

Project Administration Manual

Project Number: 50211-001
Loan Number: LXXXX
October 2016

Democratic Republic of Timor-Leste: Dili to Baucau
Highway Project

ABBREVIATIONS

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
APFS	=	audited project financial statements
CQS	=	consultant qualification selection
DMF	=	design and monitoring framework
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
ESMS	=	environmental and social management system
GACAP	=	governance and anticorruption action plan
GDP	=	gross domestic product
ICB	=	international competitive bidding
IEE	=	initial environmental examination
IPP	=	indigenous people plan
IPPF	=	indigenous people planning framework
LAR	=	land acquisition and resettlement
LIBOR	=	London interbank offered rate
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAI	=	project administration instructions
PAM	=	project administration manual
PIU	=	project implementation unit
QBS	=	quality based selection
QCBS	=	quality- and cost based selection
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SGIA	=	second generation imprest accounts
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with 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 agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

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

^a 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.

I. PROJECT DESCRIPTION

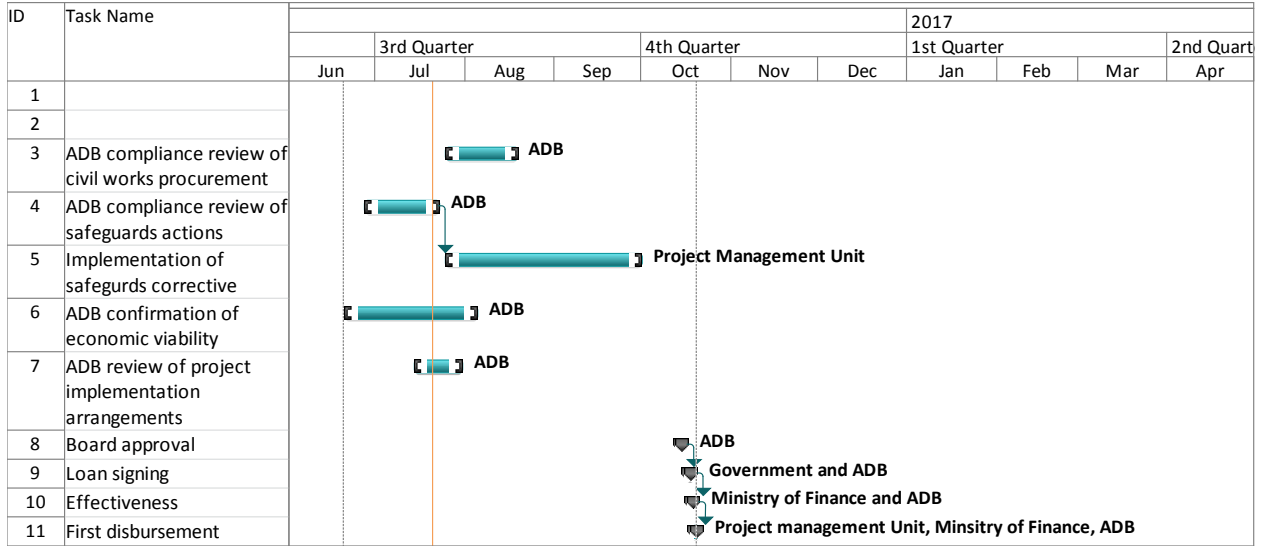
1. The project will upgrade and climate proof 105 kilometers (km) of the national road between its capital, Dili and the second largest town, Baucau on the north coast. The government has requested Asian Development Bank (ADB) to cofinance the proposed project on a parallel basis with the Japan International Cooperation Agency (JICA). ADB will support upgrading and climate proofing 56 kilometers (km) of the road connecting the towns of Manatuto and Baucau, and JICA will support the section between Dili and Manatuto (49 km).

2. The impact of the project will be increased and more efficient movement of people and goods. The outcome will be a more reliable and safer road network.

3. The outputs will be (i) national roads will be upgraded and climate proofed, (ii) performance based road maintenance will be expanded, and (iii) awareness of road safety and transport-related social issues will be generated.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities



B. Overall Project Implementation Plan

ID	Task Name	2016		2017		2018		2019		2020		2021		2022		2023	
		H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
3	Outputs																
4																	
5	1. Roads are upgraded and climate proofed																
6	2. Performance based maintenance is expanded																
7	3. Awareness of road safety and transpor-related social																
8																	
9	Management activities																
10																	
11	1. Maintain or strengthen the capacity of the PMU																
12	2. Implement resettlement plan																
13	3. Monitor implementation of environmental																
14	4. Manage performance of supervision consultants																
15	5. Support project reviews																
16	6. Prepare governments project completion report																

At approximately 6 monthly intervals during construction phase and annually thereafter

12 months after physical completion

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project implementation Management Roles and Responsibilities organizations

-
- | | |
|--|---|
| <ul style="list-style-type: none"> • Executing agency Council for Administration of the Infrastructure Fund | <ul style="list-style-type: none"> ➤ Responsible for overall project management and implementation. ➤ Manage provision of counterpart funding ➤ Ensure the compliance with loan and grant covenants. ➤ Ensure submission of audits required by Asian Development Bank (ADB) ➤ Support ADB project review missions. |
| <ul style="list-style-type: none"> • Major Projects Secretariat | <ul style="list-style-type: none"> ➤ Provide technical and administrative support to the executing agency. |
| <ul style="list-style-type: none"> • National Procurement Commission | <ul style="list-style-type: none"> ➤ On the basis of bidding documents prepared by the project management unit (PMU) and approved by ADB, manage procurement of civil works and consultant services ➤ Obtain the prior approval of ADB for procurement actions where such prior approval is required in the procurement plan |
| <ul style="list-style-type: none"> • National Development Agency | <ul style="list-style-type: none"> ➤ Review quality of implementation including designs and specifications, contract implementation and payments |
| <ul style="list-style-type: none"> • Implementing agency Ministry of Public Works, Transport and Communications (MPWTC) | <ul style="list-style-type: none"> ➤ Maintain and strengthen, as needed, a PMU for the project, including recruiting individual consultants for, and assigning MPWTC staff to the PMU; and providing office space and operational support. ➤ Preparation of annual budget submissions and sub project proposals for government counterpart financing. |
| <ul style="list-style-type: none"> • Project Management Unit of the Ministry of Public Works | <ul style="list-style-type: none"> ➤ Maintain project records and accounts. ➤ Support preparation withdrawal applications to ADB. ➤ Support preparation and submission of any required reports, including the annual audit report and financial statements. ➤ Administer the Imprest accounts (if any) ➤ Prepare any subproject proposal and appraisal reports. ➤ Prepare quarterly progress reports. ➤ Submit to ADB a subproject completion report within 3 months of the completion of each subproject, and a project completion report within 6 months after project completion (defined as the end of the defects notification period). |

- Arrange and submit annual audit report and financial statements.
 - Support the National Procurement Commission in procurement of civil works and consulting services.
 - Monitor project implementation.
 - Monitor compliance of contractors with environmental safeguards.
 - Implement HIV/AIDS awareness plans.
 - Prepare, implement and monitor land acquisition and resettlement activities following the resettlement framework
 - Implement small-scale community development interventions
 - Supervise consultants services
 - Finance the project expenditures in accordance with the loan and grant agreements.
 - Review overall implementation of the project.
 - Examine implementation problems, and work with the executing agency to resolve them.
 - Review and respond to the procurement and disbursement documents submitted by the executing agency.
 - Advise the government on procurement, disbursement, and project implementation matters per requests of the government.
 - Monitor the status of covenants compliance by the government.
 - Review the project every 6 months and, jointly with government, undertake a midterm review of the project within about 2 years of its start.
- ADB

B. Key Persons Involved in Implementation

Executing Agency

Council for Administration of
the Infrastructure Fund

Officer's Name: Krispin Fernandes
Position: Major Projects Secretariat
Telephone: (670)7725-3993
Email address: KFernandes@mpie.gov.tl
Office Address: Ministry of Planning and Strategic
Investment, Fatuhada, Dili, Timor-Leste

ADB

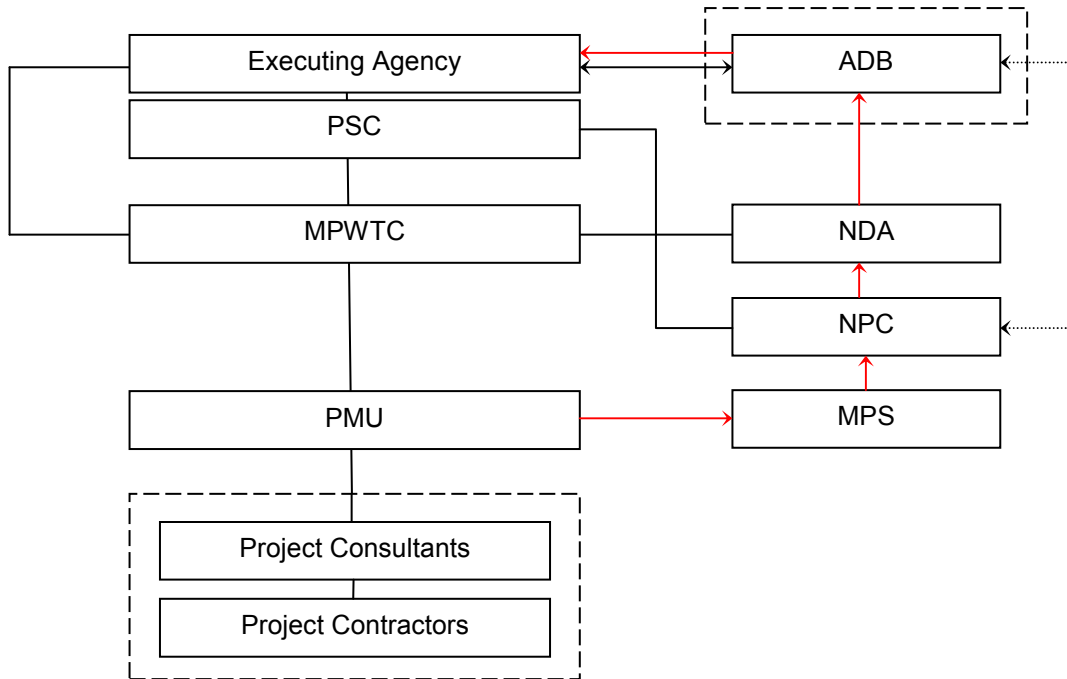
Pacific Department (PARD)
Transport, Energy and Natural
Resources Division (PATE)

Staff Name: Olly Norojono
Position: Director
Telephone: +632 632 6109
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Mission Leader

Staff Name: Richard Phelps
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C. Project Organization Structure



ADB = Asian Development Bank, NDA = National Development Agency, MPS = Major Project Secretariat, MPWTC = Ministry of Public Works, Transport and Communications, NPC = National Procurement Commission, PMU = project management unit, PSC = project steering committee.

Source: Asian Development Bank.

IV. COSTS AND FINANCING

4. The project is estimated to cost \$126.58 million (Table 1).

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Civil works ^c	107.60
2. Resettlement	1.50
3. Consultants services	6.50
Subtotal (A)	115.60
B. Contingencies^d	6.12
C. Financing Charges During Implementation^e	4.86
Total (A+B+C)	126.58

^a Includes taxes and duties of \$10 million to be financed from government resources, Asian Development Bank (ADB) and Japan International Cooperation Agency loan resources.

^b In mid-2016 prices.

^c Civil works cost is the accepted contract amount which includes X% for contingencies.

^d Price contingencies computed at 4% on foreign exchange costs and 4% on local currency costs. The currency of Timor-Leste is the United States dollar.

^e Includes interest charges. Interest during construction for the ADB loan has been computed at 2% per annum on disbursed amounts.

Sources: Asian Development Bank estimates.

5. The government has requested a loan in various currencies equivalent to SDR (\$49.65 million equivalent) from ADB's Special Funds (Asian Development Fund [ADF]) resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft loan agreement. The loan will finance civil works, consultants' services, project management, taxes and duties, bank charges, local transport and insurance charges, and interest during construction on the ADF loan.¹

6. The government will contribute \$27.19 million to the cost of the overall project. The government contribution will finance civil works, land acquisition, taxes and duties, audit costs, and resettlement costs. The government has assured ADB that it will meet any financing shortfall to ensure project outputs are fully implemented. JICA will provide loan cofinancing equivalent to \$49.74 million on a parallel basis.² The JICA loan will finance civil works and consultants' services.

¹ The amount of taxes and duties (i) is within the reasonable threshold identified during the CPS preparation process, (ii) do not represent an excessive share of the project investment plan, and (iii) will only be financed in respect of ADB-financed expenditures. Financing of taxes and duties is material and relevant to the success of the project.

² 5,278 million Yen (equivalent to \$49.74 million at exchange rate of 106.12 prevailing 20 July 2016).

A. Detailed Cost Estimates by Expenditure Category

	Total cost	% of Total Cost
Civil Works	107.60	85.0%
Hera to Manatuto (Package 1)	48.31	38.2%
Manatuto to Baucau (Package 2)	59.29	46.8%
Environmental and Social Mitigation		
Resettlement	1.50	1.2%
Consultants	6.50	5.1%
Project Management	0.50	0.4%
Design and Construction supervision	6.00	4.7%
Sub Total	115.60	91.3%
Contingencies	6.12	4.8%
Financing Charges during Implementation	4.86	3.8%
Total Cost	126.58	100.0%

B. Allocation and Withdrawal of Loan Proceeds

CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing (SDR)	Percentage of ADB Financing from the Loan Account
Category			
1	Works	31,767,000	90.5% of total expenditure claimed ^a
2	Consultants	357,000	100% of total expenditure claimed
3	Interest Charges	2,500,000	100 % of amounts due
4	Unallocated	843,000	
	Total	35,467,000	

^a The Conditions for Withdrawal for the Loan Account specified in Schedule 3, para 7 of the Loan Agreement shall have been met.

C. Detailed Cost Estimates by Financier

		Government		JICA		ADB	
			% of cost category		% of cost category	ADF loan	% of cost category
Civil Works	107.60	24.60	22.9%	38.52	35.8%	44.48	41.3%
Dili to Manatuto (Package1)	48.31	9.79	20.3%	38.52	79.7%		
Manatuto to Baucau (Package 2 Initial financing) ^a	10.14	10.14	100.0%			-	
Manatuto to Baucau (Package 2 subsequent financing) ^b	49.15	4.67	9.5%			44.48	90.5%
Environmental and Social Mitigation							
Resettlement	1.50	1.50	100.0%				
Consultants	6.50			6.00		0.50	
Project Management	0.40					0.40	100%
Audit cost	0.10					0.10	
Design and Construction supervision	6.00			6.00	100%		
Sub Total	115.60	26.10	22.6%	44.52	38.5%	44.98	38.9%
Contingencies	6.12	1.09	17.8%	3.86	63.1%	1.17	19.1%
Financing Charges during Implementation	4.86			1.36	28.0%	3.50	72.0%
Total Cost	126.58	27.19	21.5%	49.74	39.3%	49.65	39.2%

^a Government will pay the initial \$10.14million of sums due to the contractor (including any advance payment) from its own resources.

^b The ADB loan will finance 90.5% of sums due to the contractor after the initial government financing as described in footnote a.

D. Detailed Cost Estimates by Outputs/Components

	Total cost ^a	Output 1 Upgrade and Climate Proof national Roads	% of cost category	Output 2 Expand performance based maintenance	% of cost category	Output 3 Generate awareness of road safety and social issues	% of cost category
Civil Works	107.60	102.22	95%	5.38	5%		
Dili to Manatuto (Package 1)	48.31	45.89	95%	2.42	5%		
Manatuto to Baucau (Package 2)	59.29	56.33	95%	2.96	5%		
Environmental and Social Mitigation							
Resettlement	1.50	1.50	100%				
Consultants	6.50	6.15	95%	0.33	0.05	0.02	0%
Project Management including audit	0.50	0.45	90%	0.03	6%	0.02	4%
Design and Construction supervision	6.00	5.70	95%	0.30	5%		
Sub Total	115.60	109.87	95%	5.71		0.02	0%
Contingencies^b	6.12	5.81	95%	0.31	5%		
Financing charges during implementation^c							
Total Cost	126.62	120.37	95%	6.22	5%	0.02	0%

^a In mid-2016 prices.

^b Computed at 5% for civil works.

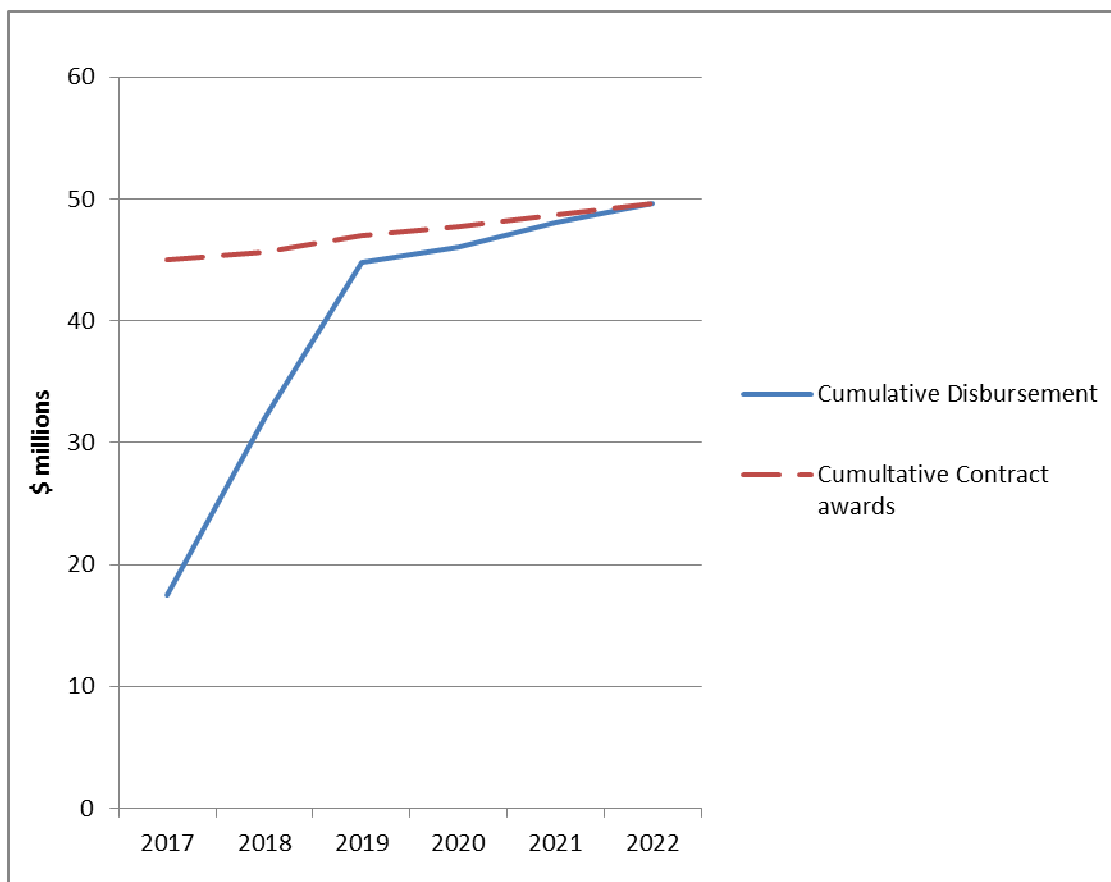
^c Includes interest and commitment charges. Interest during construction has been computed at 2% per annum on undisbursed balance.

Source: Asian Development Bank estimates.

E. Detailed Cost Estimates by Year

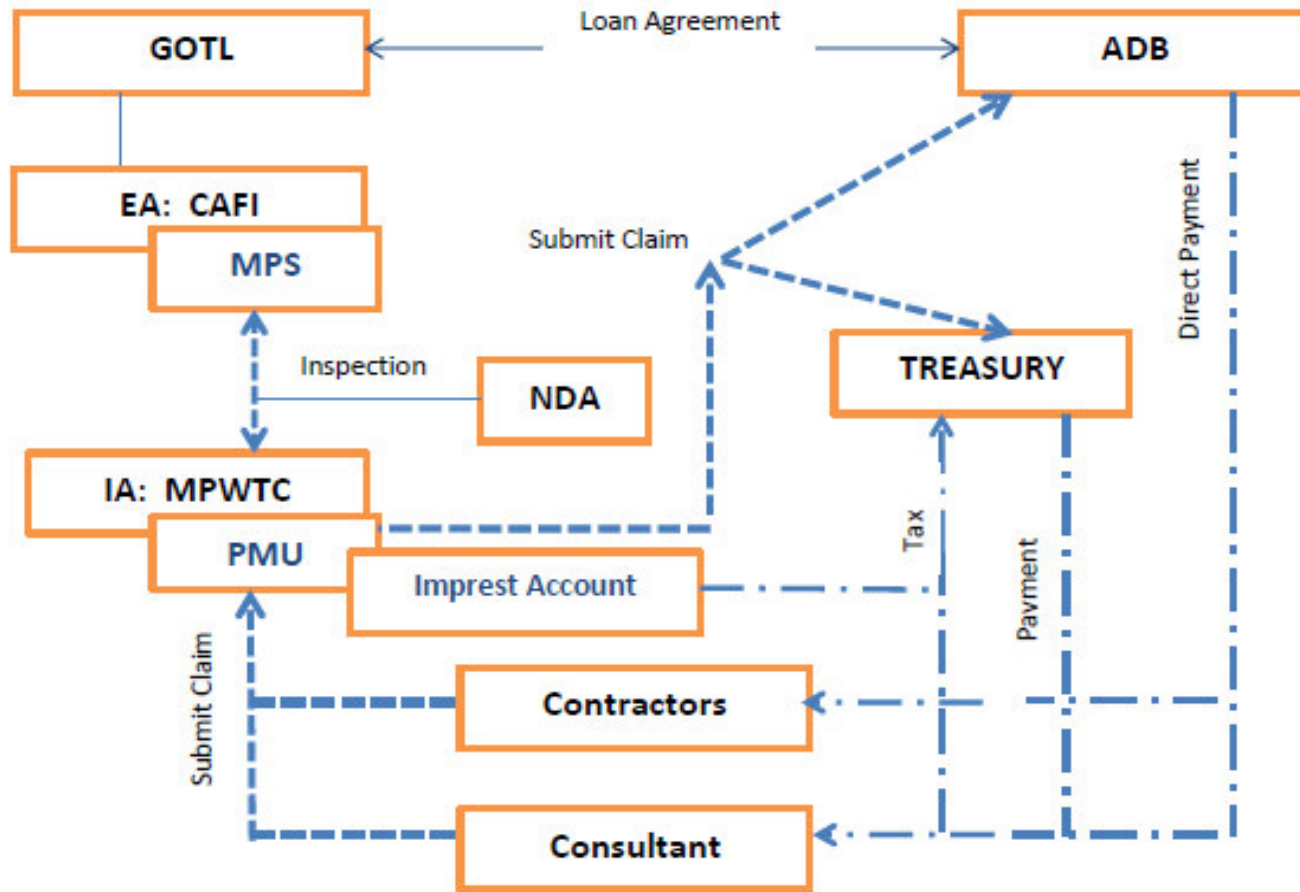
	Total cost^a	2017	2018	2019	2020	2021	2022
Civil Works	44.47						
Dili to Manatuto (Package 1)							
Manatuto to Baucau (Package 2)	44.47	17.05	13.83	11.36	0.56	1.11	0.56
Environmental and Social Mitigation							
Resettlement							
Consultants	0.50						
Project Management including audit	0.50	0.17	0.17	0.16			
Design and Construction supervision							
Sub Total	44.97						
Contingencies	1.18			1.18			
Financing Charges during Implementation	3.50	0.10	0.30	0.50	0.70	0.90	1.00
Total Cost	49.65	17.32	14.30	13.20	1.26	2.01	1.56
% of total cost	100%	35%	29%	26%	3%	4%	3%

^a The total cost amount represented in this table is the sum of all Asian Development Bank (ADB) (or ADB administered cofinancier) funds for the project
Source: Asian Development Bank estimates.

F. Contract and Disbursement S-curve

Source: Asian Development Bank.

G. Funds Flow Diagram



Legend:

- Document flow
- Funds flow

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

7. The financial management assessment (FMA) was conducted in August 2016 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. The FMA considered the capacity of CAFI through the MPS, and of MPWTC through the PMU, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Based on the assessment, the key financial management risks identified are the absence of internal audit function, inadequate reporting by the PMU, credibility of the budget process, and capacity of the NDRBFC to undertake repairs and maintenance of road assets. It is concluded that the overall pre-mitigation financial management risk of CAFI and MPWTC as it relates to the project outputs is moderate. The MPS and the PMU, representing the executing and implementing agencies respectively, have agreed to implement an action plan as key measures to address the deficiencies. The summary financial management assessment and mitigation measures are provided in Table 1. The financial management risks and risk-mitigation measures will be reviewed and updated periodically during the life of the project.

B. Risk Description, Rating, and Mitigation Measures

Table 2: Summary of Public Financial Management Assessment

Risk Description	Impact	Likelihood	Risk	Mitigation Measures
Lack of internal audit function would undermine internal controls	Medium	Likely	Medium	Internal controls are being undertaken through well-defined responsibilities, segregation of duties, and different signatories at different level of authorities. Will also be supplemented with a project financial management manual to guide operational processes.
Inadequate reporting on project investment costs. The inability of the PMU to access MOF's information systems and the GOTL policy to have separate financial statements for the funds, excluding donors' contribution will result in underreporting of project investments and may result in cost overruns.	Medium	Likely	Medium	PMU has to make every effort to upgrade its financial systems and to make use of more advanced software for financial operations. A more reliable accounting system would ensure credibility of its reporting and monitoring system. However, the PMU should also consider the compatibility of the software with that of the Government's FMIS.
Unfamiliar with the principle of providing insurance cover. This risk may not have substantial impact during project implementation. However, prudent asset management dictates that all	Low	Likely	Low	Unfortunately, the Government itself does not insure its assets. The concept of providing insurance cover would need to be introduced for the Government's buy in before budgetary resources could be

<p>assets procured under the project should be secured to maximize use.</p> <p>However, at the country or entity level, this may have a substantial impact on the sustainability of project investments as failure to provide insurance cover for maintenance assets (vehicles, etc.) will impact the efficiency of carrying out timely repairs and maintenance.</p>	Medium	Likely	Medium	allocated to agencies down to the PMUs.
<p>Lack of expertise (and very few qualified personnel) is one of the factors that could constrain the ability to conduct timely and effective repair and maintenance of investments. The agency tasked with maintenance does not have the necessary plans and monitoring systems.</p>	High	Likely	High	ADB will continue to provide support to the agency to ensure proper training in management of road repairs and to effectively implement road repair contracts.
<p>Inadequate budgetary allocation for operation and maintenance of project roads. While it is not difficult to request for allocation, or to actually access and utilize budgetary resources for repair and maintenance, the agency should be technically equipped to prepare projections, and cost estimates, and to implement work plans to ensure proper utilization of allocations.</p>	High	Likely	High	The NDRBFC needs support to strengthen its capacity to efficiently carry out its functions. There has to be a mechanism in place to effectively monitor road assets completed and at what stages of construction, completion, or reparability they are. The agency should be able to prepare a feasibility study or repair plan which will facilitate the task of estimating repair costs for budget forecasting. The unit should also have a pre-qualified roster of contractors that could be easily mobilized in the event that emergency repairs need to be undertaken particularly in the remote areas.
OVERALL	Medium		Medium	

C. Disbursement

8. Recently, the government has developed guidelines requiring that at least 75% of the project investment cost should be loan-financed. Combined with the requirement to withhold taxes for every payment made, disbursement processes were designed as follows:

- For items of expenditure which are financed from both loan and government counterpart funds, the PMU will pay civil works contractors, net of taxes. Taxes withheld will be paid to the Treasury from the Government’s own counterpart funds for civil works. The balance of the counterpart government share will also be made from government’s own funds so that three separate payments are made. The payment voucher for the

whole amount will first be transmitted to MPS, and is then forwarded to the National Development Agency for review, if required. Government payments to civil works contractors of ADB-financed projects have involved inconsistent application of withholding tax rates but this issue appears to have been resolved in early 2016 following legal action by one contractor.

- For expenditures fully financed under the loan, the PMU prepares two payments; one to the consultants, net of withholding taxes, then a separate payment corresponding to the amount of withholding tax to pay the Treasury from the imprest account for consulting services.

9. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time)³, and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.⁴ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

10. Disbursements from the loan will use direct payment, reimbursement, and imprest fund procedures, as appropriate. The use of imprest account is justified because it is needed for payment of small amounts which must be made frequently in respect of consultants and withholding taxes and duties and the PMU is experienced in managing imprest accounts from other ADB-financed projects. The PMU will prepare disbursement projections for the loan in each year of project implementation for MPWTC or CAFI, as appropriate, to make timely submissions for budgetary allocations for counterpart funds. Prior to endorsing the withdrawal application, the details of the payment may be subject to financial and technical review by the NDA. The PMU will retain the originals of all supporting documents and make these available for audit purposes.

11. The PMU will establish and maintain an imprest account in US Dollars. The total outstanding advance to the imprest account will not at any time exceed the estimated ADB financed expenditures to be paid from through the imprest account for the forthcoming 6 months. The request for initial and additional advances to the imprest account should be accompanied by an Estimate of Expenditure Sheet setting out the estimated expenditures for the forthcoming 6 months of project implementation. Supporting documents should be submitted to ADB or retained by the PMU in accordance with ADB's *Loan Disbursement Handbook* when liquidating or replenishing the imprest account. The imprest account is to be used exclusively for ADB's share of eligible expenditures. The PMU who established the imprest account in its name is accountable and responsible for proper use of advances to the imprest account.

12. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000 equivalent. Individual payments below this amount should be paid (i) by the EA/IA and subsequently claimed to ADB through reimbursement, or (ii) through the imprest fund procedure, unless otherwise accepted by ADB.

³ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

⁴ Disbursement eLearning: http://wpqr4.adb.org/disbursement_elearning

13. **Financial reporting system.** The PMU prepares regular project reports which highlight the physical and financial progress of projects being undertaken. For this project, MPWTC through the PMU will prepare and submit to ADB 6-monthly progress reports for the project, which will include: (i) a narrative description of progress made during the reporting period, including monitoring of environmental and safeguard indicators, (ii) changes in the implementation schedule, (iii) problems or difficulties encountered, and (iv) activities to be undertaken in the next reporting period.

14. At the end of the fiscal year, the PMU will prepare a statement of cash receipts and payments, by fund source and with accompanying notes and schedules, a statement showing budgeted versus actual expenditures, and a statement of imprest account. To ensure the timely submission of audited project financial statements, project financial statements should be submitted to MPWTC for audit within 3 months of the end of the fiscal year.

15. Line ministries and agencies, including MPWTC, have read-only access to FMIS Free Balance but PMU staff has not been allowed access and had to maintain duplicate records through spreadsheets that both serve as subsidiary ledgers as well as contract registers.

D. Accounting

16. **Accounting policies and procedures.** The PMU's financial administration manager who has considerable experience with ADB-financed projects will continue to undertake financial management functions associated with the project. Based on previous project implementation experience, the PMU has sufficient capacity to manage the financial aspects of the project. The PMU maintains separate books of accounts for the projects, prepares the project financial statements, and undertakes to have the project financial statements audited annually. The cash basis of accounting following the International Public Sector Accounting Standards is being used. Project financial statements were generally prepared on time except for one report for 2015 which has been delayed to cover transactions during the last few months of project winding up period. Approval of the extension was requested from ADB and subsequently endorsed.

E. Auditing and Public Disclosure

17. **Internal Audit.** The Internal Audit Office, established in 2013, has prepared an Internal Audit Charter and Mission Statement and plans to implement an audit approach that prioritizes the assessment and improvement of internal controls. At the project level, there is no internal audit unit in MPWTC nor is there one in the PMU but audit findings have confirmed that there are no concerns relating to internal controls. There are office procedures in place that define segregation of duties and accountabilities, as well as differentiation of signatories for different level of transactions.

18. **External Audit.** ADB's review of the APFSs submitted by the PMU has commented on the absence of information relating to the amount of Government counterpart funds that were provided for the projects. The Government maintains separate accounts and financial statements for the different funds which do not include donor funds. There were also different external auditors engaged to conduct the audit of government accounts and of project accounts. Since the PMU has kept records of amounts expected to be disbursed from Government funds, these could be verified with contractors and service providers to fully capture all expenditures under the project. These figures should then be incorporated in the project financial statements for the purpose of reporting accurately on total cost of investments.

19. The annual audit report for the project financial statements will include a management letter and auditor's opinion which covers (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; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the project. The management letter prepared by the auditor will also be submitted to ADB. The statement of audit needs has been provided to the PMU.

20. 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.

21. The government, CAFI, and MPWTC have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁵ 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.

22. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.⁶ After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, and additional auditor's opinions will not be disclosed.⁷

⁵ ADB's approach and procedures regarding delayed submission of audited project financial statements:

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

⁶ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

⁷ This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

VI. PROCUREMENT AND CONSULTING SERVICES

A. Retroactive Financing

23. **Retroactive Financing.** Retroactive financing will be applicable to both civil works and consultant services contracts. The maximum amount of eligible expenditures is up to the equivalent of 20% of the ADB loan, incurred before loan effectiveness, but not more than 12 months before the signing of the loan agreements.

B. Procurement of Goods, Works and Consulting Services

24. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time).

25. Procurement of the civil works for the Manatuto to Baucau road has been completed under the auspices of JICA and this has been approved for financing from the ADB loan. In the event that further unforeseen procurement is required, International competitive bidding procedures will be used for civil works contracts estimated to cost \$1.0 million or more, and supply contracts valued at \$0.5 million or higher. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000. National competitive bidding will be used for civil works and supply contracts worth less than \$1.0 million but more than \$100,000 and less than \$0.5 million but more than \$100,000, respectively. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000

26. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages is in Section C.

27. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).⁸ The terms of reference for all consulting services are detailed in Section D.

28. ADB will finance approximately 30 person-months of miscellaneous individual consultants to support the project management unit. Subject to ADB's approval, individual consultants recruited for, and engaged by the Project Management Unit under other ADB or World Bank financing of Timor-Leste's national road upgrading program) may be retained under new single source contracts subject to satisfactory performance.

C. Procurement Plan

Basic Data

Project Name: Dili to Baucau Highway Project	
Project Number: 50211-001	Approval Number:
Country: Timor-Leste	Executing Agency: Council for Administration of the Infrastructure Fund
Project Procurement Classification: B	Implementing Agency: Ministry of Public Works, Transport and Communications
Procurement Risk: Low	
Project Financing Amount: \$ 126.58 million	Project Closing Date: 30/11/22

⁸ 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/>

ADB Financing: \$49.65 million Cofinancing (ADB Administered): Nil Non-ADB Financing: \$76.93 million (inc Government)	
Date of First Procurement Plan 25/08/16	Date of this Procurement Plan: 21 Sept 2016 (negotiations)

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

1. Procurement and Consulting Methods and Thresholds

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	Comments
International Competitive Bidding (ICB) for Works	\$3,000,000	
International Competitive Bidding for Goods	\$1,000,000	
National Competitive Bidding (NCB) for Works	Beneath that stated for ICB, Works	
National Competitive Bidding for Goods	Beneath that stated for ICB, Goods	
Shopping for Works	Below \$300,000	
Shopping for Goods	Below \$300,000	

Consulting Services	
Method	Comments
Individual Consultant Selection	May include renewal or extension of existing PMU consultant contracts financed by other ADB or WB loans subject to performance and ADB's prior approval

D. Non-ADB Financing

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

Goods and Works				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments
Civil Works Dili to Manatuto	\$48.0	1	Single stage two envelope following prequalification	Financed by JICA – procurement completed

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments
Design and Supervision of Civil Works packages 1 and 2	\$6.0M	1	QCBS	Financed by JICA. Procurement completed

D. Consultant's Terms of Reference

29. The existing ADB and the World Bank-financed PMU within MPWTC at present manages the ADB Road Network Development Sector Project (Grant 0180-TIM), the Road Network Upgrading Project (Loans 2857 and 2858-TIM)(RNDSP and RNUP), and the Road Networks Upgrading Sector project (RNUSP - original financing Loans 3202 and 3021-TIM). MPWTC delegates responsibility for Loan and Grant projects financed by international development financing institutions to the Directorate of Roads, Bridges and Flood Control (DRBFC). The existing Project Management and Coordination Unit within DRBFC (MPWTC PMU) also coordinates and maintains management and technical standards for all prevailing and future Grant and Loan Projects financed by overseas donors and lenders. Under the umbrella of the MPWTC PMU, Project Management Sub-Units have been established for individual Loan and/or Grant projects. Two other agencies, the World Bank and JICA also use the PMU and contribute resources as required. The PMU has been engaged with the JICA-financed Dili to Baucau Highway project since its inception and will continue through the construction phase. For efficiency and economy, individual specialists work across the project units.

30. The Borrower and CAFI shall ensure that the MPWTC employs and make available sufficient counterpart staff (national and international), with adequate and relevant experience in the areas of expertise, so as to ensure efficient project management is provided throughout the duration of the Project. The Borrower and CAFI shall ensure that all staff employed in the PMU for the Project is equipped with adequate office space, facilities, equipment, support staff and telecommunications and management information systems for the entire duration of the Project.

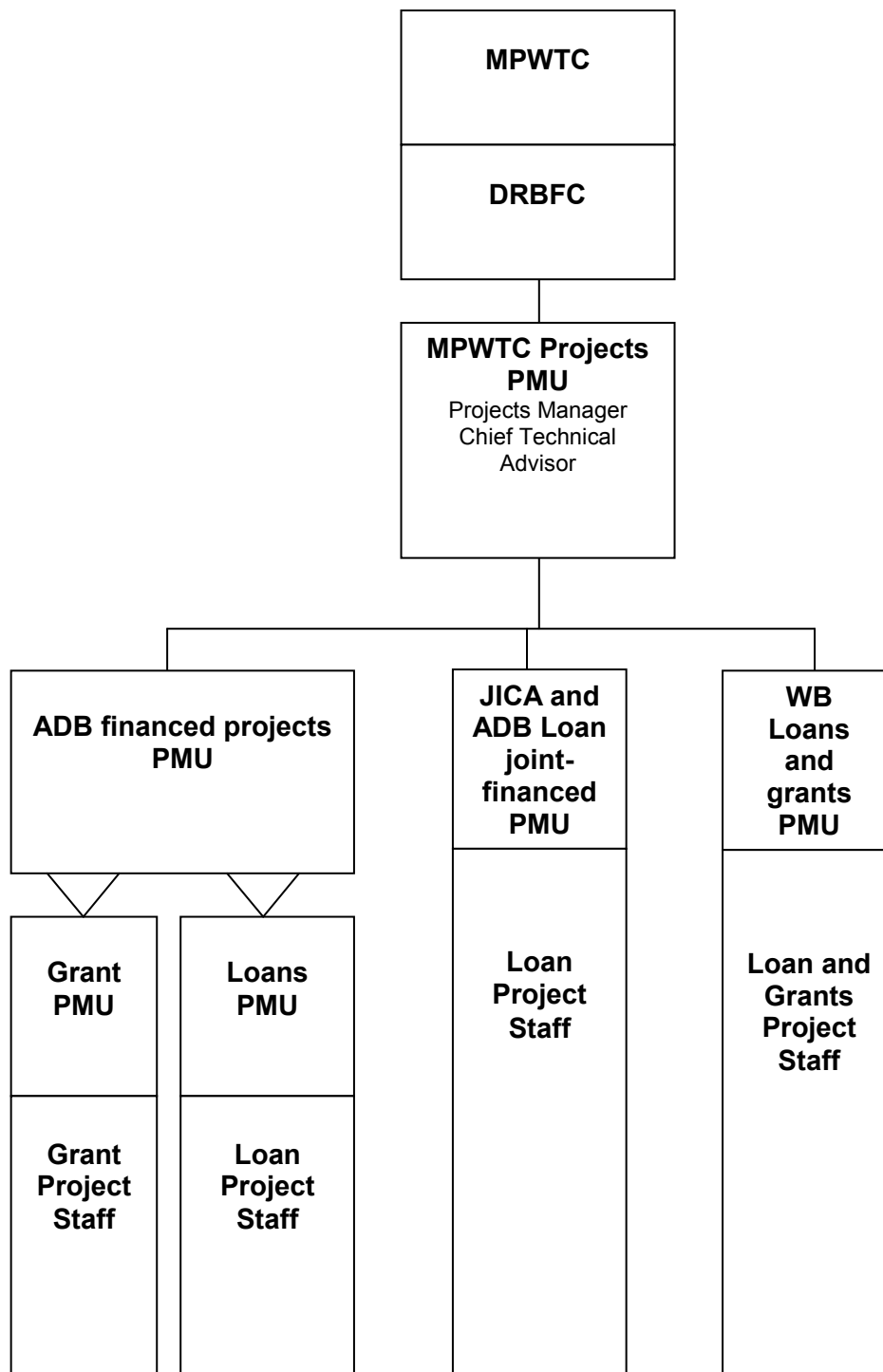
31. The PMU currently comprises international and national staff listed hereunder on a full time basis (unless otherwise stated). These may be financed by on-going ADB or WB projects or by government. The TORs for each position may be found in the Project Administration Memorandum of one or more of the following preceding ADB-financed projects:

Project Manager	National
Chief Technical Advisor	International
Sub-project manager(s)	National
Finance and Administration Manager	National
Assistant Finance and Administration Manager	National or International
Contracts and Documents Specialist	International
Quality Assurance Engineer	International
Quantity and Measurement	International
Road Maintenance Engineer	International
Road Maintenance Engineer	National
Environment Specialist	International
Environment Specialist(s)	National
Resettlement Specialist	International
Resettlement Specialist(s)	National
Social Gender and Development Specialist	International (part time)
Social Gender and Development Specialist	National

32. Approximately 30 person months (international) and 30 person months (national) consultant inputs will be required for the project. Individual consultants may have responsibilities for other on-going projects financed by ADB, JICA, the World Bank. The PMU will review its resources at least annually and propose for ADB's "no objection" any existing international competitive selection contract renewal or new recruitment to be financed from the resources provided under the loan associated with this project.

33. All terms of references of international consultants will be updated to ensure that they include for training and mentoring of national consultants and national staff of the DRBFC.

34. The following figure outlines the PMU structure and reporting lines.



ADB = Asian Development Bank, DRBFC = Directorate of Roads, Bridges and Flood Control, JICA = Japan International Cooperation Agency, MPWTC = Ministry of Public Works, Transport and Communications, PMU = project management unit, WB = the World Bank.
Source: Asian Development Bank.

VII. SAFEGUARDS

35. Pursuant to ADB's Safeguard Policy Statement (SPS) (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the 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.

36. **Environment.** The project is category B for environment. Following the process and procedures already established by the PMU, an environmental assessment (including environmental management plan [EMP]) has been completed for the Dili to Baucau section of national road by the JICA-financed consultants. The environmental assessment (including EMP) has been reviewed by ADB to ensure that it complies with Timor-Leste's country safeguard system for environment and the requirements of the SPS 2009. The assessment confirms that the environmental effects of the project will be similar in scale and impact to those of completed and ongoing road projects. The potential impacts will be site-specific and readily mitigated through measures identified in the EMP. Few, if any of the impacts will be irreversible.

37. Capacity building of PMU's environmental safeguards staff will be ongoing through extension of the contracts of the international specialists providing mentoring and on-the-job training. Additional resources will be provided through specialists assigned to the supervision consultants' (SC) teams, to help support the PMU to effectively implement this project. For environment safeguards next steps will include: (i) PMU and SC to provide induction training to the successful contractor for preparation (and subsequent implementation) of the site-specific EMP (site-specific environmental management plan [SEMP]); (ii) PMU and SC to review and approve SEMP; (iii) contractor reports on implementation of SEMP as part of monthly reporting; and (iv) PMU and SC monitor the contractor's compliance with the approved SEMP, and (v) PMU prepares and submits semi-annual safeguards monitoring reports to MPWTC and ADB.

38. **Social Safeguards.** The project is category B for involuntary resettlement and C for indigenous peoples following the SPS. The widening of roads will require clearances of trees/crops and some structures and minimal strips of land beyond the government reserved area. A separate resettlement plan has been earlier prepared jointly by JICA and the government each for the Dili-Manatuto and Manatuto-Baucau components. Both ADB and JICA will have a responsibility in administering their respective road section through the PMU, hence the project structured the road sections as separate components. The ADB-funded Manatuto-Baucau has been considered for project categorization as the most sensitive component with a total of 137 significantly affected persons from losing residential houses and permanent kiosks which constitute more than 10% of the affected person's income earning assets. The JICA-financed Dili-Manatuto will have 133 significantly affected persons from the same types of impacts. A social compliance audit has been undertaken to assess the compliance of the ongoing implementation of the resettlement plans with the SPS and to recommend corrective actions to bring it into compliance prior to ADB financing of civil works.

39. The resettlement policy framework adopted by JICA and the government is consistent with the SPS and a revised framework is therefore not required. However, the social compliance audit revealed gaps in the ongoing implementation of the resettlement plans and subsequently a corrective actions plan has been prepared to address non-compliance. Some of the corrective actions required include, among others: (i) ensuring inclusive and ongoing consultation during project implementation; (ii) adjustments on the compensation rates applied to ensure additional assistance is provided to vulnerable groups and application of differentiated

value for productive and non-productive lands and income loss depending on the size of business, among others; (iii) incorporation of livelihood restoration support to affected persons' entitlements; and (iv) establishment of a GRM prior to commencement of civil works. The key information on social compliance audit report particularly the corrective action plan will be disclosed to ADB website and to affected persons and other relevant stakeholders.

40. The project will not possess the site and start construction in both Dili-Manatuto and Manatuto-Baucau components until the corrective actions, where applicable, have been complied with. A Corrective Actions Completion Report will be submitted to ADB to confirm that required actions have been satisfactorily completed. A bi-annual social safeguards report will also be submitted to ADB during project implementation. Any unanticipated involuntary resettlement impacts during implementation will require social impact assessment and update the resettlement plan to cover all applicable requirements.

41. The Ministry of Public Works and PMU will provide the required budget and will be responsible for the implementation and monitoring of the project's overall safeguards activities including the implementation of corrective actions and continuous consultation among the affected persons. The Environmental and Safeguards Unit (ESU) of the PMU is staffed by an international and a national resettlement specialist. There is also a post for a social and gender specialist which is currently unfilled, and plans to recruit two more safeguards staff to assist the unit. The capacity building of the PMU's safeguard staff will be ongoing through additional resources provided through the project. Additional social safeguards consultants are also available to the project through the SC teams.

VIII. GENDER AND SOCIAL DIMENSIONS

42. The project is classified as some gender elements. The consultation and participation plan will ensure that women are consulted. There will be representation of women and men in community consultations, decision-making committees, and in awareness and prevention training to mitigate the spread of STIs during construction. The project will also encourage women's participation in labor and maintenance, provide equal work to men and women and ensure income restoration measures to those who are losing assets or access to land especially the women-headed households and other vulnerable groups. The risks of spread of STIs will be mitigated by employing as many local people on construction sites as possible, and the civil works contractor's providing awareness and prevention programs by engaging local service provider or non-government organization working with the government health facilities staff. Awareness activities on road safety and other transport-related issues will be undertaken to roadside communities particularly to women and children as part of the project outputs. The PMU of the MPWTC will be responsible for the overall implementation of the Consultation and Participation Plan and social safeguards and related activities of the project.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

43. The text in this section will be revised to reflect the project's specific monitoring, evaluation, reporting, and communications arrangements.}

A. Project Design and Monitoring Framework

Impact the Project is Aligned with			
Increased and more efficient movement of people and goods (ADB Country Partnership Strategy: Timor-Leste, 2016–2020; ^a Timor-Leste Strategic Development Plan, 2011–2030 ^b)			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome More reliable and safer road network	a. By the end of 2019, travel time on the road between Dili and Baucau decreases by 30% (2016 baseline: 3 hours) b. Rate of road accidents on project roads does not increase (crashes resulting in serious injury or loss of life per year)	a–b. Project completion report prepared by MPWTC b. National accident statistics produced by the Timor-Leste National Police Force	a–b. Lack of post-construction maintenance leads to asset deterioration Private sector contractor capacity for performance-based maintenance is weak b. Delivery of a national road safety action plan is not effective
Outputs 1. 105 km of national road between Dili and Baucau upgraded and climate-proofed 2. Performance-based road maintenance expanded 3. Awareness of road safety and transport-related social issues generated	1a. By the end of 2019, the average roughness of the 105 km section of national road between Dili and Baucau decreases to less than 4 m/km baseline: average of 8 m/km (2016) 2a. By the end of 2019, performance-based maintenance for the upgraded 105 km section of national road executed (2015 baseline: not applicable) 3a. By the end of 2019, at least 80% of children and 80% of women in project roadside communities receive road safety	1a. Annual road condition surveys by DRBFC; project monitoring reports from MPWTC 2a. Annual road condition surveys by DRBFC; DRBFC road maintenance program annual reports 3a. Records of road safety education delivered to schools maintained by the Ministry of Education	Land acquisition delays the start of civil works Difficult physical environment resulting from high rainfall and unstable terrain MPWTC in-house capacity for technical guidance and supervision is weak

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>awareness education. (baseline: not applicable)</p> <p>3b. Rate of increase of fatal injury due to road crash on the project road is less than the rate of growth in the national vehicle fleet</p>	<p>3b. Records of crash fatalities maintained by the Road Safety Directorate, Ministry of the Interior, Timor-Leste National Police Force, and Ministry of Health</p>	
<p>Key Activities with Milestones</p> <p>1. 105 km of national road between Dili and Baucau upgraded and climate-proofed</p> <p>1.1 Civil works contracts for the upgrading of the road sections (Dili to Manatuto and Manatuto to Baucau) commence by September 2016 and are completed by August 2019.</p> <p>2. Performance-based road maintenance expanded</p> <p>2.1 Maintenance is undertaken by day works during the defects notification period from September 2019 to August 2020.</p> <p>2.2 Performance-based maintenance is undertaken by the original contractors from September 2020 to August 2022.</p> <p>3. Awareness of road safety and transport-related social issues generated</p> <p>3.1 Awareness and education campaigns are conducted in roadside communities and schools from October 2016 to September 2020.</p> <p>Project Management Activities</p> <p>Maintain or strengthen project management unit capacity for management of overall development partner-financed national road upgrading program.</p> <p>Implement resettlement plan prior to commencement of works.</p> <p>Monitor implementation of environmental management plan.</p> <p>Manage performance of supervision consultant and contractors.</p>			
<p>Inputs</p> <p>ADB: \$49.65 million (ADF loan)</p> <p>Government: \$27.19 million</p> <p>JICA: \$49.74 million (loan)</p>			
<p>Assumptions for Partner Financing</p> <p>Outputs not administered by ADB that are necessary to reach the outcome include:</p> <p>Output (JICA): Upgrading and climate-proofing of 49 km of national road between Dili and Manatuto (included in aggregate project output).</p>			

ADB = Asian Development Bank; ADF = Asian Development Fund; DRBFC = Directorate of Roads, Bridges, and Flood Control; JICA = Japan International Cooperation Agency; km = kilometer; m = meter; MPWTC = Ministry of Public Works, Transport and Communications.

^a ADB. 2016. *Country Partnership Strategy: Timor-Leste, 2016–2020*. Manila.

^b Government of Timor-Leste. 2011. *Timor-Leste Strategic Development Plan, 2011–2030*. Dili.

Source: Asian Development Bank.

B. Monitoring

44. **Project Performance Monitoring.** Project performance will be monitored using the targets, indicators, assumptions, and risks in the DMF. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported quarterly through the implementing agency's quarterly progress reports and after each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance reporting system.

45. **Compliance Monitoring.** Compliance monitoring will be provided through regular quarterly progress reports and during regular ADB review missions.

46. **Safeguards Monitoring.** The PMU with support from the SC, will monitor safeguards as per the plans sets out in the resettlement plan and the environmental assessment. This includes monitoring the civil works contractor and check compliance with the approved site-specific environmental management report and any other contract requirements on a regular basis. The quarterly progress report (QPR) will cover a summary of the contractor's monthly reports, details of monitoring data collected, and analysis of monitoring results, recommended mitigation measures, any environmental training conducted, and environmental non-compliance and corrective actions taken. The PMU will include safeguards activities (including training) in the QPR and based on the QPR prepare semi-annual safeguards monitoring reports and submit to the MPWTC and ADB.

47. For social safeguards, monitoring will include reporting on progress of activities in the implementation schedule with particular focus on public consultations, updating the RP if necessary, timeliness of payment of compensation, relocation if any, and level of satisfaction among the affected households. As noted above, the PMU will include safeguards activities in the QPR and prepare and submit semi-annual safeguard monitoring reports to MPWTC and ADB.

48. The checklists in Annex 1 can be used as a guide for safeguards monitoring. The tables in Annex 1 set out the suggested contents for the semi-annual safeguards monitoring report.

49. **Gender and Social Dimensions Monitoring.** The PMU of the MPWTC will monitor all activities associated with gender and social dimensions such as implementation of road safety activities and implementation of awareness programs to prevent HIV/AIDS and sexually transmitted infections and ensuring women's participation in these activities. Reporting will be included in the project quarterly project progress report.

C. Evaluation

50. ADB will review the Project every 6 months. Each review will cover institutional, administrative, organizational, technical, environmental, social, poverty reduction, resettlement, economic, financial, and other aspects affecting the performance of the Project and its continuing viability. The Government and ADB will jointly undertake a midterm review of the Project within about 2 years of its start. The midterm review will focus on (i) project impact, (ii) implementation progress, (iii) the performance of consultants and contractors, (v) the status of compliance with covenants in the grant agreement, and (vi) the need for any midcourse changes in project scope or schedule to ensure full achievement of the intended impact. Within 6 months of physical

completion of the Project the implementing agency will submit a project completion report to ADB.⁹

D. Reporting

51. The implementing agency 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 APFSs, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

52. The PMU of the MPWTC will provide all necessary information to various key stakeholders in a timely and easily understandable manner during implementation. A Consultation and Communication Plan (CPP) has been prepared with the following outputs: (i) provide a basis to inform stakeholders about the project, its activities, how they will benefit from project, potential impacts and other relevant information; (ii) provide a mechanism to allow stakeholders' feedback with regard to social and environmental impacts, mitigation measures, and other issues relating to project implementation at the road construction sites; and (iii) provide a means for checking and verifying environmental and socio-economic information from local stakeholders, to support the up-dating and implementation of environmental and social safeguards documents and other plans and strategies thereby facilitating project implementation and ensuring accuracy and transparency in all project activities. The CPP is in Table 1.¹⁰ It describes the key stakeholders who will be involved in continuous consultation during implementation using appropriate participatory methods as per the level of involvement required for each stakeholder. The CPP will be checked, verified and fully up-dated by the PMU during implementation. The safeguard consultants and officials working the PMU of the MPWTC will undertake the updating and comprehensive checks to determine whether all stakeholders have been included in the plan, and to confirm costings and timelines for implementation.

Table 1: Consultation and Communication Plan

Stakeholder Group	Objective of Intervention; why included	Approach to Participation Plan	Participation Methods		Timeline / Scheduling
			Method	Who is Responsible	
Government officials at national level	Representatives of EA responsible for implementation; Ministries necessary for government financing and consent processes; DLPCS to facilitate land acquisition for road	Partnership (high)	<ul style="list-style-type: none"> Meetings and policy discussions to assist in selection and clearance of sites Submission of written IEE and land application documents to relevant ministries 	<ul style="list-style-type: none"> PMU DOE MPWTC DLPCS / MOJ CAFI / MOF 	Months 1-3

⁹ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

¹⁰ The Consultation and Communication Plan full document is available as supplementary appendix.

Stakeholder Group	Objective of Intervention; why included	Approach to Participation Plan	Participation Methods		Timeline / Scheduling
			Method	Who is Responsible	
			<ul style="list-style-type: none"> • Land agreements • Monitoring reports: submission of regular progress reports 		
Municipality government officials at Dili, Manatuto and Baucau	Local decision makers with responsibility for representing municipality interests	Collaboration (high)	<ul style="list-style-type: none"> • Enter into formal MOA with PMU to support project activities • Assistance with process of land acquisition and ROW/easements for road corridor • Two-way information sharing/dialogue mechanism – for consultation on a regular basis 	<ul style="list-style-type: none"> • PMU • Municipality Administrator • Municipality Planner • Municipality Lands Officer (of the three municipalities) 	Months 2 -3 Months 3- then ongoing
Suco and aldeia leaders in three municipalities	Represent local interests at road construction sites; need their cooperation for AP identification, census and IOL	Information sharing; (high) Collaboration (medium)	<ul style="list-style-type: none"> • Involvement in community based field work assessments • Organise and hold community consultations and public interaction • Dialogue with affected persons • Participation in the GRM 	<ul style="list-style-type: none"> • Xefe de suco and xefe de aldeia • Other community and clan leaders • Women's representatives 	Months 2-6 then ongoing
Project Steering Committee: CAFI	Oversight body	Partnership (high)	<ul style="list-style-type: none"> • Meetings – as required 	Members: Minister of Planning & Economic Development (Chair: Xanana Gusmao); Minister of Finance & Minister of Public Works	Throughout the project (over 33 months)
MPWTC / PMU	Responsible for managing all aspects of the project	Partnership Collaboration and Consultation (high)	<ul style="list-style-type: none"> • Collaboration with PISC in implementing the project • Consultations with local communities and APs • Partnership with government ministries, regarding land acquisition • Meetings with 	<ul style="list-style-type: none"> • Resettlement specialists • Social and Gender specialist • Environmental specialist • Project Manager 	Throughout the project (over 33 months)

Stakeholder Group	Objective of Intervention; why included	Approach to Participation Plan	Participation Methods		Timeline / Scheduling
			Method	Who is Responsible	
			local authorities <ul style="list-style-type: none"> • Poverty and social survey • Collaboration with NGOs, especially for training and awareness raising • Progress reports to EA, JICA, and ADB 		
PISC– Nippon Koie)	Responsible for support to the PMU and field activities	Partnership and Collaboration (high)	<ul style="list-style-type: none"> • Collaboration with PMU in implementing the project • Initial meetings with communities • Consultations with APs • Focus group discussions • Census questionnaire • Survey for inventory of loss • Meetings with local authorities • Reporting to PMU/MPWTC 	Team Leader and Resettlement consultants	Months 1 – 33 – throughout the project duration
Contractor(s) and employees from project areas	Responsible for construction of road and for EMP and social safeguards	Partnership (high)	<ul style="list-style-type: none"> • Contract • Regular meetings with DRBFC/PMU • Skills training courses for staff • Progress reports to IA 	Manager of contracting company; Project Manager; community relations staff; safeguards specialists	Months 6 - 33
NGOs, women's groups and other CSOs	Representatives of civil society; some expertise in reproductive health and community development training	Consultation and collaboration (medium)	<ul style="list-style-type: none"> • NGOs contracted to supply community/staff training in health and/or safety issues • May help undertake participatory assessments 	<ul style="list-style-type: none"> • Kate Wilson – gender consultant • Family Health International • Health Alliance International • Cruz Vermelha Timor-Leste • Fundassuan Timor Hari • Other local organisations 	Months 1-12
Land users and affected persons	Beneficiaries of project	Information gathering and sharing; consultation (high)	<ul style="list-style-type: none"> • Public consultation meetings • Focus group discussions • Information 	<ul style="list-style-type: none"> • PMU • Safeguards specialists • Municipality and suco officials 	Months 1 - 33

Stakeholder Group	Objective of Intervention; why included	Approach to Participation Plan	Participation Methods		Timeline / Scheduling
			Method	Who is Responsible	
			brochure <ul style="list-style-type: none"> • Notices • Participatory surveys / assessments • Training events (Gender/ HIV and AIDS / safety) to separate groups of men and women where appropriate • Awareness programmes 		
ADB and JICA	Funders	Partnership (high)	<ul style="list-style-type: none"> • Advisory support • Due diligence reports • Project preparation reports • Fact Finding Mission • Monitoring reports • Completion reports 	<ul style="list-style-type: none"> • PPTA team • ADB Principal Infrastructure Specialist • ADB Project Manager • ADB Safeguards Specialist 	Months 1 - 33

ADB = Asian Development Bank, AP = affected person, CAFI = Council for Administration of the Infrastructure Fund, CSO = civil society organization, DRBFC = Directorate of Roads, Bridges and Flood Control, DLPCS = Department of Lands, Property and Cadastral Survey in Ministry of Justice, DOE = National Directorate of Environment in Ministry of Commerce, Industry and Environment, EA = executing agency, EMP = environmental management plan, IEE = initial environmental examination, JICA = Japan International Cooperation Agency, MOF = Ministry of Finance, MOA = memorandum of agreement, MOJ = Ministry of Justice, MPWTC = Ministry of Public Works, Transport and Communications, NGO = nongovernment organization, PISC = project implementation supervision consultant, PMU = project management unit, PPTA = project preparatory technical assistance
 Source: Asian Development Bank.

X. ANTICORRUPTION POLICY

53. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹¹ 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.¹²

54. To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the Project.

¹¹ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹² ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

XI. ACCOUNTABILITY MECHANISM

55. 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.¹³

¹³ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

XII. RECORD OF PAM CHANGES

56. All revisions/updates during course of implementation should retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.}

Annex 1 - SAFEGUARDS MONITORING CHECKLISTS

Checklist for Safeguard Supervision/Monitoring (Environment)

PARD Safeguards Implementation Checklist: Environment

Date:					
PROJECT INFORMATION					
Loan/Grant No.:		Project Name:			
Approval Date:		Closing Date:		Cumulative Progress (%):	
Project Team Leader(s):				Implementing Agency:	
1) Categorization					
(Original)		A	<input type="checkbox"/>	B	<input type="checkbox"/>
(additional financing, if any)		A	<input type="checkbox"/>	B	<input type="checkbox"/>
		C	<input type="checkbox"/>	FI	<input type="checkbox"/>
		A	<input type="checkbox"/>	B	<input type="checkbox"/>
		C	<input type="checkbox"/>	FI	<input type="checkbox"/>
<i>(Please complete the following sections if the project has been categorized as A, B or FI)</i>					
2) Planning					
Documents:		EARF	<input type="checkbox"/>	IEE/EIA	<input type="checkbox"/>
IEE/EIA Disclosed and Posted on ADB Website:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
EMP Finalized or Updated after Detailed Design:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
CEMP submitted, reviewed and approved:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
(Attach a list of subprojects and status if necessary.)					
3) Institutional Setup					
PIU/PMU Environment Staff Assigned:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If yes, Name:					
Since:			/		
		(month)	(year)		
Environmental Specialist/Consultant Mobilized:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If yes, National Specialist's Name:					
Since:			/		
		(month)	(year)		
If yes, International Specialist's Name:					
Since:			/		
Participation of Gov. Environment Agency/Division:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If yes, Name:					
Since:			/		
		(month)	(year)		
Grievance Redress Mechanism Established:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If no, why?					
Allocation of Government Budget:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If yes, amount\$:					
4) Monitoring and Reports					
Internal Monitoring System Established:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Compliance monitoring incorp. into Q Progress Reports:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
External Monitor Engaged (if needed):		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If yes, Name:					
Since:			/		
		(month)	(year)		
Monitoring Report Submitted to ADB:		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If Yes, provide information below					
	Baseline Report	Report 1	Report 2	Report 3	Report 4
Submission Date (m/yr)					
ADB Review Date (m/yr)					
Web-posting Date (m/yr)					
Name of ADB Reviewer					
5) Field Review with Participation of Safeguard Specialist/Officer/Staff Consultant					
		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
		If no, actions?			
		If Yes, provide information below			
Mission Date (m/yr)					
Type of mission:					
Participants (safeguard specialist/officer/staff consultants)					

6) Compliance with Loan Covenants			
List of key covenants in loan and project agreement			
Item #	Covenant	Compliance rating*	Describe status of compliance
*Note: Yes ; No; Not yet due			
Overall safeguard rating (e-Operation):			
S = Satisfactory; PS = Partly Satisfactory; US = Unsatisfactory			
7) Status of Implementation of EMP Activities (Please provide a cross reference if it is already covered under Section 6 above)			
	Items	Yes/No	Describe Implementation Status
8) Major Issues or Complaints (Cumulative)			
	Item	Description	
1	Issue		
	Proposed Action(s)		
	Follow-up Issues/Actions		
	Final Resolution of Issue		
2	Issue		
	Proposed Action(s)		
	Follow-up Issues/Actions		
	Final Resolution of Issue		
*Add rows as needed.			
Prepared by:		Confirmed by:	Confirmed by:
Date:		Team Leader:	Safeguard Specialist/Officer:
		Date:	Date:
To: Sector Director/Country Director			
cc: Project Team Leader; PARD Safeguard Specialist			
IEE = initial environmental examination; EIA = environmental impact assessment; EMP = environmental management plan; FI = financial intermediary; MTR = mid-term review; PCR = project completion review; PIU/PMU = project implementation/management unit; TL = team leader; EARF = environmental assessment and review framework; SS = safeguard specialist			

Suggested Outline of Monitoring Report – Environment

Heading/Section	Contents
Introduction	Brief background on the project and subproject; Institutional arrangements for project management and environmental management;
Monitoring Activities	Who participated in the monitoring; Methodology for monitoring (whether checklists prepared etc); When the monitoring was undertaken and what period it covers; Summary of other monitoring undertaken in the period (i.e. form contractor's monthly reports and if any survey/sample monitoring undertaken); Main activities – observations/inspections, consultations, interviews with contractor staff etc
Works in Progress	Details of the works being undertaken, (with photographs); Include whether any environmental training/awareness has been provided to contractor staff in the period (what, by whom etc)
Monitoring Results and Actions Required	Whether works and measures comply with the approved EMP/CEMP; Should follow sequence of items identified in EMP/CEMP and verify that all mitigations measures noted are being implemented; Corrective actions cited (date to be resolved and person responsible on contractor team and verification by IA/HRMG)
Summary and Conclusions	Summary of main findings; Main issues identified and corrective actions noted; Can include summary table which can be updated each period to track completion of actions required
Attachments	Monitoring checklist (based on items identified in the EMP/CEMP) refer annex 1 Additional photographs Additional information as required

CEMP = construction environmental management plan, EMP = environmental management plan, IA = implementing agency.

Source: Asian Development Bank.

Checklist for Safeguard Supervision/Monitoring (Resettlement)

Checklist for Safeguard Supervision: Involuntary Resettlement

PROJECT INFORMATION								
Loan/Grant No.:		Project Name:						
Approval Date:		Closing Date:		Cumulative Progress (%):				
Project Team Leader(s):								
1) Resettlement Categorization								
(Original)	A	<input type="checkbox"/>	B	<input type="checkbox"/>	C	<input type="checkbox"/>	FI	<input type="checkbox"/>
(additional financing, if any)	A	<input type="checkbox"/>	B	<input type="checkbox"/>	C	<input type="checkbox"/>	FI	<input type="checkbox"/>
<i>(Please complete the following sections if the project has been categorized as A, B or FI involving land acquisition/resettlement issues)</i>								
2) Resettlement Planning								
Resettlement Planning Documents:	RF	<input type="checkbox"/>	RP	<input type="checkbox"/>	Number of RPs _____	ESMS	<input type="checkbox"/>	
RP Finalized or Updated after Detailed Design: (Attach a list of subprojects and status if necessary.)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
Final/Updated RP Cleared by ADB and Posted on ADB Website	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
Compensation Rate Approved by the Govt:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
3) Institutional Setup for Resettlement								
PIU/PMU Resettlement Staff Assigned:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
	If yes, Name: _____			Since:	____ / ____	(month) (year)		
Resettlement Specialist Consultant Mobilized:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
	If yes, Name: _____			Since:	____ / ____	(month) (year)		
Grievance Redress Mechanism Established:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, why?			
Allocation of Government Budget:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
	If yes, amount\$: _____							
4) Resettlement Monitoring and Reports								
Internal Monitoring System Established:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
External Monitor Engaged (if needed):	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
	If yes, Name: _____			Since:	____ / ____	(month) (year)		
Monitoring Report Submitted to ADB:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	If no, actions?			
	If Yes, provide information below							
	Baseline Report	Report 1	Report 2	Report 3	Report 4			
Submission Date (m/yr)								
ADB Review Date (m/yr)								
Web-posting Date (m/yr)								

5) Compliance with Loan Covenants			
List of key covenants in loan and project agreement			
Item #	Covenant	Compliance rating*	Describe status of compliance
*Note: Yes ; No; Not yet due			
6) Status of Implementation of Resettlement Activities (Please provide a cross reference if it is already covered under Section 5 above)			
	Items	Yes/No	Describe Implementation Status
1	Satisfactory Consultation: clear responsibility; identification of stakeholders; consultations		
2	Information of APs: database/inventory		
3	Land Acquisition: Notification, survey, approvals		
4	Payment of compensation and allowances		
5	Relocation of affected assets and structures		
6	Rehabilitation income generation, employment		
7		
7) Major Resettlement Issues or Complaints (Cumulative)			
	Item	Description	
1	Issue		
	Proposed Action(s)		
	Follow-up Issues/Actions		
	Final Resolution of Issue		
2	Issue		
	Proposed Action(s)		
	Follow-up Issues/Actions		
	Final Resolution of Issue		
ESMS = environmental and social management system; FI = financial intermediary; MTR = mid-term review; PCR = project completion review; PAU = Project Administration Unit; PIU/PMU = project implementation/management unit; TL = team leader; RP = resettlement plan; RF = resettlement framework; SS = safeguard specialist			

Suggested Contents of Resettlement Monitoring Report

Heading/Section	Contents
Introduction	Brief background on the project/subproject and progress status The project's category and planning documents (original, updated or new plans) on resettlement impacts Institutional arrangements and budget allocation for resettlement/social management; Arrangement for the monitoring
Monitoring Activities	Methodology for monitoring (whether checklists prepared etc); What period the monitoring covers Main activities – site visits, consultations, survey etc
Monitoring Results and Actions Required	Progress and performance in implementation of RPs and other programs (how their were implemented, what are the outputs, etc) Results on consultations, disclosure and grievance redress (whether they have been effective, level of satisfaction of APs with various aspects of the RP, public awareness of the compensation policy and entitlements will be assessed among APs.) Whether the implementation comply with the approved RPs (e.g. whether compensation rates were at replacement cost, full payment made to all APs sufficiently before land acquisition; prompt attention to unforeseen damages or losses, to ensure APs are fully compensated for losses) Results on outcome (whether APs were able to restore livelihoods and productive activities) Compliance on monitoring and disclosure (whether reports have been submitted, posted on website) Whether any issues and corrective measures identified to achieve the RP objective. If yes, actions with target dates and responsible agency/person) Follow-up item/plan for next report
Summary and Conclusions	Summary of main findings; Main issues identified and corrective actions noted; A table on follow-up action which can be updated each period to track completion of actions required including progress of the follow-up of problems and issues identified in the previous report
Attachments	Monitoring checklist (based on items identified in the RPs) Photographs Additional information as required

AP = affected person, RP = resettlement plan.

Source: Asian Development Bank.