

Project Administration Manual

Project Number: 37378
November 2010

Democratic Socialist Republic of Sri Lanka: Jaffna
and Kilinochchi Water Supply and Sanitation Project

CONTENTS

	Page
I. PROJECT DESCRIPTION	1
A. Project Rationale, Location, and Beneficiaries	1
B. Impact and Outcome	2
C. Outputs	2
II. IMPLEMENTATION PLANS	4
A. Project Readiness Activities	4
B. Overall Project Implementation Plan	5
III. PROJECT MANAGEMENT ARRANGEMENTS	7
A. Project Implementation Organizations – Roles and Responsibilities	7
B. Key Persons Involved in Implementation	9
C. Project Organization Structure	10
IV. COSTS AND FINANCING	11
A. Detailed Cost Estimates by Expenditure Category	11
B. Allocation and Withdrawal of Loan Proceeds	12
C. Detailed Cost Estimates by Financier	13
D. Detailed Cost Estimates by Outputs/Components	14
E. Contract and Disbursement S-curve	16
F. Funds Flow Diagram	19
V. FINANCIAL MANAGEMENT	20
A. Financial Management Assessment	20
B. Disbursement	20
C. Accounting	22
D. Auditing	22
VI. PROCUREMENT AND CONSULTING SERVICES	22
A. Advance Contracting	22
B. Procurement of Goods, Works and Consulting Services	23
C. Procurement Plan	23
D. Consultant's Terms of Reference	23
VII. SAFEGUARDS	23
VIII. GENDER AND SOCIAL DIMENSIONS	25
IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	26
A. Project Design and Monitoring Framework	26
B. Monitoring	29
C. Evaluation	30
D. Reporting	31
E. Stakeholder Communication Strategy	31
X. ANTICORRUPTION POLICY	31
XI. ACCOUNTABILITY MECHANISM	32
XII. RECORD OF PAM CHANGES	32

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 executing and implementing agencies 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 executing and implementing agencies 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
ADF	=	Asian Development Fund
BoQ	=	Bill of Quantities
CBO	=	community-based organization
CEA	=	Central Environment Authority
EMP	=	Environmental Management Plan
FGIA	=	first generation imprest account
GAP	=	Gender Action Plan
ICB	=	international competitive bidding
ICTAD	=	Institute for Construction, Training and Development
IEE	=	Initial environment assessment
JMC	=	Jaffna Municipal Council
JRO	=	Jaffna Regional Office
JWRMC	=	Jaffna Water Resources Management Committee
MDG	=	Millennium Development Goal
MLGPC	=	Ministry of Local Government and Provincial Council
MWSD	=	Ministry of Water Supply and Drainage
NCB	=	national competitive bidding
NPC	=	National Provincial Council
NPCC	=	national project coordination committee
NGO	=	nongovernment organization
NWSDB	=	National Water Supply and Drainage Board
O&M	=	operation and maintenance
PAM	=	Project Administration Manual
PEIC	=	Project Engineering and Institutional Consulting
PID	=	Provincial Irrigation Department
PIU	=	project implementation unit
PMCIU	=	project management, coordination, and implementation unit
PPMS	=	project performance monitoring system
QCBS	=	quality- and cost-based selection
SGIA	=	second generation imprest account
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
WRB	=	Water Resources Board

I. PROJECT DESCRIPTION

A. Project Rationale, Location, and Beneficiaries

1. The government has identified developing the northern and eastern provinces and reducing interregional inequalities as key foundations for long-term peace. Since the end of the armed conflict, substantial progress has been made in addressing challenges and security concerns. At the end of the war in 2009, 32 welfare centers in the north had about 327,000 internally displaced persons. As of October 2010, less than 23,000 remained, and the majority of those are expected to return to their original residences by the end of the year, with the rest returning early next year following completion of demining in their home regions. Development partners remain engaged with the government, and are placing increased emphasis on early recovery and rehabilitating and reconstructing basic infrastructure. Security and access has improved substantially, and demining is expected to be completed by the end of 2010 or early 2011.

2. Decades of internal conflict resulted in Jaffna Peninsula lagging behind the rest of the country economically, as many facilities for fish processing and other key industries were destroyed. Investment levels have remained extremely low, little maintenance has been undertaken on surviving infrastructure, and key industries, such as agriculture and fishing, have been abandoned. Poverty is the most pressing issue in Jaffna. The incidence of poverty in the Northern Province is estimated to be 37%, compared with 15% for the country as a whole.¹ Poverty in the Northern Province is multidimensional and distinct from the rest of the country. Both income poverty levels and non-income poverty levels remain high, and vulnerabilities resulting from the past conflict persist. Providing basic needs will mitigate against these vulnerabilities and result in improved health and human capital. Provision of basic needs will complement government efforts to promote sustainable livelihoods, improve access to markets, and increase employment in the Northern Province.

3. Provision of water—the most basic of needs—and sanitation require careful consideration because of the distinct characteristics of Jaffna. Because of Jaffna's unique topography and morphology, the peninsula depends primarily on groundwater resources not only for drinking water but also for many other purposes, including agriculture, the primary economic activity. The aquifer is fragile and at risk because of bacteriological contamination resulting from inadequate sanitation and nutrient contamination resulting from agricultural run-off. Over-extraction of groundwater has also led to salinity intrusion. Addressing threats to water resources in Jaffna requires an integrated, cross-sectoral, and multidisciplinary institutional framework. Currently no regulatory mechanism for water resources exists to coordinate, plan, and oversee monitoring activities.

4. Key development problems affecting water and sanitation in Jaffna are related to (i) damaged sanitation facilities and a lack of access to water;² (ii) weak water resource coordination and planning and a lack of essential policies for managing water resources; and (iii) poor institutional capacity of water and sanitation authorities and inadequate awareness on water conservation, environmental protection, and hygiene among beneficiaries.

¹ Government of Sri Lanka. 2009. *Wadakkil Wasantham: Three Year Development Strategy for the Northern Province*. Colombo.

² Less than 0.5% of residents in Jaffna Peninsula have access to piped water, compared with a country average of more than 32%.

5. The government recognizes the project as a key priority and a key part of the rehabilitation and reconstruction program for the Northern Province. The project is consistent with the government's 10-year development framework,³ which (i) targets increased access to water supply and sanitation, (ii) encourages the use of alternative water sources to protect and conserve water resources, (iii) identifies Jaffna as a national growth center, (iv) promotes localized measurement and achievement of the United Nations Millennium Development Goals in recognition of regional variations, and (v) works to rehabilitate and reestablish residents' access to basic infrastructure in post-conflict areas. It is also consistent with (i) the country partnership and strategy of the Asian Development Bank (ADB),⁴ which aims to achieve socially inclusive development by expanding access to high-quality water supply and other services in lagging regions, and to assist poor households in establishing links to water supply systems; and (ii) the country operations business plan of ADB,⁵ which identifies drinking water and sanitation systems as areas of ADB intervention. The project was prepared in consultation with development partners, and will be cofinanced by Agence Française de Développement (AFD).

6. Lessons learned from previous projects and evaluation⁶ in Sri Lanka have highlighted the need to (i) incorporate greater consultation and participatory processes into project design and implementation, (ii) establish effective regulatory entities and take other measures to prevent conflicts between water users, (iii) ensure proper project cost estimates, (iv) revise water tariffs to be more sustainable, (v) introduce sewerage tariffs, and (vi) provide capacity building to staff of agencies involved in water and sanitation.

B. Impact and Outcome

7. The impact of the project will be improved health and human development in urban areas of Jaffna Peninsula. The project will contribute to rehabilitating, reconstructing, and developing areas affected by conflict. The outcomes of the project will be (i) improved water supply and sanitation infrastructure for residents and returning internally displaced persons in targeted urban areas, and (ii) improved protection and management of Jaffna Peninsula's water resources. The project area covers the Jaffna Peninsula and Poneryn *Pradeshiya Sabha* in Kilinochchi District. The project comprises stage 1 of phase 1 of the government's three-phase plan to provide water for the entire Jaffna Peninsula.⁷

C. Outputs

8. The project will have the following components:

1. Improving Water Supply and Sanitation Infrastructure

9. **Water supply.** This comprises (i) rehabilitating and improving headworks at the Iranamadu Tank⁸ to increase water resources and tank efficiency levels; (ii) constructing a water intake,⁹ a raw-water supply system, a water treatment plant, and a treated water pumping station; (iii) laying treated-water transmission mains¹⁰ to the Jaffna Municipality; and (iv)

³ Government of Sri Lanka. 2006. *Mahinda Chintana: Vision for a New Sri Lanka*. Colombo.

⁴ ADB. 2008. *Country Partnership Strategy: Sri Lanka, 2009–2011*. Manila.

⁵ ADB. 2010. *Sri Lanka: Country Operations Business Plan, 2011–2013*. Manila.

⁶ ADB. 2007. *Sri Lanka Country Assistance Program Evaluation: Water Supply and Sanitation Sector*. Manila.

⁷ Other phases and areas are covered or proposed through other ADB and other development partners' assistance.

⁸ Includes raising and strengthening the embankment; repairing sluices, radial gates, spillway, and lift irrigation; and automation.

⁹ To abstract 27,000 cubic meters per day.

¹⁰ Treated water transmission mains are estimated to be 44 km long.

providing water connections to an urban council and *Pradeshiya Sabhas* en route to Jaffna Municipality¹¹ involving 12 off-takes.¹² From the treated water transmission main, the project will (i) build new water distribution systems for Jaffna Municipality and the Chavakachcheri Urban Council that will provide poor areas with access to household connections and metered community water facilities;¹³ (ii) build new water distribution systems for selected *Pradeshiya Sabhas* of the Jaffna and Kilinochchi districts, including pipe extensions to property boundaries for ease in providing household and community connections;¹⁴ (iii) install bulk/system water meters; (iv) institute a leak detection program for the existing distribution network; and (v) provide spare parts and maintenance equipment.¹⁵

10. **Sewerage and sanitation.** This comprises (i) building a sewage collection system,¹⁶ (ii) building a sewage treatment plant, (iii) building an effluent sea outfall, and (iv) providing maintenance equipment. The project will also provide low-cost sanitation systems for poor communities in the form of household or communal latrines.¹⁷ Given the fragility of the aquifer, all latrines built under this component will be connected to a septic tank, unless they are within the area of Jaffna Municipality served by the sewerage system. A connection to the sewerage system will be compulsory in this area. Septic tank cleaning machines will also be provided.

2. Strengthening Jaffna Water Resource Management

11. This component will (i) assist the Jaffna Water Resources Management Committee in designing a policy and institutional framework for integrated water resources management by financing a study to develop a water resources management plan;¹⁸ (ii) support the National Water Supply and Drainage Board (NWSDB), the Water Resources Board, and other institutions in developing a groundwater quality and quantity monitoring system; (iii) support municipalities, urban councils, and *Pradeshiya Sabhas* in monitoring and managing groundwater resources by helping them design effective by-laws, rules, and regulations; and (iv) conduct public water conservation, environmental protection, and hygiene awareness campaigns, and a program for community monitoring.

¹¹ These may include the following *Pradeshiya Sabhas* and Urban Council: Pallai (Pachcilaipallai) and Pooneryn in Kilinochchi District; Kodikamam, Chavakachcheri, Kopay, Nallur, Valigamam South, Valigamam West, Kayts, Velanai, Pungudutivu Islands, and Karainagar.

¹² The government has requested AFD to fund item (ii) and part of item (iii) as well as associated consulting services for design and supervision.

¹³ The project will support progressive phasing out of stand posts and their conversion into metered community water facilities. Communities supplied with water through communal metered facilities will form community-based organizations (CBOs) that will register and sign agreements with the National Water Supply and Drainage Board. The CBOs will nominate representatives to coordinate and collect payments.

¹⁴ There will be about 300,000 beneficiaries of the water system comprising an estimated two-thirds of residents in the coverage area.

¹⁵ The water supply component supports stage one of the first phase of the government's multiphased approach for supplying water to the whole Jaffna Peninsula.

¹⁶ The sewerage system will cover the most densely populated areas of Jaffna Municipality, benefiting 80,000 persons.

¹⁷ These will be in areas within the project's water supply service area not covered by the project's sewerage network. Work in this area will be coordinated with sanitation projects of the government and other development partners.

¹⁸ The Jaffna water resources management committee will expand on the Jaffna Water and Sanitation Sectoral Committee chaired by the government agent. Members will include the NWSDB (secretariat); divisional secretaries; secretaries of municipal and urban councils and *Pradeshiya Sabhas*; nongovernment organizations; and the regional director for health services.

3. Building Capacity of the NWSDB to Carry Out Project Implementation and Build Regional Office in Jaffna

12. This component will (i) support the NWSDB to build a Jaffna Regional Office (JRO), and (ii) provide capacity and administration support for the JRO to carry out project implementation. Capacity building will be further supported through a technical assistance (Annex A).

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

13. Project readiness activities, responsibilities, and estimated timeframes are as follows:

Indicative Activities	July 2010	Aug	Sept	Oct	2010/2011		Jan 2011	Feb	Mar	April	Who responsible
					Nov	Dec					
Advance contracting actions					X						executing agency through implementing agencies
Establish project implementation arrangements	X	X	X								executing agency through implementing agencies
ADB Board approval					X						ADB
Loan signing						X					Government/ADB
Government legal opinion provided							X				Government
Government budget inclusion	X										Government
Loan effectiveness								X			Government/ADB

B. Overall Project Implementation Plan

Indicative Activities	2010 (Quarter)				2011 (Quarter)				2012 (Quarter)				2013 (Quarter)				2014 (Quarter)				2015 (Quarter)				2016 (Quarter)				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
A. DMF																													
Component 1: Developing Water and Environmental Infrastructure																													
1.a. Water Supply Obtaining clearances and rights Surveys and detailed engineering design Tender and construction																													
1.b. Sanitation Obtaining clearances and rights Surveys and detailed engineering design Tender and construction Pro-poor sanitation component																													
Component 2: Improving Jaffna Water resources Management																													
2.a Establishing and Operationalizing JWRMC JWRMC Framework Developing Information Systems Improvements in water quality monitoring introduced																													
Local Authority by-laws Passed Introduction and training of village level monitoring committees																													
2.b Water Conservation Design and conduct of awareness campaign																													

Indicative Activities	2010 (Quarter)				2011 (Quarter)				2012 (Quarter)				2013 (Quarter)				2014 (Quarter)				2015 (Quarter)				2016 (Quarter)				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Component 3: Building Management and Implementation Capacity																													
3.b Strengthening NWSDB-NO and JMC Offices																													
Construction NWSDB-JRO																													
3.c Project Implementation Capacity and Administration Support																													
B. Management Activities																													
Environment management plan key activities																													
Obtain Government clearances/requirements																													
Revised IEE/EMP after detailed design																													
Implementation of EMP																													
Gender Action Plan Key Activities																													
Recruit NGO																													
Conduct gender awareness programs and trainings																													
Collect gender disaggregated data at project level																													
Communication and Participatory strategy key activities																													
Community mobilization for water and sanitation																													
Information Disclosure																													
Annual/Mid-term review																													
Project completion report																													

EMP = Environmental Management Plan, IEE = Initial Environmental Examination, JMC = Jaffna Municipal Council, JRO = Jaffna Regional Office, JWRMC = Jaffna Water Resources Management Committee, NGO = nongovernment organization, NWSDB = National Water Supply and Drainage Board

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> • Executing agencies 	<p>Ministry of Water Supply and Drainage (MWSD)</p> <ul style="list-style-type: none"> ➤ Through the National Water Supply and Drainage Board (NWSDB), particularly its Jaffna Regional Office (JRO), responsible for overall coordination of project execution and implementation of the water supply and sanitation component <p>Ministry of Local Government and Provincial Councils (MLGPC)</p> <ul style="list-style-type: none"> ➤ Through the Northern Provincial Council-Provincial Irrigation Department (NPC-PID), responsible for overall coordination of project execution and implementation of the Iranamadu Tank component
<ul style="list-style-type: none"> • Project management, coordination, and implementation unit (PMCIU) 	<p>Based in NWSDB-JRO</p> <p>As MWSD will be the executing agency and NWSDB will be the implementing agency for part of the Project, the project management unit at NWSDB-JRO will also function as implementing unit (PMCIU). The PMCIU will assist the MWSD in: (i) project management, (ii) coordinate implementation particularly with project implementation unit (PIU) of NPC-PID, and (iii) function as project implementation unit to assist in day-to-day project implementation of water supply, sanitation, water resource management, and capacity building components:</p> <ul style="list-style-type: none"> ➤ preparing overall project implementation plan and consolidated annual work plan, ➤ appointing Project Engineering and Institutional Consulting (PEIC) and nongovernment organizations (NGOs), ➤ helping PIU in implementing respective components, ➤ approving design of investment components prepared by PIU, ➤ pre qualifying contractors, ➤ preparing standard bid documents to comply with ADB guidelines, ➤ monitoring the bidding process, reviewing the bid's evaluation and preparing bid evaluation reports for approval by ADB, ➤ procuring equipment and services for water, sanitation, and public awareness, ➤ reviewing community awareness and participation programs, ➤ ensuring project compliance with loan and grant covenants,

Project Implementation Organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> • National Project Steering Committee (NPCC) • Implementing agencies • Project implementation units (PIU) 	<ul style="list-style-type: none"> ➤ coordinating with ADB on matters related to disbursements, ➤ undertaking institutional development assistance and capacity building programs, ➤ maintaining project documents and submitting timely reports to ADB and the Government including audit reports, ➤ organize monitoring and evaluation activities, ➤ oversee implementation and monitoring of social and environmental safeguards, ➤ supervise the implementation of the gender action plan and other activities under the summary poverty reduction and social strategy, and ➤ obtain necessary clearances ➤ oversee the Project at national level ➤ advise and guide the Project on strategic and policy decisions <p>NWSDB and NPC-PID PIU (based in NPC-PID) Assists NPC-PID for day-to-day project implementation for Iranamadu Tank components including:</p> <ul style="list-style-type: none"> ➤ carrying out detailed surveys, investigations and engineering designs of investment components ➤ evaluating bids and awarding works, contract administration, supervision and quality control ➤ measuring works carried out by contractors and certifying payments ➤ carrying out environmental assessments and project performance management system (PPMS) surveys in their areas of responsibility ➤ ensuring respective agency-level compliance with ADB's loan covenants ➤ preparing monthly reports <ul style="list-style-type: none"> • ADB <ul style="list-style-type: none"> ➤ monitor and review overall implementation in consultation with the executing agencies/implementing agencies including: project implementation schedule; actions required with reference to the summary poverty reduction & social strategy, gender action plan, environment management plan, and resettlement plan if applicable; timeliness of budgetary allocations and counterpart funding; project expenditures progress with procurement and disbursement, statement of expenditures when applicable; compliance with loan covenants; and likelihood of attaining Project development objectives.

Note: Terms of Reference for PMCIU and PIU are in Annex B.

B. Key Persons Involved in Implementation

Executing Agencies

Ministry of Water Supply and
Drainage

A. Abeygunasekara
Secretary
+94 11 20808149
secretary@watermin.gov.lk
34 Narahenpita Road, Nawala
Sri Lanka

Ministry of Local Government and
Provincial Council

Nihal Jayathilaka
Secretary
No. 330, Union Place
Colombo 02, Sri Lanka

Implementing Agencies

National Water Supply and
Drainage Board

K.L.L. Premanath
General Manager
+94 11 2636449
gm@waterboard.lk
Galle Road
Ratmalana, Sri Lanka

Northern Provincial Council

A. Sivaswamy
Chief Secretary
Northern Province, Trincomalee

Northern Provincial Council –
Provincial Irrigation Department

K. S. Sivapatham
Director
Department of Irrigation
Northern Province, Trincomalee

ADB

Urban Development Division of
South Asia Regional Department

M. Teresa Kho
Director, SAUD
+63 2 6326858
mtkho@adb.org

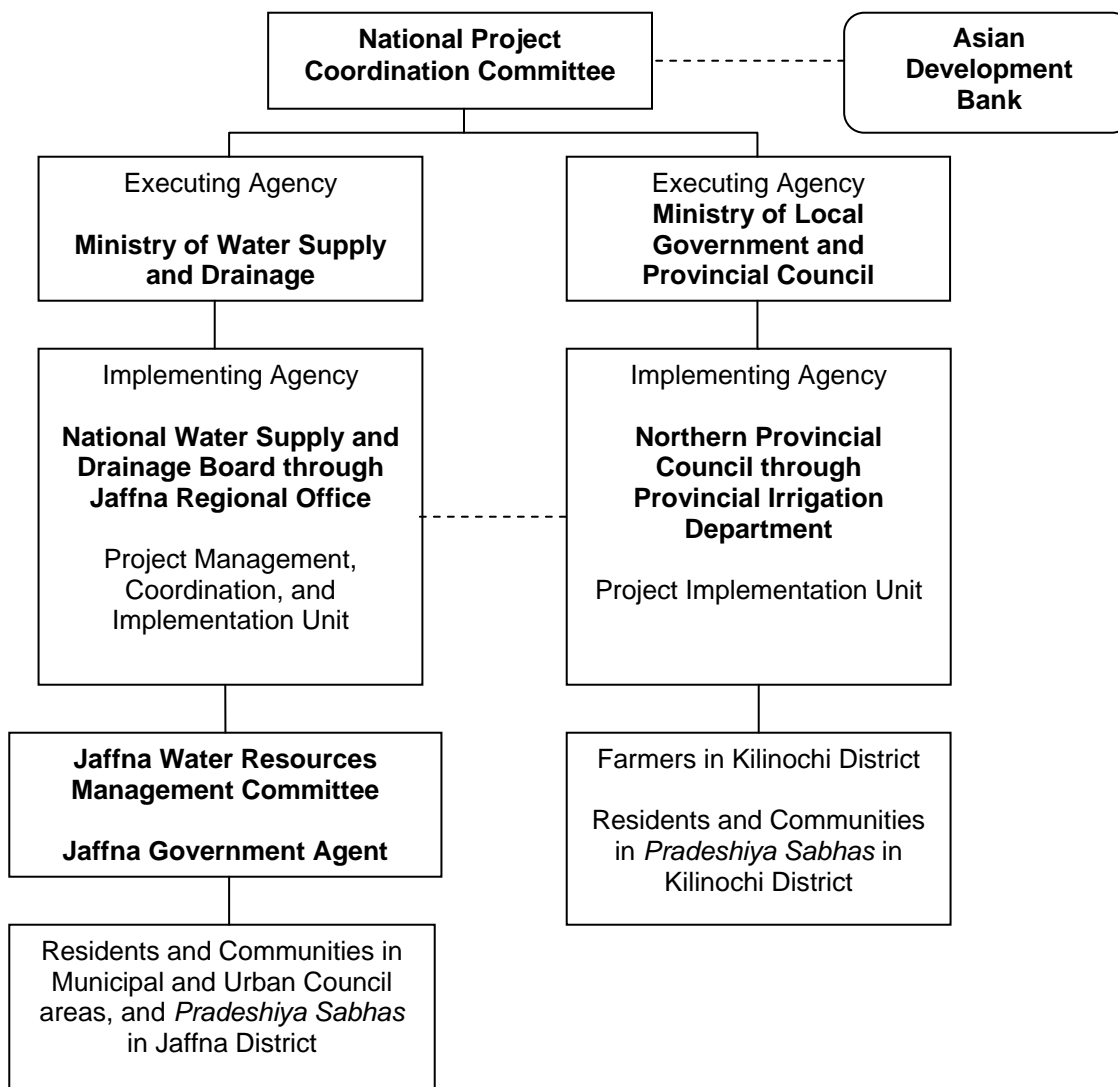
Mission Leader

Ricardo Carlos V. Barba
Safeguards Specialist, SAUD
+63 2 6326417
rbarba@adb.org

Co-mission Leader

M. Thiruchelvam
Project Implementation Officer, SLRM
+945 11 3287055
mthiruchelvam@adb.org

C. Project Organization Structure



IV. COSTS AND FINANCING

A. Detailed Cost Estimates by Expenditure Category

Items	Total Cost
A. Investment Cost	
1. Civil Work	
(i) Water Supply	69.74
(ii) Sewerage and Sanitation	28.20
(iii) Road Reinstatement	10.01
2. Equipment	4.63
3. Environment and Social Mitigation	0.13
4. Consultants	
(i) Project Management and Capacity Building	3.04
(ii) Design and Supervision	1.18
5. Taxes	29.26
Subtotal (A)	146.19
B. Recurrent Costs	
1. Project Administration and Implementation	0.76
2. Taxes	0.09
Subtotal (B)	0.85
C. Contingencies	
Physical	8.88
Price	2.79
Subtotal (C)	11.67
D. Financial Charges	5.33
Total Project Cost (A+B+C+D)	164.04

B. Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Jaffna and Kilinochchi Water Supply and Sanitation Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated SDR Category	Percentage and Basis for Withdrawal From the Loan Account
1	Works	32,258,000	78% of total expenditure claimed
2	Equipment	132,000	100% of total expenditure claimed*
3	Road Reinstatement	5,063,000	100% of total expenditure claimed*
4	Consultants	2,062,000	100% of total expenditure claimed*
5	Project Administration and Implementation	481,000	100% of total expenditure claimed*
6	Interest Charge	823,000	100% of amount due
7	Unallocated	3,467,000	
	Total	44,286,000	

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

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Jaffna and Kilinochchi Water Supply and Sanitation Project)			
CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing \$ Category	Percentage of ADB Financing from the Loan Account
1	Works	12,031,000	78% of total expenditure claimed
2	Equipment	4,425,000	100% of total expenditure claimed*
3	Road Reinstatement	708,000	100% of total expenditure claimed*
4	Interest and Commitment Charge	808,000	100% of amount due
5	Unallocated	2,028,000	
	Total	20,000,000	

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

C. Detailed Cost Estimates by Financier

	OCR Fin.	Cat %	ADF Fin.	Cat %	AFD Fin.	Cat %	GoSL Fin.	Cat %	Taxes	Cat %	Total Fin.	Cat %
A. Investment Cost ^a												
1. Civil Work												
(i) Water Supply (OCR financing portion)	12.03	78%	0.00	0%	0.00	0%	0.00	0%	3.35	22%	15.38	100%
(ii) Water Supply (ADF financing portion)	0.00	0%	22.79	78%	0.00	0%	0.00	0%	6.35	22%	29.14	100%
(iii) Water supply (AFD financing portion) ^b	0.00	0%	0.00	0%	34.92	78%	0.00	0%	9.73	22%	44.65	100%
(iv) Sewerage and Sanitation	0.00	0%	28.20	79%	0.00	0%	0.00	0%	7.44	21%	35.64	100%
(v) Road Reinstatement	0.71	6%	8.00	71%	0.00	0%	1.30	12%	1.22	11%	11.23	100%
2. Equipment	4.42	84%	0.21	4%	0.00	0%	0.00	0%	0.66	12%	5.29	100%
3. Environmental and Social Mitigation	0.00	0%	0.00	0%	0.00	0%	0.13	100%	0.00	0%	0.13	100%
4. Consultants												
(i) Project Management and Capacity Building	0.00	0%	3.04	89%	0.00	0%	0.00	0%	0.37	11%	3.40	100%
(ii) Design and Supervision	0.00	0%	0.22	17%	0.96	72%	0.00	0%	0.14	11%	1.32	100%
Subtotal (A)	17.16	12%	62.46	43%	35.88	25%	1.44	1%	29.26	20%	146.19	100%
B. Recurrent Costs ^a												
1. Project Administration and Implementation ^c	0.00	0%	0.76	89%	0.00	0%	0.00	0%	0.09	11%	0.85	100%
Subtotal (B)	0.00	0%	0.76	89%	0.00	0%	0.00	0%	0.09	11%	0.85	100%
C. Contingencies ^d												
Physical	1.40	16%	4.66	53%	2.79	31%	0.01	0%	0.00	0%	8.88	100%
Price	.62	22%	0.82	29%	1.33	48%	0.02	1%	0.00	0%	2.79	100%
D. Financial Charges ^e	.81	15%	1.30	24%	0.00	0%	3.22	60%	0.00	0%	5.33	100%
Total Project Cost (A+B+C+D)	20.00	12%	70.00	43%	40.00	24%	4.69	3%	29.35	18%	164.04	100%

ADB = Asian Development Bank, ADF = Asian Development Fund, AFD = Agence Française de Développement, GoSL = the Government of Sri Lanka, OCR = ordinary capital resources, Cat % = percentage of cost categories

^a In mid-2010 prices

^b This includes head works, water treatment plant, and raw treated water transmission mains.

^c Project administration and implementation includes project staff salaries

^d Physical contingencies computed at 10% for civil works. Price contingencies computed at 0.0-1.5% on foreign exchange costs and 5.5-8.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the rate of 1.0% for the ADF loan and 5-year forward London interbank offered rate plus a spread of 0.3% for the OCR loan. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

D. Detailed Cost Estimates by Outputs/Components

	Component 1	Component 2	Component 3	Total
A. Investment Cost^a				
1. Civil Works and Equipment				
(i) Water Supply	91.82	2.64	0.00	94.46
(ii) Sewerage and Sanitation	35.64	0.00	0.00	35.64
(iii) Road Reinstatement	11.23	0.00	0.00	11.23
2. Environment and Social Mitigation	0.13	0.00	0.00	0.13
3. Consultants				
(i) Project Management and Capacity Building	0.00	0.00	3.40	3.40
(ii) Design and Supervision	0.00	0.00	1.32	1.32
Subtotal (A)	138.83	2.64	4.72	146.19
B. Recurrent Costs^a				
1. Project Administration and Implementation ^b	0.00	0.00	0.85	0.85
Subtotal (B)	0.00	0.00	0.85	0.85
C. Contingencies^c				
Physical	8.70	0.17	0.00	8.88
Price	2.66	0.06	0.07	2.79
D. Financial Charges^d	5.05	0.10	0.19	5.33
Total Project Cost (A+B+C+D)	155.25	2.96	5.83	164.04

^a In mid-2010 prices

^b Project administration and implementation includes project staff salaries

^c Physical contingencies computed at 10% for civil works. Price contingencies computed at 0.0-1.5% on foreign exchange costs and 5.5-8.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the rate of 1.0% for the ADF loan and 5-year forward London interbank offered rate plus a spread of 0.3% for the OCR loan. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Detailed Cost Estimates by Year

		Y2011	Y2012	Y2013	Y2014	Y2015	Y2016	Y2017	Y2018
Investment Cost									
Civil Works									
Water supply (OCR financing)	12.03	0.00	0.00	0.60	1.20	6.02	4.21	0.00	0.00
Water supply (ADF financing)	22.79	0.00	0.00	1.14	2.28	11.39	7.98	0.00	0.00
Water supply (AFD financing)	34.92	0.00	0.00	1.75	3.49	17.46	12.22	0.00	0.00
Sewerage	28.20	0.00	0.00	1.41	2.82	14.10	9.87	0.00	0.00
Road reinstatement	10.01	0.00	0.00	0.50	1.00	5.01	3.50	0.00	0.00
Equipment	4.63	0.00	0.00	0.21	0.41	2.32	1.70	0.00	0.00
Land acquisition, resettlement, compensations	0.13	0.02	0.05	0.07	0.00	0.00	0.00	0.00	0.00
Consultants									
Project management and capacity building	3.04	0.30	0.67	0.97	0.69	0.38	0.04	0.00	0.00
Design and supervision	1.18	0.18	0.20	0.61	0.17	0.02	0.00	0.00	0.00
Taxes and duties	29.26	0.06	0.11	1.61	2.96	14.42	10.10	0.00	0.00
Subtotal (A)	146.19	0.56	1.03	8.86	15.03	71.11	49.62	0.00	0.00
Recurrent Costs									
Project administration and implementation	0.76	0.07	0.08	0.16	0.16	0.16	0.14	0.00	0.00
Taxes and Dutie	0.09	0.01	0.01	0.02	0.02	0.02	0.02	0.00	0.00
Subtotal (B)	0.85	0.08	0.09	0.17	0.17	0.17	0.16	0.00	0.00
Contingencies									
Physical	8.88	0.00	0.01	0.45	0.88	4.43	3.11	0.00	0.00
Price	2.79	0.00	0.01	0.10	0.23	1.35	1.10	0.00	0.00
Financial Charges	5.33	0.00	0.64	0.34	0.54	1.55	2.26	0.00	0.00
Grand Total	164.04	0.63	1.77	9.93	16.85	78.61	56.26	0.00	0.00
Percentage	100.00	0.4	1.1	6.1	10.3	47.9	34.3	0.0	0.0

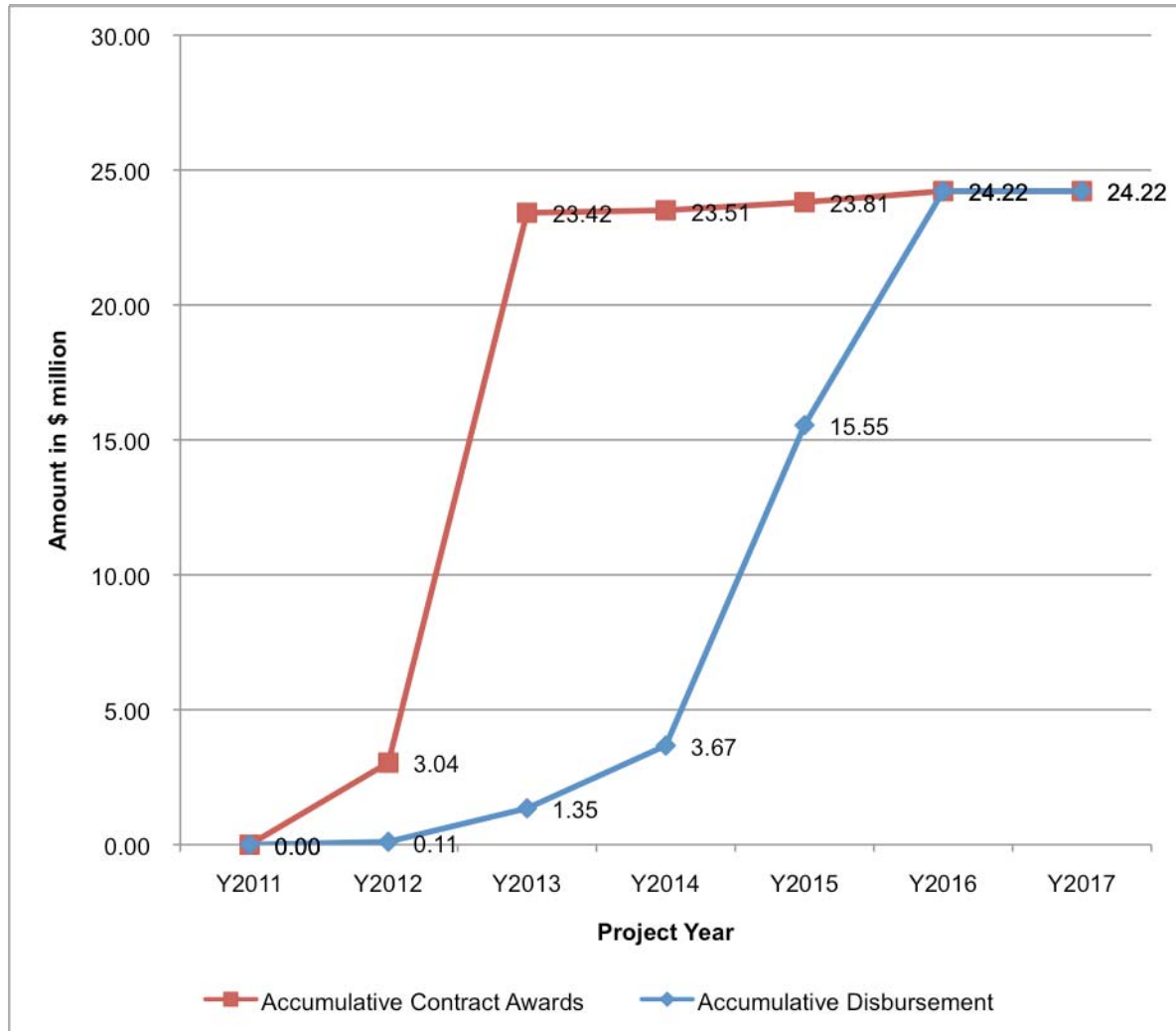
ADB = Asian Development Bank, ADF = Asian Development Fund, AFD = Agence Française de Développement, OCR = ordinary capital resources

^a In mid-2010 prices

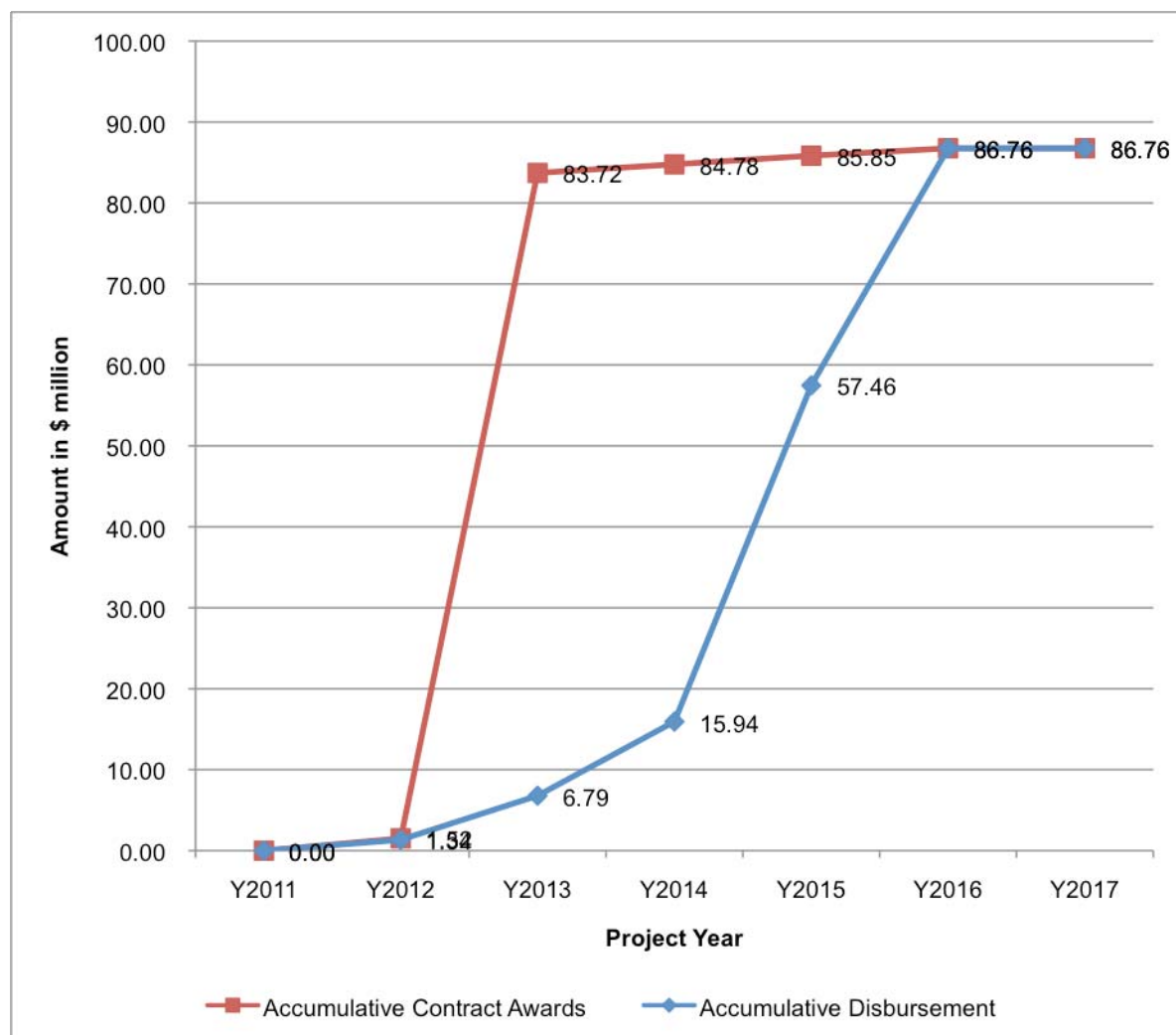
^b Project administration and implementation includes project staff salaries

^c Physical contingencies computed at 10% for civil works. Price contingencies computed at 0.0-1.5% on foreign exchange costs and 5.5-8.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

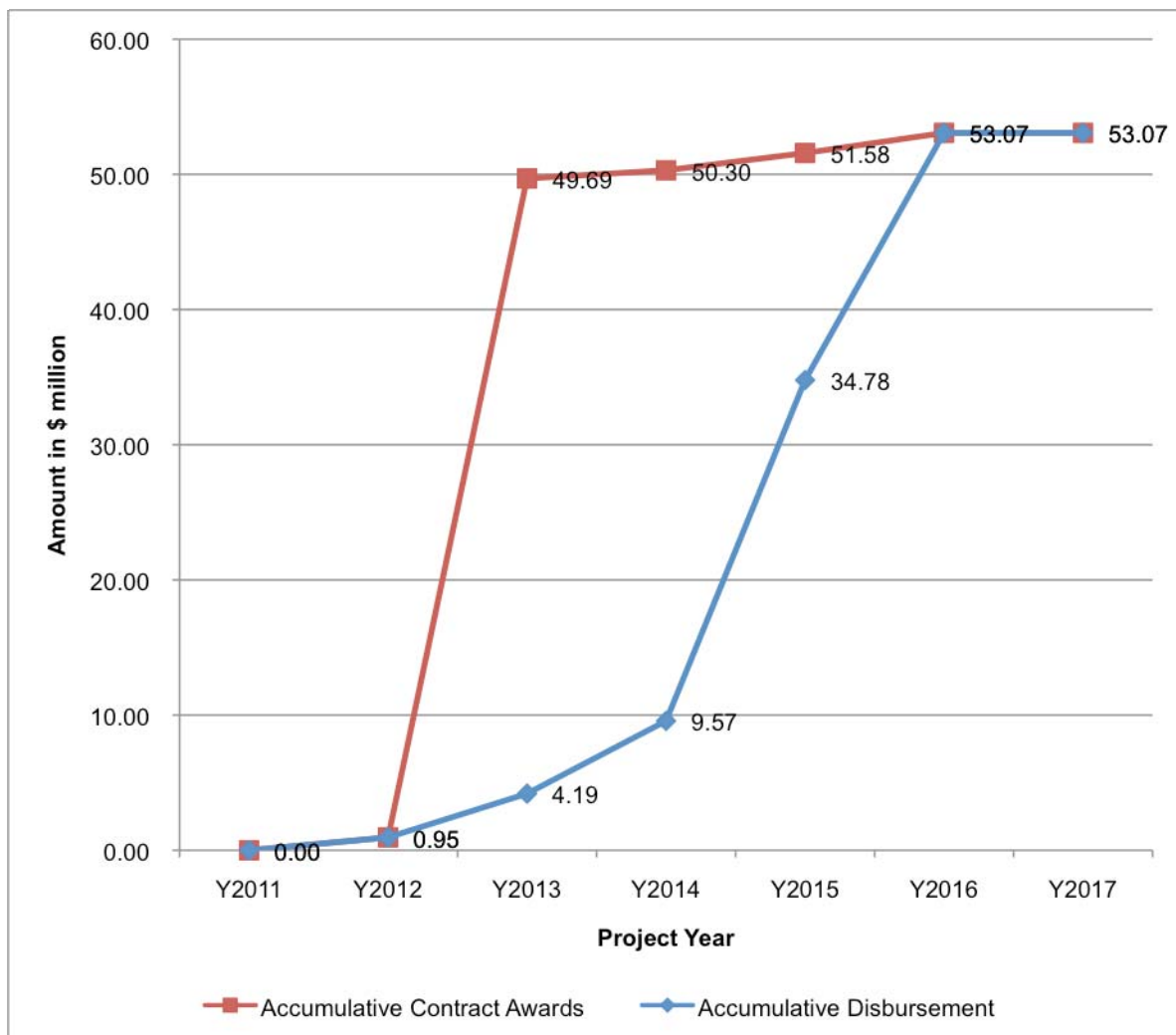
^d Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the rate of 1.0% for the ADF loan and 5-year forward London interbank offered rate plus a spread of 0.3% for the OCR loan. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

E. Contract and Disbursement S-curve**Contract Awards and Disbursement Projections
Ordinary Capital Resources**

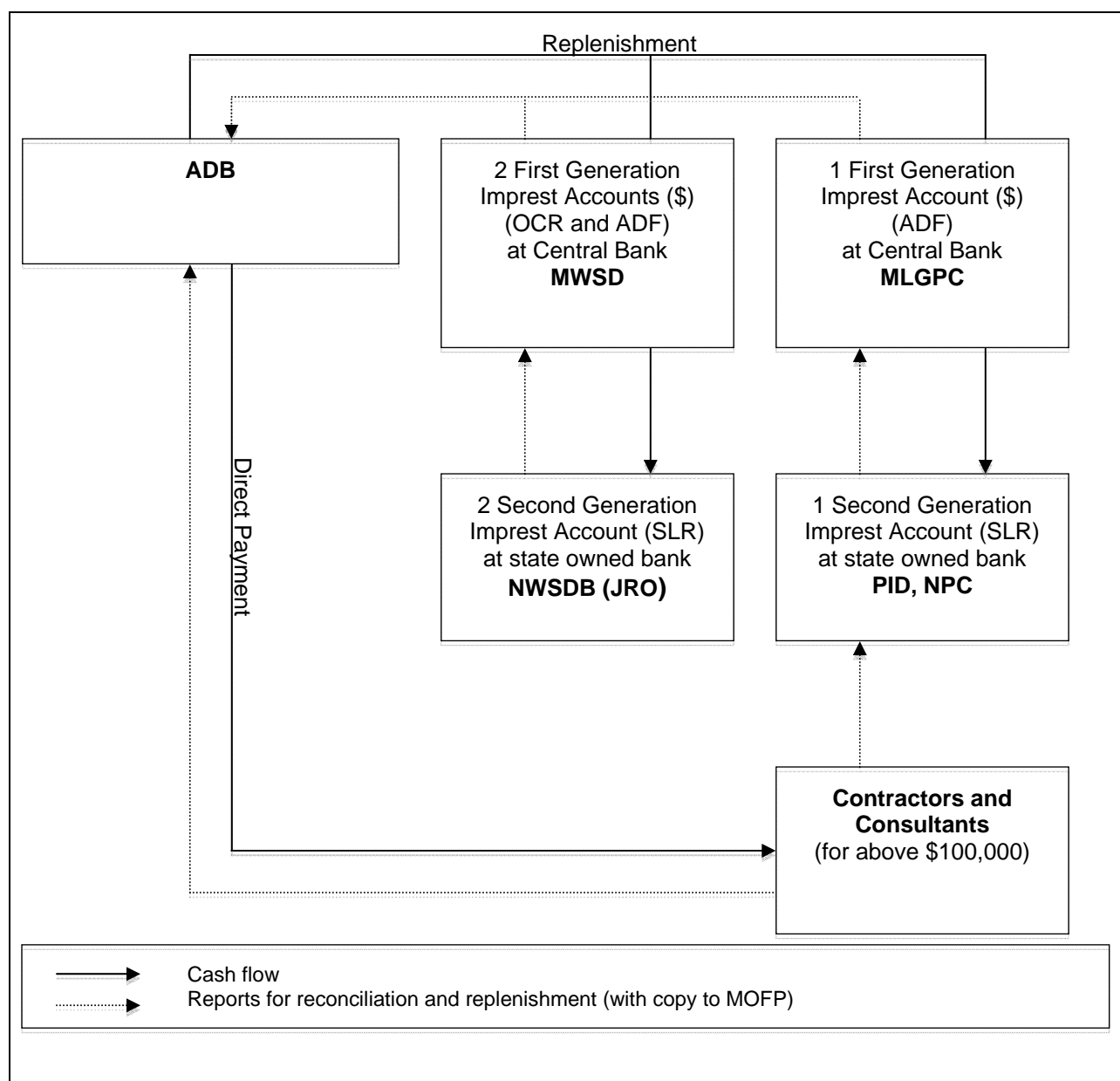
Contract Awards and Disbursement Projections Asian Development Fund



Contract Awards and Disbursement Projections Co-financed



F. Funds Flow Diagram



JRO = NWSDB Jaffna Regional Office, MLGPC = Ministry of Local Government and Provincial Council, NPC = Northern Provincial Council, NWSDB = National Water Supply and Drainage Board, PID = Provincial Irrigation Department

Notes on funds flow:

- From ADB to the Imprest Accounts.** Loan proceeds will be channeled through the first generation imprest accounts (FGIAs) opened at the Central Bank of Sri Lanka (3 accounts, 2 in the name of MWSD and 1 in the name of MLGPC) to the second generation imprest accounts (SGIAs) (3 accounts, 2 in the name of NWSDB and 1 in the name of NPC/PID) at a state owned bank. ADB funds will be allocated based on the annual budget estimates prepared by the NWSDB and NPC/PID. NWSDB and NPC/PID will process all other disbursement requests to ADB, including direct payment to contractors (above \$100,000) and consultant fees. The FGIAs will be replenished according to the ADB's *Loan Disbursement Handbook*.
- The SGIAs will be established at commercial banks acceptable to the Government and ADB. These will be short-term deposit accounts, with the each of the implementing agencies as authorized signatory.
- From ADB to contractors as well as consultants.** Dollar-denominated payments for contractors (above \$100,000), and consultant fees contracted by either NWSDB or NPC/PID, will be paid directly by ADB, which requires PMCIU submission of approved invoices and documentation to ADB in accordance with ADB's *Loan Disbursement Handbook*.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

14. Financial management assessment undertaken during project preparation indicates that the NWSDB can manage loan proceeds during project implementation. However, for the NWSDB to achieve the highest accuracy in accounting, it is necessary for NWSDB to complete and fully implement the ongoing enterprise resource planning system¹⁹ development. Also, registration of newly created assets in accounting books is generally delayed even after the NWSDB completes construction work. As such, depreciation on assets is not accounted for and/or is underestimated by the NWSDB. This may affect the tariff revision process, as the NWSDB's tariff policy is to recover operations and maintenance costs and the higher of debt service costs or depreciation costs.

15. Further, with a significant volume of financial regulations from the provincial council and the government, there is a lack of clarity on financial management and reporting requirements. This resulted in non-compliance with certain accounting standards, and inconsistencies in income statement and records. Therefore, under the project, a separate project office will be set up, along with a separate project account and rules and regulations required for financial control and governance. A summary of the Financial Management Assessment is in Annex C.

B. Disbursement

16. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time),²⁰ and detailed arrangements agreed upon between the Government and ADB.

17. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),²¹ 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 of the SPS) to subprojects financed by ADB.

18. Direct payment procedure by ADB will be utilized for payments to contractors above \$100,000, and consultant's fees. Reimbursement, liquidation and replenishment through imprest accounts and statement of expenditure (SOE) procedures will be utilized for payments on civil works below \$100,000, procurement of goods, recurrent costs (project management). Two separate first generation imprest accounts (FGIAs) and two second generation imprest accounts (SGIAs), depending on its funding sources, will be established and maintained by NWSDB and one FGIA will be maintained by MLGPC and one SGIA will be maintained by NPC/PID as follows:

¹⁹ Enterprise resource planning is generally an integrated computer-based system used to manage internal and external resources, such as tangible assets, financial resources, materials and human resources.

²⁰ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

²¹ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

	Funding Source	
	OCR	ADF
First Generation Imprest Account	(1) account (\$) established at the Central Bank of Sri Lanka in the name of MWSD	(2) accounts (\$) established at the Central Bank of Sri Lanka, respectively, in the name of MWSD and MLGPC
Second Generation Imprest Account	(1) account (SLRs) established at the state owned bank in the name of NWSDB Project Management and Implementation Unit	(2) accounts (SLRs) established at the state owned bank in the name of NWSDB Project Management and Implementation Unit and 1 account in the name of NPC-PID Project Implementation Unit

19. The FGIA's and SGIA's will be established, managed, replenished and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). The ceiling for the FGIA's will not exceed the lower of: (i) the estimated expenditure to be financed from the FGIA's for the first 6 months of Project implementation, or (ii) the equivalent of 10% of the loan amount. The maximum ceiling of each SGIA will be equivalent to 6 months estimated expenditures to be funded from each SGIA or 10% of the respective loan amount, whichever is lower. The request for initial advance to the FGIA's should be accompanied by an Estimate of Expenditure Sheet²² setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the Imprest Accounts have been duly opened. For every liquidation and replenishment request of the FGIA, the borrower will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest accounts are maintained, and (b) the Imprest Account Reconciliation Statement reconciling the above mentioned bank statement against the EA's records.²³

20. ADB's statements of expenditure (SOE) will be utilized for reimbursement and liquidation and replenishment of the imprest accounts for any individual payments not exceeding the equivalent of \$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.²⁴

21. 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 Government 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.

²² Available in Appendix 29 of the *Loan Disbursement Handbook*.

²³ Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

²⁴ 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

22. For the water supply and sanitation component, NWSDB 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. For the Iranamadu Tank works, NPC-PID will be responsible for: (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, (iv) preparing and sending withdrawal applications to ADB, and (v) processing funds for second generation imprest account to ensure adequate cash flow for NPC-PID with respect to recurrent costs and payments to contractors and suppliers. NPC-PID will be responsible for: (i) providing information for preparing disbursement projections, (ii) projection of necessary budgetary allocations for counterpart funds, (iii) preparing supporting documents, and (iv) preparing and sending withdrawal applications to MLGPC.

C. Accounting

23. The MWSD and MLGPC will maintain separate project accounts and records by funding sources for all expenditures incurred on the Project. Project accounts will follow international accounting principles and practices.

D. Auditing

24. The MWSD and MLGPC will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing and 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 6 months of the end of the fiscal year by the executing agency. The annual audit report will include a separate audit opinion on the use of the Imprest Accounts, and the SOE procedures (as applicable). The Government, MWSD and MLGPC 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. For revenue generating projects only, ADB requires audited financial statements for each executing and/or implementation agency associated with the project.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

25. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2010, as amended from time to time)²⁵ and ADB's *Guidelines on the Use of Consultants* (April 2010, as amended from time to time).²⁶ The issuance of invitations to bid under advance contracting will be subject to ADB approval. The Government, executing and implementing agencies have been advised that approval of advance contracting does not commit ADB to finance the Project.

26. Advance contracting includes preparation of NCB bid documents and bid evaluation for civil works packages, and recruitment of consultants. This includes: (i) prequalification of contractors, preparation of NCB bid documents, and bid evaluation for civil works packages for

²⁵ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

²⁶ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

advance pipe laying works on A9 and buildings for regional office and staff facilities;²⁷ (ii) preparation of tender documents to procure materials and equipment;²⁸ and (iii) recruitment of consultants.²⁹

B. Procurement of Goods, Works and Consulting Services

27. All ADB-financed procurement of goods and works will be undertaken in accordance with *Procurement Guidelines* (April 2010, as amended from time to time).

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

29. 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.

30. All ADB-financed consultants and NGOs if appropriate will be recruited according to ADB's *Guidelines on the Use of Consultants* (April 2010, as amended from time to time).³⁰ The terms of reference for all consulting services are detailed in Annex D.

31. AFD-financed procurement of goods, works and consulting services will be in accordance with AFD guidelines.

C. Procurement Plan

32. The procurement plan is in Annex E.

D. Consultant's Terms of Reference

33. The consultants terms of reference is in Annex D.

VII. SAFEGUARDS

34. **Environment.** The project is categorized as environmental category B and an initial environmental examination (IEE) with a detailed environmental management plan (EMP) was prepared in accordance with ADB's Safeguards Policy Statement (2009).³¹ The IEE concludes that no significant adverse environmental impacts are anticipated.³² The project's significant environmental benefits will include protection of the fragile aquifer, improved hygiene and sanitary conditions, improved wastewater treatment and disposal, improved ecosystem health

²⁷ This is in the procurement plan item 1 & 13.

²⁸ This is in the procurement plan item 13.

²⁹ This is in the procurement plan under Consulting Services - item 1 & 2

³⁰ 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/>

³¹ A single environmental and social assessment and planning process and unified safeguard documentation, consultation, and disclosure requirements will be adopted to satisfy the safeguard principles and requirements of ADB and AFD.

³² Location impacts include minor loss of on-site ecology and the conversion of small amounts of rural agricultural land. Construction-related impacts relate to dust generation from excavation activities; and increased vibrations, noise, fumes, and traffic disruption during construction activities. Good engineering design and management plans will minimize these impacts as well as any impacts associated with operations. All effluent discharge will comply with national standards.

resulting from reduced discharge of wastewater into sensitive areas, and reduced water losses from the currently inefficient water distribution system. Mitigation measures and monitoring plans have been proposed in the EMP. The EMP will be implemented and monitored by the PMCIU. Project engineering and institutional consultants will assist the PMCIU in ensuring implementation of the EMP.

35. The MWSD through NWSDB as the executing agency is responsible to obtain all Government clearances including the approvals from the Coast Conservation Department, Central Environmental Authority and respective local authorities as applicable prior to initiation of any construction, and any required approvals for the operation of the facilities. MWSD through NWSDB will finance any further studies required to address Government requirements.

36. The Design and Supervision consultant (DSC) team shall also include an environmental specialist and the DSC team shall update the IEE and EMP as necessary during implementation and submit for ADB's approval. The bidding documents for the construction works shall include the requirement by the contractor to adhere to the EMP and Environmental Monitoring Plan. The NWSDB, project management, coordination and implementation unit (PMCIU) with the assistance from the Design and Supervision consultants shall be responsible to ensure that the contractor adheres to the EMP during construction. During operations the NWSDB, as the operator of the schemes will be responsible to implement the required long term environmental monitoring. NWSDB will provide annual EMP implementation progress reports to ADB.

37. **Social.** The project is category B for involuntary resettlement.³³ A resettlement plan was prepared for the acquisition of a 0.3-hectare privately owned land plot affecting one household. The project is category C for indigenous peoples. The population in the project area is largely homogenous (Tamil) and the socioeconomic survey and consultations show that no distinctive and separate indigenous peoples live in the project area.

38. MWSD: The cost related to land acquisition and resettlement will be borne by MWSD through NWSDB. MWSD through NWSDB will ensure that adequate funds are made available in a timely manner (i.e., before physical or economic displacement) for resettlement planning purposes.

39. NPCC: The NPCC will discuss land acquisition or resettlement issues if/when there is a delay in such activities in order to expedite the process.

40. PMCIU: The PMCIU is the responsible body to ensure smooth implementation of the resettlement plan and that affected persons are compensated prior to economic or physical displacement. The PMCIU is responsible for the following social safeguard activities: (i) updating the resettlement plan with assistance of Project Engineering and Institutional Consulting (PEIC) during the detailed design stage, if necessary; (ii) providing timely payments of compensation at replacement value as per the resettlement plan to affected persons before physical or economic displacement occurs; (iii) ensuring that other entitlements (e.g., income rehabilitation measures, etc.) as per the resettlement plan are delivered to affected persons; (iv) engaging in ongoing and meaningful consultations with communities, stakeholders, and affected persons; (v) implementing the resettlement plan with support from PEIC; (vi) ensuring all grievances are addressed and when necessary activating the Grievance Redress Committee; (vii) taking corrective actions where necessary; (viii) conducting monitoring of the resettlement

³³ Rehabilitation work will be undertaken within existing facilities and new construction will be undertaken on vacant government land, wherever possible. Where land acquisition is required, project design ensures that no displacement will result and that the land is not a significant source of income or subsistence.

process to ensure smooth implementation; (ix) submitting annual monitoring reports to ADB that describe the progress of the implementation of resettlement activities and any compliance issues and corrective actions.

41. **Civil Works Contracts:** Contractors cannot begin civil works for project components or sections that are ready to be constructed until full compensation entitlements (at replacement cost) are paid to those being physically or economically displaced. Moreover, the Government will ensure that civil works contracts and bidding documents under the Project include specific provisions requiring contractors to comply with all: (i) applicable labor laws and core labor standards on (a) prohibition of child labor as defined in national legislation for construction and maintenance activities, on (b) equal pay for equal work of equal value regardless of gender, ethnicity or caste, and on (c) elimination of forced labor; and (ii) the requirement to disseminate information on sexually transmitted diseases including HIV/AIDS to employees and local communities surrounding the project sites.

VIII. GENDER AND SOCIAL DIMENSIONS

42. **Gender Action Plan.** A Gender Action Plan (GAP) was prepared under the Project (Annex F). The NGO will be the main implementing agent for the GAP facilitated by a social specialist on the consultant team. Key activities include: (i) conducting gender related training and awareness programs, (ii) conducting stakeholder consultations, (iii) providing gender guidance during planning and implementation, (iv) incorporating gender needs in policies and programs, and (v) preparing, maintaining, and documenting gender disaggregated data bases at central, regional, and community levels. Key target groups for gender related activities include government agencies, project related steering committees, community based organizations, and local authorities.

43. **Participation and Community Mobilization Plan.** A Participation and Community Mobilization Plan (PCMP) was prepared under the Project (Annex G). The overall participation strategy will be implemented by the PMCIU with assistance from the social specialist on the consultant team. Key activities include: (i) promoting shared decision making and responsibility through meetings, seminars, and workshops, and (ii) conduct ongoing consultations for continued needs assessments. The NGO will be primarily responsible for implementing the following community mobilization activities including: (i) community surveys, (ii) awareness campaign, (iii) preparation of the community profiles, (iv) formation of community based organizations, and (vi) community-based training and creating linkages with government programs and project activities.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Improved health and human development in urban areas of Jaffna Peninsula	Reduction in cases of waterborne diseases by 10% in 2020 compared with 2010. Regional improvement in life expectancy, literacy, and gross domestic product by 5% in 2020 compared with 2010.	Provincial and local government health statistics UNDP <i>Human Development Reports</i> for Sri Lanka	Assumptions Beneficiaries make full use of improved water supply and sanitation Continued government commitment to water supply and sanitation development and water resource management Sustained economic growth and employment opportunities for beneficiaries Risks Economic and political instability
Outcome Improved water supply and sanitation infrastructure for residents and returning internally displaced persons in targeted urban areas, and improved protection and management of Jaffna Peninsula's water resources	Residents and returning internally displaced persons lacking access to safe drinking water and sanitation in target areas reduced by 50% in 2017 compared with 2010. Institutional framework, skills, and awareness for water protection and management built. Access ratio of urban services and poverty ratio regularly monitored, with sex-disaggregated data	Baseline data to be collected during the start of project implementation, including data on (i) percentage of population with access to water supply and sanitation at project inception, (ii) population with good access to water supply and sanitation, (iii) population requiring improved access to water supply and sanitation Provincial and local government and agency reports NWSDb annual report CEA reports PPMS based on appraisal reports NGO monitoring reports Sri Lanka Millennium Development Goal country report	Assumptions Parallel developments in the urban sectors. Risks National, provincial, and local governments do not undertake actions to improve service delivery
Outputs 1.a Improved water supply infrastructure	Construction of one water treatment plant and production of 35,000m ³ per day potable water Installation of 584 km of water mains and supply pipes 60,000 new water connections At least 33% representation of women in committees established for community water supply and sanitation	Project progress reports PPMS NWSDb, JMC data	Assumptions NWSDb undertakes reforms to improve service delivery Tariffs for services set at appropriate levels and collected efficiently Effective O&M Timely completion of works by cofinancier Timely provision of counterpart funds Risks Water demand grows at a slower or more rapid pace

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
1.b Improved sanitation infrastructure	<p>programs</p> <p>Construction of one sewage treatment plant of 12,500 m³/d capacity. Installation of 331 km sewer mains and networks 20,000 households connected to the sewer network Households with access to properly maintained on-site sanitation Pro-poor sanitation infrastructure is built (target: 35% are war widows and households headed by women) Communal sanitary facilities built for both men and women</p>	<p>Project progress reports PPMS NWSDB, JMC data</p>	<p>than planned Delays in obtaining A9 right of way Funding for irrigation support not secured Lack of qualified contractors Lack of funds for O&M</p> <p>Assumptions NWSDB undertakes reforms to improve service delivery. Tariffs for services set at appropriate levels and collected efficiently Effective O&M Timely provision of counterpart funds</p> <p>Risks Water demand grows at a slower or more rapid pace than planned Lack of qualified contractors Lack of funds for O&M</p>
2. Strengthened water resource protection and management	<p>Training of NWSDB and WRB staff for capacity building (target: 50% women participation) Monitoring and data systems for groundwater institutionalized Monitored bacteriological groundwater pollution reduced by 25% in Jaffna city Water conservation, environmental, and hygiene awareness-raising activities conducted Public communication documents published and disseminated to target audience</p>	<p>Project progress reports PPMS NWSDB, WRB, JMC data</p>	<p>Assumptions Multiagency commitment to water conservation and resource protection Participatory, consultative, and participatory mechanisms used</p> <p>Risks Behavior does not change despite awareness raising Emergence of other water users or polluters not under the influence of NWSDB. Funds for monitoring and data systems not sustained</p>
3. Project management and implementation system is operational	<p>Capacity building training of NWSDB (JRO)</p>	<p>Project progress reports PPMS</p>	<p>Assumption Implementing agencies support and allocate resources required for continued capacity building</p>

<p>Activities with Milestones</p> <p>1a. Water Supply Infrastructure</p> <p>1a.1 Prequalify contractors, tender and evaluate bids for civil works packages for advance pipe-laying works on A9, and build regional offices and staff facilities (starting Q3/10)</p> <p>1a.2 Form PMCIU and PIU (irrigation) (Q1/11)</p> <p>1a.3 Conduct topographical surveys, field surveys, and investigations (Q4/11)</p> <p>1a.4 Complete water monitoring program for Iranamadu Tank (Q4/11)</p> <p>1a.5 Conduct benefit monitoring survey for Jaffna Peninsula (Q3/11)</p> <p>1a.6 Conduct ongoing consultations with farmers semi-annually.</p> <p>1a.7 Reconfirm and if required sign a new MOU for water rights from Irrigation Department for water extraction from Iranamadu Tank (Q4/11)</p> <p>1a.8 Obtain environmental clearances from CEA and CCD (Q3/11)</p> <p>1a.9 Prepare detailed engineering design for Iranamadu works (Q1/12)</p> <p>1a.10 Prepare detailed engineering design for water main and distribution systems (Q3/12)</p> <p>1a.11 Complete land transfers, land acquisition, and resettlement assistance and compensation (Q1/12)</p> <p>1a.12 Tender bid documents and evaluate and select contractors (Q4/12)</p> <p>1a.13 Complete contractor O&M training of identified NWSDB staff for the JRO and PID (recruited under/transferred to PMCIU/PIU) (Q2/13)</p> <p>1a.14 Complete construction of (i) Iranamadu works, (ii) intake and transmission lines, (iii) treatment plant, and (iv) elevated towers and distribution systems (Q4/15)</p> <p>1a.15 Revise individual consumer and bulk supply tariff for financially sustainable O&M (Q4/14)</p> <p>1a.16 Connect initial households (Q2/16)</p> <p>1a.17 Commission water treatment plant and turn over O&M to NWSDB staff (Q2/16)</p> <p>1a.18 Rehabilitate small operational groundwater schemes and decommission redundant schemes (Q2/16)</p> <p>1b. Sanitation Infrastructure</p> <p>1b.1 Form PMCIU (Q1/11)</p> <p>1b.2 Conduct topographical, bathymetric, current surveys, and investigations (Q4/11)</p> <p>1b.3 Conduct benefit monitoring survey for Jaffna Peninsula (Q4/11)</p> <p>1b.4 Obtain environmental clearances from CEA and CCD (Q3/11)</p> <p>1b.5 Prepare detailed engineering design (Q3/12)</p> <p>1b.6 Complete land transfers, land acquisition, and resettlement assistance and compensation (Q1/12)</p> <p>1b.7 Tender bid documents and evaluate and select contractors (Q4/12)</p> <p>1b.8 Complete contractor O&M training of NWSDB staff for the JRO and PID (recruited under or transferred to PMCIU or PIU) (Q2/13)</p> <p>1b.9 Complete construction of (i) sewerage system in Jaffna city, (ii) sewage treatment plant, (iii) outfall, and (iv) sludge drying beds (Q4/15)</p> <p>1b.10 Revise individual consumer and institutional tariffs for financially sustainable O&M (Q4/14)</p> <p>1b.11 Connect initial households, prioritized based on water supply connections (Q2/16)</p> <p>1b.12 Commission sewage treatment plant and turn over O&M to NWSDB (Q2/16)</p> <p>1b.13 Conduct pro-poor sanitation programs through NGOs, including building low-cost latrines and hygiene awareness (Q2/15)</p> <p>2a. JWRMC</p> <p>2a.1 Draft regional basin management organization study (Q2/11)</p> <p>2a.2 Approve policy statements and JWRMC functions by all stakeholders through consultations (Q4/11)</p> <p>2a.3 Operationalize JWRMC (Q1/12) with secretariat established and quarterly meetings started (Q2/12)</p> <p>2a.4 Develop policies and strategies for coordination and planning (Q4/11)</p> <p>2a.5 Develop data system for JWRMC (Q1/12) and train staff (Q3/12)</p> <p>2a.6 Build capacity for use of predictive groundwater and hydrological models (Q1/13)</p> <p>2a.7 Establish baseline information on land use, water, and biotic resources (Q3/12)</p> <p>2a.8 Deliver water quality monitoring equipment (Q3/12)</p> <p>2a.9 Train NWSDB and WRB staff on sampling and analytical testing for water quality monitoring (Q2/13)</p> <p>2a.10 Pass <i>Pradeshiya Sabha</i> water abstraction by-laws and regulations (Q3/11)</p>	<p>Inputs</p> <p>Project \$164.04 million</p> <table> <tr> <th>Item</th><th>Amount (\$ million)</th></tr> <tr> <td>ADB</td><td>90.00</td></tr> <tr> <td>Co financing</td><td>40.00</td></tr> <tr> <td>Government</td><td>34.04</td></tr> </table> <p>Technical Assistance \$665,000</p> <table> <tr> <th>Item</th><th>Amount (\$ 000)</th></tr> <tr> <td>ADB</td><td>600</td></tr> <tr> <td>Government</td><td>65</td></tr> </table>	Item	Amount (\$ million)	ADB	90.00	Co financing	40.00	Government	34.04	Item	Amount (\$ 000)	ADB	600	Government	65
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ADB	600														
Government	65														

Activities with Milestones	Inputs
<p>2a.11 Appoint village regulatory committees (Q3/12) and complete training (Q4/12)</p> <p>2a.12 Complete guidelines on mobilization and functioning of village monitoring committees, technical information sheets, and guidelines on the establishment and revision of performance target and reporting mechanisms (Q1/14)</p> <p>2b. B: Water Conservation</p> <p>2b.1 Review water and environmental activities undertaken locally and nationwide (Q3/11)</p> <p>2b.2 Engage community leaders in participatory design and delivery (Q4/11)</p> <p>2b.3 Formulate a tailor-made Jaffna water conservation awareness and environmental protection campaign (Q1/12)</p> <p>2b.4 Conduct campaign (Q2/14)</p> <p>3. Capacity support for NWSDB (JRO) and Project Implementation</p> <p>3.1 Begin advance actions for recruitment of consultants (Q3/10)</p> <p>3.2 Recruit project staff (Q2/11)</p> <p>3.3 Recruit project consultants (Q3/11)</p> <p>3.4 Construct NWSDB north office (Q1/13)</p> <p>3.5 Operationalize commercial and NRW functions (Q4/14)</p> <p>3.6 Introduce computerization, accounting, and data recording systems in NWSDB (JRO) (Q4/13)</p> <p>3.7 Train NWSDB (JRO) on use of accounting and financial management methods (Q4/14)</p>	

ADB = Asian Development Bank, CEA = Central Environmental Authority, CCD = Coast Conservation Department, JMC = Jaffna Municipal Council, JRO = Jaffna Regional Office, JWRMC = Jaffna water resources management committee, km = kilometer, MOU = memorandum of understanding, m³ = cubic meter, NGO = nongovernment organization, NWSDB = National Water Supply and Drainage Board, NRW = nonrevenue water, O&M = operations and maintenance, PID = Provincial Irrigation Department, PIU = project implementation unit, PMCIU = project management, coordination and implementation unit, PPMS = project performance monitoring system, UNDP = United Nations Development Program, WRB = water resources board

B. Monitoring

44. **Project performance monitoring:** The Project will establish a project performance monitoring system (PPMS) which will show cause-and-effect relationships between the Project and its impact, will be updated and reported quarterly, and may include Critical Path Method diagrams. Project performance monitoring and evaluation will be based on the design and monitoring framework and the baseline surveys specified. Beneficiaries will be involved in project monitoring evaluation, through direct reporting to project implementation unit (PIU). The indicators to be monitored will be formulated by and agreed upon with the executing agency, including indicators pertaining to physical progress and institutional reform activities. The PMCIU will gather disaggregated baseline physical and socioeconomic data, submit a detail implementation plan for monitoring performance, and prepare benchmark information for ADB's review and concurrence within 9 months of loan and grant effectiveness. This will be reported quarterly through the executing agency's quarterly progress reports and after each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance reporting system.³⁴

45. **Compliance monitoring:** NWSDB through the PMCIU, will monitor compliance with the covenants. Compliance with covenants will be monitored through ADB's Project Administration Missions—including project inception mission to discuss and confirm the timetable for compliance with the loan covenants; project review missions to review the borrower's compliance with particular loan covenants and, where there is any noncompliance or delay, discuss proposed remedial measures with the Government; and mid-term review missions if necessary to review covenants to assess whether they are still relevant or need to be changed, or waived due to changing circumstances.

³⁴ ADB's project performance reporting system is available at:
<http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

46. **Safeguards monitoring:** Monitoring of the resettlement plan will be undertaken throughout the project period by the PMCIU. This will begin during the pre-construction period to comply with ADB's policy that full compensation for resettlement impacts must be provided before physical or economic displacement occurs. During the project period, the PMCIU will track indicators such as: (i) the number of persons affected, (ii) assistance extended, (iii) community resources affected, (iv) restoration undertaken, and (v) financial aspects such as compensation paid (as relevant). Monthly targets will be provided by the PEIC to the PMCIU Social Officer. Monthly progress reports will be prepared by the PMCIU, reporting actual achievements against the targets and reasons for shortfalls, if any. The PMCIU will be responsible for managing and maintaining affected persons databases, documenting results of the affected person census, and verifying asset and socio-economic survey data that will be used as the baseline for assessing resettlement plan implementation impacts. Updates on resettlement plan implementation will be included in the overall project implementation reporting to ADB.

47. The environmental officer attached to the PMCIU will be responsible to: (i) ensure that the environmental/technical requirements and administrative policies and recommendations are properly integrated in the designing and planning as well as during construction and operation of the project; (ii) review the updated and revised EMP prepared during detailed design; (iii) ensure that the respective bid documents and contract have adequately covered the requirements to comply with respective environmental safeguard documents such as IEE and EMP; (iv) ensure that applicable guidelines and criteria on environment are complied with; (v) Oversee the regular monitoring activities during construction and operation phases of the project conducted by others; (vi) ensure that mitigating measures and preventative activities are properly implemented and adequate measures are taken in cases where unexpected impacts arise; and (vii) prepare environmental monitoring reports for submission to appropriate authorities: NPCC, ADB and Central Environmental Authority (CEA).

48. In addition, an Environmental Monitoring Committee will be formed consisting of representatives based in the locations of proposed activities, authorities/agencies that have legal jurisdiction over concerned activities or premises and communities to be affected by construction or operation of the subprojects. These committees will monitor local implementation of the project during the construction and O&M phases, in addition to the more structured monitoring activities of the Design and Supervision Consultants Environmental Specialist and PMCIU Environmental Monitoring Officers. This will ensure a cross check of monitoring by PMCIU.

49. **Gender and social dimensions monitoring:** The Gender Action Plan (GAP) and Participation and Community Mobilization Plan will be implemented, monitored and reported³⁵ by the PMCIU, as detailed under Section VIII. Implementation of the GAP will be reported as part of the progress reports; and monitoring of the PCMP will be done through quarterly NGO reports submitted in parallel with the Project's progress reports.

C. Evaluation

50. The Government and ADB will jointly assess Project implementation semiannually. The

³⁵ Staff Guide to Consultation and Participation: <http://www.adb.org/participation/toolkit-staff-guide.asp> and CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations: <http://www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp>

Government, PMCIU, and ADB will conduct a comprehensive midterm review 3 years after the Project starts or after construction of the sewage treatment plant and treated water mains has been initiated, whichever is sooner. The reviews will: (i) examine the appropriateness of scope, design, implementation arrangements and schedules of activities; (ii) identify changes needed since project appraisal; (iii) assess implementation performance against Project indicators; (iv) establish compliance with loan covenants; (v) identify problems, constraints, and, if necessary, recommend changes in the design or implementation arrangements; and (vi) monitor the effectiveness of safeguard procedures. Within 6 months of physical completion of the Project the executing agency will submit a project completion report to ADB.³⁶

D. Reporting

51. The executing agency 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's audited financial statements, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

52. The Project intends to maximize transparency by communicating relevant project information to stakeholders through various media. The NWSDB will disclose all key project-related information, including the scope, cost, and financial and institutional arrangements of the Project, project safeguard reports such as the IEE and resettlement plan, and project progress such as procurement, contract award and disbursement through the project website (see paragraph 55). The PMCIU will also fully disclose relevant project-related information—such as subproject cost, cost-sharing arrangement, contractor's name, contract price, progress of construction, financial status of municipalities—through local information centers and public briefings, bulletin boards, municipal annual reports etc.

53. Participation is an important aspect of the Project. Public awareness programs for sanitation, health and hygiene education will be implemented by local NGOs engaged in parallel with the physical investment activities. The Community and Participation Plan (Annex G) and GAP (Annex F) will ensure sufficient consultation and participation with beneficiaries, including women, the poor and vulnerable groups.

X. ANTICORRUPTION POLICY

54. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.³⁷ 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.³⁸ To support these

³⁶ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

³⁷ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

³⁸ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

efforts, relevant provisions are included in the loan agreement, regulations, and bidding documents for the Project.

55. The Project incorporates other measures, in addition to the standard ADB requirements to deter corruption and increase transparency. The Project will: (i) build the executing agency's capacity to comply with ADB and Government procedures; and (ii) establish a project website to disclose information and project implementation. The project website will provide updated, detailed information on project implementation. For example, it will include procurement-related information such as the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods and/or services procured. It will also include updated procurement plans. The project website will be established by the project management coordination and implementation unit (PMCIU) within 3 months of loan effectiveness, with the assistance of PEIC consultants.

XI. ACCOUNTABILITY MECHANISM

56. 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.³⁹

57. The Project will establish a grievance redress mechanism to ensure greater accountability. With the assistance of the PEIC consultants, the executing agency will set up the grievance redress mechanism within 6 months of loan effectiveness to receive and resolve complaints, as well as act upon stakeholders' reports of irregularities on project related matters, including grievances concerning safeguards.⁴⁰ The executing agency will widely publicize the existence of this mechanism to ensure that stakeholders are aware that a venue is available to address concerns or grievances relating to fraud, corruption, abuse, and any other aspects of project implementation.

XII. RECORD OF PAM CHANGES

58. All revisions/updates during the course of implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

³⁹ For further information see: <http://compliance.adb.org/>.

⁴⁰ See relevant safeguard documents (e.g., IEE and RP) for further explanation of the GRM.

TECHNICAL ASSISTANCE ON CAPACITY DEVELOPMENT FOR WATER SUPPLY AND SANITATION SERVICE DELIVERY

A. Justification

1. Capacity in agencies and organizations tasked with water supply and sanitation service delivery require strengthening and development. While the National Water Supply and Drainage Board's (NWSDB) commitment to staff capacity development has been continuous since its formation, enhancing capacity of NWSDB's Jaffna Regional Office (JRO) will be necessary to efficiently manage the increasing number of water and sewerage connections. Billing for the Jaffna peninsula is currently undertaken in Vavuniya Regional Support Center. The main opportunities for enhancing NWSDB-JRO staff capacity include the areas of: (i) billing and collection, (ii) reduction of non-revenue water and (iii) general groundwater quality monitoring. Similarly, the integration of existing, partially damaged, rural water schemes within the overall Jaffna peninsula network will require the minimization of leaks and non-revenue water and hence the need for the development of a leakage detection and repair program.

2. Capacity in the Jaffna Municipal Council (JMC), urban councils and *Pradeshiya Sabhas* are limited. Systems are not computerized and there is limited communication channels established between administration, billing, and engineering resources. The Water Resources Board (WRB) and its office in Jaffna is largely understaffed and underfunded. Consequently WRB functions are reduced, limited to groundwater investigations, and generally dependent on commercial drilling for demands created by nongovernment organizations (NGOs), the private sector, and donor supported projects. Strengthening the capacity, role and function of JMC needs to consider improved accounting and financial management and billing functions.

B. Major Outputs and Activities

3. The TA's output is capacity built for service delivery through training for NWSDB-JRO, JMC, urban councils, selected *Pradeshiya Sabhas*, and WRB. The main activities are: (i) conducting a detailed needs assessment, (ii) formulating a 4-year capacity building program, (iii) indentifying course providers and key staff to be trained, and (iv) conducting courses and annual training.

C. Cost Estimate and Proposed Financing Arrangement

4. The TA is estimated to cost \$665 thousand equivalent, of which \$600 thousand equivalent will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-IV). The Government will finance the remaining \$65 thousand equivalent. The detailed cost estimate is presented in Table 1.

Table 1: Cost Estimates and Financing Plan
(\$'000)

Item	Total Cost
A. ADB Financing^a	
1. Consultants	
(a). Remuneration and per diem	
(i). International consultants (4 person-months)	60.0
(ii). National consultants (20 person-months)	80.0
b. International and local travel	20.0
c. Reports and communications	5.0
2. Equipment	10.0
3. Workshops, training, seminars, and conferences ^c	360.0
6. Miscellaneous administration and support costs	20.0
8. Contingencies	45.0
Subtotal (A)	600.0
B. Government Financing	
1. Office accommodation and transport	20.0
2. Remuneration and per diem of counterpart staff	40.0
3. Contingencies	5.0
Subtotal (B)	65.0
Total	665.0

^a Financed by Asian Development Bank's Technical Assistance Special Fund (TASF-IV)

^b Equipment includes computers with licensed software and printers which will be turned over to the NWSDB Jaffna Office after the Project.

^c Workshops, training, seminars, and conferences

Purpose	Venue
Management skills training	Jaffna
Accounting and financial management training	Jaffna
Commercial operation	Jaffna
Technical training	Jaffna
Groundwater modeling and research	Jaffna
MIS	Jaffna
Sewerage and Sanitation	Jaffna

^e In accordance with the project administration instructions on recruiting consulting firms for TA assignments, the user division, in consultation with COSO, will decide on the mode of negotiation. Negotiations are usually conducted by correspondence when the assignment budgets are equal to or less than \$600,000. ADB. Recruiting Consulting Firms for Technical Assistance Assignments. *Project Administration Instructions*. PAI 2.02D. Manila.

Source(s): Staff estimates.

D. Consulting Services

5. Individual consultants will be engaged. The summary of consulting services requirements are in Table 2.

Table 2: Summary of Consulting Services Requirement

International		National	
Name of Positions	Person-months	Name of Positions	Person-months
Training Specialist	4	Training Specialist	20
Source: Staff Estimates			

6. The outline terms of references for the capacity development TA consultants are described in paras. 7 and 8.

7. **Training Specialist** (international, 4 person-months; national 20 person-months). The consultants will work closely with staff and consultants of the Institutional Development Section of the project management, coordination and implementation unit (PMCIU). Working with the PMCIU, the consultant will conduct a detailed needs assessment and formulate a 4-year capacity building program. Once the Program has been reviewed and approved by the PMCIU, the consultants will identify relevant trainers from among the project engineering and institutional consulting (PEIC) and where required, course providers. The consultants will also identify key staff to be trained. The consultants will then conduct courses and annual training.

8. Training will focus on strengthening NWSDB-JRO, JMC, and relevant selected urban councils and *Pradeshiya Sabhas*, through short courses for improving: (i) management skills—including supervisory, construction and organizational management; (ii) accounting and financial analysis; (iii) commercial operation—including billing and collection, and customer care; (iv) technical skills—including engineering and environmental skills for improving water conservation, reducing non-revenue water, operation and maintenance (O&M) of water and sanitation infrastructure in urban areas (including training trainers for project implementation and future O&M), treatment plant and sea outfall operation; and (v) development of citizens' redress mechanisms on infrastructure deficiency, operation and maintenance. Specific courses to strengthen operations will include: (i) groundwater modeling, research and site investigations, and management information systems (for both NWSDB-JRO and WRB (Jaffna)); (ii) maintenance of electrical and mechanical equipment; and (iii) water quality management. In addition, the Project will help NWSDB improve financial skills—especially financial management, project cost accounting and project management accounting—and operational performance, particularly through the development of a program to reduce non-revenue water and advance technology on meter reading. JMC will receive training on public accounting, financial management, budgeting, cost recovery principles and objectives, and technical operation and management of composting centers and sanitary landfill sites.

E. Implementation Arrangements

9. The executing and implementing agency for the TA is the NWSDB-JRO. The TA will be implemented through the PMCIU's Institutional Development Section. Under the Section, an NWSDB-JRO Training Officer will lead TA implementation. TA activities will be coordinated by the Institutional Development Specialist who heads the Section. The PMCIU will make available PEIC specialists engaged under the loan as resource persons for training under the TA. Disbursements under the TA will be made in accordance with *ADB's Technical Assistance Disbursement Handbook* (May 2010, as amended from time to time). The proposed TA processing and implementation schedule is listed in Table 3.

Table 3: Proposed Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Commencement	III 2011 ^a
Detailed Needs Assessment	IV 2011
Four-year Capacity Building Program	IV 2011
Identification of Trainers, Course Providers, and Trainees	I 2012
Training	I 2015

Physical Completion	III 2015
Financial Closure	IV 2015

^a The commencement will be after establishment of the Institutional Development Section and engagement of its consultants.

Source: Staff Estimates

TERMS OF REFERENCE FOR PROJECT MANAGEMENT, COORDINATION, AND IMPLEMENTATION UNIT AND PROJECT IMPLEMENTATION UNIT

A. Introduction

1. The Government of Sri Lanka will undertake the Jaffna and Kilinochchi Water Supply and Sanitation Project (the Project) with financial assistance from the Asian Development Bank (ADB) and a co-financier. The components of the Project are: Water Supply and Sanitation Infrastructure; Strengthening Jaffna Water Resource Management; and Building Implementation Capacity.

B. Implementation Arrangement

2. The Ministry of Water Supply and Drainage (MWSD), and the Ministry of Local Government and Provincial Council (MLGPC) will be the Project's executing agencies. The National Water Supply and Drainage Board (NWSDB) through its Jaffna Regional Office (JRO) and the Northern Provincial Council through the Provincial Irrigation Department (NPC-PID) will be the Project's implementing agencies implementing the water supply and sanitation, and rehabilitation and improvement works to the Iranamadu reservoir, respectively. A Project management, coordination and implementation unit (PMCIU) will be established in Jaffna under NWSDB-JRO, to support the Project, and PID (in Kilinochchi), will be appropriately strengthened with a Project implementation unit (PIU) established within PID. Staffing requirements for the PMCIU will consider both incremental staff for implementation and construction phases and long term operation and maintenance function of the NWSDB JRO. The Government, MWSD and MLGPC agreed to provide adequate staff for the PMCIU and PIU, which should be acceptable to ADB, and the associated costs will constitute part of its contribution to the Project.

C. Objectives

3. The PMCIU is aimed at strengthening the managerial and institutional capabilities of the executing agency to efficiently and effectively manage, coordinate, and monitor the proposed water and sanitation infrastructure development in the Jaffna peninsula. The PIU is expected to improve project implementation capacity of PID.

D. Duties and Responsibilities of the PMCIU

1. General Tasks

- (i) Confirm procedures and guidelines for evaluation of project engineering and institutional consulting (PEIC) and their selection by the PMCIU under advance procurement actions and formally appoint the PEIC;
- (ii) Confirm procedures and guidelines for pre-qualification of contractors (A9 crossing advance pipeline package) and their selection for bidding by the PMCIU under advance procurement actions;
- (iii) Review and confirm standard bid documents and standard technical specifications of works prepared by PMCIU;

- (iv) With support from PEIC, prepare detailed designs, drawings, specifications, bills of quantities, cost estimates, tender documents and associated contract documentation for procurement of equipment or civil works under international competitive bidding (ICB), Limited International Bidding or national competitive bidding (NCB) procedures for water supply and sanitation. Evaluate tenders and recommend award;
- (v) Develop procedures and prepare guidelines for evaluation of bids of contractors/suppliers including their post-qualification wherever necessary;
- (vi) Supervise, coordinate and monitor the work of the PIU. This includes reviewing surveys, investigations, studies, sub-project final designs, construction drawings, estimates, tender documents, bid evaluations and recommendation for award of contracts;
- (vii) Prepare, or as necessary, amend existing procedures and guidelines for site supervision, quality control and disbursement include guidelines and detailed job descriptions for resident engineers, supervisors, accountants, etc.;
- (viii) Supervise, coordinate and monitor the work of the PEIC ensuring sound supervision and quality control during construction of sub-project components and any other technical matters and recommend disbursement after ensuring correctness of the measurements and invoices;
- (ix) Oversee implementation of social and environmental safeguard planning activities. These activities would be overseen by the Social/Community Mobilization Officer and a project engineer, respectively;
- (x) Oversee implementation of gender action plan and communication and participation strategy in coordination with nongovernment organization (NGO);
- (xi) Assist the PIU in developing annual project work plans, job descriptions, staffing schedules and equipment budgets;
- (xii) Assist the PIU 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;
- (xiii) Prepare an overall Project Performance Management System (PPMS) for the Project and ensure that the necessary independent inputs are in place when and where required;
- (xiv) Ensure compliance of loan covenants;
- (xv) Conduct PPMS surveys;
- (xvi) Prepare project accounts and submit timely statements to ADB and Government;
- (xvii) Prepare quarterly, mid term and final progress reports;

- (xviii) Assist the government agent office in the coordination and preparation of all inputs for Component 2, including consultants and NGO recruitment, and procurement of any essential equipment;
- (xix) Implementation of the water conservation public awareness campaign;
- (xx) Overall coordination for the institutional strengthening component, including the preparation and submission for ADB's concurrence of a 5-year strategic training plan within 3 months of fielding consultants and an annual training plan before 31 October of each year. The plan will specify training institutions, methodologies, targeted population, and expected outputs;
- (xxi) Coordinate with outside organizations and ensure that services rendered by them are effective and fit within the Project's plans for strengthening institutional and implementation capacity;
- (xxii) Assist government agent's office in the design, preparation, planning and management of the community participation components and monitoring committee set-up, and in particular the preparation of guidelines, workshops and training;
- (xxiii) Assist Jaffna Municipal Council (JMC) in introducing sanitation by-laws;
- (xxiv) Assist government agent office and JMC in introducing management information systems improvement;
- (xxv) Conduct as necessary, and assist and advise the PIU in the coordination and monitoring of public relations, public participation and consultations, particularly in the context of maintaining continuous dialogue with Kilinochchi farmers;
- (xxvi) Organize invitation and selection of NGOs to be involved in the cost-effective sanitation program and awareness campaigns; prepare terms of reference and job descriptions; interview and brief organizations on project objectives and discuss proposed role of NGOs;
- (xxvii) Provide continuous guidance on suitable mechanisms for participatory interaction with and training of local government and community-based organizations; and
- (xxviii) Based on mechanisms developed for beneficiaries' monitoring, establish performance and impact of community participation in the project area, where necessary, suggest adjustments in the program and mechanisms employed; and prepare annual reports on performance and impact of community participation and development activities.

2. Specific Tasks

- (i) Undertake computer analysis of the existing water supply networks. Identify existing hydraulic constraints and their rectification for incorporation, if necessary, in the Project;

- (ii) Plan and prepare contract for the Leak Detection and Rectification Program. To include leak detection, rectification and installation of bulk meters for water supply management;
- (iii) Identify and prepare program of public consultation and awareness on water conservation to reduce wastage from public stand posts, household taps, storage tanks, etc. The awareness program should reflect and be coordinated with the leak detection program and the installation of the domestic water meters for improved water demand management;
- (iv) Assist PEIC in collection of 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;
- (v) Assist PEIC in identifying major wastewater producers and pollution sources that may require additional treatment prior to discharge to the public sewer;
- (vi) Where sewage treatment is required, plan and organize a 'baseline' sampling and analysis program of the receiving water body, in compliance with any environmental management and monitoring plan; and
- (vii) Identify and plan, through public consultation and participation involving women, suitable locations for community sanitation blocks and facilities including agreement on responsibility for operation and maintenance.

E. Duties and Responsibilities of PIU

- (i) Carry out environmental examination of proposed works in Iranamadu Tank, ensure that all environmental clearances are obtained and recommendations included in civil works contracts;
- (ii) With support from PMCIU, and PEIC, prepare detailed designs, drawings, specifications, bills of quantities, cost estimates, tender documents and associated contract documentation for procurement of equipment and civil works required. Evaluate tenders and recommend award;
- (iii) Supervise construction works related to the tank rehabilitation component ensuring quality control and sanction payments;
- (iv) Conduct, review and implement findings from the Hydraulic Model Study to be prepared under the Project for the Iranamadu Tank;
- (v) Coordinate the preparation of guidelines and conduct training on the use of the automation;
- (vi) Prepare an operational plan for optimizing water discharge operation;
- (vii) Coordinate with other donor agencies to ensure adequate scheduling of Tank, upstream and downstream works; and

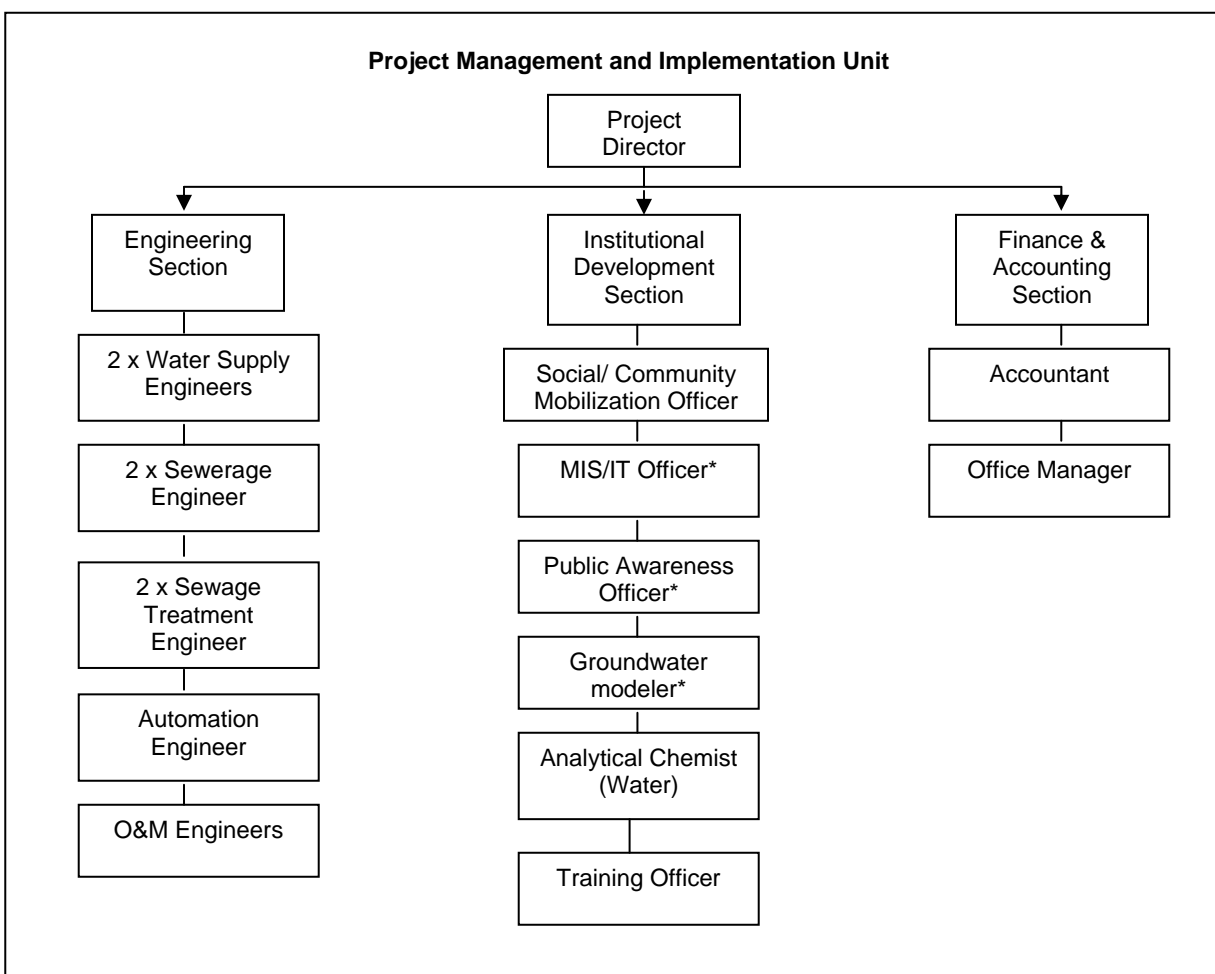
- (viii) Coordinate public consultations and information disclosure, to timely address concerns, particularly among farmers.

F. Duties and Responsibilities of Government Office (Jaffna Water Resource Municipal Council {JWRMC} Secretariat)

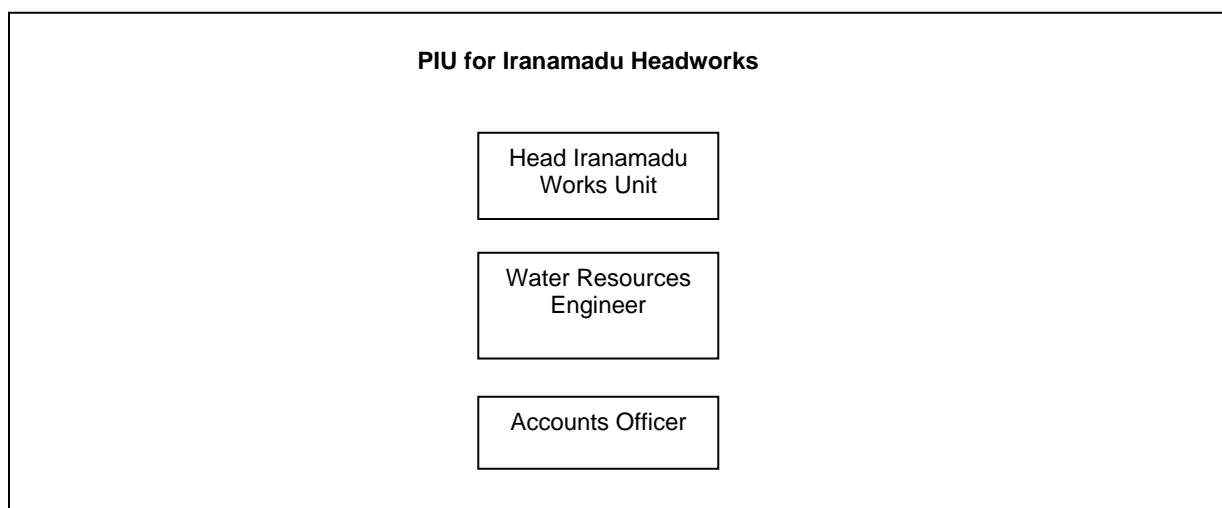
- (i) Lead the preparation of JWRMC's framework, which shall include responsibilities, institutional arrangements, planning and management systems, capacity building and technical and financial support requirements;
- (ii) Develop data systems and establish baseline information on water, land use and biotic resources in the Jaffna peninsula;
- (iii) Conduct training and institutionalize the use of predictive groundwater and hydrological tools, including modeling;
- (iv) Coordinate water quality and quantity monitoring and reporting;
- (v) Provide support to local authorities in the preparation of: (a) by-laws and implementing rules and regulations to control water abstraction from the Jaffna peninsula, and (b) formation and development of regulatory committees at village level; and
- (vi) Overall implementation of Component 2 of the Project.

G. PMCIU and PIU Staff Structure

4. A senior full-time Project Director will head the PMCIU. The Project Director will be responsible for the day-to-day implementation of the Jaffna and Kilinochchi Water Supply and Sanitation Project and coordination with any parallel funded institutional capacity building activities undertaken by other agencies. Three Section Heads will support the Project Director—one responsible for management and implementation of the water supply and sanitation engineering services, as well as support to irrigation works, one who will oversee and guide the institutional strengthening, public awareness and community participation components and a third deputy director will look after finance, accounts and general office administration. The PMCIU will be staffed with technical, financial, social, capacity building/governance and procurement officers to manage all technical, procurement, and loan account administration. The indicative staff requirements for PMCIU and PIU are given below. The personnel hired for the PMCIU will be required to work for an average period of 5 years. PID is expected to make available existing technical and accounting staff for the implementation of irrigation components.



*These positions, to be later transferred to government agent office, are created in support of Jaffna Water Resourced Management Committee Secretariat.



FINANCIAL MANAGEMENT ASSESSMENT

Key findings of the financial management assessment undertaken for the National Water Supply and Drainage Board during the investment program preparation are as follows:

Area of Assessment	Findings
Fund Flow Arrangements	<ul style="list-style-type: none"> • ADB disburses the loan proceeds to the Government of Sri Lanka (the Government) account in the Central Bank of Sri Lanka. • The Government will onlend the loan to NWSDB. The loan proceeds will be transferred to the National Water Supply and Drainage Board's (NWSDB) accounts at a state owned bank in Colombo and in Jaffna. • The project implementation units (PIU) will sign the contracts and payment checks.
Organization and staffing	<ul style="list-style-type: none"> • There are approximately 200 staff members in the Finance Division of NWSDB. The division is headed by the Deputy General Manager-Finance and is assisted by four Assistant General Managers (AGM): (i) Financial Accounting, (ii) Treasury Management, (iii) Management Information System, and (iv) Stores and Inventory. • Typically each Regional Support Center (RSC) has a Chief Accountant overseeing the whole regional accounting functions and another Accountant at every region or district doing the region or district level accounting. North RSC, set up as recently as August 2009, presently does not have a Chief Accountant. • Project accounting for most donor-funded projects are handled by their respective PMU where a Project Accountant is separately contracted. Other projects are supported by respective regional accountants. • The accounts staff has experience in administering externally funded projects, including previous ADB funded projects.
Accounting Policy and Procedure	<ul style="list-style-type: none"> • NWSDB prepares the annual statement of accounts as per the requirements under Section 12 of the Finance Act No.38 of 1971. • The finance statements of NWSDB are prepared in accordance with Sri Lanka Accounting Standards (SLAS) adopted by the Institute of Chartered Accountants of Sri Lanka. These are mostly harmonized with the International Financial Reporting Standards (IFRS). • There is already an established procedure for recording the transactions, record keeping and reports, and cost accounting (including cost control and analysis). • NWSDB follows accrual-based double entry accounting. • NWSDB has an existing computerized general ledger (GL) system. The GL system is a stand alone system and is used independently in the district/regional offices, RSCs, and Head Office.
Internal Audit	<ul style="list-style-type: none"> • The Internal Audit division reports directly to the Chairman of NWSDB and is centrally managed at Head Office with audit staff assigned at the RSC level. • The Internal Audit is carried out as per an Annual Audit plan discussed and prepared with the involvement of senior management.
External Audit	<ul style="list-style-type: none"> • An external audit is conducted annually as per the requirements of the Finance Act No.38 of 1971. • The final audit of income and expenditure of NWSDB is carried out by the Government Auditor General as per the provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka and in conjunction with the provisions in Section 13(1) of the Finance Act No 38 of 1971. • Audit reports have revealed certain concerns with the financial statements

	prepared by NWSDB.
Reporting and Monitoring	<ul style="list-style-type: none"> • All day to day activities of the RSC are managed by the Deputy General Manager. The Operations and Maintenance Managers report to the respective Assistant General Managers at the RSC offices. • All RSC functions are monitored by one of three Additional General Managers. • Financial performance of the respective cost centers (i.e. regional or RSC offices) are monitored through interim income and expenditure statements periodically generated at Head Office.

Actions required to be taken by NWSDB are as follows

- (i) Separate project office will be set up along with separate project account and all rules and regulations required for financial control and governance including requirements for financial management and reporting;
- (ii) Fill position for Chief Accountant in North RSC before beginning of project implementation;
- (iii) Carry out remedial and/or corrective measures on inconsistencies and noncompliance indicated in Audit reports.

During the implementation phase, the project management, coordination, and implementation unit may face some risks that can generally be divided in two main categories: (i) country level; and (ii) organization or project level. Financial management risks need to be considered and updated throughout the life of the project. Risk mitigation measures will also be updated accordingly. The risk assessment and mitigation measures are listed below:

Risk	Risk Assessment*	Risk-Mitigation Measures
<i>Inherent Risk</i>		
1. Country-specific Risks	N	The National Water Supply and Drainage Board (NWSDB) will ensure timely release of funds including counterpart funds to the projects as per loan covenants.
2. Entity-specific Risks	N	NWSDB has implemented 6 ADB-financed projects.
3. Project-specific Risks	N	
Overall Inherent Risk N		
<i>Control Risk</i>		
1. Implementing Entity	N	The accounts staff has experience in administering externally funded projects, including previous ADB-financed projects.
2. Funds Flow	M	Timely availability of counterpart funds will be ensured by implementing the proposed fund flow arrangements.
3. Staffing	N	Chief Accountant in North RSC will be filled.
4. Accounting Policies and Procedures	N	Current accounting policy and procedures take into account national accounting standards and are mostly harmonized with the International Financial Reporting Standards.
5. Internal Audit	N	Internal audit will be carried out according to the annual audit plan.
6. External Audit	N	Audit of project accounts will be done in accordance with the International Standards on Auditing, by an Auditor acceptable to ADB.

Risk	Risk Assessment*	Risk-Mitigation Measures
7. Reporting and Monitoring	M	A separate project office in NWSDB will provide quarterly reports in accordance with ADB requirements.
8. Information Systems	S	NWSDB is developing a new system: a web-based Enterprise Resource Planning (ERP) application.
Overall Control Risk		M

* H – High, S – Substantial, M – Moderate, N – Negligible or Low.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. Three packages of consulting services are required to assist the Government of Sri Lanka in the implementation of Jaffna and Kilinochchi Water Supply and Sanitation Project (the Project). Package A will be for project engineering and institutional development, Package B will be for design and supervision for water treatment and intake, and Package C for design and supervision of Iranamadu head works and hydrological modeling. Consultants will be placed along with the National Water Supply and Drainage Board through Jaffna Regional Office (NWSDB-JRO) staff in order to provide on the job training and to support institutional development in the region. Sharing of responsibility between the consultants and NWSDB-JRO is indicated in Figure 1.

A. Project Engineering and Institutional Development

2. The consultants recruited under this package will assist the NWSDB-JRO with the day-to-day management, project engineering and the institutional development components of the Project. The main responsibilities include design and supervision of the water supply distribution and sanitation schemes, coordinating implementation schedules and plans, developing and implementing quality monitoring systems, identification and resolution of constraints, conducting surveys and specific studies, preparation of tender documents, assisting with tender evaluation, construction supervision, contracts management, recommendation for payments, and quality assurance. The consultants will develop and implement a computer based project implementation plan, critical paths, resource maps. All reports required will be produced based these systems. The consultants will coordinate with other consultants under the Project and with other similar other donor and government-assisted projects.

3. **Required Expertise and Inputs.** The team will comprise of 79 person months international, 1,126 person months national consultants, and 904 person months of NWSDB-JRO. Detail breakdown of the type of consultants, and individual inputs is given in Figure 1. Specific tasks of the sub-teams and expertise required is given in the following paragraphs. The overall responsibility will be with the Team Leader who will be also the sub-team leader for the Project Engineering Team.

4. Project Engineering Team: The team will comprise of Team Leader, Water Supply Engineers, Sewerage Network Engineers, Sewage Treatment Engineer, Chemist/Biologist (Sewage Treatment Design), Automation Engineer, Electromechanical Engineer, Sewerage Network Engineer, Sewerage Admin./Health Inspectors, Quantity Surveyor and Documentations, Procurement Officer, and operation and maintenance (O&M) Engineers.

5. The specific tasks of the team include: (i) assist the project director with the day-to-day management of all Project activities; (ii) coordinate planning, control, and management of the work of a multidisciplinary team; (iii) develop implementation schedules and resource requirements; (iv) monitor progress, evaluate results, and identify and resolve constraints; (v) provide long-term input to the development of project methodologies; (vi) evaluate demand and establish criteria to meet demand; (vii) identify appropriate technologies and the need for standardization of equipment and materials; (viii) present designs to communities; (ix) assure the quality of works of the design and supervision consultants; (x) review the feasibility reports prepared under the project preparatory technical assistance (xi) carry out detailed investigation and engineering surveys; (xii) design the urban water supply distribution schemes; (xiii) design and implement the sewerage collection and treatment facility for the Jaffna municipal council area, including outfall; (xiv) coordinate the preparation of detailed designs for the water

treatment plants with the co-financier team; (xv) develop bidding documents, including bill of quantities and specifications following ADB's guidelines and assist in evaluation of bids; (xvi) update costs and economic and financial information (including rates of return), when needed; (xvii) prepare implementation schedule and resource requirements; (xviii) supervise and assure quality of implementation of the urban water supply and sanitation schemes; (xix) supervise all construction activities under the Project, including liaison with the other teams under the Project and other donor financed projects, and community development team; (xx) develop and implement quality assurance program for all works; (xxi) supervise day-to-day construction management; (xxii) develop O&M manuals for future maintenance; (xxiii) prepare asset registry for all assets built under the Project; (xxiv) establish a contract tracking systems, including implementation schedules and milestones achievable; (xxv) coordinate the design and implementation of the Iranamadu Tank works; and (xxvi) coordinate the design and implementation of the water treatment works.

6. Institutional Development Team: The team will comprise of Institutional Development Specialist, Social/Community Mobilization Officer, Community Liaison Officer, MIS/IT Officer, Legal Officer, Resettlement Officer, Public Awareness Officer, Groundwater Modeler, Analytical Chemist (Water), and Environmental Officer.

7. The specific tasks of the team include (i) promote a participatory and gender sensitive development approach within the project team to help effectively implement the Gender Action Plan; (ii) design and conduct gender sensitive socioeconomic baseline surveys and participatory field appraisals; (iii) assess social impacts including gender based impacts; (iv) liaise with all stakeholders including NGOs and the Department of Health; (v) review the NWSDB accounting system and any studies done, and help implement the changes; (vi) design, implement, and monitor the public awareness campaign; (vii) develop, test, and evaluate methods of mobilizing community participation in the design, management, construction, and O&M of community water supply and sanitation; (viii) develop community awareness and schools programs in the public awareness campaign for conservation of water and public health; (ix) develop by-laws for instruction of sanitation systems, city planning for the Jaffna Municipal Council, urban councils and *Pradeshiya Sabhas*; (x) study and assist with the introduction of an information technology-based accounting system linking the regions with the main office and enable tracking of expenditures; (xi) study and suggest the possibility of scheme-specific tariff systems with the view of meeting O&M, meeting the replacement costs, and possibility of introducing an incentive system for better performing schemes; (xii) work closely with the training officers and provide the required expertise to implement institutional development training programs developed; (xiii) develop and implement a comprehensive gender responsive benefit monitoring and evaluation program; (xiv) maintain day-to-day accounts of the Project; (xv) update environmental management plans; (xvi) develop indicators and monitor methodologies to continue assessment of environmental changes due to the improvement of water supply and sanitation facilities; (xvii) with the Social and Environment Officer, assess the cultural, technical, and environmental suitability of the Project; (xviii) conduct training programs for project implementation staff on environmental aspects including monitor environmental resources and design mitigation measures to be taken in water supply and sanitation sub-projects and sub-components and on gender awareness; (xix) evaluate detailed design for climate proofing; (xx) develop Project website; (xxi) develop project grievance redress mechanism and help strengthen relevant institutions to deal with disputes and conflicts; (xxii) in consultation with relevant stakeholders, a Gender Strategy for the JRO as a pilot initiative; and (xxiii) develop and maintain a sex-disaggregated data base for the Project.

8. Finance & Accounting Team: The team includes Finance and Accounting Specialist, and Accountant. The consultants will seek services of national firms for specialist services such as MIS/IT support, surveys, and automation.

9. The specific task of the team include: (i) develop and maintain the financial management system acceptable to Government and ADB for the PMCIU and PIU; (ii) assist in preparation of reports; (iii) assist with the development of a billing system for both water and sanitation; and (iv) coordinate all office needs.

B. Design and Supervision Consultants for Intake and Treatment

10. The consultants recruited under this package will assist the NWSDB with the design and supervision of the intake and the treatment works. This package will be financed by a co-financier and it is expected to be on a turnkey basis. The main responsibilities include design and supervision of the intake at Iranamadu and treatment works, preparation of tender documents, assisting with tender evaluation, construction supervision, contracts management, recommendation for payments, quality assurance, and training trainers for project implementation and future O&M. The consultants will coordinate with Iranamadu works and distribution design consultants under the Project.

C. Design and Supervision Consultants for Iranamadu Head Works

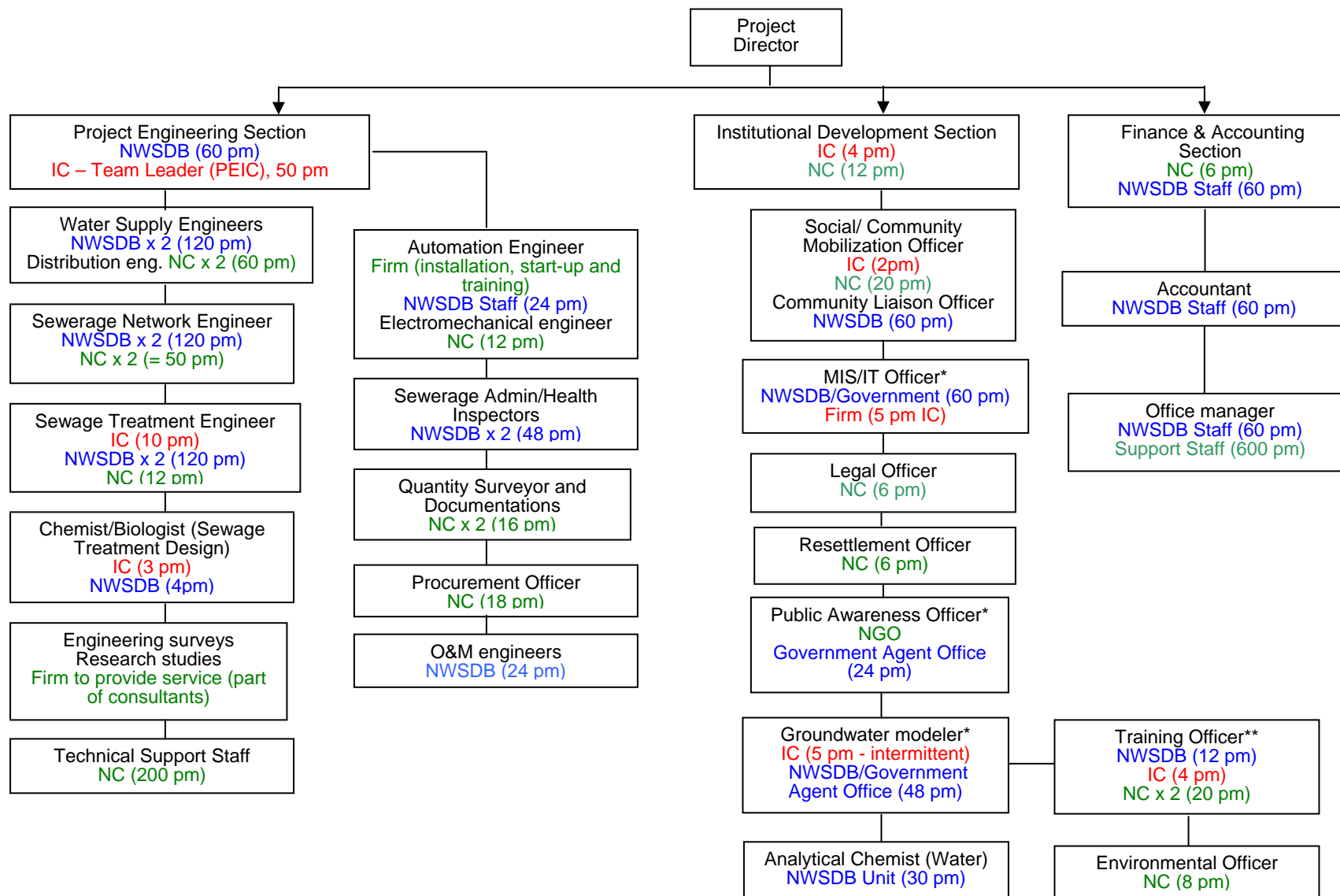
11. The consultants will be responsible for design and contract supervision of the Iranamadu improvements works. The team will comprise of 3 person months international, 40 person months domestic consultants, 24 person months of Provincial Irrigation Department staff time. The team will comprise of Dam Engineer (international), Civil-Structural Engineer, Hydrologist, Hydro-geologist, and Electrical and Mechanical Engineer.

12. The specific tasks of the consultants include: (i) conduct design and engineering surveys; (ii) develop hydrological models; (iii) redesign spillways, radial gates, apron, energy dissipating structures, bridge, sluice gates, automations; (iv) develop the rehabilitation plan for down stream lift irrigation facility; (v) develop bidding documents, bill of qualities, and specifications for all the previous items; (vi) assist in bid evaluation; (vii) develop and implement quality assurance programs; and (viii) supervise of the implementation of the program.

D. Nongovernmental Organizations

13. The NGO recruited under this package will assist the NWSDB with the community participation, social mobilization, and gender aspects of the project. The main responsibilities include implementing the following community mobilization activities: (i) community surveys, (ii) awareness campaign, (iii) preparation of the community profiles, (iv) formation of community based organizations, (vi) community-based training and creating linkages with government programs and project activities, (v) implementation, monitoring, and reporting on the Gender Action Plan and the Participation and Community Mobilization Plan. The NGOs will closely coordinate all work with the social development specialists of the consultant team, the local governments, and the PMCIU.

Project Management Coordination, and Implementation Unit and Consultants



IC = international consultant, IT = information technology, MIS = management information services, NC = national consultant, NGO = nongovernment organization, NWSDB = National Water Supply and Drainage Board, PEIC = Project Engineering Institutional Consulting, O&M = operation and maintenance, pm = person-months.

* These positions, to be later transferred to government agent office, are created in support of Jaffna Water Resources Management Committee Secretariat.

** Consultants for this position will be funded under the TA.

PROCUREMENT PLAN

Basic Data

Project Name: Jaffna and Kilinochchi Water Supply and Sanitation Project	Executing Agency: MWSD and MLGPC
Country: Sri Lanka	Loan (Grant) Number: To be determined
Loan Amount: \$90 million	Date of this Procurement Plan: 18 June 2010
Date of First Procurement Plan: 18 June 2010	

MLGPC = Ministry of Local Government and Provincial Council, MWSD = Ministry of Water Supply and Drainage.

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	Equal or above \$3,000,000
International competitive bidding for goods	Equal or above \$500,000
National competitive bidding (NCB) for works	Below \$3,000,000
National competitive bidding for goods	Below \$500,000
Shopping for goods	Below \$100,000
Direct Contracting (very small goods)	Below \$10,000
Force account for works*	Below \$ 300,000

*Force account will be for inter-agency payments such as electricity connection, utility payments, and repairing minor road damages due to project construction

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 for above \$500,000	Prior	(SLRM)
NCB works for less than \$500,000	Post	
NCB goods for above \$250,000	Prior	(SLRM)
NCB goods for less than \$250,000	Post	
Direct procurement goods	Prior	(SLRM)
Shopping for goods	Prior	(SLRM)
Force account for works	Prior	This will be allowed subject to the meeting the criteria under Section 3.8 of ADB's Procurement Guidelines (2007, as amended from time to time) (SLRM)
Recruitment of Consulting Firms		
Quality- and cost-based selection (QCBS)	Prior	
Recruitment of Individual Consultants		
Individual consultants (Shortlist of 3)	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	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
Advance pipe laying works on A9	2.19	National competitive bidding (NCB)	y	4/2010	Advance action
Office and Survey equipment	0.5	Direct Contracting	n	4/2010	
Buildings for regional office and staff facilities	2.09	NCB	n	4/2010	

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	Recruitment Method ¹	Advertisement Date (quarter/year)	International or National Assignment	Comments
Project Engineering and Institutional Consulting (PEIC)	3.04	Quality- and cost-based selection (QCBS)	4/2010	International	Advance procurement
Design and Construction Supervision for Iranamadu Head Works	0.22	QCBS	4/2010	National	Advance procurement

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	Value of Contracts (cumulative)	Number of Contracts	Procurement / Recruitment Method ¹	Comments

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)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
1. Advance pipe laying works on A9	2.19	2	NCB (Design and Build)	Not Applicable	SS-1E
2. Supply and laying of treated water transmission pipeline	3.95	1	ICB (Itemized BoQ)	Not Applicable	SS-1E
3. Elevated towers	3.66	2	NCB (Itemized BoQ)	Not Applicable	SS-1E
4. Automation system	0.5	1	Direct Contracting	Not Applicable	
5. Supplying and laying distribution network	8.47	3	NCB (Itemized BoQ)	Not Applicable	SS-1E
6. Iranamadu head works and irrigation works and repairs to the lift irrigation canal works	7.77	3	NCB (Itemized BoQ)	Not Applicable	SS-1E
7. Repairs to the lift irrigation system	2.21	2	NCB (Itemized BoQ)	Not Applicable	SS-1E
8. Supply and laying of sewerage network and raiser mains	18.72	2	ICB (Itemized BoQ)	Not Applicable	SS-1E
9. Supply and installation of pumping stations	0.74	1	ICB (Design and build)	Not Applicable	SS-1E
10. Waste water treatment works and construction of outfall	9.48	1	ICB (Design and build)	Not Applicable	SS-1E
11 Procurement of operation and maintenance equipment and vehicles	4.54	5	ICB and Direct Contracting	Not Applicable	SS-1E
12. Road reinstating and other statutory payments	8.68	3	NCB and Forced account	Not Applicable	These are mostly for statutory and other utility shifting and connections SS-1E
13. Buildings for regional office and staff facilities	2.09	3	NCB	Not Applicable	

General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Type of Proposal	Comments
Consulting Services					
1. Project Engineering and Institutional Consulting (PEIC)	3.04	1	QCBS	Full Technical Proposal	
2. Design and Construction Supervision for Iranamadu Head Works	0.22	1	QCBS	Biodata Technical Proposal	

BoQ = Bill of Quantities, ICB = international competitive bidding, NCB = national competitive bidding, QCBS = quality- and cost-based selection, SS-1E = single stage one envelope.

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 ADB's 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: (a) shall be allowed a reasonable time to complete the ICTAD registration process; and (b) 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 post qualification), no domestic or foreign contractor shall be precluded from participation.

4. Advertising

9. Bidding of national competitive bidding (NCB) 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 post qualification 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 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.

GENDER ACTION PLAN

The objectives of the Gender Action Plan (GAP)¹ are to promote and enable the equal participation of men and women stakeholders as agents and beneficiaries of the Jaffna and Kilinochchi Water Supply and Sanitation Project (the Project). The GAP is based on the analysis that demonstrates that women are disadvantaged and discriminated against in the socio-cultural, economic and political spheres of life and are denied equal access to resources, services and opportunities that would enable them to participate in, contribute to and benefit fully from the development processes in the country.² The Project will encourage and support women's increased participation in the consultative processes involved in the planning and in the implementation of activities to be carried out through the loan project and ensure that they benefit equally from project outcomes.

Component	Activity and Target	Responsible Agency
1. Improving Water Supply and Sanitation Infrastructure	<ul style="list-style-type: none"> • Build pro-poor sanitation infrastructure (target: 35% war widows and households headed by women) • Build communal sanitary facilities for both men and women • Conduct stakeholders consultations on water transfers and the design, construction, O&M of water supply schemes and sanitation options • Establish or strengthen CBOs or committees for the management, O&M of water supply schemes (target: 33% women participation and representation in leadership positions) • Conduct training on the management and O&M of community water supply and sanitation schemes • Include design features that address the privacy and safety needs of the ECWD, in community water supply and sanitation options 	<ul style="list-style-type: none"> • NPCC • NWSDB-JRO • PMCIU • District and Divisional Secretariats • Relevant government and NGO personnel
2. Strengthening Jaffna Water Resources Management	<ul style="list-style-type: none"> • Ensure that existing laws on water supply and sanitation are implemented in a gender-responsive manner • Conduct gender awareness-raising programs for relevant stakeholders –MLGPC, NWSDB, WRB, JWRMC, JMC, relevant municipal councils, urban councils, and <i>Pradeshiya Sabhas</i>³ (see Participation and Community Mobilization Plan in Annex E of Project Administration Manual). • Develop by-laws and implementing rules and regulations for groundwater monitoring for municipal councils, urban councils, and <i>Pradeshiya Sabhas</i> which formulate community based water quality monitoring programs. 	<ul style="list-style-type: none"> • NWSDB-JRO • PMCIU • JWRMC • JMC • Relevant <i>Pradeshiya Sabhas</i> of the Jaffna and Kilinochchi districts • Relevant government and NGO personnel

¹ Baseline data will be collected by the Project at the onset and gender-related targets confirmed. Current targets are based on discussion with the relevant government, NGOs, development partners, and ADB project staff in the project area.

² Country Gender Assessment – Sri Lanka, ADB, Manila, 2008.

³ Smallest political unit in periurban and rural areas.

Component	Activity and Target	Responsible Agency
	<ul style="list-style-type: none"> • Appoint a full-time social development (GAD) consultant in an advisory capacity to the JWRMC • Training of NWSDB and WRB staff for capacity building (target: 50% women participation) 	
3. Building Implementation Capacity	<ul style="list-style-type: none"> • Develop a Gender Strategy for NWSDB-JRO as a pilot initiative • Develop training toolkits for gender mainstreaming training • Conduct gender mainstreaming training for NWSDB-JRO, MLGPC, JWRMC, JMC • Develop and maintain sex-disaggregated data base at NWSDB-JRO, Provincial, District and local levels • Conduct gender mainstreaming training of statistical officers in collecting sex-disaggregated data and maintaining the database • Recruit a Social Development (GAD) officer for the NWSDB-JRO • Include social and gender-related indicators and targets in the Project Monitoring system and develop project-specific progress report forms with specific sections on gender; and ensure timely and effective incorporation of all progress in the achievement of the social- and gender-related targets • Conduct Performance-Based Evaluation for monitoring project implementation 	<ul style="list-style-type: none"> • PMCIU • NWSDB-JRO • MLGPC • JWRMC • JMC • Provincial Councils • District councils • Municipal Councils • Urban Councils

CBO = community-based organization, ECWD = elderly, children, women and disabled, JRO = Jaffna Regional Office, JMC = Jaffna Municipal Council, JWRMC = Jaffna Water Resources Management Committee, NGO = nongovernment organization, MLGPC = Ministry of Local Government and Provincial Council, NPCC = National Project Coordination Committee, NWSDB = National Water Supply and Drainage Board, O&M = operations and maintenance, PMCIU = Project management, coordination and implementation unit, WRB = Water Resources Board

PARTICIPATION AND COMMUNITY MOBILIZATION

A. Participation Strategy

1. A participation strategy was prepared based on a stakeholder analysis at the community and organizational level. The strategy is summarized in Table 1.

Table 1: Participation Strategy Summary Chart

Stakeholder	Objective of Intervention	Type of Participation	Participation Methods	
			Method	Who will be Responsible
Ministry of Urban Development and Water Supply	-Main authority for water supply program -Coordinate among relevant ministries and local authorities	-Shared decision making -Shared responsibility	-Meetings -Seminars	Project Management and Implementation Unit (PMCIU)
National Steering Committee	-Provide advice and approve major project issues -Monitor project implementation	-Shared decision making -Shared responsibility	-Meetings -Seminars	PMCIU
Ministry of Healthcare and Nutrition	-Maintenance of required standards	-Consultation -Information sharing	-Meetings -Discussions -Seminars	PMCIU/Project Implementation Unit (PIU)
GA Office-Planning Unit	-Authority for development programs in Kilinochchi District	-Shared decision making	-Meetings -Discussions -Seminars	PIU
North Provincial Council	-Authority for water supply and sanitation at the regional level	-Consultation -Shared decision making -Information sharing	-Meetings -Seminars	PMCIU/PIU
The District Secretariats: Jaffna and Kilinochchi	-Authority for approving administrative matters related to project implementation	-Consultation -Shared decision making -Shared responsibility	-Meetings -Discussions -Workshops	PIU
Jaffna Municipal Council (JMC)	-Authority for existing water supply and sanitation in the municipality	-Consultation -Shared decision making -Shared responsibility	-Meetings -Discussions -Workshops	PIU
Urban Councils	-Authority for existing water supply and sanitation within the UC area	-Consultation -Shared decision making -Shared responsibility	-Meetings -Discussions -Workshops	PIU
<i>Pradeshiya Sabhas</i>	-Authority for existing water supply & sanitation within the PS area -Coordinate household connection application -Mobilize poor households to install metered community facilities and assist in the formation of community-based organizations (CBOs) -Organize water bill collection and payment -Coordinate/report on defective	-Consultation -Shared decision making -Shared responsibility	-Meetings -Discussions -Workshops	PIU

Stakeholder	Objective of Intervention	Type of Participation	Participation Methods	
			Method	Who will be Responsible
	systems and grievances			
National Water Supply and Drainage Board	<ul style="list-style-type: none"> -Executing/Implementing agency -Coordinate household connection application -Mobilize poor households to install metered community facilities and assist in the formation of CBOs -Organize water bill collection and payment -Coordinate/report on defective systems and grievances 	<ul style="list-style-type: none"> -Consultation -Shared decision making -Shared responsibility 	<ul style="list-style-type: none"> -Meetings -Discussions -Workshops 	PIU
Water Resources Board	<ul style="list-style-type: none"> -Advice and confirmation on use of water resources in the project area 	<ul style="list-style-type: none"> -Consultation -Information sharing 	<ul style="list-style-type: none"> -Discussions -Seminars 	PMCIU/PIU
Irrigation Department	<ul style="list-style-type: none"> -Implementing agency -Advice and confirmation on use of water from the Iranamadu -Advice on farmers' issues 	<ul style="list-style-type: none"> -Consultation -Information sharing 	<ul style="list-style-type: none"> -Discussions -Seminars 	PMCIU/PIU
General Public (Beneficiaries, Marginalized people, Farmers, community leaders etc)	<ul style="list-style-type: none"> -Ensure the needs and interest addressed in the Project -Respond to the needs of the vulnerable -Take remedial measure for any loss -Ensure adequate consultation and information dissemination -Ensure the participation of beneficiaries -Ensure the sustainability of the Project 	<ul style="list-style-type: none"> -Consultation -Shared decision making -Shared responsibility -Information sharing 	<ul style="list-style-type: none"> -Meetings -Discussions -Participatory rapid appraisal -Information dissemination -Workshops -Seminars 	PIU
Representatives of Development Programs	<ul style="list-style-type: none"> -Learn from previous lessons -Avoid duplication -Access to required resources 	<ul style="list-style-type: none"> -Consultation -Information sharing 	<ul style="list-style-type: none"> -Meetings -Discussions -Workshops -Seminars 	PIU
Civil Societies: NGOs and CBOs	<ul style="list-style-type: none"> -Mobilize people and communities -Represent interests of the people -Provide training in planning, monitoring, and evaluating sanitation and hygiene -Lead awareness campaigns and information dissemination -Participation in the project 	<ul style="list-style-type: none"> -Consultation -Information sharing -Shared responsibility 	<ul style="list-style-type: none"> -Meetings -Discussions -Workshops, Seminars, and Training -Use of various media for awareness campaigns and information dissemination 	PIU
CBOs for Metered Community Water Supply	<ul style="list-style-type: none"> -Representing interests of water users -Coordination and collection of payments 	<ul style="list-style-type: none"> -Consultation -Information sharing -Shared responsibility 	<ul style="list-style-type: none"> -Meetings -Discussions 	PMCIU/PIU
ADB and co-financier	<ul style="list-style-type: none"> -Donors 	<ul style="list-style-type: none"> -Consultation -Shared decision making 	<ul style="list-style-type: none"> -Meetings -Discussions -Seminars 	PMCIU/PIU

B. Community Mobilization

2. Activities are required to ensure that communities are mobilized as participants in the Project. These activities are to be undertaken by NWSDB-JRO (municipal and urban areas) and *Pradeshiya Sabhas* through an NGO and are to encourage participation of women (see Gender Action Plan). The timeline is provided in Table 2.

3. **Activity 1: Understanding the Community.** Information on the following will be collected: dwelling settlement patterns, sex-disaggregated socio-economic information of residents, areas where the poor and marginalized concentrate, existing status of the water supply and sanitation facilities, and available social capital in the area. The information collected will identify the specific water and sanitation needs of women.

4. **Activity 2: Beneficiary Awareness.** The activity will focus on: discussion with community leaders, existing community groups and the general public on the Project; awareness programs on the importance of safe water and sanitation and existing situation based on information gathered in Activity 1 (and also from information from project documents and other secondary sources); understand the attitude of the public on safe water supply and sanitation; and discussions on the willingness to participate in the Project and affordability to meet the cost and modes of contribution. The activity will pro-actively target the needs of women and develop catered awareness programs for female headed and widowed households. The awareness campaign will be gender-sensitive and focus on public water conservation, environmental, and hygiene awareness campaigns with a target of 50% women participation.

5. **Activity 3: Preparation of the Community Profile.** The profile will include, but will not be limited to: list of households based on street/lane/cluster according to the dwelling pattern of the area; street/lane/cluster households profile including the status of existing water and sanitation facilities using Participatory Rapid Appraisal; listing choices of preferred modes of water supply and sanitation facilities; categorization of households according to the willingness and affordability to have a domestic connection (to indicate the percentage of households that opted for domestic connections); and identification of reasons for those who cannot afford connections.

6. **Activity 4: Formation of Community Groups.** Formation of community groups is a crucial stage in the mobilization process. Households in a street/lane/cluster will be mobilized as community groups that will work with the NGO selected for community mobilization. The NGO's target is 100% membership of households in a particular location. In urban areas of Jaffna, almost all persons are members of community groups such as Community Centers, religious groups, etc. in their respective area—such groups could also be considered as the community-based organization (CBO) for water and sanitation. Any water consumer groups already formed (active or non-active), need to be taken into consideration in the formation of CBOs to prevent conflicts. The formed CBOs will have an executive committee with 33% representation of women and a constitution based on commonly agreed rules and regulations.

7. **Activity 5: Functions of the Community Groups.** The water related agenda of these community groups will be determined by the percentage of households that opt for domestic connections from the public water supply system. If majority of households opt for domestic connections, the few households that cannot afford to meet the cost will be provided with flexible financial assistance to enable them to have a domestic connection where it is not viable to introduce a different system to a few household that might be scattered in location. Community-based metered public water facilities will be provided for those who cannot afford to

have domestic connections, in place of public stand posts, which is found to be ineffective in terms of revenue collection, as well as operation and maintenance. The formation and functions of the community groups in-charge of the community-based metered public water facility are:

- (i) Establishing a CBO which could be either an existing one or a newly formed one.
- (ii) The physical location of the facility can be in the premises of Community Centers, Temples or other public institutions, which is acceptable and easily accessible to members. This will, unlike the public stand posts, ensure its safety and care.
- (iii) Distribution of water could be based on a standard container with a fixed price that the community agrees on.
- (iv) Distribution of time and duration should be decided, taking into consideration convenience, especially the convenience of women.
- (v) The mode of payment will consider various options such as daily, weekly, or monthly using tokens or cash depending on what is convenient to the community.
- (vi) The community will decide on flexible options for members for those who cannot afford to pay for the water.

8. **Activity 6: Formation of CBO.** A water and sanitation CBO at the ward level will be formed with the representatives of community groups formed at the street/lane/cluster level and will consist of at least 33% women members. The number of CBOs will depend on the size of community. In the project area, the number of wards of a GSD ranges from two to five.

9. **Activity 7: Registration of CBO.** CBOs will register with the appropriate institution to get legal status, and will also register with the NWSDB.

10. **Activity 8: Functions of the CBO.** The CBO will:

- (i) Be linked at DSD and district level and represent the interests of the community in the decision making process;
- (ii) Participate in the planning and implementation of the Project in their locality;
- (iii) Organize and regularize the people's contribution through labor or cash as agreed at the decision making stage;
- (iv) Monitor the water use and wastage, sanitation status, operations and maintenance issues, and regular payment for services;
- (v) Undertake contract works in the locality; and
- (vi) Interact with NGOs/donors.

Table 2: Time Line for Community Mobilization

Activities	Months														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Selection of NGO	x														
Training NGO		x	x												
Understanding the community				x											
Beneficiary Awareness					x										
Preparation of Community Profile					x	x									
Formation of the community groups							x	x	x	x	x				
Formation of CBO												x	x	x	
Registration of CBO															x

CBO = community-based organization, NGO = nongovernment organization.