

INDIA
Andhra Pradesh Disaster Recovery Project (APDRP)
Project Preparation Mission, Andhra Pradesh, February 22 –28, 2015
AIDE MEMOIRE

I. Introduction

1. The World Bank carried out the first Project Preparation Mission of the Andhra Pradesh Disaster Recovery Project (P154847) from February 22 –28, 2015. The mission was led by Deepak Singh (Task Team Leader and Senior Disaster Risk Management Specialist), and included: Vasudha Thawakar (Urban Specialist); Neha Pravash Kumar Mishra (Senior Environment Specialist); Jurminla Jurminla (Procurement Specialist); Tripti Chopra (Financial Management Specialist); Deepak Malik (Operations Specialist); Sergio De Cosmo (Disaster Risk Management Specialist); Anindya Sarkar (Consultant – Architect Planner), Venkata Rao Bayana (Social Development Specialist), BKD Raja (Consultant - Safeguards Management); Satyanarayana Pallagani (Consultant – Urban Specialist); MA Dasarathi (Consultant - Electrical Specialist); Sujit Das (Consultant-Highway Specialist); and Rajeev Kumar Jha (Consultant - Operations Specialist).

2. The mission visited Hyderabad and met the State officials. Field visits were also organized to the districts of Visakhapatnam, and Vizianagaram and meetings were conducted with relevant stakeholders whose involvement is envisioned in the project such as Roads and Bridges Department, Panchayati Raj Department, Urban Development Department, State Eastern Power Distribution Company, Forest Department, Municipal Corporation and Urban Development Authority of Vishakhapatna, District Collectors and other district officials. Discussions were held on the scope, sub-components, implementing arrangements, timelines, allocations and costing, financial management and procurement, environment and social management compliance, and capacity of the departments to carry out the project. Subsequently, a Project Appraisal Document was prepared. A wrap up meeting was held on February 28, 2015 that was chaired by Mr. IVR Krishna Rao, Chief Secretary, GoAP.

3. The mission would like to thank the Government of Andhra Pradesh for their time and support during the mission. This Aide Memoire summarizes the mission's observations, agreements and recommendations on key actions.

4. The following sections detail the key agreements on the project development objectives, scope, allocations, implementation and fund flow arrangements, and next steps.

II. Project Development Objective

5. The proposed Project Development Objective (PDO) is to restore and improve rural connectivity, public services, and livelihood opportunities in targeted communities of Andhra Pradesh, and increase the capacity of the State entities to respond promptly and effectively to an eligible crisis or emergency.

6. The project will offer both direct and indirect benefits throughout the State of Andhra Pradesh and its 49.4 million inhabitants under the different components. Direct beneficiaries

include populations of the coastal areas affected, specifically the four heavily impacted districts of Srikakulam, Vizianagaram, Visakhapatnam and East Godavari.

7. The proposed project will have following seven components:
 - a) Underground Cabling
 - b) Roads and Cyclone Shelters
 - c) Restoration of Beach Front
 - d) Eco Restoration and Support to Livelihoods
 - e) Technical Assistance and Capacity Building for Disaster Risk Management
 - f) Incremental Operating Cost; and
 - g) Contingency Emergency Response

III. Component 1: Underground cabling (US\$120 million)

8. This component will finance investments to improve the electrical infrastructure in the city of Visakhapatnam. In particular, the power distribution system, which is over ground and thus it is prone to high winds, rains, thunderstorms, and storm surges and flooding, was heavily damaged. The objective of this component is to reduce the vulnerability of the city's electrical network by laying the power distribution system underground. The component will be implemented by Eastern Power Distribution Company of A.P. Ltd., (EPDCL) and Greater Vishakhapatnam Municipal Corporation (GVMC).

9. The city is divided in to 4 zones for the distribution network. Each zone has 33 KV /11KV substations. At present all the 33, 11 KV and LT distribution is by overhead lines. The 11 KV network feeds to various 11 KV/415 V transformers. From the outgoing side of the 415V overhead lines supply power to various consumers. The mission team suggested that conversion to each area should start from the Beach Road and move inwards to the city. While doing so it should be ensured that one area is completely converted to U.G. cable network for all voltages. While doing so the works undertaken should be so arrived at to keep the costs to the proposed budget component.

10. It was also suggested to include PE pipes – while installing underground cables – to develop connectivity for smart city. In particular, separate PE pipe ducts for underground fiber optic cables should be installed, one for each telecommunication provider.

11. Finally, it was suggested that the specifications of BIS, IE Rules while executing the works and that Environment and social impacts including material disposal of poles, Transformers, Oil etc., should be included as part of the environmental assessment proposed to be prepared as part of the DPR and shall comply to the ESMF. Any rehabilitation and relocation of shops, drains etc., should be quantified and provided in the DPR. It was also emphasized that if the routes of cables pass through private land, or land belonging to other departments, necessary permissions from all concerned bodies (like local bodies -Municipalities, Water Supply Board, BSNL and other Telecom service providers, and any other agencies) should be obtained.

IV. Component 2: Roads and Cyclone Shelters (US\$105 million)

12. The objective of this component is to restore the connectivity lost due to the disaster through the reconstruction of damaged roads including: rural roads and Major District Roads (MDRs). Road works will cover four districts – Vishakhapatnam, Vizianagaram, Srikakulam and East Godavari and involve Repair, Reconstruction, Strengthening and Widening of Roads. This component also includes repair of old cyclone shelters. The Line Department for implementation for rural roads and CS will be Panchayati Raj Department (PRD); and for MDRs it will be Roads and Bridges Department (RBD).

Component 2.1: Rural Roads and Cyclone Shelters (Repair) (US\$60 million)

13. PRD proposes to include Repair of old cyclone shelters, and Repair and Reconstruction of about 800 km of RRs at an approximate cost of about US\$ 60 million, to be implemented to the Indian Roads Congress (IRC) and Prime Minister's Gram Sadak Yojana (PMGSY) standards. This will require widening of the existing road embankments. It will be therefore necessary to confirm ownership of the required road land widths. Survey, investigation, design and preparation of Detailed Project Reports (DPRs) for the proposed works will be carried out by the PRD with its in-house resources. PRD may take assistance of external engineering consultant for design of Major Bridge(s) if any.

Component 2.2: Major District Roads (US\$45 million)

14. RBD proposes to include Repair, Reconstruction, Strengthening and Widening (mostly Single-lane to Double-lane) of about 250 km of MDRs at an approximate cost of about US\$ 45 million, to be implemented to the Indian Roads Congress (IRC) standards. It will be necessary to confirm ownership of the required road land widths. It was agreed that RBD or SPIU will employ external engineering consultant(s) for survey, investigation, design and preparation of Detailed Project Reports (DPRs) for the proposed works.

V. Component 3: Restoration of Beach Front (US\$65 million)

15. The objective of this Component is to improve resilience in the city of Visakhapatnam, support priority investments in urban infrastructure and provide enhanced public urban space along the beachfront through Beach Protection Works and Beach Front Restoration. This component is proposed to be implemented by Greater Visakhapatnam Municipal Corporation (GVMC) and the Visakhapatnam Urban Development Authority (VUDA).

Component 3.1: Shore Protection Works (USD 25 million)

16. A detailed joint study led by the National Institute of Ocean Technology is already underway for a stretch of 8 km. In a meeting held at the GVMC office on 25.02.2015 (wherein representatives from most of the institutions involved in the study were present), it was revealed that the study reports would be ready by May 2015. The interim reports submitted by some institutions independently were handed over to the mission for reflection. The Commissioner, GVMC mentioned that in these reports, short term, mid-term and long term measures would be

outlined. However, the mission proposed that although a multi-disciplinary team has taken up the study, it would be better to rope in a few experts, who would analyze the environmental and social impacts of these proposed measures outlined in the study. Another important task subsequently would be to consolidate the independent studies carried out. The report, which is due by May 2015, will therefore recommend a list of activities which may need to be vetted for taking forward to implementation. The activities herein will support appropriate solutions for the protection of the shore infrastructure from Coastal Battery to Kailashgiri Hills. Further sections will be incorporated as required till Bhimunipatnam in the north.

Component 3.2: Beach Front Restoration (USD 40 million)

17. The sub-component will focus on restoring the Visakhapatnam beach front. In this regard, GVMC and VUDA presented a list of possible activities. Meetings were held with both teams, after which a field visit was conducted along the coast-line, which commenced from Coastal Battery in the south and ended at Bhimunipatnam. Some portions of the beach road were observed to be severely damaged with the retaining wall along the sea-side. Some of the outlets in the existing storm water drains are damaged. Further many of the sewerage lines have been joined to these. The only STP along the coast is damaged and restoration of this along with two pumping stations was expressed as dire need by the GVMC officials. Some of the more prominent and well used parks of the city are located along the waterfront and have been damaged by the cyclone. Visakhapatnam is also home to many historic buildings which were observed to be damaged and needing restoration.

18. Post site visit, GVMC and VUDA arrived at a set of possible activities that can be supported by the Bank. VUDA has proposed to re-develop 4 parks, worth about US\$ 7 million. GVMC proposed a list of activities, ranging from repair of the beach road & some coastal roads along with repair of the retaining walls, improving drainage and sewerage systems, redevelopment of certain parks, pedestrian walkways, street furniture, street & beach lighting and landscaping along the beachfront. GVMC's proposed activities also include renovation of selected historic buildings and landmarks (such as Old Municipal Building, Town Hall, Museums and Rajiv Smriti Bhavan), which have been damaged in the cyclone Hudhud. These buildings will form a key role in improving quality of surrounding cityscapes and public spaces.

19. The mission recommended that city level consultations need to be conducted to understand and incorporate some of the prudent views of the local residents in the city. One such consultation was conducted on 25.02.2015. Also, right at the planning stage, detailed proposals in form of DPRs need to be developed with a caution that the beachfront ambience is preserved and there are no negative environmental impacts.

VI. Component 4: Eco Restoration and Support of Livelihoods (US\$20 million)

20. This component Ecological Restoration and Livelihoods Support will have two sub-components a) Ecological Restoration supporting restoration of the Indira Gandhi Zoological Park at Visakhapatnam and Eco-park at Kambalakonda to international standards and b) Livelihoods Support through restoration of old nurseries, supply of horticulture saplings to farm forestry, plantation of shelterbelts and mangroves. This component is proposed to be implemented by Forest Department

Component 4.1: Ecological Restoration (USD 8 million)

21. The team had discussions with the Forest Department officials at Hyderabad and Visakhapatnam and with Curator of the Indira Gandhi Zoological Park at Visakhapatnam. The department has shared their costing proposals for the sub-components under Ecological Restoration and Livelihoods Support. It was agreed that the forest department would prepare a comprehensive Terms of Reference for engaging an Architectural Consulting Firm for design and detailed project report preparation for Indira Gandhi Zoological Park at Visakhapatnam and Eco Park at Kambalakonda. This firm should have expertise in Environmental Architecture with experience in design of zoos and ecological parks. The department would prepare a draft Terms of reference and share the same with The World Bank for review. It was agreed that the World Bank would provide the support of an experienced Architect to the department when the Consulting Firm is on board.

Component 4.2: Nurseries and Plantations (USD 12 million)

22. The department has proposed about 60 nurseries for restoration and 4 high-tech nurseries, one in each affected district, for research and development and supply of samplings. The forest department would explore the option of using biodegradable coconut fibre nursery/ planters bags in place of plastic bags. The proposed wind brakes and shelterbelts along the coast will have mixed species (cashew, almond, casuarina, etc.) suiting the soil conditions and local livelihoods requirements. While taking up shelterbelt plantations along the coast, the forest department will take care that the turtle nesting sites are not disturbed. The forest department will train the local population in protecting the turtles, improving the hatcheries using latest devices and equipment. The department would take up restoration of dried up mangroves and improve them.

23. The forest department would send the revised detailed costing and the Unit Cost details along with Forest Schedule of Rates of various components for review of costing of components to the World Bank. The forest department has agreed to sharing the GIS based information on location, area, etc. for all the proposed work, in particular for Nurseries, plantations, mangroves and turtle nesting sites.

24. Planting of shelterbelts should start by June/July for the upcoming season. The Bank team advised the department to keep World Bank requirements in mind and comply with them in order to seek retroactive financing of these activities. The forest department was planning to tender the construction of Zoo compound wall. As in case of Shelter belts they were advised to review the design and make it disaster resilient and comply with Central Zoo Authority the World Bank requirements for retroactive financing.

25. To prepare, manage and coordinate activities/works proposed, the Department of Forests will create a Project Implementation Unit (PIU) at the headquarters. The said PIU will coordinate with the Project Management Unit (PMU) on all project related matters. The PIU will be headed by a Project Director, holding the rank of Chief Conservator of Forests and will include an Accounts Officer, M&E Officer and a Procurement Officer. The department will also constitute a Technical Committee for approval of concepts, designs and other reports. The VSS will be the implementing agency at the field level for all minor works such as nurseries and plantations.

Forest department will utilize the services of an appropriate agency for implementation of larger civil works. The Eco Park will be maintained by the Ecological Development Committee at Kambalakonda.

VII. Component 5: Technical Assistance and Capacity Building for Disaster Risk Management (US\$35 million)

26. The objective of this component is to enhance the capabilities of GoAP entities in managing disaster risks, enhancing preparedness, and achieving resilient recovery. This component will be implemented by PMU through partner agencies like Fire Department and SDRF. This component will entail the following interventions:

27. Strengthening up the State Disaster Management Authority, set up of PMU, PIU and its core functions- This will help strengthen institutional set-up of the SDMA, technical enhancements of the facilities SDMA, training programs and regular drills at State and District, and a special skills development program for District Disaster Management Officers in all the districts of Andhra Pradesh.

28. Urban Disaster Risk Reduction and Response Preparedness- This activity will produce a detailed vulnerability analysis of the cities and model various risks for effective mitigation planning and disaster response preparedness.

29. Strengthening Emergency Response Capacity- This will strengthen the capacity of the state fire services department, SDRF and its personnel and other immediate key response agencies in responding adequately to disaster situations by providing better search and rescue equipment, wireless communication, enhanced training and capacity building measures and emergency control room.

30. Feasibility study for Integrated Program for Risk Transfer- This activity will carry out an in-depth assessment of the GoAP's Apathbandhu Insurance scheme (Accident Insurance Scheme for Below Poverty Line families)¹ and work on the recommendations for establishing an integrated program for risk transfer protecting the lives and livelihoods of the vulnerable populations in Andhra Pradesh.

31. Updating the design guidelines for infrastructure- This activity will carry out an evaluation of the existing design guidelines for infrastructure in several key departments better design standards that factor in the expected peak wind speeds and rainfalls, including material specifications for the infrastructure in coastal region

VIII. Component 6: Incremental Operating Cost (US\$25 million)

32. This component will support the incremental operating costs of the Project, including the operation of the Project Management Unit (PMU) and the respective Project Implementation Units (PIUs). In addition, the component will include consultancies required for the preparation

¹Apathbandhu Scheme was launched to implement accident insurance scheme for the families living under Below Poverty Line in Andhra Pradesh to provide insurance coverage in case of accidental deaths. The Policy year starts on 2nd October of every year and ends by 1st October of subsequent year.

and supervision of specific activities, trainings, exposure visits and knowledge exchange programs.

IX. Component 7: Contingency Emergency Response (US\$0 million)

33. Following an adverse natural event that causes a major natural disaster, the respective governments may request the Bank to re-allocate project funds to support response and reconstruction. This component would draw resources from the unallocated expenditure category and/or allow the GoAP to request the Bank to re-categorize and reallocate financing from other project components to partially cover emergency response and recovery costs. This component could also be used to channel additional funds should they become available as a result of an emergency.

X. Project Financing

34. The lending instrument will be a Specific Investment Loan (SIL), and the implementation period for the proposed project will be five years. A summary of the financing per component, IDA financing, and percentage is presented in the table below:

Table 1: Finances per Project Component

Project Components	Total Cost (US\$ M)	IDA financing (US\$ M)	Financing
Component 1: Underground Cabling	120.0	81.0	67.6%
Component 2: Roads and Cyclone Shelters	105.0	71.0	
<i>Sub-component 2.1: Rural Roads and Cyclone Shelters (repair)</i>	<i>60.0</i>	<i>40.5</i>	
<i>Sub-component 2.2: Major District Roads (ODR)</i>	<i>45.0</i>	<i>30.5</i>	
Component 3: Restoration of Beach Front	65.0	44.0	
<i>Sub-component 3.1: Shore Protection Works</i>	<i>25.0</i>	<i>17.0</i>	
<i>Sub-component 3.2: Beach Front Restoration</i>	<i>40.0</i>	<i>27.0</i>	
Component 4: Eco Restoration and Support to Livelihoods	20.0	14.0	
Component 5: Technical Assistance and Capacity Building for Disaster Risk Management	35.0	24.0	
Component 6: Incremental Operating Cost	25.0	17.0	
Component 7: Contingency Emergency Response	0	0	100%
Total	370.0	250.0	
<i>Total Project Costs</i>		<i>370.0</i>	
<i>Total Financing Required</i>		<i>250.0</i>	

XI. Institutional and Implementation Arrangements

35. The state level project steering committee constituted at apex level for NCRMP will be expanded to oversee and monitor the overall progress of project. The State Project Implementation Unit (SPIU) for NCRMP will act as the Project Management Unit for the project. The Line Departments (LDs) will be responsible for actual execution of the works and further maintain the infrastructure created. LDs will appoint nodal officers and will execute the project through respective field offices. Overall list of implementing agencies with the components that would be implemented by them is as follows:

Components	Department/Agency
Component 1: Underground Cabling	Eastern Power Distribution Company of A.P. Ltd. (EPDCL) and Greater Vishakhapatnam Municipal Corporation (GVMC).
Component 2: Roads and Cyclone Shelters	Panchayati Raj Department for Rural Roads and repair of old cyclone shelters Road and Bridges Department for Major District Roads
Component 3: Restoration of Beach Front	The Greater Vishakhapatnam Municipal Corporation (GVMC), Vishakhapatnam Urban Development Authority (VUDA).
Component 4: Eco Restoration and Support to Livelihoods	Andhra Pradesh Forest Department and its partner agencies
Component 5: Technical Assistance and Capacity Building for Disaster Risk Management	PMU with partners

XII. Social (including safeguards) Management

36. *Urban component* - The field assessment of proposed urban sub projects in Visakhapatnam indicates there could be no requirement of any additional land; and found to be free from encroachments. These all needs to be assessed and confirmed through screening exercise.

37. *R&B Department Roads* - It is noted from the field visits and community consultation that, roads proposed by R&B department have the requirements of additional land at few locations, particularly in habitation portions. These are MDR roads proposed to be widened to double lane from single lane. Sufficient widths are not available particularly in habitation portions; as well additional land will be required if the design involves improvements of alignment/curve improvements. The field visits for MDR roads indicates that at some places, residential and commercial properties will have to be dismantled partially; as well many of the electric poles needs to be shifted and trees to be cut. It is agreed that on priority basis, R&B department along with Collectors office in all project districts will complete the revenue/land survey to ascertain the additional land requirement and its ownership before March 12, 2015.

38. *Environmental and Social Management Framework*: A draft ESMF specific to the project will be prepared and disclosed by March 15, 2015. The draft ESMF will be disclosed for public comments by SPIU in appropriate websites – GoAP, project district collector office websites, etc.

39. *Institutional arrangements*: For overseeing the safeguard documents preparation and their implementation, the GoAP will appoint/designate the social and environmental officers before March 15, 2015. The SPIU already has social and environmental specialists and will identify and designate the counterpart officers with line departments.

40. Environmental and Social Screening Exercise: It is agreed with SPIU, R&B, Panchayat Raj departments and GVMC that all the proposed sub projects of first batch will be screened for social and environmental aspects and a report will be submitted before end March 2015. A format has been shared with the SPIU for conducting the screening exercise. Following the screening exercise, for sub projects involving land, displacement and environmental issues, preparation of required RAP and EMPs will be initiated so as to undertake these projects in second batch.

41. Stakeholder consultations: The stakeholder consultation workshop conducted in Visakhapatnam has provided useful suggestions and helped to inform the concern about the project and its design. The consultation workshop has also discussed the safeguard aspects of the project, their addressal and management. It has agreed that district level consultation workshops will be conducted before end March, 2015.

42. Training program: SPIU will conduct before end April 2015, a training program for the required officers on social, environmental aspects and their management.

XIII. Procurement

43. Procurement arrangements: procurement for the proposed project shall be conducted following World Bank's procurement procedures through government's e-procurement portal website www.eprocurement.gov.in. This e-procurement portal had been assessed and cleared by the Bank and currently all procurement for NCRMP I and NCRMP AF are being processed through this portal.

44. Capacity Assessment of the IA: the preparation mission initiated capacity assessment of the identified IA using PRAMS standard questionnaire followed by face to face deliberations with the respective counterpart staff. The assessment shall reviewed the following: legal aspects on procurement practice; procurement cycle management; support and control system; staffing and general procurement environment. It was agreed that all IAs will submit the PRAMS questionnaire by March 7, 2015.

45. Procurement documents: the preparation mission shared the following documents (GPN template; Procurement Plan template; Procurement Guidelines goods and consultancies; SBD for works; etc.) with all the IA so that they get familiarized. The preparation mission shared the GPN template with the PMU and suggested to submit it by February 28, 2015.

46. Procurement Plan (PP): the preparation mission shared the PP template with all the agencies. All IAs agreed to submit the first draft by March 7, 2015. The IAs were also informed that it is prerequisite to get PP cleared before project negotiation. The PP once finalized shall be migrated to procurement plan monitoring tool SEPA. The Bank shall arrange training for SEPA at a later stage.

47. Designation of DPR Consultant: designation of DPR consultant for roads has been seen as very critical activity for this project. The team discussed on possible ways of designating the DRP consultant. After extensive discussion, the team agreed that piggybacking the existing contract within any government department would be the fastest way of appointing the DRP

consultant. Later it was found out that R&B Department of Telangana State has signed a DPR preparation contract with M/s. Egis India Consulting Engineering Pvt. Ltd. in January 2015. The PMU has been suggested to piggyback this contract. The PMU will submit proposal to that effect immediately.

48. **Procurement Training:** the preparation mission agreed to conduct procurement induction workshop on Bank procurement procedures sometime in April 2015 tentatively. The team shall agree on the specific date in due course of time.

49. **Staffing:** all IA shall establish dedicated PIU for the project. The VUDA and GVMC agreed to appoint procurement focal person when they establish PIU. R&B Department and Eastern Power Corporation of A. P Ltd. has already identified the procurement focal person for this project.

XIV. Financial Management

50. **Summary Assessment:** The guiding principles for the design of the financial management arrangements for this project are twofold: (i) build upon the successful implementation of the NCRMP I project with the same implementing agency (Revenue & Disaster Management Department) and (ii) use the country fiduciary systems, to the extent feasible and considered satisfactory for meeting the essential fiduciary requirements.

51. **Implementation Arrangements:** The State Project Implementation Unit (SPIU) for NCRMP I, under the nodal department of Revenue & Disaster Management (RDDM) will act as the Project Management Unit for the project. There are six end implementing agency identified at this stage namely i) Eastern Power Distribution Company of A.P. Ltd (EPDCL) for underground cabling (32% of project cost), ii) Panchayati Raj Department for Rural Roads and repair of old cyclone shelters, Road and Bridges Department for Major District Roads (28% of project cost), iii) The Greater Vishakhapatnam Municipal Corporation (GVMC) and Vishakhapatnam Urban Development Authority (VUDA) for restoration of beach front (18% of project cost) and iv) Andhra Pradesh Forest Department for Eco restoration and support to livelihoods (5% of project cost).

52. **Risk Assessment:** EPDCL, GVMC and VUDA² (handling 50% of the project cost) will be implementing the externally funded project for the first time. Considering that other half of the funds are flowing to EIAs which are successfully implementing World Bank financed NCRMP I project or have implemented AP Community Forest management project, the overall financial management risk rating of the project is 'Moderate'. Within this broad framework, the parameters of the financial management arrangements are described below:

a. **Funds Flow Arrangements:** Wherever EIA is state's line department, funds from RDDM will flow to respective line departments following the state treasury route. For underground cabling component funds for the project will flow from the State's treasury

² A separate FM assessments has been carried out for each of these implementing agencies.

- through RDDM to EPDCL's separate bank account³. For restoration of beach front component funds from RDDM through Municipal Administration and Urban Development Department (MA&UDD) will flow to GVMC & VUDA in their respective separate bank accounts.⁴
- b. Budgeting: A separate budget code (with proper classification i.e. separate detailed head for each component and line department) under the capital expenditure head shall be created by GoAP for PMU under RDDM to receive fund releases from the State treasury. Basis the estimated expenditure for financial year 2015-16 expenditure provision also needs to be created under this new budget code.
 - c. Staffing: In line with increased size of the project (\$370 million as against \$167 million under NCRMP I) and implementation through multiple agency which will necessitate efforts on coordination by PMU, the existing finance staffing of PMU under RDDM needs to be augmented. Presently, it has a finance controller, who is a retired finance officer and one accounts officer, who is of a rank of divisional accounts officer. The finance function under the PMU will require sanctioning and hiring of at least a senior officer from the state finance department or a chartered accountant with at least 10 years of experience. The finance function at line department's division offices will be handled by the respective Divisional Accounts officer. At EPDCL,GVMC& VUDA, dedicated finance manager has to be identified from the existing staff . At all levels, there should be adequate experienced subordinate staff.
 - d. Accounting: Accounting for project expenditures will be maintained on cash basis of accounting and separate books of accounts will be maintained for the project. The line departments will use the AG accounting system. EPDCL (SAP version 6), GVMC (software developed by Centre for Good Governance) and VUDA (TALLY) will use their existing respective accounting software. These financial accounting software are considered adequate for recording financial transactions and for generating reports for financial disclosure requirements.
 - e. Financial Reporting: PMU under RDMM will submit quarterly IFR⁵ providing the financial progress against the project components, within 45 days from the end of each calendar quarter. IFRs will be prepared on the basis of actual expenditure information received from the line departments (pay and accounts officer classified abstract), EPDCL, GVMC, VUDA and actual expenditure incurred at the PMU and reconciled with AG (in case of line departments) and reconciled with separate bank accounts (in cases other than line department). The form and content of the IFRs are under preparation and will be agreed with GoAP during negotiations.
 - f. Internal audit and internal control: In case of line departments, reconciliation of accounts with AG and in case of separate Bank accounts; reconciliation of bank book with the bank statement will be an essential control mechanism in the project. The internal audit of the Bank project will be done six monthly by a firm of Chartered Accountant to be agreed with the Bank and under TOR to be agreed with the Bank.
 - g. External Audit: Presently, line departments' expenditure is audited by State AG, EPDCL by private auditors appointed by CAG, GVMC by Local Fund Auditor and VUDA by a

³ Needs to agree on commercial bank account

⁴ Needs to be decided whether separate commercial bank account or PD account

⁵ Format to be agreed

firm of Chartered Accountant. For expenditure made under this project by line department, GVMC & VUDA the annual external audit of the project financial statements for the credit will be carried out by CAG of India through the office of the Accountant General (Audit) of Andhra Pradesh⁶. For expenditure made by EPDCL, the entity audit report clearly identifying the expenditure made under this project, will be considered as acceptable audit report. . These audit reports will be due within 9 months of close of the financial year.

- h. Disbursement Arrangements: GoAP will pre-finance all the project expenditure through its own funds (through the budget line) and disbursements from the credit will be made basis the actual expenditure reported in the quarterly IFRs, subject to audit certification at the end of each financial year. Expenditure categories eligible for financing under the loan agreement and as per the disbursement percentage will be financed out of the proceeds of the credit. The actual expenditure will be reimbursed to the project and no advances will be provided and hence the need of the designated account has to be agreed at the time of negotiations. The project will submit withdrawal application to CAAA in DEA for onward submission to the World Bank for reimbursement.

XV. Next steps

53. – Major next steps are given in the below table while detailed action plan is provided in the Annex -1.

Create budget heads and make allocations for the project	In the budget for FY 2015-16
Complete arrangements for setting up of PIUs and strengthening of PMU	March 31, 2015
Prepare and disclose the ESMF	March 15, 2015
Complete screening of Road works	March 23, 2015
Complete and enter procurement plan in SEPA	March 31, 2015
Preparation and adoption of operation manual	By negotiation
Expansion of existing Steering Committee of NCRMP for the project	Immediate
Appraisal	April 29, 2015
Negotiations	May 20, 2015
Approval by Bank' Board	June 15, 2015

⁶ Has to be agreed with the State AG

Annex 1- Key Agreed Actions

Description	By Whom	Action completed by
Publication of GPN (PMU)	PMU	Immediate
Designation of procurement focal person	VUDA/GVMC	Immediate
Initiation of appointing DPR consultant	R&B Department	Immediate
Submission of PRAMS questionnaire (PMU)	All IAs/PMU	March 15, 2015
Submission of Procurement Plan	All IAs/PMU	March 15, 2015
Share detailed costing and the Unit Cost details along with Forest Schedule of Rates of various components for review of costing (Forest Department)	Forest Department	March 20, 2015
Draft Environmental and Social Management Framework (PMU)	PMU	March 15, 2015
Review of ownership of land for road construction (PRD and RBD)	PR and R&B	March 15, 2015
Share Terms of Reference for engaging an Architectural Consulting Firm for design and detailed project report preparation for Indira Gandhi Zoological Park at Visakhapatnam and Eco Park at Kambalakonda (Forest Department)	Forest Department	March 15, 2015
Appointment/designation of the social and environmental officers	PMU	March 15, 2015
Advanced planning and blue-prints for the parks and public spaces	GVMC/VUDA	March 15, 2015
Preparation of claims for retroactive financing	EPDCL/PR/R&B/PMU	March 31, 2015
District level consultation workshops of Social and Environmental Safeguards	PMU	March 31, 2015
Procurement induction training (For designated staff from PMU, LDs and PIUs)	PMU	April 2015
Consolidation and completion of the study on shore protection (GVMC)	GVMC	May 15, 2015
Initiation of first batch of procurement (PMU with LDs and PIUs)	IAs/PMU	July 2015
Confirmation of project proposal through District Collectors	PMU	Ongoing
Complete external audit for GVMC for FY 2011-12,2012-13 and 2014-15	GVMC	Immediate
Create budget code (ensuring proper classification) with allocation for project under Revenue & Disaster Management Department's budget	RDMM & Finance Department	Before project effectiveness
Agree on funds flow arrangement for EPDCL, GVMC & VUDA whether separate bank account, PD account or state treasury	RDMM & Finance Department	Before project effectiveness
Agree on nature of transfer from RDMM to EPDCL, GVMC & VUDA- whether loan, grant or centage fees & accordingly decide cost sharing formula of common expenditure of these agencies.	RDMM & Finance Department	Before project effectiveness
Sanction the post of Senior officer finance, under finance function at RDMM-PMU	RDMM	Before project effectiveness

Sanction/identify dedicated finance manager at EPDCL, GVMC & VUDA	EPDCL, GVMC & VUDA	Before project effectiveness
Open separate bank account for receiving funds for the project	EPDCL, GVMC & VUDA	Within 3 months of effectiveness
Hire finance staff at PMU- RDMM	RDMM	Within 3 months of effectiveness
Open separate ledger codes in respective software for recording financial activities for this project.	EPDCL, GVMC & VUDA	Within 3 months of effectiveness
Appoint internal auditors	RDMM	Within 6 months of effectiveness