

Technical Assistance Report

Project Number: 37378-015
Transaction Technical Assistance (TRTA)
November 2017

Democratic Socialist Republic of Sri Lanka: Capacity Development of Institutions of Jaffna Water Sector

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

CURRENCY EQUIVALENTS

(as of 1 September 2017)

| | | |
|---------------|---|-------------------------------|
| Currency unit | – | Sri Lanka rupee/s (SLRe/SLRs) |
| SLRe1.00 | – | \$0.00654 |
| \$1.00 | – | SLRs152.78 |

ABBREVIATIONS

| | | |
|-------|---|--|
| ADB | – | Asian Development Bank |
| DBO | – | design–build–operate |
| NWSDB | – | National Water Supply and Drainage Board |
| O&M | – | operation and maintenance |
| TA | – | technical assistance |

NOTE

In this report, “\$” refers to US dollars.

| | |
|-------------------------|---|
| Vice-President | W. Zhang, Operations 1 |
| Director General | H. Kim, South Asia Department (SARD) |
| Director | S. Bonu, Urban Development and Water Division, SARD |
| Team leader | J. Huang, Principal Urban Development Specialist, SARD |
| Team members | C. Añon, Operations Assistant, SARD |
| | K. Dahanayake, Portfolio Management Officer, SARD |
| | S. Halgamage Don, Social Development Officer (Gender), SARD |
| | E. Marsden, Senior Environment Specialist, Sustainable Development and Climate Change Department (SDCC) |
| | S. Mehta, Urban Development Specialist, SARD |
| | E. Moises, Project Analyst, SARD |
| | J. Nam, Financial Management Specialist, SARD |
| | V. Padmanabhan, Technical Advisor (Urban), SDCC |
| | N. Pajarillaga, Environment Specialist, SARD |
| | C. Png, Principal Counsel, Office of the General Counsel |
| Peer reviewer | A. Baird, Senior Water Supply and Sanitation Specialist, East Asia Department |

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

| | Page |
|--|------|
| TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE | |
| I. THE ENSUING PROJECT | 1 |
| II. THE TECHNICAL ASSISTANCE | 1 |
| A. Justification | 1 |
| B. Outputs and Activities | 1 |
| C. Cost and Financing | 2 |
| D. Implementation Arrangements | 2 |
| APPENDIXES | |
| 1. Cost Estimates and Financing Plan | 4 |
| 2. List of Linked Documents | 5 |

TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

| 1. Basic Data | | Project Number: 37378-015 | |
|---|---|--------------------------------------|--|
| Project Name | Capacity Development of Institutions of Jaffna Water Sector | Department /Division | SARD/SAUW |
| Nature of Activity | Capacity Development | Executing Agency | Ministry of City Planning and Water Supply |
| Modality | Regular | | |
| Country | Sri Lanka | | |
| 2. Sector | Subsector(s) | ADB Financing (\$ million) | |
| ✓ Water and other urban infrastructure and services | Urban water supply | | 0.50 |
| | | Total | 0.50 |
| 3. Strategic Agenda | Subcomponents | Climate Change Information | |
| Inclusive economic growth (IEG) | Pillar 2: Access to economic opportunities, including jobs, made more inclusive | Climate Change impact on the Project | Low |
| Environmentally sustainable growth (ESG) | Urban environmental improvement | | |
| 4. Drivers of Change | Components | Gender Equity and Mainstreaming | |
| Governance and capacity development (GCD) | Institutional development | Effective gender mainstreaming (EGM) | ✓ |
| Knowledge solutions (KNS) | Application and use of new knowledge solutions in key operational areas | | |
| Partnerships (PAR) | Implementation Private Sector | | |
| 5. Poverty and SDG Targeting | | Location Impact | |
| Geographic Targeting | No | Rural | Low |
| Household Targeting | No | Urban | High |
| SDG Targeting | Yes | | |
| SDG Goals | SDG6, SDG11 | | |
| 6. Risk Categorization | Complex | | |
| 7. Safeguard Categorization | Safeguard Policy Statement does not apply | | |
| 8. Financing | | | |
| Modality and Sources | | Amount (\$ million) | |
| ADB | | 0.50 | |
| Transaction technical assistance: Technical Assistance Special Fund | | 0.50 | |
| Cofinancing | | 0.00 | |
| None | | 0.00 | |
| Counterpart | | 0.00 | |
| None | | 0.00 | |
| Total | | 0.50 | |

I. THE PROPOSED PROJECT

1. The proposed loans to the Democratic Socialist Republic of Sri Lanka for the additional financing of the Jaffna and Kilinochchi Water Supply Project will finance changes in project scope and meet cost overruns to complete the current project,¹ which is performing on track but requires restructuring to deliver the project outcome as originally approved. The impact of the project will be improved health and human development in urban areas of the Jaffna Peninsula.² The outcome will be improved access to safe drinking water in targeted urban areas of the Jaffna Peninsula. The overall project has the following three outputs: (i) water supply infrastructure and service in the Jaffna Peninsula improved, (ii) headworks at Iranamadu Tank improved, and (iii) water resource management systems and capacity strengthened. The project is estimated to cost \$153 million, with the Asian Development Bank (ADB) loans totaling \$120 million.

II. THE TECHNICAL ASSISTANCE

A. Justification

2. The transaction technical assistance (TA) will help the Government of Sri Lanka to support the Capacity Development of institutions of Jaffna water sector.³ Aside from supporting institutional development and improvement of governance in the urban sector in Jaffna, the transaction TA also provide advisory assistance to the government in improving and strengthening the management and operation of urban water services. This will specifically include assistance to the Ministry of City Planning and Water Supply; National Water Supply and Drainage Board (NWSDB); project management, coordination, and implementation unit in Jaffna; and other relevant agencies of the government. As the additional financing of the Jaffna and Kilinochchi Water Supply Project will also introduce innovations as long-term operation and maintenance (O&M) embedded construction contracts for sustainability of operations, the TA will help to monitor and evaluate the work of associated contractors as well.

B. Outputs and Activities

3. The TA activities will support the government in implementing the overall project, specifically output 3: water resource management systems and capacity strengthened.

4. **Output 1: Capacity of the National Water Supply and Drainage Board built to monitor and manage the design–build–operate contract and the desalination plant during the contract period and after contract completion.** This output will (i) monitor the design–build–operate (DBO) contractor to ensure they follow the contract during the design, build, and O&M period; (ii) train the NWSDB to manage the DBO contract; (iii) ensure that skills are transferred to the NWSDB on daily O&M of the desalination plant after the contract is completed; (iv) train the NWSDB on the implementation of environmental safeguards and social and environmental monitoring; and (v) train NWSDB staff on the integration of the desalination plant into the water supply system and operational techniques to optimize the whole system. Major activities under this output will include (i) developing and implementing a monitoring plan for the design, build, and O&M periods; (ii) monitoring the key milestones and water services to be delivered in accordance with the contract; (iii) assisting the performance review and monitoring body for the

¹ The project and the transaction technical assistance (TA) are included in ADB. 2017. *Country Operations Business Plan: Sri Lanka, 2017–2019*. Manila.

² This aligns with the government strategy contained in the following: Government of Sri Lanka. 2006. *Vision for a New Sri Lanka*. Colombo.

³ The TA first appeared in the business opportunities section of ADB's website on 25 July 2017.

performance auditing; (iv) conducting training and workshops on contract management, with a focus on DBO contracts, project management, and technical, social, and environmental monitoring such as mechanical and electrical works and supervisory control and data acquisition systems, financial management, social safeguards, environmental safeguards, and performance monitoring; and (v) ensuring the ongoing efficient operation of the whole water supply system, which covers both public and private service providers.

5. **Output 2: Community awareness raised on water conservation, environmental protection, and hygiene practices in Jaffna and Kilinochchi.** This output will conduct activities for building and/or strengthening the capacities of community, especially women and girls, for water use efficiency, urban service delivery management, and long-term sustainability of services. Major activities will include developing a continuous and sustained program for increasing public awareness in the aspects of (i) water conservation based on the reduce-reuse-recycle principle; (ii) community consultations for willingness of service connections, and adoption of tariff and financing structure for water supply and sanitation; (iii) water demand management; (iv) training of community men and women to equip them with the skills needed to serve as neighborhood networks on community monitoring and maintenance of water assets; (v) personal hygiene to promote public health and sanitation among schoolchildren, women, and girls; (vi) the potential impacts of climate change and disaster risk in the context of wider urban development; and (vii) exploration of skills enhancement and livelihood training for community women (through linkages with other state government livelihood programs) for employment and income opportunities, especially in the O&M of assets. These activities will be conducted by consultants either through in-house experts or qualified and experienced community-based organizations, as appropriate.

6. **Output 3: Septage management improved in Jaffna through implementation of sanitation safety plans.** Though Jaffna city has vacuum trucks for removing septage sludge from septic tanks, the existing septage management process is not regulated or managed properly. After piped water is supplied to households, the amount of sewage discharged will increase. Based on the low population density, the decentralized sewage management, including septage, is expected to continue. Major activities under this output will include (i) carrying out a survey on existing sewage and septic management; (ii) developing short- and long-term strategies on sewage management; (iii) following the sanitation safety planning by the World Health Organization in the short term to identify health risks along the local sanitation chain; (iv) identifying practical methods, based on actual risks, to promote health benefits; (v) helping the NWSDB to regulate the management of the septic tanks; and (vi) providing assurance to the NWSDB and the public on the safety of sanitation-related services and products.

C. Cost and Financing

7. The TA is estimated to cost \$600,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The government will provide counterpart support in the form of counterpart staff, office space, workshop venues, and other in-kind contributions. The key expenditure items are listed in Appendix 1. The TA proceeds will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

D. Implementation Arrangements

8. The Ministry of City Planning and Water Supply will be the executing agency and NWSDB will be the implementing agency. The NWSDB will identify and delegate a senior manager as the TA coordinator, with adequate counterpart staff to work with the consultants. The TA team will be

based in the NWSDB. ADB will administer the TA. ADB will recruit individual consultants following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Lump-sum payments and output-based contracts will be considered for consulting services.

9. The TA will be implemented over a period of 36 months, from January 2018 to December 2020. The consultants will prepare a TA implementation plan before the start of services, which will include a timetable for deliverables defined under each output of the TA. The consultants will also submit interim, quarterly, and annual progress reports, in addition to specific reports, as required, which will be reviewed by the NWSDB and ADB. The proposed TA processing and implementation schedule is listed in Table 1.

Table 1: Implementation Arrangements

| Aspects | Arrangements | |
|---|--|-----------|
| Indicative implementation period | January 2018–December 2020 | |
| Executing agency | Ministry of City Planning and Water Supply | |
| Implementing agency | National Water Supply and Drainage Board | |
| Consultants | To be selected and engaged by ADB | |
| | Individual consultants recruitment (55 person-months) | \$500,000 |
| Disbursement | The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time). | |
| Asset turnover or disposal arrangement upon TA completion | Procurement of goods is not foreseen. | |

ADB = Asian Development Bank, TA = technical assistance.

Source: ADB.

10. **Consulting services.** A summary of consulting services is given in Table 2. Terms of reference for the proposed experts are given in Appendix 2. The consultants will be engaged by ADB in accordance with the Guidelines on the Use of Consultants.

Table 2: Summary of Consulting Services

| Specialist | Duration (person-months) |
|---|--------------------------|
| A. International | |
| 1. Water supply and desalination contract management expert | 11 |
| 2. Desalination treatment plant technical expert | 4 |
| Subtotal (A) | 15 |
| B. National | |
| 1. Sanitation management expert | 12 |
| 3. Public awareness and communications expert | 18 |
| 4. Gender expert | 10 |
| Subtotal (B) | 40 |
| Total (A+B) | 55 |

Source: Asian Development Bank estimates.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

| Item | Total Cost |
|---|-------------------|
| Asian Development Bank^a | |
| 1. Consultants | |
| a. Remuneration and per diem | |
| i. International consultants | 335.0 |
| ii. National consultants | 80.0 |
| b. International and local travel, including vehicle hire | 60.0 |
| c. Reports and communications | 3.0 |
| 2. Workshops, trainings, seminars, and conferences | |
| a. Workshops and seminars ^b | 1.0 |
| b. Training programs | 1.0 |
| 3. Surveys | 15.0 |
| 4. Contingencies | 5.0 |
| Total | 500.0 |

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 6). The government will provide counterpart support in the form of counterpart staff, office space, workshop venues, and other in-kind contributions amounting to \$100,000.

^b Workshops, trainings, seminars, and conferences will be organized for building capacity and sharing information among stakeholders.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=37378-015-TARreport>

1. Terms of Reference for Consultants