

# Project Administration Manual

Project Number: 46094-001  
Loan Number: LXXXX  
30 January 2014

Indonesia: Neighborhood Upgrading and Shelter  
Project - Phase 2

## Contents

### ABBREVIATIONS

I.	PROJECT DESCRIPTION	1
II.	IMPLEMENTATION PLANS	9
	A. Project Readiness Activities	9
	B. Overall Project Implementation Plan	11
III.	PROJECT MANAGEMENT ARRANGEMENTS	14
	A. Project Implementation Organizations – Roles and Responsibilities	14
	B. Key Persons Involved in Implementation	20
	C. Project Organization Structure	21
IV.	COSTS AND FINANCING	24
	A. Detailed Cost Estimates by Expenditure Category	25
	B. Allocation and Withdrawal of Loan Proceeds	26
	C. Detailed Cost Estimates by Financier	27
	D. Detailed Cost Estimates by Outputs/Components	28
	E. Detailed Cost Estimates by Year	29
	F. Contract and Disbursement S-curve	30
	G. Fund Flow Diagram for Activities Using the Imprest Account Procedure	31
	H. Fund Flow Diagram through the Direct Payment Procedure	32
	I. Disbursement Steps with Imprest Accounts	33
	J. Disbursement Steps Applying the Direct Payment	35
V.	FINANCIAL MANAGEMENT	35
	A. Financial Management Assessment (FMA)	35
	B. Disbursement	37
	C. Accounting	38
	D. Auditing	38
VI.	PROCUREMENT AND CONSULTING SERVICES	39
	A. Advance Contracting	39
	B. Procurement of Goods, Works and Consulting Services	40
	C. Procurement Plan	42
	D. Consultant's Terms of Reference	47
VII.	SAFEGUARDS	51
VIII.	GENDER AND SOCIAL DIMENSIONS	53
IX.	PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	56
	A. Design and Monitoring Framework	56
	B. Monitoring	58
	C. Evaluation	63
	D. Reporting	63
	E. Stakeholder Communication Strategy	63
	F. Grievance and Redress Mechanism	64
X.	ANTICORRUPTION POLICY	64
XI.	ACCOUNTABILITY MECHANISM	65
XII.	RECORD OF PAM CHANGES	65

### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The executing and implementing agencies are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan<sup>i</sup> agreement. Such agreements 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.

---

<sup>i</sup> The name of the operational financing document may vary on a project to project basis; this reference shall be deemed to encompass such variations, e.g., a Framework Financing Agreement, as applicable.

## Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
AFS	=	audited financial statements
CPMU	=	central project management unit
CQS	=	consultants' qualifications selection
DGHS	=	Directorate General of Human Settlements
DMF	=	design and monitoring framework
EA	=	executing agency
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
GACAP	=	governance and anticorruption action plan
LAR	=	land acquisition and resettlement
LCO	=	local coordinating office
LIBOR	=	London interbank offered rate
MDGs	=	millennium development goals
MPW	=	Ministry of Public Works
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
NUAP	=	neighborhood upgrading action plan
NUSP	=	Neighborhood Upgrading and Shelter Project
PAI	=	project administration instructions
PAM	=	project administration manual
QCBS	=	quality- and cost based selection
RRP	=	report and recommendation of the President to the Board
RTRW	=	Rencana Tata Ruang dan Wilayah (spatial plan)
SBD	=	standard bidding documents
SOE	=	statement of expenditure
SIAP	=	slum improvement action plan
SPS	=	Safeguard Policy Statement
SPPIP	=	strategi pembangunan permukiman and infrastruktur perkotaan = strategy on the development of urban settlement and infrastructure
SPRSS	=	summary poverty reduction and social strategy
STP	=	simplified technical proposal
TOR	=	terms of reference

## I. PROJECT DESCRIPTION

1. Indonesia is one of the fastest urbanizing countries in Asia. Today, about half of the population (51%) lives in cities. The rapid urbanization rate is set to continue. By 2025, it is projected that about 68% of the population will live in urban areas. Many of Indonesia's growing cities face issues to cope with the rapid growth of in-migrants, who are seeking new economic opportunities in cities, but forced to settle in disadvantaged neighborhoods due to limited financial resources, lack of affordable adequate housing and/or failure to find well paid jobs. In 2011, about 12% of the urban population was forced to live in slum areas.<sup>1</sup>

2. Better public infrastructure is considered vital to sustain inclusive economic growth and further stimulate economic opportunities of the growing urban population. Yet infrastructure improvements have not been able to keep up with the rapid urbanization and infrastructure investment has lagged economic development. Mostly, infrastructure and public services in poor neighborhoods are inadequate to serve the needs of their growing inhabitants. Environmental and social problems related to accessibility to adequate services for the people's daily needs are increasing due to widespread constraints in provision of clean water, insufficient sanitation facilities, deteriorating roads, pathways and drainages, ineffective flood control, lack of constant power supply, and poor solid waste management.

3. Only about 40% of the urban population has access to safe water, and about 28% do not have access to improved sanitation facilities. About 35% of urban areas lack proper drainage systems. Problems are further aggravated by the absence of sound land use planning and land management regulations that are contributing to increased congestion and haphazard development. A multi-faceted approach is required to address these challenges, which include strengthening the capacities of city administrations to manage urban development in an environmentally and socially sustainable manner, modernization of land policies and permitting regulations; expanding access to, and targeting of, housing finance and subsidies; increasing community involvement in spatial planning; and engaging the private sector in development planning. Aside from investment in basic urban infrastructure, the rapid urbanization has triggered a growing demand for housing, which needs additional attention. The availability of affordable housing in cities for low-income groups appears to be declining. While estimates of Indonesia's housing deficit vary, all indicate a significant backlog in supply.<sup>2</sup> The constraints often relate to access to land and finance.

4. Insufficient investments in infrastructure had been identified as one cause for poverty in the National Medium Term Development Plan 2010-2015 (RPJMN), thus improving basic infrastructure is considered an effective catalyst to alleviate poverty and close gaps in income inequality in disadvantaged urban neighborhoods. The ADB study *Diagnosing the Indonesian Economy* also identifies inadequacies in infrastructure as one of the critical constraints to further inclusive growth. While Indonesia has generally made good progress towards accelerating achievement of the millennium development goals (MDG), the MDG targets for achieving significant improvement in the livelihood of slum dwellers (MDG target 7D) and halving the proportion of households without sustainable access to safe drinking water and basic sanitation

---

<sup>1</sup> Overall, poverty incidence in Indonesia fell to 12% in 2012; the national urban poverty rate was estimated at 9.1%.

<sup>2</sup> According to World Bank estimates published in the Indonesia Economic Quarterly Report, March 2013 between 600,000 and 900,000 housing units are required per year. The number increases as urbanization continues: as for the period of 2014 to 2021 it is estimated that 700,000 to 1 million units of housing per year will be needed.

(MDG target 7C) need special attention.<sup>3</sup> The project's purpose of upgrading basic public infrastructure in slums will contribute towards meeting both MDG targets.

5. To address issues caused by the rapid urbanization the Government launched the "Cities without Slums Program"<sup>4</sup> and issued Law No. 1/2011 on "Housing and Settlement Areas".<sup>5</sup> To contribute to the "Cities without Slums Program" the Government requested the Asian Development Bank (ADB) to prepare and partly finance the Neighborhood Upgrading and Shelter Project – Phase 2 (NUSP phase 2). NUSP phase 2 will assist about 20 cities to develop and implement inclusive pro-poor city development plans and improve living conditions in slums, through (i) providing resources to local governments and communities for upgrading basic infrastructure in slum areas; (ii) strengthening planning and management capacities of local administrations for inclusive pro-poor urban planning; (iii) establishing sustainable mechanisms to engage communities in urban development planning processes; and (iv) launching public private partnerships (PPPs) to establish affordable housing areas for poor families.<sup>6</sup>

6. **Impact and Outcome.** The expected impact of the project is improved living conditions in urban areas. The outcome is improved infrastructure and access to service delivery in slum neighborhoods in 20 project cities.

7. **Outputs.** The Project will have three outputs: (i) Institutional capacities for managing pro-poor urban development strengthened; (ii) infrastructure in slum neighborhoods upgraded; and (iii) new settlements for poor families established.

8. **Output 1: institutional capacities for managing pro-poor urban development strengthened.** Under this component, the project will provide capacity building assistance to local administrations in the 20 project cities/districts. Within the first year of project implementation and with the help of consultants each participating city will conduct a capacity assessment identifying challenges and capacity building needs in relation to strengthen spatial planning and pro-poor urban development. Based on the results of the assessments city administrations will prepare capacity building and training proposals, which will be consolidated by the EA. Consultants will be deployed to help local government staff in identifying the capacity building need assessments, which will be made as basis for determining the type of capacity building activities that will be financed under the project. It is expected that about 100 local government staff, particularly those dealing with spatial planning and pro-poor urban development will be trained. In line with the gender targets, at least 30% of the trained local government staff should be women.

9. Training programs and other capacity building measures financed by the project will relate to the following areas: (i) approaches to integrate urban development/spatial planning

---

<sup>3</sup> While the MDG target for the proportion of the urban population living in slums is 6% - in 2011, still 12.6% of the urban population lived in slum areas. The MDG target for the proportion of households with sustainable access to an improved water source is 75.5% by 2015. However, in 2011 only 40.5% of urban households had access to an improved water source.

<sup>4</sup> The "Cities without Slums Program" is incorporated in the Long Term Development Plan 2005-2025. The policy aims at alleviating slums in cities by 2025 through promoting concerted initiatives by the central government, local governments, private sector, and civil societies.

<sup>5</sup> The law specifies roles and responsibilities of central and local governments for the provision of housing and settlements, including their responsibilities to provide housing for the poor and upgrade slum areas.

<sup>6</sup> The project will promote PPPs whereby: (i) local governments will provide land; (ii) MPW will establish the infrastructure (roads, water and electricity supply, sanitation facilities) financed by loan proceeds; (iii) private developers will pre-finance the house construction; (iv) financial institutions will provide loans to poor families to buy new houses.

systems, (ii) community-driven settlement upgrading and new sites development, (iii) awareness building for community members of environmental issues (water treatment; sanitation and cleanliness; solid waste management), (iv) project management (including implementation arrangements, procurement of contractors and community procurement), and (v) public private partnerships for NSD (with special focus on the poor); and (vi) operation and maintenance of upgraded facilities and NSD areas through community-based efforts. The EA will facilitate joint training and study programs, and other capacity building assistance for selected staff from the 20 project cities/districts.

10. To address poverty issues beyond infrastructure up-grading, the project will also support the preparation of multi-sector slum improvement action plans (SIAP); SIAPs will represent an attempt to combine physical environmental improvements with other social sector support mechanisms, provided by other entities beyond the Ministry of Public Works.

11. As a precondition of participation in the project, each city should have an approved spatial planning (*Rencana Tata Ruang dan Wilayah*, RTRW<sup>7</sup>) and strategy on the development of urban settlement and infrastructure (*strategi pembangunan permukiman dan infrastruktur perkotaan*, SPPIP<sup>8</sup>). The RTRW and SPPIP indicate slum areas in the respective cities and form the basis for the development of SIAPs. The project will recruit consultants<sup>9</sup> to assist the participating cities to develop SIAPs in close consultation with the community groups from the project neighborhoods.

12. **Output 2: infrastructure in slum neighborhoods upgraded.** Under this output about \$60.0 million of loan proceeds is earmarked for upgrading basic infrastructure in slum neighborhoods in 20 cities. Cities have been selected based on the following criteria: (i) local governments have approved spatial plans and development strategies (RTRWs and SPPIPs),<sup>10</sup> which identify slum areas; (ii) at least 5,000 households live in slum areas; (iii) at least 5% of the households living in slum neighborhoods are considered extreme poor, with a monthly income of less than Rp2.2 million per month; (iv) formal confirmation of the local government to participate in the project<sup>11</sup> and (v) confirmation that households without legal title to the land (informal dwellers) in the selected slum neighborhoods would be allowed to participate in the project.

13. To confirm their commitment to participate in the project and provide sufficient resources to facilitate activities and complement infrastructure interventions financed by the project, all local governments of the project cities will sign a memorandum of agreement with the EA validating their readiness and contributions, including (i) establishing a local coordination office (LCO) with experienced and committed staff; (ii) provision of additional resources to finance

---

<sup>7</sup> The RTRW provides guidance for the long and medium terms development plans, land use, and control of land use. It reflects the integration, connection and harmony and balance of all sectoral development initiatives/efforts. It indicates the locations and function for investments and other activities and strategic areas.

<sup>8</sup> Identifies locations considered as priorities in terms of settlements and urban infrastructure.

<sup>9</sup> National management consultants (NMC) will include an urban development specialist, city planners and community/communication development specialists.

<sup>10</sup> RTWR=Rencana Tata Ruang Wilayah (Spatial Plans); SPPIP= Strategi Pengembangan Permukiman dan Infrastruktur Perkotaan (Strategy for the Development of Urban Settlements and Infrastructure).

<sup>11</sup> During the project preparatory phase 50 cities were considered eligible to participate in the project based on the selection criteria. During a thorough consultation process between the EA and the candidate cities, which included field visits to explain the project scope and CDD approach to the city administrations and selected community groups, 20 cities confirmed their commitment to participate in the project. Based on lessons from earlier CDD infrastructure projects executed by MPW, the formal commitment of the city administration to participate and contribute to the project implementation and specify resources is considered crucial.

complementary infrastructure works and improve public services in slum areas; (iii) compliance to adopt a CDD approach to identify the specific type and mix of interventions to be financed by the project based on needs assessments carried out by the communities, and adjust/revise RTRWs and SPPIPs based on feedback received during the consultation process with slum communities.

14. The allocation of funds for each project city for infrastructure upgrading is related to the number of slum locations in the respective city:

- Cities with more than 100 slum locations will receive up to \$4.5 million
- Cities with 50 to 100 slum locations will receive up to \$3.5 million
- Cities with less than 50 slum locations will receive up to \$2.4 million

15. The funding amount for infrastructure upgrading investments provided to each slum neighborhood will vary and depend on the actual situation and the needs of the communities, and are included in the consolidated city investment plan.

16. The following 20 cities will be included under the project:

**Table 1: List of Cities/Urban Districts to be covered under the Project**

No.	City	Indicative Funds allocation for project cities (up to)
1.	Makassar City	\$4.5 million
2.	Batam City	\$2.4 million
3.	Palembang City	\$4.5 million
4.	Semarang City	\$4.5 million
5.	Bandar Lampung City	\$3.5 million
6.	Palangkaraya City	\$2.4 million
7.	Pekalongan City	\$3.5 million
8.	Ambon City	\$2.4 million
9.	Bengkulu City	\$2.4 million
10.	Banjarmasin City	\$2.4 million
11.	Palopo City	\$2.4 million
12.	Bima City	\$2.4 million
13.	Kapuas District	\$2.4 million
14.	Pasuruan City	\$2.4 million
15.	Bone District	\$2.4 million
16.	Sukabumi City	\$2.4 million
17.	Serang City	\$3.5 million
18.	Tanjung Jabung Barat District	\$2.4 million
19.	Tanjung Balai City	\$3.5 million
20.	Kendari City	\$2.4 million

17. The local administrations of the project cities will nominate slum neighborhoods to participate in the project based on agreed criteria:

- Cities with more than 100 slum locations will nominate at least 20 slum neighborhoods - but not more than 35 slum neighborhoods;
- Cities with 50 to 100 slum locations will nominate at least 15 slum neighborhoods - but not more than 20 slum neighborhoods;
- Cities with less than 50 slum locations will nominate up to 15 slum neighborhoods.

18. The process of engaging with slum communities will start with “road shows” in each project city to inform potential slum neighborhoods about the project scope and approach and the selection criteria to be considered eligible to participate in the project. Selection criteria and



overall information on the project will be publicly disclosed in each project city. The selection criteria include:

1. Prerequisite: formal confirmation by community commitment (Letter of Intent) signed by the head of BKM and acknowledged by the head of neighborhood (*lurah*), confirming:
  - a. interests and willingness to participate in the project;
  - b. contribute to the planning and implementation of the upgrading activities including the provision of in-kind contributions (and in cash if any/required);
  - c. the willingness to establish appropriate operation and maintenance arrangements for the new facilities constructed by the project, including the payments of user charges, if required;
  - d. formation of a community implementation organization (CIO) in case a BKM is not yet established (in this case the letter of intent is signed by the head of neighborhood);
  - e. slum areas as identified in the RTRWs/SPPIPs and based on the application of the BPS criteria, including: (i) low access to basic sanitation infrastructure, (ii) absence of effective solid waste collection, (iii) housing of less than 0.8 square meters per capita, and (iv) use of low quality construction materials.
  
2. At least 4 out of the following 7 criteria are met:
  - a. overall inadequate housing and urban services as indicated in the SPPIP;
  - b. at least 20% of the households are classified as poor based on the measurement of the national bureau of statistics (BPS) which defines poverty in terms of 10 basic rights related to food security, health, education, decent work, housing, clean water and sanitation, security of land tenure, clean environment, security, and empowerment;
  - c. more than 20% of the households live on less than 8m<sup>2</sup>/capita;
  - d. more than 30% of households have no access to improved sanitation facilities;
  - e. more than 30% of households have no access to public affordable safe drinking water;
  - f. high risks of flooding as indicated by local urban planning documents;
  - g. poor or no solid waste collection arrangements and poor street lighting system.

19. Based on feedback from the neighborhoods and considering the fulfillment of the selection criteria, the city administration will identify the project slum neighborhoods, which will be confirmed by a mayor/*bupati* decree and endorsed by the EA. The road shows and the consultation process with slum communities will be supported by consultants teams engaged under the project. Each slum neighborhood included under the project will establish a community implementing organization (CIO) or work through already established community organization (BKM). Supported by consultant teams including the community advisors,<sup>12</sup> CIOs/BKMs will facilitate infrastructure assessments at the slum neighborhoods that will be carried out by the community members themselves to identify problems and needs, evaluate the community implementation capacity, establish efficient planning and decision-making processes, prioritize infrastructure needs and prepare specific neighborhood upgrading action

---

<sup>12</sup> A community advisor is expected to cover 2 to 3 neighborhoods.

plans (NUAPs), which will specify the type and mix of interventions and include technical designs, cost estimates and initial O&M plans. The NUAP will include (i) description of the slum neighborhood (population, poverty information, issues related to insufficient infrastructure and services); (ii) required infrastructure and services (e.g. roads, drains, water supply facilities, etc.) and prioritization of needs; (iii) initial technical design (i.e. the length and width of roads, the number and type of sanitation/water facilities, flood protection measures etc.); (iv) indication of the needs for land acquisition/land donations; (v) environmental screening results for the proposed facilities; (vi) the estimated costs of the proposed infrastructure; and (viii) initial operation and maintenance arrangements.

20. Facilities/infrastructure allowed for financing under the project include water supply and sanitation facilities; river normalization/flood control system, neighborhood roads, pathways, and drainage; and electricity and street-lighting facilities. The menu of investment opportunities for communities will be open except for a short negative list of activities prohibited by the Government or ADB policies. The negative list includes all activities involving sensitive environment and harmful to the environment. Sensitive areas cover: (i) national reserved parks, protected forests and, (ii) national cultural protected areas, traditional/religious buildings, (iii) mangrove forests, ocean parks, coastal lines and swampy areas. Harmful activities include (i) construction of roads to protected forests, (ii) production, manufacturing, handling, trading, and storing of tobacco or tobacco-containing products. Other activities that cannot be financed under the project are: (i) construction of reservoir with the capacity of more than 10,000 m<sup>3</sup>; (ii) construction of final disposal sites or temporary disposal sites with capacity of more than 6m<sup>3</sup> or maximum size of 16m<sup>2</sup>; (iii) construction of road with the more than 6m in width, (iv) construction of drainage channel with more than 3 m in width; (v) ground water extraction of more than 5 l/s; (vi) use of block grants to purchase land/land acquisition, and (vii) other economic activities involving revolving of funds.<sup>13</sup> Detailed guidance related to eligibility criteria and procedures to use funds will be explained in the implementation/general guidelines (JUKLAK) and technical manuals (JUKNIS) that will be developed with the help of consultants and approved by the EA and ADB at the beginning of the project.

21. To achieve a wider development impact at the city level and address infrastructure issues beyond the boundaries of individual slums neighborhoods, the LCOs with the help of consultants will establish a consultation mechanism among project CIOs/BKMs and the city administration to formulate a consolidated city infrastructure upgrading investment plan that will combine the individual NUAPs within the overall investment amount earmarked for the respective project city. In the process of preparing the overall city infrastructure upgrading investment plan, project CIOs/BKMs and the city administration will jointly evaluate NUAPs from each slum neighborhood, agree on collaboration to link upgrading activities between neighborhoods, and subsequently revise individual NUAPs if necessary. The consolidated city investment plan will be endorsed by all project CIOs/BKMs and the city administration and include revised NUAPs with agreed investments amounts for each project slum neighborhood. The consolidated city investment plans will be reviewed and approved by the EA and ADB.<sup>14</sup> The consolidated city investment plans will describes in detail the infrastructure upgrading works to be implemented under the project, including name of the package, nature of the works, work volume, estimated costs, period of implementation and the implementing entity. Based on the complexity of infrastructure upgrading plans, civil works will be carried out either by the communities themselves or by firms to be engaged by the EA. Detailed guidance related to

---

<sup>13</sup> A detailed negative list will be provided in the project implementation guidelines (*Petunjuk Pelaksanaan*) that will be prepared by the Executing Agency.

<sup>14</sup> In addition to the consolidated city investment plans, ADB will review two selected NUAPs from each city.

eligibility criteria and procedures to use grant funds will be explained in the guidelines and implementation manuals that will be developed with the help of consultants and approved by the EA and ADB at the beginning of the project.

22. The project will ensure that the consultation process is conducted in a transparent and fair manner. During this consultation process CIOs/BKMs and city administrations will also assess whether individual NUAPs are aligned with the RTRW and SPPIP and agree whether the RTRW and SPPIP need further adjustments.

23. Based on the city investment plans and the finalized/revised NUAPs, BKM/CIOs will prepare community action plans (CAPs), which include the detailed design of the infrastructure (simplified detailed engineering design), detailed costs estimates, implementation period and operation and maintenance arrangements. The CAP will be signed by the BKM/CIO head and approved by the LCO.

24. Based on the CAP, contracts will be executed between the BKM/CIO and the city administration (*Satker kota/kabupaten*), which will specify the detailed works and payment modalities. Considering the capacity of community, each community contract should not exceed \$40,000. Following the PNPM approach, funds for works implemented by communities will be based on contracts between the CIO/BKM and the city administration<sup>15</sup> and transferred through block grants directly from the project imprest account to community bank accounts, which are managed by the CIOs/BKMs. Civil works will be undertaken by communities with technical guidance from the community advisors, LCOs, and project management consultants. Detailed guidance related to eligibility criteria and procedures to use grant funds will be explained in the JUKLAK and JUKNIS (guidelines and manuals) that will be developed with the help of consultants and approved by the EA at the beginning of the project. ADB will review the first two draft CAPs and community contracts from five selected cities. The funds to BKM/CIO accounts will be transferred in three tranches: (i) 30%, (ii) 40%, and (iii) 30%. The first instalment will be transferred directly into the CIO/BKM's bank account as an advance payment after the contract signing. The remaining funds will be transferred after the certification of progress by the LCOs/city satkers.

25. Procurement of firms to implement more complex civil works (financed from the loan proceeds) will be managed by the EA, and carried out in accordance with ADB's *Procurement Guidelines* (2013, as amended from time to time), which allows the use of national competitive bidding procedure. Only the first contract for each participating city/district should be prior reviewed by ADB. The remaining contracts will be subject to post review procedure. The procurement of firms to implement infrastructure/service improvement (financed from the local government counterpart funds) will be managed by the respective city/district administration, and carried out in accordance with national competitive bidding procedure.

26. **Output 3: new settlements for poor families established.** The intention of this component is to establish models of partnerships between central government, local administrations, developers, and financial institutions to provide housing for poor people. The project will take a catalytic role to develop examples for replication and promote public-private alliances whereby: (i) local governments will provide land from their own resources and issue land titles for potential new house owners, which are required as collaterals to receive loans from financial institutions; (ii) MPW will provide the basic infrastructure (roads, water and

---

<sup>15</sup> Contracts will specify the payment modalities. Detailed information on the fund flow mechanism and the implementation of neighborhoods upgrading plans is in Section G of this PAM.

electricity equipment, solid waste, waste water and drainage facilities) financed by loan proceeds; (iii) private developers will pre-finance the house construction, and coordinate connections to the main networks of service providers (water and electricity); (iv) financial institutions will provide loans to poor families to buy (or construct) new houses; (v) NGOs, in close cooperation with the local administration, will organize socialization campaigns to explain the scheme among poor families, develop transparent criteria to select poor beneficiary families to be eligible to apply under the new site development scheme, and facilitate the selection process.

27. To establish the basic infrastructure for new settlements the project will provide about \$5.0 million to finance civil works. The size of the land plot provided by the participating cities will be at least 2 hectares. The NSD sites will be titled to the participating cities. The participating cities will obtain the endorsement for the use of land for the project in accordance with the applicable laws and regulations (e.g. endorsement from the local house of representatives, *Dewan Perwakilan Rakyat Daerah*, DPRD) within the first six months of project implementation. The proposed NSD sites will be vacant and ready for infrastructure development, and will not be subject to environmental threats (i.e. flooding, or informally disposed waste). Within 18 months after loan effectiveness the project cities will present a full NSD proposal, which is endorsed by the mayor/*bupati*, to ADB and the EA for review and approval. The proposal will include (i) a proof of land ownership; (ii) endorsement from the local parliament (DPRD) to use land for NSD purposes; (iii) reports of due diligence confirming that the proposed land does not have land acquisition/resettlement issues; (iv) detailed technical designs including designs of the houses, landscape, designs of the infrastructure and public amenities, with cost estimates for infrastructure to be financed by the loan proceed; (v) rationale of the selection process to identify a local developer; (vi) proposed loan schemes by the financial institutions; (vii) description of the selection process to identify slum dwellers that are prepared to buy houses at the NSD site, (viii) list of the potential beneficiaries, (ix) confirmation from concerned utility providers (e.g. electricity from PLN, water from PDAM) on the provision of services for the proposed NSD location, (x) operation and maintenance arrangements. The EA will establish guidelines that will exclude sale of houses constructed under the project prior to 10 years after completion. The proposal will also include an IEE that will be prepared at each NSD-site after the respective project city has formally confirmed its readiness to participate in the NSD component and designated the land.<sup>16</sup>

28. The proposed NSD locations should be as close as possible to employment/income opportunities and existing social services as public transports, schools, health centers, markets etc. Each lot and house sizes are kept within the agreed standard issued by the Ministry of Public Works. The local government will select private developers responsible to construct the houses through public tendering. The local government is also responsible for processing land titles under the name of each beneficiary in collaboration with the local land office. Land titles will be required as collaterals to apply for loans. The local government will also select financial institutions that are experienced in providing housing credits (e.g. implementing government's programs financed by the Ministry of People's Housing) and offer the lowest interest rates. Selected financial institutions will develop credit schemes for low income families to buy NSD-houses. Interest rates and repayment schedules will be socialized among slum community members. The socialization process to explain the NSD scheme will be facilitated by the LCOs

---

<sup>16</sup> The land will be granted or sold in a subsidized price to beneficiaries. Under the government's regulation, the transfer of ownership of any local government-owned asset will require approval from the local parliament. Until the completion of the fact-finding mission, local parliament approvals have not been obtained, as they would require assurance that the project will be implemented (i.e. in form of the signed loan agreement).

with the help of consultant teams and NGOs. Community members from city sums will apply for the NSD program, the final selection of applicants will be done jointly by the financial institutions and the LCOs. The commercial bank and each beneficiary will sign a housing credit agreement after the land title is issued. The local commercial bank will provide payments to the private developer after the construction of houses and the signing of housing credit agreements are completed.

29. The utilities and infrastructure development under the NSD will be financed from loan proceeds and from additional local government resources. The project will finance the construction of basic infrastructure facilities such as roads and drainage system, water supply system, solid waste management facilities, and electricity. The local government is responsible for the construction of public facilities including public halls, parks, schools, and other social amenity facilities. The local government will ensure that the new housing locations are served by the city services such as solid waste collection, electricity and water supply.

30. About 880 houses in five NSD locations are expected to be constructed. The selection of potential beneficiaries under the NSD follows the following criteria<sup>17</sup>: (i) families live in current slum areas, do not own a house or posses shares a house with other families; (ii) families are considered poor based on the measurement of the national bureau of statistics (BPS); (iii) income earning family members are not civil servants, police or military members. Women-headed households and other vulnerable households will be given priority during the selection process. The selection of the final beneficiaries will be done through consultation process closely engaging with slum comminutes through BKMs, town hall meetings and other public meetings to ensure that the NSD scheme is fully understood among slum communities and the selection process is conducted fair and transparent. The local government will organize socialization campaigns to explain the NSD scope in great detail in each project neighborhood, including the financing schemes. Community groups (BKMs/CIOs) or NGO will be involved to facilitate the registration of potential beneficiaries, who are interested and willing to participate in the NSD. Selection criteria and minutes of public meetings will be publicly disclosed. Project consultants (urban housing specialists of the regional management consultant team, city coordinators and community advisors) will facilitate the process and ensure that the proposed beneficiaries meet the above-mentioned criteria.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

Indicative Activities	Month										Who responsible
	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	June 2014		
Securing Local Governments' Confirmation for Provision of counterpart Funds	X	X									Executing Agency (the Directorate General of Human Settlements)
Establish project implementation											EA and district

<sup>17</sup> Since the numbers of potential poor urban families, who will be interested in benefiting from the NSDs are expected to exceed the number of houses to be developed in each city, the city administration in cooperation with the commercial bank will develop the final selection of the beneficiaries (including the above-mentioned criteria), depending on the needs and condition in each city. The final selection criteria will be included in the NSD proposal that is subject to reviews by DGHS and ADB.

Indicative Activities	Month									Who responsible
	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	June 2014	
arrangements:										administrations
a. central project management unit (CPMU) at DGHS,				X						
b. Local coordinating offices (LCOs) at all participating city/districts					X					
c. coordination team at central level						X				
ADB Board approval						X				ADB
Loan signing								X		ADB and Ministry of Finance
Government legal opinion provided									X	EA and Ministry of Legal Affairs and Human Rights
Government budget inclusion		X	X	X	X					EA, BAPPENAS, MOF, participating local governments
Loan effectiveness									X	ADB/MOF

## B. Overall Project Implementation Plan

Activities	2014 (Mth/Qtr)				2015 (Mth/Qtr)				2016 (Mth/Qtr)				2017 (Mth/Qtr)				2018 (Mth/Qtr)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.1 Recruitment of consultant teams to support the EA, local governments in communities in preparing and implementing project activities	X	X	X																	
1.2 Identifying training needs for local government staff				X																
1.3 Selection of local government staff to be trained on pro-poor spatial planning/CDD approach					X															
1.4 Implementation of training for local government staff dealing with spatial planning						X	X				X				X					
1.5 Workshops to develop the national housing and settlement network						X														
1.6 A national housing and settlement network is established with members at least 20 cities								X												
2.1 Socialization of the SIAP to project neighborhoods				X	X															
2.2 Guide the project neighborhoods to identify their needs to be integrated into the SIAP, Neighborhood Upgrading Plans and investment plans					X	X														
2.3 Obtain and integrating inputs from project neighborhoods					X	X														
2.4 Revision and Completion of draft SIAP and investment plans in 20 cities			X	X	X															
2.5 Approval of the draft SIAPs and investment plans				X	X	X														
2.6 Establishment of community implementation organizations including the user groups			X	X	X															

Activities	2014 (Mth/Qtr)				2015 (Mth/Qtr)				2016 (Mth/Qtr)				2017 (Mth/Qtr)				2018 (Mth/Qtr)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2.7 preparation of community action plans for work to be executed by community				X	X	X	X													
2.8 Award of community contracts and commencement of civil works					X	X	X		X	X	X		X	X	X					
2.9 Selection of contractor to implement more complex work					X	X			X	X			X	X						
2.10 Award of more complex contract and commencement of civil works							X	X			X	X			X	X				
2.11 Handing over of facilities to communities						X	X				X	X		X	X	X	X			
2.12 Operation and Maintenance of built facilities						X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3.1 Confirmation of NSD locations including submission of proof of ownership			X	X	X															
3.2 Selection criteria of potential beneficiaries are approved						X	X													
3.3 Completion of MOUs between local governments and financial institutions and developers to finance and construct NSD								X	X											
3.4 Selection of contractors by the EA for the construction of infrastructure at NSD.											X	X	X	X						
3.5 Construction of infrastructure at NSDs							X	X	X	X										
3.6 Construction of houses at NSD								X	X	X	X	X								
3.7 Final selection of beneficiaries									X	X	X	X								
3.8 Signing of loan agreements between beneficiaries and financial institutions.											X	X	X							
3.9 Moving in of beneficiaries to new houses														X	X	X				
Establishment of Project Monitoring Information System/Reporting System	X	X	X																	



Activities	2014 (Mth/Qtr)				2015 (Mth/Qtr)				2016 (Mth/Qtr)				2017 (Mth/Qtr)				2018 (Mth/Qtr)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Inception Mission			X																	
Review Missions					X		X			X		X		X		X		X		
Mid-term review										X										
Project completion report																			X	

### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations – Roles and Responsibilities

##### Project implementation Management Roles and Responsibilities organizations

---

- DGHS and CPMU, MPW
- The Executing Agency is responsible for the overall project management and implementation including: (i) setting policy directions for the Project, (ii) preparing annual program and budget including ensuring the timely and sufficient provision of government's counterpart funds, (iii) providing implementation guidance and supervision, (iv) establishing the central project management unit (CPMU), and (v) reporting on the project implementation to the government agencies (BAPPENAS, MOF) and ADB. The DGHS as the key implementing agency, together with the CPMU is responsible for the day-to-day project management and implementation, including project supervision, monitoring, accounting, and consolidating reporting. Its tasks are:
- developing and updating project implementation guidelines;
  - creating awareness, understanding and support for the project within the agency and with related ministries, project stakeholders, and public interest groups;
  - building partnerships with project stakeholders, in particular provincial and city/district governments;
  - coordinating activities in accordance with project guidelines;
  - leading the planning and programming (including ensuring the provision of government counterpart funds), coordination, oversight, and monitoring and evaluation of the project;
  - leading and coordinating activities related to financial management and financial audit;
  - developing and implementing the capacity building program and training for project staff and stakeholders;
  - establishing and ensuring the operation of the project's complaints and grievances mechanism;
  - reporting periodically on the progress of implementation, the resolution status of all grievances lodged under the Project, and any allegations of misuse of funds or corruption, to the director-general of human settlements, BAPPENAS, MOF and ADB
  - selecting, contracting, giving direction and supervising the project management/

implementation consultants at the national and regional levels.

- supervising and providing guidelines on the recruitment and training of community advisors
- preparing withdrawal applications including retention of supporting documents and submitting the WAs (through MOF) to ADB.
- supporting the auditor in carrying out the audit on the project financial statements.
- through the provincial Satker (project manager) select, contracting and giving direction and supervise the contractors
- Preparation and completion of the investment plans with participating cities/districts and communities.

- Agencies /Dinas of Public Works of participating districts/cities
- Planning Department (BAPPEDA) of participating districts/cities

Local Coordinating Offices (LCOs) in all participating cities/districts are tasked to:

- Coordinate, implement and organize project activities within the district/city level;
- conduct socialization activities among staff and in project areas, and ensure that policies and targets on women's equality and pro-poor are disseminated to the project neighborhoods;
- ensure that the aspirations of women and poor have been considered in the preparation of neighborhood upgrading plans (NUAPs) and slum improvement plans (SIAP) and investment plans;
- assist in the formation of community implementation organizations (CIO)s/BKMs;
- assist the BKMs/CIOs to coordinate the neighborhood leadership and synchronize planning processes to produce common NUAP/SIAP/Investment Plans for the project-related activities and for the neighborhood;
- provide technical assistance to formulate NUAP/SIAP/Investment Plans/community action plans (CAPs)
- supervise physical implementation of the community investments and monitor CIO fund applications and disbursements;
- supervise the O&M of the completed neighborhood facilities;
- provide support to and monitor the outputs of the community advisors and consultants;
- ensure openness and ready availability of information on all aspects of the implementation of the Project;
- maintain technical data and accounting records;
- coordinate and monitor reporting at the city level;
- conduct investigations of complaints from the community and submit a report to the CPMU within 10 days of receipt of any complaint, even if the

- investigation is ongoing;
  - prepare financial and physical progress reports based on reports collected from the BKM/CIOs and submit these to the CPMU;
  - report the results of all activities to the city/district committee on a regular basis; and
  - carry out performance evaluations of community advisors every 3 months and submit them to the CPMU for review and further action such as additional training, if required.
- Community members
  - Community Implementation Organizations (CIOs/BKMs) at selected neighborhoods:
    - carry out social and poverty mapping and community meetings, with at least 40% participation by women in decision-making;
    - establish a BKM/CIO office that should serve as a center of information and holding of discussions at the community level;
    - identify problems and needs in their slum neighborhood, evaluation of community implementation capacity, mechanism for establishing efficient planning and decision-making processes, the operations and maintenance (O&M) plans to ensure sustainability of completed facilities, specific investment plans to upgrade/provide the basic services, and the cost estimates.
    - organize and facilitate neighborhood meetings/assemblies;
    - prepare the NUAPs and provide inputs to the SIAP;
    - jointly develop a consolidated city infrastructure upgrading investment plan that will combine the individual NUAPs within the overall investment amount earmarked for the respective project city;
    - after receiving a notice of approval of the revised/finalized NUAP, open and maintain a bank account as depository of the Project grant funds (the account will have two signatories i.e. the Chair and Head of UPL of the BKM/CIO);
    - based on the revised/finalized NUAPs, prepare CAPs and enter into contracts for works with the city/district Satker
    - facilitate the establishment of a management team (O&M unit) for construction and operation and maintenance; the management team will supervise infrastructure construction activities and related management programs (including O&M);
    - implement the approved neighborhood project funded activities;
    - prepare and maintain accounting records, including neighborhood level cash book and supporting

- documents on expenditure;
- monitor construction works and reporting progress to the Satker;
- hold weekly meetings with the community and providing copies of daily records on neighborhood information boards to report physical and financial progress;
- maintain a complaints and grievance recording system and investigate allegations, and report regularly to the Satker/LCO on grievances and findings;
- organize weekly village assemblies to report on the progress of activities;
- publish weekly progress reports on neighborhood activities through the widely-accessible forms of media communication;
- prepare a final report on the implementation of activities and organize a neighborhood assembly to deliver the final report and answer questions regarding implementation activities and use of funds;
- submit a final report on community project implementation to the Satker/LCO; and
- facilitate the provision of data and supporting documents related to the conduct of project implementation audits.

The community management team (O&M unit) within the BKM/CIO is responsible to:

- formulate the Operation and Maintenance funding plan, e.g., obtaining financing through self-help or from the city administration;
- conduct supervision of community project implementation;
- coordinate with the other BKM members, and community advisors during implementation;
- ensure the sustainability of the community project O&M system that has been established; and
- provide reports on the status of operations and maintenance—including the collection and management of funds—to the neighborhood authorities.

- Project Consultants

National management consultants:

- disseminate information on the project at the provincial, district and neighborhood levels;
- provide direction and technical guidance to the regional consultants in the implementation of project in all project areas;
- monitor, supervise and evaluate the overall project implementation
- provide assistance to the EA/CPMU in

implementing their project-related tasks/responsibilities

- assist in preparation of progress reports
- assist in the design and implementation of a NUAP/CWSIP/Investment Plans

Regional management consultants at city/district:

- disseminate information on the project to the district/city administrations, and urban neighborhoods,
- provide direction and technical guidance to community advisors;
- provide assistance to the LCO/City Satker in the implementing their project-related tasks/responsibilities;
- monitor, supervise and evaluate implementation of the project activities at the district and city level;
- ensure dissemination of project relevant information through the media;
- support awareness creation on sanitation and promote efforts on hygiene behavioral change;
- undertake documentation and prepare activity reports/periodical reports as required;
- provide technical support and guidance to community advisors (CAs) and community members in planning and implementing civil works at the urban neighborhoods;
- assist in approving SIAP/Investment Plans/CAPs
- carry out, together with CAs, training for the BKMScIO in funds administration and management, and in financial reporting;
- provide advice to LCOs and BKMs/COIs on the handling of complaints;
- verify the soundness of the technical specifications of the neighborhood projects;
- facilitate the preparation O&M plans;
- prepare and submit required physical progress and financial reports in accordance with established formats.

- Community Advisors (CA)

- disseminate information on the project to their assigned communities/neighborhoods;
- prepare neighborhood residents for project socialization, neighborhood deliberations and decision-making;
- facilitate training and capacity-building in the neighborhood;
- assist the neighborhood residents, community groups and neighborhood officials in the identification of the problems of related to infrastructure needs of the communities;
- assist communities in the preparation of NUAP/SIAP/Investment Plans/CAP

- assist communities in determining the mechanisms for implementation and in the actual implementation of their projects
- assist neighborhood residents in project preparation, planning, physical implementation and reporting;
- assist communities in preparing their O&M plans;
- prepare and submit accomplishment reports on each phase of implementation in accordance with established format.
- provide technical assistance and supervision to the CIO and in the implementation of the community project;
- coordinate and communicate district/city and neighborhood leadership; and
- facilitate neighborhood assemblies and training of community members and community groups on the technical, management and financial aspects of project implementation;
- provide assistance to the BKMs in preparation, planning, physical implementation and reporting;
- monitor fund disbursements, verify records of transactions; and safe-keeping of all financial documents.

- ADB

Lender

- Main project financier
  - Monitoring project implementation and covenant compliance
  - Ensure compliance of ADB's procedures and safeguards.
-

## B. Key Persons Involved in Implementation

### Executing Agency

Directorate General of Human Settlements, Ministry of Public Works

Mr. Imam Ernawi  
Director General of Human Settlements  
Telephone No.: +62 21 727 96 155  
Email address:

Mr. Muhammad Maliki Moersid  
Director for Settlements Development, DGHS  
Telephone No.: +62 21 727 97 427  
Email address:  
Office Address  
Ministry of Public Works  
Directorate General of Human Settlements,  
Jl. Pattimura No. 20, Kebayoran Baru  
Jakarta Selatan 12110  
Indonesia

### ADB

Indonesia Resident Mission

Adrian Ruthenberg  
Country Director, IRM  
Telephone No. +62 21 251 2721  
Email address: [aruthenberg@adb.org](mailto:aruthenberg@adb.org)

Mission Leader

Wolfgang G. Kubitzki  
Principal Portfolio Management Specialist,  
Telephone No. + 62 21 251 2721  
Email address: [wkubitzki@adb.org](mailto:wkubitzki@adb.org)



### **C. Project Organization Structure**

31. The Steering Committee for the Development of Housing and Settlement Areas (the steering committee) will act as the project oversight body. The steering committee was established through the State Minister of National Development Planning/Head of BAPPENAS's decree No. 81/M.PPN/HK/08/2011. The Deputy Minister for Infrastructure and Facilities, BAPPENAS leads the steering committee with the Secretary of the State Ministry of People's Housing (MPH) as the Secretary of the committee. The Director General of Fiscal Balance, MOF; Director General of Regional Development, Ministry of Home Affairs (MOHA); Director General of Human Settlements, Ministry of Public Works (MPW); Deputy Minister for Financing, MPH; Deputy Minister for Area Development, MPH; Deputy Minister for Formal Housing, MPH; Deputy Minister for Self-provided (Swadaya) Housing, MPH; Deputy Head for Land Control and Community Development, the National Land Office (BPN); Director General of Disease Control and Environmental Health, Ministry of Health; Deputy Head for Social Statistics, Central Statistics Bureau (BPN) are members of the steering committee.

32. The Directorate General of Human Settlements (DGHS) of the Ministry of Public Works (MPW) will be the executing agency for the Project. DGHS will also act as the key project implementing agency. DGHS will establish a central project management unit (CPMU). A government staff member with significant experience in project management will head the CPMU, assisted by the regional coordinator of directorate settlements development, DGHS, and supported by a team of national management consultants. The head of CPMU should be assigned for at least two years, preferably for the whole project duration. At the national level, DGHS will also appoint national Satker to assist the CPMU in procuring and selecting consultants and contractors to implement more complex civil works (financed from loan proceeds). The national Satker, on behalf of DGHS, will sign contracts between consultants and contractors. The satker will be responsible to help the CPMU to manage all contracts executed by contractors and consultants. Assisted by the consultants, the national satker will also help the CPMU to monitor and supervise civil works implemented by contractors.

33. Each participating local government will establish a local coordination office (LCO) to coordinate city and district implementation activity for the project. LCOs should closely work community groups. The LCOs should prepare and submit monthly and quarterly reports to the CPMU. LCO will be tasked to review and endorse the neighborhood upgrading plans prepared by the communities. LCO should be staffed with at least 3 experience and capable local government staff. LCO coordinators are from local planning and development board (BAPPEDA) or local public work agency (Dinas PU). Head of city Satker should be appointed as the secretary of the LCO. The city/local satker will be responsible for the management of all community civil work contracts. The city satker will sign contracts with the community groups. The city satker together with the LCO is responsible for the monitoring and supervision of civil works implemented by community. The satker/LCO will represent the government when the facilities are handed over to the community. The city/district will select and award the civil work contracts (financed from local government counterpart funds) to contractors (for more complex work). The satker will also be responsible for to manage of all the contracts executed by the contractors. The satker assisted by the consultants is responsible for the monitoring and supervision of civil works implemented by contractors. The satker and LCO will represent the government when the facilities are handed over to the community.

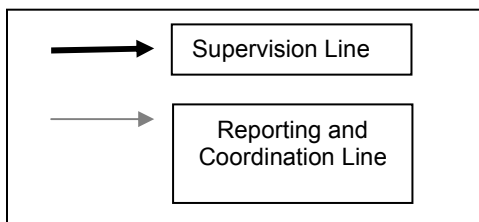
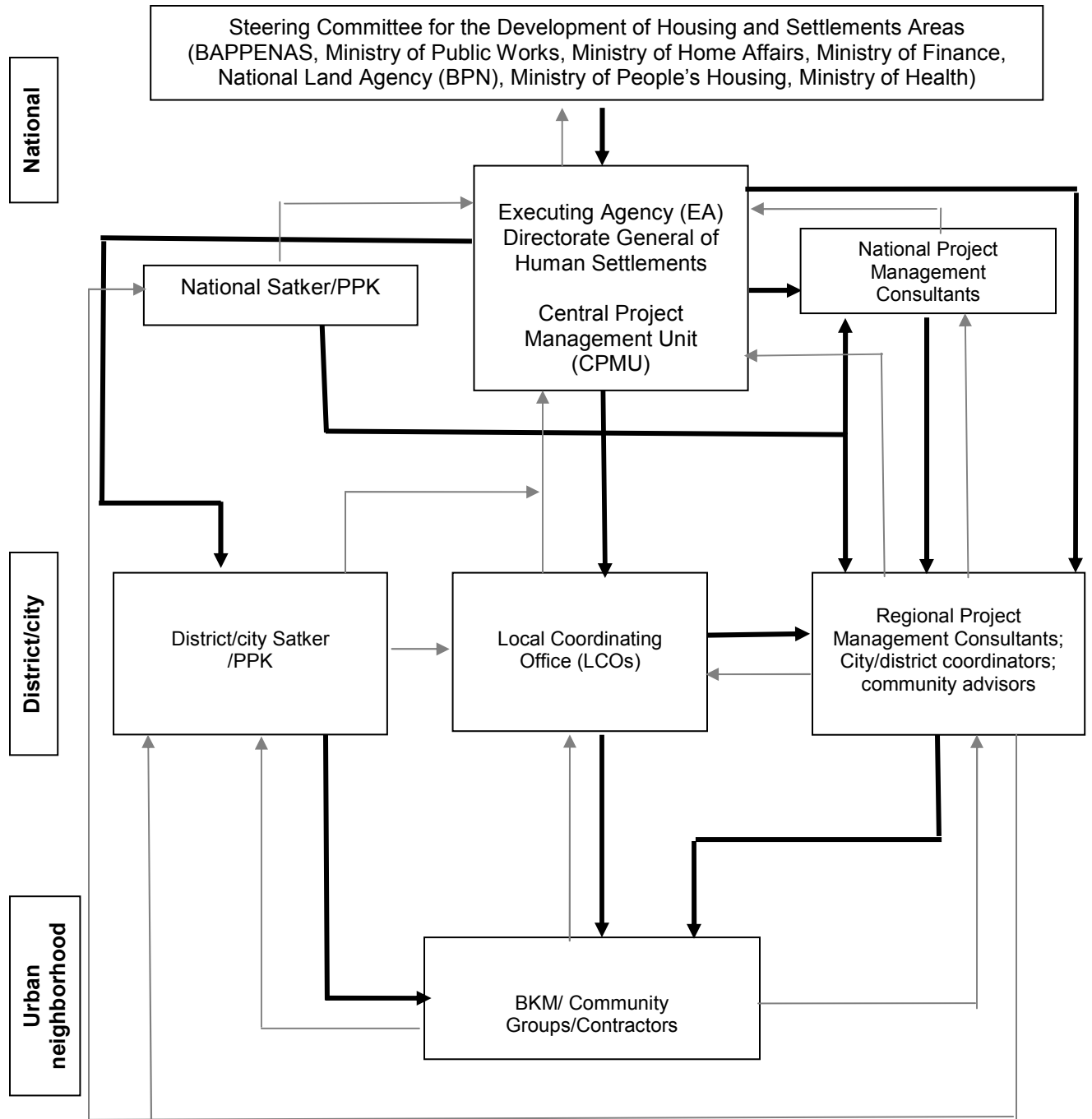
34. Each participating neighborhood will establish a BKM/CIO. The BKM will be responsible for (i) coordinating and leading the preparation of the neighborhood upgrading plan, (ii) preparing community contracts, (iii) facilitating the establishment of user groups, (iv) signing

community contracts on behalf of community members, (v) implementing the works, and (vi) representing the community when the facilities are handed over. A BKM/CIO should at least have 5 members elected by the community. The BKMs will include units for (i) the overall management of construction (UPL=unit pengelola lingkungan); (ii) overall financial management and reporting (UPK=unit pengelola keuangan), and (iii) overall construction supervision and operation and maintenance of the built facilities. The head of UPK is also the BKM treasurer. Each head of unit can appoint up to 3 additional members to help them in executing their tasks. The appointment should be endorsed by the BKM coordinator. The detailed structure, task and responsibilities of the BKM will be provided in the JUKLAK/JUKNIS that will be prepared by the EA. The project will provide resources to train the BKM/community members to facilitate the implementation of the project.

35. The project will recruit city coordinators and community advisors (contracted under the regional project management consultants) to provide technical assistance to city administrations and communities to implement the project. A city coordinator will be responsible to manage, supervise, and monitor community advisors and the implementation progress; prepare consolidation reports; assist the LCO in handling complaints and supervise the project monitoring information system data entry. Community advisors (with each CA covering up to 3 neighborhoods) are responsible for (i) disseminating the project scope and approach to communities; (ii) facilitating the establishment of BKMs and user groups; (iii) facilitating the preparation of the neighborhood upgrading plan; (iv) helping communities and BKM to select priority investments, develop community subproject proposals, and draft community contracts; (v) facilitating and providing technical guidance to BKM to implement, monitor, and assess the works; (vi) providing the community with assistance in bookkeeping and report preparation; and (vii) assisting user groups in formulating and implementing facility operation and maintenance.

36. To implement and manage the project, DGHS will be assisted by 4 teams of consultants, i.e. the national project management consultant team at the central level, and three regional project management teams i.e. the RPMCs: (i) West Region, which will cover cities in Sumatra island, (ii) Central Region, which will cover cities in Java and Kalimantan islands, and (iii) East Regions, which will cover cities in Sulawesi, Nusa Tenggara and Maluku. A team of consultant to assist the DGHS in preparing the project completion report and evaluate the preliminary impacts of the project will be recruited at the final year of project implementation. Three individual consultants to independently monitor and evaluate project implementation including compliance with safeguards will also be recruited.

## Implementation Arrangement Chart



#### IV. COSTS AND FINANCING

37. The project is estimated to cost \$102.0 million. ADB will provide \$74.4 million from its ordinary capital resources (OCR). The loan proceeds will be made available to the Ministry of Finance (MOF), which will channel the funds to the Ministry of Public Works and to community accounts for selected civil works. The loan proceeds will finance about 72.9% of the total project cost. The OCR loan will have a 18-year term, including a grace period of 6 years, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per annum on any undisbursed amount of the loan, and such other terms and conditions set forth in the draft project loan agreement.

38. The Directorate General of Human Settlements (DGHS) within the Ministry of Public Works will utilize the loan proceeds to finance (i) consulting services for project management/implementation support (ii) services related to the provision of training for community advisors, community members, local government staff and other related entities, and (iii) construction of basic urban infrastructure at slums in 20 selected cities/districts. In addition, the selected community members will utilize the funds to finance construction/rehabilitation of basic urban infrastructure. Upon completion of the community works, the government will formally transfer the facilities to the communities for operation and maintenance. The remainder of project costs, which is estimated at \$27.6 million, will be financed from the budgetary resources of the Ministry of Public Works, the district/city governments and beneficiaries (community members). The Government will cover financing charges during implementation, estimated at \$4.0 million, from its own financial resources. All applicable taxes and duties will be financed from Government counterpart contributions. The Government will finance \$21.6 million equivalent (21.2% of the project cost), which consists of \$6.4 million (6.3% of the project cost) will come from the central government and \$15.2 million (14.9% of the project cost) from local governments. Project beneficiaries will provide the balance of \$6.0 million equivalent (5.9% of the project cost) as counterpart contributions to community investment and financing of houses under the new site development outputs.

**A. Detailed Cost Estimates by Expenditure Category**  
(\$ million)

Item	Total Cost	Percentage of Total Base Cost	Taxes and Duties <sup>e</sup>
<b>A. Investment Costs</b>			
1 <b>Civil Works</b>	<b>70.900</b>	72.673%	<b>0.590</b>
a. Neighborhood Upgrading through Community Contracts <sup>a</sup>	41.000	42.025%	0.000
b. Neighborhood Upgrading through Contractos	19.000	19.475%	0.000
c. New Sites	5.000	5.125%	0.000
d. Infrastructure/Service Improvement	5.900	6.048%	0.590
2 <b>Institutional Development</b>	<b>2.900</b>	2.973%	<b>0.100</b>
a. Support for the Confirmation/preparation of SIAP <sup>b</sup>	1.900	1.948%	0.100
b. Training for Community Implementation Organization and User Groups	0.500	0.513%	0.000
c. Capacity Building of Local Government Staff	0.500	0.513%	0.000
3 <b>Consulting Services</b>	<b>7.500</b>	7.688%	<b>0.000</b>
<b>Beneficiaries' Contributions (in forms of lands, labors and other contributions during project implementation for the neighborhood upgrading)<sup>c</sup></b>			
4	<b>2.000</b>	2.050%	<b>0.000</b>
<b>Beneficiaries' Contributions (loans from the private sector to finance the construction of houses).</b>			
5	<b>4.000</b>	4.100%	<b>0.000</b>
6 <b>Land for the New Site Locations (Housing Locations)<sup>d</sup></b>	<b>5.000</b>	5.125%	<b>0.500</b>
7 <b>Taxes and Duties</b>	<b>1.190</b>	1.220%	
<b>SubTotal (A)</b>	<b>93.490</b>	95.828%	<b>1.190</b>
<b>B. Recurrent Costs</b>			
1 <b>Government Project Management</b>	<b>3.700</b>	3.793%	<b>0.370</b>
a. Salaries (government staff involved in project management) <sup>c</sup>	2.300	2.358%	0.230
b. Accommodation and duty travel for supervision and monitoring during implementation) <sup>c</sup>	1.200	1.230%	0.120
c. Equipment Operation and Maintenance <sup>c</sup>	0.200	0.205%	0.020
2 <b>Taxes and Duties</b>	<b>0.370</b>	0.379%	
<b>Sub Total (B)</b>	<b>4.070</b>	<b>4.172%</b>	
<b>Total Base Costs (A+B)</b>	<b>97.560</b>	<b>100.000%</b>	
<b>C. Contingencies</b>			
1 Physical and Price	0.440	0.451%	0.000
<b>Subtotal (C)</b>	<b>0.440</b>	<b>0.451%</b>	0.000
<b>D. Financing Charges During Implementation</b>			
1 Financing Charges During Implementation	4.000	4.100%	0.000
<b>Subtotal (D)</b>	<b>4.000</b>	<b>4.100%</b>	0.000
<b>Total Project Cost (A+B+C+D)</b>	<b>102.000</b>		<b>1.560</b>

Note: Taxes and duties will not be paid for expenditures financed by the loan proceeds. expenditure categories that will be disbursed to the communities through the use of block grants

<sup>a</sup> use of block grants

<sup>b</sup> government portion is to finance parallel SIAP-related activities.

<sup>c</sup> expenditure categories that will be financed by beneficiaries through in-kind contributions

<sup>d</sup> expenditure categories that will be financed by government through in-kind contributions

<sup>e</sup> will be financed by the government through cash contribution

**B. Allocation and Withdrawal of Loan Proceeds**

<b>ALLOCATION AND WITHDRAWAL OF OCR LOAN PROCEEDS</b>			
(Neighborhood Upgrading and Shelter Project - Phase II)			
<b>CATEGORY</b>			<b>ADB FINANCING BASIS</b>
		<b>Total Amount Allocated for ADB Financing \$',000</b>	<b>Percentage of ADB Financing from the Loan Account</b>
<b>Number</b>	<b>Item</b>	<b>Category</b>	
1	Civil Works	65,000	100 percent of total expenditure claimed*
2	Training and Workshop	1,900	100 percent of total expenditure claimed*
3	Consulting Services	7,500	100 percent of total expenditure claimed*
	<b>Total</b>	<b>74,400</b>	

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

## C. Detailed Cost Estimates by Financier

Item	ADB (OCR)		Central Government		Local Governments		Beneficiaries/Private		Total Costs	Taxes and Duties <sup>e</sup>
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category		
<b>A. Investment Costs</b>										
1 <b>Civil Works</b>	<b>65.000</b>	<b>91.678</b>	<b>0.000</b>	<b>0.000</b>	<b>5.900</b>	<b>8.322</b>	<b>0.000</b>	<b>0.000</b>	<b>70.900</b>	<b>0.590</b>
a. Neighborhood Upgrading through Community Contracts <sup>a</sup>	41.000	100.000	0.000	0.000	0.000	0.000	0.000	0.000	41.000	0.000
b. Neighborhood Upgrading through contractors	19.000	100.000	0.000	0.000	0.000	0.000	0.000	0.000	19.000	0.000
c. New Sites	5.000	100.000	0.000	0.000	0.000	0.000	0.000	0.000	5.000	0.000
d. Infrastructure/Service Improvement	0.000	0.000	0.000	0.000	5.900	100.000	0.000	0.000	5.900	0.590
2 <b>Institutional Development</b>	<b>1.900</b>	<b>65.517</b>	<b>1.000</b>	<b>34.483</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.900</b>	<b>0.100</b>
a. Support for the Confirmation/Preparation of SIAP <sup>b</sup>	0.900	47.368	1.000	52.632	0.000	0.000	0.000	0.000	1.900	0.100
b. Training CIOs and user groups	0.500	100.000	0.000	0.000	0.000	0.000	0.000	0.000	0.500	0.000
c. Capacity Building for local government staff	0.500	100.000	0.000	0.000	0.000	0.000	0.000	0.000	0.500	0.000
3 <b>Consulting services</b>	<b>7.500</b>	<b>100.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>7.500</b>	<b>0.000</b>
<b>Beneficiaries' Contributions (in forms of lands, labors and other contributions during project implementation for the neighborhood upgrading)<sup>c</sup></b>	0.000	0.000	0.000	0.000	0.000	0.000	2.000	100.000	<b>2.000</b>	<b>0.000</b>
4 <b>Construction of Houses at the new site locations</b>	0.000	0.000	0.000	0.000	0.000	0.000	4.000	100.000	<b>4.000</b>	<b>0.000</b>
5 <b>Land for New Site Locations<sup>d</sup></b>	0.000	0.000	0.000	0.000	5.000	100.000	0.000	0.000	<b>5.000</b>	<b>0.500</b>
6 <b>Taxes and Duties</b>	0.000	0.000	0.100	8.403	1.090	91.597	0.000	0.000	<b>1.190</b>	0.000
7 <b>SubTotal (A)</b>	<b>74.400</b>		<b>1.100</b>		<b>11.990</b>		<b>6.000</b>		<b>93.490</b>	<b>1.190</b>
<b>B. Recurrent Costs</b>										
1 <b>Project Management</b>	<b>0.000</b>	<b>0.000</b>	<b>0.982</b>	<b>26.541</b>	<b>2.718</b>	<b>73.459</b>	<b>0.000</b>	<b>0.000</b>	<b>3.700</b>	<b>0.370</b>
a. Salaries	0.000	0.000	0.382	16.594	1.920	87.500	0.000	0.000	2.302	0.230
b. Accommodation	0.000	0.000	0.600	50.083	0.598	49.917	0.000	0.000	1.198	0.120
c. Equipment Operation and Maintenance	0.000	0.000	0.000	0.000	0.200	100.000	0.000	0.000	0.200	0.020
2 <b>Taxes and Duties</b>	<b>0.000</b>	<b>0.000</b>	<b>0.098</b>	<b>26.541</b>	<b>0.272</b>	<b>73.459</b>	<b>0.000</b>	<b>0.000</b>	<b>0.370</b>	<b>0.000</b>
<b>SubTotal (B)</b>	<b>0.000</b>	<b>0.000</b>	<b>1.080</b>	<b>26.541</b>	<b>2.990</b>	<b>73.459</b>	<b>0.000</b>	<b>0.000</b>	<b>4.070</b>	<b>0.370</b>
<b>Total Base Cost</b>	<b>74.400</b>	76.261	<b>2.180</b>	2.235	<b>14.980</b>	0.000	<b>6.000</b>	6.150	<b>97.560</b>	<b>1.560</b>
<b>C Contingencies</b>	<b>0.000</b>	<b>0.000</b>	<b>0.220</b>	<b>50.000</b>	<b>0.220</b>	<b>50.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.440</b>	0.000
<b>D Financing Charges During Implementation</b>	<b>0.000</b>	<b>0.000</b>	<b>4.000</b>	<b>100.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>4.000</b>	0.000
<b>Total Project Cost (A+B+C+D)</b>	<b>74.400</b>	<b>72.941</b>	<b>6.400</b>	<b>6.275</b>	<b>15.200</b>	<b>14.902</b>	<b>6.000</b>	<b>5.882</b>	<b>102.000</b>	
<b>% Total Project Cost</b>		<b>72.9%</b>		<b>6.3%</b>		<b>14.9%</b>		<b>5.9%</b>	<b>100.0%</b>	

Note: Taxes and duties will not be paid for expenditures financed by the loan proceeds.

a expenditure categories that will be disbursed to the

communities through the use of block grants

government portion is to finance parallel SIAP-related

b activities.

c expenditure categories that will be financed by

beneficiaries through in-kind contributions

d expenditure categories that will be financed by government

through in-kind contributions

e will be financed by the government through cash

contribution

## D. Detailed Cost Estimates by Outputs/Components

		(\$ million)							
		Output 1		Output 2		Output 3			
		Institutional Capacity	Infrastructure	New Site Development					
		% of Cost Category	% of Cost Category	% of Cost Category					
Item	Total Cost	Amount	Amount	Amount	Amount	Amount	Amount	Taxes and Duties <sup>e</sup>	
<b>A. Investment Costs</b>									
1 <b>Civil Works</b>	<b>70.900</b>	<b>0.000</b>	<b>0.000</b>	<b>65.900</b>	<b>92.948</b>	<b>5.000</b>	<b>7.052</b>	<b>0.590</b>	
a. Neighborhood Upgrading through Community Contracts <sup>a</sup>	41.000	0.000	0.000	41.000	100.000	0.000	0.000	0.000	
b. Neighborhood Upgrading through contractors	19.000	0.000	0.000	19.000	100.000	0.000	0.000	0.000	
c. New Sites	5.000	0.000	0.000	0.000	0.000	5.000	100.000	0.000	
d. Infrastructure/Service Improvement	5.900	0.000	0.000	5.900	100.000	0.000	0.000	0.590	
2 <b>Institutional Development</b>	<b>2.900</b>	<b>2.900</b>	100.000	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.100</b>	
a. Supports for the Confirmation/Preparation of SIAP <sup>b</sup>	1.900	1.900	100.000	0.000	0.000	0.000	0.000	0.100	
b. Training for CIOs and user groups	0.500	0.500	100.000	0.000	0.000	0.000	0.000	0.000	
c. Capacity Building for local government staff	0.500	0.500	100.000	0.000	0.000	0.000	0.000	0.000	
3 <b>Consulting Services</b>	<b>7.500</b>	<b>1.200</b>	16.000	<b>5.300</b>	<b>70.667</b>	<b>1.000</b>	<b>13.333</b>	<b>0.000</b>	
<b>Beneficiaries' Contributions (in forms of lands, labors and other contributions during project implementation for the neighborhood upgrading)<sup>c</sup></b>	<b>2.000</b>	0.000	0.000	2.000	100.000	0.000	0.000	0.000	
4 <b>Construction of Houses at the new sites</b>	<b>4.000</b>	<b>0.000</b>	0.000	<b>0.000</b>	<b>0.000</b>	<b>4.000</b>	<b>100.000</b>	<b>0.000</b>	
5 <b>Land for the New Site Locations<sup>d</sup></b>	<b>5.000</b>	<b>0.000</b>	0.000	<b>0.000</b>	<b>0.000</b>	<b>5.000</b>	<b>100.000</b>	<b>0.500</b>	
7 <b>Taxes and Duties</b>	<b>1.190</b>	<b>0.100</b>	8.403	<b>0.540</b>	<b>45.378</b>	<b>0.550</b>	<b>46.218</b>	0.000	
<b>Subtotal (A)</b>	<b>93.490</b>	<b>4.200</b>	4.492	<b>73.740</b>	<b>78.875</b>	<b>15.550</b>	<b>16.633</b>	<b>1.190</b>	
<b>B. Recurrent Costs</b>									
1 <b>Government Project Management</b>	<b>3.700</b>	<b>0.700</b>	18.919	<b>2.400</b>	<b>64.865</b>	<b>0.600</b>	<b>16.216</b>	<b>0.370</b>	
a. Salaries	2.300	0.500	21.739	1.400	60.870	0.400	17.391	0.230	
b. Accommodation	1.200	0.200	16.667	0.800	66.667	0.200	16.667	0.120	
c. Equipment Operation and Maintenance	0.200	0.000	0.000	0.200	100.000	0.000	0.000	0.020	
2 <b>Taxes and Duties</b>	<b>0.370</b>	<b>0.070</b>	18.919	<b>0.240</b>	<b>64.865</b>	<b>0.060</b>	<b>16.216</b>	<b>0.000</b>	
<b>SubTotal (B)</b>	<b>4.070</b>	<b>0.770</b>	18.919	<b>2.640</b>	<b>64.865</b>	<b>0.660</b>	<b>16.216</b>	<b>0.370</b>	
<b>Total Base Cost</b>	<b>97.560</b>	<b>4.970</b>	5.094	<b>76.380</b>	<b>78.290</b>	<b>16.210</b>	16.615	<b>1.560</b>	
<b>C. Contingencies</b>	<b>0.440</b>	<b>0.000</b>	0.000	<b>0.050</b>	<b>11.364</b>	<b>0.390</b>	88.636	<b>0.000</b>	
<b>D. Financing Charges During Implementation</b>	<b>4.000</b>	<b>0.500</b>	12.500	<b>2.800</b>	<b>70.000</b>	<b>0.700</b>	17.500	<b>0.000</b>	
<b>Total Project Cost (A+B+C+D)</b>	<b>102.000</b>	<b>5.470</b>	<b>5.363</b>	<b>79.230</b>	<b>77.676</b>	<b>17.300</b>	16.961		

Note: Taxes and duties will not be paid for expenditures financed by the loan proceeds. expenditure categories that will be disbursed to the communities

<sup>a</sup> through the use of block grants

<sup>b</sup> government portion is to finance parallel SIAP-related activities.

<sup>c</sup> expenditure categories that will be financed by beneficiaries through in-kind contributions

<sup>d</sup> expenditure categories that will be financed by government through in-kind contributions

<sup>e</sup> will be financed by the government through cash contribution



## E. Detailed Cost Estimates by Year

Item	TOTAL	(\$ million)			
		2014	2015	2016	2017
<b>A. Investment Costs<sup>a</sup></b>					
1 <b>Civil Works</b>	<b>70.900</b>	<b>0.000</b>	<b>19.300</b>	<b>23.200</b>	<b>28.400</b>
a. Neighborhood Upgrading through Community Contracts <sup>a</sup>	<b>41.000</b>	0.000	10.000	16.000	15.000
b. Neighborhood Upgrading through contractors	<b>19.000</b>	0.000	5.000	2.400	11.600
c. New Sites	<b>5.000</b>	0.000	2.500	2.500	0.000
d. Infrastructure/Service Improvement	<b>5.900</b>	0.000	1.800	2.300	1.800
2 <b>Institutional Development</b>	<b>2.900</b>	<b>1.000</b>	<b>1.300</b>	<b>0.500</b>	<b>0.100</b>
a. Supports for the Confirmation/Preparation of SIAP <sup>b</sup>	<b>1.900</b>	1.000	0.900	0.000	0.000
b. Training for CIOs and user groups	<b>0.500</b>	0.000	0.200	0.200	0.100
c. Capacity Building for local government staff	<b>0.500</b>	0.000	0.200	0.300	0.000
3 <b>Consulting Services</b>	<b>7.500</b>	<b>1.000</b>	<b>2.500</b>	<b>2.500</b>	1.500
<b>Beneficiaries' Contributions (in forms of lands, labors and other contributions during project implementation for the neighborhood upgrading)<sup>c</sup></b>	<b>2.000</b>	0.000	0.500	1.000	
4 <b>Construction of Houses at the new sites</b>	<b>4.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.000</b>	2.000
5 <b>Land for the New Site Locations<sup>d</sup></b>	<b>5.000</b>	<b>5.000</b>	<b>0.000</b>	<b>0.000</b>	0.000
6 <b>Taxes and Duties<sup>e</sup></b>	<b>1.190</b>	<b>0.200</b>	<b>0.300</b>	<b>0.290</b>	0.400
<b>Subtotal (A)</b>	<b>93.490</b>	<b>7.200</b>	<b>23.900</b>	<b>29.490</b>	<b>32.900</b>
<b>B. Recurrent Costs</b>					
1 <b>Government Project Management</b>	<b>3.700</b>	<b>0.620</b>	<b>0.920</b>	<b>1.130</b>	<b>1.030</b>
a. Salaries	<b>2.300</b>	0.510	0.530	0.630	0.630
b. Accommodation	<b>1.200</b>	0.110	0.290	0.400	0.400
c. Equipment Operation and Maintenance	<b>0.200</b>	0.000	0.100	0.100	0.000
2 <b>Taxes and Duties<sup>e</sup></b>	<b>0.370</b>	<b>0.062</b>	<b>0.092</b>	<b>0.113</b>	<b>0.103</b>
<b>SubTotal (B)</b>	<b>4.070</b>	<b>0.682</b>	<b>1.012</b>	<b>1.243</b>	<b>1.133</b>
<b>Total Base Cost</b>	<b>97.560</b>	<b>7.882</b>	<b>24.912</b>	<b>30.733</b>	<b>34.033</b>
<b>C. Contingencies</b>	<b>0.440</b>	<b>0.000</b>	<b>0.240</b>	<b>0.000</b>	<b>0.200</b>
<b>D. Financing Charges During Implementation</b>	<b>4.000</b>	<b>0.000</b>	<b>0.900</b>	<b>1.300</b>	<b>1.800</b>
<b>Total Project Cost (A+B+C+D)</b>	<b>102.000</b>	<b>7.882</b>	<b>26.052</b>	<b>32.033</b>	<b>36.033</b>

Note: Taxes and duties will not be paid for expenditures financed by the loan proceeds.

    expenditure categories that will be disbursed to the communities

<sup>a</sup> through the use of block grants

<sup>b</sup> government portion is to finance parallel SIAP-related activities.

    expenditure categories that will be financed by beneficiaries through

<sup>c</sup> in-kind contributions

    expenditure categories that will be financed by government through

<sup>d</sup> in-kind contributions

<sup>e</sup> will be financed by the government through cash contribution

## F. Contract and Disbursement S-curve

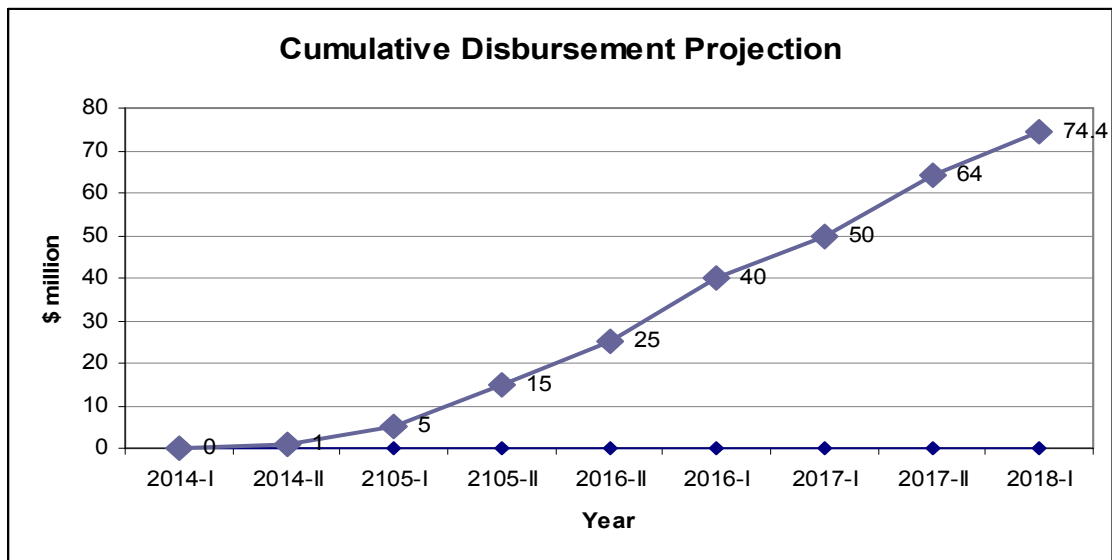
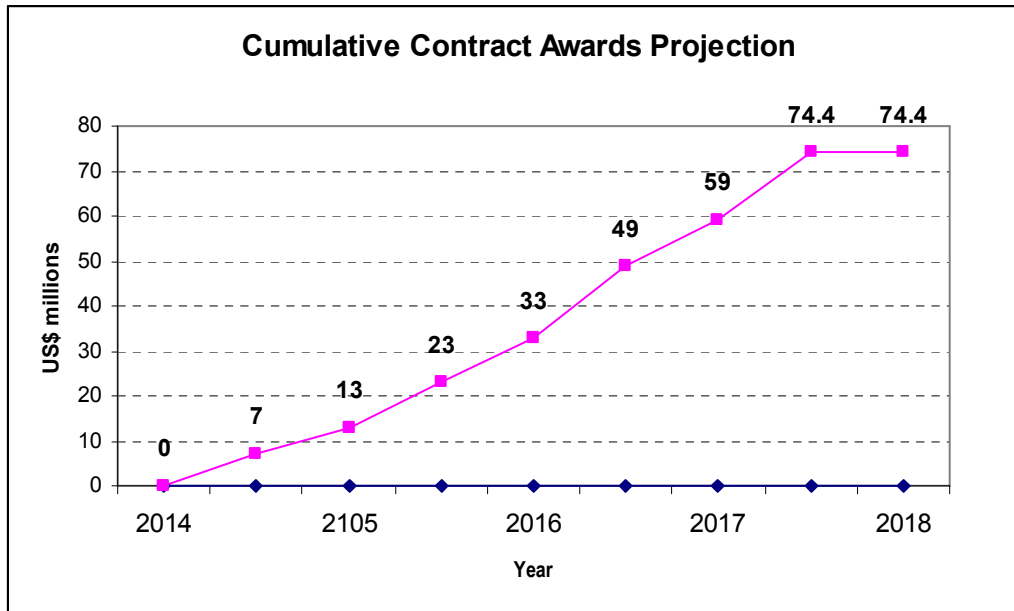
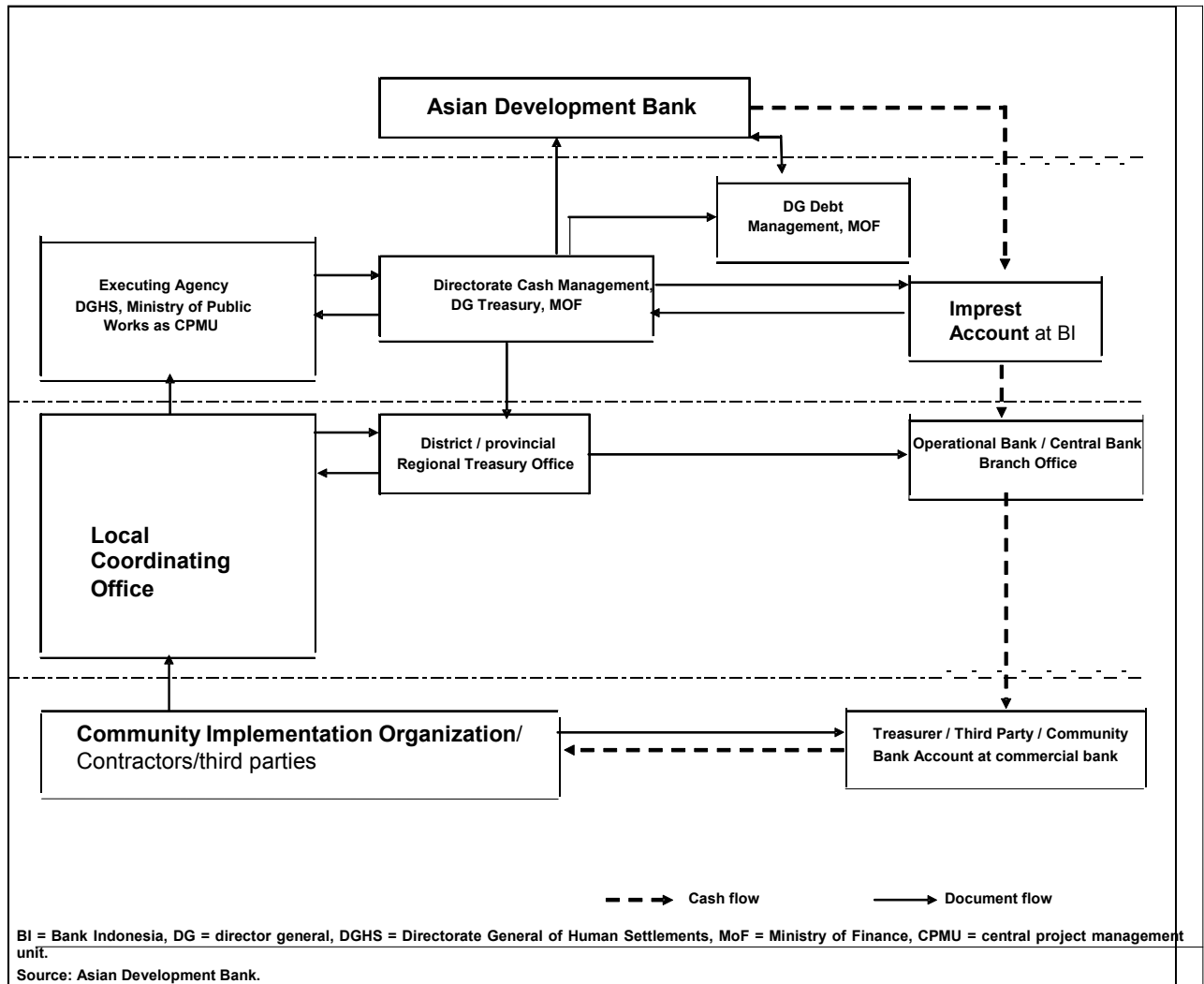


Table 1: Contract Awards and Cumulative Disbursement  
(\$ million)

	2014		2015		2016		2017		2018
half-year	S1	S2	S1	S2	S1	S2	S1	S2	S1
contract awards	0	7	6	10	10	16	10	15.4	0
cumulative disbursement	0	1	5	15	25	40	50	64	74.4

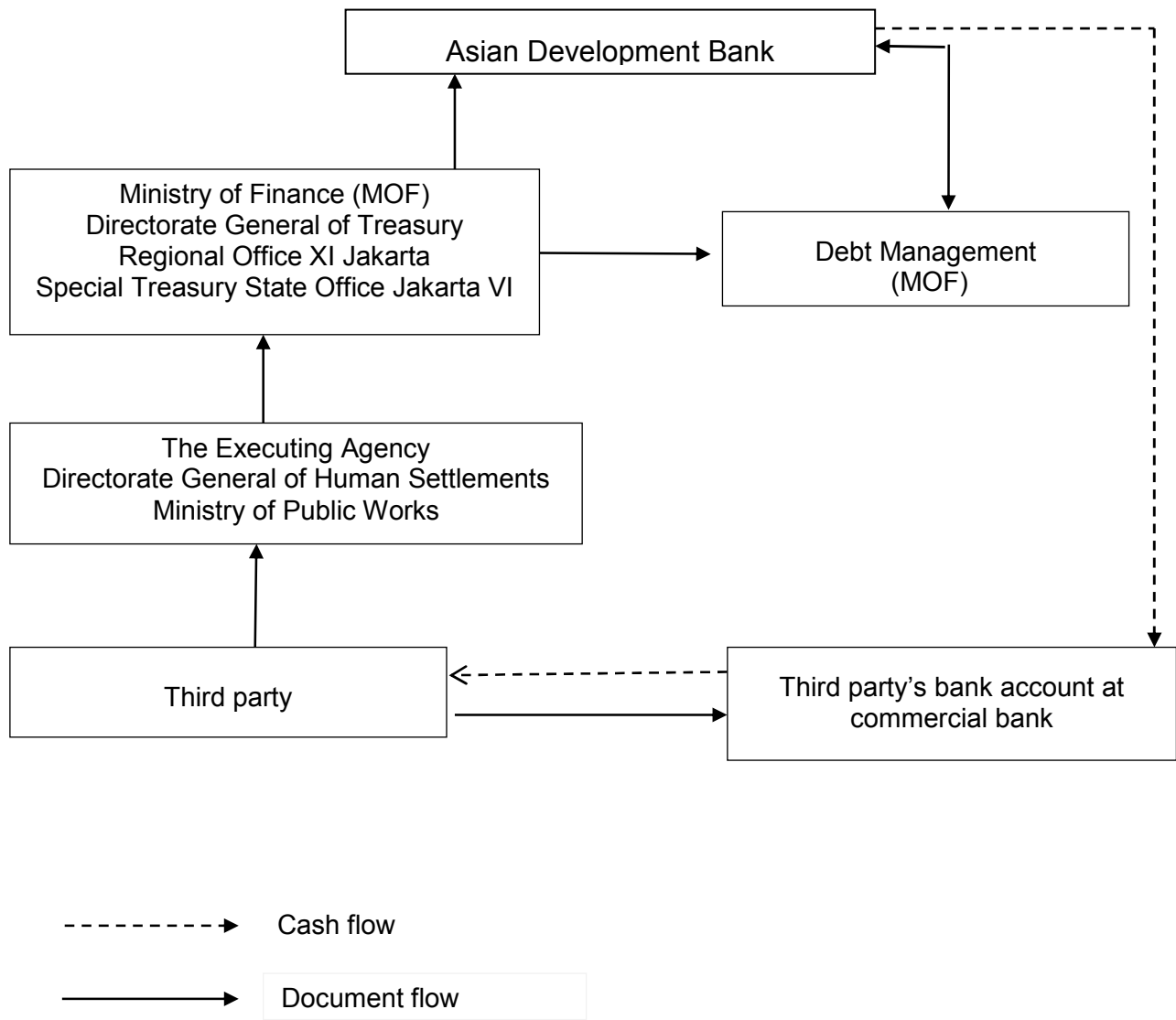
Source: Asian Development Bank

**G. Fund Flow Diagram for Activities Using the Imprest Account Procedure**



39. For civil works implemented by communities, funds will be transferred directly from the project imprest account to the BKM/CIO bank account. This will ensure that the communities receive the funds directly with minimal delay and no leaks. The first installment of 30% of the approved contract amount will be transferred directly into the CIO's bank account as an advance payment after the contract signing. The remaining funds, subject to certification of progress by the LCO/city satkers, will be disbursed to the community in two additional installments: 40% at the 26% completion point of the upgrading works, and 30% at the 62% completion point. The project may use direct payments and imprest account procedures. The direct payment may be applied for payment of expenditures under the consulting services contracts. This is to anticipate delays in the replenishment of the imprest account, since the initial deposit will be limited up to 10% of the total loan amount.

## H. Fund Flow Diagram through the Direct Payment Procedure



## **I. Disbursement Steps with Imprest Accounts**

### **a. Step I: Release of Initial Deposit**

40. The executing agency prepares a formal letter to the Directorate of Cash Management under the Directorate General of Treasury, Ministry of Finance (MOF), requesting the opening of an imprest accounts in the Central Bank (Bank Indonesia).

41. Directorate of Cash Management, Directorate General of Treasury, MOF, submits a request letter along with the loan agreements to the Central Bank for opening the imprest account.

42. The Central Bank opens the imprest accounts and informs the Directorate of Cash Management, Directorate General of Treasury, MOF that the account has been opened and can be used in accordance with the loan agreement.

43. MOF informs the executing agency that the imprest account has been established, and initial deposit could be deposited to the imprest account following the issuance of the budget allocation.

44. The executing agency prepares a draft withdrawal application of initial deposit for approval by the Directorate of Cash Management, Directorate General of Treasury, MOF. The withdrawal application should be supported by estimated eligible expenditures to be financed through the imprest account for the next 6 months as detailed in ADB's *Loan Disbursement Handbook* (2012, as amended from time to time).

45. MOF reviews and signs the withdrawal application and supporting documents, and submits it to ADB for payment along with a covering letter signed by authorized persons. A copy of the withdrawal application should be sent to the Directorate of Evaluation, Accounting, and Settlements, Directorate General of Debt Management, MOF, and Bank of Indonesia for information and record.

46. Based on the withdrawal application received from the Directorate of Cash Management, Directorate General of Treasury, MOF, ADB deposits the initial amount to the imprest account. In parallel, a notice of disbursement can be downloaded from ADB website by the Directorate of Evaluation, Accounting, and Settlement, Directorate General of Debt Management, MOF, the Directorate of Cash Management, Directorate General of Treasury, MOF, and the Executing Agency for their information and record.

### **b. Step II: Disbursement and Liquidation**

47. Following the issuance of the budget allocation for the executing agency, the Directorate of Cash Management, Directorate General of Treasury, MOF, prepares a regulation and notification letter to regional treasury offices (KPPN), which authorizes regional KPPN to release funds for the Project.

48. Community implementation organization (CIO) submits plans to the city Satker/Local coordinating office as the budget user.

49. Once the plan document is approved, the city/district Satker/LCO prepares a payment order (SPM), which will then be submitted to the nearest KPPN in the provinces and city/districts.

50. Based on an SPM from the city/district Satker/LCO, the regional KPPN issues a payment voucher (SP2D): (i) with one copy is sent to the operational bank (Central Bank branch office) so that the operational bank can transfer the amount as specified in SP2D to the community bank account in a commercial bank or treasurer bank account; (ii) one copy is retained by KPPN; and (iii) KPPN issues a copy SP2D to the budget user for their accounting system and as evidence for processing withdrawal application for replenishment to ADB via the executing agency.

51. Funds get transferred from the operational bank directly to the community bank account in a commercial bank or treasurer bank account of the budget user.

52. Authorization by CIO and the appropriate check signatories for cash to be withdrawn from the CIO's bank accounts. The withdrawal for payment request from the group of community will be signed by a minimum of two people—the head of the BKM/CIO and the treasurer (Head of UPK).

53. Cash withdrawn for expenditures managed and implemented by BKM/CIOs.

54. CIOs may make payments to the third party suppliers based on fully substantiated documents (receipt or invoices) and supported by the actual payment evidence.

55. Similar steps are to be taken for works carried out by contractors. However, the contracts will be between the contractors and DGHS.

### **c. Step III: Liquidation and Replenishment of Imprest Account**

56. The LCO/city Satker/provincial Satker sends a copy of the SPM and SP2D and support documents (including summary statements of funds transferred to COI/contractors in that city/district) to the CPMU at the executing agency for replenishment process.

57. Following the request from the executing agency, the Directorate of Cash Management, Directorate General of Treasury, MOF, sends a copy of the imprest account bank statement (RKBI) to the executing agency for preparing draft withdrawal application. For each request for replenishment, a WA is to be prepared – with ADB financing of 100%.

58. The executing agency prepares draft withdrawal application for replenishment to the Directorate of Cash Management, Directorate General of Treasury, MOF, summarizing Satker submissions from all cities/districts, attached with the copy of SPM/SP2D and the RKBI.

59. MOF as the authorize signatory, signs the withdrawal application after verification and submits it to ADB for liquidation and replenishment (a copy of the withdrawal application should be sent to the Directorate of Evaluation, Accounting, and Settlement, Directorate General of Debt Management, MOF, by the Directorate of Cash Management, Directorate General of Treasury, MOF, and Bank of Indonesia, for information and record).

60. ADB replenishes the funds into the imprest account and, in parallel the notice of disbursement can be downloaded from ADB website by the Directorate of Evaluation,

Accounting, and Settlement, Directorate General of Debt Management, MOF, for its information and record.

61. The Central Bank, for purposes of imprest account disbursement notification, regularly dispatches a copy of the RKBI to the Directorate of Cash Management, Directorate General of Treasury, MOF.

#### **J. Disbursement Steps Applying the Direct Payment**

62. The direct payment procedure is a disbursement procedure where ADB, at the request of MOF/DGHS, pays a designated beneficiary (e.g. a consulting firm) directly. A withdrawal application must be submitted to ADB together with a summary sheet and the required supporting documents. A separate WA is required for each different currency.

63. To prove the requested disbursement is for eligible project expenditures incurred, the consultant must submit the supporting documents as follows: for request of advance payment, the consultant must submit consultant's an invoice indicating amount of advance payment and bank account details. For progress payment, the consultant must submit an invoice indicating date, amount, and bank account details. ADB will return WAs that do not meet the requirements. Additional supporting documents may be required depending on the transaction involved.

64. The EA should retain supporting documents – i.e. contract terms and conditions which refer to payment of advance and progress payments, breakdown of amount due, and other documents as required in the contract, for annual audit of project financial statement/or ADB's review. A template of WA, required supporting documents and detailed procedure of direct payment procedure are provided in the Appendix (or can be obtained from the Loan Disbursement Handbook, July 2012, Appendixes 7A, 7B, and 7C).

### **V. FINANCIAL MANAGEMENT**

#### **A. Financial Management Assessment (FMA)<sup>18</sup>**

65. The Directorate General of Human Settlements (DGHS) within the Ministry of Public Works is the Executing Agency of the Project. DGHS has acted as EA for many ADB-financed projects in urban development and other infrastructure projects since 1980s. Along with the National Planning and Development Agency (BAPPENAS) and the Ministry of Home Affairs (MOHA), MPW has played a significant role in the implementation of several community driven development (CDD) projects. Prior to RIS-PNPM I, MPW, through the Directorate General of Human Settlements (DGHS) acted as the executing agency of the World Bank's Urban Poverty Project (UPP), which is very similar to the *Kecamatan* Development Project or KDP except that it operates in urban areas; the ADB's Rural Infrastructure Support Project (RISP), and the Neighborhood Upgrading and Shelter Sector Project (NUSP). Based on the FMA, DGHS is considered to be a capable EA for the NUSP.

66. Although DGHS is the executing agency, it cannot directly implement the project up to the neighborhood level where the targeted communities are located. With decentralization, the

---

<sup>18</sup> The financial management assessment was carried out in accordance with Financial Management Guidelines and Financial Due Diligence Methodology Note and it was informed by the Government and Anti-corruption Action Plan II PFM Assessments at the country and sector level.

MPW no longer have offices at the regional level. Public Works offices at the provincial and district levels are now administratively under the respective local government units. Implementation of NUSP will involve, therefore, the participation of the district governments just the way it was done in NUSSP, RIS PNPM I, RIS-PNPM II and USRI PNPM.

67. Twenty cities and districts have been nominated to participate in the projects. About half of the nominated cities participated in the previous NUSSP. Many cities such as Makassar, Palembang, Bengkulu have implemented similar ADB-financed projects such as the NUSSP, CWSHP, and RIS PNPM Projects. The majority of community implementation organizations to be involved in the project have had experience in implementing similar projects, particularly under the Government's ongoing national program for community empowerment (PNPM) projects. Reports from previous projects indicate that some CIOs have had problems in preparing proper bookkeeping and implementing the operation and maintenance arrangements of the built infrastructure. Despite the issues related to the bookkeeping audit reports of the ADB-financed PNPM projects and projects applying the CDD, suggested that this condition did not affect the preparation of the overall/consolidated financial statements, and the project audit reports were submitted and received by ADB in a timely manner.

68. A financial management specialist will be recruited at the central level to assist DGHS, CPMU, and central Satker in the overall project financial management. At the regional and community levels, the project will recruit community development specialists, city coordinators and community advisors to assist the local governments and community groups. Training specialists will also be recruited to assess capacity building needs of the local government staff and community members, including their capacity in project financial management. Training will be developed and implemented to improve their capacity. Supported by the regional consultants and community advisors, the specialist also will monitor and evaluate the financial management practices at the city and community levels. The training will be carried out within the 6 months after the mobilization of the consultant teams. On the job training will be provided to the CIOs by the community advisors. Based on these assessments and proposed mitigation actions, the participating local governments and community organizations are considered as capable implementing agencies of the NUSP.

**Table: Summary of the Financial Management Assessment.**

<b>Particulars</b>	<b>Conclusions</b>
A. Funds Flow Arrangements	Funds flow arrangements are generally reliable, predictable and secure. DGHS has enough capacity to smoothly implement the proposed project.
B. Staffing	DGHS has experienced staff in financial management. Many DGHS' project managers/Satkers have been managing many ABD-financed and other donor-financed projects. The project management unit (CPMU) will be headed by senior staff with experience in managing international financial institutions financed projects. Previous and current project management units have shown only moderate staff turnover. Under the NUSSP, the head CPMU was assigned for almost the whole project duration. This indicates strong commitments to the success of the project. CPMU staff will participate in training/workshops on ADB financial management procedures.
C. Accounting Policies and Procedures	The DGHS' accounting policy is based on the Indonesian government National Accounting Standards and Financial Reporting Regulations. Indonesian National Accounting Standards are



Particulars	Conclusions
	reasonably in accordance with International Accounting Standards.
D. Internal and External Audits	DGHS are audited annually by the MPW Inspectorate General. The Satkers for previous ADB-financed projects such as USRI PNPM and RIS PNPM II were audited by independent external auditors (BPK) on an annual basis in accordance with the International Standards on Auditing (ISA), which complies with ADB's requirements. Similar arrangements will be applied for the NUSP Satkers.
E. Reporting and Monitoring	DGHS reports comply with the reporting requirements of MOF, BAPPENAS, MPW and other government agencies.
F. Information System	DGHS operates an accounting system, which suits with the project requirements and produces acceptable reports. This system will also be applied for the proposed NUSP.

## B. Disbursement

69. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time),<sup>19</sup> and detailed arrangements agreed upon between the Government and ADB.

70. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),<sup>20</sup> ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

71. The project is classified by the Government as a national project, which means the central government will provide the loan proceeds directly to participating communities for the neighborhood upgrading simple civil works in the form of block grants. The first installment of 30% of the approved block grant will be transferred directly into the CIO/BKM's bank account as an advance payment. The remaining funds, subject to certification of progress by the LCO, community advisor and district/city coordinator will be disbursed to communities in two additional installments (40% and 30%). The block grants to be provided to community should be used for the provision of basic urban facilities/infrastructure/services such as water supply and sanitation facilities; river normalization/flood control system, neighborhood roads, pathways, and drainage; and electricity and street-lighting facilities. For more complicated civil works, which community is unlikely have the capacity to carry out, contractor will be recruited. The DGHS will recruit the contractors for more complex civil works financed from the loan proceeds. The city/district Satker will recruit the contractors to implement more complex civil works financed from the government counterpart funds.

72. The Government will establish an imprest account at the Central Bank (Bank Indonesia) to facilitate the timely release of loan funds. The imprest account will be administered by the Ministry of Finance, and the currency of the account will be USD. The imprest account will be established, managed, replenished, and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time). The imprest account is to be used exclusively for ADB's share of eligible expenditures. The government is accountable and responsible for proper use of advances to the imprest account.

<sup>19</sup> Available at: [http://www.adb.org/Documents/Handbooks/Loan\\_Disbursement/loan-disbursement-final.pdf](http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf)

<sup>20</sup> Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

73. The ceiling of the imprest account is 10% of the total loan amount (\$7,440,000). The EA may request for initial and additional advance to the imprest account based on an Estimate of Expenditure Sheet<sup>21</sup> setting out the estimated expenditures to be financed through the account for the forthcoming six (6) months. Supporting documents should be submitted to ADB or retained by the EA, LCO and CIO/BKM in accordance with ADB's Loan Disbursement Handbook when liquidating or replenishing the imprest account.

74. The SOE procedure<sup>22</sup> may be used for reimbursement of eligible expenditure and liquidation of advances to the imprest account. The ceiling of the SOE procedure is \$100,000 equivalent per individual payment. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

75. Before the submission of the first withdrawal application, MOF should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal application on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000 equivalent unless otherwise approved by ADB. Individual payments below this amount should generally be paid from the imprest account or by the EA and subsequently claimed to ADB through reimbursement. ADB reserves the right not to accept WAs below the minimum amount.

76. Sufficient supporting documentation, as defined in ADB's *Loan Disbursement Handbook* (2012, as amended from time to time) will be kept at each level of project management to substantiate all expenditures incurred from the loan proceeds. Concerned DGHS and regional government staff will be trained in ADB's disbursement procedures. Financial due diligence undertaken during project preparation found that DGHS has significant financial management experience and capacity, and will be able to ensure effective and appropriate project financial management.

### **C. Accounting**

77. The DGHS will maintain separate project accounts and records by funding source for all expenditures incurred on the project. Project accounts will follow international accounting principles and practices or those prescribed by the Government's accounting laws and regulations.<sup>23</sup>

### **D. Auditing**

78. The DGHS will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing and with the Government's audit regulations, by an auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the Auditor.

---

<sup>21</sup> Available in appendix 10B in the *Loan Disbursement Handbook*

<sup>22</sup> SOE forms are available in Appendix 9B of the *Loan Disbursement Handbook*

<sup>23</sup> Reference to Government laws/regulations to be added during loan processing.

79. The annual audit report for the project accounts (financial statements) will include an audit management letter and audit opinion, which cover: (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework, (ii) whether loan proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; (iv) use of the imprest fund procedure; and (v) the use of the statement of expenditure procedure certifying to the eligibility of those expenditures claimed under SOE procedures, and proper use of the SOE and imprest procedures in accordance with ADB's Loan Disbursement Handbook and the project documents.

80. 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.

81. The Government, DGHS, participating local governments and community members have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>24</sup> 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.

82. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).<sup>25</sup> After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed.

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting

83. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (March 2013, as amended from time to time) (ADB's *Procurement Guidelines*)<sup>26</sup> and ADB's *Guidelines on the Use of Consultants* (March 2013, as amended from time to time) (ADB's *Guidelines on the Use of Consultants*).<sup>27</sup> The issuance of invitations to bid under

---

<sup>24</sup> ADB Policy on 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 six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed; (ii) When audited project financial statements have not been 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 imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months; (iii) When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

<sup>25</sup> Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

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

<sup>27</sup> Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

advance contracting and retroactive financing will be subject to ADB approval. The borrower and DGHS have been advised that approval of advance contracting does not commit ADB to finance the Project.

84. **Advance contracting.** DGHS requested that the four management consultant packages be procured using the advance contracting method. These packages are (i) the National Project Management Consultant with the estimated contract amount of about \$2,005,000, (ii) the Regional Project Management Consultant West Region (Sumatra) with the estimated contract amount of \$2,075,000, (iii) the Regional Project Management Consultant Central Region (Java and Kalimantan) with the estimated contract amount of \$2,580,000 and (iv) the Regional Project Management Consultant East Region (Sulawesi, Nusa Tenggara and Maluku) with the estimated contract amount of about \$2,085,000. DGHS will start by the publication of the consulting services recruitment notice in the ADB website for 30 days in November 2013. All steps of consultant recruitment process will be followed. However, contract signing will only be done after the loan has been declared effective.<sup>28</sup>

85. No retroactive financing is proposed.

## **B. Procurement of Goods, Works and Consulting Services**

86. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines*, which allows the use of national competitive bidding procedure, i.e. the competitive procedure used for public procurement in the country of the borrower and may be the most appropriate way of procuring goods or works which by their nature and scope are unlikely to attract foreign competition. The allowed national competitive bidding (for procurement of goods and works) shall be those set forth in Presidential Regulations No.54/2010 of the Republic of Indonesia, dated 6 August 2010.

87. All procurement to be financed under the ADB loan will be carried out in accordance with ADB's *Procurement Guidelines* (2012, as amended from time to time). Depending on the complexity of technical designs to upgrade infrastructure, civil works will be carried out directly by the communities or tendered to construction firms. It is expected that a large proportion of civil works will be managed by communities through their CIOs and carried out by local manual labor. Simple civil works for neighborhood investments will be contracted out to the communities based on an agreement between a BLM/CIO and city Satker/LCO, and in compliance with the requirements for community participation in procurement as specified in ADB's *Procurement Guidelines*. Community contracts will include evidence of community facilitation, the design of facilities to be constructed under the contract, a community O&M plan for these facilities, and clear duties and responsibilities of both parties for the project activities. The first two community contracts in selected five cities will be submitted to ADB for prior approval. All contracts will be monitored under the management information system. More complex infrastructure upgrading works, which the community is considered not to have sufficient capacity, will be contracted out

---

<sup>28</sup> The procurement timeline is estimated as follows: (a) Publication of notice to submit EOI: 20 Nov – 20 Dec 2013; (b) Evaluation of EOIs and obtaining ADB's approval of Submission 1: 21 Dec 2013 – 10 Jan 2014; (c) Distribution of Request for Proposals (RFPs): 15 Jan 2014; (d) Submission of Proposals: 20 Feb 2014; (e) Evaluation of technical proposals by EA: 21 Feb – 7 Mar 2014; (f) Submission 2 to ADB: 10 Mar 2014; (g) Review and approval of Submission 2 by ADB: 11 – 21 Mar 2014; (h) Opening of Financial Proposal: 26 Mar 2014; (i) Evaluation of Financial Proposals by EA: 27 Mar – 9 Apr 2014; (j) Submission 3 to ADB: 10 April 2014; (k) Review and Approval by ADB on Submission 3: 11 – 23 April 2014; (l) Submission 4: 28 April 2014; (m) Approval of Submission 4: 5 May 2014; (n) Submission 5: 10 May 2014; (o) Approval of Submission 5: 15 May 2014; (p) Mobilization of Consultants: 19 May 2014.

to firms/contractor to be engaged by the EA. The city/district administration will engage contractors to implement more complex civil works financed from the local government counterpart funds.

88. A procurement capacity assessment of the DGHS and city satkers was not carried out. DGHS is very experienced in carrying out procurement of works and goods and services under ADB-financed projects. DGHS has been assigned as executing/implementing agencies in various ADB-financed projects. DGHS's performance has been rated satisfactory, including during procurement process.<sup>29</sup> Half of the city/districts will be involved in the proposed project e.g. Makassar, Palembang, Bandar Lampung, Mataram, and Kendari participated in the NUSPP (Loans 2072/2073-INO), during which they carried out procurement of contractors. Other cities such as Semarang, Pekalongan, Pasuruan, and Manado are involved in the ADB-financed Urban Sanitation and Rural Infrastructure Support to PNPM. No major issues related to procurement faced during the projects. To assist the DGHS and city administrations during procurement of contractors, 4 procurement/contract specialists (1 at the central level and 3 at the regional levels) will be recruited. Training on ADB procurement procedures will also be provided at the first year of project implementation. IRM project officers and procurement officer will also provide continued supports to the DGHS and city administrations during the procurement process.

89. Before the start of any procurement ADB and the Government will review the public procurement laws of the central and state governments to ensure consistency with ADB's *Procurement Guidelines*. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.<sup>30</sup> The indicative terms of reference for all consulting services are provided in Section D.

90. The project will require an estimated 2,297 person-months of national consulting services at national and district/city levels. Community advisors to assist community in planning and implementing the project will also be recruited. About 3,900 person-months of community advisors will be required. A national team of management consultants will assist the CPMU and three regional teams of management consultants will cover the following regions: (i) West (Sumatra), (ii) Central (Java and Kalimantan), and (iii) East (Sulawesi, Nusa Tenggara and Maluku). The national management consultant (NMC) will be responsible to help the DGHS in the overall project management and implementation. The NMC will also be tasked to supervise and evaluate the performance of the RMCs. NMC should ensure that works carried out by the RMCs are in line with the project design and guidelines. RMCs will report to the DGHS and the NMC. In implementing their tasks and responsibilities, RMCs will be guided by project guidelines and procedures (JUKLAK/JUKNIS and other guidelines) that will be prepared by DGHS with the supports from the NMC. The working relations between the NMC and RMCs are illustrated in the project implementation arrangement chart (page 23).

91. Each regional team will also have city coordinators; which will be assigned specifically in each participating city/district. The community advisors will also be contracted under the regional consultant contracts. The national team will assist the DGHS is the overall project

---

<sup>29</sup> PCR of Loans 2072/2073(SF)-INO: Neighborhood Upgrading and Shelter Sector Project; PCR of Loan 2449-INO: Rural Infrastructure Support to PNPM Mandiri Project.

<sup>30</sup> 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/>

management and implementation. The RMCs will assist DGHS and LCOs in the project management and implementation at the regional level through providing technical and managerial support, establishing and implementing a sound financial management and monitoring system, implementing the complaints-handling mechanism, implementing the PPMS, which is a part of the M&E framework, and (vi) undertaking training of community advisors, and community members (BKM/CIO). Three individual consultants will also be recruited to carry out an independent monitoring and evaluation of the safeguards, gender and community participation, in accordance with the project manuals and guidelines. At the end of project implementation, a team of consultant will be recruited to conduct an impact evaluation and assist the EA in the preparation of a project completion report. Consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality cost ratio of 80:20. The consultants will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time). The management consultants as well as the impact evaluation consultants will be recruited through national firms.

92. Any variations/changes on the contract financed under the loan proceeds will require an ADB's prior approval. For civil works/goods contract, contract variations that involve increases in the contract amount that will require ADB's prior approval.<sup>31</sup> Major variations to any consulting service contracts will require ADB's prior approval. Major variations include: (i) replacements of the team leader and/or key experts, (ii) an increase in the contract amount, (iii) price adjustments/escalation, (iv) change in the association/joint venture of consultants.

### C. Procurement Plan

Project Name: Neighborhood Upgrading and Shelter Project - Phase 2	Loan Number: To be determined
Loan Amount: \$74.4million	Executing Agency: Directorate General of Human Settlements (DGHS), Ministry of Public Works
Project Costs: 102.0 million	Date of this Procurement Plan: 30 January 2014
Date of first Procurement Plan: 30 January 2014	

#### a. Process Thresholds, Review, and 18-Month Procurement Plan

##### 1. Project Procurement Thresholds

93. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works	
Method	Threshold
Community Participation in Procurement	Not more than \$40,000 per neighborhood contract for the upgrading works. <sup>32</sup>

<sup>31</sup> Contract variations normally do not result in increases in contract amount by more than 15% in aggregate. Contract variations involving increases in the contract amount of more than 15% may be allowed depending on the reasons/justifications of the contract variations.

<sup>32</sup> Most of community groups to be involved in the project have had experience in implementing similar projects, particularly under the Government's ongoing flagship poverty reduction program, the National Program for Community Empowerment (PNPM Mandiri). Many community groups have implemented more than 1 community contracts. Under the Urban Sanitation and Rural Infrastructure Support to PNPM Project (Loan 2768-INO), which was approved in 2011, a community contract up to \$38,000/contract was allowed. Under the NUSSP (Loans 2072/2073-INO), which was approved in 2005, a community contract up to \$30,000/contract was allowed. The proposed \$40,000/contract was based on experience from the above-mentioned projects and to accommodate higher prices in remote/isolated neighborhoods such as in Maluku and Nusa Tenggara, where majority of materials have to be taken from Java. To supervise community works, consultants and community advisors will be recruited.

<b>Procurement of Goods and Works</b>	
<b>Method</b>	<b>Threshold</b>
National Competitive Bidding	Up to \$10.0 million per contract.
International Competitive Bidding	More than \$10.0 million per contract.

## 2. ADB Prior or Post Review

94. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

<b>Procurement of Goods and Works</b>		
<b>Procurement Method</b>	<b>Prior or Post</b>	<b>Comments</b>
Community Participation in Procurement	Prior and Post	Only the first two community contracts from five selected participating cities/districts will be submitted to ADB for prior approval. The rest will be subject to post review on selected basis.
National Competitive Bidding	Prior and Post	Only the first contract in each participating city/district will be submitted to ADB for prior review approval. The remaining contracts will be subject to post review.
International Competitive Bidding	Prior	

<b>Recruitment of Consultants</b>		
Individual	Prior	Three national consultants for independent monitoring and evaluation of project implementation.
Quality and Cost-Based Selection (QCBS)	Prior	Four consulting services packages for management consultants and 1 consulting services package for the preparation of project completion report and assessment of project preliminary impacts.

## b. Project Procurement Plan

### 1. Indicative List of Packages Required Under the Project

95. The following table provides an indicative list of all procurement (goods, works, and consulting services) over the life of the project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the comments section.

The community will also be supervised by the LCO, who signed the contract with the community. Community accounts will be audited by an independent auditor, acceptable to ADB. Based on the above, it is likely that the community groups will be able to carry out civil work contracts up to \$40,000. Overall evaluation of community performance on completing contracts will be carried out annually. Results of the evaluation will be taken into account to determine whether to maintain the ceiling of \$40,000 or to reduce.

<b>General Description</b>	<b>Estimated Value</b>	<b>Estimated Number of Contracts</b>	<b>Procurement Method</b>	<b>Domestic Preference Applicable</b>	<b>Comments</b>
Grant to communities (Output 2)	40,000,000	1,000	Community participation in procurement	No	Civil works (simple work) for the neighborhood upgrading. -
Civil Works for the construction of infrastructure at Housing New Sites (Output 3)	5,000,000	15	NCB	No	Civil works involving complex work considered not suitable for community contracts.
Civil works for upgrading of neighborhoods (Output 2)	19,000,000	30	NCB	No	Civil works involving complex work considered not suitable for community contracts.
<b>TOTAL</b>	<b>64,000,000</b>	<b>1,045</b>			

	<b>Estimated Value (cumulative)</b>	<b>Estimated Number of Contracts</b>	<b>Recruitment Method</b>	<b>Type of Proposal</b>	<b>Comments</b>
Consulting Services – Individuals	100,000	3	Individual		50 person-months, national.
Consulting Services (firms)	9,300,000		QCBS	Simplified	The management consultants are to be procured through advance procurement.
1. Firms for National management consultants (NMC)	2,005,000	1			498 person-months of national consultants.
2. Firms for Regional management consultants West Region	2,075,000	1			542 person-months of national consultants
3. Firms for Regional management consultants Central	2,580,000	1			653 person-months of national consultants



<b>General Description</b>	<b>Estimated Value</b>	<b>Estimated Number of Contracts</b>	<b>Procurement Method</b>	<b>Domestic Preference Applicable</b>	<b>Comments</b>
Region					
4. Firms for Regional management consultants East Region	2,085,000	1			538 person-months of national consultants
5. Firms to assist in the preparation of project completion report and assessment of preliminary project impacts	155,000	1			16 person-months of national consultants
6. Training for Local Government Staff on Urban Development and Management	400,000	Multiple contracts	CQS	Biodata	Will be further specified after the capacity building needs assessment that will be carried out in the first year of project implementation
<b>TOTAL</b>	<b>9,400,000</b>				<b>2,297 pms.</b>

**c. National Competitive Bidding**

**1. General**

96. The procedures to be followed for national competitive bidding (for procurement of goods and works) shall be those set forth in Presidential Regulation No.54/2010, dated 6 August 2010 as the amended from time to time, the latest being Presidential Regulation No. 70/2012, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

**2. Registration**

- (i) Bidding shall not be restricted to preregistered firms and such registration shall not be a condition for participation in the bidding process.
- (ii) Where registration is required prior to award of contract, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

### **3. Prequalification**

97. Post qualification shall be used unless prequalification is explicitly provided for in the loan agreement and/or procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

### **4. Joint Ventures**

98. A bidder declared the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of the supply of goods as a condition of award of the contract.

### **5. Preferences**

- (i) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.
- (ii) Regulations issued by a sectoral ministry, provincial regulations and local regulations which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable.

### **6. Advertising**

- (i) Invitations to bid (or prequalify, where prequalification is used) shall be advertised in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to at least twenty-four (24) hours prior the deadline for the submission of bids. Bidding of NCB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.
- (ii) Bidding documents shall be made available by mail, electronically, or in person, to all who are willing to pay the required fee, if any.
- (iii) Bidders domiciled outside the area, district, or province of the unit responsible for procurement shall be allowed to participate regardless of the estimated value of the contract.
- (iv) Foreign bidders from ADB member countries shall not be precluded from bidding.

### **7. Bid Security**

99. Where required, bid security shall be in the form of a bank guarantee from a reputable bank.

### **8. Bid Opening and Bid Evaluation**

- (i) Bids shall be opened in public, immediately after the deadline for submission of

bids.

- (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents.
- (iii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (iv) No bid shall be rejected on the basis of a comparison with the owner's estimate or budget ceiling without the ADB's prior concurrence.
- (v) The contract shall be awarded to the technically responsive bid that offers the lowest evaluated price.

#### **9. Rejection of All Bids and Rebidding**

- (i) Bids shall not be rejected and new bids solicited without ADB's prior concurrence.
- (ii) When the number of responsive bids is less than three (3), re-bidding shall not be carried out without ADB's prior concurrence.

#### **10. ADB Member Country Restrictions**

100. Bidders must be nationals of member countries of ADB, and offered goods and services must be produced in and supplied from member countries of ADB.

### **D. Consultant's Terms of Reference**

#### **a. Description of Consulting Requirements**

##### **1. National Consultants for Independent Monitoring and Evaluation of Project Implementation**

101. The recruitment of these consultants is to support project management and implementation at national, city and community level, particularly in project monitoring and evaluation (M&E). The consultants will be mobilized intermittently to independently monitor and evaluate project implementation, in particular at the community/neighborhood level. The consultants will be separated from the project management consultants (NMC and RMCs) so that they can make their own assessment and evaluation. They will be tasked to monitor and evaluate whether: (i) all community members including women and marginalized groups are properly represented in all decision-making meetings and their interests are reflected in the planning documents; (ii) all participation and consultation stages during project implementation are properly conducted; (iii) all safeguard requirements are complied with in line with the project manuals and guidelines, (e.g. in case of land donations, the donators meet the criteria as specified in the RF, etc.); (iv) agencies involved in the project (CPMU, LCO etc.) have carried out their tasks/responsibilities; (v) complaint handling/grievance redress mechanism has been properly established and carried out, etc. The consultants will report to the DGHS through the CPMU and national satker and they will provide recommendations for improved project implementation.

102. The project may require limited land (through land acquisition or land donations) but will not involve any resettlement of people, relocation of houses, or significant impact upon productive land or other productive assets. The consultants will assess and monitor the implementation of the land donations, and evaluate whether the process follows the agreed procedures and that the community members whose lands are used truly donate their land without coercion. The consultant will also monitor and evaluate the project compliance with the environmental safeguards, evaluate whether any negative impacts associated with the design, construction and operation of the proposed subproject activities have been mitigated in acceptable manners.

## **2. Package 1: Project Management Consultants – National Level**

103. The consultants will work closely with the national and city/district project implementation units (CPMU and ICOs) in the overall project planning, management, and implementation. Their services will include (i) assisting in project planning and programming, including incorporation of the Project's gender action plan (GAP); (ii) assisting in project management and quality assurance; (iii) developing media and communication materials for information campaign and knowledge sharing; (iv) developing guidelines and implementing training programs for staff on technical and community (including gender) aspects; (v) preparing quality assurance procedures and assisting in their implementation; (vi) assisting in coordinating and supporting city/district consulting teams; and (vii) establishing guidelines and procedures for social and environmental safeguard screening, (viii) carrying out and supervising due diligence and preparation resettlement plans for the project cities; and (ix) overseeing preparation and implementation of the safeguard documentation. The consultants will also assist the CPMU in the management of all project activities, including planning, budgeting, supervision, monitoring, reporting, and coordination to ensure implementation of the Project in accordance with the original design and other provisions in the loan agreements. The consultants will also oversee the operation and performance of the three regional consulting packages including city coordinators and community advisors.

104. The consultants will assist in financial management of the project. They will ensure that procedures are in place to assist the LCOs in regular collection of transaction documents (invoices and contracts) from all implementing locations, arranging data entry into a computerized accounting system, preparing project financial statements on a quarterly basis for each LCO, consolidating financial statements for the entire project, comparing the financial statements against physical progress and contractual obligations, analyzing key variances and recommending appropriate actions and measures, and preparing quarterly financial monitoring reports. The consultants will also train government staff in developing their capacities in accounting and financial management.

105. The national project management consultant will consist of the following experts: (i) a Team Leader/Urban Development Specialist, (ii) a Financial Management Specialist/Deputy Team Leader, (iii) an Infrastructure/Monitoring and Evaluation Specialist, (iv) a Safeguard Specialist, (v) a Gender Specialist, (vi) 10 Urban Planners, (vii) 10 Communication/Community Development Specialists, (viii) an Urban Housing Specialist, (ix) a Procurement/Contract Specialist, (x) an Information Management Specialist, and (xi) a Training Specialist.

106. Specifically, the consultants will assist the CPMU to

- (i) ensure timely and well-targeted planning of project activities;

- (ii) ensure that the implementation of the Project reaches the targeted indicators of achievement;
- (iii) ensure sufficient understanding of the project design and optimal performance of the regional project management consultants;
- (iv) finalize technical documents related to implementation of the Project, including technical guidelines and code of conduct;
- (v) disseminate all project technical documents to all relevant parties;
- (vi) develop the concepts, strategies, and modules for training activities;
- (vii) ensure that gender equality concerns are incorporated in the training plans (e.g., gender sessions) and modules;
- (viii) conduct monitoring and evaluation of the results of training activities through field visits, field audience, information gathering, and field samplings;
- (ix) collect gender-disaggregated data in baseline, benchmark, and completion surveys; ensure that the collected gender-disaggregated data are properly analyzed and reported in quarterly and annual progress reports;
- (x) ensure the targeted gender equality indicators as specified in the GAP are met;
- (xi) monitor the social, environmental, and economic impacts, including the establishment of benchmark information and data;
- (xii) establish project a website and update project progress on the on a weekly basis;
- (xiii) prepare all financial reports related to project financing in line with the prevailing procedures;
- (xiv) make compilation and summary of all requests for payment, payment orders, and fund disbursement orders related to the use of loan proceeds;
- (xv) monitor the process of disbursement of loan proceeds;
- (xvi) develop draft documents for the disbursement of grants at the community level;
- (xvii) monitor availability of community grants remaining balance;
- (xviii) monitor and update the project implementation schedule;
- (xix) prepare unaudited project financial reports;
- (xx) establish complaints and grievance handling mechanism and monitor resolution of cases received;
- (xxi) conduct evaluation surveys;
- (xxii) draft the project impact assessment report.
- (xxiii) act as resource persons in the different training programs; and
- (xxiv) support the design and implementation of the sanitation baseline in selected project cities and subsequent impact assessments.
- (xxv) Conduct due diligence on social safeguard and prepare Land Acquisition and Resettlement Plan in reference to the Resettlement Framework; monitoring the implementation.

### **3. Packages 2–4: Project Management Consultants – Regional Level**

107. The consultants will work closely with the LCO/city and district satkers in ensuring efficient project implementation in the neighborhoods. Consulting services will include assistance in (i) implementing neighborhood community development and facilitating technical aspects; (ii) implementing project information campaigns; (iii) community project selection and planning processes, design, and construction; (iv) implementing quality assurance, financial management systems, and project performance management systems; (v) preparing and implementing the social and environmental safeguard compliance; and (vi) establishing the complaints and grievances handling mechanism.

108. In each of the three regional consulting services packages, there will be a team of project management consultants. In addition, city coordinators and community advisors will also be recruited. Each city coordinator will be assigned to one city/district, one community advisors will be assigned to handle up to 3 neighborhoods. The regional team will consist of: (i) a Team Leader/Urban Development Specialist, (ii) an Infrastructure/Monitoring and Evaluation Specialist/Co Team Leader, (iii) a Procurement/Contract Specialist, (iv) a Safeguard Specialist, (v) a Gender Specialist, (vi) Supervisors, (vii) an Urban Housing Specialist, (viii) a Community Development Specialist, (ix) a Training Specialist, and (x) City coordinators.

109. The regional consultants will assist the LCOs and city/district administrations to:

- (i) provide technical assistance and guidance to community advisors;
- (ii) monitor and evaluate performance of the community advisors;
- (iii) assist community advisors in conducting an awareness campaign to familiarize the community members with the project approach and requirements;
- (iv) assist community advisors in conducting community facilitation and advising that includes poverty mapping at the neighborhood level, identification of problems and needs, evaluation of community implementation capacity, and development of planning mechanisms and decision-making processes (preparation of NUAP);
- (v) ensure that the community facilitation/advising activities incorporate measures to enhance gender equality as outlined in the project's GAP; compliance with the environmental safeguard as specified in the EARF and; compliance with the IR safeguard as specified in the project RF;
- (vi) assist community advisors in the establishment and capacity building of community implementation organizations; ensure that the establishment and capacity building activities incorporate measures to enhance gender equality as outlined in the GAP;
- (vii) assist communities in formulation of neighborhoods upgrading plans and related consolidated and integrated investment plans for funding;
- (viii) provide technical assistance for the planning and design of community action proposals/plans;
- (ix) facilitate city level discussions to develop inter-neighborhood cooperation and consolidated city investment plans;
- (x) ensure good governance in channeling of infrastructure grants to communities;
- (xi) assist community advisors in developing community financial management procedures and training community members (CIO/BKM) in implementing them;
- (xii) provide technical guidance during the implementation of the activities identified in neighborhood infrastructure proposals;
- (xiii) assist communities in formulation and implementation of operation and maintenance plans to ensure sustainability of completed facilities;
- (xiv) ensure compliance of project activities with the Asian Development Bank's and Government's social and environmental safeguards;
- (xv) monitor implementation of project activities (including the activities outlined in the GAP) and prepare quarterly and annual progress reports;
- (xvi) formulate and operate the complaint handling procedures;
- (xvii) implement the monitoring and evaluation activities;
- (xviii) carry out capacity needs assessment for local government staff as well as community members and prepare the training modules and materials as necessary;
- (xix) assist in the identification and selection of resource persons for training and other activities;

- (xx) organize and manage the conduct of the training programs at the local level, including serving as resource persons;
- (xxi) supervise construction of civil works carried out by contractors.
- (xxii) assist the LCOs in developing proposals for new site development including the identifications of local banks and developers; identification/selection of potential beneficiaries.
- (xxiii) assist the national social safeguard consultant (NMC) to conduct due diligence and prepare the LARP (f required) in line with the RF.
- (xxiv) assist the national safeguard consultants (NMC) to conduct environmental due diligence and prepare the IEE for the NSDs.
- (xxv) train CIOs/BKMs on community advisors on the use of the environmental screening mechanism, EARF and RF;
- (xxvi) carry out environmental screening for selected neighborhoods during the preparation of NUAPs;
- (xxvii) supervise the implementation of environmental screening process carried out by CIO/BKM and community advisors;
- (xxviii) review the environmental screening reports prepared by CIO/BKMs (included in the NUAPs) and provide recommendations (if any) for improvement.

#### **4. Package 5: Preparation of Project Completion Report and Assessment of Project Preliminary Impacts**

110. The consultant will provide technical assistance and logistical support to undertake the preparation of a project completion report and impact assessment which is consist of: (i) design and implementation of a high-quality impact evaluation, (ii) assessing the impact of project interventions on reducing poverty, gender development, communities' empowerment, improving local governance and socioeconomic conditions in targeted villages, (iii) determining whether the Project had impact on governance practices and community empowerment focusing on participation, transparency and accountability, particularly in the implementation of development projects, and (iv) assessing the impact and utilization of the investments.

111. Impact evaluation is an assessment of how the project's intervention being evaluated affects outcomes, whether these effects are intended or unintended. The proper analysis of impact requires a counterfactual of what those outcomes would have been in the absence of the intervention. The consultants will provide a project completion report and a project impact evaluation report assessing project processes and emerging impacts of the project. The report will be reviewed by DGHS to examine compliance with covenants specified in the Loan Agreement.

## **VII. SAFEGUARDS**

112. **Land Acquisition and Resettlements.** The project will not include physical displacement and loss of less than 10 percent of productive assets as a result of involuntary land acquisition. In the context of specific neighborhood upgrading activities, i.e. construction of public sanitation facilities, small land portions might be acquired from community members<sup>33</sup> or donated voluntarily. It is required that the legal title of the land underlying the NSD sites is placed with and in the name of the corresponding project city, and that the land will be vacant and ready for implementation. The project is classified as category B as the scope of land

---

<sup>33</sup> Community members will pay for land from their own resources; loan proceeds will not be used to obtain land.

acquisition is expected to be insignificant and no resettlement is expected. Since the project will adopt a CDD approach, the specific interventions will be identified by the community members only during the project implementation, thus potential issues related to land acquisition can be identified only at a later stage. Under output 3, ownership of land by the participating cities is the condition of their participation. Thus no land acquisition will be required. Land required for new settlement for poor families will be provided by participating district/city government and resettlement issues are not expected or to be minor. A resettlement framework (RF) has been prepared to be used as a guideline for any land acquisition activity under the project, including land acquisition assessment and preparation and implementation of resettlement plans (RPs) for land acquisition and possible voluntary donation for the small community-level infrastructure subprojects. Land for new infrastructure will be provided either in the form of donation from community members or compensation at replacement cost depending on the results of discussion and dialogue within the communities themselves.

113. In case of land acquisition occurs (for the upgrading activities, output 2), the DGHS of Ministry of Public Works will have the overall coordination responsibility for the land acquisition activities in the cities/districts. The DGHS will assign a contact point for social safeguards officers. The city/district LCO and provincial Satkers will ensure project activities comply with ADB's Safeguard Policy Statement dated 2009 during preparation and implementation. Safeguards consultants will be hired at the national and regional levels to assist the executing agency and communities in screening land acquisition impacts, preparing resettlement (land acquisition) plans and undertake monitoring. Individual consultants to independently monitor the implementation of the safeguards measures and evaluate the impacts (if any) will also be recruited.

114. Costs of land acquisition will be provided by communities as counterpart contributions or from the community development grants. Land for the new site development is owned by local governments. Safeguards specialists have been included and budgeted for in the consultant packages.<sup>34</sup>

115. **Environmental.** Overall, it is expected that the infrastructure upgrading activities will create positive impacts on the environment and improve the livelihoods at slum communities. The Project is categorized as environmental category B. Since project locations and specific types of infrastructure interventions will be identified only during the first year of implementation, an Environmental Assessment and Review Framework (EARF) has been prepared to provide guidance to communities and LCOs to conduct environmental screenings during the overall needs assessments that will be conducted at the slum neighborhoods.<sup>35</sup> For the new site development under output 3, IEEs will be prepared at each site after the respective project city has formally confirmed its readiness to participate in the NSD component and designated the land. The IEE report will be part of the NSD proposal to be approved by the EA and ADB. Individual consultants to independently monitor the implementation of the safeguards measures and evaluate the impacts (if any) will also be recruited.

116. **Indigenous Peoples.** The Project is not expected to have any negative impacts on indigenous peoples. No IPs have been identified residing in the targeted project locations. In any case, the project will not discriminate against them or other marginalized groups. Because it

---

<sup>34</sup> The project includes safeguard specialists, who assist to identify land acquisition issues and will direct city administrations and CIOs/BKMs to adopt the RF. Individual to independently monitor the implementation of the safeguards measures and evaluate the impacts (if any) will also be recruited.

<sup>35</sup> National and regional consultant teams will include environmental safeguard experts, who will guide and supervise communities and community advisors to carry out the environmental screening.



is based on CDD principles, the project will include opportunities for screening project impacts on indigenous groups and incorporating mitigation measures, if any, into the overall design and implementation of any investment. In accordance with the ADB's SPS (2009), the project has been classified as category C. Specific actions have been included in the Project: (i) the selection criteria for community investments includes provisions to ensure that indigenous peoples and other vulnerable groups are part of the capacity-building, planning, implementation, and post-implementation processes; (ii) minority and marginalized groups will be represented on CIOs and CIO representation committees in proportion to their overall population in the community; and (iii) indigenous groups will benefit proportionally from easier access to service delivery, urban infrastructure, training, and construction-related jobs.

### VIII. GENDER AND SOCIAL DIMENSIONS

117. **Gender.** The project will target poor communities in slum areas that lack basic services and infrastructure. The selected neighborhoods will have higher than average poverty levels and lower than average achievement levels for MDGs. Improvements in basic infrastructure will improve income-earning opportunities and increase the availability and accessibility of education and health services for the poor and near poor. Improved sanitation and cleaner environments resulting from project activities will reduce diseases linked to unsafe water and poor hygiene, thus will contribute to improving the overall health status of the poor. This benefit will particularly accrue to infants and children, who are more vulnerable, and suffer more frequently and severely from diseases due to poor sanitation and hygiene practices.

118. The project has been classified as effective gender mainstreaming. A Gender Action Plan (GAP), which has been included in the project design, aims to enhance women's ability to participate in the decision making process and to ensure that women and men in the project sites benefit equally from increased access to improved basic infrastructure and social services.

#### Gender Action Plan

PROJECT OUTPUTS	GENDER ACTIONS
<p><u>Output 1:</u> Institutional capacities for managing pro-poor urban development strengthened</p>	<ul style="list-style-type: none"> <li>• Ensure that training needs assessment for local government staff includes an assessment of their understanding of gender issues (i.e., women and men's differential needs, preferences, access and control of facilities ) in pro-poor urban spatial and shelter planning and design.</li> <li>• Review/adapt the practical guideline to mainstream gender in slums/ poor neighborhoods upgrading projects developed under the previous NUSSP (Loan 2072/2073-INO) to ensure alignment with needs assessment and integrate into training programs for all government and community implementers.</li> <li>• At least 30% of local government staff trained to improve their capacity on spatial planning as identified in needs assessments are women.</li> <li>• Ensure terms of references (TORs) of city coordinators and community advisors include gender mainstreaming responsibilities.</li> <li>• Ensure women represent about 40% of all community advisors.</li> <li>• Ensure that sex disaggregated data collected to develop the demographic profile of the city is used to identify and map the different needs of poor men and women related to public facilities in their neighborhoods.</li> <li>• Ensure that above analysis is used to develop the Slum Improvement Action Plans (SIAP)</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensure dissemination of information on key responsibilities and activities of the network and importance of women's involvement in the network.</li> <li>• At least 40% of community implementation organization (CIOs) members in all project neighborhoods are women.</li> <li>• At least 20% women in leadership roles in the CIOs</li> <li>• Ensure that women CIO leaders are provided appropriate leadership and management training.</li> <li>• Ensure an analysis of needs &amp; benefits of women and men in the criteria for prioritizing projects to be included in slum improvement action plan (SIAP).</li> <li>• Women represent at least 30% of user group members in all project locations.</li> </ul>
<p><u>Output 2</u> Infrastructure in slum neighborhoods upgraded.</p>	<ul style="list-style-type: none"> <li>• Information on the practical and direct benefits of the project are disseminated to women in each project site, and mobilize women to participate in all project stages including decision-making meetings.</li> <li>• At least 40% of participants during all consultation and decision-making meetings at the community level are women.</li> <li>• Ensure all project meetings, consultations and activities take place at convenient times and in culturally acceptable settings to facilitate women's participation.</li> <li>• In case of under-representation or where needed, organize separate meetings with women to discuss needs and project proposals.</li> <li>• Ensure gender audits of all community investment plans are conducted prior to the release of funds.</li> <li>• Disseminate information on the various types of possible jobs in construction and O&amp;M and those which may be performed by women.</li> <li>• Ensure 20% of the paid works created by the project are provided to women. Ensure equal pay for work of equal value.</li> <li>• Ensure 30% women trainees in all community based capacity development activities generated through the project (implementation, M&amp;E, financial management, relevant civil works, O&amp;M and other jobs).</li> </ul>
<p>Output 3 New settlements for poor families established.</p>	<ul style="list-style-type: none"> <li>• In the case when NGOs are engaged: ensure 50% of NGO facilitators undertaking socialization campaign on the PPP approach are women.</li> <li>• Consult beneficiary women and men in determining the number, location and types of urban facilities and services in the new settlements and in preparing housing designs and locations.</li> <li>• Ensure housing locations for female-headed households (FHHs) provide better access to water, hygiene facilities, transport and security.</li> <li>• Selection criteria for the potential beneficiaries to access credit for affordable housing prioritize female headed households.</li> <li>• Ensure housing deeds are provided in the name of husband and wife, and in the name of the women in case of FHH.</li> <li>• Information on loan application procedures and requirements are provided to women and low income households.</li> </ul>
<p>Project Management</p>	<ul style="list-style-type: none"> <li>• Ensure full-time specialist (at the National Consultant Team) with appropriate expertise and experience in Gender and Urban Development/ Housing is hired by the Executing Agency (project management unit, CPMU) to guide the implementation of the Project Gender Action Plan (GAP)</li> <li>• Ensure gender equality training provided to all consultants and community advisors within the first three months of their mobilization.</li> <li>• Assign one person in the CPMU and each Local Coordinating Office (LCO) as Gender Focal Point, to be responsible for mainstreaming</li> </ul>

	<p>gender activities in the project</p> <ul style="list-style-type: none"> <li>• Gender-related activities (identified in the Project GAP) will be reflected in annual project work plans</li> <li>• Ensure briefing on gender is provided to all CPMU and LCOs staff.</li> <li>• Regularly monitor, evaluate and report the performance of district and community advisors in executing the gender related tasks outlined in their TOR (i.e. in quarterly gender monitoring report)</li> <li>• Ensure that a GAP Monitoring Report on the performance and achievement of city/ district coordinators and community advisors are regularly (i.e. quarterly) produced by LCOs and approved by the CPMU.</li> <li>• Gender sensitive indicators will be integrated in the PPMS</li> <li>• Sex disaggregated data on stake holders' participation in community activities (planning, implementation and O&amp;M) collected in baseline survey and completion surveys</li> <li>• Ensure data is analyzed and included in regular project progress reports.</li> </ul>
--	---

119. This GAP will be overseen by the project management unit and implemented by communities with assistance of the consulting teams at the national and regional levels including the city coordinators and community advisors. Tasks related to gender equality have been reflected in the terms of reference of all consulting packages and safeguards and gender experts will be mobilized at the national and regional levels. Tasks related to gender equality at the national level will be performed by the gender specialist.

120. At the national level, the consultants will incorporate this GAP into project planning and programming, including training plans. In addition, they will collect gender-disaggregated data in baseline and completion surveys, analyze the data, and report the findings in project progress reports. At the regional and community levels, the consultants will ensure that measures to enhance gender equality, as outlined in the Project's GAP, will be incorporated into community facilitation, establishment, and capacity building of community implementation organizations.

121. **Land Acquisition and Resettlements.** The scope of land acquisition is expected to be insignificant. In the context of specific neighborhood upgrading activities, i.e. construction of public sanitation facilities, small land portions might be acquired from community members<sup>36</sup> or donated voluntarily. The project will not entail any resettlement of people, relocation of houses, or negative impact upon productive land or other productive assets. Cities that will participate under the new site development (NSD) output will provide evidence that the local government will own the land (land title) and that the land is not developed/utilized.

122. **Environmental.** Overall, the project will have significant positive impacts on the quality of life and will improve the livelihoods of poor slum communities. Due to the small scale of expected civil works, most of the expected negative effects are site-specific, short-term and temporary, and easily mitigated to acceptable levels.

123. **Indigenous Peoples.** The project is not expected to have any negative impacts on indigenous peoples. It will not discriminate against them or other marginalized groups. Following CDD principles, the Project will include opportunities for screening project impacts on indigenous groups and incorporating mitigation measures, if any, into the overall design and implementation of any investment.

---

<sup>36</sup> Community members will pay for land from their own resources; loan proceeds will not be used to obtain land.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Design and Monitoring Framework

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Improved living conditions in urban areas</p>	<p>By 2020, in line with the MDG target 7D: The proportion of urban population living in slums of the 20 project cities is reduced to at least 6% Baseline (2011): 12.26% (Baseline will be updated in 2014 after the project slum neighborhoods are confirmed).</p>	<p>Central Bureau of Statistics (Biro Pusat Statistik) MDG progress reports</p>	<p><b>Assumption</b> National and local budget funds are adequate and provided in a timely manner. Central and local governments continue to prioritize reduction of slums.</p>
<p><b>Outcome</b> Improved infrastructure and access to service delivery in slum neighborhoods in 20 project cities</p>	<p>By 2017: At least 670,000 households living in slum neighborhoods benefit from the infrastructure upgrading.  At least 50% of community members in project locations, of which half are women, are satisfied with improvements in roads, provision of drinking water, sanitation facilities, and other basic urban infrastructure (perception survey to be conducted by 2017)</p>	<p>PPMS reports Consultant reports District and city administration evaluation reports</p>	<p><b>Assumptions</b> National and local governments continue to support community-driven development.  <b>Risk</b> Natural disasters will impact the project areas.</p>
<p><b>Outputs</b> 1. Institutional capacities for managing pro-poor urban development are strengthened</p>	<p>Local government officials involved in developing and/or revising integrated urban development plans and SIAPs adopt community-driven development approaches by 2017.  At least 100 local government staff (30% women) dealing with spatial planning trained on CDD approaches adopted in urban development; and environmental subjects related to water treatment, sanitation, solid waste management, project management, O&amp;M, and other areas identified in the capacity needs assessments</p>	<p>PPMS reports Consultant reports District and city administration evaluation reports Feedback from communities (survey)</p>	<p><b>Assumption</b> Participating local governments continue to be committed to pro-poor spatial planning.  <b>Risk</b> Informal leaders dominate the decision-making process during preparation of slum upgrading and community investment plans.</p>
<p>2. Infrastructure in slum neighborhoods</p>	<p>Individual NUAPs of project neighborhoods integrated in consolidated city infrastructure</p>	<p>PPMS reports Consultant reports</p>	<p><b>Assumption</b> Community members have enough resources to</p>

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
upgraded	<p>upgrading investment plans and harmonized with approved spatial plans and development strategies</p> <p>Community implementation organizations (BKMs) in all project neighborhoods functioning with 40% representation of women involved in the decision-making processes</p> <p>1,500 km of neighborhood roads upgraded</p> <p>134,000 households benefit from upgraded water supply facilities and systems</p> <p>268,000 households benefit from upgraded sanitation facilities and systems</p> <p>At least 80% of infrastructure works evaluated as being in accordance with the national standard and have functioning O&amp;M arrangements</p>	<p>District and city administration evaluation reports</p> <p>Feedback from communities (survey)</p>	carry out simple civil works and/or construction.
3. New settlements for poor families established	<p>New housing areas for poor families constructed in at least five cities</p> <p>PPP schemes to finance and construct new housing areas for poor families are established in at least five cities</p> <p>At least 800 poor families (priority to households headed by women) living in slums are provided with affordable houses in new housing areas.</p> <p>Housing deeds provided in the name of husband and wife, and in the name of the woman for households headed by women</p>	<p>PPMS reports</p> <p>Consultant reports</p> <p>MOUs and agreements between developers, financial institutions, and city administrations; contracts with low-income families</p> <p>District and city administration evaluation reports</p>	<p><b>Risk</b></p> <p>Engagement with private stakeholders to establish new housing sites for poor families is not successful.</p>

<b>Activities with Milestones</b>	<b>Inputs</b>	
<p><b>1. Institutional capacity for managing pro-poor urban development strengthened</b></p> <p>1.1 Recruit consultant teams to support DGHS and local community governments in preparing and implementing project activities (starting Q3 2014)</p> <p>1.2 Identify training needs for local government staff (starting Q4 2014)</p> <p>1.3 Select local government staff to be trained on pro-poor spatial planning and/or CDD approach (starting Q1 2015)</p> <p>1.4 Implement training for local government staff dealing with spatial</p>	<p><b>Loan</b></p> <p><b>ADB: \$74.4 million</b> (ordinary capital resources)</p>	
	<b>Item</b>	<b>Amount</b> (\$ million)
	Infrastructure	60.0
	NSD	5.0
	Support for institutional development	1.9
Consulting services	7.5	

Activities with Milestones	Inputs	
planning (starting Q2 2015)	<b>Government: \$21.6 million</b>	
1.5 Conduct workshops to develop the national housing and settlement network (starting Q1 2015)	Land	5.0
1.6 Establish a national housing and settlement network with members from at least 20 cities (Q2 2015)	Infrastructure improvements	5.9
	Institutional development	1.0
	Project management, monitoring, and supervision	3.7
	Tax and duties	1.6
	Contingency	0.4
	Financing charges during implementation	4.0
	<b>Private Sector and Community Contribution: \$6.0 million</b>	
	Infrastructure and/or in-kind	2.0
	Houses (at NSD)	4.0
<b>2. Infrastructure investment plans for upgrading slum neighborhoods aligned with overall city development plans and implemented in 20 cities</b>		
2.1 Socialization of the project scope in all project neighborhoods (starting Q3 2014)		
2.2 Help project neighborhoods to identify needs and to prepare NUAPs (starting in Q3 2014)		
2.3 Integrate NUAPs into consolidated infrastructure upgrading investment plans for each project city (starting Q4 2014)		
2.4 <i>Bupatis</i> (mayors) approve consolidated infrastructure upgrading investment plans (Q4 2014–Q1 2015)		
2.5 Establish user groups in 300 neighborhoods (starting Q1 2015)		
2.6 Award civil work contracts for neighborhood upgrading (starting Q1 2015)		
<b>3. New settlements for poor families established</b>		
3.1 Approve selection criteria for potential beneficiaries (Q4 2014)		
3.2 Complete MOUs between local governments and financial institutions and developers to finance and construct NSDs (Q2 2015)		
3.3 DGHS selects contractors to construct infrastructure at NSDs (starting Q3 2015)		
3.4 Construct infrastructure at NSDs (starting Q4 2015)		
3.5 Construct houses at NSDs (starting Q1 2016)		
3.6 Complete final selection of beneficiaries (Q3 2015)		
3.7 Beneficiaries and banks sign loan agreements (Q2 2016)		
3.8 Develop strategies to share partnership models for NSDs with other local governments (in Q4 2016)		

ADB = Asian Development Bank, BKM = Badan Keswadayaan Masyarakat (Community Empowerment Agency), BPS = Biro Pusat Statistik (Central Statistics Bureau), CDD = community-driven development, km = kilometer, MDG = Millennium Development Goal, MOU = memorandum of understanding, NSD = new site development, NUAP = neighborhood upgrading action plan, OCR = ordinary capital resources, O&M = operation and maintenance, PPMS = project performance monitoring system, PPP = public-private partnership, SIAP = slum improvement action plan. Source: Asian Development Bank estimates.

## B. Monitoring

### 1. Project performance

124. The project will establish and maintain a project performance monitoring system (PPMS) with reference to the PPMS that was established under first NUSSP, RIS-PNPM I and II (the Executing Agency for these projects is also DGHS). Specific elements include (i) conduct of baseline and completion surveys for individual neighborhood by staff and community advisors; (ii) participatory monitoring by communities based on self-defined indicators; (iii) internal monitoring of inputs, process, and outputs; (iv) independent external monitoring and evaluation by third parties, such as civil society groups; and (v) the design and implementation of a high-quality impact evaluation.

125. The project's M&E will encompass the following elements: (i) monitoring physical and financial progress and the efficiency of village investments; (ii) monitoring the level and adequacy of village and stakeholder participation in planning and implementing project activities; (iii) monitoring the capacity of CIOs and local governments; (iv) collecting gender

disaggregated data on stakeholders' participation in training and planning, and the accrual of benefits, including employment generation; (v) monitoring social, environmental, and economic impacts, including establishment of baseline data; (vi) conduct of physical and financial audits; and (vii) assessing the impact and utilization of the investments. The framework has employed quantitative and qualitative methodologies, as well as a mix of internal and outsourced evaluations. The M&E guidelines describe the responsibilities of all stakeholders (including central and local governments, community advisors, consultants, CIOs, and NGOs) in carrying out M&E, and require a mixture of strong supervision and quality checks through internal project channels and external M&E.

126. The PPMS will be developed with reference to other similar projects such as the PNPM Mandiri's *Guidelines on Implementation of MIS* and will be part of the program management information system (MIS). The MIS for the project will form part of the MPW's integrated MIS. The MIS will include validation and verification processes to ensure the quality of data and information. Inputs from sector program systems are submitted to the national level and data are updated monthly. M&E findings will be updated on the MPW's and project's website on the 15th of every month, and will be incorporated in quarterly project progress reports that the CPMU will prepare within 1 month of the end of the reporting period. It will submit these to ADB. CPMU will also prepare and submit a consolidated project completion report to ADB within 6 months of project completion.

## **2. Compliance monitoring**

127. In addition to the standard assurances, the Government and the Executing Agency have given the following assurances:

- (i) the loan proceeds and sufficient corresponding counterpart contributions, are to be allocated and made readily available, with the submission of budgetary allocation requests to be conducted in a timely manner throughout the project implementation period.
- (ii) implementation of the project activities will be undertaken in accordance with the applicable local environmental laws and regulations and ADB's Safeguard Policy Statement (2009). In the event of any conflict, ADB's policy will prevail. All investments in project slum neighborhoods will be reviewed and assessed for environmental impacts in accordance with (a) the project's environmental assessment and review framework, and (b) the respective mitigation and monitoring measures prescribed in the relevant ADB-approved initial environmental examinations.
- (iii) all land acquisition activities (if any) under the project will be implemented in accordance with (i) applicable local laws and regulations, (ii) ADB's Safeguard Policy Statement, and (iii) the project's land acquisition and resettlement framework. All land acquisition plans will be prepared in accordance with the project's land acquisition and resettlement framework.
- (iv) no withdrawal will be made from the imprest account in respect of expenditures related to a subproject until a contract for the relevant subproject between CIO and the LCO has been signed.
- (v) each neighborhood will establish a separate bank account for the neighborhood-level activities to be funded under the project. The Government will further ensure that the amount to be transferred to the bank account will be in three tranches. The first tranche will be 30% of the approved amount, the second tranche will be 40% of the approved amount, and the last tranche will be the remaining approved amount (30%). The release

- of each tranche will be made upon verification by LCOs/city satkers of the actual implementation progress.
- (vi) no civil works contracts will be awarded until: (a) a CIO for the neighborhood has been established; (b) a separate bank account has been established by the relevant CIO for the funds to implement a subproject; (c) a management team for construction and O&M has been established; and (d) neighborhood upgrading plans based on CWSIAP together with the investment plan has been prepared and approved in accordance with selection procedures under the project.
  - (vii) within 6 (six) months of the loan effectiveness date, the EA will create a project website to disclose information about relevant matters on the project, including detailed accounts of procurement. The website shall be regularly updated within 1 week of each award of contract.
  - (viii) the Gender Action Plan as agreed between ADB and the Government is fully implemented and resourced. In particular, the Government will ensure that (a) women comprise 40% of the participants in community training programs; (b) 40% of community advisors are women; (c) at least 30% of local government staff trained to improve their capacity on spatial planning as identified in needs assessments are women, and (d) gender audit for each selected community investment is conducted. The Government will further ensure that the project Executing Agency will submit periodic reports on the implementation of the Gender Action Plan to ADB.
  - (ix) keep ADB informed of policy discussions with other stakeholders about measures that may impact the effective implementation of the project.

### **3. Safeguards monitoring**

128. **Land Acquisition and Resettlements.** The project will not include physical displacement and loss of less than 10 percent of productive assets as a result of involuntary land acquisition. In the context of specific neighborhood upgrading activities, small land portions might be acquired from community members or donated voluntarily. As the location and the specific type of interventions will be determined through a community-based approach, monitoring needs and plans will be specified during the preparation of NUAPs. Screening of potential land acquisition impacts on communities will be built into the community decision-making process and addressed during the preparation of the NUAPs. The needs assessment carried out at each neighborhood will help to identify the affected people and any special needs of indigenous peoples or other disadvantaged groups (e.g., landless, poor, elderly, and disabled villagers and female-headed households). To provide guidance to the communities to manage unpredicted issues related to land acquisitions a resettlement framework (RF) has been prepared. The project includes safeguard specialists, who will direct city administrations and CIOs/BKMs to address issues related to land acquisition based on the guidelines laid out in the RF. Voluntary land contributions will be acceptable only if (i) there has been full consultation with landowners and any non-titled, affected people on site selection; (ii) voluntary donations do not severely affect the living standards of affected people and are linked directly to benefits for the affected people, with community-sanctioned measures to replace any losses that are agreed through verbal and written records by affected people; (iii) the voluntary donation is confirmed through a verbal or written record and verified by an independent third party; and (iv) adequate grievance redress mechanisms are in place.

129. Before land acquisition, project impacts will be discussed with all stakeholders, including the identified affected people. Project information and land acquisition procedures will be shared and disclosed to communities in accordance with ADB's policy. Separate focus group discussions and community meetings with men and women will be held, especially with the affected people.



The BKM/CIOs will disseminate information on possible land acquisition activities to the affected people through verbal communication and written materials in a language that is easily understood by them. All consultations will be recorded and submitted as part of neighborhood investment plans. The framework, including complaint and grievance procedures, will be part of the project implementation guidelines. These will be disseminated by the subproject advisors to the communities during the facilitation process and project implementation. Local government (LCOs) and BKM/CIO secretariats will have resettlement plan copies, which will be posted on the ADB's website.

130. Affected people will have the right to file complaints and/or queries on any aspects of land acquisition and resettlement activities. LCO and CPMU will manage community complaints. The *Implementation Guidelines on Management of Complaints and Grievances* will be developed by the CPMU. At the neighborhood level, complaints from any affected people can be filed with BKM/CIO members and local government staff for immediate resolution whenever possible. If the problem cannot be resolved, the BKM/CIO members and local government staff will assist the affected people to submit their complaints to the Project's grievance and redress committee at the city/district level and to the national level if desired. Community advisors will record the complaint and report to the Project's management teams. The Project will dedicate staff at district/city (LOC) and national levels (CPMU) to receive and follow-up on complaints from affected people.

131. The members of the grievance and redress committee will include affected people (including representatives of women, the poor, and minority groups) and government officials with functional and legal authority. The committee will review grievances involving all resettlement benefits or issues, except for disputes related to ownership. Grievances will be redressed two to four weeks from the date of lodging the complaints at the district level and within eight weeks at the national levels. If consensus cannot be reached, the dispute resolution will follow Law No. 2 year 2012 on land acquisition for development for public interests.<sup>37</sup>

132. The project M&E mechanism for land and social safeguard issues will be included in the internal monitoring and evaluation report prepared by Ministry of Public Works. One section of the regular internal monitoring report will be dedicated to reporting and discussing issues related to social safeguards in project activities. The external monitoring activities specifically focusing on land acquisition will be conducted twice a year during the project implementation period. Individual consultants will be hired to carry out the independent monitoring. Monitoring reports will be submitted to ADB and uploaded to ADB's website.

133. **Environment.** Overall, it is expected that the infrastructure upgrading activities will create positive impacts on the environment and improve the livelihoods at slum communities. The Project is categorized as environmental category B. According to the ADB screening system an Initial Environmental Examination (IEE) would be required at the project locations. However, since the project will use a CDD approach in which communities will identify project locations and specific types of infrastructure interventions only during the first year of implementation, an Environmental Assessment and Review Framework (EARF) has been prepared to provide guidance to communities and LCOs on the process of environmental safeguards. Environmental screenings and assessments will be conducted by specialists during the overall needs assessments that will be carried out at the slum neighborhoods.<sup>38</sup> For the new site development under output 3, IEEs will be prepared at each site after the respective project

---

<sup>37</sup> Affected peoples may complain to the district head or provincial governor in accordance with their respective scope and authority to change or validate decisions related to land acquisition and resettlement in project activities.

<sup>38</sup> National and regional consultant teams will include environmental safeguard experts, who will guide communities and LCO to carry out the environmental screening.

city will have formally confirmed its readiness to participate in the NSD component and designated the land. The IEE report will be part of the NSD proposal to be approved by the EA.

134. Most of the rehabilitation and upgrading work for roads will be within the existing right-of-way. A screening checklist will be implemented to exclude any infrastructure interventions that would directly affect protected, conservation, or archeologically significant areas. Construction materials as much as possible will be procured locally. Close coordination with the local government units in charge of the environment will be sought to monitor any illegal excavation activities in the river or embankment areas. Drinking water supply systems/facilities constructed/upgraded under the project will be kept at least 10 meters from septic tanks and leach fields to avoid any potential contamination of drinking water sources. Water quality sampling will be conducted before well or pipe water supply systems are built to ensure that groundwater and surface drinking water will meet drinking water quality standards. District engineers will provide technical inputs to ensure adequate water distribution from the secondary to tertiary canals and to avoid any downstream impacts caused by reduced flow and increased pollution levels.

135. Any impacts will be temporary and can be minimized by the mitigation measures specified in the existing government guidelines for construction of community-based civil works. Construction activities will be avoided during the rainy season as much as possible. Before construction, communities will receive technical training from the community facilitators in appropriate design, construction methods, and operation practices.

136. Communities will be responsible for properly maintaining improved facilities and an operation and maintenance (O&M) plan is one of the eligibility requirements for each neighborhood. O&M activities will be fully implemented and partly financed by the communities. City/district governments will also monitor surface and groundwater quality through their ongoing monitoring programs.

137. The Ministry of Public Works through its Directorate General of Human Settlements will be the executing agency for the Project and will establish a central project management unit (CPMU) at the national level. The CPMU will be responsible for the management, coordination, and monitoring of project activities. The Project will utilize the existing project implementation units (PIUs) established at the national and city/district levels. Each participating neighborhood will establish a CIO or utilize an existing community organization (BKM).

138. Environmental responsibility will mainly reside with a BKM/CIO, assisted by a team of community advisors. BKM/CIOs will be responsible for conducting environmental screening and identifying mitigation measures. Community advisors will receive technical training before project implementation in order to provide appropriate technical awareness to each CIO. Safeguards specialists will be recruited at the national and regional levels to assist community advisors, and city/district PIUs/LCOs, and the CPMU in managing the Project's environmental aspects. The existing guidelines for community-based civil works developed under the similar projects will be made as guidance and if possible adopted/updated for use under the Project, and the technical guidelines developed by the Ministry of Public Works (e.g. for PNPM Mandiri), have specific provisions to ensure environmental considerations in design, construction, and operation.

139. **Gender and social dimensions monitoring:** The GAP will be overseen by the project management unit and implemented by communities with assistance of the consulting teams at the national and regional levels including the city coordinators and community advisors. Tasks

related to gender equality have been reflected in the terms of reference of all consulting packages and safeguards and gender experts will be mobilized at the national and regional levels. Tasks related to gender equality at the national level will be performed by the gender specialist.

140. At the national level, the consultants will incorporate this GAP into project planning and programming, including training plans. In addition, they will collect gender-disaggregated data in baseline and completion surveys, analyze the data, and report the findings in project progress reports. At the regional and community levels, the consultants will ensure that measures to enhance gender equality, as outlined in the Project's GAP, will be incorporated into community facilitation, establishment, and capacity building of community implementation organizations.

141. DGHS will ensure that all work contracts under the project, including the community contracts incorporate provisions and budgets to the effect that contractors/BKM/CIO: (a) comply with the Indonesia's applicable labor laws and related international treaty obligations, (b) do not employ child labor, (c) provide equal wages to male and female for work of equal value; (d) provide safe working conditions, and water and separate sanitation facilities for male and female workers, (e) provide day care services for female construction workers.

### **C. Evaluation**

142. MPW and ADB will carry out joint project reviews at least twice a year, including midterm and project completion reviews. The reviews will assess project impacts, particularly the institutional, administrative, organizational, technical, environmental, and social aspects. The reviews will also examine compliance with covenants specified in the Loan Agreements. MPW and ADB will conduct a midterm review after 2 years of project implementation. MPW and the district governments will make sure that their staff visit the field frequently and join ADB for all project review missions. Within 6 months of physical completion of the Project DGHS will submit a project completion report to ADB.<sup>39</sup>

### **D. Reporting**

143. The DGHS will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed.

### **E. Stakeholder Communication Strategy**

144. Within 6 months following the loan effective date, DGHS will create a project website to disclose information about relevant matters on the Project, including detailed accounts of procurement.

---

<sup>39</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

## F. Grievance and Redress Mechanism

145. Community members will have the right to file complaints and/or queries on any aspects of project activities. LCO and CPMU will manage community complaints. The *Implementation Guidelines on Management of Complaints and Grievances* will be developed by the CPMU. At the neighborhood level, complaints received from community members can be filed with BKM/CIO members and local government staff for immediate resolution whenever possible. If the problem cannot be resolved, the BKM/CIO members and local government staff will assist the complainant to submit their complaints to the Project's grievance and redress committee at the city/district level and to the national level if desired. Community advisors will record the complaint and report to the Project's management teams. The Project will dedicate staff at district/city (LCO) and national levels (CPMU) to receive and follow-up on complaints from affected people.

## X. ANTICORRUPTION POLICY

146. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.<sup>40</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.<sup>41</sup> To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the Project.

147. The ADB's *Anticorruption Policy* (1998, as amended to date) was explained to and discussed with the Government and DGHS. ADB will require the Borrower to institute, maintain, and comply with internal procedures and controls following international best practice standards for the purpose of preventing corruption or money laundering activities or the financing of terrorism and covenant with ADB to refrain from engaging in such activities. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the DGHS and all contractors, suppliers, consultants, and other service providers as they relate to the Project. Community contracts between BKM and city Satker/LCO will also include relevant anticorruption provisions. Any allegations of corruption can be reported to the LCO, who will report these to the CPMU.

148. The project will incorporate the following good governance features: (i) advanced socialization of the overall project objectives so communities understand the process of funds disbursement; (ii) transparent, consistent, and cost-effective subproject planning and implementation through well-defined procedures, guidelines and institutional arrangements, including community signboards with summaries of plans, progress reports, and financial records, and a project website; (iii) well-defined procedures and mechanisms to transfer investment funds to community-managed bank accounts; and (iv) comprehensive monitoring and evaluation. To ensure transparency during project implementation, within 6 months following the loan effective date, DGHS will create a project website to disclose information about relevant matters on the Project, including detailed accounts of procurement. DGHS is

---

<sup>40</sup> Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>41</sup> ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

experienced in applying financial management systems and fiduciary controls under previous ADB-financed projects, which considered sound and have adequate checks and balances to minimize corruption risks. DGHS will establish and manage the project complaints and problem management unit, to (i) review and address grievances of project stakeholders in relation to the Project, any of the service providers, or any person responsible for carrying out the Project; and (ii) set threshold criteria and procedures for handling such grievances, responding to them, and notifying stakeholders.

## **XI. ACCOUNTABILITY MECHANISM**

149. 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 a good faith effort 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.<sup>42</sup>

## **XII. RECORD OF PAM CHANGES**

150. The PAM was discussed with the Government and was endorsed during loan negotiations on 29-30 January 2014.

---

<sup>42</sup> For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

Withdrawal Application for Direct Payment Procedure

WITHDRAWAL APPLICATION FOR DIRECT PAYMENT AND REIMBURSEMENT

Asian Development Bank



Date: \_\_\_\_\_

To: Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines

Attention: Loan Administration Division, Controller's Department (CTLA)

ADB Loan No. \_\_\_\_\_
Application No. [ ] [ ] [ ] [ ] [ ]
Type of Disbursement:
[ ] Direct Payment
[ ] Reimbursement

Sir/Madam:

1. In connection with the Loan Agreement dated \_\_\_\_\_ between the Asian Development Bank and the (Borrower) \_\_\_\_\_, please pay from the Loan Account:

Table with 3 columns: Currency, Amount in Figures, Amount in Words

The said amount is required for payment or reimbursement of eligible expenditures in the said currency as described in the attached Summary Sheet(s) or the statement of expenditures (SOE).

- 2. The undersigned certifies and agrees as follows:
a. These expenditures were/are/will be made for the purposes specified in the Loan Agreement...
b. The goods or services have been procured in accordance with the Loan Agreement...
c. The goods or services were or will be produced in and supplied by a member country of ADB...
d. For expenditures claimed under SOE or a certificate for Force Account Works (FAW) procedures...
e. As of the date of this application, there is no existing default under the Loan Agreement...
f. If any funds withdrawn pursuant to this application are returned, the current value of such funds will be applied as credit to the Loan Account...

3. Payment Instructions:

- A. Payee's Name and Address
Payee's Name \_\_\_\_\_
Payee's Address \_\_\_\_\_
B. Name and Address of Payee's Bank and Account No.
Bank Name \_\_\_\_\_
Bank Address \_\_\_\_\_
Payee's Account No. \_\_\_\_\_
SWIFT Code (see note 11 of Appendix 7A) \_\_\_\_\_
C. Correspondent Bank (If payee's bank is not located in the country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.)
Bank Name \_\_\_\_\_
Bank Address \_\_\_\_\_
Account No. of Payee's Bank \_\_\_\_\_
SWIFT Code (see note 13 of Appendix 7A) \_\_\_\_\_
D. Special Payment Instructions and Other References
\_\_\_\_\_

4. This application consists of \_\_\_\_\_ pages including \_\_\_\_\_ pages of Summary Sheets or SOE.

From:

Signature of Authorized Representative(s) \_\_\_\_\_
Printed Name/Position Title of Authorized Representative(s) \_\_\_\_\_

**Instructions in preparing the Withdrawal Application Form for Direct Payment and Reimbursement  
(ADB Form ADB-DRP/RMP)**

**General Instructions**

1. Submit original Withdrawal Application (WA) to the Asian Development Bank (ADB) (or to its Resident/Regional Mission, if instructed).
2. Prepare a separate WA for each currency of payment and for each payee.
3. Number WAs consecutively, not exceeding five digits and/or characters.
4. For efficiency, consolidate claims until the amount being withdrawn is at least US\$100,000 equivalent or an amount advised by ADB for reimbursement.
5. When completed, verify the application for completeness of supporting documentation and accuracy of details before passing to the Authorized Representative(s) for signature. Mistakes and omissions result in delayed payment.

**Withdrawal References**

6. **Date:** Enter the date the WA is signed by Authorized Representative(s), not the date it was prepared.
7. **Loan Number:** Show ADB loan number clearly.
8. **Application Number:** Number WAs consecutively. If the project has more than one executing agency (EA) or implementing agency, the project coordinator should assign an alpha identification for each EA., e.g., A0001 to A9999 for EA no. 1 and B0001 to B9999 for EA no. 2.
9. **Type of Disbursement:** Indicate in the appropriate box the type of WA claim, whether for Direct Payment or Reimbursement Procedure.

**Payment Instructions**

10. **Payee Name and Address:** Indicate full name and address of Payee for identification of payment.
11. **Name and Address of Payee's Bank and Account No. :** Indicate full name and address of the Payee's bank, which may include a banker and/or branch designation. Account number is important. Give SWIFT code if Payee's bank is a member of SWIFT.  
For payments to anywhere in Europe, the International Bank Account Number (IBAN) and the related SWIFT Bank Identification Code (BIC) of payee's bank should be provided. If SWIFT BIC for the payee's bank is not available, provide the national clearing system code such as Fedwire Routing number (FW), CHIPS Universal Identifier (CH), UK Domestic Sort Code (SC), Australian Bank State Branch Code (AU), German Bankleitzahl (BL) account number with the correspondent bank, where applicable.
12. **Correspondent Bank:** Where payment is to be made to a bank not located in the country of the currency to be paid, indicate its full name and address. Provide SWIFT code if the bank is a member of SWIFT.
13. **Special Payment Instructions:** Indicate any particulars, special instructions, or references to facilitate payment or identification of payment.  
If SWIFT BIC for the correspondent bank is not available, provide Fedwire ABA Number and CHIPS Participant Number for US dollar payments; and special instructions or references to facilitate payment or identification of payment, where applicable.
14. **Name of Borrower:** Fill in name as it appears in the Loan Agreement.
15. **Authorized Representative(s):** Pass this application only to Authorized Representative(s) for signature. Verify if the list of Authorized Representative(s) has been changed.





**NARRATIVE PROCEDURES  
FOR DIRECT PAYMENT PROCEDURE**

Responsible Person / Unit	Activity
Borrower	<ul style="list-style-type: none"> <li>• completes the withdrawal application using form ADB-DRP/RMP (Appendix 7A) for each payment in different currency;</li> <li>• completes the corresponding Summary Sheet using form ADB-DRP/RMP/IFP-SS (Appendix 7B) using a separate form for each category or subcategory; and</li> <li>• attaches proper supporting documents to each withdrawal application.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• receives the completed ADB-DRP/RMP, ADB-DRP-SS, and related supporting documents.</li> </ul>

**CHECK LIST FOR SUBMITTING WITHDRAWAL APPLICATIONS  
DIRECT PAYMENT**

1. Has the pertinent contract been sent to ADB?
2. Is the withdrawal application signed by an authorized signatory?
3. Are expenditures eligible for financing in accordance with terms and conditions of the loan agreement?
4. Has a separate application been filled out for each payee and currency?
5. Has a separate summary sheet been prepared for each category or subcategory?
6. Has a Procurement Contract Summary Sheet (PCSS) number been indicated on the summary sheet?
7. Are the payment instructions complete?
8. Are the required supporting documents attached?