



Technical Assistance Report

Project Number: 51175-001
Transaction Technical Assistance Facility (F-TRTA)
July 2017

Pacific Urban Development Investment Planning and Capacity Development Facility

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
TA	–	technical assistance

NOTE

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

Vice-President	S. Groff, Operations 2
Director General	M.C. Locsin, Pacific Department (PARD)
Director	E. Veve, Urban, Social Development and Public Management Division, PARD
Co team leaders	S. Blaik, Principal Urban Development Specialist, PARD M. Vicedo Ferrer, Young Professional, PARD
Peer reviewer	J. Huang, Principal Urban Development Specialist, South Asia Department

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 51175-001	
Project Name	Pacific Urban Development Investment Planning and Capacity Development	Department /Division	PARD/PAUS
Nature of Activity	Project Preparation, Capacity Development, Policy Advice	Executing Agency	Asian Development Bank
Modality	Facility		
Country	REG		
2. Sector		ADB Financing (\$ million)	
✓ Water and other urban infrastructure and services	Urban flood protection		0.20
	Urban policy, institutional and capacity development		0.20
	Urban sanitation		0.40
	Urban sewerage		0.30
	Urban solid waste management		0.20
	Urban water supply		0.50
	Total		1.80
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Adaptation (\$ million)	1.00
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns Urban environmental improvement	Climate Change impact on the Project	Medium
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Urban	High
Household Targeting	No		
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		1.80	
Transaction technical assistance: Technical Assistance Special Fund		1.80	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		1.80	

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. The proposed transaction technical assistance (TA) facility will provide Pacific developing member countries (DMCs) with technical support and policy advice in urban development, capacity building, and project preparation for a series of ensuing projects, comprising: the Koror-Airai Sanitation Project Phase 2 (Palau), Urban Water Supply and Sanitation Development Sector Project (Solomon Islands), Port Vila Urban Development Project Phase 2 (Vanuatu), and Luganville Urban Development Project (Vanuatu).

2. The proposed TA will support the Pacific Approach 2016-2020 strategic priority of enabling value creation by promoting livable and economically vibrant urban areas, supporting projects that will help governments with long-term urban planning to ensure that services can be sustained, and encourage private sector and civil society organization involvement in the provision of urban infrastructure and services.¹ The proposed TA facility will also support the Pacific Approach to provide (i) stronger, better, faster project delivery through expanded use of regional approaches and faster delivery mechanisms, and (ii) improved generation and sharing of knowledge.

3. The Pacific region is rapidly urbanizing as a result of internal migration and natural population increase, with 44% of the Pacific's population, excluding Papua New Guinea, now living in urban areas. In the region's smallest countries, such as the Cook Islands, at least three out of every four residents are already urban dwellers. Larger DMCs that are still predominantly rural, such as Solomon Islands, have the highest urbanization growth rates, driving the growing interest to invest in urban infrastructure.

4. Urban growth in Pacific DMCs has been largely unplanned, resulting in inadequate basic urban infrastructure services such as water supply, sanitation, flood control, solid waste management and urban transport; and a shortage of affordable serviced land and housing². Squatter settlements are proliferating, natural resources are becoming overexploited, and increasing numbers of citizens are vulnerable to flooding and natural disasters. Reversing the deterioration in living conditions in the Pacific region's growing towns and cities is essential if they are to become livable and economically vibrant environments.

5. In the most rapidly urbanizing Pacific DMCs, the bulk of urban growth is taking place in unserviced informal settlements, particularly in peri-urban areas, often located on customary land, outside of town boundaries. In tourism-dependent economies, such as Palau, the lack of adequate urban environmental infrastructure to manage growing volumes of solid and liquid wastes is contributing to the degradation of the surrounding natural environment, which has the potential to undermine tourism growth. In small, low-lying atoll countries, such as the Marshall Islands, urbanization is increasing the exposure of people and critical urban assets to climate change risks.

6. The limited capacity to plan, prepare, manage, and coordinate urban investments; inadequate revenue streams to finance and maintain such investments; and poor accountability for the quality of urban service delivery all contribute to the challenge of promoting more sustainable urban development in Pacific DMCs. Many Pacific DMCs lack the strategies needed to sustainably plan and manage urban development in their cities and towns. Where strategies

¹ ADB. 2016. *Pacific Approach 2016 – 2020*. Manila.

² ADB. 2016. *The Emergence of Pacific Urban Villages. Urbanizations Trends in the Pacific islands*. Manila.

and plans for the urban sector do exist, preparation and implementation is often constrained by the lack of capacity and resources to undertake thorough investment preparatory work.

7. For example, lessons learned from previous urban projects in the Pacific pointed at the need to increase the capacity of institutions and staff as a necessary condition for sustainable water supply and sanitation operations. Low capacity exists within institutions and among decision makers where a basic understanding of water supply and sanitation operations is often lacking. Also, politicians and the public often hold common misconceptions. However, to assure sustainable projects, experience has shown that capacity building must accompany physical investments.³

8. Recent Asian Development Bank (ADB) urban-related TAs in the Pacific helped prepare sector analysis, reviewed urban policy and conducted project preparatory related assessments.⁴ The demand-driven approach and close consultations with host governments led to successful delivery of these output, however the largely single country focus did not encourage cross country learning and slowed ADB's response time to new requests. ADB continues to receive requests from Pacific DMCs to assist in project preparatory work addressing urban challenges, provide implementation support, technical advice, capacity development, and assist in knowledge production. The proposed Facility is designed to respond to these requests efficiently while leveraging a stronger knowledge outcome.

B. Outputs and Activities

9. **Output 1: Urban sector project feasibility and preparation assistance.** Technical expertise will be provided to Pacific DMCs to prioritize, plan, and prepare investments projects for potential ADB financing. This will include all kinds of necessary due diligences, assessment of technical suitability, economic, financial and social viability, capacity and institutional issues, address environmental and social safeguards, and identify measures to strengthen project implementation capacity for urban investment projects. This will enhance the efficiency of project preparation, address cross-cutting issues, and will reduce the transaction costs through minimizing the need for stand-alone transaction TAs. Detailed activities will include, when required: (i) feasibility studies required for the ensuing investment; (ii) economic analysis; (iii) financial management assessment, financial evaluation and financial analysis; (iv) gender analysis, collection of baseline data and gender action plans; (v) risk assessment and management plans; (vi) safeguards documents on environment, involuntary resettlement and indigenous peoples; and (vii) sector assessment.

10. **Output 2: Demand-driven urban technical advice, assessment, and capacity development.** Technical expertise, assessment, diagnostics, and other analytical work and capacity building support will be provided to Pacific DMCs to enhance urban investments sustainability, ad hoc diagnostic analysis, and financial planning (e.g. tariff review etc.). The TA facility will support policy dialogue and informed decisions and negotiations in designing regulatory frameworks and devising investment options. This will also cover independent peer reviews, collection and maintenance of accurate data required for policy formulation, regulation, and urban investment planning. These activities will be undertaken with the engagement of government staff and national institutions, through on-the-job training as well as participation in appropriate training opportunities, to help build country capacity and create a cadre of national staff who are familiar with the critical elements of preparing urban investments. ADB will evaluate

³ ADB. 2015. *Sustainability of Urban Water Supply and Sanitation Operations: Findings and Lessons*. Manila.

⁴ The outline terms of reference is provided as a linked document – see Appendix 3.

all government requests under this output. Requests should be linked to ongoing or immediately ensuing urban investments and programs within the core TA priority areas (but not necessarily linked to ADB potential investments) and should be outside the scope of ongoing assistance by other development partners.

11. Based on previous experiences, DMCs demands for urban technical advice have been focusing particularly on peer reviews of core capabilities of urban services operators, and independent audit of water supply systems, including: (i) technical inspection of infrastructure; (ii) review of water reliability; (iii) water quality; (iv) assessment of the knowledge and capability of local operators; (v) customer feedback and satisfaction; and (vi) work place health and safety standards in the operation of water systems.

12. **Output 3: Enhance knowledge sharing among Pacific DMCs.** The TA facility will support the organization of trainings, workshops, and conferences at the regional level, enhancing knowledge and lesson sharing among Pacific DMCs and regional urban apex bodies. The TA facility will also support, when required, the production of knowledge products, taking stock of lessons learned from urban legislative and policy formulation, infrastructure investment experiences, and human resource capacity development in the Pacific. In particular, the TA facility will support the Pacific Water and Wastewater Association in the organization of the annual Pacific Water Conference, and will work in close collaboration with ADB's Urban Sector Group to collect and disseminate appropriate lessons learned and knowledge products within ADB and to policy makers, line ministries, and urban planners in Pacific DMCs. Where applicable, the Pacific Water and Wastewater Association and the Pacific Regional Infrastructure Facility Water and Sanitation Sector Working Group may be mobilized to assist in this process. This output will help increase awareness of other countries' activities, and increase links and networking for future collaboration.

C. Cost and Financing

13. The TA facility is estimated to initially cost \$1.8 million, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-VI). The key expenditure items are listed in Appendix 2. The TA scope is expected to be expanded to cover other additional activities, consistent with the TA's outputs and outcome, and be replenished from time to time as funds are required and identified.

14. Governments will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, secretarial assistance, and other in-kind contributions. The governments were informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

15. The TA facility activities for preparing an ensuing project will start only after the relevant project concept paper is approved by ADB. Concept papers for ensuing projects listed in Appendix 2 are expected to be approved during the second half of 2017, starting with the project in Solomon Islands, which concept paper approval is expected in August 2017.

16. ADB Urban, Social Development and Public Management Division of the Pacific Department will administer the TA facility. ADB will be the executing agency responsible for consultant recruitment in close consultation with participating governments. Concurrence will be sought from participating governments for shortlisting of consultants. ADB's main government counterpart in each country will assist ADB in identifying the TA facility focal agency based on the

scope of the government's requests. The participating governments will mobilize key government staff and national organizations to participate in undertaking analytical work and other technical advice through on-the-job experience or appropriate training to help build country capacity for urban development. Close coordination will be maintained with resident missions, other development partners, and relevant regional organizations and bodies during TA facility implementation.

Table 1: Implementation Arrangements

Aspects	Arrangements
Indicative implementation period	August 2017–August 2022
Executing agency	ADB
Consultants	To be selected and engaged by ADB, through quality- and cost-based selection with a quality cost ratio of 90:10.
	Output based Minimum 1 package per project
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.

Source: Asian Development Bank.

17. The use of this TA facility for project feasibility and preparation assistance does not exclude the use of Project Design Advance (PDA) for preparation of project bidding documents, surveys, procurement support, preparation of detailed designs as well as project management and supervision.

18. **Consulting services.** The proposed TA facility will finance international and national consulting services on an output basis. It is expected to recruit consulting firms to deliver project feasibility and preparation assistance (output 1) and individual consultants to deliver demand-driven technical advice and capacity developments (outputs 2 and 3). Unless there is a justification to use indefinite delivery contracts, outputs based contracts in accordance with ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time) will be used. The consultants will consist of urban development specialists as primary experts, including financial, business, legal, social, environmental, gender expertise, and other experts as required. The experts will have experience in their respective fields and demonstrate sound technical knowledge of urban development issues.⁵ Disbursements under the TA facility will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The TA facility will be implemented over 60 months, commencing in August 2017.

E. Governance

19. Since ADB is the executing agency, the financial management, procurement and integrity risks during TA implementation are assessed to be low. However, thorough risk assessments for financial management, procurement, and integrity for ensuing investment projects implemented in any of the target countries will be conducted under the TA.

⁵ The outline terms of reference for the consultants form a Linked Document (Appendix 3).

II. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,800,000 on a grant basis for the Pacific Urban Development Investment Planning and Capacity Development Facility, and hereby reports this action to the Board.

Takehiko Nakao
President

Date

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants ^b	1,250.0
2. Surveys	200.0
3. International and local travel	150.0
4. Training, seminars, and conferences	150.0
5. Contingencies	50.0
Total	1,800.0

Note: The technical assistance (TA) is estimated to cost \$1,800,000, of which contributions from the Asian Development Bank are presented in the table above.

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

^b Total consulting firm outputs (lump sum), which encompasses all costs incurred by the firm to deliver the TA outputs, including travel expenses, remuneration and per diem, reports and communications, out-of-pocket expenditures and other costs.

Source: Asian Development Bank estimates.

PROJECTS UNDER TECHNICAL ASSISTANCE FACILITY

Table A2.1: Indicative budget allocation per output
(\$'000)

Item	Total	Output 1	Output 2	Output 3
Initial budget allocation	1,800.0	1,500.0	150.0	150.0

Source: Asian Development Bank estimates.

Table A2.2: Indicative budget allocation per project (Output 1)
(\$'000)

Item	Total	PAL Koror-Airai Sanitation Project Phase 2	VAN Luganville Urban Development Project	SOL Urban Water Supply and Sanitation Development Sector Project	VAN Port Vila Urban Development Project Phase 2
Indicative risk category		Low Risk	Low Risk	Complex	Low Risk
Cost estimate	1,750.0	200.0	500.0	800.0	250.0
Initial budget allocation ¹	1,500.0	200.0	400.0	800.0	100.0

Source: Asian Development Bank estimates.

¹ Additional financing for the TA may be required to fully cover the estimated cost to prepare all the planned projects.

LIST OF LINKED DOCUMENTS

1. Outline Terms of Reference for Consultants
2. Risk Assessment and Risk Management Plan

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. JUSTIFICATION

1. The TRTA will assist PMDCs to strengthen capacity and policy for urban development, capacity building and support the preparation of urban and water sector projects in PMDCs. The TRTA will support Pacific DMCs to objectively analyze the costs and benefits of available urban investment options, to plan, design and prioritize investments, assess technical suitability, economic, financial and social viability, capacity and institutional issues, address environmental and social safeguards and, identify measures to strengthen project implementation capacity of urban investment projects. At the same time, the countries need to develop institutional, policy and human resource capacity to effectively plan and manage urban investments, so that social and economic benefits are maximized. The proposed TRTA will serve as a facility to support Pacific DMCs in making informed and strategic decisions on urban investments by supporting necessary activities such as capacity development, training, knowledge sharing and dissemination, technical advice, peer reviews etc.

2. Detailed terms of reference will be formulated for each output category on a case-by-case basis. The Asian Development Bank (ADB) will evaluate government requests for assistance based on (i) government commitment to pursue urban development projects; (ii) relevance and links to ongoing and forthcoming urban investment and programs in the country; (iii) complementarity with development partners; and (iv) capacity to mobilize the full participation of government staff and national organizations from concerned areas who will take part in the TRTA activities through on-the-job and other training. ADB, through the Pacific Department, will coordinate the overall TRTA activities working closely with resident missions and other development partners.

3. These terms of reference are output based as opposed to traditional input-based terms of reference. The consulting firms are requested to focus on proposing how to produce and deliver the required outputs of high quality rather than on proposing quality inputs for the consulting service. The consulting firms (recruited through quality- and cost-based selection with a quality cost ratio of 90:10) will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The consultants may include urban development specialists, engineers, financial management specialist, public-private partnership specialists, legal draftspersons, social safeguards specialist, environmental specialists, gender specialist, communications and awareness specialists, hygiene awareness specialists, and other experts as required. The experts will have experience in their respective fields and demonstrate sound technical knowledge of urban development issues. Disbursements under the TRTA will be made in accordance with ADB's Technical Assistance Disbursement Handbook (as amended from time to time). The TA will be implemented over 60 months, commencing on August 2017 and the TA funds may be replenished through additional financing.

B. MAJOR OUTPUTS

4. **Output 1: Demand-driven project preparation assistance.** The TRTA will provide support and technical expertise to Pacific DMCs to plan, design and prioritize investments, assess technical suitability, economic, financial and social viability, capacity and institutional issues, address environmental and social safeguards and, identify measures to strengthen project implementation capacity of urban investment projects.

5. **Output 2: Demand-driven urban technical advice, assessment and capacity development.** Selected consultants will provide capacity building support and technical expertise in assessment, diagnostics, and other analytical work to Pacific DMCs to enhance urban investments sustainability, ad hoc diagnostic analysis and financial planning (e.g. tariff review etc.) Consultants will provide technical advice when required to support informed decisions and negotiations in designing policy and regulatory framework and devising investment options. This will also cover collection and maintenance of accurate data required for policy formulation, regulation, and urban investment planning. These activities will be undertaken with the engagement of government staff and national institutions, through on-the-job training as well as participation in appropriate training opportunities, to help build country capacity and create a cadre of national staff who are familiar with the critical elements of preparing urban investments.

6. **Output 3: Enhance knowledge sharing among Pacific DMCs.** The TRTA will support the organization of trainings, workshops and conferences at the regional level, enhancing the knowledge and lessons learned sharing among Pacific DMCs and regional urban apex bodies. Selected consultants will support, when required, the production of knowledge products, taking stock of lessons learned from urban legislative and policy formulation, infrastructure investment experiences, and human resource capacity development in the Pacific. Knowledge products will be disseminated to policy makers, line ministries, and urban planners. This output will help increase awareness of other countries' activities, and increase links and networking for future collaboration.

7. **Monthly reports.** The consultants should prepare and submit monthly progress reports and/or other outputs as required by ADB.

8. **Final report.** The consultants should prepare a draft final report for review by key stakeholders. The final report should include a proposed project implementation schedule for any ensuing investments. Following the review of the draft, the consultants will incorporate comments and suggestions into the final report.

C. Required qualifications, experience and attributes.

9. The proposing entities will determine the number and the nature of experts they will require to achieve the objectives of the contract, in accordance with their proposed approach and methodology. However, ADB requires a minimum of one key expert (the team leader and project management specialist, 1 person-month), who will have a bachelor's degree in engineering or project management and at least 20 years' water and/or urban development experience with at least the last 10 in a senior leadership capacity, including demonstrated experience in the development of water supply and sanitation schemes and/or urban development. Knowledge of ADB procurement and reporting procedures and developing nation experience is essential. The team leader and project management specialist will be responsible for ensuring satisfactory performance of the consulting firm consultants and will report to ADB.

10. In addition to the above required key expert, the consulting firms should also include in their technical proposal, in the personnel work plan, and in their financial proposal, all other non-key experts required in accordance with their proposed approach and methodology. The proposing entity must also determine and indicate the number of person-months for which each key or non-key expert will be required.

11. All experts engaged under the contract, whether key or non-key experts, must be citizens of ADB eligible countries.

12. The consulting firms must have demonstrated experience in the following areas: (i) contract management of water supply and sanitation projects and/or urban development projects, (ii) planning and design of water supply and sanitation schemes, (iii) quality assurance and quality control, systems, (iv) environmental requirements for civil infrastructure development, (v) organizational change management and capacity building in water utilities and/or urban development, (vi) electronic project scheduling, (vii) project financing for water supply schemes, and (viii) health and safety in the workplace.

D. Preparation of proposals

13. Only one curriculum vitae must be submitted for each key and non-key expert included in the proposal. Only the curricula vitae of key experts will be scored as part of the technical evaluation of proposals. The curricula vitae of non-key experts will not be scored. However, ADB will review and individually approve or reject each curriculum vitae for each non-key expert position in the proposal.

RISK ASSESSMENT AND RISK MANAGEMENT

Risk Description	Rating	Mitigation Measures	Responsibility
1. Unexpected economic shocks or natural disasters change national level priorities which hinder the implementation of updated policies and plans and/or impact investment preparations.	S	Sustained engagement with the target countries' governments and a flexible approach to respond to any changed priorities due to political economy or natural disasters will ensure successful TA implementation.	ADB, TA Consultants
2. Inadequate ownership and participation of key government agencies and staff to support processing and implementation of policy and planning updates and investment proposals.	M	Consult with central planning ministries and ministries responsible for the delivery of water, sanitation and urban development issues, confirm the scope of project preparation and targeted investments needed in each country.	TA Consultants
3. Inappropriate procurement modes are used for ensuing investment projects	M	A procurement specialist will be engaged to carry out procurement assessments and procurement plans, and will develop master bidding documents and requests for proposal documents.	TA Consultants
4. Bid evaluation and consultant selection processes for ensuing investment projects are improperly administered.	M	Ensuing project investment proposals will require procurement support through established project management units.	Government, ADB

H = High, S = Substantial, M = Moderate, L = Low