

Project Administration Manual

Project Number: 51297-001

Loan Number:

August 2018

Democratic Socialist Republic of Sri Lanka:
Urban Project Preparatory Facility

ABBREVIATIONS

ADB	–	Asian Development Bank
AFS	–	audited financial statements
CEA	–	Central Environmental Agency
DMF	–	design monitoring framework
DPC	–	design and procurement consultant
EARF	–	environmental assessment review framework
EIA	–	environmental impact assessment
EMP	–	environmental management plan
ERD	–	External Resource Department
GDP	–	gross domestic product
IEE	–	initial environmental examination
IPP	–	indigenous people plan
IPPF	–	indigenous people plan framework
LGESP	–	Local Government Enhancement Sector Project
LIBOR	–	London inter bank offered rate
	–	Ministry of Megapolis and Western Development
MMWD	–	Ministry of Provincial Councils, Local Government and
MPCLGS	–	Sports
NPD	–	National Planning Department
NSC	–	National Steering Committee
NWSDB	–	National Water Supply and Drainage Board
O&M	–	operation and maintenance
PAI	–	project administration instructions
PAM	–	project administration manual
PIU	–	project implementation unit
PMU	–	project management unit
PSC	–	Provincial Steering Committee
QCBS	–	quality- and cost-based selection
RDA	–	Road Development Authority
SOE	–	statement of expenditure
SPRSS	–	summary poverty reduction and social strategy
SPS	–	Safeguard Policy Statement
TA	–	technical assistance
TOR	–	terms of reference
UDA	–	Urban Development Authority
UPPF	–	Urban Project Preparatory Facility

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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 the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The executing agencies, Ministry of Provincial Councils, Local Government and Sports and Ministry of Megapolis and Western Development are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the loan agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement, the provisions of the loan agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

I. PROJECT DESCRIPTION

1. The proposed Urban Project Preparatory Facility (UPPF) will strengthen project readiness and institutional capacity in the urban sector by (i) completing advanced feasibility studies and detailed designs for urban projects with climate and disaster resilience and gender-friendly features;¹ (ii) providing advanced implementation support through preparation of bidding documents for advanced contracting, and safeguard documents; and (iii) strengthening institutional capacities of implementing agencies during the inception period of project implementation.

2. **Sector performance and key issues.** Urban projects are complex and require significant upfront preparation. The Asian Development Bank (ADB) experience in Sri Lanka shows limited long-term strategic investment planning, weak engineering capacity in urban departments, and lengthy land acquisition² processes leading to: (i) a paucity of investment-grade projects ready for appraisal, (ii) slow start-up and implementation delays, (iii) multiple scope changes, (iv) cost overruns, and (v) delays in the delivery of benefits to the people.³ These factors contribute to slow moving projects.

A. Impact and Outcome

3. The project is aligned with the following impact: urban projects in strategic cities and towns implemented in a timely manner.⁴ The project will have the following outcome: high level of urban project readiness achieved.⁵

B. Outputs

4. **Output 1: Feasibility studies and detailed designs of urban subprojects completed.** This will include subprojects in up to 29 cities (four strategic cities under the Ministry of Megapolis Western Development [MMWD] and 25 secondary towns under the Ministry of Provincial Councils, Local Government and Sports [MPCLGS]) with climate and disaster-resilience and gender-friendly features completed.⁶ Subprojects will comply with agreed selection criteria outlined in Appendix 2.

5. **Output 2: Advance implementation support for two ensuing projects provided.**⁷ This will include (i) at least 30% of bidding documents for civil works contracts prepared and tendered before ADB loan fact finding mission for ensuing projects (footnote 1), (ii) safeguard documents prepared and disclosed for the 30% bidding documents, and (iii) gender action plans prepared before ADB loan fact finding missions for the two ensuing projects.

6. **Output 3: Institutional capacity of project agencies strengthened.** This output will be funded under the attached transaction technical assistance (TA) and will include: (i) capacity

¹ ADB. 2017. *Country Operations Business Plan: Sri Lanka, 2018–2020*. Manila. The facility will prepare two projects listed in 2020/2021: (i) Secondary Towns Sustainable Development Project (\$180 million) under the MPCLGS; and (ii) Western Megapolis Urban Infrastructure Development Project (\$200 million) under the MMWD.

² Land acquisition in Sri Lanka takes up to 1.5 years to complete.

³ This is accentuated when projects are dispersed across the country and partially managed by municipal entities.

⁴ Government of Sri Lanka. 2017. *Vision 2025: A Country Enriched*. Colombo.

⁵ The design and monitoring framework is in Appendix 1.

⁶ The four strategic cities are under the MMWD and the 25 secondary towns are under the MPCLGS.

⁷ The two ensuing projects are those listed in footnote 1.

building and implementation support for project management units (PMUs) and relevant project agencies⁸ covering procurement, contract management, safeguards, financial management, climate and disaster resilience, innovative approaches, project performance monitoring, urban governance, and gender mainstreaming conducted; (ii) a governance improvement program for ensuing ADB projects (footnote 1) designed; and (iii) guidelines for mainstreaming gender in the design of urban projects prepared and disseminated.

7. The facility will be implemented through two components: strategic cities (under MMWD) and secondary towns (under MPCLGS).

8. **Selection of local authorities and subprojects.** The local authorities selected through agreed criteria for the two components: (i) secondary towns, and (ii) strategic cities are given in Appendix 1. The criteria for selection of subprojects are given in Appendix 2. Subprojects would generally include integrated urban infrastructure facilities such as (i) urban roads, bridges, junction, and mobility improvements; (ii) urban drainage and sanitation; (iii) solid waste management; (iv) tourism and heritage conservation; and (v) markets.

⁸ Relevant agencies for capacity building include the MMWD, MPCLGS, National Planning Department (NPD), provincial councils, the Urban Development Agency, and local authorities.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Project Readiness Activities

Indicative Activities	Months										Responsibility	
	2018											
	3	4	5	6	7	8	9	10	11	12		
Advance contracting actions	—————										MPCLGS, MMWD	
Retroactive financing actions	—————										MPCLGS, MMWD	
Establish project implementation arrangements	—————											MPCLGS/MMWD
Fact finding mission		—										ADB
Loan Negotiation					—							ADB / Government of Sri Lanka
ADB Board approval								—				ADB
Loan signing									—			ADB / Government of Sri Lanka
Government legal opinion provided									—			Government of Sri Lanka
Government budget inclusion				—								Government of Sri Lanka
Loan effectiveness											—	ADB/ Government of Sri Lanka

ADB = Asian Development Bank, MPCLGS = Ministry of Provincial Councils, Local Government and Sports, MMWD = Ministry of Megapolis and Western Development.

Sources: Government of Sri Lanka and Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Table 3: Roles and Responsibilities of Organizations implementing the Project

Project Implementation Organizations	Management Roles and Responsibilities
1. Secondary Towns Component – Ministry of Provincial Councils, Local Government and Sports	
Executing Agency - Ministry of Provincial Councils, Local Government and Sports	<ul style="list-style-type: none"> (i) Guides and supports overall project implementation; (ii) Secretary chairs the NSC and Ministry Committee; (iii) Takes policy level decisions to facilitate project implementation; (iv) Coordinates with treasury for adequate counterpart funding; (v) Liaises with various ministries on matters under their jurisdiction; (vi) Approves projects for implementation; and (vii) Facilitates coordination with local authorities and monitoring.
Project Management Unit	<ul style="list-style-type: none"> (i) Coordinates and manages overall implementation of the project; (ii) Coordinates in finalization of projects with local authorities; (iii) Coordinates procurement of consultants and provide assistance to the cabinet appointed procurement committee; (iv) Manages project funds, make project payments and submit withdrawal applications; (v) Manages project accounts; (vi) Guides PIUs and the local authorities in implementation of the project; (vii) Reviews and approves designs, estimates, bid documents, bid evaluation reports and coordinates in getting required approval; (viii) Manages the consultancy contracts; (ix) Coordinates in conducting of all capacity development programs; (x) Ensures compliance to ADB safeguards and loan covenants, including preparation of relevant safeguard documents for follow-on ADB projects; (xi) Submits progress reports and audit reports as required by ADB; (xii) Works towards achieving planned impact, outcome and outputs; and (xiii) Updates project document (Project Administration Manual, Procurement Plan, etc.) as when necessary
National Steering Committee ^a	<ul style="list-style-type: none"> (i) Reviews the progress of the works regularly and suggests remedies on issues impeding the progress of the project; (ii) Takes policy decisions on the project implementation in line with guidelines of the donor agency; (iii) Sorts out issues with the stakeholder agencies through appropriate decisions in the committee meetings;

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> (iv) Reviews of the progress on capacity building measures in the project local authorities; and (v) Reviews and ensures that the conditions of loan agreements (Loan Covenants) and the project outcomes and output indicators are met.
Project Implementation Unit at province level with project cell at local authority level	<ul style="list-style-type: none"> (i) Works towards implementation of the subproject in the province and/or local authorities; (ii) Manages the consultants and coordinates finalization of the project designs, procurement documents, and safeguards documents; (iii) Undertakes all procurement activities; (iv) Submits regular progress reports to PMU.
Provincial Steering Committee	<ul style="list-style-type: none"> (i) Reviews the progress of the works regularly and suggests remedies on issues impeding the progress of the project; (ii) Sorts out issues with the stakeholder agencies through appropriate decisions in the committee meetings; (iii) Reviews of the progress on capacity building measures in the project local authorities of the province; and (iv) Reviews and ensures that the conditions of loan agreements (Loan Covenants) and the projects outcome and output indicators are met in respect to targets related to respective province.
ADB	<ul style="list-style-type: none"> (i) Supervises overall project implementation; (ii) Reviews procurement, disbursement documents, progress reports, and advise accordingly; (iii) Undertakes project review regularly and field sreview missions at least twice in a year; and (iv) Disburses project funds as required.
2. Strategic Cities Component – Ministry of Megapolis and Western Department	
Executing Agency - Ministry of Megapolis and Western Development.	<ul style="list-style-type: none"> (i) Guides and supports overall project implementation; (ii) Secretary chairs the NSC and Ministry Committee; (iii) Takes policy level decisions to facilitate project implementation; (iv) Coordinates with treasury for adequate counterpart funding; (v) Liaises with various ministry on matters under their jurisdiction; (vi) Approves projects for implementation; and (vii) Facilitates coordination with and monitoring.
Project Management Unit	<ul style="list-style-type: none"> (i) Coordinates and manages overall implementation of the project; (ii) Coordinates in finalization of projects with local authorities; (iii) Coordinates procurement of consultants and provides assistance to the cabinet appointed procurement committee; (iv) Manages project funds, makes payments and submits withdrawal applications; (v) Manages project accounts; (vi) Guides PIUs and the local authorities in implementation of the project;

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> (vii) Reviews and approves designs, estimates, bid documents, bid evaluation reports and coordinates in getting required approval; (viii) Manages consultancy contracts; (ix) Coordinates the conduct of all capacity development programs; (x) Ensures compliance with project safeguards and loan covenants; (xi) Submits progress reports and audit reports as required by ADB; (xii) Works towards achieving planned impact, outcome and outputs; and (xiii) updates project document (Project Administration Manual, Procurement Plan) as necessary.
National Steering Committee	<ul style="list-style-type: none"> (i) Regularly reviews the progress of the works and suggests remedies on issues impeding the progress of the project; (ii) Takes policy decisions on the project implementation in line with guidelines of the donor agency; (iii) Sorts out issues with the stakeholder agencies through appropriate decisions in the committee meetings; (iv) Reviews progress on capacity building measures in the project local authorities; and (v) Reviews and ensures that the conditions of loan agreements (Loan Covenants) and the project outcomes and output indicators are met.
Project Implementation Units at the local authorities	<ul style="list-style-type: none"> (i) Works towards implementation of the subproject in the province and/or local authorities; (ii) Supports and manage the consultants and coordinate finalization of the project designs, procurement documents, safeguard documents; (iii) Undertake all procurement activities; and (iv) Submits regular progress reports to PMU.
Local Coordination Committee	<ul style="list-style-type: none"> (i) Regularly reviews the project progress and takes necessary actions on project implementation issues within its authority; (ii) Enhances collaboration among relevant departments and organizations; (iii) Expedites decision-making processes with an aim at achieving intended project output and outcome; and (iv) Monitors the implementation of reform and/or capacity building measures by local authorities and provides necessary guidance for effective implementation.
Project Local Authorities and other Partner Agencies	<ul style="list-style-type: none"> (i) Ensures full involvement and engagement with the project (identification of subprojects, project designs) as main beneficiary of the project; (ii) Supports the PMU and the PIUs in all stages of the project; (iii) Supports stakeholder consultation activities at all stages; (identification, feasibility and implementation); (iv) Supports project consultants in feasibility and design by providing required information available with them;

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> (v) Supports PIUs, PMU and consultants in finalization of the project designs, procurement documents, safeguard documents; (vi) Supports all baseline studies by providing the available information; (vii) Participates in the local coordination meetings; (viii) Implements all reforms and/or capacity building actions jointly suggested by the project; (ix) Undertakes any activity that is required for smooth project implementation; (x) Writes to the government for the required staff and gets required staff for project implementation, operation and maintenance of assets created; (xi) Plans proper utilization, operation and maintenance of assets created; and (xii) Manages the assets created through the investment of the project.
Sector Specific Technical Working Group	<ul style="list-style-type: none"> (i) Reviews the work of consultants (design, procurement documents) and advises PMU and consultants accordingly; (ii) Meets regularly and reviews the technical issues in implementation and advise the PMU accordingly; and (iii) Advises Technical Evaluation Committee in finalization of the designs, estimates and bid documents.
Urban Development Authority under Ministry of Megapolis and Western Development	<ul style="list-style-type: none"> (i) Actively engages in subproject planning; (ii) Facilitates subproject selection and planning in accordance with prepared plans and/or plans being prepared by UDA; (iii) Provides all data, information, reports and/or documents available with them for the purpose of project finalization, feasibility and planning; (iv) Provides all support for smooth implementation of the project overall; and (v) Participates in review meetings and provide technical inputs.
ADB	<ul style="list-style-type: none"> (i) Supervises overall project implementation; (ii) Reviews procurement, disbursement documents, progress reports, and advises accordingly; (iii) Undertakes project review regularly and fields review missions at-least twice in a year; and (iv) Disburses project funds as required.

ADB = Asian Development Bank; NSC = National Steering Committee, PIU= project implementation unit; PMU = project management unit; UDA = Urban Development Authority.

^a An inter-ministerial committee, chaired by Secretaries of MPCLGS and MMWD, will meet periodically to review overall facility progress. Invited members are those stakeholders related to the facility and overall urban sector.

Sources: Ministry of Provincial Councils, Local Government and Sports and Ministry of Megapolis and Western Development.

B. Key Persons Involved in Implementation

Executing Agency

Ministry of Provincial Councils
Local Government and Sports

Officer's Name: Mr. H.T. Kamal Pathmasiri
Position: Secretary, MPCLGS
Telephone: +94 11 2329673
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Office Address: 330, Union Place Colombo 02
Officer's Name: Mr. M.M. Nayeemudeen
Position: Additional Secretary (Projects and Planning)
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Office Address: 330, Union Place Colombo 02

Executing Agency

Ministry of Megapolis and
Western Development

Officer's Name: Mr. Nihal Rupasinghe
Position: Secretary
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Mission Leader

Staff Name: Mr. Ron H. Slangen
Position: Senior Urban Development Specialist
Telephone No.+94 11 445 5455
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C. Project Organization Structure

9. The project organization structure for both the components are given as below.

10. **Secondary Towns Component: Ministry of Provincial Councils, Local Government and Sports.** The MPCLGS will be the executing agency for this component. A dedicated project management unit (PMU) will be established in MPCLGS. There will be four dedicated project implementation units (PIUs) located at the provincial level headed by a Provincial Project Director ex-officio Commissioner of Local Government and supported by administration, engineering, finance and safeguard staff. Table 4 shows composition of the PMU and PIU staff. The PIU Cell in the local authorities headed by secretary/ commissioner of local authority will support the project implementation of the respective local authorities. At central level, a national steering committee (NSC) will be constituted with Secretary of the ministry as the Chairperson. The Chief Secretaries, Commissioners of Local Government of all provinces, senior officials of the MPCLGS, officials of National Planning Department (NPD), External Resources Department (ERD), Department of Project Management and Monitoring (DPMM), National Budget Department, Urban Development Authority (UDA) will be the members of NSC. The Project Director will be the member convener. The Chairman of the committee can include any other member required for the project. For guidance and approval of routine matters, a Ministry Committee will be constituted with Secretary of the ministry as the chairperson and senior officials of the ministry as members. The Provincial steering committees (PSCs) will be constituted at each province for review of the progress of projects at the province and guide project implementation. The PSC will be chaired by Chief Secretary of the respective province. The Secretary of Local Government of the province, government agents, Commissioner and Assistant Commissioners of Local Government, commissioners/ secretaries of local authorities as its members. The chairpersons of the committees can invite any relevant officers as invitees to the meeting. The schematic representation of the project organization is given in Figure 1 below. Department of Project Management and Monitoring will also review the progress of the project on a regular basis

**Figure 1: Project Organization Structure - Secondary Towns Component
– Ministry of Provincial Councils, Local Government and Sports**

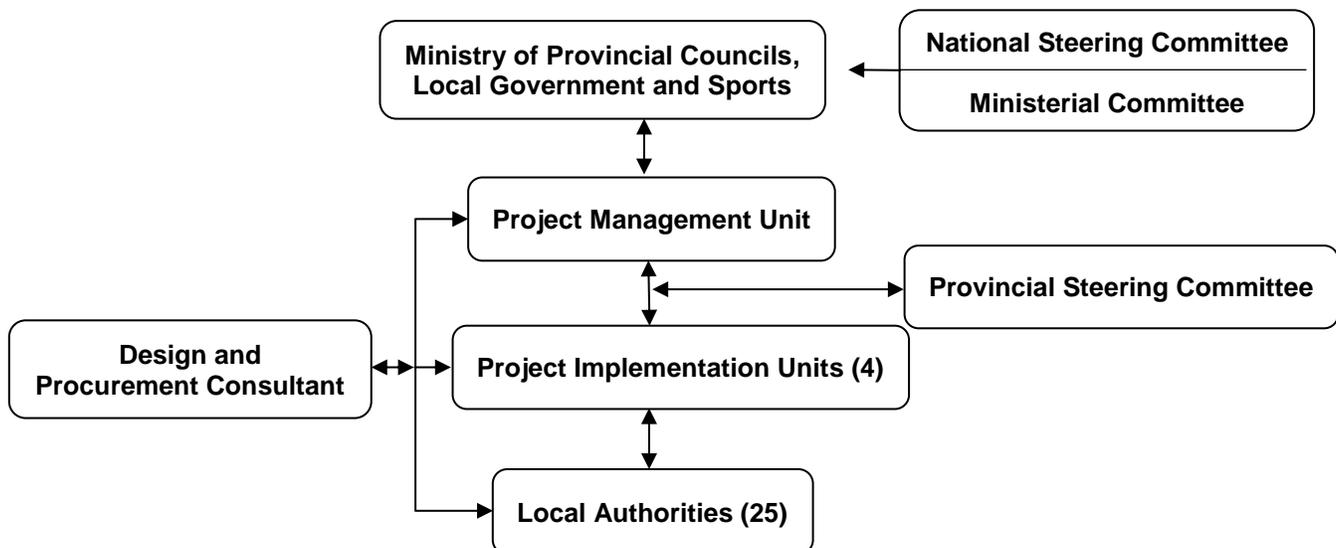


Table 4: Project Management Unit and Project Implementation Unit Composition for Secondary Towns Component

PMU Structure	PIU Structure (One Per Sub Team) - 4
1. Project Director	1. Deputy Project Director
2. Deputy Project Director	2. Senior Engineer
3. Procurement Specialist	3. Safeguard Manager (Social)
4. Reform/ Capacity Building Manager	4. Safeguard Manager (Environmental)
5. Senior Engineer	5. Accountant
6. Project Accountant	6. Project Secretary
7. Project Secretary	

PIU = project implementation unit, PMU = project management unit.

11. The Government of Sri Lanka shall ensure that the implementation arrangements described above will continue and PMU, NSC, Ministry Committee, PSC and PIUs will fully and effectively carry out their respective functions in support of the project.

12. **Strategic Cities Component: Ministry of Megapolis and Western Development.** The MMWD will be the executing agency for this component. A dedicated PMU will be established at the MMWD for overall management of the facility. The PMU would be supported by four PIUs at each local authority headed by a Project Manager and supported by administration, engineering, finance and safeguard staff. Table 5 shows the composition of the PMU and PIUs. At central level, an NSC will be constituted with Secretary of the ministry as the Chairperson. The Chief Secretaries of respective provinces, secretaries of related ministries, Commissioners of Local Government of all provinces, officials of NPD, ERD, Department of Project Management and Monitoring, National Budget Department, UDA, and Road Development Authority (RDA) will be the members of NSC. The Project Director will be the member convener. The Chairman of the committee can include any other member required for the project. For guidance at local level, local coordination committees (LCCs) will be constituted at each city level for review of the progress of projects for each city and guide project implementation with Chief Secretary of the province and the District Secretary of respective district as co-chairpersons. The Mayor/ Chairperson of respective project city, Commissioner/ Secretary of respective city, senior officials of provincial engineering department, UDA, RDA, tourism department, transport board, police department, NWSDB, Central Environmental Agency (CEA) and Archeology will be the members. The schematic representation of the project organization is given in Figure 2 below. The Department of Project Management and Monitoring will also review the progress of the project on a regular basis.

Figure 2: Project Organization Structure - Strategic Cities Component - Ministry of Megapolis and Western Development

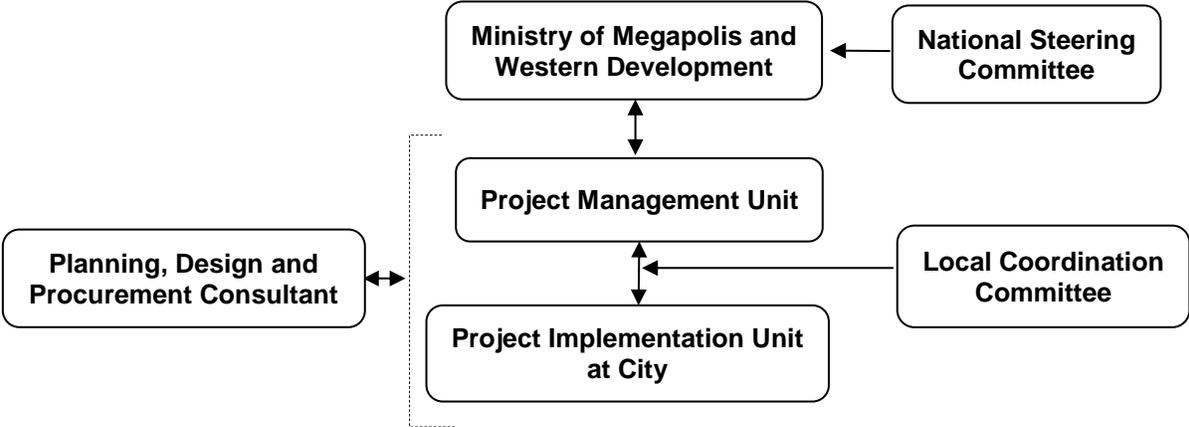


Table 5: PMU and PIU Composition for Strategic Cities Component

A. PMU Composition (at MMWD)	
1.	Project Director
2.	Project Manager ^a
3.	Deputy Project Director (Environment)
4.	Deputy Project Director (Social)
5.	Deputy Project Director (Finance)
6.	Deputy Project Director (Technical)
7.	Procurement Specialist
8.	Urban Planner (Coordinator)
9.	Senior Environment Officer
10.	Senior Social-Gender Officer
11.	Senior Land Officer
12.	Finance Officer
13.	Administrative Officer
14.	Project Secretary
15.	Management Assistant
16.	Office Assistant
B. PIU Composition (in 4 cities)	
1.	Senior Planner
2.	Senior Engineer (Planning)
3.	Management Assistant
4.	Office Assistant

^a The project manager will coordinate the ADB project in the PMU.

13. The Government of Sri Lanka shall ensure that the implementation arrangements described above shall continue and PMU, NSC, LCC, and PIUs shall fully and effectively carry out their respective functions in support of the project.

14. Considering the importance of closely monitoring project progress and providing clear guidance for smooth implementation, regular review meetings will be held at local, provincial and

central level to identify impediments in the project progress, coordinate with relevant agencies and find solutions for the issues.

IV. COSTS AND FINANCING

15. The facility is estimated to cost \$12.2 million. The government has requested a concessional loan of \$10,000,000 from ADB's ordinary capital resources to help finance the facility. The summary cost estimates for the project is in Table 6.

Table 6: Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Secondary towns (25) under MPCLGS component	5.10
2. Strategic cities (4) under MMWD component	5.74
Subtotal (A)	10.84
B. Contingencies^c	1.06
C. Financial Charges During Implementation^d	0.30
Total (A+B+C)	12.20

MMWD = Ministry of Megapolis and Western Development, MPCLGS = Ministry of Provincial Councils Local Government and Sports.

^a Includes taxes and duties of \$1.3 million to be financed from government resources by cash contribution.

^b In early 2018 prices. Exchange rate of US\$ 1 = SLRe 154.0 is used.

^c Physical contingencies are computed at 5.0% for consulting services. Price contingencies are computed at 1.5%-1.6% on foreign exchange costs and 4.3%-5.3% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest during construction for the ADB loan has been computed at 2.0% per annum.

Source: Source: Asian Development Bank estimates.

16. The estimated costs by output are: Output 1: \$9.79 million; Output 2: \$2.11 million; Output 3: funded by attached TA grant (\$1.1 million); and interest during construction (\$0.30 million). These are inclusive of taxes, duties, contingencies.

17. The government will provide \$2.2 million to the investment costs of the proposed facility to finance: (i) taxes and duties; and (ii) part of incremental administrative costs, and contingencies; and will provide the loan proceeds and counterpart funds to the executing agencies for the implementation of the facility. The summary financing plan for the project is in Table 7.

Table 7: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (concessional loan)	10.00	82.0
Government	2.20	18.0
Total	12.20	100.0

Source: Asian Development Bank estimates.

A. Cost Estimates Preparation and Revisions

18. The cost estimates have been prepared based on the detailed feasibility study prepared by MPCLGS and MMWD in consultation with the ADB team. The cost estimate model was prepared using Microsoft Excel and is available. The cost estimates will be updated during project implementation.

B. Key Assumptions

19. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: SLRe154.0 = \$1.00 (as of February 2018).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

Table 8: Escalation Rates for Price Contingency Calculation

Item	2018	2019	2020	2021	Annual average
Foreign rate of price inflation	1.5%	3.0%	4.5%	6.1%	1.5%
Domestic rate of price inflation	4.3%	9.6%	14.9%	20.2%	5.1%

Source: Asian Development Bank estimates.

- (iii) In-kind contributions cannot be easily measured and have not been quantified.

C. Detailed Cost Estimates by Expenditure Category

Table 9: Cost Estimates by Expenditure Category

Item	Foreign Exchange	Local Currency	Total Cost	Total Net Cost	Tax	% of Total Base Cost
A. Investment costs						
1. Consulting services						
a. Design and procurement (MPCLGS)	1.00	3.09	4.10	3.50	0.60	37.8%
b. Traffic, transportation, and mobility plan (MMWD)	0.37	1.13	1.50	1.28	0.22	13.8%
c. Environmental preservation (MMWD)	0.41	1.26	1.66	1.42	0.24	15.3%
d. Urban upgrading and heritage conservation (MMWD)	0.39	1.19	1.58	1.35	0.23	14.6%
Subtotal (A)	2.16	6.68	8.84	7.55	1.28	81.5%
B. Recurrent costs						
1. Incremental administrative costs						
a. Secondary towns (25) under MPCLGS component	0.24	0.76	1.00	1.00	-	9.2%
b. Strategic cities (4) under MMWD component	0.24	0.76	1.00	1.00	-	9.2%
Subtotal (B)	0.48	1.52	2.00	2.00	-	18.5%
Total Base Cost	2.64	8.20	10.84	9.55	1.28	100.0%
C. Contingencies						
1. Physical contingencies	0.11	0.34	0.44	0.44	-	4.1%
2. Price contingencies	0.15	0.47	0.62	0.62	-	5.7%
Subtotal (C)	0.26	0.80	1.06	1.06	-	9.8%
D. Financial charges during implementation						
1. Interest during construction	0.30	-	0.30	0.30	-	2.8%
a. Secondary towns (25) under MPCLGS component	0.14	-	0.14	0.14	-	1.3%
b. Strategic cities (4) under MMWD component	0.16	-	0.16	0.16	-	1.5%
Subtotal (D)	0.30	-	0.30	0.30	-	2.8%
Total Project Cost (A+B+C+D)	3.20	9.00	12.20	10.92	1.28	112.6%

MMWD = Ministry of Megapolis and Western Development, MPCLGS = Ministry of Provincial Councils, Local Government and Sports.

Notes: 1. Numbers may not sum precisely because of rounding.

2. The costs of the actual audits of the project are minor and will be borne by the government.

3. Minor environmental monitoring and implementation of resettlement plan and gender equity action plan cost are absorbed in B1, if required.

Source: Asian Development Bank estimates.

D. Allocation and Withdrawal of Loan Proceeds

Table 10: Allocation and Withdrawal of Loan Proceeds

No.	Item	Total Amount Allocated for ADB Financing Category (\$)		Basis for Withdrawal from the Loan Account
1	Consulting services	7,552,000		
1a	Secondary towns (25) under MPCLGS component		3,500,000	85.5% of total expenditure claimed
1b	Strategic cities (4) under MMWD component		4,052,000	85.5% of total expenditure claimed
2	Incremental administrative costs	1,200,000		
2a	Secondary towns (25) under MPCLGS component		600,000	60.0% of total expenditure claimed
2b	Strategic cities (4) under MMWD component		600,000	60.0% of total expenditure claimed
3	Interest during construction	301,000		
3a	Secondary towns (25) under MPCLGS component		142,000	100.0% of amount due
3b	Strategic cities (4) under MMWD component		159,000	100.0% of amount due
4	Unallocated	947,000		
	TOTAL	10,000,000		

ADB = Asian Development Bank, MMWD = Ministry of Megapolis and Western Development, MPCLGS = Ministry of Provincial Councils, Local Government and Sports.

Source: Asian Development Bank estimates.

E. Detailed Cost Estimates by Financier

Table 11: Detailed Cost Estimates by Financier
(\$ million)

Item	ADB		Tax	Government		%	Total Costs
	\$	\$		Non-Tax	Total		
A. Investment costs							
1. Consulting services							
a. Design and procurement (MPCLGS)	3.50	85.5%	0.60	-	0.60	14.5%	4.10
b. Traffic, transportation, and mobility plan (MMWD)	1.28	85.5%	0.22	-	0.22	14.5%	1.50
c. Environmental preservation (MMWD)	1.42	85.5%	0.24	-	0.24	14.5%	1.66
d. Urban upgrading and heritage conservation (MMWD)	1.35	85.5%	0.23	-	0.23	14.5%	1.58
Subtotal (A)	7.55	85.5%	1.28	-	1.28	14.5%	8.84
B. Recurrent costs							
1. Incremental administrative costs	1.20	60.0%	-	0.80	0.80	40.0%	2.00
a. Secondary towns (25) under MPCLGS component	0.60	60.0%	-	0.40	0.40	40.0%	1.00
b. Strategic cities (4) under MMWD component	0.60	60.0%	-	0.40	0.40	40.0%	1.00
Subtotal (B)	1.20	60.0%	-	0.80	0.80	40.0%	2.00
Total Base Cost	8.75	80.8%	1.28	0.80	2.08	19.2%	10.84
C. Contingencies							
1. Physical contingencies	0.40	89.1%	-	0.05	0.05	10.9%	0.44
2. Price contingencies	0.55	89.1%	-	0.07	0.07	10.9%	0.62
Subtotal (C)	0.95	89.1%	-	0.12	0.12	10.9%	1.06
D. Financial charges during implementation							
1. Interest during construction	0.30	100.0%	-	-	-	0.0%	0.30
a. Secondary towns (25) under MPCLGS component	0.14	100.0%	-	-	-	-	0.14
b. Strategic cities (4) under MMWD component	0.16	100.0%	-	-	-	-	0.16
Subtotal (D)	0.30	100.0%	-	-	-	0.0%	0.30
Total Project Cost (A+B+C+D)	10.00	82.0%	1.28	0.92	2.20	18.0%	12.20

ADB = Asian Development Bank, MMWD = Ministry of Megapolis and Western Development, MPCLGS = Ministry of Provincial Councils, Local Government and Sports.

Notes: 1. Numbers may not sum precisely because of rounding.

2. The costs of the actual audits of the project are minor and will be borne by the government.

3. Minor environmental monitoring and implementation of resettlement plan and gender equity action plan cost are absorbed in B1, if required.

Source: Asian Development Bank estimates.

F. Detailed Cost Estimates by Component

Table 12: Detailed Cost Estimates by Component
(\$ million)

Item	Total Costs	MPCLGS		MMWD	
		\$	%	\$	%
A. Investment costs					
1. Consulting services					
a. Design and procurement	4.10	4.10	100.0%	-	0.0%
b. Traffic, transportation, and mobility plan	1.50	-	0.0%	1.50	100.0%
c. Environmental preservation	1.66	-	0.0%	1.66	100.0%
d. Urban upgrading and heritage conservation	1.58	-	0.0%	1.58	100.0%
Subtotal (A)	8.84	4.10	46.3%	4.74	53.7%
B. Recurrent costs					
1. Incremental administrative costs					
a. Secondary towns (25) under MPCLGS component	1.00	1.00	100.0%	-	0.0%
b. Strategic cities (4) under MMWD component	1.00	-	0.0%	1.00	100.0%
Subtotal (B)	2.00	1.00	50.0%	1.00	50.0%
Total Base Cost	10.84	5.10	47.0%	5.74	53.0%
C. Contingencies					
1. Physical contingencies	0.44	0.22	46.3%	0.22	53.7%
2. Price contingencies	0.62	0.31	47.0%	0.31	53.0%
Subtotal (C)	1.06	0.53	46.7%	0.53	53.3%
D. Financial charges during implementation					
1. Interest during construction					
a. Secondary towns (25) under MPCLGS component	0.14	0.14	100.0%	-	0.0%
b. Strategic cities (4) under MMWD component	0.16	-	0.0%	0.16	100.0%
Subtotal (D)	0.30	0.14	47.0%	0.16	53.0%
Total Project Cost (A+B+C+D)	12.20	5.77	47.0%	6.43	53.0%

MMWD = Ministry of Megapolis and Western Development, MPCLGS = Ministry of Provincial Councils, Local Government and Sports.

Notes: 1. Numbers may not sum precisely because of rounding.

2. The costs of the actual audits of the project are minor and will be borne by the government.

3. Minor environmental monitoring and implementation of resettlement plan and gender equity action plan cost are absorbed in B1, if required.

Source: Asian Development Bank estimates.

G. Detailed Cost Estimates by Year

Table 13: Detailed Cost Estimates by Year
(\$ million)

Item	Total	2018	2019	2020	2021
A. Investment costs					
1. Consulting services					
a. Design and procurement (MPCLGS)	4.10	0.08	0.98	1.80	1.23
b. Traffic, transportation, and mobility plan (MMWD)	1.50	0.03	0.36	0.66	0.45
c. Environmental preservation (MMWD)	1.66	0.03	0.40	0.73	0.50
d. Urban upgrading and heritage conservation (MMWD)	1.58	0.03	0.38	0.69	0.47
Subtotal (A)	8.84	0.18	2.12	3.89	2.65
B. Recurrent costs					
1. Incremental administrative costs					
a. Secondary towns (25) under MPCLGS component	1.00	0.05	0.34	0.34	0.28
b. Strategic cities (4) under MMWD component	1.00	0.05	0.34	0.34	0.28
Subtotal (B)	2.00	0.11	0.67	0.67	0.56
Total Base Cost	10.84	0.29	2.79	4.55	3.21
C. Contingencies					
1. Physical contingencies	0.44	0.01	0.11	0.20	0.13
2. Price contingencies	0.62	0.01	0.11	0.26	0.24
Subtotal (C)	1.06	0.02	0.22	0.46	0.37
D. Financial charges during implementation					
1. Interest during construction	0.30	0.01	0.03	0.10	0.17
a. Secondary towns (25) under MPCLGS component	0.14	0.01	0.01	0.05	0.08
b. Strategic cities (4) under MMWD component	0.16	0.01	0.01	0.05	0.09
Subtotal (D)	0.30	0.01	0.03	0.10	0.17
Total Project Cost (A+B+C+D)	12.20	0.31	3.03	5.11	3.75

MMWD = Ministry of Megapolis and Western Development, MPCLGS = Ministry of Provincial Councils, Local Government and Sports.

Notes: 1. Numbers may not sum precisely because of rounding.

2. The costs of the actual audits of the project are minor and will be borne by the government.

3. Minor environmental monitoring and implementation of resettlement plan and gender equity action plan cost are absorbed in B1, if required.

Source: Asian Development Bank estimates.

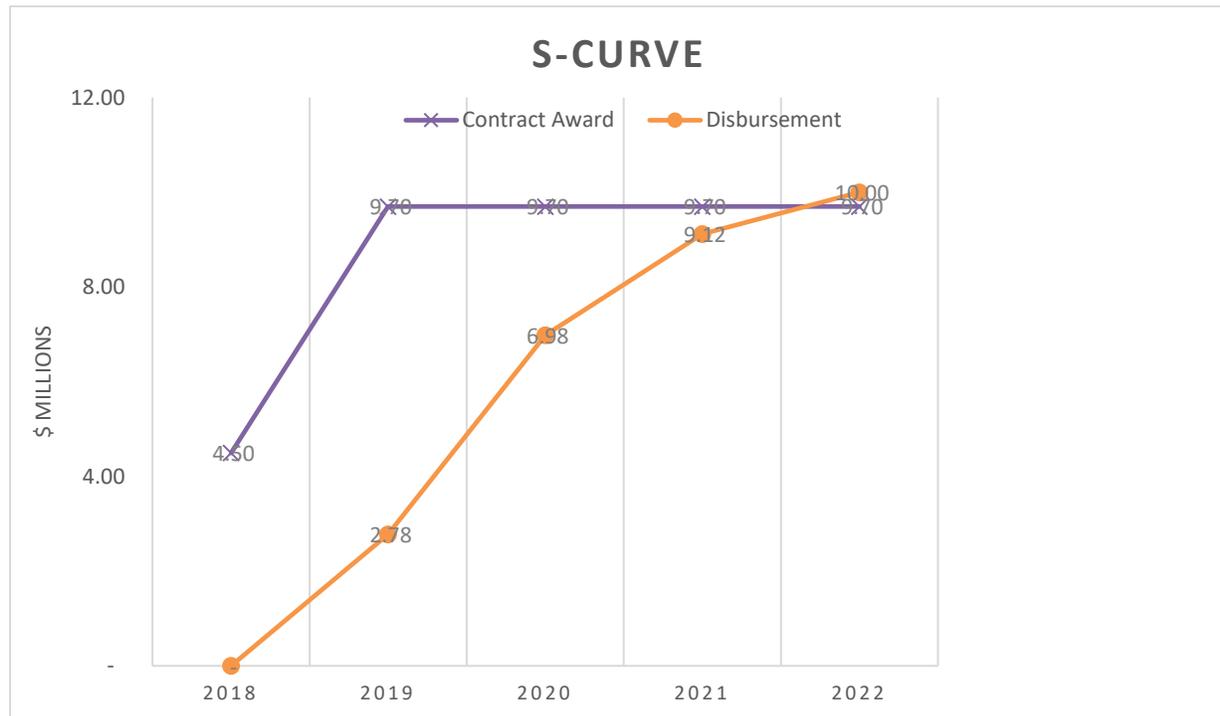
H. Contract and Disbursement S-Curve

20. Projected contract awards and disbursements of the ADB loan are given in Table 14 and Figure 3.

Table 14: Projected Contract Awards and Disbursements

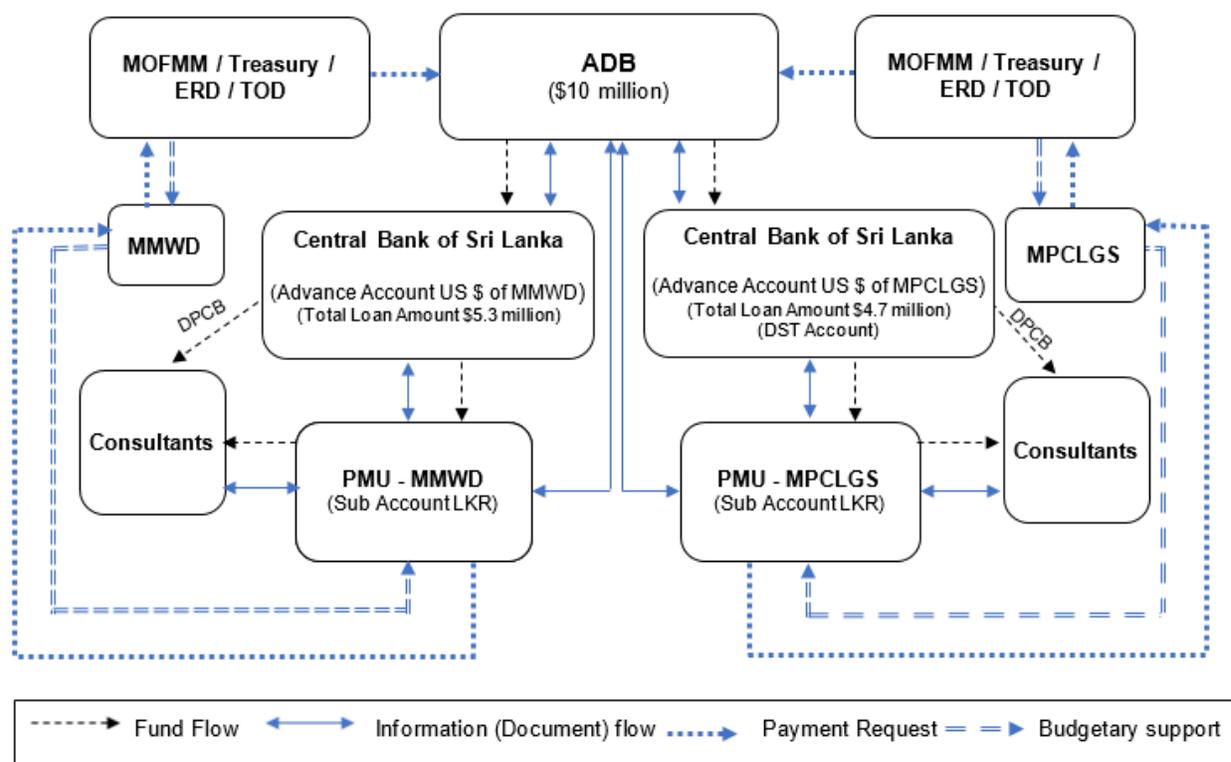
Year	Contract Awards (\$ million)				Disbursements (\$ million)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2018				4.50				0.25
2019	5.20	-	-	-	0.24	0.66	0.73	0.90
2020	-	-	-	-	1.23	1.28	0.82	0.87
2021	-	-	-	-	0.61	0.66	0.41	0.46
2022	-	-	-	-	0.42	0.31	0.15	

Figure 3: Contract Award and Disbursement S-Curve



I. Fund Flow Diagram

Figure 4: Fund Flow Diagram



ADB - Asian Development Bank
 MOFMM - Ministry of Finance and Mass Media
 ERD - External Resource Department
 TOD - Treasury Operations Department
 MPCLGS - Ministry of Provincial Councils, Local Government, and Sports
 MMWD - Ministry of Megapolis and Western Development
 LKR - Sri Lanka Rupee
 PMU - project management unit
 DPCB - Direct Payment from Central Bank
 DST Account - Deputy Secretary Treasury Account

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

21. The financial management assessment (FMA) was conducted in accordance with the Guidelines of the Asian Development Bank (ADB) for the Financial Management and Analysis of Projects (2005), the Financial Due diligence: A Methodology Note (2009), and the Financial Management Technical Guidance Note (2015).¹ The FMA considered financial management capacity of the MMWD and MPCLGS in their roles as executing agencies (EAs) and implementing agencies (IAs) of the proposed facility, including funds flow arrangements, staffing, accounting

¹ ADB. 2005. *Financial Management and Analysis of Projects*. Manila; ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila; and ADB. 2015. *Financial Management Technical Guidance Note*. Manila.

and financial reporting systems, financial information systems, and internal and external auditing arrangements.

22. The UPPF aims to strengthen project readiness in the urban sector by completing advanced feasibility studies, detailed designs, and procurement actions to meet ADB's financing requirements and build capacities of the executing and implementing agencies in the urban sector prior to project approval. The UPPF has two components (i) strategic cities component to be implemented by MMWD, and (ii) secondary towns component to be implemented by MPCLGS.

23. Both MMWD and MPCLGS have sufficient experiences in implementing externally funded projects. However, MPCLGS has also been implementing the ongoing Local Government Enhance Sector Project – Additional Financing (LGESP-AF) financed by ADB² while MMWD does not have experience in implementing ADB financed projects.

24. The PMU of MMWD for the ongoing Strategic Cities Development Project (SCDP) funded by the World Bank,³ and PMU of MPCLGS for the ongoing LGESP-AF funded by ADB as well as the Projects and Planning Division of MPCLGS (implementing externally financed projects) will continue to implement the UPPF. The PMUs of MMWD and MPCLGS are responsible for all day-to-day management of the UPPF, including but not limited to (i) preparing an overall facility implementation plan and detail work program; (ii) providing overall monitoring and guidance on the implementation; (iii) monitoring and supervising all management activities; (iv) preparing facility progress and facility completion reports; (v) financial planning and budgeting including contract awards and disbursements; and (vi) ensuring full compliance with ADB's resettlement, environmental, and other safeguard policies.

25. The major risk factors identified by assessment that need to be addressed include:

- (i) lack of MMWD's experience in implementing and managing ADB funded projects may hamper the timely preparation and implementation of UPPF;
- (ii) occasional delays in the release of the government's counterpart funds may cause delays in the timely and efficient implementation of UPPF;
- (iii) inadequate procurement capacity of PMUs may hamper the timely implementation of UPPF;⁴ and
- (iv) weak internal audit system in PMUs may cause delays in the timely identification of issues.

26. Despite the highlighted risks, the financial management arrangements are satisfactory given that MMWD and MPCLGS have significant experience in implementing a number of donor-funded projects. In addition, the project design and procurement consultants (PDPCs) and financial management consultants to be recruited under UPPF will support the MMWD, MPCLGS, and PMUs in enhancing their financial management capacity. The overall risk assessment for the proposed financing is "moderate". The action plan for mitigating the foreseen risks includes the following measures:

² ADB. 2010. *Additional Financing: Local Government Enhancement Sector Project*. Manila.

³ World Bank. 2014. *Strategic Cities Development Project*. Washington, DC.

⁴ In the previous and ongoing projects implemented by MMWD and MPCLGS, the delays in implementation due to the lack of adequate procurement capacity have been observed.

Table 15: Risk Assessment and Mitigation Plan

Area	Current Scenario	Risk	Mitigation Measures	Responsibility	Target date
Externally assisted projects	Lack of MMWD's experience in implementing ADB funded projects	This may hamper the timely preparation and implementation of UPPF	Extending full training and capacity building support for enhancing the financial management capacity of PMU of MMWD	MMWD	before loan effectiveness
Government's counterpart fund	Occasional delays in the release of the government's counterpart funds	This may cause delays in the timely and efficient implementation of UPPF	Commitment of MOFMM, MMWD and MPCLGS for timely allocation and disbursement of the government's counterpart funds	MOFMM, MMWD, MPCLGS	before loan signing
Procurement capacity	Inadequate procurement capacity of PMUs	This may hamper the timely implementation of UPPF	Providing adequate support through hiring PDPCs for enhancing the procurement capacity of PMUs	MMWD, MPCLGS	before loan signing
Internal audit	Weak internal audit system in PMUs	This may cause delays in the timely identification of issues	Commitment of PMUs to ensure that internal audits are done on annual basis	MMWD, MPCLGS	before loan effectiveness

ADB = Asian Development Bank, MMWD = Ministry of Megapolis and Western Development, MOFMM = Ministry of Finance and Mass Media, MPCLGS = Ministry of Provincial Councils, Local Government and Sports, PDPC = project design and procurement consultants PMU = project management unit, UPPF = Urban Project Preparatory Facility.

27. The FMA has considered two types of risks, (i) inherent risks, i.e., risks outside the direct control of the entity financial management; and (ii) control risks, i.e., risks concerning the internal functioning and control of the entity's accounts division. The following key risks have been identified:

Table 16: Financial Management Inherent and Control Risk Assessment

Risk Type	Risk Assessment	Proposed Mitigation Measures
A. Inherent Risk		
1. Country-Specific Risks (Sri Lanka)	<p>Moderate</p> <ul style="list-style-type: none"> Institutional capacity is not sufficient for the effective financial management of externally funded projects. 	<ul style="list-style-type: none"> Ongoing efforts are underway by GOSL and ADB. Provision of support (by loans and TAs) has focused on capacity development at all levels.
2. Entity-Specific Risks (MMWD, MPCLGS)	<p>Moderate</p> <ul style="list-style-type: none"> There is an institutional mechanism and legislative framework for budgeting, accounting, and audit in a time-bound manner. However, information system is not in place for accurate budgeting. 	<ul style="list-style-type: none"> Provision of loan support for IT systems and capacity building support ensure that the systems are updated regularly and running smoothly.

Risk Type	Risk Assessment	Proposed Mitigation Measures
3. Project-Specific Risks	<p style="text-align: center;">Substantial</p> <ul style="list-style-type: none"> • Occasional delays in the release of GOSL's counterpart funds have been observed in the previous and ongoing projects. 	<ul style="list-style-type: none"> • Commitment of MOFMM, MMWD and MPCLGS for timely allocation and disbursement of the government's counterpart funds is required.
Overall Inherent Risk	<p style="text-align: center;">Moderate</p> <p>While entity and project specific risks exist, these risks might be mitigated through efforts of the MMWD, MPCLGS, and related government entities with the support of ADB. However, MOFMM, MMWD and MPCLGS need to commit the timely allocation and disbursement of its counterpart funds for the efficient implementation of UPPF.</p>	
B. Control Risk (MMWD and PMU)		
1. Implementing Entity	<p style="text-align: center;">Substantial</p> <ul style="list-style-type: none"> • MMWD has sufficient experience in implementing externally financed projects. And, PMU for the ongoing SCDP will implement the UPPF. • But, MMWD does not have the experience in implementing ADB funded projects. 	<ul style="list-style-type: none"> • Training on implementing ADB financed projects needs to be provided to PMU of MMWD.
2. Flow of Funds and Budget Allocation	<p style="text-align: center;">Substantial</p> <ul style="list-style-type: none"> • MMWD will receive the project funds from MOFMM through the budgetary allocation. • Occasional delays in the release of the government's counterpart funds have been observed in the previous projects. 	<ul style="list-style-type: none"> • Commitment of MMWD is required for timely allocation and disbursement of the government's counterpart funds.
3. Staffing	<p style="text-align: center;">Low</p> <ul style="list-style-type: none"> • Both MMWD and PMU have well qualified staff to implement UPPF. 	<ul style="list-style-type: none"> • Not applicable
4. Accounting Policies & Procedures	<p style="text-align: center;">Low</p> <ul style="list-style-type: none"> • Both MMWD and PMU follow financial regulations of the government including ARFR and accepted national accounting standards. 	<ul style="list-style-type: none"> • Not applicable
5. Internal Audit	<p style="text-align: center;">Substantial</p> <ul style="list-style-type: none"> • Although MMWD has its internal audit section, the frequency and timing are inconsistent. • Internal audit of the ongoing project was done up to 2016. 	<ul style="list-style-type: none"> • MMWD needs to strengthen its internal audit process by appointing qualified staff or outsourcing to experienced audit firms.
6. External Audit (Entity)	<p style="text-align: center;">Low</p> <ul style="list-style-type: none"> • Auditor General of GOSL conducts the external audits for MMWD. • There are no delays in conducting external audits of MMWD. 	<ul style="list-style-type: none"> • Not applicable
7. External Audit (Project)	<p style="text-align: center;">Low</p> <ul style="list-style-type: none"> • Auditor General of GOSL also conducts the external audits for 	<ul style="list-style-type: none"> • Not applicable

Risk Type	Risk Assessment	Proposed Mitigation Measures
	externally funded projects of MMWD. <ul style="list-style-type: none"> There are no delays in conducting external audits of externally funded projects. 	
8. Reporting and Monitoring	Low <ul style="list-style-type: none"> MMWD publishes its annual reports which contain physical and financial progress reports. PMU produces monthly, quarterly and annual progress reports. 	<ul style="list-style-type: none"> Not applicable
9. Information Systems	Low <ul style="list-style-type: none"> Excel spread sheets are used in MMWD. And, customized accounting software used in PMU. 	<ul style="list-style-type: none"> Not applicable
Overall Control Risk	Moderate Some financial management risks are recognized, but not all of them are substantial. However, non-experience in ADB funded projects and delays in the release of government's counterpart funds may hamper the effective implementation of UPPF. The initial support and capacity development for MMWD and PMU staff on ADB procedures will be implemented with the support of qualified and experienced PDPCs.	
C. Control Risk (MPCLGS and PMU)		
1. Implementing Entity	Moderate <ul style="list-style-type: none"> MPCLGS has sufficient experience in implementing externally financed projects. And, PMU for the ongoing LGESP-AF funded by ADB will implement the UPPF. 	<ul style="list-style-type: none"> Not applicable
2. Flow of Funds and Budget Allocation	Substantial <ul style="list-style-type: none"> MPCLGS will receive the project funds from MOFMM through the budgetary allocation. Occasional delays in the release of the government's counterpart funds have been observed in the previous and ongoing projects. 	<ul style="list-style-type: none"> Commitment of MPCLGS is required for timely allocation and disbursement of the government's counterpart funds.
3. Staffing	Low <ul style="list-style-type: none"> Qualified and experienced staff are in place to take up the UPPF. 	<ul style="list-style-type: none"> Not applicable
4. Accounting Policies & Procedures	Low <ul style="list-style-type: none"> MPLCG and PMU follow the national financial regulations. No issues observed 	<ul style="list-style-type: none"> Not applicable
5. Internal Audit	Moderate <ul style="list-style-type: none"> Although MPLCGS has its internal audit section, the frequency and timing are inconsistent. Internal audit of the ongoing project was done up to 2017. 	<ul style="list-style-type: none"> MPCLGS needs to strengthen its internal audit process by appointing qualified staff or outsourcing to experienced audit firms.
6. External Audit (Entity)	Low	<ul style="list-style-type: none"> Not applicable

Risk Type	Risk Assessment	Proposed Mitigation Measures
	<ul style="list-style-type: none"> Audit General of GOSL conducts the external audits for MPLCGS. There are no delays in conducting external audits of MPLCGS. 	
7. External Audit (Project)	<p style="text-align: center;">Moderate</p> <ul style="list-style-type: none"> Audit General of GOSL also conducts the external audits for externally funded projects of MPCLGS. There are no delays in conducting external audits of externally funded projects. 	<ul style="list-style-type: none"> Not applicable
8. Reporting and Monitoring	<p style="text-align: center;">Low</p> <ul style="list-style-type: none"> MPCLGS publishes its annual reports which contain physical and financial progress reports. PMU produces monthly, quarterly and annual progress reports. 	<ul style="list-style-type: none"> Not applicable
9. Information Systems	<p style="text-align: center;">Low</p> <ul style="list-style-type: none"> Excel spread sheets are used in MPCLGS. And, customized accounting software used in PMU. 	<ul style="list-style-type: none"> Not applicable
Overall Control Risk	<p style="text-align: center;">Moderate</p> <p>Some financial management risks are recognized, but not all of them are substantial. However, delays in the release of government's counterpart funds may hamper the effective implementation of UPPF. MPCLGS needs to commit the timely allocation and disbursement of the government's counterpart funds.</p>	

ADB = Asian Development Bank, ARFR = Administrative Rules and Financial Rules, GOSL = Government of Sri Lanka, IT = information technology, LGESP-AF = Local Government Enhancement Sector Project – Additional Financing, MMWD = Ministry of Megapolis and Western Development, MOFMM = Ministry of Finance and Mass Media, MPCLGS = Ministry of Provincial Councils, Local Government and Sports, PDPC = project design and procurement consultants, PMU = project management unit, SCDP = Strategic Cities Development Project, TA = technical assistance, UPPF = Urban Project Preparatory Facility.

B. Disbursement

1. Disbursement Arrangements for ADB Funds

28. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time), and detailed arrangements agreed upon between the government and ADB. The PMUs will be responsible for: (i) preparing annual contract awards and disbursement projections, (ii) requesting budgetary allocations for counterpart and ADB funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB. Online training for project staff on disbursement policies and procedures is available.⁵ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

29. **Advance fund procedure.** Separate advance accounts will be established and maintained by both the EAs, MPCLGS and MMWD, at the Central Bank of Sri Lanka. The

⁵ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning.

currency of the advance accounts is in US dollars. The advance accounts are to be used exclusively for ADB's share of eligible expenditures. The EAs who administer the advance accounts would be accountable and responsible for proper use of advances. The sub-accounts will be maintained by the PMUs of the executing agency.

30. The total outstanding advance to the advance accounts should not exceed the estimate of ADB's share of expenditures to be paid through the advance accounts for the forthcoming 6 months. The PMUs may request for initial and additional advances to the advance accounts based on an Estimate of Expenditure Sheet⁶ setting out the estimated expenditures to be financed through the accounts for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by the PMUs in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time) when liquidating or replenishing the advance accounts.

31. **Statement of expenditure procedure.** The statement of expenditure (SOE) procedure may be used for reimbursement of eligible expenditures or liquidation of advances up to the amount of \$200,000 per individual payment to the advance accounts. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

32. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is stipulated in the *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below such amount should be paid (i) by the EAs (MPCLGS and MMWD) and subsequently claimed to ADB through reimbursement, or (ii) through the imprest fund procedure, unless otherwise accepted by ADB.

2. Disbursement Arrangements for Counterpart Fund

33. Counterpart funds will be provided by EAs from their annual budgets, which in turn will be based on the amounts provided for the projects in the budget of the government. The PMUs will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, and (iii) collecting supporting documents. Taxes and duties will be borne by the counterpart by way of cash contribution.

C. Accounting

34. The PMUs will maintain or cause to be maintained, separate books and records by funding source for all expenditures incurred on the facility, following international and national accounting standards acceptable to ADB. The PMUs will prepare project financial statements in accordance with the government's accounting laws and regulations consistent with international accounting principles and practices.

⁶ Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

D. Auditing and Public Disclosure

35. The PMUs will cause the detailed project accounts and/or financial statements to be audited in accordance with international standards on auditing and/or in accordance with the government's audit regulations by an independent auditor acceptable to ADB. The audited project financial statements together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by the EAs.

36. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover whether (i) the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) the proceeds of the loan were used only for the purpose(s) of the project; and (iii) the borrower or executing agencies were in compliance with the financial covenants contained in the legal agreements (where applicable).

37. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

38. The government, MPCLGS and MMWD have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁷ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. 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.

39. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.⁸ After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.⁹

⁷ ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

⁸ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

⁹ This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

40. All advance contracting and retroactive financing will be undertaken in conformity with ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

41. The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The borrower, MPCLGS and MMWD have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the project.

42. **Advance contracting.** Advance contracting is approved for recruitment of consultants and procurement of any equipment required for project administration under incremental administration.

43. **Retroactive financing.** Retroactive financing is allowed for expenditures for payments to consultants and incremental administration expenditure up to 20% of total loan amount incurred before loan effectiveness, but not more than 12 months before the signing of the loan agreement.

B. Procurement of Goods, Works, and Consulting Services

44. An 18-month procurement plan indicating threshold and review procedures for consulting service contract packages is as discussed in Section C.

45. All consultants will be recruited according to ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).¹⁰ The terms of reference for all consulting services are discussed in Section D.

46. An estimated 484-person month (42 international and 442 national [key staff]) of consultancy services are required for secondary towns component (MPCLGS) for (i) concept studies, (ii) feasibility studies, (iii) detailed designs, and (iv) procurement of goods and works contracts; and project management before award of contracts. The consultancy services for strategic cities component (MMWD) will be availed in three packages (Traffic Transportation and Mobility Improvements, Environmental Preservation and Urban Upgrading) and the consultancy inputs are estimated at 666 person months (53 international and 613 national [key staff] for (i) planning, (ii) feasibility, (iii) detailed designs, and (iv) procurement of works. The consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality–cost ratio of 90:10.

C. Procurement Plan

47. The procurement plan is prepared in accordance with the generic or country-specific templates prepared by the Procurement, Portfolio and Financial Management Department.¹¹ The

¹⁰ 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/>

¹¹ Procurement plan template: http://wpqr2.asiandevbank.org/LotusQuickr/cosopedia/PageLibrary48257599000668D1.nsf/h_Toc/5EA6EACF755A A652482575D9002FCB8F/?OpenDocument.

procurement plan of secondary towns component (MPCLGS) and of strategic cities component (MMWD) is in Appendix 3.

D. Consultant's Terms of Reference

48. The summary outline terms of reference for all the design and procurement consultants for all the consultancy packages under UPPF is given in Appendix 4.

VII. SAFEGUARDS

49. The proposed facility will prepare investment projects and will not involve construction work. It will not have any adverse social and environmental consequences. The facility is categorized as C for environment, involuntary resettlement, and indigenous peoples. Follow-on urban projects will be assessed for safeguards in accordance with ADB's SPS, 2009 and government guidelines, regulations, and policies.

50. Safeguards frameworks, specifically an environment assessment review framework (EARF), a resettlement framework, and indigenous peoples planning framework (IPPF) will be prepared for ensuing ADB projects. These frameworks will be developed by the TA loan funded consultants during the feasibility study stage in accordance with ADB's SPS, 2009 and relevant national laws and policies. The framework documents will guide the preparation of safeguard documents for the individual subprojects under the ensuing loans. In addition to the safeguard frameworks, the consultants under the TA loan will prepare the following documents for the individual subprojects to be financed under the ensuing loans: (i) environmental safeguard documents (initial environmental examinations [IEEs], environmental impact assessments [EIAs]) with environmental management plans (EMPs); (ii) social safeguard documents such as resettlement plans, indigenous peoples plans (IPPs), and due diligence reports for land acquisition and resettlement; and (iii) climate risk and vulnerability assessments, for the selected follow-on projects. Capacity building on safeguard implementation and coordination will be carried out under the attached TA.

51. **Environmental Safeguards.** The TA loan is categorized as category C for environmental safeguards as it will fund only consultant recruitment and no physical works will be undertaken. The environmental consultants recruited under the TA loan will undertake rapid environmental assessments using a checklist of parameters in order to categorize the future urban subprojects as A, B and C. The EIAs will be prepared for Category A subprojects. The IEEs will be prepared for all category B future projects and due diligence reports (DDRs) for category C projects consistent with EARF.¹² IEEs prepared for future projects will include EMPs. If existing facilities are involved, an environment compliance audit may also be needed. The consultants will conduct other assessments required for obtaining statutory environmental clearances. The local authorities will oversee disclosure and consultations and plan mitigation measures required for ensuring procurement readiness of future projects. The consultants will support the PMUs and the local authorities in obtaining the required environmental clearances from Central Environmental Authority (CEA) and other from CEA relevant agencies before commencement of any construction activities under the ensuing loan projects.

52. **Social Safeguards (Involuntary Resettlement and Indigenous Peoples).** The TA loan is categorized as category C for involuntary resettlement as it will fund only consultant recruitment

¹² The consultants will prepare all environmental studies, including EIAs if any subprojects are found to be category A based on the rapid environmental assessments.

and no physical works will be undertaken. For the ensuing projects, the TA loan consultants will prepare resettlement plans for category 'A' and 'B' projects and DDRs for category 'C' projects consistent with the Resettlement Framework. These will include detailed arrangements for the PMUs and PIUs to oversee and implement land acquisition and for the monitoring of social safeguards implementation of the ensuing loan projects. The consultants will support the PMU and PIUs in undertaking advance actions for land acquisition by preparing resettlement plans outlining action plans for the same. Where local authorities intend to purchase land, the TA loan consultants will support the PMUs and the local authorities in preparing RPs which outline due processes to be followed for ensuring compliance with ADB's safeguards policies (such as meeting requirements for negotiated settlement process) and will prepare suitable action plans for the same. The consultants will advise the PMU and local authorities on advance actions to be taken for social safeguards for the ensuing loan projects.

53. The TA loan consultants will identify any indigenous peoples' issues in all the proposed subprojects and will support the PMUs in the preparation of indigenous peoples plans in accordance with the indigenous peoples' framework prepared for the ensuing loan project.

54. **Requirements for land donations.** For the proposed project sites that are not fully owned by the government, the participating local authorities may provide a letter from land owners regarding land donation to confirm the land availability of the proposed project activities to be funded under the ensuing project loans. A third party independent report confirming appropriate processes for land donation need to be attached to such letter.

55. **Prohibited investment activities.** Pursuant to ADB's SPS, 2009, ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the ADB SPS, 2009.

56. **Grievance Redressal Mechanism.** Grievance redress mechanism to address concerns and grievances of the affected people during the planning, design and implementation of the ensuing loan projects will be developed by the PMUs and local authorities with support from the TA loan consultants. The TA loan consultants will also provide capacity building support to executing and implementing agencies ensure: (i) grievance redress mechanisms can function effectively, and (ii) improved project communication skills of the implementing agencies and executing agencies so that affected persons are well informed thus reducing the number of grievances arising due to the ensuing projects.

57. **Reporting on safeguards.** There are no reporting requirements as the loan is category C for environment, social and indigenous peoples safeguards.

58. **Capacity building on safeguards.** Required capacity building on training the project staff on safeguard monitoring will be given by project consultants of the TA loan and transaction TA.

59. **Safeguard provisions in bid documents:** With the support of the TA loan consultants the PMUs will ensure that bidding documents for ensuing loan projects include specific provisions requiring contractor to comply with (i) applicable labor laws and core labor standards on: (a) prohibition of child labour as defined in national legislation for construction and maintenance activities; (b) on equal pay for work of equal value regardless of gender, ethnicity or caste; (c) elimination of forced labour; and (ii) the requirement to disseminate information on sexually transmitted diseases included HIV/ AIDS to employees and local communities surrounding the project sites. The environmental management plan will also be included in bidding documents and contracts. For the ensuing loan projects, this will include all the above provisions to be

included in the contracts for contractors to carry out all environmental and social mitigation and monitoring measures outlined in their respective contract.

VIII. GENDER AND SOCIAL DIMENSIONS

60. The project activities under the loan (planning, feasibility, detailed design, procurement) are not expected to have any adverse impact on women and/or widen gender sensitivity. The projects being considered will be prepared in compliance with Handbook on Poverty and Social Analysis - A working document (2012) and Summary Poverty Reduction and Social Strategy¹³ prepared for the project. Gender, consultation and participation, labor, HIV/ AIDS and other social risks relating to follow-on loans will be assessed and mitigation plans will be prepared to address those issues.

61. The facility is classified as effective gender mainstreaming. Gender design features include: (i) projects with gender-friendly features designed; (ii) guidelines for mainstreaming gender in the design of urban projects prepared and disseminated; (iii) gender action plans prepared prior to loan fact finding mission for the ensuing investment projects; and (iv) trainings to improve understanding and skills of officials including PMU staff pertaining to gender mainstreaming and social inclusion in the design, implementation and operation and maintenance (O&M) of urban projects. A gender action plan (GAP) is prepared with clear targets, responsibilities, and resource allocation for meaningful participation of women in Appendix 5. The MPCLGS and MMWD will implement the GAP with support from consultants recruited under the project. The PMU social and gender officers will serve as the gender focal points to oversee GAP implementation.

62. Baseline sex-disaggregated data on a range of socioeconomic indicators relevant to the design of the ensuing projects will be collected by the TA loan consultants. These include (but are not limited to) current coverage and access to urban infrastructure and services, needs, demands, and constraints in obtaining services faced by poor women and vulnerable groups in project areas. This analysis will help to integrate gender related features into the design of the projects, where appropriate. The PMU, ADB, and consultants will agree on (i) the areas of vulnerable groups in the project towns, (ii) the services to be covered, and (iii) methodology of baseline and final service for data collection.¹⁴

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Project Design and Monitoring Framework

63. The facility's design and monitoring framework (DMF) is provided in Appendix 6.

¹³ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the president).

¹⁴ Service include baseline survey to be conducted by TA consultants. The baseline surveys will be developed and conducted using a clear methodology with indicators and will clearly identify the sampling frames to enable a robust comparative analysis between baseline and impact evaluation survey data (the latter will be conducted after project interventions have been completed). Both quantitative and qualitative data will be included to ensure rigorous analyses before and after project implementation.

B. Monitoring

64. **Project performance monitoring.** Within 3 months of loan effectiveness, the PMUs will establish a project performance monitoring system using targets, indicators, assumptions and risks identified in the DMF. The progress will be reported through quarterly progress reports throughout project implementation and finally in the project completion report. The quarterly reports will provide information necessary to update ADB's project performance reporting system.

65. **Compliance monitoring.** Status of compliance with loan covenants—policy, legal, financial, economic and others—will be reviewed at each review mission. All non-compliance issues, if any will be updated in the quarterly progress reports together with remedial actions. The PMU will also monitor the compliance on various aspects discussed above on a regular basis and report to ADB any deviations in this regard with mitigation measures.

66. **Safeguards monitoring.** There are no reporting requirements as the loan is category C for environment, social and indigenous peoples safeguards.

67. **Gender and social dimensions monitoring.** The PMUs with the assistance of the consultants, will compile the progress on gender action plan and report regularly in quarterly progress report. This will be reviewed in the ADB missions. The PMU will also review the compliance and progress of gender action plan and report to ADB in case of any deviations with mitigation measures to address the deviations.

C. Evaluation

68. The Government of Sri Lanka and ADB will jointly review the project at least twice a year. This includes (i) the performance of PMU, PIUs, participating local authorities and consultants; (ii) compliance to loan covenants; (iii) selection criteria of projects; (iv) physical and financial progress; (v) effectiveness of capacity building programs; (vi) compliance to gender action plan; and (vii) assessment of project sustainability in technical and financial terms. In addition to the regular reviews, the government and ADB will undertake comprehensive midterm review in the middle of the second year of project implementation to identify problems and constraints encountered and suggest measures to address them. Specific items to be reviewed will include (i) appropriateness of scope, design, implementation arrangements and schedule of activities; (ii) assessment of implementation pace and achievements against project indicators; (iii) effectiveness of capacity building programs of local authorities; (iv) compliance with safeguard measures; (v) extent to which the additional support for O&M of the facilities required under the project to ensure operational stability; (vi) lessons learned and good practices and potential for replication; and (vii) changes recommended. Within 6 months of physical completion of the project, the executing agency will submit a project completion report to ADB.¹⁵

D. Reporting

69. The executing agencies (MPCLGS and MMWD) 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 the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure that projects

¹⁵ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>.

will continue to be both viable and sustainable, project accounts and the executing agency audited financial statement together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

70. The project intends to maximize transparency by communicating relevant project information to stakeholders in various means. The PMUs will set up a website within 6 months from the loan effectiveness and disclose all key project-related information, including scope, cost, financial and institutional arrangements, of the project, project safeguard reports including DDRs, IEEs and resettlement plans, procurement plans and project progress. The website will include information on project procurement including the list of participating firms, name of the winning firm, basic details of procurement procedures and value of consultancy contracts awarded. The website shall also contain general project information in both English and Sinhala languages and shall link to ADB's Integrity Unit website at <http://www.adb.org/Integrity/complaint.asp> for reporting to ADB any grievances or allegations of corrupt practices arising out of Project and /or Project activities. The Borrower shall cause the EAs to ensure that all Project staff are fully aware of ADB's procedures including, but not limited to procedures for implementation, procurement, use of consultants, disbursements, reporting, monitoring and prevention of fraud and corruption.

71. Each PIU and participating local authorities will also fully disclose relevant project related information—such as project name and cost, information on bidding, contractor's name, contract price, progress of construction—through public briefing and bulletin boards.

X. ANTICORRUPTION POLICY

72. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.¹⁶ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.¹⁷

73. To support these efforts, relevant provisions are included in the loan agreement and the bidding documents for the project. The Borrower shall ensure that all representation letters from the project auditor are submitted to ADB and any outstanding issues attended within one month of the receipt by executing agencies (MPCLGS and MMWD) unless otherwise agreed by ADB.

XI. ACCOUNTABILITY MECHANISM

74. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.¹⁸

¹⁶ Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>.

¹⁷ ADB's Integrity Office website: <http://www.adb.org/integrity/unit.asp>.

¹⁸ Accountability Mechanism: <http://www.adb.org/Accountability-Mechanism/default.asp>.

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

75. The first version of the project administration manual (PAM) has been prepared at the loan fact finding mission on April 2018.

**LIST OF LOCAL AUTHORITIES COVERED UNDER THE URBAN PROJECT
PREPARATORY FACILITY**

1. Local Authorities under ‘Secondary Towns’ Component

Executing Agency: Ministry of Provincial Councils, Local Government and Sports
Project Main Project Name: Secondary Towns Sustainable Development Project

No.	Local Authority	Province
1	Dehiwela Mount Lavana MC	Western
2	Negambo MC	Western
3	Beruwela UC	Western
4	Ambalangoda UC	Southern
5	Weligama UC	Southern
6	Tangalle UC	Southern
7	Gampola UC	Central
8	Matale MC	Central
9	Hatton Dikoya UC	Central
10	Chavakachcheri UC	Northern
11	Karachchi PS	Northern
12	Mannar UC	Northern
13	Maritimpettu PS	Northern
14	Vavuniya UC	Northern
15	Kinniya UC	Eastern
16	Batticaloa MC	Eastern
17	Kalumunai MC	Eastern
18	Embilitipitiya UC	Sabaragamuwa
19	Kegalle UC	Sabaragamuwa
20	Kuliyapitiya UC	North Western
21	Puttalam UC	North Western
22	Kekkirawa PS	North Central
23	Hingurakgoda PS	North Central
24	Monaragala PS	UVA
25	Bandarawela MC	UVA

2. Local Authorities under ‘Strategic Cities’ Component

Executing Agency: Ministry of Megapolis and Western Development
Project Main Project Name: Sustainable Urban Development Project

No.	Cities	Province
1	Trincomalee	Eastern
2	Dambulla	Central
3	Kurunagela	North Western
4	Ratnapura	Sabaragamuwa

PROJECT SELECTION CRITERIA

- (i) Subprojects to develop infrastructure and services under the jurisdiction of local authorities (municipal council, urban council, and pradeshiya sabha).
- (ii) Subprojects to fill critical infrastructure gaps and improve existing service delivery levels in core population areas to a minimum of 10% of existing levels.
- (iii) Subproject designed and executed in accordance with the Sri Lanka Standards and Construction Industry Development Agency specifications, and apply international best practices to the extent practical.
- (iv) Subprojects to comply with ADB's Safeguard Policy Statement, 2009.
- (v) Subproject to provide services relevant to improved livability, including:
 - (a) Green infrastructure (energy efficiency, using nature-based solutions for waste water, sanitation, flood prevention, creating of high quality open spaces, solid waste management, sanitation, storm water drainage, public space, public buildings);
 - (b) Inclusive infrastructure (investments which encourage participation of youth, elderly, woman and which enhance accessibility of disabled); and
 - (c) Competitive infrastructure for economic development (local authority roads, bus/truck terminals, markets halls, tourism support infrastructure (e.g., signage, lighting, information centers, boat landings, basic tourist services, technical and vocational education and training) supported by improved data collection and data analysis so to enhance efficiency and effectiveness of service delivery.
- (vi) Subproject designs to consider climate change and disaster risks, where possible. Water supply and sewerage projects considered only on very essential basis.
- (vii) Subprojects apply and/or pilot innovative technologies where relevant for improving operational efficiencies such as those which promote energy efficiency, renewable energy, information technology-enabled service systems, and nature-based solutions.
- (viii) Subprojects in line with Urban Development Authority Master Plans to ensure an integrated planning approach. Where Urban Development Authority Master Plan does not exist, subprojects to be based on public and stakeholder consultation process, apply an integrated planning approach, and be endorsed by the appropriate local authority.
- (ix) Subprojects include plans showing how operation and maintenance and operation and maintenance costs will be supported.
- (x) Subproject packages valued less than \$0.3 million (SLRs50 million) to be clubbed with other packages under the project, to the extent practical. Such small size packages to be taken up only with sufficient justification provided for ADB approval.
- (xi) Subprojects shall have an economic internal rate of return of 12% or more.

PROCUREMENT PLAN

Basic Data

Project Name: Urban Project Preparatory Facility - Sri Lanka	
Project Number: 51297-001 (for the TA Loan) <i>Project Number for main project - To be given</i>	Approval Number: To be approved (Advance Contracting)
Country: SRI LANKA	Executing Agencies: (i) Ministry of Provincial Councils, Local Government and Sports; and (ii) Ministry of Megapolis and Western Development, Sri Lanka
Project Procurement Classification: C - (only design work and no execution under the proposed TA Loan)	Implementing Support: Provincial Councils and Local Authorities
Procurement Risk: Low	
Project Financing Amount: ADB Financing: \$10 million (\$5 million for each executing agency) Co-financing (ADB Administered): none	Project Closing Date: September 2021
Date of First Procurement Plan: 01 Feb 2018	Date of this Procurement Plan: 01 Feb 2018

A. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

This TA loan is for obtaining consultancy services and does not have procurement of works and goods as of date.

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of Consulting Services.

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	Prior Review (90:10)
Least-Cost Selection	Prior Review
Individual Consultant Selection	Prior Review
Single Source Selection	Prior Review

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Sl. No	Package Number	General Description	Estimated Value US \$ million	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date	Comments
No Procurement of Goods and Works envisaged as on date under the TA Loan								

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Secondary Towns Component (Ministry of Provincial Councils, Local Government and Sports)

Package Number	General Description	Estimated Value \$ million	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/yr)	Type of Proposal	Comments
Package No. STSDP - DPC - 01	Consultancy for Detailed Design and Procurement Services of Urban Infrastructure of 25 Local Authorities across Sri Lanka	4.50	QCBS (90:10)	Prior	Q1/2018	FTP	International assignment

QCBS = Quality- and Cost-Based Selection, FTP = Full Technical Proposal.

Strategic Cities Component (Ministry of Megapolis and Western Development)

Package Number	General Description	Estimated Value \$ million	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/yr)	Type of Proposal	Comments
SUDP DPC TR 01	Planning, Detailed Design and Preparation of tender documents of Traffic, Transportation and Mobility Improvements for Trincomalee, Dambulla, Kurunagela & Ratnapura)	1.50	QCBS (90:10)	Prior	Q1/2018	FTP	International Assignment
SUDP DPC UR 01	Planning, Detailed Design and Preparation of tender documents of Urban Upgrading, Heritage Conservation and Capacity Building activities for four Cities in Sri Lanka (Trincomalee, Dambulla, Kurunagela & Ratnapura)	1.70	QCBS (90:10)	Prior	Q1/2018	FTP	International Assignment
SUDP DPC EP 01	Detailed Design and Preparation of tender documents - Environment Management Services Component for four Cities in Sri Lanka (Trincomalee, Dambulla, Kurunagela & Ratnapura)	1.70	QCBS (90:10)	Prior	Q1/2018	FTP	International Assignment

QCBS = Quality- and Cost-Based Selection, FTP = Full Technical Proposal.

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value US \$ mn	Number of Contracts	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/yr)	Comments
No contracts in this category as on date								

Secondary Towns Component (Ministry of Provincial Councils, Local Government and Sports)

Consulting Services								
Package Number	General Description	Estimated Value US \$ mn	Number of Contracts	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/ year)	Type of Proposal	Comments
STSDP - IC - INT - 02	Individual Consultant - (International) for project design	0.15	01	ICS - Individual Consultant Selection	Prior	Q1 / Q2 - 2018	NA	The discipline will be based on necessity
STSDP - IC - NAT 03	Individual Consultant - (National) for Project Design	0.02	01	ICS - Individual Consultant Selection	Prior	Q1 / Q2 -2018	NA	
STSDP - IC - NAT 04	Individual Consultant - (National) for Project Design	0.02	01	ICS - Individual Consultant Selection	Prior	Q1 / Q2 -2018	NA	

Strategic Cities Component (Ministry of Megapolis and Western Development)

Consulting Services								
Package Number	General Description	Estimated Value US \$ mn	Number of Contracts	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/ year)	Type of Proposal	Comments
SUDP - IC - INT - 01	Individual Consultant to PMU – for integration of city based 03 sectoral works	0.05	04	NCS- Individual Consultant Selection	Prior	Q1 / Q2 - 2018	NA	The discipline based on necessity
SUDP - IC - NAT 01 to 04	Individual Consultant for PMU for Environmental Management Services 2. Traffic and Transportation	0.07 (0.0175* 4)	02	ICS - Individual Consultant Selection	Prior	Q1 / Q2 -2018	NA	Transportation Experts

B. Indicative List of Packages Required Under the Project

The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Comments
No works anticipated at present							

Consulting Services							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review (Prior/Post)	Type of Proposal	Comments
No works anticipated at present							

C. List of Awarded and On-going, and Completed Contracts

The following tables list the awarded and on-going contracts, and completed contracts.

1. Awarded and On-going Contracts

Goods and Works							
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter /yr)	Date of ADB Approval of Contract Award	Comments
None as of date of the Plan							

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
None as of date of the Plan							

2. Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/ year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
None as of date of the Plan								

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/ year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
None as of date of the Plan								

D. Non-ADB Financing

The following table lists goods, works and consulting services contracts over the life of the project, financed by Non-ADB sources.

Goods and Works				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments
None as on date				

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments
None as on date				

E. Procurement of Consulting Services

A. Regulation and Reference Documents

1. The Procurement of consultants under this loan would be in accordance to ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

B. Procurement Procedures

1. Eligibility

2. The eligibility of consultants shall be as defined under Section I of Guidelines on The Use of Consultants by Asian Development Bank and Its Borrowers - March 2013 as amended from time to time (the "Guidelines");

2. Registration and Sanctioning

3. Registration is acceptable under the following conditions:
 - (i) Procurement shall not be restricted to pre-registered firms under the national registration system (if any) and such registration shall not be a condition for the submission of proposals in the procurement process.
 - (ii) National sanction lists or blacklists may be applied only with prior approval of ADB.

3. Prequalification

4. National / Provincial lists of prequalified consultants are not allowed.

4. Advertising

5. The posting of EOI notification to be made in ADB - CSRN along with the required documents. It is encouraged to publish the request for EOI notification on the EA's website.

5. Preferences

6. Not Applicable

6. Participation by Government-Owned Enterprises

7. Government-owned enterprises in the Democratic Socialist Republic of Sri Lanka shall be eligible to participate only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the procuring entity, or the Project Executing Agency or Implementing Agency.

7. ADB Policy Clauses

8. All policy clauses as in the Standard Harmonized RFP to be used.

BRIEF OUTLINE TERMS OF REFERENCE FOR CONSULTANCY PACKAGES UNDER URBAN PROJECT PREPARATORY FACILITY

I. Consultancy Packages of Secondary Towns Component – Ministry of Provincial Councils, Local Government and Sports

Consultancy Services for Detailed Design and Procurement Services of Urban Infrastructure of 25 Local Authorities - Package No. STSDP-DPC-01

1. Background

1. The Ministry of Provincial Councils Local Government and Sports (MPCLGS), Government of Sri Lanka is planning to take up sustainable development initiatives in key strategic towns / cities of the country with growth potential. Twenty-five local authorities are selected for this purpose (one potential town / city for each district) in order to develop them as model towns, the development of which could be later replicated in other towns of the district.

2. In this endeavour, Government of Sri Lanka and Asian Development Bank (ADB) have agreed to work together, with ADB agreeing in principle to provide financial assistance for the Project.

3. In order to ensure project readiness before approval of the main loan, ADB has agreed to provide an Urban Project Preparatory Facility through a Technical Assistance (TA) Loan for Sri Lanka which is envisaged to strengthen project readiness by completing advanced feasibility studies, detailed designs, and procurement actions meeting ADB financing requirements, and building capacities of implementing agencies in the urban sector prior to main project approval.

4. The subject consultancy assignment is planned to be financed through said TA Loan.

2. Objectives of the Assignment:

5. The main objectives of the assignment are to:

- (i) Update the present status of the service sector(s) with regard to projects identified, in the local authority area;
- (ii) Work out the technical, financial, economic, environmental and social feasibility of each package individually and the total package of the local authorities as a whole;
- (iii) Conduct necessary surveys and investigations required to design and implement the projects identified;
- (iv) Prepare feasibility report, detailed design, drawings and cost estimates for implementation of projects including reports on measures on environmental and social safeguards (resettlement requirements / indigenous people issues if any); and designs take care of climate change factors;
- (v) Identify capacity building requirements and implement the capacity building programs to the stakeholders implementing the project;
- (vi) Assist in the procurement of works and goods (mainly includes preparation of bid documents, procurement plan, assisting in bid evaluation until award of works);
- (vii) Assist the implementing agencies in project readiness activities for commencement of construction work; and
- (viii) Assist the local authorities in preparation of reform plans and its implementation and assist the executing agency in review of the progress of the reform actions until completion of the assignment. Suggest methodologies of implementation of the reform plans.

3. Scope of Services, Tasks (Components) and Expected Deliverables

a. General Scope of Services

6. The Design and Procurement Consultant (DPC) needs to collect and update information regarding service levels of the infrastructure sector taken up for development in the study area including inventory of existing systems.

7. The DPC is required to carry out feasibility studies for the identified projects. Project feasibility should include technical, financial and economic analysis, and preparation of safeguards documents—social and environmental documents in compliance with ADB's Safeguard Policy Statement, 2009. The DPC also needs to prepare detailed project reports including engineering designs, environmental and social and financial /economic feasibility reports and also prepare bidding documents for the project in compliance with ADB's procurement guidelines (If the local authorities change the projects due to the change in their preferences, it is the responsibility of the DPC to even conduct a pre-feasibility studies of the new projects and prepare prefeasibility report and then proceed with the other work as indicated in this terms of reference.)

8. The overall design would cater for a period of around 30 to 50 years/ horizon / as defined as per national planning norms and a projected population as determined by the consultant based on appropriate projection techniques. The designs shall conform to relevant/ latest applicable National Standards and Central Environmental Agency (CEA) requirements. Wherever such standards are not available, appropriate standards shall be followed in discussion with the PMU. The designs should also accommodate the climate change factor.

9. The consultant need to evaluate that the projects identified are in line with the project selection criteria and if not advise the project authorities accordingly.

10. In addition, the DPC shall prepare the following:

- i) Resettlement framework, indigenous peoples planning framework (IPPF) and environmental assessment and review framework (EARF) for the project (need to assist the PMU in sending the same to the ADB and obtain the approval);
- ii) Standard bidding documents for procurement of goods and works for the project in line with the standard bid documents of ADB; and
- iii) Consultation plan to be prepared for the project at the stages of (i) project design; and (ii) project implementation; and (iii) operation and maintenance period.

11. The DPC needs to collect necessary data for design and implementation, and shall be wholly responsible for all the details provided in their reports on site conditions, the execution methodology, and various other design parameters etc. All data utilized in preparation of the reports shall be presented indicating the sources of the data and also the basis of assumptions, if any, i.e, the design consultant shall be responsible for all the data or designs and drawings given by them.

12. The DPC shall carry out topographical survey with reference to specified datum as required for the service upgrade and necessary geotechnical investigations. The local body will provide the information on subproject sites, their measurements and ownership details. The consultant shall be responsible for its verification and mapping. Soil tests as per relevant National Standards have to be conducted and necessary reports prepared by consultants to arrive at

design parameters.

13. The detailed cost estimates need to be prepared using the latest schedule of rates of the Province. Estimate associated costs such as road restoration charges/ shifting of utilities, resettlement. There should not be any lumpsum items in the bill of quantities. For items not covered under schedule of rates, market rates to be assessed. (Necessary documents on quotations received should be made for assessment of market rates) and also prepare contract packaging plan.
14. For the given purpose and functional use of the respective projects, proper design has to be developed. The consultants have freedom to choose the type of sub structure and superstructure, provided the National code specifications and standards are met. The drawings and designs shall include a general arrangement drawing and a detailed longitudinal section drawing of all components in size A1 or A2. The level of detailing shall be such so as to enable check of conformance with code provisions, including detailed construction drawings and bar bending schedules. The responsibility of the preparation and issue of detailed construction drawings is that of the Design Consultants which needs to be submitted along with the bid documents.
15. The DPC will assist in bidding, bid evaluation and award process in procurement of works, goods and materials in accordance to guidelines of ADB as required by the project.
16. The DPC needs to prepare project implementation schedule and budget with cash flow forecasts, furnish network analysis such as Critical Path Matrix (CPM) / Program Evaluation and Review Technique (PERT) for purposes of effective project monitoring and regular reports.
17. The DPC needs to carry out social impact assessments of proposed development interventions including land acquisition and its financial implication, and if found necessary, prepare a Resettlement Plan and/or an indigenous people plan in accordance with the resettlement framework and IPPF as prepared and approved for the Project. Prepare a Grievance Redressal Mechanism for the Project. The DPC will also provide capacity building support to executing and implementing agencies ensure: (i) grievance redress mechanisms can function effectively; and (ii) improved project communication skills of the implementing and executing agencies so that affected persons are well informed thus reducing the number of grievances arising due to the ensuing projects.
18. The DPC needs to prepare necessary environmental assessment reports such as an initial environmental examination (IEE) or environmental impact assessment (EIA), in compliance with the EARF as prepared and approved for the project and requirements of ADB procedures. If existing facilities are involved an environment compliance audit may also be needed. The design team will work closely with environment team to ensure that environment requirements are incorporated into project design from start.
19. Prepare community development and public awareness programs, and identify training requirements if any as necessary for the project construction, operation and maintenance.
20. Prepare gender action plan (GAP) for the project and implement the GAP of the TA loan.
21. Prepare action plan and report on implementing relevant part of the gender action plan of the project during the design stage.

22. The design consultants shall assist the local authority in obtaining required statutory approvals for the project implementation from competent authorities, basically in preparing the required documentation for the approvals.

23. The consultant shall perform with reasonable skill and care the services for Architectural and multi-disciplinary designs as necessary to achieve the completion of the project in accordance with the project requirements, including services that are necessary, but not expressly detailed in this scope of services.

24. Based on the costs estimates prepared and the project schedules approved by the client, the consultant should perform the following tasks:

- (i) Prepare full set of working drawings comprising of architectural, structural, all building and area services, interior décor, and landscaping, which are suitable for construction;
- (ii) Coordinate with Employer's representatives and Technical Evaluation Committee members on finalizing extent and sufficiency of details presented in working drawings and contract packaging;
- (iii) Prepare of bill of quantities, and specifications;
- (iv) Submit to the Employer the following documents necessary for calling bids such as:
 - (a) Pricing Preambles;
 - (b) Specifications;
 - (c) Bills of Quantities;
 - (d) Instructions to bidders (based on ADB standard documents);
 - (e) General Conditions and Particular Conditions of Contract (based on ADB standard documents);
 - (f) Warranties / Guarantees requirements;
 - (g) Instructions of Supervision of works;
 - (h) Program of Works;
 - (i) Full set of Architectural, Structural and Services working drawings; and
 - (j) Bidding documents for procurement of works / goods.

25. **Bidding and Negotiating Stage.** During this stage, DPC must obtain the approval of the Employer to all Bidding Documents.

- (i) Assist the Employer to invite bids for the project, based on the bid document approved by the Employer;
- (ii) Assist the conduct of pre-bid meetings, answer queries and advise Employer and bidders on all technical and procedural matters during bidding;
- (iii) Advise and attend to the closing of bid receipt and opening of bids;
- (iv) Assist in the evaluation of the bids;
- (v) Assist the Employer in selecting a Contractor including negotiations with bidder on finalizing the Contract;
- (vi) Advise the Employer on issue of Letter of Acceptance and Award of Contract by providing a suitable draft letter;
- (vii) Arrange contract documents for the signing of the Contract by the Employer and the Contractor;
- (viii) Arrange to hand over the site and the relevant documents to the Contractor; and
- (ix) Review and finalize the construction program and other instructions.

26. Prepare Quality Assurance Document / Quality Control Manual for quality implementation of works.

II. Consultancy Packages of Strategic Cities Component – Ministry of Megapolis and Western Development

A. Consultancy Services for Planning, Design and Procurement of Traffic, Transportation and Mobility Improvements for Trincomalee, Dambulla, Kurunegala and Ratnapura in Sri Lanka (Package No. SUDP DPC TR 01)

1. Background

27. The Ministry of Megapolis and Western Development (MMWD), Government of Sri Lanka is planning to take up sustainable development initiatives in key strategic cities of the country with growth potential outside Colombo, which include cities in Colombo—Trincomalee economic corridor (Trincomalee, Dambulla and Kurunegala) and another important nodal city i.e Ratnapura which is a main commercial cum Agricultural city of Sabaragamuwa Province.

28. In this endeavor, Government of Sri Lanka and ADB have agreed to work together with ADB agreeing in principle to provide financial assistance for the SUDP under the Ministry's Strategic Cities Development Programme which is a program envisaged to develop Strategic Cities across Sri Lanka.

29. In order to ensure project readiness before approval of the main loan, ADB has agreed to provide an Urban Project Preparatory Facility through a TA Loan for Sri Lanka which is envisaged to strengthen project readiness by completing the required plans, feasibility studies, detailed designs, and procurement actions in advance to meet ADB financing requirements and building capacities of implementing agencies in the urban sector prior to main project approval.

30. The subject consultancy assignment is planned to be financed through said TA Loan.

2. Objectives of the Assignment

31. One of the main objectives of SUDP is to improve urban services and public urban spaces through a properly planned urban upgrading initiatives in the selected Cities. The SUDP envisages to work on improving livability by supporting priority investments in infrastructure and services; provide organized city functions to enhance public urban spaces; and achieving significant urban transformation to respond to economic growth. It has been recognized that a significant improvement in its transport function with improvements in mobility is one of the urgent steps to be taken for the resurgence of these cities.

32. Some of the immediate concerns to be addressed are gaps in requirements of infrastructure for improved movements in the city centers/ central business district, public transport including buses, trains and other modes of public transportation, multi-modal integration, traffic and parking management, traffic circulation, walkability, cycling facilities, improved road safety, missing links in city road networks, bottleneck treatment and intersection improvement, city by-passes and orbital movements.

33. The assignment also needs to evaluate the development of a multi-modal transportation system (with hubs as required and operational improvements) with a transit-oriented development plan in order to provide for the proposed development in the area.

34. Reducing congestion and travel delays, modernizing public transport, incorporating ICT applications to transport management, improving safety aimed at overall improvement in transport

service delivery and higher economic benefits while improving financial sustainability are also the other objectives of the assignment.

35. With the above main objectives, the consultant would be required to (i) carry out a mobility study (including traffic improvements), (ii) conduct necessary surveys and investigations; and (iii) prepare a strategic and comprehensive traffic, transport and mobility improvement plan including identification of interventions in both infrastructure and operational features for four cities. Among the total interventions identified, the priority investments to be implemented under the subject project to be finalized through stakeholder consultations and discussions with PMU.

36. Prepare the detailed designs for the priority interventions identified along with cost estimates along with preparing the bid documents for these works and assisting in procurement of works. To design all structures considering the climate change factors.

37. Prepare social and environmental safeguard documents—due diligence reports (DDRs), resettlement plans, indigenous peoples plan (IPP), environmental screening reports, environmental assessment reports in order to obtain the terms of reference from CEA for IEE and EIA for prescribed projects under CEA, based on project requirements in accordance to ADB's SPS, 2009 and the framework documents prepared for the project.¹ If existing facilities are involved, an environment compliance audit may also be needed. The design team will work closely with environment team to ensure that environment requirements are incorporated into project design from start. The design team needs to work with environment team to ensure that environment requirements are incorporated into project design from start.

38. Also follow the requirements of GAP in project design and procurement.

3. Scope of Services, Tasks (Components) and Expected Deliverables

3.1 General Scope of Services

39. The scope of services under the assignment mainly but not limited to includes preparation of Comprehensive Traffic and Transportation (including public transport) and Mobility Plans including operation management plans for the selected cities of Sri Lanka as mentioned below.

- (i) Trincomalee, Eastern Province;
- (ii) Dambulla, Central Province;
- (iii) Kurunegala, North Western Province; and
- (iv) Rathnapura, Sabaragamuwa Province.

40. The study and/or planning area of each of the above cities should include the administrative area of each city and the surrounding area (urban agglomeration) from which there is regular commuting of passengers and freight movement, and if necessary extending up to distance of not more than four km from the town center as required for purposes of studying travel patterns, possible by-pass roads, satellite terminals and logistics centers etc. However, the areas of influence in terms of impact of movements (passengers, freight) (if any) to be considered even beyond the delimited areas.

41. The studies should commence from (i) Study of Existing Situation through (a) analysis and presentation of primary and secondary data; (b) in-depth field observations of issues and

¹ The consultants will prepare Environmental Impact Assessments if any subprojects are found to be category A based on the rapid environmental assessments.

problems; (c) stakeholder consultations and discussions; (d) required surveys and investigations; and followed by (ii) Projections of requirements in line with the most likely development scenarios; (iii) preparation of the comprehensive, traffic, transportation and mobility plan for the agreed plan-period; and (iv) conclude with detailed designs, estimated costs and bid documents for procurement of priority interventions along with their estimated costs.

42. In general, the various features of traffic, transportation and mobility plan is required to include but not limited to the following:

- (i) Prepare a transportation system improvement plan which includes bus system, sub-urban transit systems (all modes) as per requirements;
- (ii) Prepare Connectivity Improvement of various economic nodes / Central Business District and important places like railway stations, airports;
- (iii) Plan for improvement of mobility and parking in the Central Business District and other key areas;
- (iv) Plan for public transport system as required in the City;
- (v) Plan for pedestrian and non-motorized transport development in the City;
- (vi) Plan for the roads and street systems in the city based on existing and projected traffic;
- (vii) Plan for all important intersections (as agreed with the PMU) (both at grade and grade separated);
- (viii) Plan for traffic safety improvement proposals;
- (ix) Determine Traffic and Transport Demand Management Measures;
- (x) Plan for new / improvement of existing passenger terminals and depots (Bus / Rail etc. as required);
- (xi) Plan or new links, missing links and bypasses as required and assessed during studies;
- (xii) Plan for Parking facilities (off street, on street, multilevel in case of busy / central areas);
- (xiii) Suggest movement pattern with required one ways, vehicular restrictions during busy areas; and
- (xiv) Study the developments in the region and its impact on the city and plan required interventions accordingly.
 - (a) A proper service level benchmarking to be done before starting the planning of the interventions. The plans and development interventions to be prepared after a proper study of the existing traffic, transportation systems, mobility and projecting the traffic, transport demand including the floating population.
 - (b) The proposals should also be based on review of existing and proposed land use (if proposed planned land use is not available, then the consultant need to assess the development pattern in discussion with the local authority).
 - (c) Adequate stakeholder consultation to be carried out at all required stages in the assignments.
 - (d) The target year for planning to be considered as 2035.

43. **Tasks.** The scope of work for the Consultancy would include but not limited the following task and could be divided into the following:

- (i) Task 1: Define Approach and Plan;
- (ii) Task 2: Data Collection, Surveys, Investigations, Studies and analysis of existing situation and forecast / projections for the plan period;
- (iii) Task 3: Development of Transport Scenarios;

- (iv) Task 4: Development of Comprehensive Traffic, Transportation and Mobility Plan; *(This task includes the preparation of above said plan including finalizing the interventions required to implement the plan (after adequate studies, surveys, investigations, analysis, stakeholder consultations and prefeasibility studies). This task also includes finalization of priority interventions to be implemented under the Project and preparation of implementation program)*
- (v) Task 5: Preparation of Feasibility and Detailed Project Reports *(This task includes preparation of feasibility reports (economic, social and environmental), Detailed Project Reports (DPRs) with include designs (including structural), drawings (suitable for construction), detailed specifications and estimate of quantities (for bid documents), estimate of costs and other required documents for implementation of priority interventions finalized to be implemented under the Project. This task also includes preparation of safeguard documents as indicated in the General Scope of work above.)*
- (vi) Task 6: Preparation of Bid documents and assisting in Procurement Process
- (vii) Task 7: Preparation of Operation and Management Plan, Broad Construction Schedule, Quality Assurance Manual and Completion Report.

B. Consultancy for Planning Detailed Design and Procurement under Environmental Preservation Component for four Cities in Sri Lanka - (Trincomalee, Dambulla, Kurunagela and Ratnapura) (Package No. SUDP DPC EP 01)

1. Background

44. The MMWD, Government of Sri Lanka is planning to take up sustainable development initiatives in key strategic cities of the country with growth potential outside Colombo, which include urban areas in Colombo - Trincomalee economic corridor (Trincomalee, Dambulla and Kurunagela) and another important nodal city, i.e., Ratnapura which is a main commercial city of Sabaragamuwa Province.

45. In this endeavor, Government of Sri Lanka and ADB have agreed to work together with ADB agreeing in principle to provide financial assistance for the Project.

46. In order to ensure project readiness before approval of the main loan, ADB has agreed to provide an Urban Project Preparatory Facility through a TA Loan for Sri Lanka which is envisaged to strengthen project readiness by completing advanced feasibility studies, detailed designs, and procurement actions meeting ADB financing requirements, and building capacities of implementing agencies in the urban sector prior to main project approval.

47. Environmental Preservation is one of the component taken up under this project which basically includes (i) improvements to solid waste management; (ii) improvements to urban drainage and flood control; (iii) water supply and sewerage components (to the extent of only absolute requirements linking to other projects) and related sub-project.

48. The subject consultancy assignment is planned to be financed through the TA Loan mentioned above.

2. Objective(s) of the Assignment:

49. The main objectives of the assignment are to:

- (i) Update the present status of the service sector(s) with regard to surface water drainage and solid waste management (SWM), in the local authority areas indicated above;
- (ii) Prepare a master plan for SWM for the four local authorities and prioritize the works to be taken up under the project;
- (iii) Prepare a master plan for storm water drainage for the four local authorities mentioned above and prioritize the works to be taken up under the project;
- (iv) Conduct necessary surveys and investigations required to design and implement the projects identified;
- (v) Prepare feasibility report, detailed designs, drawings and cost estimates for implementation of priority projects to be taken up under SWM and drainage and flood control based on master plans prepared for these sectors, to the extent of availability of funds under the project. The reports on measures on environmental and social safeguards (resettlement requirements and/or indigenous people issues if any) need to be prepared. The climate change factors should be considered in the designs;
- (vi) Prepare detailed project reports for all the projects identified;
- (vii) Work out the technical, financial, economic, environmental and social feasibility of each package;
- (viii) Assist in the procurement of works and goods (mainly includes preparation of bid documents, procurement plan, assisting in bid evaluation until award of works.); and
- (ix) Assist the implementing agencies in project readiness activities for commencement of construction work.

3. Scope of Services, Tasks (Components) and Expected Deliverables

a. General Scope of Services:

50. The scope of work includes services for the local authorities of:
- (i) Trincomalee Urban Council, Eastern Province;
 - (ii) Dambulla Municipal Council, Central Province;
 - (iii) Kurunagela Municipal Council, North Western Province; and
 - (iv) Ratnapura, Municipal Council, Sabaragamuwa Province.
51. The main sectors covered under this component are:
- (i) SWM improvement for four local authorities;
 - (ii) Improvements to urban drainage system and flood control measures in four local authorities;
 - (iii) Improvements to water supply systems to cover the requirements of completeness of other projects (if any); and
 - (iv) Improvements to sewerage systems to cover the requirements of completeness of other projects (if any).
52. Detailed master plan for next 30 years is prepared for both (i) SWM; and (ii) storm water drainage for the local authorities in accordance with the CEA regulations. The master plans should clearly identify and list the development initiatives and timeline of implementation with proper phasing of works with the first phase works to be taken up under the funds available under this project.

53. A tentative allocation as on date for the environmental preservation component would be around \$75 million which would be shared as per requirement between the project towns based on the priorities identified. The master plans and the studies should be followed up with prioritization of works based on the availability of funds as mentioned above.

54. The consultant is required to carry out feasibility studies for the identified priority subprojects. Project feasibility should include technical, financial and economic analysis, and preparation of safeguard—social and environmental documents in compliance with ADB requirements. The consultant also needs to prepare DPRs including engineering designs, environmental and social and financial /economic feasibility reports and also prepare bidding documents for the project in compliance with ADB's procurement guidelines.(If the local authorities change the subprojects due to the change in their preferences, it is the responsibility of the consultant to conduct feasibility studies of the new subprojects and prepare feasibility report and then proceed with the other work as indicated in this terms of reference.)

55. The overall design would cater for a period of around 30 years or as defined as per national planning norms and a projected population as determined by the consultant based on appropriate projection techniques. The designs shall conform to relevant/ latest applicable National Standards and CEA requirements. Wherever such standards are not available, appropriate standards shall be followed in discussion with the PMU.

56. The designs should take into consideration the climate change factors.

57. The master plan and the designs should be finalized after a detailed consultation with all the relevant stakeholders.

58. The consultant needs to collect and update information regarding service levels of the sector taken up for development in the study area including inventory of existing systems before commencement of master plan and designs.

59. The consultant needs to collect necessary data for design and implementation. The consultant shall be wholly responsible for all the details provided in their reports on physical and site conditions, the execution methodology, and various other parameters. All data utilized in preparation of the reports shall be presented indicating the sources of the data and also the basis of assumptions, if any, i.e., the design consultant shall be responsible for all the data or designs and drawings given by them.

60. The consultant shall carry out topographical survey with reference to specified datum as required for the service upgrade and necessary geotechnical investigations. The local body will provide the information on sub-project sites, their measurements and ownership details. The consultant shall be responsible for its verification and mapping. Soil tests as per relevant National Standards have to be conducted and necessary reports prepared by consultants to arrive at design parameters.

61. The detailed cost estimates need to be prepared using the latest schedule of rates of the Province. Estimate associated costs such as road restoration charges/ shifting of utilities, resettlement etc. There should not be any lumpsum items in the bill of quantities. For items not covered under schedule of rates, market rates to be assessed. (Necessary documents on quotations received should be made for assessment of market rates) and also prepare contract packaging plan.

62. For the given purpose and functional use of the respective subprojects, proper design has to be developed. The consultants have freedom to choose the type of sub structure and superstructure, provided National code specifications and standards are met. The drawings and designs shall include a general arrangement drawing and a detailed longitudinal section drawing of all components in size A1 or A2. The level of detailing shall be such so as to enable check of conformance with code provisions, including detailed construction drawings and bar bending schedules. The responsibility of the preparation and issue of detailed construction drawings is that of the Design Consultants which needs to be submitted along with the bid documents.
63. The consultant will assist completely in bidding, bid evaluation and award process in procurement of works, goods and materials in accordance to guidelines of ADB as required by project.
64. The consultant needs to prepare project Implementation schedule and budget with cash flow forecasts, furnish network analysis such as Critical Path Matrix (CPM) / Program Evaluation and Review Technique (PERT) for purposes of effective project monitoring and regular reports.
65. The consultant needs to carry out social impact assessments of proposed development including land acquisition and its financial implication, and if found necessary, prepare a resettlement plan and/or an indigenous people plan in accordance with the resettlement framework and IPPF agreed upon between the Government of Sri Lanka and ADB. In case there are no social / resettlement issues the consultant is required to prepare a DDR for social safeguards. The consultants will prepare a grievance redressal mechanism for the project. The consultant will also provide capacity building support to executing and implementing agencies ensure: (i) grievance redress mechanisms can function effectively; and (ii) improved project communication skills of the implementing and executing agencies so that affected persons are well informed thus reducing the number of grievances arising due to the ensuing projects.
66. The consultant needs to prepare necessary environmental assessment reports such as an IEE or EIA, in compliance with the EARF agreed upon between the government and ADB and requirements of ADB procedures (footnote 1). If existing facilities are involved, an environment compliance audit may also be needed. The design team will work closely with environment team to ensure that environment requirements are incorporated into project design from start. The design team needs to work with environment team to ensure that environment requirements are incorporated into project design from start.
67. In case there are no environmental impacts, the consultant is required to prepare the DDR for environmental safeguards.
68. Prepare community development and public awareness programs and identify training requirements, if any, as necessary for the project construction, operation and maintenance.
69. Prepare action plan and report on implementing relevant part of the gender action plan of the project.
70. The design consultants shall assist the local authority in obtaining required statutory approvals for the project implementation from competent authorities.
71. The consultant shall perform with reasonable skill and care the services for multi-disciplinary design services, necessary to achieve the completion of the project in accordance

with the project requirements, including services that are necessary, but not expressly detailed in this scope of services.

72. Based on the costs estimates prepared and the project schedules approved by the client, the consultant should perform the following tasks:

- (i) Preparing full set of working drawings comprising of Architectural, structural, services interior décor, landscaping which are suitable for construction;
- (ii) Co-ordination with Employer's representatives and Technical Evaluation Committee members on finalizing extent and sufficiency of details presented in working drawings and contract packaging;
- (iii) Preparation of bill of quantities, and specifications;
- (iv) Consultant shall submit to the Employer the following documents necessary for inviting bids such as:
 - (a) Pricing Preambles;
 - (b) Specifications;
 - (c) Bills of Quantities;
 - (d) Instructions to bidders (based on ADB standard documents);
 - (e) General Conditions and Particular Conditions of Contract (based on ADB standard documents);
 - (f) Warranties / Guarantees requirements;
 - (g) Instructions of Supervision of works;
 - (h) Program of Works;
 - (i) Full set of Architectural, Structural and Services working drawings; and
 - (j) Bidding documents for procurement of works and/or goods.

73. **Bidding and Negotiating Stage.** During this stage, the consultant must obtain the approval of the Employer to all Bidding Documents.

- (i) Assist the Employer to invite bids for the project, based on the bid document approved by the Employer;
- (ii) Assist in the conduct of pre-bid meetings, answer queries and advise Employer and bidders on all technical and procedural matters during bidding;
- (iii) Advise and attend to the closing of bid receipt and opening of bids;
- (iv) Assist in the evaluation of the bids;
- (v) Assist the Employer in selecting a Contractor including negotiations with bidder on finalizing the Contract;
- (vi) Advise the Employer on issue of Letter of Acceptance and Award of Contract by providing a suitable draft letter;
- (vii) Arrange contract documents for the signing of the Contract by the Employer and the Contractor;
- (viii) Arrange to hand over the site and the relevant documents to the Contractor;
- (ix) Review and finalize the construction program and other instructions; and
- (x) Prepare quality assurance document for quality implementation of works.

C. Consultancy for Planning Detailed Design and Procurement under Urban Upgrading / Regeneration, Heritage Conservation and Capacity Building Component for four Cities in Sri Lanka - (Trincomalee, Dambulla, Kurunagela and Ratnapura) (Package No. SUDP DPC UR 01)

1. Background

74. The MMWD, Government of Sri Lanka is planning to take up sustainable development initiatives in key strategic cities of the country with growth potential outside Colombo, which include urban areas in Colombo - Trincomalee economic corridor (Trincomalee, Dambulla and Kurunagela) and another important nodal city i.e Ratnapura which is a main commercial city of Sabaragamuwa Province.

75. In this endeavor, Government of Sri Lanka and ADB have agreed to work together with ADB agreeing in principle to provide financial assistance for the Project.

76. In order to ensure project readiness before approval of the main loan, ADB has agreed to provide an Urban Project Preparatory Facility through a TA Loan for Sri Lanka which is envisaged to strengthen project readiness by completing advanced feasibility studies, detailed designs, and procurement actions meeting ADB financing requirements, and building capacities of implementing agencies in the urban sector prior to main project approval.

77. The subject consultancy assignment is planned to be financed through said TA Loan.

2. Objectives of the Assignment:

78. The main objectives of the assignment are to:

- (i) Update the present status of the service sector(s) with regard to sub projects identified, in the local authority area (Urban Upgrading component);
- (ii) Work out the technical, financial, economic, environmental and social feasibility of each package individually and the total package of the local authorities as a whole;
- (iii) Conduct necessary surveys and investigations required to design and implement the projects identified;
- (iv) Prepare feasibility report, detailed design, drawings and cost estimates for implementation of projects including reports on measures on environmental and social safeguards (resettlement requirements / indigenous people issues, if any);
- (v) Identify capacity building requirements and implement the capacity building programs to the stakeholders implementing the project;
- (vi) Assist in the procurement of works and goods (mainly includes preparation of bid documents, procurement plan, assisting in bid evaluation until award of works);
- (vii) Assist the implementing agencies in project readiness activities for commencement of construction work;
- (viii) Assist the Local Authorities in implementing capacity building programs; and
- (ix) Prepare detailed project reports for all the projects identified.

3. Scope of Services, Tasks (Components) and Expected Deliverables

a. General Scope of Services

79. The scope of work includes services for the local authorities of:

- (i) Trincomalee Urban Council, Eastern Province;
- (ii) Dambulla Municipal Council, Central Province;
- (iii) Kurunagela Municipal Council, North Western Province; and
- (iv) Ratnapura, Municipal Council, Sabaragamuwa Province.

80. This consultancy service is related to the works of the Urban Upgrading and Regeneration, Heritage Conservation and Capacity Building component.

81. The DPC is required to carry out feasibility studies for the identified sub-project. Project feasibility should include technical, financial and economic analysis, and preparation of safeguard—social and environmental documents in compliance with ADB requirements. The DPC also needs to prepare DPRs including engineering designs, environmental and social and financial /economic feasibility reports and also prepare bidding documents for the project in compliance with ADB's procurement guidelines

82. The overall design would cater for a period of around 30 to 50 years as defined as per national planning norms and a projected population as determined by the consultant based on appropriate projection techniques. The designs shall conform to relevant and/or latest applicable National Standards and CEA requirements. Wherever such standards are not available, appropriate standards shall be followed in discussion with the PMU.

83. In addition, the DPC shall prepare the following:

- (i) Resettlement framework and indigenous peoples planning framework (to assist the PMU in sending the same to the ADB and obtain the approval);
- (ii) Standard bidding documents for procurement of goods and works for the project in line with the Standard Bid Documents of ADB; and
- (iii) Consultation plan to be prepared for the project at the stages of (a) Project Design, and (b) project implementation.

84. The DPC needs to collect and update information regarding service levels of the infrastructure sector taken up for development in the study area including inventory of existing systems.

85. The DPC needs to collect necessary data for design and implementation. The DPC shall be wholly responsible for all the details provided in their reports on physical and site conditions, the execution methodology, and various other parameters etc. All data utilized in preparation of the reports shall be presented indicating the sources of the data and also the basis of assumptions, if any. i.e the design consultant shall be responsible for all the data or designs and drawings given by them.

86. The DPC shall carry out topographical survey with reference to specified datum as required for the service upgrade and necessary geotechnical investigations. The local body will provide the information on sub-project sites, their measurements and ownership details. The consultant shall be responsible for its verification and mapping. Soil tests as per relevant National Standards have to be conducted and necessary reports prepared by consultants to arrive at design parameters.

87. The detailed cost estimates need to be prepared using the latest schedule of rates of the Province. Estimate associated costs such as road restoration charges/ shifting of utilities, resettlement etc. There should not be any lumpsum items in the bill of quantities. For items not covered under schedule of rates, market rates to be assessed. (Necessary documents on quotations received should be made for assessment of market rates) and also prepare contract packaging plan.

88. For the given purpose and functional use of the respective subprojects, proper design has to be developed. The consultants have freedom to choose the type of sub structure and superstructure, provided National code specifications and standards are met. The drawings and designs shall include a general arrangement drawing and a detailed longitudinal section drawing of all components in size A1 or A2. The level of detailing shall be such so as to enable check of

conformance with code provisions, including detailed construction drawings and bar bending schedules. The responsibility of the preparation and issue of detailed construction drawings is that of the Design Consultants which needs to be submitted along with the bid documents.

89. The DPC will assist in bidding, bid evaluation and award process in procurement of works, goods and materials in accordance to guidelines of ADB as required by Project.

90. The DPC needs to prepare project Implementation schedule and budget with cash flow forecasts, furnish network analysis such as CPM/PERT for purposes of effective project monitoring and regular reports.

91. The DPC needs to carry out social impact assessments of proposed development including land acquisition and its financial implication, and if found necessary, prepare a Resettlement Plan and/or an indigenous people plan in accordance with the resettlement framework and IPPF agreed upon between the Government of Sri Lanka and ADB. The DPC will prepare a grievance redress structure for the ensuing projects. The DPC will also provide capacity building support to executing and implementing agencies ensure: (i) grievance redress mechanisms can function effectively; and (ii) improved project communication skills of the implementing and executing agencies so that affected persons are well informed thus reducing the number of grievances arising due to the ensuing projects.

92. The DPC needs to prepare necessary environmental assessment reports such as an IEE or EIA, in compliance with the EARF agreed upon between the government and ADB and requirements of ADB procedures (footnote 1). If existing facilities are involved an Environment Compliance Audit may also be needed. The design team will work closely with environment team to ensure that environment requirements are incorporated into project design from start. The design team needs to work with environment team to ensure that environment requirements are incorporated into project design from start.

93. Prepare community development and public awareness programs, and identify training requirements if any as necessary for the project construction, operation and maintenance.

94. Prepare GAP for the Project and implement the GAP of the TA loan.

95. Prepare action plan and report on implementing relevant part of the GAP of the project.

96. The design and procurement consultants shall assist the Local Authority in obtaining required statutory approvals for the project implementation from competent authorities.

97. The Consultant shall perform with reasonable skill and care the services for Architectural and multi-disciplinary design services, necessary to achieve the completion of the Project in accordance with the Project requirements, including services that are necessary, but not expressly detailed in this scope of services.

98. Based on the costs estimates prepared and the project schedules approved by the client., the consultant should perform the following tasks:

- (i) Prepare full set of working drawings comprising of architectural, structural, services interior décor, landscaping which are suitable for construction;
- (ii) Coordinate with Employer's representatives and Technical Evaluation Committee members on finalizing extent and sufficiency of details presented in working drawings and contract packaging;

- (iii) Prepare the bill of quantities, and specifications.
- (iv) Submit to the Employer the following documents necessary for calling tenders such as:
 - (a) Pricing Preambles;
 - (b) Specifications;
 - (c) Bills of Quantities;
 - (d) Instructions to bidders (based on ADB standard documents);
 - (e) General Conditions and Particular Conditions of Contract (based on ADB standard documents);
 - (f) Warranties / Guarantees requirements;
 - (g) Instructions of Supervision of works;
 - (h) Program of Works;
 - (i) Full set of Architectural, Structural and Services working drawings; and
 - (j) Bidding documents for procurement of works / goods.

99. **Bidding and Negotiating Stage.** During this stage, DPC must obtain the approval of the Employer to all Bidding Documents.

- (i) Assist the Employer to invite bids for the project, based on the bid document approved by the Employer;
- (ii) Assist in the conduct of pre-bid meetings, answer queries and advise Employer and bidders on all technical and procedural matters during bidding;
- (iii) Advise and attend to the closing of bid receipt and opening of bids;
- (iv) Assist in the evaluation of the bids;
- (v) Assist the Employer in selecting a Contractor including negotiations with bidder on finalizing the Contract;
- (vi) Advise the Employer on issue of Letter of Acceptance and Award of Contract by providing a suitable draft letter; and
- (vii) Arrange contract documents for the signing of the Contract by the Employer and the Contractor.

100. Arrange to hand over the site and the relevant documents to the contractor, review and finalize the construction program and other instructions, prepare quality assurance document for quality implementation of works.

101. The consultant will also design and implement capacity building programs in enhancing the capacity of the local bodies and provincial councils and urban management and service delivery.

102. The Heritage structures need to be designed without any damage to the existing structure and by keeping the culture and heritage of the structure.

C. Common for all the Packages

103. Reporting requirements and time schedule for deliverables will be as agreed during negotiations but mainly include feasibility and design reports, bid documents, progress reports etc.

104. The consultant will need to submit any other reports as desired by the PMU and PIU. The submission needs to be in 5 copies of each report with two softcopies in CDs.

105. All reports need to be submitted to the particular PIU and PMU.

106. The consultant should work all the days in the month excluding Sundays and Mercantile holidays for the eligibility of billable one month, otherwise, the remuneration will be proportionally. A working of 22 days will be considered as one billable month and each billable day is for 8 hours.

107. The maps and other data related to this work, to the extent available, will be provided. All other logistics to be the responsibility of the Consultant.

108. The client will provide support through the staff of PMU and PIU. But there will not be any specific counterpart personnel assigned by the client to the consultant team.

109. The maps and reports as available with the client will be provided to the Consultant.

GENDER ACTION PLAN

Activities	Targets and Indicators	Responsibility	Time Frame
Output 1: Feasibility studies and detailed designs of urban subprojects completed			
1. Feasibility studies and detailed designs for urban infrastructure prepared for at least 15 of 29 cities incorporating gender friendly features, where applicable	a. Community consultations for project preparations involve at least 30% women (2018 baseline: n/a) (Target: At least one community consultation with relevant local stakeholders in project area of each city with participation of at least 30% women) b. Urban projects prepared in at least 15 of 29 cities incorporate gender inclusive approaches ^a (2017 baseline: 0) (Target: at least 30% of infrastructure designs of urban subprojects prepared in at least 15 of 29 cities consider gender inclusive features) c. Sex-disaggregated baseline data collected ^b (2018 baseline: n/a) (Target: all population related baseline data should be sex disaggregated)	PMUs of MMWD and MPCLGS, social and gender consultants.	2018-2019
Output 2: Advance implementation support for two ensuing projects provided			
2. Due diligence and design for ensuing subprojects incorporate GAP features	a. Gender action plans for two ensuing loan projects prepared and further reassessed and updated during the respective loan fact finding missions (2017 baseline: n/a) (Target: 100%)	PMUs of MMWD and MPCLGS, social and gender consultants.	Throughout TA loan implementation
Output 3: Institutional capacity of project agencies strengthened			
3. Gender sensitization for staff	a. At least 100 officials (30% women) reporting increased knowledge or skills in areas of gender mainstreaming (in the workplace and in the design, implementation and O&M of urban projects) (2017 baseline: 0) (Target: 50 per executing agency)	PMUs of MMWD and MPCLGS, social and gender consultants.	Year 1-2 of TA loan implementation
4. Preparation and dissemination of guidelines for mainstreaming gender in urban sector	a. Guidelines for mainstreaming gender equality in the design of urban projects and for enhanced participation of women in local governance prepared and disseminated to 9 provincial councils and all local authorities (2017 baseline: 0)		By Q3 2020
5. Enhanced participation of women in city planning and administration	a. Design of urban governance improvement program for two ensuing projects includes gender inclusive delivery of infrastructure and services, including but not limited to enhanced participation of women in local governance (2017 baseline: 0) (Target: 100%)		By Q4 2020

GAP = gender action plan, MPCLGS = Ministry of Provincial Councils, Local Government and Sports, MMWD = Ministry of Megapolis and Western Development, O&M = operation and maintenance, PMU = project management unit, Q = quarter, TA = technical assistance.

^a Like enhancing female participation in local-level planning committees, water users associations and awareness building activities; incorporating safety considerations (street lights, cross walks), in infrastructure designs, designing mechanisms for free or subsidized services for vulnerable female headed households etc.

^b Including baseline data on female headed households, prevalence of women's access to economic opportunities, female labour force participation rate, prevalence of water borne diseases, current service quality of urban infrastructure etc. Secondary data from latest census reports may be used with additional sample surveys undertaken to fill gaps in information.

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with Urban projects in strategic cities and towns implemented in a timely manner (Vision 2025: A Country Enriched) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome High level of urban project readiness achieved	By 2021: a. At least 30% of contracts ready for awards before loan negotiations of ensuing projects (2017 baseline: 0) b. At least 60% of detailed engineering designs completed before loan fact finding mission of ensuing projects (2017 baseline: 0)	a–b. Project performance reports	Change in government priorities
Outputs 1. Feasibility studies and detailed designs of urban subprojects completed 2. Advance implementation support for two ensuing projects provided ^c 3. Institutional capacity of project agencies strengthened	By 2021: 1a. Urban subprojects prepared in at least 15 of 29 cities with climate and disaster resilient and gender inclusive features (2017 baseline: 0) ^b 2a. At least 30% of civil works bidding documents tendered before loan fact finding mission for ensuing projects (2017 baseline: 0) 2b. Safeguard documents for 30% tendered contracts prepared before loan fact finding mission of ensuing projects (2017 baseline: 0) 2c. Gender action plans for each ensuing loan project prepared, reassessed, and updated during the respective loan fact finding missions (2017 baseline: not applicable.) By 2021: 3a. At least 100 officials (30% women) reported increased knowledge or skills in procurement, contract management, safeguards, financial management, gender mainstreaming, climate change	1a. Project proposal reports 2a. Bidding documents 2b. Safeguard documents 2c. Gender action plans 3a. Post-training surveys	Government delays in the release of counterpart funds

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	and disaster risk management (2017 baseline: 0)		
	<p>3b. Guidelines for mainstreaming gender equality in the design of urban projects and for enhanced participation of women in local governance prepared and disseminated to nine provincial councils and all local authorities (2017 baseline: none)</p> <p>3c. Urban governance improvement program for two ensuing projects incorporating gender inclusive delivery of infrastructure and services prepared (including enhanced participation of women in local governance) (2017 baseline: 0)</p>	<p>3b. Guidelines prepared</p> <p>3c. Reports and recommendations of the President of ensuing projects</p>	
<p>Key Activities with Milestones</p> <p>1. Feasibility studies and detailed designs of urban projects completed</p> <p>1.1 Mobilize consultants by October 2018 (MPCLGS) and December 2018 (MMWD)</p> <p>1.2 Prepare feasibility studies and detailed designs for projects by January 2020</p> <p>2. Advance implementation support for two ensuing projects provided</p> <p>2.1 Prepare bidding documents and commence advanced contracting for projects by February 2020</p> <p>2.2 Prepare safeguard documents and gender action plans by February 2020</p> <p>3. Institutional capacity of project agencies strengthened</p> <p>3.1 Conduct capacity assessment and execute training plan for PMUs by January 2019</p> <p>3.2 Conduct training in various areas of project planning, design, implementation, and strategic areas of interest by July 2020 (climate change, disaster risk planning, gender equality, and safeguards)</p> <p>3.3 Prepare urban governance improvement program for two ensuing projects by July 2021</p> <p>Project Management Activities</p> <p>Set up PMUs by mobilizing consultants (October for MPCLGS and December for MMWD)</p> <p>Hold first project steering committee meeting (October for MPCLGS and December for MMWD)</p> <p>Inputs</p> <p>ADB: \$10.0 million (concessional technical assistance loan), \$1.0 million (technical assistance grant)</p> <p>Government of Sri Lanka: \$2.2 million</p> <p>Assumptions for Partner Financing</p> <p>Not applicable</p>			

ADB = Asian Development Bank, MMWD = Ministry of Megapolis and Western Development, MPCLGS = Ministry of Provincial Councils Local Government and Sports, PMU = project management unit.

^a Government of Sri Lanka. 2017. *Vision 2025: A Country Enriched*. Colombo.

^b Gender-friendly features may include female participation in local-level planning committees and awareness building activities, and safety considerations (street lights, cross walks). Climate resilient features may include enhanced drainage systems considering future rainfall patterns, raised elevations for project facilities.

^c ADB. 2017. *Country Operations Business Plan: Sri Lanka, 2018–2020*. Manila. The facility will prepare two projects listed in 2020/2021: (i) the Secondary Towns Sustainable Development Project (\$180 million) under the Ministry of Provincial Councils Local Government and Sports; and (ii) Western Megapolis Urban Infrastructure Development Project (\$200 million) under the Ministry of Megapolis and Western Development.

Source: Asian Development Bank.

LIST OF PRIORITY PROJECTS

Priority projects to be taken upon consultant mobilization are listed below. The government is encouraged to continue to identify projects prior to consultant mobilization.

Secondary Towns under Ministry of Provincial Councils, Local Government and Sports

1. Construction of Batticaloa Municipal Council Plaza (BMC Plaza) - Batticaloa
2. Implementation of Drainage Master Plan in Kallady - Batticaloa
3. Construction of compost plant and polythene recycling unit - Bandarawela
4. Rehabilitation of Badowita Canal and developing a green belt - Moutlaviniya Dehiwela
5. Construction of a new tourism complex at - Minneriya - North Central Province.

Strategic Cities under Ministry of Megapolis and Western Development

1. Improvement of city drainage system in Kurunegala
2. Integrated multi-modal transport facility in Kurunegala
3. Expansion of existing vegetable market center in Dambulla
4. Adaptive reuse of heritage buildings in Fort Frederick
5. Development of gem market center in Rathnapura

Ministry of Provincial Councils, Local Government and Sports
Consultancy Package: Detailed Design and Procurement Consultants of Secondary
Towns Sustainable Development Project, Sri Lanka

Budget: \$4.50 million

Recruitment Method: Quality- and Cost- Based Selection (90:10)

SI. NO.	ACTION	BY DATE
1.	Approval of Procurement Committee	Completed
2.	Submission '0'	Completed
3.	Advertise for Expression of Interests	Completed
4.	Submission1 (Shortlist, Request for Proposal)	15 August 2018
5.	Submission 2 (Technical Evaluation Report)	1 October 2018
6.	Submission 3 (Financial Evaluation Report)	1 November 2018
7.	Submission 4 (Negotiated Contract)	30 November 2018
8.	Award Contract (Final Contract – Submission 5)	15 December 2018
9.	Mobilize Consultant	16 December 2018
10.	Complete designs of 50%	31 December 2019
11.	Issue Invitation for Bids for 50%	30 June 2020
12.	Award 50% works contracts	30 September 2020

Ministry of Megapolis and Western Development

1. Consultancy Package: Traffic, Transportation and Mobility Improvements for four Local Authorities (Trincomalee, Dambulla, Kurunagela and Ratnapura)

Budget: \$1.50 million

Recruitment Method: Quality- and Cost- Based Selection (90:10)

SI. NO.	ACTION	BY DATE
1.	Approval of Procurement Committee	Completed
2.	Submission '0'	Completed
3.	Advertise for Expression of Interests	Completed
4.	Submission1 (Shortlist, Request for Proposal)	20 July 2018
5.	Submission 2 (Technical Evaluation Report)	15 September 2018
6.	Submission 3 (Financial Evaluation Report)	15 October 2018
7.	Submission 4 (Negotiated Contract)	7 November 2018
8.	Award Contract (Final Contract – Submission 5)	21 November 2018
9.	Mobilize Consultant	1 December 2018

2. Consultancy Package: Design and Procurement of Environmental Preservation works for four Local Authorities (Trincomalee, Dambulla, Kurunagela and Ratnapura)

Budget: \$1.68 million

Recruitment Method: Quality- and Cost- Based Selection (90:10)

SI. NO.	ACTION	BY DATE
1.	Approval of Procurement Committee	Completed
2.	Submission '0'	Completed
3.	Advertise for Expression of Interests	Completed
4.	Submission1 (Shortlist, Request for Proposal)	15 August 2018
5.	Submission 2 (Technical Evaluation Report)	1 October 2018
6.	Submission 3 (Financial Evaluation Report)	1 November 2018
7.	Submission 4 (Negotiated Contract)	21 November 2018
8.	Award Contract (Final Contract – Submission 5)	30 November 2018
9.	Mobilize Consultant	7 December 2018

3. Consultancy Package: Design and Procurement of Urban Upgrading, Heritage Conservation Works and Capacity Building for four Local Authorities (Trincomalee, Dambulla, Kurunagela and Ratnapura)

Budget: \$1.60 million

Recruitment Method: Quality- and Cost- Based Selection (90:10)

SI. NO.	ACTION	BY DATE
1.	Approval of Procurement Committee	Completed
2.	Submission '0'	Completed
3.	Advertise for Expression of Interests	Completed
4.	Submission1 (Shortlist, Request for Proposal)	15 August 2018
5.	Submission 2 (Technical Evaluation Report)	10 October 2018
6.	Submission 3 (Financial Evaluation Report)	10 November 2018
7.	Submission 4 (Negotiated Contract)	1 December 2018

SI. NO.	ACTION	BY DATE
8.	Award Contract (Final Contract – Submission 5)	21 December 2018
9.	Mobilize Consultant	28 December 2018