



Technical Assistance

TAR: REG 38633

# Technical Assistance for Improving Delivery of Infrastructure Services

September 2005

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
APIRF	–	Asia Pacific Infrastructure Regulatory Forum
DMC	–	Developing Member Country
JBIC	–	Japan Bank for International Cooperation
PARD	–	Pacific Regional Department
PDMC	–	Pacific developing member country
PLCO	–	Pacific Liaison and Coordination Office
PPP	–	private-public partnerships
PSD	–	private sector development
PSP	–	private sector partnership
QBS	–	quality-based selection
SOE	–	state-owned enterprise
TA	–	technical assistance
WB	–	World Bank

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sectors</b>	–	Multisector: Energy; transport and communication; water supply, sanitation, and waste management
<b>Subsectors</b>	–	Energy sector development, multimodal transport and sector development, water supply and sanitation
<b>Themes</b>	–	Private sector development, sustainable economic growth, regional cooperation.
<b>Subtheme(s)</b>	–	Public-private partnerships, Fostering physical infrastructure development, Policy/institutional/legal/regulatory reforms

## NOTE

In this report, "\$" refers to US dollars.

## I. INTRODUCTION

1. This technical assistance (TA) is part of a joint Asian Development Bank (ADB) -World Bank (WB) and Australian Agency for International Development (AusAID) initiative to systematically, and coherently, address infrastructure issues in the Pacific region.<sup>1</sup> There has yet to be a comprehensive document that brings together the issues and spells out the short-, medium-, and long-term infrastructure needs and options for Pacific developing member countries (PDMCs). This document also needs to identify the requisites in building effective partnerships with the private sector in meeting the regions infrastructure needs, including financing, institutional development, and structural changes. In addition, there is no readily available single source data that could provide a baseline for ADB's progress on the Pacific Strategy's infrastructure key result areas.<sup>2</sup> These gaps limit the ability of donors to structure support more efficiently and develop a cohesive longer-term strategy. More importantly, it also limits the ability to direct an effective results-based strategy.

2. The technical assistance will produce: (i) diagnostic studies that will serve as resource documents in the first of three workshops for policy makers from participating countries, (ii) a strategy and action plan for improving the provision of infrastructure services that will be discussed in the second workshop, (iii) a feasibility study for a regional regulatory and advisory unit as part of the strategy and action plan, (iv) a final report on directions and opportunities for improving the delivery and efficiency of infrastructure services to be included as a publication for the Pacific Studies Series. The draft of this final report will be the subject of the last workshop. (paras. 16–21). A participatory process has been designed to engender ownership of reforms.

3. Donors, including ADB, have had substantial engagement in the Pacific in the development and rehabilitation of infrastructure. This support has often been provided on an ad hoc or opportunistic basis without a longer-term focused strategy. In line with the major objectives of the new Pacific Strategy adopted by ADB in 2004, and in agreement with other donors to work more closely together to achieve improved results, this TA is part of an effort to focus donor resources more strategically and create conditions for partnering with the private sector where possible. The aim is to explore options and opportunities for improved service delivery and outreach, with greater attention to efficiency and cost recovery in: water, energy, roads, marine transport, and telecommunications.<sup>3</sup>

4. Improved provision, operation, and maintenance of physical infrastructure is a key result area within the private sector development (PSD) strategic objective of the Pacific Strategy. Dialogue and discussion as part of contemporaneous ADB activities, coupled with consultation missions, staff discussions, and lessons learned from past infrastructure support, have contributed to the development of this TA.<sup>4</sup> The TA also incorporates feedback from Pacific islands leaders and development partners, information from ongoing TAs for PSD, state-owned enterprise (SOE) restructuring, legal and regulatory reform, and the joint ADB-Japan Bank of

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<sup>1</sup> It is anticipated that other partners may also join. For example, New Zealand has recently expressed an interest in working in this area.

<sup>2</sup> The results of ADB. 1999. *Technical Assistance Report on Pacific Water and Power*. Manila (TA 5883-REG), will provide key inputs to this effort.

<sup>3</sup> ADB. 2004. *Responding to the Priorities of the Poor: A Pacific Strategy for the Asian Development Bank, 2005–2009*. Manila. Support for private sector development is also an integral part of ADB's *Poverty Reduction Strategy*.

<sup>4</sup> For example, Review Missions for the *Suva-Nausori Water Supply and Sewerage Project* (L2055-FIJ); *Technical Assistance to Fiji Islands for Capacity Building in Water and Sewerage Services* (TA4270-FIJ); TA Fact-finding for proposed Tonga Urban Development Project (May 2005) and Solomon Islands Country Programming Mission (May 2005).

International Cooperation (JBIC)-WB-Asia Pacific Regional Infrastructure study.<sup>5</sup> The TA concept paper was approved on 7 April 2005. The design and monitoring framework is in Appendix 1.<sup>6</sup>

5. Given ADB's experience in the Pacific and expertise in this area, the Pacific Department will take a leadership role in developing strategies that include exploring opportunities for public-private partnership (PPP), encouraging PSD, and identifying the necessary reform actions. Other donor partners will participate and support the RETA activities with additional workshops, joint missions, and information gathering and sharing. The focus will be to explore appropriate modalities to finance, manage, and deliver sustainable and efficacious service delivery and to be incorporated into country strategies and programs.

6. All PDMCs have been invited to participate in the TA. Activities will start only after ADB has received the no-objection letter from the governments. The TA supports the Pacific Strategy's move toward identifying solutions involving regional approaches and cooperation while recognizing and supporting country-specific actions at the national level.

## II. ISSUES

7. The provision of infrastructure services, or even other social services, has generally been poor in the Pacific region. In many Pacific islands, infrastructure services are expensive, inefficient, and unreliable. In many cases they have limited outreach and are restricted to urban or peri-urban areas. *Swimming Against the Tide* (footnote 5) demonstrated that poor delivery of infrastructure services is a key constraint to PSD and thus impacts directly on economic growth. It has contributed to the unsustainably high cost of doing business.<sup>7</sup> In this region, the current structure of full public ownership, operation, and management of utilities has left little incentive for efficiency and eliminated the potential for private sector participation (PSP). This crowding out of the private sector has also limited the possibilities for innovating and exploring different mechanisms for services delivery. The result is that weak incentives to improve the governance of public infrastructure have created an inefficient system of service delivery that continues to drain and channel valuable resources away from other priority uses, such as health and education. With competitive costing and management incentives, infrastructure services could be delivered in a more cost efficient manner.

8. Poor delivery of infrastructure services undermines productivity and broader country competitiveness and thus prospects for longer-term economic growth. Sustained growth requires an environment where electricity, water, and transport services are continuous and predictable. The erratic nature of infrastructure services has been a direct disincentive to produce beyond the needs of subsistence consumption. There have been few reasons to explore economically viable options for extending the outreach of infrastructure services.

9. Inefficient systems have remained in place partly because of the prevalent political economy. In some areas, there is a perceived right to free service, particularly in the case of water. The requirement for equitable distribution of social services such as water is an honorable cultural trait of the Pacific. Governments have long provided basic social services and many feel it is solely the government's responsibility. There is a reluctance to try unfamiliar

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<sup>5</sup> ADB. 2004. *Swimming Against the Tide*. Manila; country-specific private sector assessments; and Pacific Infrastructure Review for World Bank, Castilia. 2004-part of the recently concluded Asian Development Bank-Japan Bank for International Cooperation-World Bank Study Connecting East Asia; a New Framework for Infrastructure.

<sup>6</sup> The TA first appeared as Partnering to Improve Delivery of Infrastructure Services in *ADB Business Opportunities* (internet edition) on 16 May 2005.

<sup>7</sup> *Swimming Against the Tide* (footnote 3); World Bank. 2004. *Cost of Doing Business*. Washington, DC.

systems that could be politically unpopular and potentially lead to unaffordable tariffs, disruptive job losses, or any nonequitable distribution of benefits, even if the current system has resulted in non-equitable access. Governments do have an important role in ensuring the efficient delivery of infrastructure services, though this need not involve the direct provision of such services.

10. In some countries, access to reliable infrastructure services in urban areas is poor and the rural situation is even more acute. Rural entrepreneurs, farmers and fisherfolk, suffer expensive, nonexistent, or unreliable power, road access, shipping services, or water services. Urbanization is growing rapidly in the Pacific and urban centers are struggling to meet the needs of the migrant population from the rural areas. Urban immigration has sometimes resulted in poverty and mounting social problems typical of larger urban areas in other parts of the world. Rural opportunities will not stop migration, but can limit the reasons contributing to migration decisions.

11. While external funding of infrastructure has been prevalent, it has not solved the problem. It may even have contributed to the problem, as readily available grant assistance for rehabilitation or new infrastructure often results in inattention to maintenance and asset management, and a distorted sense of cost recovery. Indeed, it has contributed to a sense of entitlement. Where external funds are readily available, there is limited incentive or financial pressure to fix fundamental financial management issues, leading to shortfalls in maintenance contract protection, and transparent arrangements for ensuring affordable access.

12. These issues are at the heart of broader initiatives in Asia such as the recently completed ADB-JBIC-WB infrastructure report (footnote 5), which provides a good basis for examining these issues in detail and tackling hard questions such as how much it will cost; the appropriate regulatory, institutional, and management reforms; and the sequencing of actions. Also, regional forums such as the Asia-Pacific Infrastructure Regulatory Forum (APIRF) that was launched in 2003 and supported by ADB, WB, and the Public-Private Infrastructure Facility, promote good regulatory practices by creating a cross-sectoral platform for discussion and knowledge sharing. The APIRF is in its infancy and an interim secretariat is facilitating implementation activities. As the APIRF develops, there should be room for closer collaboration and cooperation.<sup>8</sup>

13. The resources for individual PDMCs to establish independent utility regulation agencies are limited, yet the acceptability of a regional approach is understandably sensitive. A regional advisory agency may provide the base for sharing information on available options for regulation. Given resource constraints for regional agencies, a regulatory advice center alone may face continuous budgetary challenges and have a too limited scope to be efficient. As other areas of service delivery would benefit from information sharing and regional cooperation, the regional advisory center could become more effective if it covered a range of issues important for service delivery—from technical support to managerial training—and could undertake some cost recovery for its services. This approach can offer more specialized expertise than individual governments can afford alone, and provide cost-effective opportunities for cross-learning.

### III. THE TECHNICAL ASSISTANCE

14. The TA is directly related to two of the three pillars of the Pacific Strategy, namely, supporting a conducive environment for the private sector and enhancing the supply of, and demand for, basic social services. By focusing ADB's strategy to improve the functioning and delivery of infrastructure services, and identifying specific interventions, the TA will support the

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<sup>8</sup> Other regional initiatives such as the Pacific Plan may also provide opportunities for cooperation and collaboration.

discussion of fundamental reforms required for private sector investment, ultimately contributing to job creation and growth. Improved efficiency and broader access to infrastructure services in rural and urban areas directly increase the potential return on assets as well as access to basic social services. The TA will promote PPP, regional cooperation, and cost and delivery efficiency as key elements of sustainable improvements that are also fundamental aspects of the Pacific Strategy. The developed strategies will inform ADB's assistance to the region and individual countries.

### **A. Impact and Outcome**

15. The TA's intended impact is for broad dissemination and, ultimately buy in, for the eventual adoption of modalities that support efficient delivery of infrastructure services that contribute to job creation and growth. Its immediate outcome will be to identify the necessary reform actions and develop innovative regional and private sector approaches directly impacting on the management of infrastructure service delivery in PDMCs. The TA will include exploring opportunities for regional collaboration and PSP. These focused strategies will include identification of appropriate modalities to finance, manage, and deliver sustainable and efficacious service, and will be incorporated into country strategies and programs. Outputs that will support the impact and outcome include a diagnostic review of infrastructure delivery issues, a strategy and action plan for improving service provision with a results-based monitoring system, a feasibility study for a regional advisory unit, and a final report consolidating the findings, conclusions, and recommendations.

### **B. Methodology and Key Activities**

16. The approach and methodology will draw from, and build on, the operational experience of ADB and other funding partners, as well as lessons learned in the field. The regional workshop and several individual country workshops will provide essential inputs and checks of accuracy, political economy, and recommendation viability in the Pacific regional context. They will also be part of a participatory process to build support and dialogue on reform.

17. The international consultants will bring specialized, global experience and innovative ideas. Regional and reform experts will ensure adequate understanding of the Pacific situation both technically and politically, including constraints and opportunities. International consultants will partner with reform champions and personnel involved with on-going infrastructure assistance projects of all donor partners. The consultants will conduct site visits and interviews, and gather data from governments, utilities, and regional organizations. They will produce inputs for the diagnostic analysis and; in consultation with governments, utility agencies, private sector representatives, community members, regional organizations, and donor partners; other reports as needed, including the introduction of a results-based monitoring system. The workshops will be a unique opportunity for feedback but also for government counterparts to learn about current practices and private sector-based solutions.

18. The diagnostic work will include (i) expansion of the overview initiated in the Pacific infrastructure review<sup>9</sup> and examination of economic, financial, institutional, and regulatory reform issues in all participating countries, and (ii) a review of available modalities and approaches for improving the delivery of infrastructure services. This includes a discussion of the full range of options from corporatization under full government ownership to full privatization, or any outsourcing arrangements in-between.

19. The feasibility study for a regional advisory agency will examine the potential demand, support, and economic viability of this type of agency in the Pacific. The agency is intended to

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<sup>9</sup> Castilla report, footnote 5.

provide regional support for SOE reforms, PPP, and TAs for utility regulation. There is a risk that, if the agency is perceived as only a regional regulatory agency, it may limit the appeal and diminish efforts already under way to bring better international practices to the Pacific.

20. A strategy and action plan will follow from the completed diagnostic work, consultations, and the feasibility study for the regional advisory agency. The strategy and action plan will include (i) financing requirements for current and future infrastructure needs, and (ii) identification of potential public, private, and public-private financing sources and appropriate policy, regulatory, and institutional tools available to promote PPP. Where PPP would not be appropriate, options for improved efficiency in public service delivery would be identified. The value of including a case study of an individual country will also be considered.

21. A draft final report summarizing the conclusions and recommendations identified will be presented at the final workshop. This workshop will endorse and finalize the report recommendations. It will also provide a platform to discuss the sequencing of actions in participating countries. The final report will be part of The Pacific Studies series and will be available for discussion with governments and aid partners.

### **C. Cost and Financing**

22. The total cost of the TA is estimated at \$885,000 equivalent. ADB will finance \$800,000 on a grant basis from ADB's TA funding program. Participating countries will contribute \$85,000 equivalent in kind: counterpart staff time, communications, and administrative costs. Appendix 2 presents detailed cost estimates and the financing plan.

### **D. Implementation Arrangements**

23. ADB will be the Executing Agency for the TA and will work with the Ministry of Finance of the respective countries and with relevant utility, infrastructure, and planning agencies. ADB will engage a team of consultants (24 person-months international and 3 person-months domestic) with expertise in infrastructure design, management, and planning; financing; PPP; institutional reform; utility regulation; and economics to undertake the TA. Individual consultants may be engaged for specialist services to support the TA as needed.<sup>10</sup> The consultants will be engaged as a firm by ADB on a quality-based selection (QBS) basis in accordance with ADB's *Guidelines on the Use of Consultants*. QBS is justified because of complexity and subregional focus of the TA as well as the flexibility needed to include individual specialist consultants, as required. Appendix 3 gives the outline terms of reference. The TA will be undertaken over a period of about 18 months from September 2005 to March 2007. The TA will procure computer and teleconference equipment, which will be turned over to ADB on completion of the TA.

## **THE PRESIDENT'S DECISION**

24. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis for Improving Delivery of Infrastructure Services, and hereby reports this action to the Board.

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<sup>10</sup> Such specialist areas may include, but are not limited to, legal and banking, facilitators, and specialized infrastructure technical specialists and may be international or domestic.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Broad dissemination and eventual adoption of modalities that support efficient delivery of infrastructure services that contribute to job creation and growth</p>	<p>Planned or real changes in service delivery arrangements</p> <p>Changed tariff mechanisms to reflect actual costs</p> <p>Increased service reliability</p> <p>Improved efficiency as measured by</p> <ul style="list-style-type: none"> <li>• lower system losses</li> <li>• decreased staff per connection ratios</li> <li>• other indicators as developed</li> </ul>	<p>Government and private sector information on utility and infrastructure companies.</p> <p>Company annual reports</p> <p>Regional benchmarking</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Developed strategy and action plans are incorporated into ADB programs at the country level.</li> <li>• New modalities are taken up by governments.</li> <li>• Sufficient reforms are implemented to stimulate private sector interest.</li> <li>• PDMC political will is maintained.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Continued focus on grant assistance limits the appeal of implementing difficult reforms needed for the private sector to become involved.</li> </ul>
<p><b>Outcome</b></p> <p>Focused strategies for infrastructure service delivery in participating countries incorporated into ADB's CSPs and individual country national development strategies.</p> <p>Information disseminated beyond countries included in the TA</p>	<p>Strategy and Action Plan endorsed by regional workshop by December 2006</p> <p>Final paper endorsed</p> <p>Dissemination through the Pacific Studies Series</p>	<p>National Development Plans</p> <p>ADB programs</p> <p>Paper published by June 2007</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• PDMC commitment to the process remains</li> <li>• Sufficient data is available to focus the Strategy and Action Plan</li> <li>• PDMCs are politically strong enough to undertake difficult state owned enterprise (SOE) reforms.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Regional forums are too divisive and ineffective at the policy level</li> </ul>
<p><b>Outputs</b></p> <p>1. Diagnostic analysis of service delivery</p> <p>2 Feasibility study for a regional advisory unit</p>	<p>June 2006 delivered at workshop</p> <p>Feasibility study of regional advisory unit</p>	<p>Consultant reports</p> <p>Report review</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• PDMC participants in workshops knowledgeable and senior enough to state respective governments'</li> </ul>

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p>3. Strategy and action plan for improving the provision of infrastructure services</p> <p>4. Final paper for Pacific Studies Series on the status, directions, and opportunities for improving the delivery and efficiency of infrastructure services.</p>	<p>by September 2006</p> <p>Regional strategy and action plan endorsed by October 2006 and one country-specific strategy and action plan by October 2006</p> <p>Final report by February 2007</p>	<p>Regional workshops reports</p> <p>Published paper</p>	<p>focus and concerns.</p> <ul style="list-style-type: none"> <li>• Contemporaneous activities of ADB and aid partners provide sufficient data to support diagnostics and recommended reforms</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• PDMCs are unwilling to release to the public key benchmarking data.</li> <li>• PDMCs reject diagnostic analysis.</li> </ul>
<p><b>Activities with Milestones</b></p> <ol style="list-style-type: none"> <li>1. Workshops and consultations <ol style="list-style-type: none"> <li>1.1 TA inception (November 2005)</li> <li>1.2 Seminars and workshops in selected countries (throughout TA)</li> <li>1.3 Diagnostic analysis of service delivery workshop (June 2006)</li> <li>1.4 Strategy and action Plan workshop including the options for a regional advisory unit feasibility (October 2006)</li> <li>1.5 Final regional workshop-summarize, discuss and disseminate findings (February 2007)</li> </ol> </li> <li>2. Data/information collection, review, and analysis <ol style="list-style-type: none"> <li>2.1 Initial consultations (by November 2005 concurrent with first in country workshops)</li> <li>2.2 Country visits and individual country reviews (by March 2006)</li> <li>2.3 Review of aid partner project reports and studies and other relevant literature review (by April 2006)</li> <li>2.4 Second round of country consultations, as needed) (by April 2006)</li> </ol> </li> <li>3. Reporting and dissemination <ol style="list-style-type: none"> <li>3.1 Draft of listed documents submitted for comment 45 days before scheduled completion of TA</li> <li>3.2 Comments issued (3 weeks from draft submission)</li> <li>3.3 Revised documents incorporating comments (by dates indicated above)</li> <li>3.4 Dissemination of outputs through (i) final workshop, (ii) Pacific Study Series Paper, (iii) uploading to ADB web site.</li> </ol> </li> </ol>			<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• ADB: \$800,000 (consulting services, about 27 person-months, 3 regional workshops and staff resources),</li> <li>• PDMCs: Government personnel participation in workshops and contribution of data</li> <li>• Private sector-participation in workshops</li> </ul>

ADB = Asian Development Bank, CSP =Country Strategy and Program, PDMC = Pacific developing member country, TA = technical assistance.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Cost
<b>A. Asian Development Bank Financing (ADB)<sup>a</sup></b>		
1. Consultants		
a. Remuneration and Per Diem		
i. International Consultants	470.0	470.0
ii. Domestic Consultants	12.0	12.0
b. International and Local Travel	30.0	30.0
c. Reports and Communications	5.0	5.0
2. Equipment <sup>b</sup>	6.0	6.0
3. Training, Seminars, and Conferences Travel, Per Diem, Facilities	175.0	175.0
4. Surveys	13.0	13.0
5. Miscellaneous Administration and Support Costs	4.0	4.0
6. Contingencies	85.0	85.0
<b>Subtotal (A)</b>	<b>800.0</b>	<b>800.0</b>
<b>B. Counterpart Financing<sup>c</sup></b>		
1. Office Accommodation and Transport	15.0	15.0
2. Remuneration and Per Diem of Counterpart Staff	50.0	50.0
3. Communications and Administrative Expenses	20.0	20.0
<b>Subtotal (B)</b>	<b>85.0</b>	<b>85.0</b>
<b>Total</b>	<b>885.0</b>	<b>885.0</b>

<sup>a</sup> Financed by the ADB's technical assistance funding program.

<sup>b</sup> Equipment include notebook computer, projector, color laser printer, and teleconference equipment and will be turned over to ADB on completion of the TA.

<sup>c</sup> The counterpart contributions will be provided in-kind by participating countries.

Source: ADB estimates.

## **OUTLINE TERMS OF REFERENCE FOR CONSULTANTS**

### **A. Introduction**

1. The principal outcome of the technical assistance (TA) will be focused strategies for managing infrastructure service delivery in Pacific developing member countries (PDMCs). The strategies include opportunities for public-private partnership (PPP), encourage private sector development (PSD), and identify necessary reform actions. The focused strategies will include identification of appropriate modalities to finance, manage, and deliver sustainable and efficacious service delivery and will be incorporated into country strategies and programs. Outputs that will support the intended impact and outcome include a comprehensive review of infrastructure delivery issues, diagnostic studies for improving service delivery, strategy and action plan for improving the provision of services with a results-based monitoring system, a feasibility study for a regional advisory unit, and a final report consolidating the findings, conclusions and recommendations of the individual studies. An international team of consultants, recruited as a firm on quality-based selection, will support the Asian Development Bank's (ADB) Pacific Liaison and Coordination Office (PLCO) in implementing the TA. The TA will be implemented over a period of 18 months.

2. The consultants will be a team with expertise in infrastructure design, management, and planning; infrastructure financing; PPP, institutional reform; utility regulation; and economics. The team will provide 27 person-months of consulting services: 24 international and 3 domestic. The international experts will be as follows with person-months in parenthesis: economist/utility institutional specialist (11), PPP/financing specialist (6), utility regulation specialist (4), and infrastructure planner (3). The firm's contract will include a provision for regional resource persons that will be identified and agreed upon by ADB and the consultants. Individual consultants may be engaged for specialist services to support the TA as needed. Such specialist areas may include, but are not limited to, legal, and banking facilitators and specialized infrastructure technical specialists. The level of inputs from these specialists, if needed, will be initially determined during the inception phase. Domestic consultants will be engaged as resource persons through the firm contract or as individuals, depending on the need.

### **B. Terms of Reference**

#### **1. General**

3. Consultants will (i) conduct diagnostic studies, (ii) organize and present workshops; (iii) consult with regional governments, regional utilities, private sector, regional organizations, community members, and other stakeholders as appropriate; and (iv)<sup>1</sup> prepare technical reports and documentation for the TA. In making reviews and diagnostics, the consultants will (i) review available ADB operational reports and the TA study; (ii) identify and review relevant reports of regional organizations; (iii) identify and review relevant operational reports and studies of development partners, e.g., World Bank (WB), Australian Agency for International Development (AusAID), New Zealand Agency for International Development (NZAID); in review industry and professional literature on the subject for other regions, particularly for comparable countries and regions; and (iii) identify and consult with professionals active in the field and with stakeholders as indicated above.

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<sup>1</sup> It is understood that the consultants have read and understood the TA paper.

## **2. Comprehensive Review of Infrastructure Delivery Issues and Opportunities and Diagnostic Analysis of Service Delivery**

4. The consultants will undertake the following:

- (i) Review relevant reports and studies indicated under the general terms of reference.
- (ii) Consult with regional governments, regional utilities, private sector, regional organizations, community members, and other stakeholders as appropriate.
- (iii) In consultation with ADB and PDMCs, agree on infrastructure sectors and countries for detailed assessment during the inception phase.
- (iv) Assess and report the status of infrastructure service provision (institutionally, efficiency, effectiveness, costs, access, and expectations) regionally and in countries selected for detailed study.
- (v) Assess how infrastructure will compete with other sectors such as health education, crime reduction, environmental protection for limited resources; and how infrastructure provision supports improvements in those sectors.
- (vi) Identify measurable indicators of infrastructure service delivery (efficiency, effectiveness, cost, level of access, etc.), sources of data for these indicators, and develop a system of indicators and a sustainable source or mechanisms for long-term assessment of results in improving infrastructure provision.
- (vii) Identify approximate financing needs in the short-, medium-, and long term (e.g., 5 to 15 years outlook) for the selected infrastructure sectors.
- (viii) Provide an inventory of the range of available modalities for infrastructure financing, potential partnering opportunities to meet needs, and related institutional arrangements; assess the relevance of each modality for PDMCs (including but not limited to economic, institutional, cultural, social, regulatory, financial aspects); discuss success or failure of different modalities in PDMCs and similar settings (including probing beneath the surface for root causes); and make appropriate specific and general recommendations.
- (ix) Review and describe issues in urban and rural areas, including linkages between them.
- (x) Review best practices for subsidy and affordable access to infrastructure services and recommend appropriate systems to implement in PDMCs.
- (xi) Consolidate findings, conclusions, and recommendations in a final report.

## **3. Feasibility Study for a Regional Advisory Agency**

5. The consultants will undertake the following:

- (i) Consult with regional governments and utilities on the need for a regional advisory agency and the specific areas of advice suitable for such a regional agency.
- (ii) Identify appropriate “owners” of the proposed agency.
- (iii) Identify necessary staff and physical office needs.
- (iv) Estimate the costs, and potential sources of sustainable funding for the proposed agency.
- (v) Identify potential institutional arrangements and location of the proposed agency, including attachment to an existing organization, if any, and physical location; cite the advantages and disadvantages of various arrangements.
- (vi) Present the findings, conclusions, and recommendations in reports suitable for discussion with governments, utilities, and regional organizations.
- (vii) Assess the economic viability of the proposed agency.

#### **4. Strategy and Action Plan for Improving the Provision of Infrastructure Services**

6. The consultants will undertake the following:
- (i) Based on information and views obtained in the diagnostic studies, make a comprehensive review and feasibility study for a regional advisory agency to develop a strategy and action plan that will direct ADB assistance in this area for the medium-term.
  - (ii) Identify and agree with ADB on a country for a pilot country-specific strategy and action plan for improving the delivery of infrastructure services for the medium and long term.

### **C. Reporting Requirements**

7. Consultants are expected to regularly inform ADB, through the TA project officer, of the TA activities, consultants' field schedule and travel, discussions with governments and stakeholders, and results of diagnostic studies. In addition to the major outputs and reports listed in para. 8, consultants are expected to provide updates through brief e-mailed monthly reports (1–2 pages, bullet-point or similar format) and routine telecommunications as appropriate. Progress reports update and summarize the status of TA implementation and raise issues and recommendations for ongoing TA implementation. Technical reports are attached to the progress reports, in draft form as appropriate. Technical reports will also be submitted separately as appropriate and as agreed upon with ADB.

8. The required reports include the following:

#### **1. Progress Reports**

- (i) Inception report
- (ii) Interim report
- (iii) Draft final report
- (iv) Final report (consolidating the findings, conclusions, and recommendations of the individual studies)

#### **2. Technical Reports**

- (i) Briefing papers, as necessary, for dialogue and discussion at workshops for each TA study area
- (ii) Comprehensive regional review of infrastructure delivery: issues, needs, and opportunities
- (iii) Strategy and Action Plan for improving the provision of services (with results-based monitoring system)
- (iv) Feasibility study for regional advisory unit
- (v) Discussion paper on issues and opportunities for infrastructure results for economic growth, suitable for publication in the Pacific Study Series