

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The Project will support the implementation of a sewerage system development project (SSDP) in Banda Aceh, Bekasi and Mataram. The project supports (i) rehabilitation and construction of offsite and on-site systems, (ii) establishment of effective service delivery system, and (iii) the implementation of public awareness campaigns.

2. The objective of the project preparatory technical assistance (PPTA) is to design the SSDP focusing on the following outputs: (i) confirm recommended policy actions and identify the support that may be provided through the loan; (ii) design a result based component of the loan that can support: infrastructure development; policy, legal and institutional reforms; and leverage local government spending in sanitation; (iii) develop public awareness campaigns on hygiene promotion and sanitation; (iv) assessment of climate risk vulnerability and identify adaptation and mitigation options, (v) confirmation of the overall Project's financial and economic viability, and (v) confirmation of safeguard documents.

3. The feasibility studies of the infrastructure investments (output 1 of the project design) will be prepared by a consultant firm recruited through Cities Development Initiative Asia (CDIA). The terms of reference will be prepared in consultation with the project cities. The consultants' activities will include, but are not limited to: (i) review of existing studies, reports, data, and related information; (ii) conduct primary surveys, if needed; (iii) confirm the long and mid-term waste water management strategy and targets; (iv) describe, map, and quantify the condition of waste water management system in the project cities; (v) review the institutional and regulatory arrangements, operation and maintenance of the waste water management system; (vi) identify related issues and prepare recommendations for strengthening the same under the capacity development component of the project, and; (vii) prepare a feasibility study that includes a review of alternative processes, construction methods and/or designs to be used for the infrastructure, followed by a selection of most appropriate process, method and/or design based on performance based specification.

B. Major Outputs and Activities

4. **Confirmation of recommended policy actions:** the recently Asian Development Bank (ADB) funded *Wastewater Management Investment Roadmap* (May 2016) lists a number of national and local government policy actions. Also, the Ministry of Home Affairs is currently drafting regulations specifically on three issues related to sanitation for local government, which are (i) accelerated sanitation, (ii) asset transfer and (iii) sanitation service provider. This ministerial regulation will identify possible organization forms and provide guidelines for arranging important aspects of sanitation management.

5. Following a review of these actions and regulations, the consultant is expected to propose the support required by the project to implement these actions and regulations.

6. **Design of an output based financing component:** The output based financing component of the project aims to finance the community based systems and/or eliminating open defecation through a community led total sanitation program for which implementation and monitoring have been developed and tested under two government programs: PNPM Mandiri-SANIMAS Program and Sanitasi Total Berbasis Masyarakat (STBM).

7. The output linked indicators may refer to relevant policy, institutional, planning and budgetary reforms, focused at mainstreaming City Sanitation Strategies (CSS) into formal planning and budgeting processes and leverage of local government funding of sanitation,

8. The consultant is expected to carry out the following assessments:

- (i) assess program soundness covering relevance and justification, adequacy, implementation arrangements, financial and economic analysis;
- (ii) identify outputs to be linked to disbursements (indicators) and verification protocol;
- (iii) develop expenditure framework and financing plan, to determine the degree to which the proposed output based financing program will achieve its development results;
- (iv) examine the program systems (monitoring and evaluation, fiduciary [financial management, procurement, and anticorruption], safeguards [environmental and social], social inclusion and gender, and other systemic and institutional aspects).

9. **Design of effective service delivery mechanisms:** Based on a sound legal framework, a single, financially independent public service organization needs to be proposed which is responsible for planning, implementing, operating and maintaining wastewater management systems, with adequate capacity and increased accountability, financial and operational responsibility and transparency. Sanitation planning, financing, budgeting and capacity building strategies need to be streamlined into local government planning and budgeting cycles. The roles of sub-national agencies in effective service delivery need to be assessed and confirmed and/or redefined.

10. The consultant is expected to identify delivery mechanisms, including but not limited to outsourcing to private sector (performance based contracts, build and operate contracts, management contracts), co-management (communities and local government) and social contracts.

11. **Design of social marketing strategies:** Starting with stakeholder analysis and development of a stakeholder communication strategy and participation plan, support for the project by the various stakeholders will be ensured. Supported by a gender analysis and a gender action plan, the consultant is expected to develop public awareness campaigns on hygiene promotion and sanitation (aimed at various steps of the 'sanitation ladder'), including Community-Led Total Sanitation programs. This development should be based on an assessment and adaptation of existing programs in Indonesia.

12. **Screening and assessment of climate risk and vulnerability of the investments:** Based on the assessment, adaptation options are identified and evaluated on the basis of their technical feasibility and financial and economic viability. Climate mitigation measures will be identified, focusing on reducing Green House Gas emission through energy efficiency improvement. Community based climate resilience activities need to be identified.

13. **Assessment of social impacts:** The consultant is expected to assess: (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions (including affordability analysis); (iv) social safeguards; and (v) other social risks; and develop relevant strategies and action plans (such as Gender Action Plan).

14. **Confirmation of the overall Project's financial and economic viability.** Based on the financial and economic viability of the infrastructure, prepared under output 1 of the project design, the consultants will confirm the project's overall Project's financial and economic viability,

based on ADB's identified 10 key areas of economic analysis: Assess the Macroeconomic Context; Assess the Sector Context; Assess the Demand; Provide the Economic Rationale and Choice of Financing Modality; Establish a Project Design and Monitoring Framework; Identify Project Alternatives and Conduct the Least-Cost Analysis; Identify and Compare Benefits and Costs; Assess the Sustainability of the Project Investment; Perform Sensitivity and Risk Analysis; Perform Distribution Analysis (Key Areas of Economic Analysis of Investment Projects—An Overview [2013]).

15. **Confirmation of safeguard documents.** The consultant will review, improve and confirm the safeguard documents (draft resettlement plans, indigenous people development plan and environmental assessments) which are prepared by CDIA consultants under output 1 of the project design.

16. The major outputs and activities are summarized in Table A3.1.

Table A3.1: Summary of Major Outputs and Activities

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
Policy actions	Week 6	Inception Report	Week 4
Output based financing component	Week 12		
Effective service delivery mechanisms	Week 14		
Social marketing strategies	Week 14	Mid-term report	Week 14
Climate risk and vulnerability screening and assessment	Week 18		
Social impacts assessment	Week 18		
Financial and economic analysis	Week 18		
Safeguard documents	Week 18	Draft final report	Week 18
		Final report	Week 24

Source: Asian Development Bank.

C. Cost Estimate and Proposed Financing Arrangement

17. The PPTA is estimated to cost \$1,200,000 equivalent, of which \$1,160,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-Others). The government will provide counterpart support in the form of counterpart staff and office accommodation. The detailed cost estimate is presented in Table A3.2.

Table A3.2: Cost Estimates and Financing Plan
(\$'000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (26 person-months)	650.0
ii. National consultants (60 person-months)	300.0
b. International and local travel	50.0
c. Reports and communications	10.0
2. Workshops, training, seminars, and conferences ^b	10.0
3. Surveys ^b	10.0
4. Office accommodation (Jakarta)	12.0

Item	Total Cost
5. Miscellaneous administration and support costs	5.0
6. Representative for contract negotiations	2.0
7. Contingencies	111.0
Total	1,160.0

Note: The government will provide counterpart support in the form of counterpart staff and office accommodation in project cities with estimated value of 3.3% of the total PPTA cost.

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

^b To be administered through consultant's contract.

Source: Asian Development Bank.

D. Consulting Services

18. ADB will contract a consulting firm to provide the requested services. The consultants will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants* (2013, as amended from time to time), using the quality- and cost-based (90/10) selection method with full technical proposals. The consulting firm will be recruited and contracted through a result based bidding process and lump sum contract.

Table A3.3: Summary of Consulting Services Requirement

Positions	Person-Months Required	
	International	National
Wastewater expert	6	12
Institutional expert	3	10
Public sector financing expert	2	6
Financial expert	2	3
Economist	2	3
Procurement specialist	2	3
Environmental specialist	3	6
Social development specialist	4	10
PPP expert	1	4
Health specialist	1	3

Source: Asian Development Bank.

E. Implementation Arrangements

19. The executing agency of the PPTA is the Directorate General for Human Settlements of the Ministry of Public Works, which will establish a project management unit. The Government of Indonesia, through the Directorate General for Human Settlements, will finance the cost of remuneration, per diem and transport of the counterpart staff. PPTA disbursement will be made in accordance with ADB's *TA Disbursement Handbook* (May 2010, as amended from time to time).

20. The proposed PPTA processing and implementation schedule is listed in Table A3.4.

Table A3.4: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
PPTA approval	October 2016
TA effectiveness	October 2016
Mobilization of consulting firm	March 2017
Draft final report	July 2017
Final report	August 2017
Financial closure	October 2017

Source: Asian Development Bank.