

Project Administration Manual

Project Number: 39071-013
Loan 2654-INO
November 2019

Indonesia: Metropolitan Sanitation Management
and Health Project

Contents

Contents	ii
Project Administration Manual Purpose and Process	iii
ABBREVIATIONS	1
I. PROJECT DESCRIPTION	2
II. IMPLEMENTATION PLANS	1
A. Project Readiness Activities	1
III. PROJECT MANAGEMENT ARRANGEMENTS	3
A. Project Implementation Organizations – Roles and Responsibilities	3
B. Key Persons Involved in Implementation	4
C. Project Organization Structure	5
IV. COSTS AND FINANCING	6
A. Detailed Cost Estimates by Expenditure Category	7
B. Detailed Cost Estimate of Taxes by Financier	8
C. Allocation and Withdrawal of Loan Proceeds	9
D. Detailed Cost Estimates by Financier	10
E. Detailed Cost Estimates by Outputs/Components	11
F. Detailed Cost Estimates by Year	12
G. Contract and Disbursement S-curve	13
H. Fund Flow Diagram	14
V. FINANCIAL MANAGEMENT	15
A. Financial Management Assessment	15
B. Disbursement	16
C. Accounting	17
D. Auditing	17
VI. PROCUREMENT AND CONSULTING SERVICES	18
A. Advance Contracting	18
B. Procurement of Goods, Works and Consulting Services	18
C. Procurement Plan	18
D. Consultant's Terms of Reference	18
VII. SAFEGUARDS	21
VIII. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	23
A. Project Design and Monitoring Framework	23
B. Monitoring	25
C. Evaluation	28
D. Reporting	28
E. Stakeholder Communication Strategy	28
IX. ANTICORRUPTION POLICY	29
X. ACCOUNTABILITY MECHANISM	29
XI. RECORD OF PAM CHANGES	29
Attachment 1 GENDER ACTION PLAN	31

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 Directorate General of Human Settlements (DGHS) is wholly responsible for the implementation of ADB- financed subprojects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by the DGHS 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
APBD	=	<i>Anggaran Pendapatan dan Belanja Daerah</i> (local government budget)
BAPPEDA	=	<i>Badan Perencanaan Pembangunan Daerah</i> (city/district development planning agency)
CIT	=	Community Implementation Team
CPMU	=	Central Project Management Unit
CST	=	Central Support Team
CSWG	=	City Sanitation Working Group
DEWATS	=	Decentralized Wastewater Treatment System
DGHS	=	Directorate General of Human Settlements
EA	=	Executing Agency
EIA	=	Environmental Impact Assessment
GAP	=	Gender Action Plan
GOI	=	Government of the Republic of Indonesia
IEE	=	Initial Environmental Examination
LPMU	=	Local Project Management Unit
LST	=	Local (City) Support Team
MOF	=	Ministry of Finance
MPWH	=	Ministry of Public Works and Housing
MSMHP	=	Metropolitan Sanitation Management and Health Project
NGO	=	Non-Government Organization
OCR	=	Ordinary Capital Reserves
O&M	=	Operation and Maintenance
PDAM	=	<i>Perusahaan Daerah Air Minum</i> (regional government water supply enterprise)
PPIU	=	Provincial Project Implementation Unit
PPMS	=	Project Performance Monitoring System
PPMU	=	Provincial Project Management Unit
RF	=	Resettlement Framework
RG	=	Regional Government
RP	=	Resettlement Plan
SANIMAS	=	<i>Sanitasi Masyarakat</i> (community-based sanitation)
STP	=	Sludge Treatment Plant
WWTP	=	Wastewater Treatment Plant

GLOSSARY

KARTAMANTUL	–	agglomeration of Kota Yogyakarta, and Sleman and Bantul districts
Kota	–	city
Kabupaten	–	district

I. PROJECT DESCRIPTION

1. The MSMHP, a \$35 million loan, was approved on 19 July 2010. The loan agreement was signed on 21 September 2010 and the loan was declared effective on 22 November 2010. The original loan closing date was 30 June 2015. To accommodate completion of the works in the two project cities (Medan and Yogyakarta), the loan closing date was extended three times with a cumulative extension of 66 months to 31 December 2020.

2. The Metropolitan Sanitation Management and Health Project (MSMHP) will provide improved urban wastewater services in two major cities in Indonesia: Kota Medan (province of North Sumatra) and Kota Yogyakarta (province of Yogyakarta).¹ The Project will respond to the needs of urban communities, including low-income households, by optimizing existing assets, expanding coverage, improving governance and building local institutional capacity for community-based and government-owned wastewater service providers and the regional governments (RG).

3. **Impact and Outcome.** The expected impact of the Project is reduced environmental pollution of surface water and shallow groundwater in the participating cities of Medan, and Yogyakarta. Reduced environmental pollution will benefit public health and improve quality of life for the population in these cities. The expected outcome of the Project is increased access to improved wastewater services in the participating cities of Medan and Yogyakarta.

4. **Outputs.** The Project will provide three outputs: (i) community mobilization for improved health and hygiene (community-based sanitation), (ii) infrastructure development for sewerage (large scale civil works), and (iii) project implementation, and institutional development and capacity building support.

¹ Yogyakarta includes the agglomeration of Kota Yogyakarta, Kabupaten Sleman, and Kabupaten Bantul (KARTMANTUL).

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	2010							
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Project implementation consultant selection		X	X	X	X	X	X	X
Establish project implementation arrangements					X	X	X	X
ADB Board approval			X					
Loan signing				X				
Government legal opinion provided						X		
Loan effectiveness						X		

B. Overall Project Implementation Plan²

Activities	2010 (Q)	2011 (Q)	2012 (Q)	2013 (Q)	2014 (Q)	2015 (Q)	2016 (Q)	2017 (Q)	2018 (Q)	2019 (Q)	2020 (Q)
DMF											
1. Community mobilization for improved health and hygiene											
1.1 Community mobilization and empowerment for communal sanitary facilities		■	■	■	■		■	■	■	■	■
1.2 Construction of community-based sanitation facilities		■	■	■	■	■	■	■	■	■	■
2. Infrastructure development for sewerage											
2.1 Rehabilitation and construction of sewerage system		■	■	■	■	■	■	■	■	■	■
2.2 Construction DEWATS			■	■	■		■	■	■	■	■
3. Project implementation consultant support		■	■	■	■	■	■	■	■	■	■
B. Management Activities											
Procurement sewerage	■	■				■	■				
Consultant selection	■	■					■	■			
Midterm review							■	■			
Project completion report											■

² A Gantt chart recording outputs with key implementation activities (on a monthly or quarterly basis) that is updated annually and submitted to ADB with contract and disbursement projections for the following year.

III. PROJECT MANAGEMENT ARRANGEMENTS

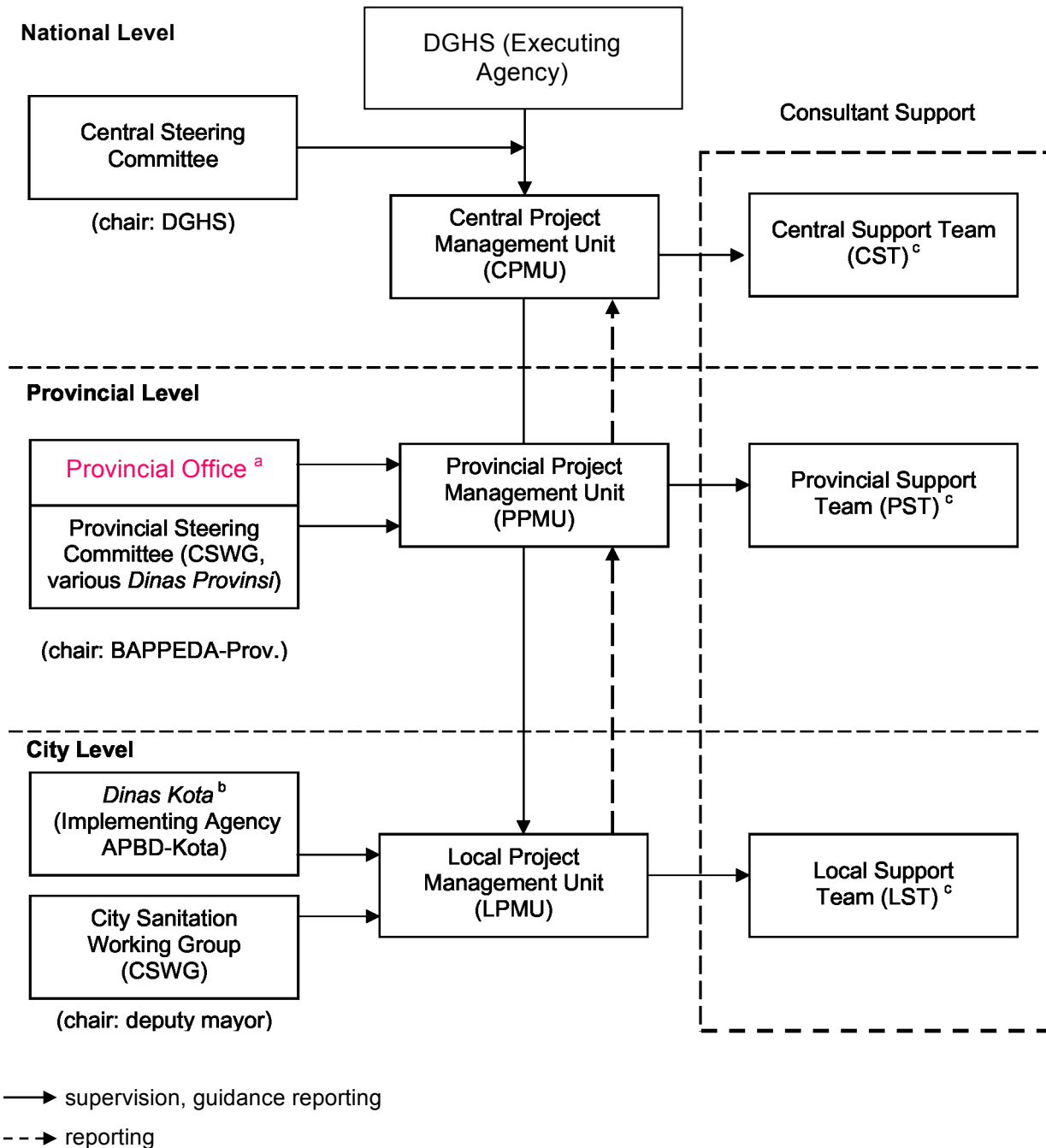
A. Project Implementation Organizations – Roles and Responsibilities

No	Project Implementation	Management Roles and Responsibilities
1	DGHS	Executing Agency, CPMU <ul style="list-style-type: none"> ➤ Responsible for overall project implementation, including project supervision, monitoring, accounting, and consolidated reporting ➤ Selection, contracting, and supervision of project implementation consultants
2	<ul style="list-style-type: none"> • Department for Spatial Planning and Settlements of the Province of North Sumatra • Department of Public Works, Housing and Mineral Energy Resources of the Special Region of Yogyakarta 	PPMU – Medan PPMU – Greater Yogyakarta <ul style="list-style-type: none"> ➤ Provide supervision and guidance at provincial level ➤ Management of procurement and implementation of components financed from the loan and from the provincial budgets ➤ Monitoring and reporting for project implementation in Medan and Greater Yogyakarta ➤ Reporting to CPMU
3	<ul style="list-style-type: none"> • Department for Settlements and Regional Infrastructure; and • Department of Public Work and Communications 	LPMU – Kota Yogyakarta; Kab. Sleman LPMU – Kab. Bantul <ul style="list-style-type: none"> ➤ Provides supervision and guidance at local city level ➤ Management of procurement and implementation of components financed from the local budget ➤ Reporting to PPMU
4	ADB	Lender <ul style="list-style-type: none"> ➤ Main project financier ➤ Monitoring project implementation and covenant compliance

B. Key Persons Involved in Implementation

Executing Agency	
Directorate General of Human Settlements in the Ministry of Public Works and Housing	Mr. Danis H Sumadilaga. Director General of Human Settlements Telephone No. (62-21) 727 96155 Email address:
	Office Address: Ministry of Public Works and Housing Directorate General of Human Settlements Jl. Pattimura 20, Kebayoran Baru Jakarta Selatan 12110 Indonesia
ADB	
Division Director	Mr. Vijay Padmanabhan Director. SEUW Telephone No. (63-2) 632 6409 Email address: vpadmanabhan@adb.org Fax No.: (63-2) 636 2336
Mission Leader	Ms. A. Carolina Senior Project Officer Telephone No. +6221 29927388 Email address: acarolina@adb.org Fax No.: +6221 29927399

C. Project Organization Structure



^aOffice of Settlement Infrastructure of North Sumatera (*Balai Prasarana Permukiman Wilayah Sumatera Utara*) for Medan, and Department of Public Works, Housing and Mineral Energy Sources for the Special Region of Yogyakarta

^bDinas Kimpraswil for Kota Yogyakarta and Kabupaten Sleman, Dinas Permukiman for Kota Medan, and Dinas Pekerjaan Umum dan Perhubungan for Kabupaten Bantul

^c Support teams consist of consultants for: (i) project implementation support, and (ii) institutional development and capacity building

IV. COSTS AND FINANCING

5. The ADB (OCR) loan proceeds of \$35.00 million will be made available to the Ministry of Finance (MOF), which will channel the funds to the Ministry of Public Works and Housing (MPWH). The Directorate General of Human Settlements (DGHS) in MPWH will utilize the loan proceeds to finance works and goods for part of the proposed infrastructure development for sewerage program, as well as consulting services for project implementation support. Provincial government agencies appointed by DGHS will procure the services of qualified contractors to rehabilitate and expand the existing piped sewerage systems in Medan and Yogyakarta. Upon completion of the works, the Government will transfer the assets as a grant to the provincial government of North Sumatera (improvements to the sewerage system located in Kota Medan) and the provincial government of DI Yogyakarta (improvement to the sewerage system located in Kota Yogyakarta, Kabupaten Bantul and Kabupaten Sleman). In addition, DGHS will finance decentralized wastewater treatment systems (DEWATS) in two housing blocks, which form part of the national low-cost housing program in Medan. The remainder of the Project cost, which is estimated at \$28.25 million, will be financed from the budgetary resources of the Ministry of Public Works and Housing (\$11.39 million), the provincial governments of North Sumatra and Yogyakarta (\$0.49 million), and the cities of Medan and Yogyakarta (\$13.53 million). The Government will cover financing charges that accrue during the grace period, estimated at \$2.84m, from its own financial resources. All applicable taxes and duties will be financed from counterpart contributions.

A. Detailed Cost Estimates by Expenditure Category

Item	Foreign Exchange	(Rp million) Local Currency	Total Cost	Foreign Exchange	(\$ million) Local Currency	Total Cost	% of Total Base Cost
A. Investment Costs							
1 Civil Works	2,425	359,319	361,743	0.26	37.50	37.76	70.73
2 Mechanical and Equipment	6,918	74,686	81,604	0.70	7.62	8.32	15.59
3 Environment and Social Mitigation	-	948	948	-	0.10	0.10	0.19
4 Consultants	15,541	30,108	45,648	1.57	3.09	4.67	8.74
5 Taxes and Duties	-	21,482	21,482	-	2.18	2.18	4.09
Subtotal (A)	24,884	486,542	511,426	2.54	50.50	53.03	99.34
B. Recurrent Costs	-	1,539	1,539	-	0.15	0.15	0.29
1 Salaries							
2 Accommodation	-	1,992	1,992	-	0.20	0.20	0.38
3 Equipment Operation and Maintenance	-	-	-	-	-	-	-
Subtotal (B)	-	3,531	3,531	-	0.35	0.35	0.66
Total Base Cost	24,884	490,073	514,957	2.54	50.85	53.39	100.00
C. Contingencies	385	29,364	29,749	0.04	3.04	3.08	5.78
1 Physical							
2 Price	335	39,843	40,178	0.03	3.91	3.94	7.38
Subtotal (C)	720	69,207	69,926	0.07	6.95	7.02	13.15
D. Financing Charges During Implementation	24,833	-	24,833	2.72	-	2.72	5.09
1 Interest During Implementation							
2 Commitment Charges	1,101	-	1,101	0.12	-	0.12	0.23
Subtotal (D)	25,934	-	25,934	2.84	-	2.84	5.32
Total Project Cost (A+B+C+D)	51,539	559,288	610,824	5.45	57.80	63.25	118.47

Source: ADB estimate

B. Detailed Cost Estimate of Taxes by Financier

(\$ million)								
	Taxes	ADB (OCR)	Central Government		Sub-National Governments			
			MPWH	MOF	Prov. NS	Prov. Yogya	Kota Medan	Kota Yogya
A. Investment Costs								
1. Civil works	1.45	-	0.98	-	-	-	0.07	0.40
2. Mechanical and equipment	0.66	-	0.04	-	-	-	0.39	0.23
3. Environment and social mitigation	-	-	-	-	-	-	-	-
4. Consulting services	0.07	-	0.02	-	0.01	-	0.02	0.01
Subtotal (A)	2.18	-	1.03	-	0.01	-	0.49	0.65
B. Recurrent Costs a			-					
1. Salaries	-	-	-	-	-	-	-	-
2. Accommodation	-	-	-	-	-	-	-	-
Subtotal (B)	-	-	-	-	-	-	-	-
Total Taxes on Base Cost	2.18	-	1.03	-	0.01	-	0.49	0.65
C. Contingencies	-	-	-	-	-	-	-	-
D. Financing Charges During Implementation	-	-	-	-	-	-	-	-
Total Taxes	2.18	-	1.03	-	0.01	-	0.49	0.65
% Total Taxes	100.00	-	47.30	-	0.45	-	22.54	29.71

ADB = Asian Development Bank, MoF = Ministry of Finance, MPWH = Ministry of Public Works and Housing, OCR = ordinary capital resources.

^a Recurrent costs for subproject management units (responsible for management of city governments' shared program) included in investment cost.

^b Province of North Sumatra (Prov. NS) (sub-national governments contribute to the Project under a "program sharing" agreement with MPWH).

Source: Asian Development Bank estimates.

C. Allocation and Withdrawal of Loan Proceeds

CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing (\$)	Percentage of ADB Financing from the Loan Account
1	Works	29,500,000	100 percent of total expenditure claimed *
2	Goods	1,126,223	100 percent of total expenditure claimed *
3	Consulting Services	4,373,777	100 percent of total expenditure claimed *
4	Unallocated	0	
	Total	35,000,000	

* Exclusive of local taxes and duties

D. Detailed Cost Estimates by Financier

Item	(\$ million)				Total Cost
	ADB (OCR)		GOI		
	Amount	% of Cost Category	Amount	% of Cost Category	
A. Investment Costs					
1 Civil Works					
- Civil works for major sewers and DEWATS	25.66	100*	-	-	25.66
- Community-based sanitation and minor civil works	-	-	12.11	100	12.11
2 Mechanical and Equipment					
- Equipment for Medan WWTP and CCTV Yogyakarta	2.06	100*	-	-	2.06
- Other mechanical works and equipment	-	-	6.26	100	6.26
3 Environment and Social Mitigation	-	-	0.10	100	0.10
4 Consultants					
a. Project implementation support	3.78	100*	-	-	3.78
b. In-kind contributions to PIS consultant	-	-	0.24	100	0.24
c. Other consulting services	-	-	0.64	100	0.64
5 Taxes and Duties	-	-	2.18	100	2.18
Subtotal (A)	31.50	59*	21.53	41	53.03
B. Recurrent Costs					
1 Salaries	-	-	0.15	100	0.15
2 Accommodation	-	-	0.20	100	0.20
3 Equipment Operation and Maintenance	-	-	-	-	-
Subtotal (B)	-	-	0.35	100	0.35
Total Base Cost	31.50	59*	21.89	41	53.39
C. Contingencies					
1 Contingencies on ADB-financed contracts	3.50	100*	-	-	3.50
2 Contingencies on GOI-financed contracts	-	-	3.52	100	3.52
Subtotal (C)	3.50	50*	3.52	50	7.02
D. Financing Charges During Implementation	-	-	2.84	100	2.84
Total Project Cost (A+B+C+D)	35.00	55*	28.25	45	63.25
% Total Project Cost		55.3%*		44.7%	100%

* Exclusive of local taxes and duties

E. Detailed Cost Estimates by Outputs/Components

		(\$ million)					
Item	Total Cost	Community-Based Sanitation		Sewerage		Implementation Support	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs^a							
1 Civil Works	37.76	3.53	9	34.24	91	-	-
2 Mechanical and Equipment	8.32	0.36	4	7.96	96	-	-
3 Environment and Social Mitigation	0.10	-	-	0.10	100	-	-
4 Consultants	4.67	-	-	0.41	9	4.26	91
5 Taxes and Duties	2.18	0.47	21	1.69	77	0.02	1
Subtotal (A)	53.03	4.35	8	44.40	84	4.28	8
B. Recurrent Costs	0.15	-	-	-	-	0.15	100
1 Salaries							
2 Accommodation	0.20	-	-	-	-	0.20	100
3 Equipment Operation and Maintenance	-	-	-	-	-	-	-
Subtotal (B)	0.35	-	-	-	-	0.35	100
Total Base Cost	53.39	4.35	8	44.40	83	4.63	9
C. Contingencies	3.08	0.38	12	2.71	88	-	-
1 Physical ^b							
2 Price ^c	3.94	0.57	14	3.07	78	0.30	8
Subtotal (C)	7.02	0.94	13	5.78	82	0.30	4
D. Financing Charges During Implementation^d	2.72	-	-	2.41	89	0.31	11
1 Interest During Implementation							
2 Commitment Charges	0.12	-	-	0.11	89	0.01	11
Subtotal (D)	2.84	-	-	2.51	89	0.32	11
Total Project Cost (A+B+C+D)	63.25	5.30	8	52.70	83	5.26	8

^aIn April 2010 prices.

^bComputed at 10% for civil works, and 5% for mechanical and equipment.

^cComputed at computed on the basis of domestic and international price escalation factors.

^dIncludes interest and commitment charges. Interest during construction has been computed at the five-year forward LIBOR plus a spread of 0.20%. Source: Asian Development Bank estimates.

F. Detailed Cost Estimates by Year³

Item	(\$ million)					
	Total Cost	2010	2011	2012	2013	2014
A. Investment Costs						
1 Civil Works	37.76	17.35	9.02	8.28	2.13	0.99
2 Mechanical and Equipment	8.32	2.36	2.57	1.55	1.40	0.43
3 Environment and Social Mitigation	0.10	0.10	-	-	-	-
4 Consultants	4.67	1.54	1.34	0.80	0.62	0.36
5 Taxes and Duties	2.18	0.68	0.57	0.38	0.39	0.16
Subtotal (A)	53.03	22.04	13.50	11.01	4.55	1.94
B. Recurrent Costs						
1 Salaries	0.15	0.03	0.03	0.03	0.03	0.03
2 Accommodation	0.20	0.07	0.04	0.03	0.03	0.03
3 Equipment Operation and Maintenance	-	-	-	-	-	-
Subtotal (B)	0.35	0.10	0.07	0.06	0.06	0.06
Total Base Cost	53.39	22.14	13.57	11.08	4.61	1.99
C. Contingencies	7.02	1.46	1.69	2.13	1.12	0.63
D. Financing Charges During Implementation	2.84	0.09	0.33	0.60	0.84	0.98
Total Project Cost (A+B+C+D)	63.25	23.68	15.60	13.80	6.56	3.60
% Total Project Cost	100%	37.44%	24.67%	21.82%	10.38%	5.69%

Source: ADB Development Bank estimates.

³ The loan has been extended to 31 December 2020

G. Contract and Disbursement S-curve

Figure 1: Contract Awards and Disbursement S-Curve
(\$ million)

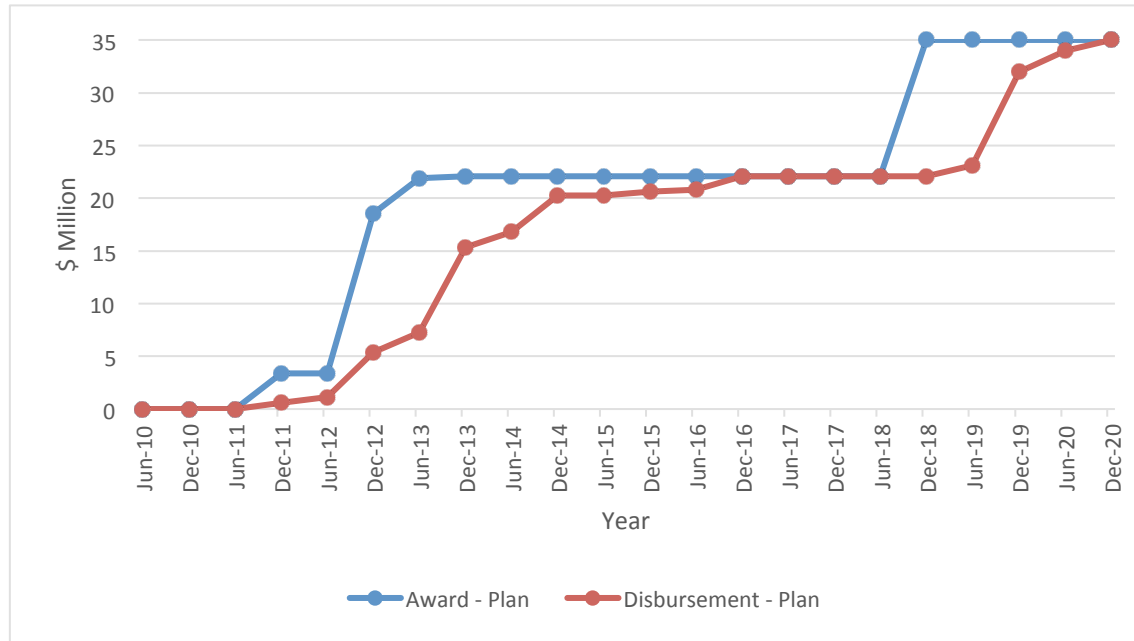
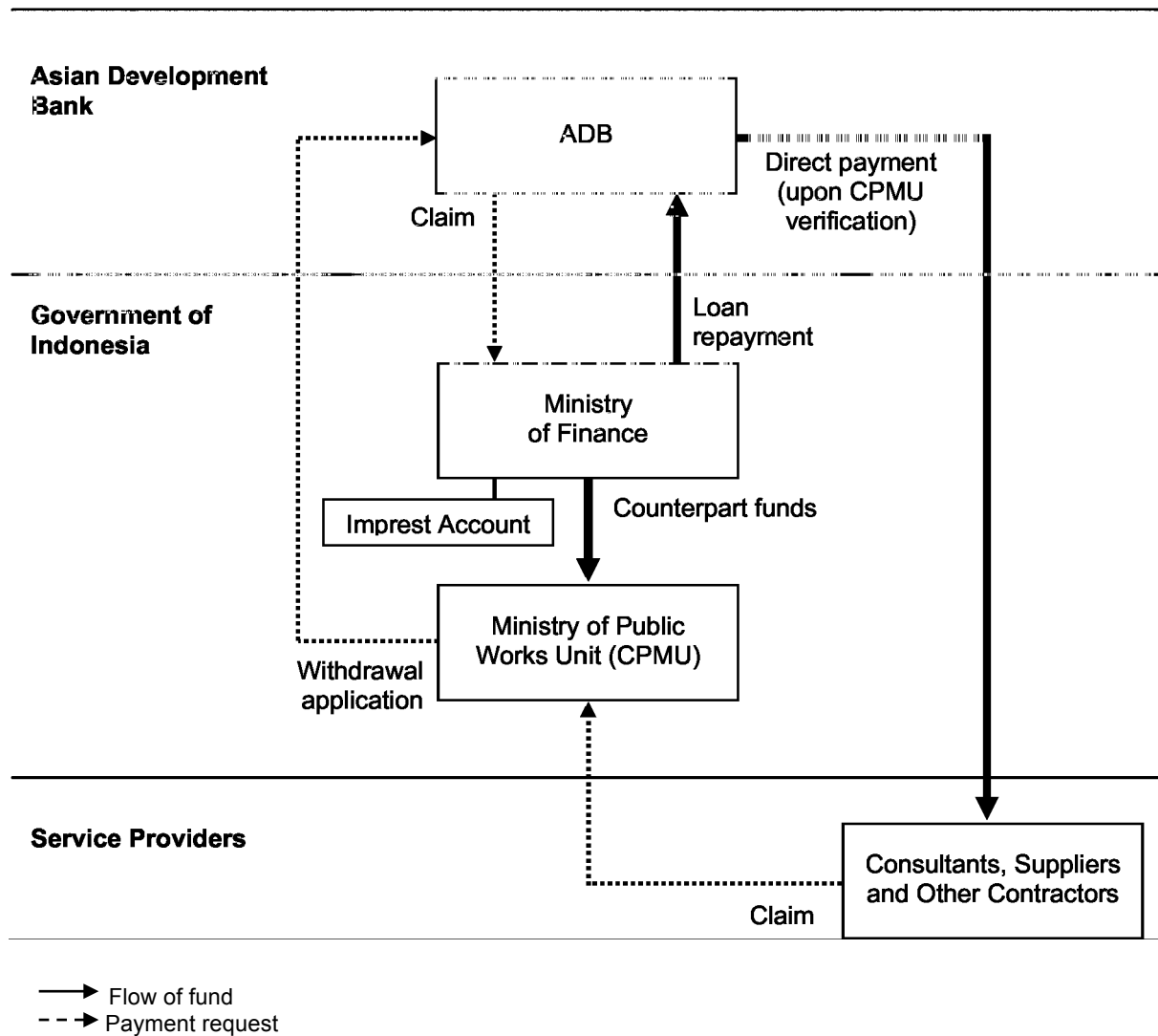


Table 1: Contract Awards and Cumulative Disbursement

Project to Date	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Jun-15	Dec-15	Jun-16	Dec-16	Jun-17	Dec-17	Jun-18	Dec-18	Jun-19	Dec-19	Jun-20	Dec-20
Award - Plan	-	-	3.41	3.41	18.57	21.89	22.08	22.08	22.08	22.08	22.08	22.08	22.08	22.08	22.08	22.08	35.00	35.00	35.00	35.00	35.00
Disbursement - Plan	-	-	0.58	1.11	5.40	7.29	15.32	16.82	20.28	20.28	20.65	20.82	22.08	22.08	22.08	22.08	22.08	23.10	25.94	29.20	35.00

Source: ADB Development Bank estimates.

H. Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

6. The Directorate General of Human Settlements (DGHS) in the Ministry of Public Works and Housing is the executing agency of the Project, and has acted in this capacity for many ADB-financed projects in the water and sanitation sector since the late 1980s. DGHS has appointed two implementing agencies to arrange for the construction of the proposed subprojects in Medan and Yogyakarta as seen in table 2 below. For Medan, the previous implementing agency was Department of Spatial Planning and Settlements of North Sumatra Province (*Dinas Tata Ruang dan Permukiman Provinsi Sumatera Utara*, also known as DISTARUKIM). Since March 2019, the DGHS formed an office/*balai* in the provincial level, thus the implementing unit for Medan City is the Office of Settlement Infrastructure of North Sumatera (*Balai Prasarana Permukiman Wilayah Sumatera Utara*).

Table 2: Implementing Agencies

Provincial Government	Implementing Agency
North Sumatera	Office of Settlement Infrastructure of North Sumatera (<i>Balai Prasarana Permukiman Wilayah Sumatera Utara</i>)
D.I. Yogyakarta	Department of Public Works, Housing and Mineral Energy Sources of the Special Region of Yogyakarta (<i>Dinas Pekerjaan Umum, Perumahan dan Energi Sumber Daya Mineral Daerah Istimewa Yogyakarta also known as Dinas PU, Perumahan dan ESDM</i>).

Source: Asian Development Bank.

7. Unlike DGHS itself, the implementing agencies have limited experience in implementing externally financed subprojects. For this reason, ADB conducted a comprehensive financial management assessment (FMA) and the conclusions can be summarized as follows:

- (i) Office of Settlement Infrastructure of North Sumatera (*Balai Prasarana Permukiman Wilayah Sumatera Utara*) is a newly formed office by the DGHS (established in March 2019). The office of DGHS has experience in implementing externally financed subprojects and in the management of ADB loan disbursements, but this is not the case for Dinas PU, Permukiman dan ESDM.
- (ii) Guidelines and programs for the implementation of accounting policies and procedures are in place and both implementing agencies have been provided with an online monitoring tool (known as “E-Monitoring”) by the Ministry of Public Works and Housing
- (iii) Guidelines on arrangements for flow of funds and payment procedures are required by both implementing agencies to ensure timely payment to contractors.
- (iv) For asset handover, since the built infrastructure is likely to serve more than one city, provincial government will receive the asset from central government.
- (v) The financial management capacity of the two local agencies that will accept the asset handover from the DGHS needs to be strengthened to ensure the long-run financial sustainability of the proposed investments in the piped sewerage components, especially in the areas of internal auditing, asset management and reporting systems.

8. In response to the findings of the FMA, ADB will review operational aspects of financial management during the course of the project, at least covering the following areas: (i) planning and budgetary control, (ii) financial and management accounting, and (iii) internal control and audit systems, as part of its periodic supervision missions. There also appears to be a need to strengthen

the institution responsible for the operation and maintenance of the sewerage system in Kota Yogyakarta. At present, this system is managed by the city government's department of public works (Dinas PU), which has historically been underfunded and is presently unable to cover O&M expenditure from sewer charges. This activity will form part of the Project Management Support consultant, who will be recruited in second half of 2010. To avoid problems with asset transfer, the participating cities are closely involved in the planning and construction of the expansion to the sewerage systems to the maximum extent possible.

B. Disbursement

9. The Loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time),⁴ and detailed arrangements agreed upon between the Government and ADB. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),⁵ 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 to subprojects financed by ADB.

10. The Government will establish a separate imprest account, administered by the MOF, at a bank to be agreed upon by the Government and ADB to facilitate the timely release of loan funds. The maximum ceiling of the imprest account will not at any time exceed the estimated ADB financed expenditures to be paid from the imprest account for the next 6 months or 10% of the respective loan amount, whichever will be lower. The request for initial advance to the imprest account should be accompanied by an Estimate of Expenditure Sheet⁶ setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above-mentioned bank statement against the EA's records.⁷

11. ADB's statement of expenditure (SOE) procedure will be used to reimburse eligible expenditures and to liquidate advances provided to the imprest account. The individual payments that may be reimbursed or liquidated under the SOE procedure will not exceed \$50,000 equivalent per payment.⁸ 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.⁹

⁴ Available at: <https://www.adb.org/sites/default/files/adb-loan-disbursement-handbook-2017.pdf>

⁵ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

⁶ Available in Appendix 29 of the *Loan Disbursement Handbook*.

⁷ Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

⁸ Any bank transaction fees will be financed by the Government.

⁹ 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-Over-100.xls

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

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

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

12. Before the submission of the first withdrawal application, the Government 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.

13. No withdrawals shall be made from the Loan Account until the following condition has been met: the Government will have established the CPMU, PPMU, CPSC and PPSC, including the appointment of the Project manager and the head of PPMU.

C. Accounting

14. The DGHS will maintain separate project accounts and records by funding source for all expenditures incurred on the Project. Project accounts will follow international accounting principles and practices or those prescribed by the Government's accounting laws and regulations.

D. Auditing

15. The DGHS will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing and/or in accordance with the Government's audit regulations by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 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 account and the SOE procedures. The Government and the DGHS 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 (AFS) for each executing and/or implementation agency associated with the project.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

16. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (February 2007, as amended from time to time) (ADB's *Procurement Guidelines*)¹⁰ and ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time) (ADB's *Guidelines on the Use of Consultants*).¹¹ The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower and DGHS have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the Project.

B. Procurement of Goods, Works and Consulting Services

17. All procurement of goods and works will be in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). Civil works will be procured through international competitive bidding (ICB) procedures for packages exceeding \$5,000,000 equivalent, and through NCB procedures acceptable to ADB for packages up to and including \$5,000,000 equivalent. Goods will be procured through international competitive bidding (ICB) procedures for packages exceeding \$1,000,000 equivalent, and through NCB procedures acceptable to ADB for packages up to and including \$1,000,000 equivalent. For packages of \$100,000 equivalent or less, shopping may be used.

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

19. 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.

20. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.¹² The terms of reference for all consulting services are detailed in Section D. Consulting services will include 430 person-months (60 person-months international, and 370 person-months national) for project implementation support. Consultants will be selected through quality and cost-based selection (QCBS) method with a standard quality: cost ratio of 80:20. ADB approved advance action on procurement.

C. Procurement Plan

21. The updated procurement plan is available in ADB website.

D. Consultant's Terms of Reference

22. Consultant services are required for project implementation support for the Metropolitan Sanitation Management and Health Project (MSMHP).

¹⁰ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

¹¹ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

¹² 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/>

23. Consultant services will cover the following activities:
- (i) advisory services to the Central Project Management Unit (CPMU), Provincial Project Management Units (PPMUs), and Local Project Management Units (LPMUs);
 - (ii) procurement support for goods and works contracts;
 - (iii) construction supervision of sewerage works,
 - (iv) construction management; and
 - (v) assistance for compliance with social safeguard and gender mainstreaming requirements, including but not limited to the preparation of documentation for environmental impact assessments (EIA), involuntary resettlement plans (RP), and implementation support to gender action plan, as required.
24. The objective of the services is to assist CPMU with the management, supervision and monitoring of the Project. Specific tasks of the consultant include:
- (i) Maintain a master schedule of all Project activities and monitor performance against progress, identifying problem areas and working with the CPMU, PPMUs, and LPMUs to solve these problems;
 - (ii) Monitor financial performance of the Project and report to the CPMU as needed;
 - (iii) Coordinate the activities of the stakeholder committees, particularly with regard to the community-based sanitation elements of the Project;
 - (iv) Ensure compliance with quality and best practices of consultancy services and physical works carried out by contractors (this work would include design review and checking responsibilities);
 - (v) Advise on procurement related matters;
 - (vi) Coordinate activities of consultants working for MSMHP to ensure optimal and effective utilization of resources;
 - (vii) Review specific reports, with special regard to environmental and social development activities, and forward a copy to the Asian Development Bank (ADB);
 - (viii) Ensure compliance with all relevant ADB policies and guidelines;
 - (ix) Monitor compliance with loan covenants using the project performance monitoring system (PPMS); and
 - (x) Prepare periodic reports, such as progress and audited financial reports, to the CPMU and ADB as required.
25. The objective of the contract document preparation services is to assist the Directorate General of Human Settlements (DGHS) with the preparation of bidding documents for civil works contracts for the expansion of piped sewerage systems in Kota Medan and Kota Yogyakarta. The specific tasks of the consultant include the preparation of: (i) pre-qualification documents and guidelines on short-listing of contractors; (ii) outline designs and general arrangement drawings for proposed works; (iii) schedules of quantities based on outline designs, these schedules need to be arranged to support the selection of the winning bidder during the bid evaluation process, and the execution of the contract on a schedule-of-rates basis; (iv) schedules of quantities; (v) performance-based specifications; and (vi) bid documents..
26. The objective of construction supervision services is to assist DGHS with the supervision of the rehabilitation and expansion of existing piped sewerage systems, and construction of a new piped sewerage system. The specific tasks of the consultant include the following:
- (i) Examine and approve the contractor's facilities, to ensure that these facilities conform to the agreed contract documents;
 - (ii) Assess the adequacy of materials, equipment and labor provided by the contractors,

- the contractor's methods of work, and rate of progress and (where required) recommend appropriate action to the head of the subproject implementation unit (SPIU) to expedite progress;
- (iii) Examine and approve all implementation plans and working drawings prepared by the contractor;
 - (iv) Issue all necessary instructions to the contractor, and examine and control the work to ensure that these are carried out according to the contract documents;
 - (v) Provide general guidance to the contractor as may be necessary to ensure that the works are carried out according to schedule and within the terms of contract;
 - (vi) Inspect all working areas and installations during the execution of the works;
 - (vii) Compute quantities of works and materials, which have been accepted and approved, and examine and certify contractor's payment requests;
 - (viii) Report monthly on the progress of the works, the contractors' performance, quality of works, and the subproject's financial status and projections;
 - (ix) Ascertain and agree with the contractor all work measurements and review, and recommend payment claims and certify these to the head of SPIU as being correct and within the terms of the contract;
 - (x) Advise the client on any environmental recommendations to overcome possible problems encountered;
 - (xi) Review the following contractor's documents and recommend appropriate action to the head of the project implementation unit (PIU), as necessary: periodic progress reports, quality-testing results, requests for variation, contractor's claims, and contractor's invoices;
 - (xii) Carry out an inspection upon completion of works and recommend on maintenance during the defect liability period; and
 - (xiii) Ensure that 'as-built' drawings are prepared for all works as construction progresses.

27. In addition to providing project management advisory services and construction supervision, the Consultant will assist the participating city governments with the preparation of EIAs and RPs as required, in accordance with prevailing Government and ADB regulations.

VII. SAFEGUARDS

A. Involuntary Resettlement

28. A Resettlement Framework (RF) has been prepared to guide sub-project selection, screening and categorization, social impacts assessment, and preparation and implementation of safeguards plans of subprojects and to facilitate compliance with the ADB Policy on Involuntary Resettlement. A RP has been prepared for the subprojects based on the social impact assessment and in accordance with guideline set in the Resettlement Framework. The objective of the RP is to ensure that livelihoods and living standards of the displaced persons are improved, or at least restored to pre-project levels. Attention should be provided to the poor and vulnerable APs (especially those below the poverty line, the landless, the elderly, women and children, those without legal title to land) and severely APs by providing livelihood restoration programs to enable them to continue in economic generating activities and enhanced livelihood opportunities. Local government with a Sub-project Management Unit (SPMU) is responsible to acquire the land for the project in compliance with the RP.

29. A Due Diligence Report (DDR) needs to be prepared if the land for the subproject has been acquired and no RP is prepared, or sub-project is in the existing facilities owned by the local government responsible for the sub-project. The DDR or compliance audit is to determine actions were in accordance with the provisions in the RF. Where non-compliance is identified, a corrective action plan (CAP) agreed on by ADB and the EA will be prepared. The CAP will define necessary remedial actions, budget, timeline of implementation to address the compliance issues.

30. **Meaningful consultations** should be conducted with APs and concerned parties including communities, local government agencies, and NGOs to ensure participation through planning, implementation, and monitoring. Particular attention will be provided to gender and the needs of vulnerable groups and ensure their participation in consultations.

31. **Budget.** Costs related to land acquisition and IR safeguard will be financed by the local government, while temporary impact during construction need to be addressed by the contractors in coordination with the local government.

32. **Implementation arrangements and capacity building.** The EA with will be responsible for overall coordination, policy direction, and administration of project activities, including those related to social safeguards. Specific to resettlement, the Central Project Management Unit (CPMU) will monitor RP preparation and implementation activities with the support of the social safeguard consultants. The project contractors will be responsible to handle project impacts during construction including provide compensation for any damaged or lost assets set forth in the RP and DDR. The contractor will also be responsible to receive and resolve the grievance in collaboration with the local government.

33. **Grievance Redress Mechanism.** The PMU and Local Government shall ensure that an efficient grievance redress mechanism is in place and functional to assist the affected persons and other stakeholders in resolving queries and complaints, if any, in a timely manner. All complaints are registered and resolved in a manner consistent with the provisions of GRM detailed in the RF or RP or DDR. The complainants are kept informed about status of their complaints/grievances and remedies available to them. The procedures to file a complaint and the contact person(s) are disclosed by the PMU and contractor at construction sites on billboards prior to the start of land acquisition and resettlement activities, and construction works.

B. Indigenous Peoples

34. The project is classified as category C for indigenous peoples in accordance with ADB safeguard policy. The project is not expected to have any impact on indigenous people as it is not implemented in the areas with prevalent indigenous communities. It will not directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples or affect the territories of natural or cultural resources that indigenous peoples own, use, occupy, or claim as their ancestral domain.

C. Environmental Impacts.

35. There should be no overall significant adverse environmental impacts. However, temporary, transient adverse impacts can be expected during the construction phase and can be addressed through proper engineering design and incorporation of the identified mitigation measures. Permanent damage to the environment by the Project depends on the quality of O&M work to be carried out. As such, the operation of sanitary facilities, and not construction mitigation and monitoring efforts, will be of significance to determine positive environmental effects in the long-term. Environmental Management Plans (EMP) detailing the mitigation measures and monitoring plan during pre-construction, construction and operation phases have been prepared. Affected persons will be informed in advance about potential risks during construction (such as traffic accidents, loss of business, flooding etc.) and about the mechanisms that exist to address any grievances.

VIII. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Reduced environmental pollution in the participating cities.</p>	<p>A total of 2.7 million people will have access to improved sanitation from existing and new facilities in both Medan and Yogyakarta^a</p> <p>In the urban areas benefitting from the Project, at least 30% reduction of diarrheas among children 1-5 years old.</p>	<p>National statistics (SUSENAS).</p> <p>Health centers (puskesmas) data in the Project areas.</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Central and local governments continue to prioritize reduction of environmental pollution in urban areas. • Grant resources to be mobilized for surveys (base- line and at Project completion).
<p>Outcome Increased access of the population to improved wastewater services in the participating cities.</p>	<p>Existing Project: Medan: increase in population with access to sewer connections from 2.6% in 2008 to 5% in 2014</p> <p>Yogyakarta: increase in population with access to sewer connections from 6% to 13% in 2014</p> <p>Revised Project: Medan: increase in population with access to sewer connections from 2.6% in 2008 to 5% in 2020</p> <p>Yogyakarta: increase in population with access to sewer connections from 6% to 13% in 2020</p>	<p>Data on sanitation provided by CPMU.</p> <p>National statistics (SUSENAS)</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • City governments sufficiently resourced to implement project • Urban communities committed to connect to sewer system • Wastewater tariffs cover at least O&M cost <p>Risks</p> <ul style="list-style-type: none"> • Delay in project implementation • Awareness programs not timely implemented
<p>Outputs 1. Community Mobilization for Improved Health and Hygiene implemented.</p>	<p>Existing Project: 280 community-based sanitation facilities completed by end of 2014.</p> <p>At least 30% participation rate of women in CIT in planning and decision – making of sanitation facilities development by 2013</p> <p>Revised Project:</p>	<p>Data provided by CPMU</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Continued commitment of city governments • Communities are mobilized and willing to implement facilities <p>Risks</p> <ul style="list-style-type: none"> • Slow progress in community mobilization

<p>2. Infrastructure Development for Sewerage completed.</p>	<p>100 communal sanitation facilities completed by end of 2020.</p> <p>At least 30% participation rate of women in CIT in planning and decision – making of sanitation facilities development by 2020</p> <p>Existing Project: Medan: increase the number of sewer connection from 11,200 (2008) to 24,500 (2014).</p> <p>Yogyakarta: increase the number of sewer connection from 10,100 (2008) to 24,800 (2014)</p> <p>Revised Project: Medan: increase the number of sewer connection from 11,200 (2008) to 24,500 (2020).</p> <p>Yogyakarta: increase the number of sewer connection from 10,100 (2008) to 24,800 (2020)</p>		
<p>3. Project Implementation and Capacity Development Support completed</p>	<p>Existing Project: Project implemented by 2014.</p> <p>Capacity development completed by 2014; at least 40% of participants are women.</p> <p>Revised Project: Project implemented by 2020.</p> <p>Capacity development completed by 2020; at least 40% of participants are women.</p>		
<p>Activities with Milestones</p> <p>1.1 Community mobilization and empowerment for communal sanitary facilities by 2020. 1.2 Construction of community-based sanitation facilities by 2020.</p> <p>2.1 Award of goods and civil works contracts (sewerage) by early 2011 and 2018.</p>		<p>Inputs</p> <ul style="list-style-type: none"> • ADB \$35.00 million • Government \$28.25 million • Consultants 549 	

2.2 Completion of rehabilitation and construction of sewerage system by 2020.	person months.
2.3 Completion of decentralized wastewater treatment facilities for low cost public housing by 2017.	
2.4 New customer connections to piped sewerage systems by 2020.	
3.1 Award of project implementation support contract by early 2011 and 2018.	
3.2 Completion of project implementation support contract by 2020.	

ADB = Asian Development Bank, CIT = community implementation team, CPMU = central project management unit, O&M = operation and maintenance.

^aYogyakarta includes the agglomeration of Kota Yogyakarta, Kabupaten Sleman, and Kabupaten Bantul (KARTMANTUL). Source: Asian Development Bank.

B. Monitoring

1. Project performance monitoring

36. To ensure that the Project will be implemented and managed effectively and that benefits are maximized, a draft project performance management system (PPMS) has been developed. At the start of project implementation, the EA and PMUs, with assistance of the project implementation consultant, will establish integrated PPMS procedures to generate data systematically for each of the components to be built. This will include updating of baseline data for specific project areas benefitting from the Project. The PPMS indicators for the Project will include: (i) incidence of water related diseases; (ii) number of people benefitting from the Project; (iii) increase in sewer connections; (iv) number of community based sanitation systems built; (v) percentage of women in CITs; and (vi) percentage of women participating in capacity development activities.

2. Compliance monitoring

37. The loan agreement specifies the following covenants: legal, financial, safeguard, and other covenants. These covenants are listed below:

a. Condition of Withdrawal from the Loan Account

38. No withdrawals will be made from the Loan Account until the Government will have established (a) the CPMU, including the appointment of the Project manager; (b) the two (2) PPMUs, including the appointment of the head of each PPMU; (c) the two (2) LPMUs, including the appointment of the head of each LPMU; (d) the CPSC; and (e) the two (2) PPSCs.

b. Financial

39. The Government will ensure adequate budgetary allocations and timely release of the required counterpart funds.

40. The Government through the Project Executing Agency will ensure that the relevant regional governments in the Participating Cities (a) set sewer tariff, by June 2020, at a level that will allow the O&M expenditures of piped sewerage services to be fully recovered through the tariff; and (b) continue thereafter to maintain the tariff at such level.

c. Project Assets

41. The Government through the Project Executing Agency will, upon completion of the civil works related to the sewerage system located in Kota Medan, transfer the ownership of the related

assets to the provincial government of North Sumatera in a manner consistent with the prevailing laws and regulations of the Government. Upon the transfer of ownership of the assets, the Government through the Project Executing Agency shall ensure that the provincial government of North Sumatera adequately finance the O&M expenditures of such assets.

42. The Government through the Project Executing Agency will, upon completion of the civil works related to the sewerage system located in Kota Yogyakarta, Kabupaten Sleman and Kabupaten Bantul, transfer the ownership of the related assets to the provincial government of Yogyakarta in a manner consistent with the prevailing laws and regulations of the Government. Upon the transfer of ownership of the assets, the Government through the Project Executing Agency will ensure that the provincial government of Yogyakarta adequately finance the O&M expenditures of such assets.

d. Social Impact

43. The Government will ensure (a) the implementation and monitoring of the measures included in the Gender Action Plan; and (b) that the resources for their implementation and monitoring will be made available in a timely manner. In particular, the Government will (a) provide equal opportunity for women to seek employment under the Project; (b) ensure that equal wages are guaranteed for men and women for work of equal value; (c) ensure that child labor shall not be allowed under the Project; and (d) ensure that appropriate labor standards are maintained.

e. Environment

44. The Government will ensure that the construction and operation of the Project facilities shall be carried out in accordance with (a) the initial environmental examinations prepared for the Project and approved by ADB; (b) the Government's environmental laws and regulations; and (c) ADB's *Environment Policy* (2002). In the event of discrepancy between the Government's laws and regulations, and ADB's *Environment Policy*, ADB's policy will prevail. The Government will also implement the environmental mitigation and monitoring measures, and other recommendations specified in the initial environmental examinations to minimize any adverse environmental impacts arising from the construction and operation of the Project facilities.

f. Involuntary Resettlement

45. The Government will ensure compliance with ADB's *Involuntary Resettlement Policy* (1995) and the provisions of the resettlement framework. In the event involuntary resettlement occurs under the Project, the Government will ensure the preparation of a resettlement plan and undertake other requirements according to the provisions of the resettlement framework.

g. Capacity Development

46. The Government through the Project Executing Agency will ensure that the regional governments in the Participating Cities implement capacity development measures to improve wastewater management practices and institutions involved in wastewater management.

3. Safeguards monitoring

a. Resettlement

47. None of the proposed components is expected to involve land acquisition. A resettlement

framework has been prepared to address potential issues, should they arise. Resettlement costs (if any) will be financed from the budgetary resources of the implementing agency (APBD-Provinsi or APBD-Kota), in case land acquisition is required. The PPMUs will serve as the Project's internal monitoring body and will provide information on resettlement through the quarterly progress reports to DGHS for consolidation in its periodic reporting to the ADB.

48. Strategic lessons for future policy formulation and planning will also be drawn from the monitoring and evaluation of potential resettlement, if needed. This is possible through a Post-Resettlement Implementation Evaluation Study that will be carried out 6-12 months following completion of all resettlement activities, funded by the Government.

49. The CPMU will submit quarterly social safeguards internal monitoring reports to ADB for review. The internal monitoring report will include updates on resettlement in its regular progress reports to ADB.

b. Environment

50. There should be no overall significant adverse environmental impacts. However, temporary, transient adverse impacts can be expected during the construction phase and can be addressed through proper engineering design and incorporation of the identified mitigation measures. Permanent damage to the environment by the Project depends on the quality of O&M work to be carried out. As such, the operation of sanitary facilities, and not construction mitigation and monitoring efforts, will be of significance to determine positive environmental effects in the long-term. Environmental Management Plans (EMP) detailing the mitigation measures and monitoring plan during pre-construction, construction and operation phases have been prepared. Affected persons will be informed in advance about potential risks during construction (such as traffic accidents, loss of business, flooding etc.) and about the mechanisms that exist to address any grievances.

51. The CPMU in coordination with PPMUs and LPMUs will be responsible for carrying out the environmental assessment process according to the national environmental legislation and to obtain environmental clearance from the relevant project approving authority (Environmental Agency) and ADB for environmental compliance before awarding contracts for the subcomponents. In both cities, the government agency in charge of the on-site sewerage projects related to government housing projects is DGHS. Sludge collection from on-site wastewater treatment (septic tank, communal STP, etc.) is the responsibility of *Dinas Kebersihan* in both Medan and Yogyakarta.

52. During construction, compliance monitoring will be conducted in accordance with the environmental monitoring plan. The CPMU will include information on environmental monitoring in the quarterly progress reports. In addition, the CPMU will prepare and submit semiannual environmental monitoring report to ADB for review. Should environmental conditions change during the implementation, the CPMU will also need to update EMP and prepare corrective action plan and submit them to ADB. The reports will be publicly disclosed in ADB website once the quality is acceptable to ADB.¹³ No later than 1 month before the completion of the construction work, the PPMU will collect material from all contractors and provide a construction completion report to the stakeholders. The environmental section of this report will indicate the timing, extent, and success of mitigation completed and the maintenance and monitoring needs during operations.

4. Poverty and Social action plans

¹³ As stated in the Safeguard Policy Statement of Asian Development Bank 2009

53. The Project will have a positive impact on communities' capacity to promote their own development. The communities' active involvement in selecting, planning, co-financing, and implementing project interventions, and being responsible for the outcomes and maintaining them, will result in their empowerment. The communities will subsequently be able to use these skills and social capital to undertake other community improvement activities of their choosing.

54. The Project has been designed to reduce or minimize the financial costs of installing sanitation improvements to poor households and low-income neighborhoods, by building into the project costs the costs of house link-ups to piped sewerage, and to covering most costs of communal septic tanks. Gender Action Plan (GAP) has been included in project design. The GAP aims to enhance women's ability to participate in decision making process of sanitation facilities development and to ensure that women and men in the project sites benefit equally from increased access to improved community-based sanitation and wastewater services. The Project will actively involve women as both implementers and beneficiaries and is designed to ensure that women are hired as key staff persons and as parts of facilitation teams.

55. Monitoring data on poverty and social action plans will be submitted to ADB together with the quarterly progress reports.

C. Evaluation

56. Following loan signing a project inception mission will be fielded, to confirm the working relationship between ADB and EA and PMU staff involved in the implementation of the Project. Progress under the Project will be subject to a formal review every 6 months by ADB, following loan effectiveness to enable adjustment of project design and implementation arrangements, where required. The review will address policy, institutional, administrative, organizational, technical, environmental, social, economic, financial, and other relevant factors that may have an impact on project performance and its continuing viability. A comprehensive midterm review is tentatively scheduled for 2012.

D. Reporting

57. The DGHS 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 AFSs, together with the associated auditor's report, should be adequately reviewed. Within 6 months of physical completion of the Project the DGHS will submit a project completion report to ADB.¹⁴

E. Stakeholder Communication Strategy

58. The Project has been prepared in close consultation with city sanitation working teams (CSWT) that were established by the participating city governments. The CSWTs assisted with the selection of target groups during the conduct of socioeconomic surveys and focus group discussions and provided feedback and information to stakeholders and the executing agency (EA).

¹⁴ Project completion report format available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-PublicSector-Landscape.rar>

During project implementation the CSWTs, in the form of city coordinating committees, will continue to play an important part by providing recommendations to the city governments concerning the planning and design of proposed sanitation projects, particularly regarding the selection of community-based sanitation components. In Indonesia, NGOs have historically played an important part in providing community infrastructure and the Project will involve such organizations from the start, particularly in the planning and implementation of community-based sanitation projects.

IX. ANTICORRUPTION POLICY

59. The Government will cause the Project Executing Agency to (a) undertake necessary measures to create and sustain a corruption-free environment for activities under the Project; (b) institute, maintain and ensure compliance with internal procedures and controls for activities under the Project, following international best practice standards for the purpose of preventing corruption, money laundering activities, and the financing of terrorists, and shall require all relevant ministries and agencies to refrain from engaging in any such activities; (c) where appropriate for the Project, comply with requirements of ADB's Anticorruption Policy (1998, as amended to date); and (d) where appropriate, ensure that relevant provisions of ADB's Anticorruption Policy are included in all bidding documents for the Project.

60. The Government acknowledges that in accordance with ADB's Anticorruption Policy and Integrity Principles and Guidelines, ADB will assess allegations of any alleged corrupt, fraudulent, collusive and coercive practices relating to the Project, and where appropriate, recommend administrative action for ADB to take to address such allegations. The Government will facilitate ADB's request to conduct any such investigation and will undertake the investigation with ADB, in accordance with procedures to be agreed between the Government and ADB.

61. Without limiting the generality of the preceding paragraph, the Government through the CPMU will have established within six (6) months of the loan effectiveness date, a website that discloses the use of the Loan proceeds, including details of contract awards. The website will be regularly updated within one (1) week of each award of contract.

X. ACCOUNTABILITY MECHANISM

62. 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.¹⁵

XI. RECORD OF PAM CHANGES

63. The PAM is a living document subject to change after ADB Board approval of the Project. It is concise yet informative, providing information related to project implementation along with the necessary procedures for the DGHS and the PPMUs to effectively implement and monitor the Project.

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

¹⁵ For further information see <http://compliance.adb.org/>.

65. The PAM was discussed with the Government and was endorsed during loan negotiation on July 2010.

66. In November 2019, the PAM was revised in several paras as follows:

- (i) Section I (Project Description) para 1: additional information on three times loan extension closing date
- (ii) Section II (Implementation Plan), B. Overall Project Implementation Plan: table revision to accommodate the extended loan closing date to 31 December 2020
- (iii) Section III (Project Management Arrangement): update on key persons involved in implementation and project organization structure (additional information on the newly formed office by the DGHS called Office of Settlement Infrastructure of North Sumatera (*Balai Prasarana Permukiman Wilayah Sumatera Utara*))
- (iv) Section IV (Cost and Financing): additional information on the procurement office at the provincial level (*Balai Pelaksana Pemilihan Jasa Konstruksi*) appointed by DGHS
- (v) Section V (Financial Management): change on the implementing agency for Medan sub-project, change on the agency responsible for asset handover, change on the type of disbursement from imprest account to direct payment.
- (vi) Section VI (Procurement and Consulting Services): update on the procurement plan
- (vii) Section VII (Safeguard): additional clauses on involuntary resettlement and indigenous people
- (viii) Section VIII (Performance Monitoring, Evaluation, Reporting and Communication), A. Project Design and Monitoring Framework: update on the target of completion year.

GENDER ACTION PLAN

Activities	Measures	Targets
Community Based Sanitation		
Community Mobilization Community Empowerment (Establishment of Community Implementation Teams/ [CIT])	<ul style="list-style-type: none"> • Ensure balanced representation of both genders in all consultation and socialization forums (including in activities related to social marketing, awareness campaign to eligible community groups and the development of the Community Action Plan/ CAP) • Organize separate consultations with women to ensure that they receive sufficient information about the project and create opportunities for them to voice their views, needs and preferences with regard to the project. • Ensure appropriate women representation in CITs • Provide training in administrative procedures and relevant skill development opportunities for female members of the CITs. • Present/ disseminate the Community Action Plans (CAPs) prepared by CIT in a separate meeting for women. Incorporate women's feedbacks in the proposal as necessary. • 	<ul style="list-style-type: none"> • At least 40% of participants in public consultation and socialization activities are women • Separate consultation and socialization meetings with women in the community on the project are conducted. • At least 30% of the CITs members are women • Training in administrative procedures and relevant skill development opportunities are provided at least for female members of the CITs in order to improve their capacity in implementing the project. • The CAP is presented/ disseminated in separate meeting/ forum for women. • The CAP addresses and accommodates different needs of women and men.
Construction/ upgrading of Communal Sanitary Facilities	<ul style="list-style-type: none"> • Consult women on the construction / upgrading of communal sanitary facilities (e.g. community sewerage systems, communal toilet/ washing/bathing units and communal septic tanks) • Whenever women are involved in the construction/ upgrading, ensure equal pay for work of equal value • Ensure adequate involvement and representation of women in the operation and maintenance (O&M) of the communal sanitary facilities 	<ul style="list-style-type: none"> • Separate consultation conducted with women on the construction / upgrading of communal sanitary facilities • Equal amount of payment received by male and female worker who undertake work of equal value • At least 30% of those are responsible for the O&M are women.
Promotion of Public Health Awareness (including the SHBC program)	<ul style="list-style-type: none"> • Consult women separately in the designing of SHBC trainings in order to accommodate women's preferences/ choices, especially those that are relevant to local needs • Ensure that the training and public awareness campaign materials are accessible and comprehensible to various groups in the community (i.e. some materials need to be visually/ pictorially oriented to assist those with limited literacy skills) • Conduct village campaigns related to personal, domestic and environmental hygiene. 	<ul style="list-style-type: none"> • Women are consulted/ involved in the design/ selection of SHBC trainings. • Training and public awareness materials can be accessed and understood by various groups in the community. • At least 40% participant in SHBC training are men • SHBC programs (including village campaign) designed and implemented in target villages.

Capacity Building, Institutional Development and Project Implementation		
<p>Institutional Capacity development in sanitation strategy development, management, operation and maintenance and financial skills.</p> <p>Capacity development in health and hygiene awareness raising and behavioral change program</p>	<ul style="list-style-type: none"> • Ensure a proportional number of female staffs are involved in the Project • Provide training on gender equality to city government staff (especially those are in charge of the project) to improve their understanding about gender concerns in sanitation and waste management and increase their capacity to implement the Project's Gender Action Plan. • Ensure sufficient participation of men (male staffs) in the gender equality training. • Ensure sufficient participation of women (female staffs) in all trainings provided by the Project. • The executing agency (EA) (CPMU) will hire full-time Gender and Social Development Specialist to supervise the implementation of Project Gender action Plan. 	<ul style="list-style-type: none"> • On average at least 30% of existing female government staff related to the Project are involved • Number of women and men attending gender awareness training will be monitored • At least 40% of participant in all training to be women • Full-time Gender and Social Development Specialist is mobilized by the EA (CPMU)
<p>Selection and capacity building of consultants/ community facilitators (CF)</p>	<ul style="list-style-type: none"> • Develop terms of reference (TOR) for project consultants and Community Facilitators that outlines specific tasks to enhance gender equality • Ensure sufficient representation of women among the CFs • Provide gender equality briefing/ trainings for consultants and community facilitators to improve their understanding about gender perspective and their capacity to implement the Project's Gender Action Plan sufficiently. • All gender related training programs and materials are assessed on gender perspective content prior to delivery. 	<ul style="list-style-type: none"> • The TOR of project consultants and community facilitators stated specific tasks to enhance gender equality. • At least 30% members of CF teams are women who receive the same salary as men • Specific gender trainings are developed and provided for relevant consultants in all levels (i.e. national, districts) and all community facilitators
<p>Monitoring and Evaluation</p>	<ul style="list-style-type: none"> • Gender sensitive indicators identified and incorporate in the Project Performance Monitoring System (PPMS) • Collect sex- disaggregated data on stakeholders' participation (e.g. community, government staffs) in Project activities. Ensure that information management of the Project support the collection of sex-disaggregated data. • Ensure that the sex-disaggregated data collected is properly analyzed and the analysis is included in the project progress report. Project gender specialist regularly conducts field visits and review progress in gender relevant activities and supervises community facilitators. 	<ul style="list-style-type: none"> • Gender sensitive indicators identified and incorporated in the PPMS. • Sex-disaggregated data on participation of men and women in project activities is collected (e.g. by CFs at village level) • Analysis of the sex- disaggregated data is included in project progress report. • Field visits and regular supervision for community facilitators are conducted and reported by the Project Gender Specialists.
<p>Resettlement</p>	<ul style="list-style-type: none"> • Ensure sufficient representation of women in local resettlement committee 	<ul style="list-style-type: none"> • At least 30% of participants in public consultation on land acquisition/ resettlement plan are women

Targets will be revisited during project implementation.