

Project Administration Manual

Project Number: 42459
Loan Number: Loan 2790-SRI
August 2012

Democratic Socialist Republic of Sri Lanka: Local
Government Enhancement Sector Project

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The MLGPC, provincial councils, and participating local authorities are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by the MLGPC, provincial councils, and participating local authorities of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
AFS	=	audited financial statements
ARS	=	Imprest Account Reconciliation Statement
C&P	=	Consultation and Participatory
CEA	=	Central Environmental Authority
DMF	=	design and monitoring framework
DSC	=	design and supervision consultant
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
IEE	=	initial environmental examination
IPP	=	indigenous people plan
IPPF	=	indigenous peoples planning framework
LGIP	=	Local Government Infrastructure Improvement Project
M&E	=	monitoring and evaluation
MLGPC	=	Ministry of Local Government and Provincial Councils
MOFP	=	Ministry of Finance and Planning
NSC	=	National Steering Committee
NSWMSC	=	National Solid Waste Management Support Center
NWSDB	=	National Water Supply and Drainage Board
O&M	=	operation and maintenance
PAM	=	project administration manual
PMC	=	project management consultant
PMU	=	project management unit
PSC	=	Provincial Steering Committee
RRP	=	Report and Recommendation of the President to the Board
SOE	=	statement of expenditure
SPCU	=	Subproject Coordination Units
SPS	=	Safeguard Policy Statement
UDA	=	Urban Development Authority

I. PROJECT DESCRIPTION

1. **The Project.** The project will improve the effective delivery of local infrastructure and services by local authorities in less-developed areas of Sri Lanka. Under the project, about 100 local authorities selected in seven provinces (excluding the Northern and Eastern provinces), whose reform plans are reviewed and confirmed by the government, will implement subprojects for roads and bridges, water supply and sanitation, drainage, solid waste management, and other basic facilities, including building or enhancing health-care centers and public markets. The project will support the institutional strengthening of the local authorities for improved and sustainable service delivery through business process reengineering and the development of their information technology (IT) system.

2. **Impact and Outcome.** The impact of the project will be local authorities' capacity financially and technically strengthened in less-developed areas of seven provinces in Sri Lanka, and the outcome of the project will be improved local infrastructure and services delivered effectively by local authorities. The project will be implemented in less-developed areas in seven provinces, excluding the Northern and Eastern provinces.

3. **Component 1: Local Government Infrastructure and Service Delivery Improvement.** In this component, social and economic infrastructure in less-developed areas will be improved by participating local authorities, in line with the second pillar of the sector development plan. The project will adopt a bottom-up, demand-driven approach, whereby priority subprojects will be identified, proposed, implemented, and managed by local authorities. About 100 *pradeshiya sabhas* selected by the government will first have to submit a reform plan approved through a council resolution, which will be reviewed and confirmed by the Ministry of Local Government and Provincial Councils (MLGPC) in consultation with the provincial councils to ensure that the minimum reform requirements are met. Then they will be qualified for the provision of a capital grant under this component for infrastructure improvement. Each reform plan will present the clear commitment of the local authority to (i) improve service delivery with particular emphasis on the local environmental improvement; (ii) streamline taxation, licensing, and approval systems and processes;¹ (iii) ensure the effective management of the assets, including those to be created under the project; and (iv) improve systems and management. The implementation of each reform plan will be closely monitored by the project management unit (PMU) in the MLGPC and subproject coordination units (SPCUs) in provincial councils. The successful implementation of reforms under such reform plans is a key factor in determining budgetary support for local authorities.

4. Eligible subprojects include (i) environmental infrastructure such as water supply and sanitation (including sewerage), drainage, and solid waste management; (ii) economic infrastructure such as roads and bridges (including suspension bridges); (iii) public health infrastructure such as maternity and health-care centers; and (iv) other local authority facilities such as public markets. To strengthen the focus of the project, other facilities under the responsibility of local authorities, such as local authority office buildings, libraries, and crematoriums, will be approved only under special circumstances and if clearly justified. Subprojects will be screened initially by the SPCUs to ensure conformity with the provincial physical development plan and subproject selection criteria before they will be endorsed by the

¹ (i) Assessment and business taxes and the collection of rental fees, (ii) business and trade licensing, and (iii) permits for constructing buildings and land transactions.

PMU. The PMU will engage several teams of design and supervision consultants to ensure the quality of work.

5. Component 2: Local Government Policy Reform and Capacity Building Support.

This component will assist the implementation of the first pillar of the sector development plan (reform advancement) by supporting (i) local authorities' institutionalizing business process reengineering, including the implementation of relevant bylaws and regulations, with capacity development support provided to the local authorities,² and (ii) the development of an IT system, including updating and computerizing databases for taxes, licenses, and other information, as well as developing financial accounting and asset-management systems mainly in participating *pradeshiya sabhas* for more efficient and citizen-friendly administration.³ This will facilitate local authorities' implementation of reforms, particularly for streamlining taxation, licensing, approval systems and processes, and improving financial management including revenue enhancement in the medium term. Analytical and implementation support will be provided through capacity development TA. Implementation performance will be evaluated under the project and be the basis for the government's decisions on scaling up further assistance.

6. Capacity development TA for Local Government Service Enhancement will support local government policy reform, and its output will be (i) recommendations for business process reengineering proposed for improved and more efficient service delivery in local authorities and (ii) capacity development support to undertake local business process reengineering. The main activities will be (i) proposing business process reengineering through a review of current tax, licensing, and approval systems and processes in local authorities; (ii) drafting bylaws and regulations governing local governments to support business process reengineering; and (iii) supporting the preparation and implementation of IT system development in local authorities. The TA will undertake the analytical work and help develop institutional capacity to implement component 2 of the project.

7. Component 3: Project Management and Administration Support. This component will support the smooth and effective implementation and operation of the project. The PMU in the MLGPC will manage project implementation, supported by the project management consultant. The SPCU in each province will coordinate and supervise all project activities, including the implementation of subprojects and reform plans in local authorities under their jurisdiction. Training programs will be provided to strengthen the capacity of provincial and local governments to effectively plan development and efficiently administer local development.

8. Sector Development Plan. The project will follow a sector lending modality. Building on the government development policy framework and the National Policy on Local Government adopted in 2009, the Local Government Development Plan, which is a medium-term sector development plan of the MLGPC, has been formulated. The plan has two pillars: (i) advancing the reform of local government systems, and (ii) improving infrastructure and services, particularly in areas with deficient services. The MLGPC has the institutional capacity to implement the plan with support provided through the project and TA. The project will play a key

² This initiative is linked with the development of more accountable revenue management in the central government through the establishment of a revenue administration management information system for the Inland Revenue Department in the Ministry of Finance and Planning, financed by ADB (ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Democratic Socialist Republic of Sri Lanka for the Fiscal Management Efficiency Project*. Manila [Loan 2624-SRI].).

³ The system will initially be developed for at least 10% of willing local authorities (20–25 in total), including a few municipal councils and/or urban councils, as large local authorities are expected to benefit greatly from system development.

role in assisting the government in implementing both pillars of the plan and is expected to achieve great impact toward strengthening the financial and management capacity of local authorities.

9. **Selection of Local Authorities.** As the project will focus on infrastructure improvement in less-developed areas, the MLGPC decided to identify less developed areas where availability of economic and social infrastructure and services are limited and the capacity of *pradeshiya sabhas* is weak. The MLGPC first appointed a committee to study and finalize the indicators for defining less developed local authorities. In total, 19 indicators were selected in the areas of (i) geographic location and demography; (ii) social infrastructure and quality of life; (iii) physical infrastructure and services; (iv) financial strength and resources; and (v) local authority management capacity. Then the evaluation was undertaken for a total of 204 *pradeshiya sabhas* in the seven provinces, based on the provincial information and data as well as validations through various clarifications from national and provincial authorities and institutions. Out of the total score of 200 points, scores actually given ranged from 155 (least developed) to 50.25 (most developed). A total of 98 local authorities, with scores higher than 117, have been selected initially, and 10 more local authorities have been added, thereby making the total 108. These will be made eligible for infrastructure investment support under the project, as shown in Appendix 1, unless otherwise agreed upon between the government and ADB.⁴ These local authorities will be qualified for funding only if they submit a reform plan and the plan is reviewed and confirmed by the government. The PMU will submit to ADB for review the reform plans of first five local authorities together with the checklist to demonstrate that minimum requirements are satisfied.

10. **Selection of Subprojects.** Eligible subsectors for infrastructure improvement are given in para 4. Subprojects not listed are generally not accepted and may be approved only under special circumstances and if clearly justified. This is subject to ADB's prior approval. Subproject selection criteria, both general ones and sector-specific, have been developed. General criteria include identification of subprojects through participatory processes, consideration to technical, economic, and financial feasibility, addressing gender aspects, and compliance with safeguards requirements. Sector-specific criteria reflect the characteristics of sub-sectors and address technical, economic, and financial feasibility as well as due consideration to the technical and financial sustainability of the system. Details are provided in Appendix 2. The PMU will submit to ADB for review the proposal of the first two subprojects of each subsector, together with the checklist to demonstrate compliance with the selection criteria, when (i) feasibility studies are prepared, and (ii) detailed designs are prepared. Subsequently, ADB will review water supply and sewerage subprojects over SLR 40 million (excluding the VAT).

⁴ Local authorities that received the financial support under the Local Government Infrastructure Improvement Project (Loan 2201-SRI) have been excluded. A few local authorities with scores lower than 117 have been added due to their backwardness that could not be quantitatively measured in the evaluation.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Activity	Months (2011/2012)							Responsibility	
	8	9	10	11	12	1	2		3
Recruitment of PMC	AN	S1		S2	S3		S4		PMU
Recruitment of DSC				AN	S1		S2		PMU/SPCUs
Assignment of core staff in PMU and SPCUs		X							MLGPC/ Provincial Councils
ADB Board approval		X							ADB
Loan signing				X					MOFP/ADB
Government legal opinion provided						X			MOFP
Loan effectiveness							X		MOFP/ADB

ADB = Asian Development Bank, AN = announcement, DSC = design and supervision consultants, MLGPC = Ministry of Local Government and Provincial Councils, MOFP = Ministry of Finance and Planning, PMC = project management consultant, PMU = project management unit, S1 = Shortlisting of consulting firms and requests for proposals, S2 = Evaluation of technical proposals, S3 = Financial Proposals, Evaluation and Overall Ranking of Proposals, S4 = Draft negotiated contracts, SPCU = subproject coordination unit.

B. Overall Project Implementation Plan

DESCRIPTION	2011			2012				2013				2014				2015			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Component 1: Local Government Infrastructure and Service Delivery Improvement																			
1.1 Planning and priority subproject identification (assisted by PPTA)			■																
1.2 Review of subprojects by PMU and SPCUs			■	■	■														
1.3 Recruitment of design and supervision consultants			■	■	■														
1.4 Preparation of feasibility studies, detailed design and bid documents of subprojects					■	■	■	■	■										
1.5 Bidding and contract award for civil works and equipment								■	■	■	■								
1.6 Construction and procurement of equipment										■	■	■	■	■					
1.7 Operation and maintenance support														■	■	■	■	■	
Component 2: Local Government Policy Reform and Capacity Building Support																			
2.1 Recruitment of consultants for data updates and entry for local authorities						■	■	■											
2.2 Data updates and entry						■	■	■	■										
2.3 Bidding for IT system development (hardware and software)						■	■	■											
2.4 IT system development								■	■	■	■								
2.5 Implementation of the new system and business processes												■	■	■	■				
2.6 Evaluation of implementation of the new system and business processes																		■	■
CDTA																			
Recruitment of CDTA consultants			■	■	■														
Review of existing tax, licensing and approval systems and processes					■	■	■												
Review of software developed by ICTA					■	■	■												
Preparation for the two packages under Component 2					■	■													
Review and approval of the proposed changes by the government								■	■										
Drafting by-laws and regulations for streamlining and improvement										■	■								
Review and approval of the proposed by-laws and regulations by the government												■	■						
Support for implementation of the new system and business processes														■	■	■	■		
Component 3: Project Management and Administration Support																			
3.1 Assignment of core staff in PMU and SPCUs			◇																
3.2 PMU and SPCUs fully staffed				◇															
3.3 Recruitment of project management consultant (assisted by PPTA)			■	■	■														
3.4 Reform plan development (assisted by PPTA)			■	■	■	■													
3.5 Review of reform plans by PMU and SPCUs			■	■	■	■													
3.6 Development of project performance management system							◇												
3.7 Project management and administration								■	■	■	■	■	■	■	■	■	■	■	■
3.8 Project-specific evaluation survey																			
3.9 Reform plan implementation and monitoring																			
Implementation of Gender Action Plan																			
■ time frame for first group of subprojects ■ time frame for other subprojects ICTA = Information & Communication Technology Agency, MLGPC = Ministry of Local Government and Provincial Councils, PMU = project management unit, PPTA = project preparatory technical assistance, SPCU = subproject coordination unit																			

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project implementation Management Roles and Responsibilities organizations

-
- MLGPC (executing agency)
 - guides and supports the overall project implementation
 - (Secretary) chairs the NSC
 - makes key policy level decisions to facilitate project implementation
 - ensures adequate counterpart funding
 - liaise with MOFP and other ministries on matters under their jurisdictions
 - confirms reform plans and subprojects

 - Project Management Unit (in MLGPC)
 - coordinates and manages overall project implementation
 - coordinates all project activities
 - serves as point of contact with ADB (including reporting requirements)
 - submits withdrawal applications
 - engages project management consultant (PMC)
 - engages design and supervision consultants (DSCs)
 - reviews documents submitted by SPCUs to ensure they are in order, for submission to ADB
 - establishes and manages the imprest account
 - assists the provincial councils and local authorities in implementing the capacity development programs
 - reviews and endorses reform plans submitted by local authorities through the SPCUs, submit them to the MLGPC for final confirmation, and monitors and assesses the performance of the implementation of reform plans
 - Submits audited project accounts and financial statements annually within 9 months after the end of each fiscal year

 - National Steering Committee (NSC)

(chair: Secretary of MLGPC; members: Ministry of Finance and Planning [External Resources Department, National Planning Department, National Budget Department, and Department of Foreign Aid and Budget Monitoring], Ministry of Economic Development, National Physical Planning Department, Finance Commission, Provincial chief secretaries, Urban Development

Authority, National Water Supply and Drainage Board, Central Environmental Authority, National Solid Waste Management Support Center, project director [member secretary])

- oversees the project at the national level and take necessary actions/decisions to ensure time implementation of the project
- advises and guides the project on strategic and policy issues
- ensures necessary coordination among different central government agencies
- monitors the implementation of reform plans by local authorities and provides necessary guidance for effective implementation; ensures that successful implementation of reforms is a key factor in determining the level of budgetary support for the relevant local authority.

- Provincial Councils (SPCUs) (total 7)

- ensures coherence between the provincial physical development plan and subproject proposals made by local authorities
- undertakes the initial evaluation of subproject proposals submitted by local authorities before submitting them to PMU
- takes the lead in procurement of civil works and equipment contracts in close coordination with participating local authorities
- monitors subproject implementation and conducts project quality and assurance, including compliance with safeguard requirements
- reviews and endorses reform plans submitted by local authorities, submits them to the PMU, and monitors the implementation of reform plans
- Submits, through PMU, audited project accounts annually within 9 months after the end of each fiscal year

- Provincial Steering Committee (PSC)

(chair: provincial chief secretary; members: Secretary of the Provincial Local Government Ministry, regional representatives of the CEA, NWSDB, UDA, and Commissioner of Local Government [member secretary])

- regularly reviews the project progress and takes necessary actions on project implementation issues within its authority
- enhances collaboration among relevant departments and organizations
- expedites decision-making processes with an aim at achieving intended project output and outcome

- monitors the implementation of reform plans by local authorities and provides necessary guidance for effective implementation
- ADB
 - Supervises the overall project implementation
 - Reviews procurement and disbursement documents and acts accordingly
 - Undertakes project review at least twice a year

ADB = Asian Development Bank, CEA = Central Environmental Authority, MLGPC = Ministry of Local Government and Provincial Councils, MOFP = Ministry of Finance and Planning, NWSDB = National Water Supply and Drainage Board, PMU = project management unit, SPCU = subproject coordination unit, UDA = Urban Development Authority.

B. Key Persons Involved in Implementation

Executing Agency MLGPC

Officer's Name: Mr. R. A. A. K. Ranawake
 Position: Secretary
 Telephone: 94-11-2329673
 Email address:
 Office Address: 330, Union Place, Colombo 02

Officer's name: Mr. K. L. Induruwage
 Position: Project Director
 Telephone: 94-11-269-1002
 Email address: ljiip@sltnet.lk
 Office Address: 27/1 Rosemead Place, Colombo 07

ADB Urban Development and Water Division, South Asia Department (SAUW)

Staff Name: Fei Yue
 Position: Director
 Telephone No. 63-2-632-4444
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Mission Leader

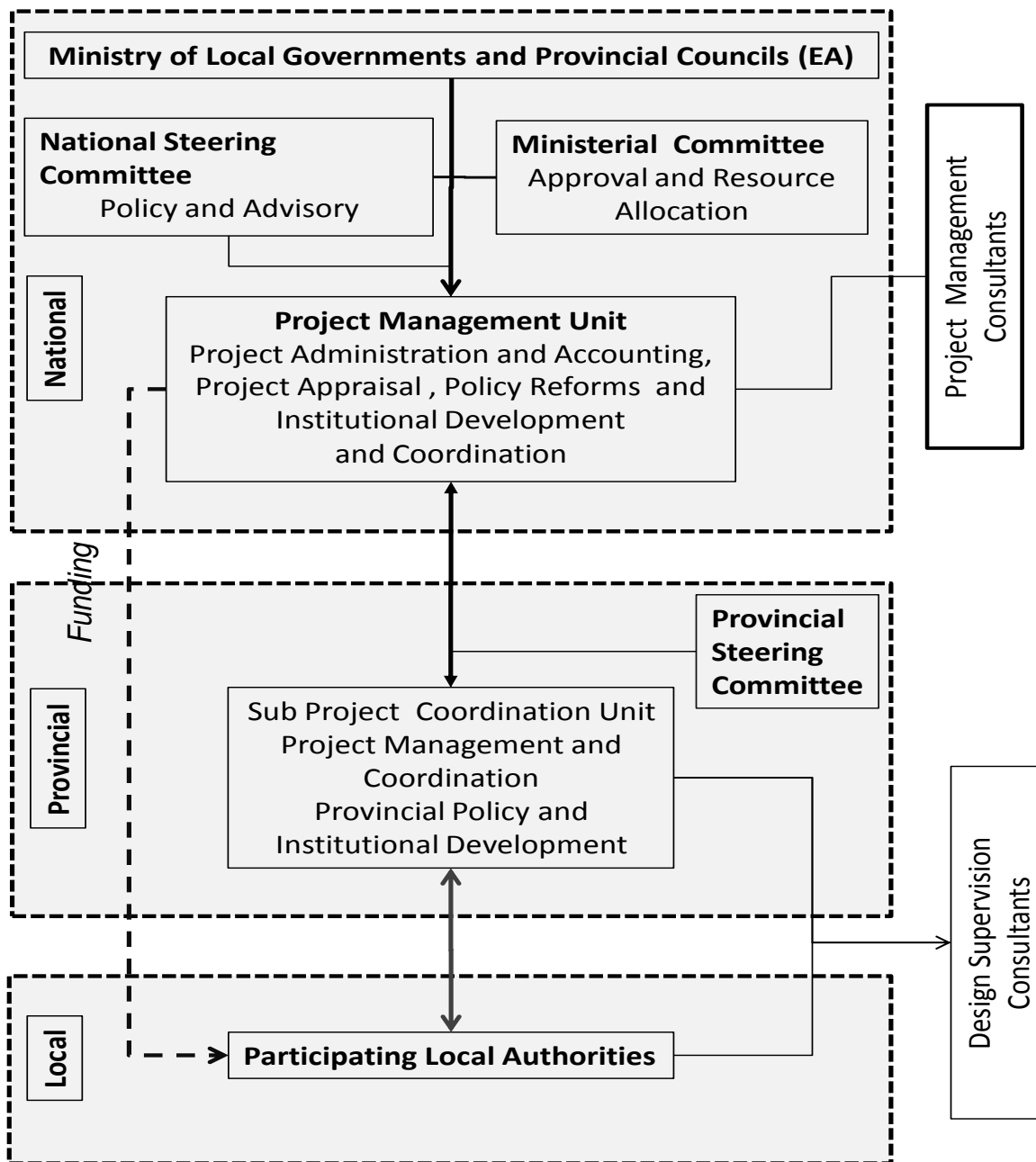
Staff Name: Norio Saito
 Position: Senior Urban Development Specialist
 Telephone No. 63-2-632-6258
 Email address: nsaito@adb.org

C. Project Organization Structure

11. The implementation arrangements will follow those established and proven effective under the LGIIP. The PCU in the MLGPC, established under the LGIIP, is renamed PMU,⁵ and it will manage overall project implementation, supported by the project management consultant. The SPCU in each province will coordinate and supervise all the project activities including implementation of subprojects and reform plan in local authorities in their jurisdiction. At the central level, a national steering committee (NSC) will continue to be operational, with the secretary of MLGPC as the chair, and representatives of the External Resources Department, National Planning Department, Finance Commission, National Budget Department, Department of Foreign Aid and Budget Monitoring, National Water Supply and Drainage Board (NWSDB), Ministry of Economic Development, Urban Development Authority (UDA), National Solid Waste Management Support Center, National Physical Planning Department, and Central Environmental Authority (CEA), and provincial chief secretaries as members, and the project director as member and the convener of the NSC. The NSC will oversee the project implementation at the national level, ensure institutional coordination, and recommend key policy decisions to ensure smooth and successful implementation of the project. In each province, a provincial steering committee (PSC), established under the LGIIP, will continue to

⁵ As the LGIIP included a loan portion in infrastructure financing, appraisal of subprojects and disbursement were administered by the Project Appraisal Unit (later renamed Project Management Unit) in the Local Loans and Development Fund, under the overall guidance and supervision by the PCU in the MLGPC. This structure will be streamlined in the project, with PMU in the MLGPC taking responsibility for overall project management and supervision.

be functional, to discuss project implementation issues, enhance collaboration among relevant departments and organizations, and expedite decision-making processes with an aim at achieving intended project output and outcome. Each PSC will be chaired by the chief secretary of the province, and members will include the Commissioner of Local Government (also as the convener of the PSC), Secretary of the Provincial Local Government Ministry, and regional representatives of the CEA, NWSDB, and UDA. Ministerial Committee in the MLGPC will also be formed, comprising Secretary as the chair, and senior advisor to the MLGPC, project director of PMU, and chief accountant of the MLGPC as members. The structure is shown in the diagram below. The government shall ensure that the implementation arrangements described above shall continue and the PMU, NSC, PSC and SPCUs shall fully and effectively carry out their respective functions in support of the project, notwithstanding completion of the LGIIP.



D. Project Staff

(i) Project Management Unit

Position	Number of staff
Project Director	1
Deputy Project Director	1
Procurement and Compliance Officer	1
Senior Engineers (one will be engineer cum quantity surveyor)	2
Accountant Payment	1
Accountant Audit	1
Financial Analyst	1
Manager –Administration and Human Resources	1
Manager –Institutional Development and Reform	1
Social Safeguards and Gender	1
Environmental Safeguards	1
IT Manager	1
Solid Waste Management Coordinator (from National Solid Waste Management Support Center)	1
Legal Officer (from Legal Section in the MLGPC)	1
Local Government Officer (from the MLGPC)	1
Project Secretary	1
Data Entry Operator	2
Management assistant	1
Accounts Assistant	1
Office Assistant	2
Driver	3
Total	26 (13 core staff)

(ii) Subproject Coordination Units (per province)

Provincial Project Director (Commissioner of Local Government)	1
Sr. Engineers (1 Engineer and 1 Compliance Officer)	2
Engineer	1
Institutional Development Manager/ Specialist	1
Social Safeguards and Gender Manager	1
Deputy Manager Engineering (1 Technical and 1 Quantity Surveyor)	2
Accountant	1
Project Secretary/Administrative Assistant	1
Data Entry Operator	1
Accounts Assistant	1
Office Assistant	1
Driver	1
Total	14 (9 core staff)

The MLGPC and provincial councils will optimize the involvement of permanent staff in the PMU and SPCUs respectively to institutionalize the project.

IV. COSTS AND FINANCING

12. The project is estimated to cost \$68.8 million. The government has requested a loan of SDR36,898,000 (\$59 million equivalent) from ADB's Special Funds resources to help finance the project. The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the loan agreement.

13. The loan from ADB will finance (i) part of civil works and equipment costs (including system development), (ii) consulting services, (iii) part of incremental recurrent costs, and (iv) financial charges during implementation.⁶ The government will provide \$9.8 million equivalent to cover (i) taxes and duties, (ii) part of civil works and equipment costs (including system development), (iii) part of incremental recurrent costs, and (iv) environmental and social mitigation costs, which include administration costs for environmental clearance and costs for land acquisition and resettlement. The last item will be borne by the local authorities.

A. Detailed Cost Estimates by Expenditure Category

Item	(\$ million)		Total Cost	% of Total Base Cost
	Foreign Currency	Local Currency		
A Investment Costs				
1 Civil Works and Equipment	8.03	32.11	40.14	66.56%
2 Environment and Social Mitigation	-	0.40	0.40	0.67%
3 System Development	0.56	0.83	1.39	2.30%
4 Consultants	2.05	4.54	6.58	10.91%
a. Design and Supervision	1.29	3.00	4.29	7.11%
b. Project Management and Capacity Development	0.76	1.54	2.29	3.80%
5 Taxes	-	7.54	7.54	12.50%
Subtotal (A)	10.63	45.42	56.05	92.93%
B Incremental Recurrent Costs				
1 Project Management and Administration	-	4.18	4.18	6.93%
2 Taxes	-	0.08	0.08	0.13%
Subtotal (B)	-	4.26	4.26	7.07%
Total Base Cost	10.63	49.68	60.31	100.00%
C Contingencies				
1 Physical	0.81	3.20	4.01	6.65%
2 Price	0.70	2.74	3.44	5.70%
Subtotal (C)	1.51	5.94	7.45	12.35%
D Financing Charges During Implementation	1.01	-	1.01	1.68%
Total Project Cost (A+B+C+D)	13.15	55.62	68.77	114.02%

Note: Numbers may not sum precisely because of rounding

⁶ Transportation and insurance costs may also be financed.

B. Allocation and Withdrawal of Loan Proceeds

14. Allocation and withdrawal of loan proceeds is presented below.

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Local Government Enhancement Sector Project)			
CATEGORY		ADB FINANCING	
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category (\$ in parenthesis)	Percentage and Basis for Withdrawal from the Loan Account
1	Civil Works and Equipment	24,396,000 (39,010,000)	84% of total expenditure claimed
2	System Development	851,000 (1,360,000)	84% of total expenditure claimed
3	Consulting Services	4,115,000 (6,580,000)	100% of total expenditure claimed*
4	Incremental Recurrent Costs	2,383,000 (3,810,000)	89% of total expenditure claimed
5	Interest Charge	632,000 (1,010,000)	100% of amount due
6	Unallocated	4,521,000 (7,230,000)	
	Total	36,898,000 (59,000,000)	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

C. Detailed Cost Estimates by Financier

Item	ADB ADF		Government				Total Cost {F}
	Amount {B}	% of Cost Category {B/F}	Tax	Non Tax	Amount {E}	% of Cost Category {E/F}	
A. Investment Costs							
1 Civil Works and Equipment	39.00	83.69%	6.46	1.14	7.60	16.31%	46.60
2 Environment and Social Mitigation	-	0.00%	-	0.40	0.40	100.00%	0.40
3 System Development	1.36	84.24%	0.23	0.03	0.26	15.76%	1.62
4 Consultants	6.58	88.65%	0.84	-	0.84	11.35%	7.42
a. Design and Supervision	4.29	88.65%	0.55	-	0.55	11.35%	4.84
b. Project Management and Capacity Development	2.29	88.65%	0.29	-	0.29	11.35%	2.59
Subtotal (A)	46.95	83.76%	7.54	1.57	9.10	16.24%	56.05
B. Incremental Recurrent Costs							
1 Project Management and Administration	3.81	89.30%	0.08	0.38	0.46	10.70%	4.26
Subtotal (B)	3.81	89.30%	0.08	0.38	0.46	10.70%	4.26
Total Base Cost	50.75	84.15%	7.62	1.94	9.56	15.85%	60.31
C. Contingencies							
1 Physical	3.90	97.22%	-	0.11	0.11	2.78%	4.01
2 Price	3.34	97.10%	-	0.10	0.10	2.90%	3.44
Subtotal (C)	7.23	97.16%	-	0.21	0.21	2.84%	7.45
D. Financing Charges During Implementation	1.01	100.00%	-	-	-	0.00%	1.01
Total Project Cost (A+B+C+D)	59.00	85.80%	7.62	2.15	9.77	14.20%	68.77
% Total Project Cost		85.80%				14.20%	

Note: Numbers may not sum precisely because of rounding

D. Detailed Cost Estimates by Outputs/Components

Item	Total Cost	(\$ million)					
		Component 1		Component 2		Component 3	
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	
A. Investment Costs^b							
1 Civil Works and Equipment	40.14	40.14	100.00%	-	0.00%	-	0.00%
2 Environment and Social Mitigation	0.40	0.40	100.00%	-	0.00%	-	0.00%
3 System Development	1.39	-	0.00%	1.39	100.00%	-	0.00%
4 Consultants	6.58	4.29	65.14%	0.71	10.74%	1.59	24.12%
a. Design and Supervision	4.29	4.29	100.00%	-	0.00%	-	0.00%
b. Project Management and Capacity Development	2.29	-	0.00%	0.71	30.82%	1.59	69.18%
5 Taxes	7.54	7.01	93.05%	0.32	4.25%	0.20	2.70%
Subtotal (A)	56.05	51.84	92.49%	2.42	4.31%	1.79	3.19%
B. Incremental Recurrent Costs							
1 Project Management and Administration	4.18	-	0.00%	-	0.00%	4.18	100.00%
2 Taxes	0.08	-	0.00%	-	0.00%	0.08	100.00%
Subtotal (B)	4.26	-	0.00%	-	0.00%	4.26	100.00%
Total Base Cost	60.31	51.84	85.96%	2.42	4.01%	6.05	10.04%
C. Contingencies							
1 Physical ^c	4.01	3.99	99.43%	-	0.00%	0.02	0.40%
2 Price ^d	3.44	3.00	87.17%	0.13	3.67%	0.31	9.16%
Subtotal (C)	7.45	6.98	93.77%	0.13	1.70%	0.33	4.44%
D. Financing Charges During Implementation^e	1.01	0.88	86.82%	0.04	3.75%	0.10	9.42%
Total Project Cost (A+B+C+D)	68.77	59.70	86.82%	2.58	3.75%	6.48	9.42%

a Exchange rate of 1\$=SLRs. 110 has been used.

b In Mid-2011 prices.

c Computed at 10% for civil works; and 8% for equipment.

d Price contingencies computed at 1.5% per annum.

e Interest during construction for ADB loan has been computed at 1% per annum.

Source: Asian Development Bank estimates

Note: Numbers may not sum precisely because of rounding

E. Detailed Cost Estimates by Year

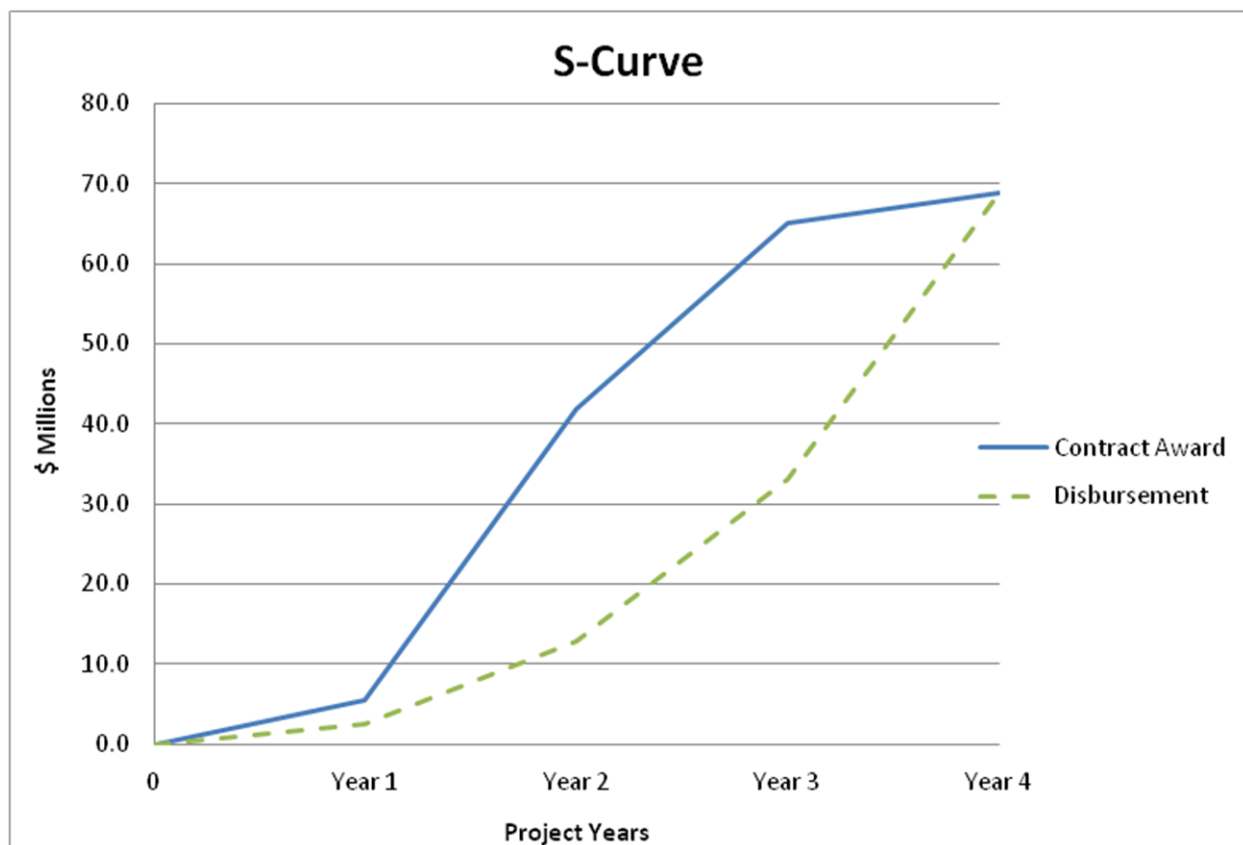
(\$ million)

Item	Total Cost	Year 1	Year 2	Year 3	Year 4
A. Investment Costs					
1 Civil Works and Equipment	40.14	-	5.02	12.04	23.08
2 Environment and Social Mitigation	0.40	0.10	0.10	0.10	0.10
3 System Development	1.39	0.13	0.24	0.49	0.53
4 Consultants	6.58	1.02	1.76	1.90	1.90
a. Design and Supervision	4.29	0.66	1.15	1.24	1.24
b. Project Management and Capacity Development	2.29	0.35	0.62	0.66	0.66
5 Taxes	7.54	0.30	1.13	2.22	3.88
Subtotal (A)	56.05	1.54	8.26	16.76	29.49
B. Incremental Recurrent Costs					
1 Project Management and Administration	4.18	1.05	1.05	1.05	1.05
2 Taxes	0.08	0.02	0.02	0.02	0.02
Subtotal (B)	4.26	1.07	1.07	1.07	1.07
Total Base Cost	60.31	2.61	9.32	17.82	30.56
C. Contingencies	7.45	0.08	0.88	2.15	4.34
D. Financing Charges During Implementation	1.01	0.02	0.11	0.29	0.59
Total Project Cost (A+B+C+D)	68.77	2.70	10.32	20.26	35.49
% Total Project Cost	100.00%	3.93%	15.00%	29.46%	51.60%

Note: Numbers may not sum precisely because of rounding

F. Contract and Disbursement S-curve

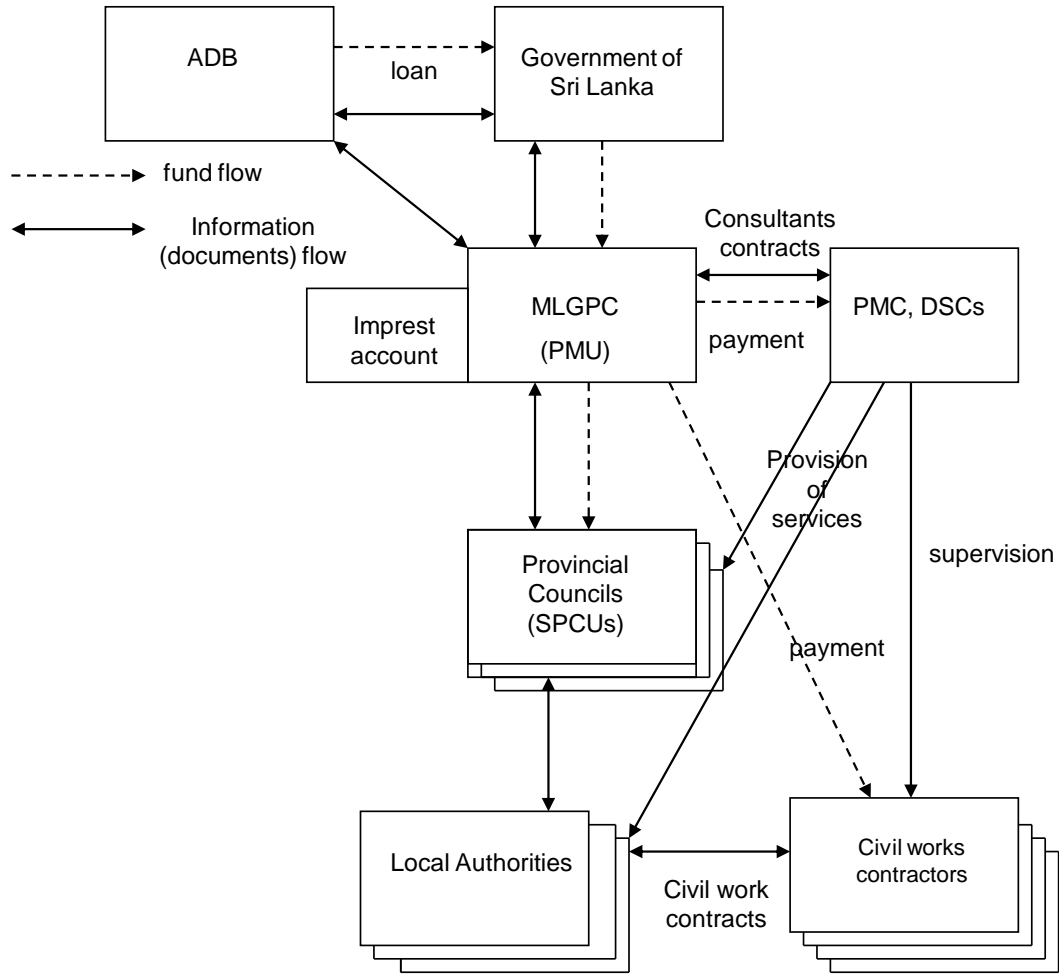
15. Contract awards and disbursement over the life of the project are projected as shown below.



	Contract awards					Disbursement				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2012	0	0	0	1.5	1.5	0	0	0	0.4	0.4
2013	1	1	1	3	6	0	0.2	0.2	0.4	0.8
2014	4	6	6	8	24	1	2	4	5	12
2015	7	6	4	2.3	19.3	8	8	10	12.6	38.6
2016										
Total					50.8	Total				51.8

Note: Contract awards exclude contingencies and financing charges. Disbursement excludes contingencies only.

G. Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

16. Key findings of the financial management assessment undertaken for the Ministry of Local Government and Provincial Councils (MLGPC) during project preparation are listed in Table 1.

Table 1: Findings of the financial management assessment

Area of Assessment	Findings
Executing and Implementing Agencies	The executing agency is the Ministry of Local Government and Provincial Councils (MLGPC). Implementation is supported by the Subproject Coordination Units (SPCUs) in the Provincial Councils.
Major Experiences of Managing Externally-financed Projects	MLGPC is currently implementing Loan 2201-SRI: Loan to the Democratic Socialist Republic of Sri Lanka for the Local Government Infrastructure Improvement Project
Fund Flow Arrangements	All the consultants will be engaged by the project management unit (PMU) in the MLGPC, and the payment will be made by the PMU to the consultants. While contracts will be signed between contractors and local authorities for subprojects, the payment will be made directly by the PMU to the contractors upon endorsement of local authorities.
Organization and Staffing	There are two sections for Financial Administration and Accounting/Procurement in the Administration and Finance division. The Accounting/Procurement section has one chief accountant and 2 accounts officers for payments and procurement respectively. The present staff is qualified and experienced in Asian Development Bank (ADB) procedures.
Accounting Policy and Procedures	MLGPC follows the government accounting system (cash accounting) that is regulated by (i) Financial Regulation prepared during the colonial rule and amended from time to time, and (ii) Procurement Guidelines, 2006 (as amended from time to time).
Segregation of Duties	All the financial accounting functions are appropriately segregated before receipt and payment.
Budgeting System	A budget is prepared for all significant activities in detail, financial targets are derived from physical targets. The budget is prepared in advance and is compared with actual expenditure.
Policies/Procedures	The accounting is on a cash basis.
Internal Audit	There is an internal audit unit (IAU). Headed by an Accountant, the IAU reports direct to the Secretary, MLGPC.
External Audit	The financial statement is audited by Auditor General's Department annually based on the National Accounting Standard.
Reporting and Monitoring	The financial and procurement reports are prepared according to the accounting standard of the government, which is consistent with International Accounting Standards. The reporting of the financial statement is on a monthly basis. The report provides information on the financial statement as well as physical progress.
Information System	The financial management and procurement system are partly computerized.

17. Actions required to be taken by the Project Management Unit/ Ministry of Local Government and Provincial Councils (PMU/MLGPC) are as follows:

- (i) PMU financial staff must undergo trainings on Asian Development Bank (ADB) financial management procedures to further strengthen its capacity; and
- (ii) Implement accounting software.

B. Risk Analysis

18. The Risk Assessment and Mitigation Measures are listed in Table 2.

Table 2: Risk Assessment and Mitigation Measures

Risk type	Risk Assessment*	Risk Description	Mitigation Measures / Comments
Inherent risk			
1. Country-Specific Risks	Moderate	<p>Low institutional capacity for effective financial management</p> <p>Lack of own-source revenue in local authorities</p> <p>Lack of complete information for accurate budgeting</p> <p>Manual processes in public financial management systems</p>	<p>Ongoing efforts are underway by government and ADB</p> <p>Provision of support (both loan and TA) focused on capacity building in participating local authorities</p> <p>Support revenue administration reforms; and assist in identifying new sources of revenues</p> <p>Provision of loan support for IT systems and ensure that the systems are up and running smoothly</p> <p>Loan support for MIS; and TA support for capacity building</p>
2. Entity-Specific Risks	Negligible or Low		MLGPC is currently effectively implementing Loan 2201-SRI: Loan to the Democratic Socialist Republic of Sri Lanka for the Local Government Infrastructure Improvement Project.
3. Project-Specific Risks	Negligible or Low	Local authorities do not have adequate financial and technical capacity for O&M	The technical design will take into account the capacity of local authorities. Commitment to O&M budget allocation will be confirmed upfront. Capacity development and training programs will be implemented. Resources will be mobilized from technical agencies (e.g. NWSDB, NSWMSC) as needed.
Overall Inherent Risk	Moderate		

Risk type	Risk Assessment*	Comments	Mitigation Measures
Control risk			
1. Implementing Entity	Moderate	<p>Single PMU proposed under Executing Agency MLGPC.</p> <p>A dedicated team will be established in the PMU, which will cover technical, procurement and payment approval processes.</p> <p>The Finance Section will be responsible for project financial management, accounting and reporting</p> <p>PMU will adopt program financial management and</p>	ADB to provide relevant assistance and training through PMC

Risk type	Risk Assessment*	Comments	Mitigation Measures
		<p>accounting systems and will be assisted by PMC in this regard.</p> <p>Staff in proposed PMU has project management experience –including in donor-funded projects.</p>	
2. Funds Flow	Moderate	<p>PMU will control project funds</p> <p>A project imprest account will be used to cover payments</p>	ADB to provide relevant assistance and training as needed
3. Staffing	Negligible or Low	<p>The Finance Section is adequately staffed by competent appropriately qualified and experienced personnel</p> <p>The Finance Section provides a good standard professional quality service to PMU</p>	Not applicable
4. Accounting Policies and Procedures	Negligible or Low	<p>Policies and procedures well documented</p> <p>PMU had adopted accounting standards prescribed by Auditor General (AG) Department and will be on cash basis</p>	Not applicable
5. Internal Audit	Negligible or Low	<p>There is an internal audit unit (IAU), headed by an accountant.</p> <p>Capacity seems appropriate.</p>	Not applicable
6. External Audit	Negligible or Low	<p>PMU will be audited by AG's Department.</p> <p>The annual audit report is typically produced around within 6-9 months of MLGPC's year-ends.</p>	In addition, the Auditor General's Department will also conduct audit of the project accounts
7. Reporting and Monitoring	Negligible or Low	<p>A comprehensive monthly and quarterly financial management reporting system is in place for ongoing project and will continue.</p> <p>Routine reports are produced from the Accounting System – Others prepared through spreadsheets with numbers extracted from the accounting system</p> <p>A project specific reporting system will be set up – as per ADB's requirements</p>	ADB to provide relevant assistance and training as needed
8. Information Systems	Moderate	<p>Computerized accounting software will be installed in the PMU for the project accounts.</p>	ADB to provide relevant assistance and training as needed

Risk type	Risk Assessment*	Comments	Mitigation Measures
		Project performance management system will also be installed	
Overall Control Risk	Negligible or Low	PMU's financial management practices and procedures are considered to be adequate for management and control of project finances	

ADB = Asian Development Bank, MLGPC = Ministry of Local Government and Provincial Councils, MIS = Management Information System, NWSDB = National Water Supply and Drainage Board, NSWMSC = National Solid Waste Management Support Centre, O&M = operation and maintenance, PMC = project management consultant, PMU = project management unit, TA = technical assistance.

B. Disbursement

19. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time),⁷ and detailed arrangements agreed upon between the Government and ADB.

20. Pursuant to ADB's Safeguard Policy Statement (SPS),⁸ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

21. PMU will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB.

22. To ensure the timely release of loan proceeds and to expedite project implementation, an imprest account will be established at the Central Bank of Sri Lanka for MLGPC, immediately after loan effectiveness.⁹ The maximum ceiling of the imprest account will not at any time exceed the estimated ADB financed expenditures to be paid from the imprest account for the next 6 months or 10% of the respective loan amount, whichever will be lower. The request for initial advance to the imprest account should be accompanied by an Estimate of Expenditure Sheet¹⁰ setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the MLGPC's records.¹¹

23. ADB's statement of expenditure (SOE) procedures will be utilized to reimburse eligible expenditures and liquidate advances provided into the imprest account. Any individual payment to be reimbursed or liquidated under the SOE procedures will not exceed the equivalent of

⁷ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

⁸ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

⁹ ADB loan may finance bank charges.

¹⁰ Available in Appendix 29 of the *Loan Disbursement Handbook*.

¹¹ Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

\$100,000. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.¹²

24. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. The borrower is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

C. Accounting

25. The PMU and SPCUs will maintain separate project accounts and records by funding source for all expenditures incurred on the Project. Project accounts will follow international accounting principles and practices.

D. Auditing

26. The MLGPC and provincial councils will cause the detailed consolidated project accounts to be audited in accordance with International Accounting Standards on Auditing and/or in accordance with the Government's audit regulations by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 9 months of the end of the fiscal year by the MLGPC. The annual audit report will include a separate audit opinion on the use of the imprest account and the SOE procedures. The government and provincial councils have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

27. All advance contracting and retroactive financing will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2010, as amended from time to time) (ADB's *Procurement Guidelines*)¹³ and ADB's *Guidelines on the Use of Consultants* (April 2010, as amended from time to time) (ADB's *Guidelines on the Use of Consultants*).¹⁴ The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The borrower, MLGPC and provincial councils have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the Project.

¹² Checklist for SOE procedures and formats are available at:

http://www.adb.org/documents/handbooks/loan_disbursement/chap-09.pdf

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-100-Below.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-Over-100.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Operating-Costs.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Free-Format.xls

¹³ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

¹⁴ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

28. **Advance contracting.** Advance contracting is approved for the recruitment of PMC and design and supervision consultant (DSCs).

29. **Retroactive financing.** Retroactive financing is approved in principle for the recruitment of PMC and DSCs and for the establishment and operation of PMU and SPCUs. Retroactive financing will be up to 5% of the total ADB loan amount for eligible expenditures incurred prior to loan effectiveness, but not earlier than 12 months prior to the signing of the loan agreement.

B. Procurement of Goods, Works and Consulting Services

30. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines*.

31. International competitive bidding procedures will be used for civil works contracts estimated to cost \$3 million or more, and supply contracts valued at \$500,000 or higher. National competitive bidding procedures will be used for civil works contracts worth less than \$3 million, and supply contracts worth less than \$500,000. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000. Only one contract for IT system development in select local authorities are expected to adopt the international competitive bidding procedures as all other contracts will be less than the above threshold.

32. Before the start of any procurement ADB and the Government will review the public procurement laws of the central government to ensure consistency with ADB's *Procurement Guidelines*.

33. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

34. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.¹⁵ The terms of reference for all consulting services are detailed in Section D.

35. An estimated 2,142 person-months (42 international, 2,100 national) of consulting services are required to (i) facilitate project management and implementation, (ii) carry out feasibility studies, detailed engineering designs, and construction supervision, and (iii) undertake validation and entry of local authorities' data with respect to tax and licenses. Consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality:cost ratio of 80:20.

C. Procurement Plan

36. The procurement plan has been prepared as Appendix 3.

D. Consultant's Terms of Reference

37. The terms of reference for consultant contracts have been prepared as Appendix 4.

¹⁵ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

VII. SAFEGUARDS

38. Safeguards frameworks, specifically an environmental assessment and review framework (EARF), a resettlement framework, and an indigenous peoples planning framework (IPPF), have been prepared for the Project. The frameworks will apply to all subprojects prepared for the Project consistent with ADB's Safeguards Policy Statement, 2009.

39. **Environmental Safeguards.** The PMU will be staffed with an Environment Safeguards Officer to support the Project Director in addressing project environmental issues. The PMU will be supported by Project Management Consultants (PMC) which will include a Safeguard Expert. Consistent with the safeguards frameworks, three initial environmental examinations (IEEs) have been prepared for sample subprojects (as linked documents).

40. The Subproject Coordination Units (SPCU) will conduct environmental assessments and prepare IEEs for all subprojects consistent with the EARF in close collaboration with the local authorities. Each IEE includes an environmental management plan (EMP). The SPCU will be supported by DSC through their environment specialists in updating and finalizing IEEs prepared during project preparation, and IEEs for all other subprojects. The SPCU with assistance from DSCs will also conduct other assessments required for clearances. The SPCU will oversee disclosure and consultations, incorporate mitigation measures in design and construction; and undertake baseline and construction-stage environmental quality monitoring. The PMU supported by PMC will monitor the implementation of EMPs. The construction contractors will implement mitigation measures in construction.

41. Implementation of mitigation and monitoring measures during the operation and maintenance (O&M) of infrastructure will be the responsibility of the local authorities. Government regulatory agencies such as the Central Environmental Authority will also monitor the environmental performance according to the government regulations.

42. **Social Safeguards (Involuntary Resettlement and Indigenous Peoples).** The PMU will be staffed with a Social Safeguards and Gender Officer to support the Project Director in addressing project social safeguards issues. The PMU will be supported by Project Management Consultants (PMC) which will include a Safeguard Expert. The Subproject Coordination Units (SPCU) will be staffed with a Social Safeguards and Gender Manager who will lead the preparation of resettlement plans and indigenous peoples plans (IPP) as required, conduct continued consultations and disclosure, and monitor implementation of social safeguards plans as required consistent with the resettlement framework and the IPPF, in close collaboration with the local authorities. The SPCU will be supported by the DSCs through its Social Safeguards and Gender Specialist. The PMU will do overall monitoring of social safeguards implementation in the Project. Construction contractors will implement assistance measures during construction.

VIII. GENDER AND SOCIAL DIMENSIONS

43. The summary poverty reduction and social strategy is prepared for the project. The project will focus its support to the local authorities in less developed areas where poverty is high and basic infrastructure services are lacking, and will support capacity development of financially weak local authorities for performing the mandated services more efficiently and effectively. It aims to provide direct benefits through access to quality basic infrastructure and services; and create a stronger investment climate to accelerate economic growth in backward

areas. Key benefits expressed by stakeholders through focus group discussions held during project preparation include enabling small producers to access markets directly with better transportation and roads; increased time for productive labor for income generation and improved health from access to quality drinking water.

44. Subprojects will be implemented through stakeholder participation and consultations using a community-driven development approach which has proven to be successful in the previous Local Government Infrastructure Improvement Project (LGIIIP) as well as by donor-funded projects in pro-poor physical infrastructure development projects. The Consultation and Participatory (C&P) plan¹⁶ includes the following key aspects: (i) community consultations and mobilization in subproject identification, formulation, design, and implementation; (ii) community participation in subprojects through active civic and community-based organizations to empower them to take over the O&M of projects after completion; (iii) training local authorities' leaders to apply participatory approaches in community activities, including common decision making and subproject monitoring and evaluation; (iv) encouraging women, youths, and other marginalized social groups to be actively involved and take leadership of subproject planning and implementation; and (v) the inclusion of indicators of social development and poverty reduction as essential to the monitoring and evaluation of the project.

45. Gender action plan is prepared for the project, as shown in the table 3 below. It has the following three major activities: (i) making local authorities gender-responsive and socially inclusive; (ii) creating an environment conducive to the representation of and participation by women and other socially marginalized groups in the project scope; and (iii) addressing needs of women and socially marginalized groups in selecting infrastructure subprojects. The PMU and SPCUs will ensure the implementation of the action plan. In order to address the affordability issues, poor and vulnerable families are allowed to pay water connection charges in installments.

**Table 3
GENDER ACTION PLAN**

Activity/Measures	Indicators/Targets	Responsibility
Output 1: Improved local infrastructure and service delivery		
(a) Addressing needs and priorities of women and socially marginalized groups in selecting infrastructure subprojects of: (i) water supply and sanitation (including sewerage), (ii) roads and bridges, (iii) solid waste management, (iv) public health-care facilities, and (v) other infrastructure and facilities including public markets.		
1. Make the community consultation/facilitation process gender sensitive and socially inclusive	<p>Consultations are undertaken to pay adequate attention to gender issues. (Target: 50% of participating local authorities)</p> <p>Ensure that at least 15% attendance of women is recorded in CCM conducted in each local authority. (Target: 50% of participating local authorities)</p> <p>Planning committee of local authorities has a woman representative as a member. (Target: 50% of participating local authorities)</p> <p>Mid-wife/Public Health Nurse, and Public Health Inspectors are consulted as key informants to</p>	PMU/SPCU/local authorities

¹⁶ The consultation and participation plan is in Appendix 5.

Activity/Measures	Indicators/Targets	Responsibility
	<p>identify subprojects which are gender-responsive and socially inclusive.</p> <p>Provide opportunities for the inclusion of widows, female-heads of households, elderly women, women in the poorest of the poor families, and women in ethnic minorities into the CCM in order to represent and address their needs.</p>	
2. Take affirmative action to ensure that the local authorities address women's needs in infrastructure and public services	<p>Local authorities implement subprojects particularly benefiting women (such as maternity health related subprojects).</p> <p>Water supply subprojects take account of women's views in the design of subprojects. (Target: 80% of water supply subprojects)</p>	PMU/SPCU/local authorities
3. Ensure wage parity during the implementation of infrastructure sub-projects	Women are given equal pay for work of equal value. This provision is included in the contractual agreements. (Target: 100% of contracts)	PMU/SPCU
4. Gender-sensitive facilities to be constructed	Separate toilets for women and men are built in public health-care centers, public markets, etc. financed by the project. (Target: 100% of facilities have separate toilets)	PMU/SPCU
(b): Making local authorities gender-responsive and socially inclusive		
1. Conducting gender sensitization and training programs for local authority members and technical and management staff	<p>Local authorities receive gender sensitization training. (Target: 100% of local authorities)</p> <p>All relevant local authority personnel (local authority chairman, members and the technical staff) have participated in gender sensitization programs. (Target: 50% of participating local authorities)</p> <p>Local authorities establish and maintain a sex-disaggregated database on project activities.</p>	PMU and SPCU (gender and social safeguards managers)/DSCs
Output 3: Project management and administration supported Creating an environment conducive to the representation of and participation by women and other socially marginalized groups in the project scope		
1. Employing a well-qualified gender and social development specialist	A social safeguard and gender manager employed in the PMU and SPCUs during the project period. (Target: gender and social safeguards manager in PMU and all SPCUs)	PMU/SPCUs
2. Creating and maintaining gender sensitive and women friendly environment in the project office	<p>Physical facilities provided for men and women in the project office are appropriate and equitable.</p> <p>All the project staff have participated in gender and social inclusion training workshops.</p> <p>The staff is made aware of ADB and government policies and provisions on gender equality.</p>	PMU (Safeguards Specialist)/ SPCU (gender and social safeguards manager)
3. Gender sensitive monitoring and evaluation system	<p>Sex-disaggregated data pertaining to project activities, and results are appropriately and duly reflected in PPMS.</p> <p>The progress in gender mainstreaming (and social inclusion) is reported in the project</p>	PMU/PMC/SPCU/DSC

Activity/Measures	Indicators/Targets	Responsibility
	<p>progress and completion reports.</p> <p>The achievements/shortcomings are duly communicated to the project staff by the gender and social safeguards managers for improvements and adjustments to reach goals and targets.</p>	

ADB = Asian Development Bank, CCM= community consultative meeting, DSC = design and supervision consultants, PMC = project management consultant, PMU = project management unit, PPMS = project performance management system, SPCU = subproject coordination unit.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

46. The Design Monitoring Framework (DMF) has been provided in Appendix 6.

B. Monitoring

47. **Project performance monitoring.** Within six (6) months of loan effectiveness, the PMU will establish a project performance management system using the targets, indicators, assumptions, and risks in the DMF. The baseline data corresponding to indicators and targets set out in the DMF will be gathered during the detailed design stage, disaggregated by income levels, sex, and ethnicity, as appropriate. After the initial baseline survey, the PMU will conduct monitoring using the same indicators and submit the reports to ADB through quarterly progress reports throughout project implementation. Results of a comprehensive completion survey will be included in the project completion report. These quarterly reports will provide information necessary to update ADB's project performance reporting system.¹⁷

48. **Compliance monitoring.** Status of compliance with loan covenants—policy, legal, financial, economic, environmental, and others— will be reviewed at each ADB review mission. All non-compliance issues, if any, will be updated in quarterly progress reports together with remedial actions.

49. **Safeguards monitoring.** The PMU with assistance from PMC will consolidate periodic environmental and social monitoring reports from SPCUs (assisted by DSCs) and submit semi-annual monitoring reports to ADB. Safeguards Managers in SPCUs will supervise design and construction works and facilitate preparation of all safeguard documents. Details on environmental and social safeguards monitoring are in safeguards frameworks (environmental assessment and review framework [EARF]; initial environmental examination [IEE]; indigenous peoples planning framework [IPPF]; and resettlement framework are available as linked documents to the RRP.).

50. **Gender and social dimensions monitoring.** The PMU with assistance from PMC will consolidate in the quarterly progress reports the status of the implementation of gender action plan with inputs from SPCUs (assisted by DSCs). This will be discussed at each ADB review

¹⁷ ADB's project performance reporting system is available at:
<http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

mission.

C. Evaluation

51. The Government and ADB will jointly review the Project at least twice a year. This includes (i) the performance of the PMU, SPCUs, participating local authorities, consultants, and contractors; (ii) compliance with grant eligibility mechanism and subprojects selection criteria; (iii) physical progress of subprojects; (iv) performance of implementation of reform plans; (v) effectiveness of capacity building programs for local authorities and progress of reform agenda; (vi) inclusion of women and vulnerable groups including the poor in subproject planning and implementation; (vii) compliance with loan covenants; and (viii) assessment of subproject sustainability in technical and financial terms. In addition to the regular reviews, the government and ADB will undertake a comprehensive midterm review in the third year of Project implementation to identify problems and constraints encountered and suggest measures to address them. Specific items to be reviewed will include (i) appropriateness of scope, design, implementation arrangements, and schedule of activities; (ii) assessment of implementation pace and achievements against project indicators; (iii) effectiveness of capacity building programs for local authorities; (iv) compliance with safeguard measures; (v) extent to which the gender action plan is being followed; (vi) achievement of reforms in local authorities; (vii) needs for additional support for O&M of the facilities established under the project to ensure operational sustainability; (viii) lessons learned, good practices, and potential for replication; and (ix) changes recommended. Within 6 months of physical completion of the project, the MLGPC will submit a project completion report to ADB.¹⁸

D. Reporting

52. The MLGPC will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan; and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency audited financial statements (AFSs), together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

53. The Project intends to maximize transparency by communicating relevant project information to stakeholders in various means. The PMU will set up a website within 6 months from the loan effectiveness and disclose all key project-related information, including the scope, cost, and financial and institutional arrangements of the Project, project safeguard reports including the IEE and resettlement plans, procurement plan, and project progress. The website will include information on Project procurement including the list of participating bidders, name of each winning bidder, basic details on bidding procedures adopted, the value of each contract awarded, and the list and value of goods/services procured and the intended utilization of Loan proceeds under each contract being awarded. The website shall also include general Project information, Project progress, and contact details for the Executing Agency's counterpart staff in Sri Lankan and English languages, and shall link to ADB's Integrity Unit website at

¹⁸ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

<http://www.adb.org/Integrity/complaint.asp> for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and/or Project activities. The Borrower shall cause the Executing Agency to ensure that all Project staff are fully aware of ADB's procedures, including, but not limited to, procedures for implementation, procurement, use of consultants, disbursements, reporting, monitoring, and prevention of fraud and corruption.

54. Each SPCU and participating local authorities will also fully disclose relevant project-related information—such as subproject name and cost, information on bidding, contractor's name, contract price, progress of construction—through public briefings and bulletin boards.

X. ANTICORRUPTION POLICY

55. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹⁹ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.²⁰ To support these efforts, relevant provisions are included in the loan agreement and the bidding documents for the Project. The Borrower shall ensure that all representation letters from the Project auditor are submitted to ADB and any outstanding issues attended to within one (1) month of receipt by the EA, unless otherwise agreed with ADB.

56. Furthermore, the Project intends to maximize transparency, as described in Section IX E above. Full information disclosure and participatory monitoring at both the central and the local levels are expected to be effective in reducing the risk of corruption and improving governance at central and local levels.

57. Within six months of project effectiveness, the PMU will finalize a grievance redress mechanism, acceptable to ADB, and ensure that there is appointed an officer, with the requisite capacity, in each SPCU to receive, resolve or act upon, both independently and expeditiously, complaints or grievances or reports from stakeholders on misuse of funds and other irregularities relating to the Project or the specific subprojects in each provincial council, including but not limited to grievances due to resettlement and environmental issues. Each SPCU shall inform stakeholders of their right to submit complaints or grievances relating to the Project.

XI. ACCOUNTABILITY MECHANISM

58. People who are, or may in the future be, adversely affected by the project may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.²¹

XII. RECORD OF PAM CHANGES

59. The first draft of Project Administration Manual (PAM) has been prepared at the loan fact-finding in June 2011. All revisions/updates during course of implementation should be

¹⁹ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

²⁰ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

²¹ For further information see: <http://compliance.adb.org/>.

retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

60. In August 2012, the PAM was updated with regard to (i) addition of 10 local authorities to be supported under the project, including the revision of Appendix 1; (ii) enhancement of the subproject selection criteria in Appendix 2 to be applied to other sectors such as buildings, bus stands, and three-wheeler parks; (iii) clarification of the function of the national and provincial steering committees; and (iv) replacement of Secretary, MLGPC and appointment of Project Director. The procurement plan will also be updated.

List of Appendixes

- Appendix 1: List of Local Authorities for the Project
- Appendix 2: Local Authority and Subproject Selection Criteria
- Appendix 3: Procurement Plan
- Appendix 4: Terms of Reference for Consulting Services
- Appendix 5: Consultation and Participation Plan
- Appendix 6: Design and Monitoring Framework

APPENDIX 1: LIST OF SELECTED LOCAL AUTHORITIES

Province	Local Authorities (Pradeshiya Sabhas)	District	Total Number of Local Authorities
Western Province	Walallavita	Kalutara	10
	Palindanuwara	Kalutara	
	Madurawala	Kalutara	
	Agalawatta	Kalutara	
	Diulapitiya	Gampaha	
	Dodangoda	Kalutara	
	Meerigama	Gampaha	
	Mathugama	Kalutara	
	Seethawaka	Colombo	
	Biyagama	Gampaha	
North Central Province	Padaviya	Anuradhapura	13
	Kebethigollawa	Anuradhapura	
	Horowapathana	Anuradhapura	
	Thirappane	Anuradhapura	
	Welikanda	Polonnaruwa	
	Galenbindunuwewa	Anuradhapura	
	Dimbulagala	Polonnaruwa	
	Ipalogama	Anuradhapura	
	Galnewa	Anuradhapura	
	Lankapura	Polonnaruwa	
	Palagola	Anuradhapura	
	Rambewa	Anuradhapura	
	Rajanganaya	Anuradhapura	
Uva Province	Ridimaliyadda	Badulla	16
	Meegahakiula	Badulla	
	Madulla	Monaragala	
	Kandeketiya	Badulla	
	Haldummulla	Badulla	
	Badalkumbura	Monaragala	
	Uva-Paranagama	Badulla	
	Thanamalwila	Monaragala	
	Wallawaya	Monaragala	
	Kataragama	Monaragala	
	Medagama	Monaragala	
	Siyamabalanduwa	Monaragala	
	Bandarawela	Badulla	
	Lunugala	Badulla	
	Haputale	Badulla	
Badulla	Badulla		
North Western Province	Alawwa	Kurunegala	13
	Arachchikattuwa	Puttalam	
	Kalpitiya	Puttalam	
	Polpithigama	Kurunegala	
	Ridigama	Kurunegala	
	Wanathawilluwa	Puttalam	

Province	Local Authorities (Pradeshiya Sabhas)	District	Total Number of Local Authorities
	Nawagattegama	Puttalam	
	Giribawa	Kurunegala	
	Kuliyapitiya	Kurunegala	
	Udubaddawa	Kurunegala	
	Bingiriya	Kurunegala	
	Chillaw	Puttalam	
	Mawathagama	Kurunegala	
Sabaragamuwa Province	Ayagama	Ratnapura	16
	Deraniyagala	Kegalla	
	Bulathkohupitiya	Kegalla	
	Dehiowita	Kegalla	
	Imbulpe	Ratnapura	
	Kolonna	Ratnapura	
	Embilipitiya	Ratnapura	
	Aranayaka	Kegalla	
	Pelmadulla	Ratnapura	
	Yatiantota	Kegalla	
	Balangoda	Ratnapura	
	Galigamuwa	Kegalla	
	Ruwanwella	Kegalla	
	Kahawatta	Ratnapura	
	Kegalle	Kegalla	
	Ratnapura	Ratnapura	
Southern Province	Athuraliya	Matara	22
	Neluwa	Galle	
	Kamburupitiya	Matara	
	Thihagoda	Matara	
	Pitabeddara	Matara	
	Mulatiyana	Matara	
	Suriyawewa	Hambantota	
	Hakmana	Matara	
	Karandeniya	Galle	
	Welivitiya Divitura	Galle	
	Imaduwa	Galle	
	Katuwana	Hambantota	
	Lunugamvehara	Hambantota	
	Pasgoda	Matara	
	Akuressa	Matara	
	Nagoda	Galle	
	Hambantota	Hambantota	
	Tissamaharama	Hambantota	
	Malimbada	Matara	
	Kirinda Puhulwella	Matara	
	Kotapola	Matara	
	Thawalama	Galle	

Province	Local Authorities (Pradeshiya Sabhas)	District	Total Number of Local Authorities
Central Province	Laggala-Pallegama	Matale	18
	Nuwara-Eliya	Walapane	
	Minipe	Kandy	
	Ududumbara	Kandy	
	Yatawaththa	Matale	
	Panwila	Kandy	
	Ambanganga Korale	Matale	
	Thumpane	Kandy	
	Naula	Matale	
	Wiigamuwa	Matale	
	Pathahewahata	Kandy	
	Uda Palatha	Kandy	
	Ambagamuwa	Nuwara-Eliya	
	Medadumbara	Kandy	
	Harispattuwa	Kandy	
	Dambulla	Matale	
	Rattota	Matale	
	Gangawata Korale	Kandy	

APPENDIX 2: LOCAL AUTHORITY AND SUBPROJECT SELECTION CRITERIA

A. Eligible Local Authority

1. Unless otherwise agreed by ADB, only local authorities listed in Appendix 1 will be eligible for financing under the project provided that such local authority has prepared and adopted a reform plan (as referred to in paragraph 3 of the PAM) and such reform plan has been reviewed and confirmed by the PMU.

B. Eligible Sectors

2. The eligible subsectors of the project are as follows:

- (i) Environmental infrastructure – water supply and sanitation (including sewerage), drainage, and solid waste management
- (ii) Economic infrastructure – roads and bridges, including suspension bridges
- (iii) Public health infrastructure – maternity and health-care centers
- (iv) Other local authority facilities – public markets

3. Subprojects not listed in the above are generally not accepted, but may be approved under special circumstances if the needs are clearly justified.

C. Subproject Selection and Approval Process

4. The subproject selection will be an outcome of an inclusive planning process. Selection of subprojects will be made by the eligible local authorities through a council resolution.

5. The resolution will need to indicate:

- (i) Priority list of subprojects with a concept plan;
- (ii) Commitment to implement the reform plan with the final actions agreed upon;
- (iii) Initial forecast of local authority finances; and
- (iv) Request to the project management unit (PMU) for technical assistance required, if any, for preparation of feasibility studies and/or detailed design of subprojects (including safeguard documents).

6. The request from the local authorities comprising the four items mentioned above will be first submitted to the subproject coordination unit (SPCU) in their respective province for review. The SPCU will review and assess the request, confirm the coherence with the provincial physical development plan, and after necessary changes, submit its confirmation through chief secretary, to the PMU in the Ministry of Local Government and Provincial Councils (MLGPC) for further review. Upon receipt of the request, the PMU will review the request in accordance with the agreed criteria. Staff of the PMU and/or SPCU will visit respective local authority to see the local conditions and confirm the appropriateness of the plan before completing the review. The PMU will provide its

recommendation to the Ministerial committee in the MLGPC chaired by Secretary, which is the final decision-making body. Only after the reform plan is reviewed and confirmed by the Ministerial committee, technical assistance for preparation of subprojects will be commenced.

7. When water supply and sewerage subprojects are included in the priority list, the PMU will initially screen the request to see who is appropriate to implement such subprojects and submit its recommendation to the Ministerial committee. If the Ministerial committee decides that the National Water Supply and Drainage Board (NWSDB) will be the appropriate implementing agency of the subprojects due to technical or other reasons, such subprojects will be dropped from the project.

8. Once the SPCUs find the feasibility studies and/or detailed engineering design of subprojects satisfactory, they will send a request to the respective local authority to endorse the project through council resolution. Once it is issued, the SPCU will request the PMU for final endorsement. When the detailed engineering design is prepared, the SPCU will send the entire set of documents to the PMU for the endorsement of the Ministerial committee.

D. General Subproject Selection Criteria

9. Subprojects will be identified on the basis of needs of the local communities, financial, economic, technical, environmental, and social feasibility and sustainability, and relevant government policy and strategy. The selection of subprojects will be made in terms of the following general criteria; the SPCUs will screen the subprojects and prepare a checklist to ensure the conformity with the criteria (both general and sector-specific) at the level of both feasibility studies and detailed designs, which will be confirmed and endorsed by the PMU. Only those subprojects that meet all the criteria set out below as a result of the detailed design will proceed to implementation.

- (i) **Priority requirement of community and link to development plan.** The subproject should be in line with the priority requirements of the community at large and should address the basic infrastructure requirements of the local authority. This will be ascertained through on-site consultations with communities in accordance with the consultation and participation plan developed for the project, and may use participatory tools such as participatory rapid appraisal and participatory learning and action, which allow rapid assessment of community needs and priorities. The proposed subproject should be in conformity with a medium-term development plan and vision statement (if available), and/or regional/provincial development plans, as well as local development goals. Subproject integration with local and regional plans will ensure a balanced sustainable development of the region.
- (ii) **Technical feasibility of the subproject.** The subproject must be technically feasible and the least-cost solution alternative, taking into consideration the need to meet reasonable increases in demand. The equipment, material, and other resources as required can be acquired in or transferred to, the subproject location without unreasonable obstruction or delay.
- (iii) **Financial state of the local authorities.** The overall financial health of the local authorities will be assessed in terms of own revenue as a proportion of total revenue, and trend of dependence on provincial/national government. Revenue-generating capacity of existing projects, expenditures as a proportion of

- expenditure norms and other indicators of financial strength will be used to ensure sustainability of the proposed subproject.
- (iv) **Quality control.** Quality control in terms of quality of work and processes as well as quality of proposed output will be key criteria for subproject appraisal. Quality control techniques suggested by the local authorities during subproject design, construction, supervision, and operation will be closely assessed. This is not only likely to minimize failures but also increase life and benefits of the proposed subproject.
 - (v) **Operation and maintenance (O&M).** Inadequate budgetary allocation for O&M will result in physical neglect of a subproject. Fiscal capacity of the local authorities for effective O&M will be assessed to ensure the smooth flow of project benefits.
 - (vi) **Economic and financial returns.** Evaluation of economic and/or financial returns from the subproject will be closely studied in accordance with relevant ADB guidelines. The findings will be evaluated vis-a-vis other criteria including environmental and social impact, etc.
 - (vii) **Environmental impact.** An environmental assessment will be undertaken for all subprojects. SPCUs will undertake preliminary screening using rapid environmental assessment checklist ensuring compliance with specific environmental criteria for subproject selection. For subprojects having environmental impacts, an environmental assessment report will be prepared following the environmental assessment and review framework agreed upon between ADB and the government.
 - (viii) **Involuntary Resettlement.** SPCUs and local authorities will screen involuntary resettlement impacts of proposed subprojects. Subprojects assessed to have significant resettlement impacts will not be undertaken. For subprojects having involuntary resettlement impacts, a resettlement plan will be prepared following the resettlement framework agreed upon between ADB and the government.
 - (ix) **Indigenous peoples.** SPCUs and local authorities will screen indigenous peoples impacts of proposed subprojects. Subprojects assessed to have significant impacts on indigenous peoples will not be undertaken. Subprojects having indigenous impacts which: (i) involve commercial development of the cultural resources and knowledge of indigenous peoples, (ii) physical displacement from traditional or customary lands, and (iii) commercial development of natural resources within customary lands under use that would impact the livelihoods or the cultural, ceremonial, or spiritual uses that define the identity and community of indigenous peoples will not be undertaken. For subprojects having indigenous peoples impacts, an indigenous peoples plan will be prepared following the indigenous peoples planning framework agreed upon between ADB and the government.
 - (x) **Gender.** Local authorities will evaluate the impacts of proposed subprojects on gender issues based on the following principles: (i) maximum participation of women, especially those from poor/low-income households, in community-based decision making (quantitative targets may help); (ii) gender-equal responsibility in construction and O&M; (iii) consideration for women's time and space constraints and/or requirements; (iv) gender disaggregated data collection whenever possible; (v) use of gender responsive nongovernment and/or community-based organizations; and (vi) gender awareness among the local authority officials.

E. Sector-Specific Subproject Selection Criteria

10. This section outlines the broad sector-specific criteria as guidelines for the selection of subprojects.

11. **Water Supply and Sanitation.** The objectives should be to improve access to safe drinking water, improve sanitation, minimize water-borne diseases, and improve health conditions. The focus should be on areas with a large population with little or no access to safe drinking water. The following criteria will apply:

- (i) The water resources board, the NWSDB and/or the consultants have carried out investigations, and have confirmed that potable water of sufficient quantity and quality is available, and the abstraction of water would not create adverse impacts to existing water users or the groundwater table, in both the short and long term.
- (ii) Specific measures have been proposed to mitigate adverse environmental impacts to be caused by additional amount of wastewater generated by the subproject.
- (iii) Connection costs and water tariff have been proposed to cover at least the full cost of O&M by taking into account the affordability of beneficiaries.
- (iv) For upgrading and augmentation of existing schemes, priority will be given for improving efficiencies.
- (v) The design of public sanitation facilities suits the requirements of women, children, and disabled.
- (vi) The water supply subproject has an economic internal rate of return (EIRR) of 12% or higher.

12. **Local Authority Roads and Bridges.** The objectives should be to improve access and to minimize travel time. The subprojects should be limited to local authority roads (class D and E) and other unclassified roads only. The following criteria will apply:

- (i) Priority will be given to roads serving agricultural or fisheries activities that link villages to nearby market centers and townships, as identified by the communities and included in development plans.
- (ii) Roads to be improved should benefit a substantial proportion of population.
- (iii) Where possible, the scope of repairs is limited to existing road alignments, where no land acquisition is required.
- (iv) An arrangement for O&M budget allocation has been specified by the local authority.
- (v) The subproject has an EIRR of 12% or higher

13. **Solid Waste Management.** The objectives should be to improve collection, transportation, treatment, and safe disposal of the solid waste in the local authorities. The following criteria will apply:

- (i) Improved collection, transportation, treatment, and disposal should benefit a substantial proportion of population.
- (ii) Activities promote public awareness of the population on household management of solid waste, with focus on reduce, reuse, and recycle (3R).
- (iii) Activities improve 3R activities such as organic waste composting.
- (iv) Activities demonstrate community involvement in selection of sites for safe disposal of solid waste, including acceptance of the site for disposal.

- (v) Where possible, state land should be selected for disposal of solid waste.
- (vi) The design of a final disposal site, if the construction/improvement is proposed under the project, meets the technical guidelines set out by the Central Environmental Authority.

14. **Drainage Improvements.** The objectives should be to improve collection, and safe disposal of the runoff and grey water in the local authorities. The following criteria will apply:

- (i) Drainage system to be improved should benefit a substantial proportion of population.
- (ii) Activities promote public awareness of the population on household management of solid waste.
- (iii) Subproject demonstrates community involvement in selection of drainage sites for safe disposal.

15. **Public Health-Care Facilities.** The objective is to improve public health-care services in the local authorities by improving or constructing relevant facilities. The following criteria will apply:

- (i) Facilities improve maternity and child health in local authority areas.
- (ii) Coordination with the Ministry of Health and/or other relevant organizations has been made with regard to the allocation of medical staff, materials and other resources.

16. **Bus Stands and Three-wheeler Parks.** The objectives are to improve convenience of the public for the use of public transport and improve traffic management. The following criteria will apply:

- (i) Facilities are prioritized for the township development, and the basic traffic survey confirms the need for the subproject.
- (ii) An arrangement about the use of facilities, including collection of fees and other charges, has been agreed upon with operators or their associations.

17. **Other Facilities.** The objective is to rehabilitate or construct local authority facilities to improve service delivery. The following criteria will apply:

- (i) For public markets, a survey has confirmed the need for the subproject based on the estimated number of stalls and their size. Financial projection needs to demonstrate the commitment of the local authority to sufficiently increase the revenue from operation of the markets. Plots should be allocated through competitive bidding to reflect the market rate of rents to optimize the revenue. Markets should have separate toilets for women and men.
- (ii) Other facilities may be approved under special circumstances only if the needs are clearly justified. This is subject to ADB's prior approval.
- (iii) For buildings, a clear plan has been provided by the local authority as to how necessary furniture and equipment will be provided in the building, including its

- fund sources. Buildings should have separate toilets for women and men.
- (iv) Shops in buildings are not recommended. If proposed, a clear management plan should demonstrate the commitment of the local authority as to the optimization of rental income collection, by charging the market rate.

18. **ADB Review.** The PMU will submit to ADB for review the proposal of the first two subprojects of each subsector, together with the checklist to demonstrate compliance with the selection criteria, when (i) feasibility studies are prepared, and (ii) detailed designs are prepared. Subsequently, ADB will review water supply and sewerage subprojects over SLR 40 million (excluding the VAT).

19. ADB shall not finance in respect of any subproject that fails to satisfy the selection criteria set out in this Appendix 2.

APPENDIX 3: PROCUREMENT PLAN

Basic Data

Project Name: Local Government Enhancement Sector Project	
Country: Sri Lanka	Executing Agency: Ministry of Local Government and Provincial Councils
Loan Amount: \$ 59.0 Million	Loan (Grant) Number: Loan 2790-SRI (SF)
Date of First Procurement Plan: 4 August 2011	Date of this Procurement Plan: 31 January 2012

A. Process Thresholds, Review and 18-Month Procurement Plan

1. Project Procurement Thresholds

1. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works

Method	Threshold
International Competitive Bidding (ICB) for Works	\$3,000,000 and above
International Competitive Bidding for Goods	\$500,000 and above
National Competitive Bidding (NCB) for Works	Below \$ 3,000,000
National Competitive Bidding for Goods	Below \$ 500,000
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000

2. ADB Prior or Post Review

2. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Method	Prior or Post	Comments
Procurement of Goods and Works		
ICB Works	Prior	
ICB Goods	Prior	
NCB Works	Post	Prior review for first two subprojects in each subsector
NCB Goods	Post	
Shopping for Works	Post	
Shopping for Goods	Post	
Recruitment of Consulting Firms		
Quality- and Cost-Based Selection (QCBS)	Prior	
Quality-Based Selection (QBS)	Prior	
Other selection methods: Consultants Qualifications (CQS), Least-Cost Selection (LCS), Fixed Budget (FBS), and Single Source (SSS)	Prior	
Recruitment of Individual Consultants		
Individual Consultants	Prior	

3. Goods and Works Contracts Estimated to Cost More Than \$1 Million

3. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value (\$ million)	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
IT system development	1.4	ICB	N	3/2012	

4. Consulting Services Contracts Estimated to Cost More Than \$100,000

4. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value \$ million	Recruitment Method ¹	Advertisement Date (quarter/year)	International or National Assignment	Comments
Project Management Consultants	1.64	QCBS 80:20	3/2011	International and national	
Design and Supervision Consulting Services Package I ²² Provinces	1.814	QCBS 80:20	1/2012	National	Value subject to change depending upon demands from local authorities
Design and Supervision Consulting Services Package II ²³ Provinces	1.23	QCBS 80:20	1/2012	National	Same as the above
Design and Supervision Consulting Services Package III ²⁴ Provinces	1.23	QCBS 80:20	1/2012	National	Same as the above
Updates and entry of data on tax and licenses for pilot local authorities	0.73	QCBS 80:20	3/2012	International and national	

5. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000

5. The following table groups smaller-value goods, works and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value (\$ million)	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
Civil works and procurement of equipment for	10-20 (total)	NCB	N	4/2012	Multiple subprojects

²² Western, Southern and Sabaragamuwa

²³ North Central and North Western

²⁴ Central and Uva

subprojects of
various subsectors

B. Indicative List of Packages Required Under the Project

6. The following table provides an indicative list of all procurement (goods, works and consulting services) over the life of the project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the comments section.

General Description	Estimated Value (cumulative) (\$ million)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
IT system development	1.4	1	ICB	N/A	
Equipment and works for subprojects	44.2	200	NCB	N/A	

General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Type of Proposal	Comments
Project Management Consultants	1.64	1	QCBS	Full	
Design and Supervision Consulting Services	4.27	3	QCBS	Simplified	
Data entry and updates	0.73	1	QCBS	Simplified	

C. National Competitive Bidding

1. General

7. National competitive bidding shall conform to the provisions for "National Competitive Bidding" as prescribed in the *Procurement Guidelines 2006 for Goods and Works* issued in January 2006 by the National Procurement Agency, and the specific procedures prescribed by the *Procurement Manual* issued on March 2006, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Guidelines.

2. Registration

- (i) Bidding shall not be restricted to pre-registered firms under the national registration system of the Institute for Construction, Training and Development (ICTAD), and such registration shall not be a condition for the submission of bids in the bidding process.
- (ii) Where registration is required prior to award of contract, bidders: (i) shall be allowed a reasonable time to complete the ICTAD registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through

post-qualification.

- (iii) National sanction lists or blacklists may be applied only with prior approval of ADB.

3. Prequalification

8. Post qualification shall be used unless prequalification is explicitly provided for in the loan agreement/procurement plan. When used for large or complex Works contracts, *i.e.* turnkey, design and build, or management contracts; or custom-designed equipment, industrial plants, and specialized services, prequalification evaluation shall not include the evaluation of equipment and personnel. This assessment shall be undertaken at the bid evaluation stage. Irrespective of the procedure applied (whether prequalification or postqualification), no domestic or foreign contractor shall be precluded from participation.

4. Advertising

9. Bidding of ICB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.

5. Bidding Documents

10. Procuring entities shall use standard bidding documents acceptable to ADB for the Procurement of Goods, Works and Consulting Services, based ideally on the standard bidding documents issued by ADB.

6. Packaging

11. Slicing or splitting of contracts within a package shall not be used to change the contract sizes and their corresponding methods of procurement as approved in the Procurement Plan.

7. Bid Security

12. Where required, bid security shall be in the form of a bank guarantee from a reputable bank.

8. Preferences

- (i) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.
- (ii) Foreign suppliers and contractors from ADB member countries shall be allowed to bid, without registration, licensing, and other government authorizations, leaving compliance with these requirements for after award and before signing of contract.

9. Procurement of Works

- (i) Specifications for works may be based on specifications recommended by ICTAD to the extent possible, but ICTAD approval shall not be required for adoption of specifications in a particular procurement activity.
- (ii) The determination of the financial capacity of a bidder for award of the contract in postqualification evaluation shall take into account current contract commitments and shall not be confined, for domestic bidders, to the ICTAD registration.

10. Bid Rejection for Unrealistic Rates

13. Bids shall not be subjected to a test for unrealistic rates. No lowest evaluated and substantially responsive bid shall be rejected on the basis of comparison to rates, including but not limited to market, historical, or agency established rates, without prior approval of ADB.

11. Rejection of All Bids and Rebidding

14. Bids shall not be rejected and new bids solicited without the ADB's prior concurrence.

12. Price Negotiations

15. Price negotiation shall be allowed only where the price offered by the lowest evaluated and substantially responsive bidder substantially exceeds costs estimates. Approval of ADB is required prior to any negotiation of prices.

13. Participation by Government-Owned Enterprises

16. Government-owned enterprises in the Democratic Socialist Republic of Sri Lanka shall be eligible to participate only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the procuring entity, or the Project Executing Agency or Implementing Agency.

14. Member Country Restrictions

17. Bidders must be nationals of member countries of ADB, and offered goods, works and services must be produced in and supplied from member countries of ADB.

TERMS OF REFERENCE FOR CONSULTING SERVICES

I. Project Management Consultant (PMC)

A. Overview

1. The Project Management Unit (PMU) in the Ministry of Local Government and Provincial Councils (MLGPC) and the Sub-Project Coordination Units (SPCUs) in the 7 Provinces will be provided with necessary consulting services under the loan to strengthen their project management and implementation capability including engineering design and construction supervision. A Project Management Consultant (PMC) comprising international and national consultants will be located in Colombo to assist the PMU in project management activities including reviewing engineering designs, procurement, implementation and capacity building. The PMC will also assist the PMU and the SPCUs in project formulation, management, monitoring and evaluation, financial and environmental management aspects, information technology and capacity building. In addition the PMC would be responsible for project performance and management system (PPMS) which includes generating baseline data and will be monitored to assess impact of the Project and assess the benefits on commissioning of the Project.

2. Seven national sector specific Design and Supervision Consultant (DSC) firms will be provided separately to SPCUs in the respective provinces to undertake detailed engineering design, preparation of construction drawings and bidding documents, procurement activities, construction supervision, quality control and other activities associated with the Project.

3. The consultant firms for the above packages will be selected in accordance with the latest procedure and guidelines set by the Asian Development Bank.

B. Project Management Consultant (PMC)

1. Objectives of PMC

4. The primary objectives of the PMC will be to strengthen the PMU capacity on a sustained basis; delineate the PMU's method of working, procedures and reporting; assist the PMU in introducing and supporting local authority reforms; oversee the work of the DSCs; assist the PMU in defining and preparing contracts; assist the PMU in designing, contracting, installing and operationalizing new systems and procedures as required for the implementation of the Project; establish criteria for supervision, coordination and management; and importantly, oversee and coordinate the reform and institutional capacity building activities being undertaken under the Project or under separate funding.

2. PMC Team Composition

5. The composition of PMC shall be in a manner, whereby there would be a core team of experts to oversee the whole of the Project activities, and subject specialists who would be inducted for a specific activity requirement. The team would consist of a Team Leader with expertise in Project Management and Procurement. Two Project Engineers would support the team who would assist on technical and procurement issues. The PMC team would also include a Institutional Development Specialist (Planner), a Safeguard Specialist and a Finance Specialist.

3. Tasks of PMC

6. The major tasks of the PMC associated with the provision of management support to the PMU during the planning, design and implementation phases of the Project are generally as follows.

a. General Management Tasks

- (i) Advise the PMU on actions required to satisfy the Project assurances and covenants;
- (ii) Develop procedures and prepare guidelines for evaluation of bids including procurement of contractors wherever necessary, recommendation of awards of contracts, etc.
- (iii) Support PMU in establishing and managing a PPMS and a project-specific web site.
- (iv) Assist PMU in screening subprojects proposed by participating local authorities;
- (v) Prepare, or as necessary amend, existing procedures and guidelines for site supervision and quality control to include guidelines and detailed job descriptions for supervision engineers.
- (vi) Assist the PMU in developing annual project work plans, job descriptions, staffing schedules and equipment budgets;
- (vii) Support the PMU in providing guidance to SPCUs on technical matters such as reviewing surveys, investigations, studies and master plans; sub-project preliminary and final designs, construction drawings and estimates; bidding documents, ensuring sound supervision and quality control of project component construction and any other technical matters that arise; *(It is to be noted that the review of designs and estimates by the PMC will be a general review and the responsibility of the designs, estimates and bid documents will be that of DSC only)*
- (viii) Assist the PMU in advising and supervising SPCUs with all aspects of procurement activities, including review of bidding documents and bid evaluation;
- (ix) Assist the PMU in advising and supervising SPCUs in establishing, testing and reviewing financial accounting and control systems and ensuring accurate and timely report submissions and funds flow from the ADB and onwards to the implementing agencies;
- (x) With the PMU, ensure the effective and timely delivery of the various institutional development aspects of the Project;

- (xi) Assist the PMU in supervising, coordinating and monitoring the work of SPCUs and DSCs.
- (xii) Assist the PMU in advising the National and Provincial Steering Committees on various issues on the Project Implementation.
- (xiii) Supervision and Monitoring: Assist the PMU in monitoring the work of SPCUs and DSCs in supervision of construction activities particularly with respect to quality control procedures and quality control of the works, prepare a quality control program and implementation related issues at the local level. Investigate particular construction problems or delays that have been reported from the site and recommend on actions to be taken to resolve the problems or overcome the delays. Assist in interpreting and applying the various legal provisions of the contract, and in amicably resolving disputes;
- (xiv) Environmental Monitoring: Assist PMU in SPCUs' establishment of a system and training staff to monitor the Project and recommend actions to be taken, in accordance with ADB's *Safeguard Policy Statement*;
- (xv) Resettlement Monitoring: Assist the PMU in supervising the implementation by SPCUs of the resettlement plans and assist with monitoring of the affected households and persons. Advise the PMU to ensure that the ADB's *Safeguard Policy Statement* is met;
- (xvi) Identify training needs and opportunities to enhance the efficiency of Ministry, Provinces and Local Authorities;
- (xvii) Create awareness in the importance of maintaining an up-to-date management information system and assist in its operations;
- (xviii) Assist PMU in reviewing, advising, and closely monitoring the preparation and implementation of reform plans by local authorities, which cover the areas of (a) service delivery, (b) tax, licensing and approval system, (c) effective asset management including O&M, and (iv) governance;
- (xix) Assist Local authorities in management information systems improvement;
- (xx) Assist PMU in preparing various reports for submission to ADB, including quarterly progress reports and project completion report; and
- (xxi) Assist PMU in coordinating with other teams of consultants, particularly those working on the review and recommendation of tax, licensing, and approval systems of local government and the preparation of draft by-laws and regulations in accordance with the legal amendments to relevant ordinances and acts.

PMC Staffing - Indicative Personnel Requirements for PMC

	1. Positions
A.	a. International Consultants
	Team Leader/Project Management and Procurement Specialist
B.	b. Domestic Consultants
	Safeguard Expert
	Institutional Development Expert
	Finance Expert
	Information Technology
	Project Engineers (2)
	Secretarial Assistance

b. Detailed tasks of the PMC team

Team Leader

- (i) Advise the PMU in the Project Management and Procurement issues.
- (ii) Advise the National and Provincial Steering Committees on Project Implementation and Management issues.
- (iii) Assist the PMU in developing the management skills relating to strategic planning, in developing management skills and monitoring control.
- (iv) Providing administration and coordination support to PMU.
- (v) Reviewing the detailed implementation schedules covering all stages of implementation process for each subproject from field survey and investigations to acceptance of finished work.
- (vi) Assisting PMU in providing guidance to SPCUs in terms of designing contracting, installing and introducing operational new systems and procedures for implementation of the Project.
- (vii) Review Construction Supervision of Subprojects / Design and Supervision Support including quality, cost and time controls.
- (viii) Preparation of quarterly progress reports and other reports as required to be submitted to ADB.

Safeguard Specialist

- (i) Prepare internal environmental and social safeguard guidelines and standard reporting systems for uniform reporting by all Local Authorities / SPCUs.

- (ii) Review IEEs/EIAs and other environmental and social safeguards documents prepared by DSCs in relation to the Project and ensure compliance with government/ADB guidelines;
- (iii) As part of implementation, support PMU in reviewing the documentation pertaining to environmental and social safeguard compliance (including bidding documents, reviews on-site, reports from contractors etc);
- (iv) Conduct audits jointly with PMU / SPCU in matters pertaining to on-site Occupational Health and Safety and other environment and social safeguard requirements;
- (v) Prepare sections of monthly/quarterly reports pertaining to overall Implementation of Safeguard requirements under the project.

Finance Expert.

- (i) Assist PMU and SPCUs in establishing testing and reviewing financial accounting and control systems;
- (ii) Review and monitor preparation and implementation of reform plans on financial matters;
- (iii) Guide PMU and assist PMU in guiding SPCUs on financial, staffing and administrative improvements; and
- (iv) Ensuring accurate and timely report submission and funds flow from ADB and onwards.

Institutional Development Expert.

- (i) Advise on the Capacity Building requirements at various levels (at MLGPC, PMU, SPCU, Provincial Council and Local Authorities).
- (ii) Advise on reforms required at various levels
- (iii) Assist the finance expert in the preparation of monitoring mechanisms and monitoring of Reform Action Plan.

Information Technology

- (i) Under the overall guidance of the team leader, advise the PMU on all aspects relating to procurement, design and implementation of information technology based activities.

Project Engineers

- (i) Assist the Team Leader on all Technical and Procurement issues and preparation of progress reports.

II. Outline TOR for Design and Supervision Consulting Services (6 Packages)

- Package 1 – Design and Supervision Consulting Services for Water Supply
- Package 2 – Design and Supervision Consulting Services for Sewerage / Sanitation
- Package 3 – Design and Supervision Consulting Services for Storm Water Drainage
- Package 4 – Design and Supervision Consulting Services for Roads
- Package 5 – Design and Supervision Consulting Services for Solid Waste Management
- Package 6 – Design and Supervision Consulting Services for Civil Structures

A. Overview

7. Services of national Design and Supervision Consultants (DSCs) would be provided to assist the local authorities and SPCU in implementation of the project components. Considering the diverse demands possible from Local Authorities and the inability to provide required skill-sets, it is proposed to engage Sector wise consultant. The DSCs, reporting to the concerned SPCU Project Director will work under the overall guidance, technical control, and direction of PMU.

8. Domestic Design and Supervision Consultant (DSC) firms will be provided to assist the Local Authorities participating in the Project. The objective of DSCs will be to jointly with Local Authorities prepare feasibility reports as per requirements of ADB and if found feasible and acceptable for funding under the project, proceed to do detail designs. The next tasks would include, surveys and investigations, detailed engineering design, quantity and cost estimation, preparation of bid documents, procurement activities, preparation of construction drawings, construction supervision including assisting in recording measurements, quality control and other works associated with the Project. On award of construction contract, undertake the responsibilities of the Engineer's Representative as per provisions in the Conditions of Contract.

9. The consultant firms will be selected in accordance with the latest procedure and guidelines set by the Asian Development Bank.

B. Objectives

10. The main objectives of appointing and functioning of the DSC for the respective sector are mainly but not limited to:

- (i) Updating maps and plans as necessary for the project.
- (ii) Undertaking necessary surveys and investigations required for the designing the project components of the sector (water supply, sewerage,
- (iii) Preparing detailed designs and estimates of various project components for each of the project Local Authorities,
- (iv) Preparing technical specifications, bid documents, contract documents etc.
- (v) Assist in construction supervision and quality control and measurement of works under the Project.
- (vi) Preparation of project implementation schedules, reporting of progress during the project period.

C. Scope of Services

11. The DSCs, will work under the overall guidance, technical control, and direction of the Project Director and the SPCUs, and Local Authorities in design and implementation of works under the respective sector.

a. General Tasks – (Applicable to all Sectors of the Project)

- (i) Carry out sub project feasibility study and approval of feasibility report, and initiate design process.

Sub Project Feasibility should include technical, financial and economic analysis, Reform Action Plans and compliance with ADB safeguards.

The Projects should meet the sub project selection criteria and Local Authority selection and grant guidelines of the project.

- (ii) Reconfirm all project components and identify, specify and undertake required surveys and investigations as necessary;
- (iii) Finalize procurement packages;
- (iv) The standard bidding documents prepared for the project should be reviewed and confirmed or necessary changes suggested;
- (v) Work out land acquisition requirements (if any) and assess each site's environmental aspects for detailed design of the sub-project components:
 1. Prepare necessary documents for review and approval by appropriate authorities including ADB; and
 2. Assist in resettlement related in consultation with SPCU safeguards specialist or on environmental issues with the Sr. Engineer, designated as the environmental safeguards officer;
- (vi) Carry out required surveys, investigations to update the feasibility study findings and prepare conceptual plans, master plan and engineering designs for respective project components;
- (vii) Prepare a detailed implementation schedule and management plan covering all stages of the implementation process for each component from field survey and investigations to acceptance of finished work, to ensure coordination and minimization of disruption to the general public;
- (viii) prepare community development and public awareness programs, and identify training requirements;
- (ix) Detailed Engineering Design: Once the conceptual plans and preliminary designs are approved, prepare detailed designs in accordance with sound engineering practice, construction drawings, cost estimates and associated contract documentation to include Letter of invitation, conditions of contract, specifications, design reports, bills of quantities,

etc. for respective sub-projects components. The design shall meet the particular requirements of the Local Authorities and shall be sufficiently detailed to ensure clarity and understanding by the contractors and will be incorporated into a detailed design report to be submitted for approval. DSC will carry out the necessary topographical surveys, total station surveys, construction material survey, water, wastewater sampling and analysis, soil and hydrological investigations. All surveys and investigations shall be accurate and plotted for review of SPCU and Local Authorities;

- (x) The engineers' estimate shall be prepared on the basis of Scheduled rates of the Province;
- (xi) Assist with procurement of equipment, materials, civil works and turnkey contracts under ICB, LCB procedures as necessary, including preparation of tender documents, tendering, tender evaluation and contract award;
- (xii) Assist as necessary in the evaluation of bids, and preparation of abstract of bids and recommendation for award;
- (xiii) Construction Supervision: Supervise construction of project components, monitor construction and quality control methods, assist to record measurements as per procedures followed in the Government, certify that quality of works conforms to the specifications and drawings, assess the adequacy of the contractors' inputs in material, labor and construction method, furnish all revisions and detailed drawings as necessary during the continuance of the contract, attend third party inspections as necessary, check contractors' design and drawings for lump sum turnkey contracts, examine contractors' claim for extension of time and extra works, etc. and prepare recommendation for approval of Local Authorities / SPCUs. Check installation and commissioning, prepare measurement for works completed and in progress and certify bills for payment to the contractors/suppliers. Ensure that works are constructed to the prescribed quality in accordance with specifications tender of documents and quality assurance system;
- (xiv) As required, assist the Local Authorities / SPCUs in the resolution of contractual issues including review, evaluation and confirmation of contract Variation Orders;
- (xv) As necessary, assist the SPCUs / Local Authorities with overall contract management and approving of the "as built" drawings as prepared by the Contractors / Prepare the As built drawings as necessary;
- (xvi) DSCs will be responsible for measurement and certification of the works completed and for certifying and recommending payments to the contractors;
- (xvii) Prepare inception report, monthly/quarterly progress reports and project completion report;

- (xviii) Assist SPCUs in the preparation of plan of action for the subprojects for presentation to Local Authorities and get their consent.
- (xix) Prepare a simplified quality control manual for use of the field staff;
- (xx) Assist SPCU to undertake other tasks as assigned by the PMU. and
- (xxi) Preparation of O & M plans for all the assets created in the project.

b. Water Supply:

If the project is to augment / add to the existing water supply system -

- (i) Map the areas of existing water supply schemes and areas proposed for addition.
- (ii) Conduct 'Condition Surveys' and the preparation of water supply distribution network maps, Maps to be accurate, to appropriate scale. Identify the defects in the present system.
- (iii) Undertake an analysis of the existing water supply networks. Identify defects in the system and existing hydraulic constraints and their rectification for incorporation, if necessary, in the proposed project;
- (iv) Undertake the planning and implementation of a Power and Water Audit of the water supply system, from source to consumer. Identify major efficiency losses and recommend, with detailed costs and economic justification, proposals for incorporating in the Project; and
- (v) Conducting the necessary surveys and investigations required for designing the system.

If the project is for new water supply system:

- (i) Finalize and map the areas of the proposed water supply system, and commonly for both situations;
- (ii) Prepare a Water Supply Improvement Program for the Local Authority and prioritize the works to be taken up under the Project based on availability of funds in consultation with Local Authorities and SPCUs. Prepare initial designs, detailed designs, estimate quantities and costs and bid documents for the finalized works;
- (iii) The standards adopted by National Water Supply Board to be followed in designing the systems;
- (iv) Assist Local Authorities for public consultation and awareness with emphasis on women and on water conservation to reduce wastage; and
- (v) Assist local authority in establishment of water supply unit and maintenance procedures and practices.

c. Sewerage/Sanitation

- (i) Finalize the area and the households to be covered under the project;
- (ii) Conduct the necessary surveys and investigations for design and implementation of the Project;
- (iii) Identify major wastewater producers and pollution sources (if any) that may require additional treatment prior to discharge to the public sewer. In consultation with the regulatory authority, recommend appropriate actions required;
- (iv) Where sewage treatment required, plan and organize a 'baseline' sampling and analysis program of the receiving water body, in compliance with any environmental management and monitoring plan;
- (v) Conduct public consultation with SPCUs and Local Authorities and participation involving women, suitable locations for community sanitation blocks and facilities including agreement on responsibility for operation and maintenance;
- (vi) While the Project may cover only a part of the improvements required, the consultants are expected to prepare a Comprehensive Plan for improvement of Sewerage System in the Project Local Authorities with detailed Zoning, pipe layout (entire layout, right from households to Treatment Plants for the city and upto final disposal point) and location of wetwells/ pumping stations and Sewage Treatment Plants. The works are then to be prioritized depending upon the importance, urgency and availability of funds for the Project. The exact amount of works to be tendered are to be decided in discussion with the SPCU / Local Authorities and initial and detailed designs and bid documents are first prepared for these works. Designs for the remaining works would be prepared and submitted to the respective Local Authorities / SPCUs for execution at later stages through own / external funds;
- (vii) The consultants should workout various sewage treatment options along with a comparative cost analysis and O & M issues and submit their recommendations with justification for approval of Local Authorities/SPCU before proceeding with the designs of Sewage Treatment Plant; and
- (viii) Finalize the sewerage and sanitation improvement equipment to be procured under the Project in consultation with the PMU/SPCU/LAs and prepare the Detail Design Report with estimates and bid documents for procurement of the same.

d. Storm Water Drainage

- (i) Collect all available data, contour maps, details of past schemes and reports; collect historic rainfall data; data on past incidents of water

flooding and loss as may be available; carry out surveys to plot all the major storm water drains and channels as necessary;

- (ii) Analyze rainfall data of the previous years (no. of years would be agreed upon with PMU while preparing inception report) and estimate storm runoff per unit area for various storm frequencies;
- (iii) Prepare a topographical base map of the Local Authority for drainage with contours related to a storm water drainage inventory for easy identification of the status of the existing drains/canals and their catchment areas in a form that can be easily transferred to a GIS;
- (iv) Prepare a comprehensive drainage master plan for the Local Authorities area and identify missing links and prioritized program of improvement works. The improvement works to be taken under the project would constitute Phase -1 works of the prioritized program of the comprehensive drainage master plan which would be finalized in discussion with the SPCU/ Local Authorities; and
- (v) Initial and Detailed designs and bid documents would be prepared for improvement works for Phase -1.

e. Solid Waste Management

- (i) Prepare a Solid Waste Management Plan after necessary studies and surveys for the area and identify the civil works and equipment to be procurement under the project to implement the plan;
- (ii) Conduct necessary surveys and investigations for the designing the works and equipment and vehicles required for the project;
- (iii) Prepare initial and detailed designs for the works as identified to be executed under the Project along with estimates of quantities and costs;
- (iv) Prepare detailed specifications for equipment and vehicles identified to be procured under the Project;
- (v) Prepare the bidding documents for both works and equipment in accordance with the standard bidding documents approved by ADB including all sections;
- (vi) Assist in bid invitation and evaluation of bids received;
- (vii) Prepare the construction drawings for various contract packages based on the tender drawings;
- (viii) Attend design and construction and operational issues during the construction period;
- (ix) Supervision of Solid Waste Management works as per the requirements and preparation of completion report;

- (x) Design the required public awareness program required for implementation of the solid waste management plan and assist in conducting the required awareness programs; and
- (xi) Preparation of Operation and Maintenance plan for the works, equipment and vehicles procured under the project.

f. Roads and Transportation

- (i) Study the road network system and finalize the roads to be improved under the project in consultation with Local Authorities and SPCU based on the priority of improvement;
- (ii) Conduct the necessary topographical surveys for the roads to be improved under the project;
- (iii) Prepare initial and final designs for the improvement of identified roads and estimate the quantities and costs for execution of the said works;
- (iv) Prepare the necessary bid documents in accordance with the approved standard bidding documents as approved for the project;
- (v) Assist in bid invitation and evaluation of the bids received;
- (vi) Prepare the construction drawings for various contract packages based on the tender drawings;
- (vii) Attend design and construction issues during the construction period;
- (viii) Supervision of road works as per the requirements and preparation of completion report; and
- (ix) Prepare Operation and Maintenance plan;

g. Public Buildings

12. The expected services include but not limited to the follows:

- (i) Necessary Site Investigation including Soil Investigation;
- (ii) Carry out field surveys;
- (iii) Preparation of Master Plan;
- (iv) Preparation of Architectural Drawings;
- (v) Preparation of structural designs and drawings;
- (vi) Preparation of Bills of Quantities;
- (vii) Preparation of Tender and Contract Documents;
- (viii) Preparation of cost estimate; and
- (ix) Construction Supervision.

13. The consultant is required to design the sub-project complete in all respects, and carry out Construction Supervision of the said infrastructure development including all consultancy services during the construction period of the Sub project. It shall be the endeavour of the Consultant to deliver a final quality product, in terms of its design and construction.

14. The following are the guidelines for the design:

a) The architecture of the buildings shall be such that it blends with the environment and culture of the society and provides all the facilities and optimum use of space for the purpose the building is to be used;

b) The consultants shall prepare all specifications and designs using the metric system and so as to embody the latest design criteria;

The consultants shall specify the materials and workmanship based on ICTAD specifications for Construction and Maintenance of buildings, and any other internationally accepted specifications in the event of above specifications being inadequate;

c) The consultant is required to comply with British Standards / Codes of Practices for the designs or accepted international standards;

d) The British Standard Codes of Practices will govern the structural designs. In case any other code of practise is used in the design, the designer is required to furnish a comparison between the British Codes provision and the code being used in the design. The British Standards will be treated as the basic minimum required and any other standard is required to be proved higher than the British Code requirements; and

e) The main applicable British Standards that the design has to conform to are listed below for easy reference. However, the design has to conform to all other non-listed British Code of practise that is relevant to the design standards.

15. The services to be provided by the Consultant shall include, but not limited to the following:

a. General. The Consultant shall be responsible for the design of all related components of the building including but not limited to the following:

- (a) Structure of the building;
- (b) Finishes;
- (c) Services such as electricity, water supply, telecommunication, Storm water drainage, waste and sewerage disposal, etc.; and
- (d) Landscaping, parking, etc.

b. Construction Supervision. The consultant is responsible for the detailed construction supervision and quality assurance of the building.

c. Reports, Deliverables and Time Schedule. The required deliverables and time schedule is show below.

- (i) Preliminary Design; (ii) Final Design; (iii) Bidding Documents; (iv) Final Design Report ; and (i) Monthly Report; (ii) quarterly report and (iii) Completion Report during and after supervision.

D. Staffing. The key staff and core staff are presented below. Details of staffing by Package based on skills required are presented in Table 1.

Table 1. Specializations

Sector Specialization of Core Staff:	Qualification and Skills
Sector: Water Supply	Bachelor's degree in Civil Engineering with Corporate Membership. Around 10 years with minimum 5 years in design and operation of urban/rural water supply systems and management of foreign funded project contracts including procurement/ contract administration. Experience in establishing water maintenance units in local authorities would be an advantage.
Sewerage and Sanitation	Bachelor's degree in Civil Engineering with Corporate Membership. Around 10 years with minimum 5 years in design and operation of urban/rural sanitation systems and management of foreign funded project contracts including procurement/ contract administration. Adequate experience in rural and low cost sanitation systems.
Drainage Engineer	Bachelor's degree in Civil Engineering/Water resources with Corporate Membership. Around 10 years with minimum 5 years in design Master Plan for drainage work and in design of specific drainage infrastructure for small and medium settlements and management of foreign funded project contracts including procurement/ contract administration.
Roads Engineer	Bachelor's degree in Civil Engineering with Corporate Membership. At least 8 years (minimum 5 years in design of Class B/C/D roads.
Solid Waste Management	Bachelor's degree in Civil/ Public Health Engineering with Corporate Membership Around 10 years with (minimum 5 years in design and operation of urban/rural solid waste/sewerage systems) Should have experience in preparation of solid waste management plan and in design of specific solid waste treatment facilities such as composting or disposal such as landfill.
Support Specialists	Bachelors degree in relevant disciplines above and at least 5 years experience in the required field.

Support Specialists	Education and Experience
Environmental Safeguards	Bachelors in Civil Engineering/ Masters in Environmental Science, at least 5 years experience in design and review of environmental safeguards issues in donor funded projects.
Social Safeguards and Gender	Masters in Planning/ Social Sciences, at least 5 years experience in design and review of social safeguards issues and subproject-specific gender-mainstreaming in donor funded projects.
Economic and Finance	Masters in Economics or Finance or Cost/ Chartered Accountant, conversant in ADB requirements on economic and financial analysis. Experience in working in a local authority environment a must. At least 8 years experience in design/ appraisal of infrastructure projects..
Structural Engineer	Bachelor's degree in Civil Engineering with Corporate Membership. At least 8 years with (minimum 5 years in design of civil structures)

Supervision Staff	
Resident Engineer	Bachelor's degree in Civil Engineering or National Diploma in Technology (NDT). Graduate with 5 years in civil construction industry or NDT with 10 years in construction management
Site Engineers	National Certificate in Technology (NCT) or equivalent 10 years in construction supervision(5 years in construction supervision of rural road works)

E. Submittals

a. General Deliverables:

16. The general deliverables common for all the works are as follows:

- (i) Inception Report – project feasibility report Draft and Final Report
- (ii) Monthly Reports
- (iii) Quarterly Reports
- (iv) Initial Design Reports for all Procurement Packages
- (v) Detailed Design Reports and Estimates – Draft and Final
- (vi) Bid Documents – Draft and Final
- (vii) Completion Report for each Package - Draft and Final
- (viii) Final Consolidated Completion Report – Draft and Final
- (ix) Survey maps and reports
- (x) Reports of various investigations
- (xi) Water Supply Improvement Program
- (xii) Storm Water Drainage Master Plan
- (xiii) Comprehensive Plan for improvement of Sewerage System

17. Any other reports like inventory reports, survey reports etc. that have to be given for the services to be provided – Draft and Final

APPENDIX 5: CONSULTATION AND PARTICIPATION PLAN

Introduction

As argued by the proponents of sustainable development, any interventions on natural resources management, governance, and infrastructure development must be transparent, accountable, representative, and participatory. In the recent past the 'participation' of all the stakeholders including the beneficiaries of development initiatives has become an integral component and essential aspect of projects and programs. In other words, to work effectively and development projects to be successful, civic engagement in governance is crucial. The incorporation of planning practices in the Local Authorities and incorporation of this activity as part of project process is a change from the ongoing project supported by ADB for local authorities. The scope of the process is in terms of involvement of all stakeholders such as groups or individuals who are either benefited or affected by a policy / project or those groups or individuals who can affect the policy / project. Stakeholders can be individuals, communities, social groups, organizations, etc. Generally the poor and the marginalized (women, children, elderly, disabled, orphans, landless laborers) are often ignored either because they are unaware and not consulted or because they do not have a forum to express their views.

Identifying and consulting all stakeholders, especially the marginalized / vulnerable is important to ensure that a project meets the need of all sections of the people. Further, consultations open up the line of communication between the various stakeholders and the project implementing authorities, thereby aiding the process of resolving conflicts at early stages of the project rather than letting it escalate into conflicts resulting in implementation delays and cost overrun. Participation of the local community in decision- making will help in prioritizing projects and identifying cost effective measures in mitigating adverse impacts and evolve ownership to the assets created through the interventions. There are also needs and possibilities of participation beyond implementation.

Consultation and Participation Strategy and Plan

Consultations for sample subprojects were held during the PPTA stage with affected households, beneficiaries of subprojects, elected representatives and other stakeholders. Further, consultations were held during the socio-economic surveys undertaken in sample sub-project towns and census surveys undertaken to assess the magnitude of involuntary resettlement in each sub-project. The projects proposed by *Pradeshiya Sabhas* for assistance from ADB aim at improving access to growth and social services, environmentally sound health and sanitation practices and contribute to overall development of the local authority.

Improving provision for water supply, sanitation and other essential forms of infrastructure and services must be based on an understanding of the needs and priorities of those who, within households, are responsible for water collection, sanitation, disposing of solid waste and other daily necessities. In most instances these responsibilities fall on women who are rarely consulted. Further, the poor who do not have a forum to express their needs are often not consulted in projects and schemes that aim at improving their standard of living. Keeping this in mind, the government as part of the Project, has developed a consultation and participation plan from the sub-project identification stage through the implementation stage (Table 1) and possible options of participation in operation and maintenance (O&M) of localized facilities.

While the project identification will be on an inclusive basis, in line with the proposed amendment to legislation, the government intends to mainstream participation by women and youth. Besides improved planning, the project would also enhance planning by participatory methods which would possibly extend to O&M.

Table .1: Consultation and Participation Plan

Project Cycle	Target Group	Consultation Tools	Consultation and Participation Topics	Indicators	Sources of Verification	Responsibility
Planning Stage	Beneficiaries including women, youth, and marginalized social groups	<ul style="list-style-type: none"> Focus group discussions 	<ul style="list-style-type: none"> Overview of the proposed project and interventions Definition of issues and constraints in access to services and resources List of needs and initial prioritization Reform Plan 	<ul style="list-style-type: none"> Number of consultation sessions carried out for various stakeholder groups including number of participants Number of comments/suggestions received and converted into actions/ projects Base line indicators in relation to select DMF targets At least 15% participation by women (target) 	Summary of consultations with each group. Baseline indicators in relation to select DMF targets	Local Authority (Assisted by PMU, SPCU, DSC)
	Elected representatives / leaders of Local Authorities (LAs)	<ul style="list-style-type: none"> Council level meetings and presentations 				
	Civil Society Organizations- Women's society/ youth' associations, Others as identified	<ul style="list-style-type: none"> Key informant interviews with leaders 				
	Local registered NGO's	<ul style="list-style-type: none"> Focus group discussions 				
	Traders association	<ul style="list-style-type: none"> Focus group discussions 				
	Academic institutions	<ul style="list-style-type: none"> Focus group discussions 				
	Elected representatives / leaders of Local Authorities (LAs)	<ul style="list-style-type: none"> Class room discussions for orientation and training 	<ul style="list-style-type: none"> Orientation/training of local authorities' leaders in participatory approaches, decision making and M&E 	<ul style="list-style-type: none"> Number of leaders of LAs trained 	Summary of Orientation.	
Sub-project identification stage	Beneficiaries including women, youth, and marginalized social groups	<ul style="list-style-type: none"> Focus group discussions Information leaflets about sub-project and benefits Newspaper articles seeking feedback Open house meetings 	<ul style="list-style-type: none"> Overview of service requirements Sub-project selection criteria <ul style="list-style-type: none"> Reason for prioritizing the sub-project improvements / benefits envisaged User contribution requirements Implementation schedules and arrangements 	<ul style="list-style-type: none"> Number of consultation sessions carried out for various stakeholder groups including number of participants 	Note on Views received and incorporated into the selection of sub-projects	Local Authority (assisted by PMU, SPCU DSC)

Project Cycle	Target Group	Consultation Tools	Consultation and Participation Topics	Indicators	Sources of Verification	Responsibility
	Elected representatives / leaders of LAs	<ul style="list-style-type: none"> ▪ Key informant interviews ▪ Information leaflets about sub-project and benefits ▪ Open house meetings 	<ul style="list-style-type: none"> ▪ Willingness to pay assessments ▪ Possibility of community participation in O&M 			
	Civil Society Organizations- Women's society/ youth associations , Others as identified	<ul style="list-style-type: none"> ▪ Information leaflets about sub-project and benefits ▪ Open house meetings 				
	Local registered NGO's	<ul style="list-style-type: none"> ▪ Information leaflets about sub-project and benefits ▪ Open house meetings 				
	Traders association	<ul style="list-style-type: none"> ▪ Information leaflets about sub-project and benefits ▪ Open house meetings 				
	Academic institutions	<ul style="list-style-type: none"> ▪ Information leaflets about sub-project and benefits ▪ Open house meetings 				
Sub-project design stage	<ul style="list-style-type: none"> ▪ Beneficiaries including women, youth, and marginalized social groups ▪ Elected representatives / Leaders of LAs 	<ul style="list-style-type: none"> ▪ Focus group discussions ▪ Newspaper articles seeking feedback ▪ Open house meetings ▪ Household 	<ul style="list-style-type: none"> ▪ Summary of reports (DPR/IEE/RP/IPP) ▪ Design criteria <ul style="list-style-type: none"> ▪ alternatives considered ▪ project components involving land acquisition mitigation measures ▪ environmental impacts and mitigation measures 	<ul style="list-style-type: none"> ▪ Number of consultation sessions carried out for various stakeholder groups including number of participants ▪ Agreement on O&M arrangements 	<ul style="list-style-type: none"> ▪ Note on Views of participants ▪ No. of objections/ suggestions received and action taken ▪ Baseline 	Local Authority (assisted by PMU, SPCU DSC)

Project Cycle	Target Group	Consultation Tools	Consultation and Participation Topics	Indicators	Sources of Verification	Responsibility
		questionnaire	<ul style="list-style-type: none"> ▪ cost of the project likely charges, if any ▪ Specific arrangements for involvement of communities in O&M, if appropriate 		<ul style="list-style-type: none"> indicators in relation to select DMF targets ▪ Draft agreement documents 	
	Affected households	<ul style="list-style-type: none"> ▪ Focus group discussions ▪ Household questionnaire 	<ul style="list-style-type: none"> ▪ Summary of reports (DPR/IEE/RP/IPP) ▪ Design criteria <ul style="list-style-type: none"> ▪ alternatives considered ▪ Extent of land acquisition and mitigation measures ▪ Proposed resettlement and rehabilitation measures, if any 	No of consultations held	<ul style="list-style-type: none"> ▪ Views of participants ▪ No of objections/ suggestions received and action taken ▪ Feedback on rehabilitation and restoration measures 	
Sub-project implementation stage	<ul style="list-style-type: none"> ▪ Elected representatives /Leaders of LAs ▪ Interest groups including women's groups and vulnerable groups ▪ Civil Society Organizations- Women's society/ youth associations , Others as identified ▪ Local registered NGOs ▪ Traders association ▪ Academic institutions 	<ul style="list-style-type: none"> ▪ Focus group discussions ▪ Monitoring surveys ▪ Periodic open house meetings ▪ Newspaper articles ▪ Display of project details on site. 	<ul style="list-style-type: none"> ▪ Progress of implementation ▪ Temporary impacts / discomfort to public <ul style="list-style-type: none"> ▪ advance communication about civil work schedule ▪ Quality and adequacy of environmental and social mitigation measures undertaken ▪ Share design changes, if any <ul style="list-style-type: none"> ▪ reason for the same ▪ alternatives considered ▪ Efficacy of the grievance redressal system ▪ Labor standards and safety measures ▪ Awareness measures <ul style="list-style-type: none"> ▪ Sanitation and water conservation ▪ HIV AIDS and other communicable diseases ▪ Formulation of user/community 	<ul style="list-style-type: none"> ▪ Number of consultation sessions carried out for various stakeholder groups including number of participants 	<ul style="list-style-type: none"> ▪ Views of participants / grievances received and action taken report. 	Local Authority Contractor PMU / SPCU DSC

Project Cycle	Target Group	Consultation Tools	Consultation and Participation Topics	Indicators	Sources of Verification	Responsibility
			groups responsible for O&M			
	<ul style="list-style-type: none"> ▪ Affected households 	<ul style="list-style-type: none"> ▪ Focus group discussions 	<ul style="list-style-type: none"> ▪ Grievance redressal mechanisms ▪ Temporary impacts review 		<ul style="list-style-type: none"> ▪ Report on grievance redressal and actions on temporary impacts. 	
	<ul style="list-style-type: none"> ▪ User Group 	<ul style="list-style-type: none"> ▪ Focus group discussions 	<ul style="list-style-type: none"> ▪ O&M issues, structure of arrangement and agreements 	<ul style="list-style-type: none"> ▪ Consultations held ▪ Formulation of necessary committees and selection of key staff 	<ul style="list-style-type: none"> ▪ Minutes of consultation ▪ Agreements on O&M arrangements 	
Post Project Implementation	<ul style="list-style-type: none"> ▪ Beneficiary Communities 	<ul style="list-style-type: none"> ▪ Structured meetings ▪ Focus group discussions ▪ Individual interviews 	<ul style="list-style-type: none"> ▪ O&M issues / Management by user/community groups- in small / localized community infrastructure and Polas ▪ Satisfaction levels ▪ Performance in relation to DMF targets 	<ul style="list-style-type: none"> ▪ No of project/ activities transferred ▪ Performance in terms of efficiency of O&M 	<ul style="list-style-type: none"> Notes on ▪ Beneficiaries perception of project benefits ▪ Feedback Reports ▪ Community satisfaction 	Local Authority and Community/ User Groups
Monitoring and Evaluation	<ul style="list-style-type: none"> ▪ Beneficiary Communities ▪ User groups ▪ Elected representatives / Leaders of LAs 	<ul style="list-style-type: none"> ▪ Individual interviews ▪ Focus group discussions 	<ul style="list-style-type: none"> ▪ Participation in evaluation: feedback to the Local Authority on benefits ▪ Monitoring service delivery ▪ Impacts on women and vulnerable amongst the beneficiaries / user groups ▪ Progress on Reform Plan ▪ Comparison with DMF Targets 	<ul style="list-style-type: none"> ▪ Numbers of local leaders who participated in M&E activities 	<ul style="list-style-type: none"> Note/ report ▪ Facility specific performance ▪ Progress on reforms ▪ Impacts on women and vulnerable groups 	LA in consultation with beneficiary communities and user groups

DMF= design and monitoring framework, DSC = design and supervision consultant, DPR = detailed project report, IEE = initial environmental examination, IPP = Indigenous Peoples Plan, LA = local authority, M&E = monitoring and evaluation, O&M = operation and maintenance, PMU = project management unit, PPTA = project preparatory technical assistance, RP = resettlement plan, SPCU = subproject coordination units.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Local authorities' capacity financially and technically strengthened in less-developed areas of seven provinces in Sri Lanka</p>	<p>By 2018, measures of backwardness in participating local authorities reduced by 10 points on average from 2010 scores, which averaged 129.6^a</p> <p>By 2018, annual revenues of participating local authorities in seven provinces increased by 20% in real terms from those in 2010</p>	<p>MLGPC's assessment study</p> <p>MLGPC's assessment study</p>	<p>Assumptions Improvements in other infrastructure (e.g., education, power supply, and provincial roads) are made.</p> <p>Macroeconomic and political stability is sustained.</p> <p>A coherent policy and regulatory framework for devolution and decentralization is in place.</p>
<p>Outcome Improved local infrastructure and services delivered effectively by local authorities</p>	<p>By the end of 2015: Travel time to markets reduced by 20% on average in local authorities implementing road subprojects (27 minutes in 2011 in the sample local authorities)^b</p> <p>Population served by piped water systems increased by 20% on average in local authorities implementing water supply subprojects (27% in 2011 in sample local authorities)^b</p> <p>New systems and processes introduced for taxation, licensing, and approval as a result of business process reengineering</p> <p>Final accounts of participating local authorities audited within 6 months from the end of fiscal year (baseline: delay in preparation of final accounts and audits)</p>	<p>Project-specific evaluation survey</p> <p>Project-specific evaluation survey</p> <p>Project progress and completion reports issued by MLGPC</p> <p>Audit reports issued by the Auditor General's Department</p>	<p>Assumptions Fiscal transfer from the central government continues at least at the same level.</p> <p>Local authorities obtain adequate financial and technical capacity for operation and maintenance.</p> <p>Risks Local authorities fail to closely implement reform plans.</p> <p>Government approval for introducing the new business processes is delayed.</p>
<p>Outputs 1. Improved local infrastructure and basic service delivery</p>	<p>By the end of the project:</p> <p>Improvements of water supply schemes in 30 local authorities for 20,000 connections (8,000 households newly served)</p> <p>Improvement of solid waste management systems including composting in 40 local authorities</p> <p>The construction of at least 10 waste disposal sites meeting Central Environmental Authority technical guidelines</p> <p>The construction or improvement of 150 kilometers of local roads</p> <p>The construction or improvement of 10 public</p>	<p>Project progress and completion reports issued by the MLGPC</p>	<p>Assumption Necessary technical support will be obtained from the National Solid Waste Management Support Center, the National Water Supply and Drainage Board, and the Ministry of Health.</p> <p>Risks Local communities oppose landfill construction.</p> <p>As the selection of subprojects is demand-driven, actual subsector allocation may be different</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks						
	<p>primary health-care facilities</p> <p>The construction or improvement of 20 public markets</p> <p>Local authorities implement subprojects particularly benefiting women, such as maternity health centers</p> <p>Public facilities financed by the project have separate toilets for men and women</p> <p>Women represented in the planning committee of local authorities in 50% of participating local authorities</p>		<p>from the original estimate.</p> <p>Alternative funding sources become available without commitment to reform or its implementation.</p>						
2. Advanced local government policy reform and strengthened capacity	<p>By the end of the project:</p> <p>Bylaws and regulations prepared in accordance with the amendments of acts and ordinances related to the local government</p> <p>Bottlenecks in current tax, licensing, and approval systems of local governments analyzed and necessary improvements proposed</p> <p>IT system developed, including the updating and computerization of databases on taxes, licenses, and financial accounting and asset management system in select local authorities in seven provinces</p>	Project progress and completion reports issued by the MLGPC	<p>Assumption Amendments to local government ordinances and acts are approved as planned.</p> <p>Risks Periodic valuation of properties by the Valuation Department, which will be reflected in the tax database, may not be carried out on time.</p>						
3. Project management and administration supported	<p>Timely and effective support provided for smooth project implementation</p> <p>PMU and SPCUs fully staffed on time</p> <p>Quarterly progress reports of satisfactory quality submitted on time</p> <p>Sex-disaggregated data pertaining to project activities are collected and reflected in the project performance management system.</p> <p>Project staff trained on gender and social inclusion (disaggregated by sex)</p>	<p>Project progress reports issued by the MLGPC</p> <p>Project progress reports</p> <p>Project progress reports</p> <p>Project performance management system</p> <p>Project progress reports</p>	<p>Assumption Organizations are effectively coordinated at the center and locally.</p>						
<p>Activities with Milestones</p> <p>1. Improved local government infrastructure and basic service delivery</p> <p>1.1 Participating local authorities make a plan and identify priority subprojects, assisted by project preparatory TA consultants (August–November 2011)</p> <p>1.2 SPUCs and PMU review subprojects (November 2011–February 2012)</p> <p>1.3 Recruit design and supervision consultants (November 2011–June 2012)</p> <p>1.4 Prepare feasibility studies, detailed design, and bid documents (July 2012–June 2013)</p> <p>1.5 Undertake procurement of contractors for civil works and equipment (January–December 2013)</p> <p>1.6 Implement civil works and procurement of equipment (May 2013–December 2014)</p> <p>1.7 Provide post-construction support (June 2014–June 2015)</p>		<p>Inputs</p> <p>Project: \$68.77 million</p> <table border="1" data-bbox="1040 1627 1511 1764"> <thead> <tr> <th data-bbox="1040 1627 1203 1661">Item</th> <th data-bbox="1203 1627 1511 1684">Amount (\$ million)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1040 1684 1203 1717">ADB</td> <td data-bbox="1203 1684 1511 1717">59.00</td> </tr> <tr> <td data-bbox="1040 1717 1203 1764">Government</td> <td data-bbox="1203 1717 1511 1764">9.77</td> </tr> </tbody> </table>		Item	Amount (\$ million)	ADB	59.00	Government	9.77
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<p>2. Advanced local government policy reform and strengthened capacity</p> <p>2.1 Recruit consultants for data updates and entry regarding taxes and licenses (July 2012–February 2013)</p> <p>2.2 Consultants carry out data updates and entry (February–December 2013)</p> <p>2.3 Undertake bidding for development of IT system (July 2012–February 2013)</p> <p>2.4 Develop IT system (February–December 2013)</p> <p>2.5 Implement the new system and business processes (January–December 2014)</p> <p>2.6 Evaluate implementation of new systems and processes (January–June 2015)</p>							
<p>Capacity development TA</p> <p>2.7 Recruit consultants (August 2011–March 2012)</p> <p>2.8 Review existing taxation, licensing, and approval systems and processes for government review (April–September 2012)</p> <p>2.9 Review software developed by the Information and Communication Technology Agency of Sri Lanka (April–September 2012)</p> <p>2.10 Draft bylaws and regulations for streamlining and improvement (April–June 2013)</p> <p>2.11 Provide support for implementation of the new system and business processes (January–December 2014)</p>	<p>Technical Assistance \$640,000.00</p> <table border="1"> <thead> <tr> <th data-bbox="1044 562 1344 604">Item</th> <th data-bbox="1344 562 1507 604">Amount (\$ '000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1044 604 1344 646">ADB</td> <td data-bbox="1344 604 1507 646">540.00</td> </tr> <tr> <td data-bbox="1044 646 1344 688">Government</td> <td data-bbox="1344 646 1507 688">100.00</td> </tr> </tbody> </table>	Item	Amount (\$ '000)	ADB	540.00	Government	100.00
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ADB	540.00						
Government	100.00						
<p>3. Project management and administration supported</p> <p>3.1 Assign core staff in the PMU and the SPCUs (September 2011)</p> <p>3.2. Complete full staffing of the PMU and the SPCUs (February 2012)</p> <p>3.3 Recruit project management consultant assisted by project preparatory TA consultants (August 2011– March 2012)</p> <p>3.4 Local authorities prepare reform plan assisted by project preparatory TA consultants (August–November 2011)</p> <p>3.5 SPCUs and PMU review reform plans (November 2011–February 2012)</p> <p>3.6 Develop project performance management system (August 2012)</p> <p>3.7 Undertake project management and administration (continuous until June 2015)</p> <p>3.8 Undertake project-specific evaluation survey (October 2014–March 2015)</p> <p>3.9 Monitor reform plan implementation (February 2012–June 2015)</p>							

ADB = Asian Development Bank, IT = information technology, MLGPC = Ministry of Local Government and Provincial Councils, PMU = project management unit, SPCU = subproject coordination unit, TA = technical assistance.

^a Based on an evaluation by the Ministry of Local Government and Provincial Councils.

^b Baseline surveys of 1,000 households in 10 local authorities were undertaken under project preparatory TA.

Source: Asian Development Bank.