

ASIAN DEVELOPMENT BANK

TAR: SRI 35201

TECHNICAL ASSISTANCE
(Financed by the Japan Special Fund)

TO THE

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

FOR

PREPARING THE

BASIC SOCIAL INFRASTRUCTURE DEVELOPMENT PROJECT

December 2003

CURRENCY EQUIVALENTS

(as of 30 November 2003)

Currency Unit	–	Sri Lankan rupees (SLRe/SLRs)
SLRe 1.00	=	\$0.0104
\$1.00	=	SLRs96.35

ABBREVIATIONS

ADB	–	Asian Development Bank
IEE	–	initial environmental examination
LA	–	local authority
MPDI	–	Ministry of Policy Development and Implementation
O&M	–	Operation and maintenance
SLILG	–	Sri Lanka Institute of Local Government
TA	–	technical assistance
TASC	–	technical assistance steering committee
UDLIHP	–	Urban Development and Low-Income Housing Project

NOTE

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

This report was prepared by a team consisting of E. Mayerhofer (team leader) and M. Thiruchelvam.

I. INTRODUCTION

1. The Government of Sri Lanka requested the Asian Development Bank (ADB) to provide technical assistance (TA) to support the Government's efforts to provide local authorities (LAs) with the means to assume a greater role in financing social infrastructure and increasing their management capacity. The TA Mission visited Sri Lanka during 19–29 May 2003 to prepare the TA rationale, design, costing, implementation plan, and outline terms of reference for experts for the proposed Basic Social Infrastructure Development Project, for 2004.¹ The objectives and scope of the TA were formulated based on discussions with stakeholders, including officials of the relevant Government agencies, representatives of aid agencies and leaders and representatives of local authorities. It also builds on the recommendations of the Urban Policy Sector Framework and lessons from the ADB-financed Urban Development and Low-Income Housing Project (UDLIHP).² The TA is included in ADB's 2003 TA program for Sri Lanka. This report is based on the understanding reached with the Government. An initial poverty and social analysis was carried out and is in Appendix 1.

II. ISSUES

2. **Context.** Since the beginning of 1987, the Government has been engaged in a policy of gradually devolving authority to provincial councils and local authorities. However, entrenched habits of centralization and government inefficiency are taking time to break down and the essential building blocks of successful government — appropriate staff, adequate financial resources, and an appropriate regulatory framework — will require years of work and experience to fine-tune. Since its inception, decentralization has been in name only due to political, administrative, and financial constraints. Sustainable development and poverty alleviation have fallen victim to all of these, as has governance efficiency.

3. **Lack of Basic Infrastructure and Services.** The Sri Lankan municipal sector has developed over the last decade, yet its capacity to meet investment responsibilities and respond to the increased demand for services is still at a relatively early stage of development and needs to be reinforced. The urban sector has gone through a process of rapid development with the increased migration to the city centers and the expansion of the industrial, business, commercial and service sectors. The influx of mostly poor migrants into the cities and towns has overwhelmed infrastructure systems originally designed for much smaller numbers. The urban areas are not equipped for the rapid pace of expansion, which severely tests the capacity of local authorities to efficiently deliver basic urban services and manage economic, environmental, and investment resources. Urban deficiencies include deteriorated roads and sewers, inadequate supplies of potable water, poor drainage, and haphazard dumping and low collection of solid waste. The urban poor, especially in the unserved and underserved areas, suffer disproportionately from a range of diseases caused by poor environmental conditions and inadequate health care. Seasonal illnesses, like colds and flu, as well as malaria, diarrhea, and dysentery, are common.

4. **Inadequate Mechanism for Sustained Infrastructure and Service Delivery.** Sri Lanka's LAs remain fairly limited in their financial resource base, which is delimited by the

¹ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 24 March 2003.

² ADB.1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for Urban Development and Low-Income Housing (Sector) Project*. Manila (Loan no. 1632 SRI [SF]).

Municipal Council Ordinance and Urban Council Ordinance of 1987. LAs lack the institutional, technical, and financial resources needed to address existing deficiencies in local infrastructure services, let alone expand them to meet the increasing demand. Their revenues are extremely low (on average, \$2.5 million for a municipal council and \$390,000 for an urban council annually). Less than half are from their own sources or locally collected revenues and these are largely fees and licenses. Most municipal revenues are fiscal transfers from the central Government. At the same time, recurrent expenditures are increasing and now represent 70% of total expenditure on average. Of these, over 40% go to personnel costs. Except to a limited degree in Colombo, LAs have no senior-level engineers, planners, or financial specialists, and middle-level technical personnel in the larger urban centers are scarce. Where infrastructure exists, LAs fail to ensure their effective operation and maintenance (O&M), due partly to financial constraints, partly to institutional weakness, and partly to unwillingness of LAs and of communities to accept O&M responsibility for works completed by higher levels of Government.

5. **Lessons Learned.** The TA draws from the main lessons learned from ADB's and donor experience in urban development in Sri Lanka and in other regions. The key lessons are as follows:

- (i) Development objectives in the local government area are inherently long-term and must be pursued, not on a project-by-project basis, but in the framework of an extended program.
- (ii) Local government projects should establish realistic development objectives, considering that (a) fundamental objectives are long-term in nature, and (b) it takes a critical mass of technical assistance, training, and investments supported by a positive enabling environment to produce real results.
- (iii) Investment programs for municipal infrastructure and services should be implemented by the LAs themselves in the interest of (a) building capacity through learning by doing, and (b) promoting the sustainability of the investments where local participation from the communities is critical.
- (iv) Previous projects focused on physical investments with little attention to institutional policy measures, while others aimed to bring about policy and institutional change without accompanying investments. These projects and programs fell short. The proposed project will attempt to give due weight to both aspects, recognizing that (a) investments provide a good vehicle for local institutional reform and capacity building, and (b) the sustainability of investments at the local level depends on a conducive policy and legal framework at the central level.
- (v) One major problem behind ineffective or failed infrastructure projects throughout emerging economies is the lack of funding for O&M, which reflects the poor financial planning of LAs. Strengthening financial planning and preparation of investment plans is critical for the sustainability of urban infrastructure assets.
- (vi) Some technical assistance grants to LAs were not successful because they were supply-driven and top-down. Experience has shown that strengthening subnational governments should be a demand-driven process, to ensure that the interventions are truly effective and sustainable. A performance incentive should be established for LAs.
- (vii) Previous local government projects have shown that there is a risk of political interference in the operation of capacity-building programs and municipal funds. The ideal approach is to try to institutionalize such mechanisms outside of government ministries and to provide steering committees or boards with non-political members. Capacity building should be rested in a semi-autonomous

body, whose vocation is public sector training. Ideally, the municipal funding mechanism should be established as a separate entity.

6. Harmonization with Other Agency and Government Programs. Other funding agencies such as Japan Bank for International Cooperation and Japan International Cooperation Agency have been addressing deficiencies in municipal infrastructure in secondary towns. In 1990, USAID supported the Urban Development Authority and the Ministry of Policy Planning and Implementation with the drafting of the Framework for Urban Action Strategy. The Government took the recommendations on board to develop the Urban Sector Policy Framework in 2002. The World Bank implemented the Municipal Management Project in 1985-1995, providing LAs with project-based training in general and engineering management. With the global campaign on urban governance, initiated by the United Nations Development Programme (UNDP) in 1999, UN-Habitat under Sustainable Cities Programme Sri Lanka has been the main donor agency supporting capacity building of LAs in the Greater Colombo area. The upcoming UN-Habitat National Support Programme to Strengthen Urban Governance will also include LAs in the north and northeast. ADB has supported a TA³ and two urban development sector projects⁴ to develop municipal and commercial infrastructure as well as contribute to the policy dialogue on formulating a comprehensive urban sector policy. All these programs supported the development of procedures and manuals for budgeting, procurement, and some aspects of personnel management. While commendable, these initiatives have had only modest impact in relieving the institutional and capacity constraints within the Sri Lankan administration. There is also little evidence of sustained improvements in output performance at the LA level. Core functions such as medium-term planning, accounting and auditing, and personnel management remain weak. Critical performance improvements and planned role restructuring across line agencies advocated under the Urban Policy Sector Framework were not implemented. These organizations strongly welcome ADB's timely assistance and continued support to improve the legal and policy framework and strengthen capacities to enable LAs to start improving the quality and coverage of municipal infrastructure and services. The TA is in line with ADB's Country Strategy and Program for Sri Lanka, which seeks to support the process of devolution and strengthen good governance. The TA is also consistent with the Government's goals as set out in *Regaining Sri Lanka*: (i) strengthening public policies and implementation capabilities (ii) improving the country's infrastructure and facilitating growth, and (iii) alleviating poverty and upgrading municipal infrastructure.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

7. The primary purpose of the TA is to design a program that will promote (i) more capable and accountable LA governance; (ii) sustainable and reliable urban services through more effective management and finance; and (iii) improved economic and social conditions in the selected LAs from investments in drainage, sanitation, community water, solid waste disposal, and other social municipal facilities and services. The purpose will be achieved by further

³ ADB. 1999. *Technical Assistance to the Democratic Socialist Republic of Sri Lanka for Institutional Strengthening of the Ministry of Provincial Councils and Local Government*. Manila. (TA3263-SRI).

⁴ ADB. 1992 *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for Urban Sector Development Project*. Manila. (Loan No. 1204-SRI) and ADB. 1999 *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for Urban Development and Low Income Housing Sector Project*. Manila. (Loan No. 1632-SRI)

developing the legal and policy framework, strengthening the capacity of LAs, and enabling them to start improving the quality and coverage of basic social infrastructure and services. The accompanying legal and policy reform agenda will promote lean, competent, and motivated LAs and agencies responsive and accountable to their constituency.

B. Methodology and Key Activities

8. The TA will be structured in two parts. Part A will support continued strengthening of the policy and operational framework to provide LAs an enabling environment to assume a greater role in financing priority investments and effectively deliver affordable and sustainable social infrastructure to urban communities. Building on and complementing the recommendations of the Urban Policy Sector Framework, the TA will (i) identify major outstanding pieces of the legal and policy framework, particularly in the areas of municipal financing and intergovernmental fiscal transfers and personnel management, that are needed to effectively operationalize LAs' autonomy and the improvement of basic urban infrastructure and services; (ii) identify opportunities for national-provincial-local partnerships in financing urban infrastructure; (iii) recommend a municipal funding mechanism for financing capital investments by LAs to provide the opportunity to learn by doing and to bring legitimacy and support to the municipalization process; and (iv) guide training institutions to help LAs manage resources better.

9. Part B will support increased access to basic social infrastructure and services in urban communities. This includes improved water supply, drainage, tertiary roads, solid waste management, sanitation, and community health center facilities. The TA will (i) develop a policy matrix to guarantee that LA capacity to deliver social infrastructure and services; (ii) develop a program and project framework; (iii) conduct economic and financial feasibility studies and environmental and social analyses; (iv) refine and complement the selection criteria developed under the ADB-financed UDLIHP and define a prioritization mechanism for financing the social infrastructure subprojects; (v) provide guidance and identify incentive systems for gradually improving operation and maintenance, as well as cost recovery, of basic urban services by LAs; and (vi) prepare other documentation as required by ADB guidelines.

C. Cost and Financing

10. The total cost of the TA is estimated at \$625,000 equivalent comprising \$400,000 in foreign exchange costs, and \$225,000 in local currency. ADB will finance \$500,000 equivalent, which includes the entire foreign currency costs and \$100,000 in local currency costs. The remaining \$125,000 equivalent will be contributed by the Government and will include office accommodation, counterpart staff remuneration, transportation, surveys, and workshops. The TA will be financed by ADB on a grant basis from the Japan Special Fund, funded by the Government of Japan. The detailed cost estimates and financing plan are shown in Appendix 2.

D. Implementation Arrangements

11. The Ministry of Policy Development and Implementation (MPDI) will be the Executing Agency for the TA. It will set up a TA implementing unit; appoint a manager for the unit; and provide office space, furniture, equipment, and counterpart technical staff for the TA consultants as necessary. The implementing unit will ensure that the Urban Policy Sector Framework Committee is closely involved in the TA, and that its concerns are fully taken into consideration. The Government will set up a technical assistance steering committee (TASC) under the chairmanship of the director general, External Resources Department (ERD) to periodically review TA progress and resolve any issues that may arise. In addition to the ERD, the TASC will

include the Ministry of Home Affairs, Provincial Councils and Local Government, Ministry of Housing and Plantation Infrastructure, and others as necessary. All representatives will be at least at the director general level.

12. The TA will be carried out over 6 months, beginning around March 2004 until August 2004. The consulting team will include the following international consultants with input of 17 person-months: a local governance and decentralization specialist/team leader, a municipal infrastructure/finance specialist, a capacity building specialist, an urban infrastructure engineer, and a public economist for the preparation of the investment project. The domestic consultants will include an urban development and planning specialist, a social development specialist, a financial analyst, a legal specialist, and an urban environment specialist (17 person-months total). All consultants will be selected and engaged through a firm following ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. The simplified technical proposal format and the quality- and-cost-based selection method will be used. The consultants will procure equipment through direct purchase, in accordance with ADB's *Guidelines for Procurement*.

13. The consultants will submit short monthly progress reports summarizing the project activities, issues, and constraints of the TA. In addition, four major reports will be submitted: an inception report, no later than 3 weeks after the consultants are fielded; a midterm report, 3 months after TA inception; a draft final report, 5 months after inception; the final report within 3 weeks after comments on the draft final report are received from the Government and ADB.

IV. THE PRESIDENT'S DECISION

14. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of Sri Lanka for preparing the Basic Social Infrastructure Development Project, and hereby reports this action to the Board.

SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Sector identified as a national priority in country poverty analysis? Yes	Sector identified as a national priority in country poverty partnership agreement? Yes
Contribution of the sector/subsector to reduce poverty in Sri Lanka:	
<p>Improving governance and empowerment of local authorities (LAs) is a major element in the Government's decentralization program and a prerequisite for achieving the Millennium Development Goals for good governance, poverty reduction, and environmental sustainability.</p> <p>Households and businesses in urban and municipal councils will benefit from a more accountable, responsive, and empowered local government as well as directly from improvements in urban services and investments, and in the urban environment. Elected local authorities will gain from having their legitimacy enhanced, as a result of their improved ability to provide services and greater financial and managerial autonomy. The urban poor will obtain health and productivity benefits from investments in environmental infrastructure (drainage, sanitation, community water, solid waste disposal), as they suffer disproportionately from the ill effects of the lack of such services.</p>	

B. Poverty Analysis

Proposed Classification: PI

What type of poverty analysis is needed? A poverty impact analysis for each component of the project will be carried out through the technical assistance.

C. Participation Process

Stakeholder analysis: The Technical Assistance (TA) was developed through extensive consultation with the central and local governments and donor community. Further consultations with the beneficiary LAs and communities, line agencies, ministries, and private sector will be required as part of the TA. An effort will also be made to create strong linkages between the UN-Habitat/Sustainable Cities Programme Sri Lanka and the Fiscal Management Reform Program of the Asian Development Bank (ADB) and the technical assistance (TA), especially with regard to policy reforms and institutional strengthening and capacity building for LAs. Civil society will participate in the investment selection process through their representatives at the local councils. Qualification for funding will require that LAs consult communities affected by any subproject, especially with regard to site selection and design. LAs will have to document such consultations in their application for funding.
Participation strategy required: No

D. Potential Issues

Subject	Significant, Not Significant, Uncertain, None	Strategy to Address Issues	Plan Required
Resettlement	Uncertain	Physical investments will be demand-driven and the details of the social impacts cannot be assessed at this stage. However they will be small and most likely in built-up urban areas. A social development specialist is included in the consulting team to identify and address any resettlement issues in accordance with ADB policies and guidelines.	To be determined
Gender	Uncertain	The consultants will ensure that women are equally entitled to opportunities resulting from the project. The state of women in urban local government in Sri Lanka will be reviewed.	Not known
Affordability	None		None
Labor	None		None
Indigenous People	None		None
Other Risks/ Vulnerabilities	Not significant	The TA will ensure proper environmental compliance to mitigate any adverse risks. The investments are small-scale interventions with no significant risks anticipated.	Yes

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Japan Special Fund Financing			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	288.0	0.0	288.0
ii. Domestic Consultants	0.0	58.0	58.0
b. Per Diem			
i. International Consultants	49.0	0.0	49.0
ii. Domestic Consultants	0.0	9.0	9.0
c. International and Local Travel	28.0	4.0	32.0
d. Reports and Communications	3.0	2.0	5.0
2. Equipment ^b	0.0	10.0	10.0
3. Public awareness workshops, training	0.0	3.0	3.0
4. Miscellaneous Administration and Support Costs	2.0	2.0	4.0
5. Representative for Contract Negotiations	5.0	0.0	5.0
6. Contingencies	25.0	12.0	37.0
Subtotal (A)	400.0	100.0	500.0
B. Government Financing			
1. Office Accommodation and Utilities	0.0	45.0	45.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	45.0	45.0
3. Transportation	0.0	25.0	25.0
4. Workshops and Training	0.0	10.0	10.0
Subtotal (B)	0.0	125.0	125.0
Total	400.0	225.0	625.0

^a Funded by the Government of Japan

^b Includes costs of computers, printer, facsimile machine, photocopier, and associated appurtenances. The Government is responsible for all taxes and duties, if any. Equipment will be turned over to the Ministry of Policy Development and Implementation after the technical assistance is completed. Provisional sums for equipment, public awareness, and training are to be financed at actual costs.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. Each consultant will work with the team in developing all outputs. The team leader and the Asian Development Bank (ADB) project officer, however, may revise or augment the tasks outlined here, as required, to comply with ADB guidelines and procedures, and to improve the quality of the overall project. The consulting team will provide for secretarial and office support. The number of person-months indicated for each position is the minimum requirement for each consultant.
- A. Local Governance and Decentralization Specialist** (International, 5.5 person-months)
2. The tasks of the specialist include the following:
 - (i) Based on international experience in decentralization, develop a questionnaire to include current roles and functions of local authorities (LAs), existing capabilities to prepare investment plans by sectors, gaps, what is achievable, what difference it would make for LAs and intergovernmental finance, political will to embark on real devolution, etc.
 - (ii) Identify outstanding policy issues and legislation related to municipal management and intergovernmental fiscal transfers, and advise the Government on how they should be incorporated into existing legislation.
 - (iii) Identify any outstanding policy issues and regulations that will enable LAs to have control over staffing and skills.
 - (iv) Assess the existing procedure manuals that LAs follow to draw up organization charts, establish clear job descriptions and recruitment plans, identify any gaps, and recommend any revisions, if necessary.
 - (v) Based on existing procedures, recommend tools that LAs can use to develop action plans to improve their financial situation, administrative capacity, and accountability; recommend new administrative models for LA financial and fiscal management and service provision.
 - (vi) In consultation with UN-Habitat, give guidance in developing of a strategy to strengthen the capacity of participating LAs to plan, finance, and operate and maintain basic infrastructure projects.
 - (vii) Develop a mechanism for selecting and monitoring the participating LAs; define, in consultation with stakeholders, selection criteria and performance indicators; and undertake a preliminary assessment of some of the participating LAs to establish a minimum threshold that will make LAs eligible for infrastructure investment financing.
 - (viii) Develop cost-sharing arrangements for infrastructure investment projects, taking into consideration type of infrastructure, income levels, previous investments, etc.
 - (ix) Analyze the institutional structure and capacities in the pertinent sectors, and develop feasible and clear arrangements for implementing the ensuing project, keeping in mind that the LAs will implement the investment component. Avoid implementation arrangements that are completely dependent on the establishment of new. However, make every effort to engage any new and relevant institutions, without compromising the timely and efficient completion of the project.
 - (x) Develop a memorandum of understanding between UN-Habitat/Sustainable Cities Program Sri Lanka and ADB for the LA capacity building component of the ensuing project.

B. Municipal Infrastructure/Finance Specialist (international, 4 person-months)

3. The consultant's tasks include the following:

- (i) Review the existing fiscal framework of LAs, including existing financial management responsibilities and procedures, transfer of state-owned property to LAs, and intergovernmental fiscal relations; assess if the assignment of revenue sources is consistent with expenditure responsibilities and resource mobilization capacity of LAs.
- (ii) In consultation with the ADB-funded Fiscal Management Reform Program, recommend increases in municipal fiscal transfers subject to proven capacity to effectively absorb additional resources.
- (iii) Identify opportunities for national-provincial-local partnerships in financing urban infrastructure.
- (iv) Assess existing accounting systems and, if required, recommend internationally acceptable accounting systems; if the reporting system needs to be updated, ensure its usefulness for all Government and other users, and streamline and extend it to all LAs.
- (v) Assess the performance of the local infrastructure system and make recommendations for its improvement, including reforms to improve the capacity of municipalities to plan, manage, and maintain public investments in infrastructure and services.
- (vi) Review the status of transparency and accountability standards at local level to safeguard effective use of devolved resources.
- (vii) Examine the institutional and legal status of the local development fund and assess the decision-making structure and procedures as well as its financial soundness. If necessary, develop alternate municipal funding mechanisms (looking at funds and municipal bonds) to improve access to financing for infrastructure capital costs and capitalized repairs at the local level.
- (viii) Develop a strategy for harmonizing the local development fund or the alternate municipal funding mechanism within the Government's intergovernmental fiscal system and for extending it to all LAs.
- (ix) Recommend processes for assessing borrower creditworthiness and approving loans.
- (x) Develop criteria and procedures for LAs to identify, develop, and implement community projects.
- (xi) Assist the team leader as required.

C. Capacity Building Specialist (international, 2 person-months)

4. The consultant will work in close cooperation with the UN-Habitat/Sustainable Cities Programme Sri Lanka to establish an adequate training program for the institutional strengthening and capacity building component of the ensuing project. The specific tasks are as follows:

- (i) Evaluate the scope and delivery of current training programs offered by training/resource institutions such as the Sri Lankan Institute for Local Government (SLILG), and determine if those are adequate.
- (ii) Assess the training needs of LAs to enable them to carry out their responsibilities efficiently.

- (iii) Assess the need to establish a training, research, and evaluation unit in SLILG and/or other identified institutions for LAs, to give guidance in human resource management, fiscal management, accounting, strategic planning, etc., and develop a program tailored to the needs of LAs.
- (iv) Prepare a capacity building proposal to be implemented under the ensuing project for local government staff, and elected and appointed officials, with the aim of improving the qualifications and skills of public officials and increasing the level of their service orientation and responsiveness to their constituency's needs.

D. Urban Infrastructure Engineer (international, 3 person-months)

5. The consultant's tasks include the following:

- (i) Refine and complement the selection criteria developed under the ADB- financed Urban Development and Low Income Project and define a mechanism for prioritizing financing of social infrastructure subprojects.
- (ii) Develop a rating process for the LAs. Include information on financial capability, infrastructure, willingness to change, etc.
- (iii) Assist the municipal development specialist in assessing existing deficiencies in local infrastructure and services due to insufficient coverage and/or implementation and operation and maintenance (O&M).
- (iv) Assist the team leader in determining the estimated cost for providing basic infrastructure and its O&M cost in a sample of selected LAs.
- (v) Select sample subprojects representing different regions of the country. Analyze the subprojects, in close consultation with the communities and other stakeholders, to understand both the positive and negative experiences associated with O&M. Establish evaluation criteria in consultation with the various stakeholders.
- (vi) Prepare average unit-cost estimates for most common basic infrastructure investments in Sri Lanka to be used as the basis for preparing the financial envelop of the project.

E. Public Economist (International, 2.5 person-months)

6. The consultant's responsibilities will include the following:

- (i) Review the macroeconomic and sector conditions, to identify and establish the appropriate form of ADB assistance.
- (ii) Establish the economic rationale for Government involvement in the sector, and identify the scope and scale of such involvement.
- (iii) Review and evaluate goals for sector development to determine the political and social support and economic basis for the goals, identify limitations, and recommend how the goals can be strengthened.
- (iv) Identify the least-cost means to achieve the goals, covering policy, investment, and other means.
- (v) Review existing policies and investment plans, or justify and explain any differences from the least-cost means.
- (vi) Review existing selection criteria for the investment plan, and suggest improvements.

- (vii) Develop a model analysis for economic criteria in the selection criteria, as needed.
- (viii) Review the capacity of existing institutions to execute policies and implement the investment plan, and recommend any required improvements in capacity.
- (ix) Review existing policies for setting tariffs for public services, and recommend improvements in line with ADB's position on tariffs.
- (x) Work with the rest of the team to estimate the cost of implementing the investment plan, and review funding sources, including user charges and general Government revenue.
- (xi) Identify appropriate conditions that may be attached to the loan, subject to sufficient support for and commitment to those conditions.

F. Urban Development and Planning Specialist (domestic, 3 person-months)

7. The consultant 's responsibilities will include the following:

- (i) Review all legislation, codes, and acts affecting the use and allocation of land in Sri Lanka.
- (ii) Review provisions in the Urban Policy Sector Framework regarding zoning and provide recommendations for their improvement, if needed, and for their effective implementation.
- (iii) Assess existing planning practices at the local and provincial levels and formulate strategies to improve strategic planning for social infrastructure.
- (iv) Prepare a summary report and discuss the findings at a workshop involving all key stakeholders.
- (v) Assist the team leader and urban infrastructure engineer as required.

G. Legal Specialist (domestic, 4 person-months)

8. The consultant's tasks will include the following:

- (i) Assist the team leader in identifying outstanding pieces of the legal and policy framework in the areas of municipal finance and personnel management that are needed to improve the capacity of LAs to plan, finance, and manage basic urban infrastructure and services.
- (ii) Assess the need for legal instruments concerning LA budgets, and rules for municipal financial management, accounting and auditing, revenue collection, and expenditure management.
- (iii) Assess the need for regulations on the transfer of responsibilities and resources to the LAs, private municipal service providers, and semiautonomous local public enterprises.
- (iv) Examine the legal constraints to contiguous LAs' planning, implementing and managing services that affect more than one LA.
- (v) Propose a strategy for addressing constraints identified, including amendments to existing legal framework of inter-LA cooperation in relation to the delivery of social services.

H. Urban Environment Specialist (domestic, 3 person-months)

9. The consultant will be responsible for the following tasks:

- (i) Review the National Strategy for Solid Waste Management and recommend an action plan for its implementation at the local level.
- (ii) Prepare an initial environmental examination (IEE) for the project, consisting of an IEE for each sample subproject, and a summary for the overall project in accordance with ADB's *Environmental Guidelines for Selected Infrastructure Development Project* and *Environmental Assessment Guidelines*.

I. Social Development Specialist (domestic, 4 person-months)

10. The consultant's tasks will include the following:

- (i) Liaise with the focal ministries and agency staff responsible for the TA and coordinate with them and the consultants on the steps necessary to achieve the TA targets and outputs.
- (ii) Develop a comprehensive social assessment of the project in coordination with other consultants. Include a socioeconomic survey and other studies as required by the social development strategy of ADB.
- (iii) Review resettlement requirements related to land acquisition for the components of the Project with particular reference to, but not limited to, sites required for landfill for solid waste disposal; apply the initial resettlement checklist (following the ADB *Handbook on Resettlement*) to ascertain the resettlement effects of the project components. After determining the resettlement requirements, prepare a resettlement action plan based on ADB's *Handbook on Resettlement*.
- (iv) Assess the status of women in urban local governments, in Sri Lanka.
- (v) Assist the international consultants in developing and implementing the public awareness campaign and advise on effectively engaging potential beneficiaries of the ensuing Project.
- (vi) Consult with key stakeholders from the Government, the assistance community; and civil society, including the private sector and nongovernmental organizations.
- (vii) Coordinate arrangements for the workshops, including setting the agenda and working arrangements, the presentations and discussions, and the workshop evaluations and reporting. Prepare workshop reports as required, summarizing key findings and recommendations to enhance the policy framework and build implementation capacity.

J. Financial Analyst (domestic, 3 person-months)

11. The consultant will have an internationally recognized degree in finance or related field, at least 5 years experience in economic and infrastructure development in Sri Lanka, and experience in developing feasibility studies for ADB- or other donor-funded projects. The consultant's tasks will include the following:

- (i) Assist the team leader and municipal infrastructure/finance specialist.
- (ii) Assess the financing needs for the sector investment plan.
- (iii) Conduct the financial analysis based on the policy and legislative reforms to be undertaken. Pay special attention to financial viability and sustainability, institutional and financing arrangements, fund flow, and roles and responsibilities of each stakeholder.