointed from the list of empaneled consultants

The first tranche of loan shall be released upon furnishing necessary documentary proof for compliance of pre - disbursement conditions such as:-

- Land Possession/Alienation
- Tying up for means of finance with the financial institutions / government
- Completion of procurement arrangement for all the works
- Necessary supervision and monitoring arrangement is in place

- A progress review committee shall be set up for reviewing the progress of works

The pre-disbursement conditions must be fulfilled within the time as specified in the Loan Sanction document but not later than six months without prior approval of OUIDF.

Disbursement Procedures

Since disbursements of funds entirely fall under the control of OUIDF, it is suggested to have internal procedures which enable a sustainable process of disbursements. This procedure is applicable for any release of loan. The process starts from requisition from the borrower for release of funds, and verification of documents by OUIDF and finally disbursements. The loans shall be automatically cancelled if no disbursement is availed within one year from the loan agreement, however OUIDF reserves the right to extend the validity of the sanction if it is satisfied that the reasons for delay in availing disbursement or non-compliance of the terms and conditions of the sanction are reasonable and/or beyond the control of the borrowers.

OUIDF will be required to follow the following internal office procedures for loan disbursement:-

- Request from borrower for release of loan/grant. A request letter is required even for the first release of mobilization advance, if any; the release of fund is justified only if a request is raised by the Borrowers. Format of request letter is given in Annexure 8.
- Verification with agreements / disbursement conditions. Upon receipt of request, the board of OUIDF shall verify the conditions put forth in the Board Note for disbursements and also verify with the Loan Agreement & the present OUIDF Lending Policy on the conditions to be satisfied before disbursement. Checklist of documents prior to disbursement by OUIDF is given in Annexure 9.
- Satisfactory site inspection report to be taken on records recommending further disbursement.
- Review of Independent Engineer/ construction supervision consultant's report, Chartered Accountant's certificate, utilisation certificate from implementing agency prior to disbursement from the second tranche.
- Statement indicating the sanctioned funds and the funds already disbursed along with the funds utilized position would be prepared. This will indicate whether disbursement is within the sanction.
- Funds can be released upfront to the extent of mobilization advance, if any in the agreement, initially, and from the next tranche onwards, funds will be disbursed based on the progress of the work.

Contents of Statement of Expenditure (SOE)

- A copy of invoice produced by contractor – these are the invoice the contractor submits to the implementing agency for making payments.
- A copy of vouchers signed by contractors for receiving payments – these relate to the vouchers in which the contractors have signed upon receipt of payments from the implementing agency.
- Purpose for which payment is made – this is to ensure that the payments are made only for the sub-project under progress and not relate to any other payment.
- Bill amount and the amount of deductions made on the bill – every bill amount will be having a deduction by way of binding on the agreement towards withholding on performance criteria, taxes and other duties, etc. These deductions will also form part of the SOE.
- Net expenditure – this is net amount paid to the contractor for that particular bill after all deductions.
- A summary of the payments and the total amount paid to the contractor will be present in the format in order to check the total payments made out of the subproject and how much has been utilized. Format of SOE is given in Annexure 10.
- If the present disbursement is within sanction, a Loan Disbursement Memo shall be shared recommending further release of funds. A model format is attached as Annexure 11.
- The accounts department will then prepare and send the cheque/demand draft or RTGS it to the Borrower.
- OUIDF shall release the loan funds only to the borrower and not to the contractor, at any point of time.
- After the first release of funds, the borrower should submit a Statement of Expenditure (SOE) which will provide details on actual payments released to the contractor, based on which further funds will be released. The statement of expenditure requires the following from the borrower:
 - a. The amount of loan will be restricted to the cost at which the project is completed. Funds shall be released as per the present OUIDF Lending Policy. Any amount over and above the project cost will be borne by the Borrower, as per the terms of the loan.
 - b. Before the last tranche is given, OUIDF shall ensure that the borrower's contribution has come into the subproject. Before every release of loan, an advanced receipt should be obtained from the borrower, procedurally. The following model format of advance receipt may be used.

6.2. Role of OUIDF during pre-disbursement

OUIDF upon request shall guide the local bodies in obtaining sanctions

- i. By preparing an optimum means of finance for the project, by way of preparing cash flows and balance sheet analysis.
- ii. By explaining the technical details of the project to the Government authorities, upon request.

Role of OUIDF in obtaining technical sanctions

- TORs to be cleared by the Board (OUIDF)
- To participate in accrediting consultants
- To participate in project preparation review
- To promote efficiency improvement / innovative approaches through special purpose studies
- Disseminate Environmental and Social Framework to all concerned

7. Implementation

7.1. OUIDF's responsibilities during implementation

A monthly report specifying the physical/financial progress of the projects (budgeted/actuals), including Environmental & Social components would be submitted by the borrowers. In cases of major variations, remedial measures would be taken on a fast track basis, including reappraisal, staggering of further disbursements etc. OUIDF may also carry out site visits to examine achievements on ground vis-à-vis the progress reports received from the borrower.

In addition to this, a monthly progress review meeting would be conducted, the review committee consisting of the representative of Directorate of Municipal Administration (DMA)/ respective department representative, the implementing agency and representative of OUIDF.

OUIDF would also prepare a monthly PERT (Project Evaluation & Review) chart. A quarterly visit would be undertaken by the officials of OUIDF to monitor the on-going works. The progress of works would be reported to the Board of OUIDF and the DMA/ respective departments.

7.2. Progress Monitoring and Quality Control

During the process of monitoring the projects, quality aspects would be given importance, and the construction supervision consultant/ local body shall prepare quality control/ quality assurance manual (agency responsible to supervise the quality of work) and prepare formats for monitoring of quality control of works at site. Monthly reports on quality of works shall be submitted at the time of progress review of every project.

7.3. Role of OUIDF in Project monitoring

- i. Appointment of construction supervision consultants from the empaneled list of consultants to monitor progress of work
- ii. Review progress reports submitted by consultants and the implementing agency
- iii. Conduct monthly progress reviews
- iv. Dialogue with beneficiaries/involve beneficiaries in review meetings
- v. Prepare a PERT chart and review the physical and financial progress

7.4. Project Completion

A project is said to have been complete when, the contractor submits to the implementing agency that the works have been complete as per the contract. The contractor and the implementing agency shall jointly prepare a punch list of items (covering all the project components) and the same shall be jointly be verified by contractor and the implementing agency. The implementing agency after having been satisfied with the completion of punch list items of work shall issue Completion Certificate. Incomplete, unacceptable, poor quality, faulty items shall be rectified prior to issue of completion certificate.

The contractor shall also submit as built drawings, quantities of work, copies of bills to the implementing agency. The contractor shall also submit O&M Manual to supervision consultant for approval prior to testing and commissioning of the project.

A copy of all the above documents shall be received by OUIDF from the borrower on completion of the contract. A letter from the borrower may also be obtained effecting the completion of the project and details of the payments made to the contractor.

7.5. Intimation of progress of project / project completion to GOO / funding agencies

OUIDF shall maintain data base on the completion cost and time of a project. It is preferable to prepare a case study / report on the project, from the concept to commissioning of the projects, which shall include the intricacies in the project, the problems faced by ULBs/ Statutory Bodies/ Planning/ Development Authorities in implementation etc.

7.6. Management Information System

It is important for OUIDF to maintain a proper database on the number of applications and number of loans sanctioned and their costs to develop a portfolio of projects. This database will act as information for reviewing the performances of OUIDF at any point of time.

7.6.1. Effective utilization of PDF

To assess the performance of the PDF, half yearly review will be carried out by OUIDF with reference to –

- Number of consultancies resulting in procurement packages
- Number of consultancies resulting in award of contracts and
- Number of projects resulting in securing financing from financial institutions
- Number of training and capacity building activities carried out?
- Number of successfully implemented projects that have been accompanied by supervision / implementation consultant (successfully meaning 3 years after completion of construction, the projects are well maintained and function as planned) in line with the Annexure 1 of Separate Agreement signed between KfW and OUIDF.

8. Post Implementation

8.1. Loan Recovery

OUIDF shall closely monitor the financial position of the borrowers after commissioning of project to ensure that the repayment to OUIDF is made on time.

OUIDF shall also ensure that there is no breach of escrow conditions or diversion of funds by borrower and that timely payment of principal and interest is made by the borrower.

8.2. Invocation of Letter of Comfort/ State Government Guarantee

The borrower shall submit a Letter of Comfort/ State Government Guarantee from GoO to OUIDF for payment of principal and interest dues in case of failure on part of the borrower to make timely payment. This is a pre-disbursement condition.

The Letter of Comfort/ State Government Guarantee shall be automatically invoked such that the GoO shall replenish the escrow account within 15 days on the failure of the implementing agency to pay the principal and interest amount by the due date.

8.3. Review and Monitoring

OUIDF would review the pre and post project service levels of the project and compare the indicators.

OUIDF would record the service level and develop the performance indicators, before the project implementation. At the end of the project, upon actual delivery of services, the increased service levels shall be reviewed. The review require the following-

- OUIDF shall visit the project sites periodically to review the service delivery standards of the project, every 4 – 6 months
- Pre and Post Service levels - Record the improvements due to implementation of the project - in terms of supply of services.
- Project beneficiaries – quantum of beneficiaries before and after the project – in terms of increase in number of beneficiaries.
- Improvements in finance – pre and post project – in terms of finances of the local body, and in particular finances of the sector (say water supply account), - also with respect to tariffs revised and increased collection efficiency - record the improvements in financial statements of the ULBs/ Statutory Bodies/ Planning/ Development Authorities due to the implementation of the project.
- Improvements in finance due to innovative methods of financing the project.
- Review the quantum of private participation in the project, and the benefits accrued due to the same.

8.4. Capacity Building support from OUIDF post-implementation

OUIDF, as part of capacity building, would disseminate best practices with respect to the sector in which project is implemented, and communicate to the local bodies, and also impart training to the local bodies.