

## PROJECT PREPARATORY TECHNICAL ASSISTANCE

### A. Justification

1. The Government has requested the Asian Development Bank (ADB) for a project preparatory technical assistance (TA) to prepare the Metro Manila Water and Sanitation Development Project (formerly Metro Manila Wastewater Improvement Project which itself was formerly Metro Manila Sanitation Improvement Project), which is suitable for ADB financing.

### B. Major Outputs and Activities

2. The TA will (i) prioritize and identify infrastructure components for the ensuing loan project; (ii) determine the feasibility of such investments; and (iii) support the Metropolitan Waterworks and Sewerage System (MWSS) through a comprehensive review of its capacity for (a) regulatory oversight (including a review of: the regulatory framework to strengthen it to ensure adequate consumer protection, strong utility performance, and incentives for current and future concessionaires to improve efficiency; the possible decoupling of the regulatory office; and the learnings from various rate-rebasing exercises); (b) financial management and planning (including understanding how funding sources impact tariffs, MWSS' projected debt service capacity, and available financing options, e.g. cofinancing with multilateral/bilateral donors and other innovative structures); and (c) asset and water security management to assess and address potential impacts due to climate change and natural disasters (especially earthquakes). The TA will also relatively quickly evaluate the suitability of a multitranche financing facility (MFF) for MWSS' financing requirements, and once the government requests for an MFF, will undertake the due diligence needed for an MFF, and prepare the project administration manual (PAM) that includes all the information and schedules describing project implementation.

3. The major outputs and activities of the TA are summarized in Table A3.1.

**Table A3.1: Summary of Major Outputs and Activities**

Major Activities	Major Outputs	Expected Completion
1. Preparatory activities	Inception report	End Month 1
1.1. Assess suitability of an MFF to MWSS' financing requirements	Report on MFF	End Month 6
1.2. Desk study of sewerage and transmission projects		
1.3. Stakeholder analysis prepared to identify key stakeholders, issues and concerns and identify priority components for the Project		
1.4. Establish TA methodology and work program		
2. Feasibility study of the Project's components	Interim report	End Month 4
2.1. Primary surveys	Draft final report	End Month 6/7
2.2. Analyze design alternatives	Final report	End Month 8/9
2.3. Prepare preliminary engineering designs		
2.4. Prepare cost estimates and financing plan		
2.5. Assess economic and financial viability and sustainability and assess beneficiary affordability		
2.6. Conduct EA procurement capacity assessment.		
2.7. Conduct environmental and SIAs, to prepare EARF, IEEs, RF, RPs, SPRSS, GAP, SCS, and PP		
2.8. Develop clearly defined detailed implementation arrangements		
2.9. Preparation of draft RRP and consultant TORs		
3. Institutional capacity strengthening	Interim report	End Month 4
3.1. Review regulatory framework and existing financing sources	Draft final report	End Month 6/7
3.2. Conduct institutional capacity assessments	Final report	End Month 8/9
3.3. Make recommendations to strengthen regulation and financing options		
3.4. Develop training programs to strengthen capacity of MWSS		
4. Project Administration Manual	Draft final report	End Month 6/7

## 4.1. Prepare PAM

Final report

End Month 8/9

EA = executing agency; EARF = environmental assessment and review framework; GAP = gender action plan; IEE = initial environmental examination; MFF = multitranchise financing facility; MWSS = Metropolitan Waterworks and Sewerage System; PAM = project administration manual; PP = participation plan; RF = resettlement framework; RP = resettlement plan; RRP = report and recommendation of the President; SCS = stakeholder communication strategy; SIA = social impact assessment; SPRSS = summary poverty reduction and social strategy; TA = technical assistance; TOR = terms of reference.

Source: Asian Development Bank.

### C. Cost Estimate and Proposed Financing Arrangement

4. The TA is estimated to cost \$1 million equivalent, to be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The Government will provide counterpart support in the form of staff, provision of office space, communication facilities for consultants, and other in-kind contributions. Table A3.2 details cost estimates.

**Table A3.2: Cost Estimates and Financing Plan**

Item	Total Cost (\$'000)
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (23 person-months)	500.0
ii. National consultants (63 person-months)	252.0
b. International and local travel	45.0
c. Reports and communications	20.0
2. Equipment <sup>b</sup>	15.0
3. Workshops, training, seminars, and conferences <sup>c</sup>	20.0
4. Surveys	60.0
5. Miscellaneous administration and support costs <sup>d</sup>	5.0
6. Contingencies	83.0
<b>Total</b>	<b>1,000.0</b>

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

<sup>b</sup> Equipment, including computers and printers which will be transferred to the executing agency on completion.

Type	Quantity	Cost
2 computers with software, 1 printer, 1 photocopier, and 1 scanner	Lump-sum	\$15,000

<sup>c</sup> Workshops, training, seminars, and conferences, to be administered by the consultant.

Purpose	Venue
Inception, interim, and draft final workshop	Manila

<sup>d</sup> Printing expenses, administrative assistants, etc.

Source: Asian Development Bank estimates.

### D. Consulting Services

5. ADB will engage a consulting firm in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), using the fixed budget selection method and full technical proposals, to provide services through international and national consultants.

**Table A3.3: Summary of Consulting Services Requirement<sup>a</sup>**

Positions (International)	PM Required	Positions (National)	PM Required
Water Supply Engineer/Team Leader	9	Wastewater Management Engineer/Deputy Team Leader	9
Structural Engineer	2	Water Supply Engineer	9
Urban Drainage/Sewerage Engineer	4	Wastewater Management Engineer	9
Geotechnical Engineer	3	Urban Drainage/Sewerage Engineer	8
Finance Specialist	2	Finance Specialist	6
Economist	2	Economist	4
Regulatory and Legal Expert	1	Institutional Development Specialist	3
		Environment and Climate Change Specialist	2

Positions (International)	PM Required	Positions (National)	PM Required
		Social Safeguard Specialist	2
		Social Development and Gender Specialist	2
		Procurement Expert	3
		Regulatory and Legal Expert	6
<b>Total</b>	<b>23</b>	<b>Total</b>	<b>63</b>

PM = person-months.

<sup>a</sup> Based on current staffing and PPTA resources, the detailed engineering design cannot be prepared. In addition, if a design-build contract is to be pursued, more expertise will be needed on the technical side and on contracts/procurement. This will require more PPTA or other funds.

Source: Asian Development Bank.

6. Table A3.4 outlines the terms of reference for the project preparatory TA consultants.

**Table A3.4: Outline Terms of Reference**

<p><b>Water Supply/Resources Engineer/Wastewater Management Engineer (Team Leader/Deputy Team Leader) (international, 9 pm; national, 9 pm).</b> The consultant will (i) assess the suitability of an MFF to MWSS' financing requirements; (ii) undertake a desk study of MWSS' Sewerage System Updated Master Plan and priority transmission projects, and conduct stakeholder consultations to identify priority infrastructure components for the Project; (iii) assess the existing institutional framework and capacity for planning and management including for regulatory oversight, financing and climate change impacts; (iv) review the concession agreements and other laws, regulations, and reports and make recommendations for strengthening the regulatory framework; (v) review MWSS' existing funding arrangements for MWSS' infrastructure and assess other financing options; and (vi) prepare draft RRP, PAM, and consultant TORs. The international water supply/resources engineer will be team leader and responsible for the PPTA's overall outcome.</p>
<p><b>Technical aspects. Structural Engineer (international, 2 pm); Urban Drainage/Sewerage Engineer (international, 4 pm; national, 8 pm); Geotechnical Engineer (international, 3 pm); Water Supply Engineer (national, 9 pm); Wastewater Management Engineer (national, 9 pm).</b> These specialists will be responsible for the technical design of the Project's components, and the preparation of relevant documents and detailed drawings. In particular, the consultant will (i) review MWSS' Sewerage System Updated Master Plan, existing infrastructure for drainage (local and national government), flood control, and wastewater collection and treatment, the concessionaires' current sanitation business plans, and existing institutional framework; (ii) review MWSS' existing infrastructure for raw water supply transmission and projects planned post-AWTIP, the concessionaires' current water supply business plans, and existing institutional framework; (iii) consult key stakeholders to identify major issues and bottlenecks, confirm investment gaps and priorities, and finalize the Project's infrastructure components; (iv) analyze design alternatives and prepare conceptual engineering designs for all components; (v) incorporate climate resilient features in the designs; (vi) prepare preliminary engineering design and cost estimates; (vii) prepare an operation and maintenance plan; and (viii) assist in preparing the procurement plan.</p>
<p><b>Finance Specialist (international, 2 pm); Economist (international, 2 pm); Finance Specialist (national, 6 pm); Economist (national, 4 pm).</b> The consultant will (i) assess the suitability of an MFF to MWSS' financing requirements; (ii) conduct financial management assessments of the EA and recommend measures to strengthen capacity; (iii) prepare detailed cost estimates and a financing plan, and design the funds flow and disbursement mechanism; (iv) prepare MWSS' financial statement analysis and financial analysis to ascertain the project's long-term impact, including building a user-friendly financial model; (v) conduct affordability assessment including willingness to pay; (vi) propose auditor arrangements; (vii) prepare economic analysis; (viii) review the concession agreement and existing funding arrangements; (ix) propose innovative financing options which optimize funding the investment program and the impact on tariffs; and (x) review different funding options for MWSS' projects and their impact on tariffs.</p>
<p><b>Institutional and capacity development specialist (national, 3 pm).</b> The consultant will (i) conduct institutional capacity assessments focusing on managerial, technical, administrative, regulatory oversight, financial management and planning, and asset and water security management; (ii) prepare realistic project implementation arrangements; (iii) gender institutional analysis; (iv) review existing training programs; and (v) develop capacity development programs for local government agencies.</p>
<p><b>Environment and Climate Change Specialist (national, 2 pm).</b> The consultant will (i) collect data on environmental conditions; (ii) conduct environment screening, and assess the environmental impacts of the infrastructure works and the project's environment category; (iii) assess projected impacts of climate change on the project areas; (iv) ensure close integration of environment sustainability and climate resilient in infrastructure designs; (v) conduct an environment compliance audit for existing facilities which will be rehabilitated under the project; (vi) prepare an IEE or EIA in accordance with ADB's SPS 2009; and (vii) assess MWSS' and the concessionaires' capacity for asset and water security management to assess and address potential impacts due</p>

to climate change and natural disasters (especially earthquakes), and strengthen as required.

**Social Safeguard Specialist (national, 2 pm).** The consultant will (i) assess land acquisition and resettlement impacts, and prepare an RP in accordance with ADB's SPS 2009; (ii) assess potential impacts on indigenous peoples and prepare documentation as required in accordance with ADB's SPS 2009; (iii) help the Government initiate a participatory process for RP preparation; (iv) conduct public consultations; and (v) assess the capacity of responsible institutions to plan, update, and implement the RP, and propose training programs.

**Social Development and Gender Specialist (national, 2 pm).** The consultant will (i) conduct socioeconomic surveys and prepare baseline data; (ii) review the government policies and strategies for poverty reduction and gender development; (iii) conduct a public perception survey to identify problems and development priorities; (iv) prepare a poverty reduction and social strategy; (v) collect sex-disaggregated data for possible gender targets in the project; (vi) develop gender targets in the design and monitoring framework; (vii) prepare a gender action plan; (viii) prepare a participation plan; (ix) conduct a stakeholder analysis and prepare a stakeholder communication strategy; and (x) develop public health and environmental protection awareness programs.

**Procurement Specialist (national, 3 pm).** The consultant will (i) conduct the procurement capacity assessment; (ii) provide basic procurement training to the EA; (iii) prepare a procurement plan; (iv) prepare the PAM; and (v) prepare RFPs for consulting services and master bidding documents.

**Regulatory and Legal Expert (international, 1 pm; national, 6 pm).** The consultant will (i) undertake a desk study of the concession agreements and relevant laws and regulations; and (ii) make recommendations to strengthen the regulatory framework and financing options for MWSS' projects.

**Others.** The consultant will administer the meetings, training, seminars, conferences, and surveys.

ADB = Asian Development Bank; AWTIP = Angat Water Transmission Improvement Project; EA = executing agency; EIA = environmental impact assessment; IEE = initial environmental examination; MFF = multitranché financing facility; MWSS = Metropolitan Waterworks and Sewerage System; PAM = project administration manual; PM = person-months; PPTA = project preparatory technical assistance; RFP = request for proposal; RP = resettlement plan; RRP = report and recommendation of the President; SPS = safeguard policy statement; TOR = terms of reference.

Source: Asian Development Bank.

## E. Implementation Arrangements

7. MWSS is the executing agency. Project implementation assistance will be provided through a consultancy contract with a firm. The TA will be implemented by a team of MWSS staff, headed by a project manager, which will coordinate with the concessionaries, the common purpose facility office, the consultant team, and relevant government agencies.<sup>1</sup> The consultants will be engaged by MWSS in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The proceeds of the TA will be disbursed in line with the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Equipment and works will be procured in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). Upon completion of the TA, equipment procured under the TA will be transferred to the executing agencies. The requirement for advance action and retroactive financing for consultants' recruitment will be assessed during loan appraisal. The TA is expected to start on 1 March 2015 and completed by 31 December 2015.

8. The proposed TA processing and implementation schedule is listed in Table A3.5.

**Table A3.5: Technical Assistance Processing and Implementation Schedule**

Major Milestones	Expected Completion Date
Concept paper approval	November 2014
Start of project preparatory technical assistance	March 2015
Loan fact-finding	December 2015
Staff Review Meeting	February 2016
Loan negotiations	March 2016
Board date	May 2016
Loan effectiveness	August 2016

Source: Asian Development Bank.

<sup>1</sup> Including, as appropriate: (i) the Governance Commission for GOCCs; (ii) the Department of Environment and Natural Resources; and (iii) the National Commission on Indigenous Peoples.