



Technical Assistance Report

Project Number: 51322-001
Transaction Technical Assistance Facility (F-TRTA)
October 2017

Strengthening Capacity to Design and Implement Water and Rural Infrastructure Facility

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
MTR	–	midterm review
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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TRANSACTION TECHNICAL ASSISTANCE FACILITY AT A GLANCE

1. Basic Data		Project Number: 51322-001	
Project Name	Strengthening Capacity to Design and Implement Water and Rural Infrastructure Facility	Department /Division	SARD/SAER
Nature of Activity	Project Preparation, Capacity Development	Executing Agency	Asian Development Bank
Modality	Facility		
Country	REG, BAN, BHU, NEP, SRI		
2. Sector		ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Agricultural production		0.04
	Irrigation		0.16
	Rural flood protection		0.10
	Rural market infrastructure		0.01
	Water-based natural resources management		0.06
Transport	Road transport (non-urban)		0.12
Water and other urban infrastructure and services	Urban sanitation		0.01
	Total		0.50
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	Some gender elements (SGE)	✓
	Institutional development		
	Institutional systems and political economy		
	Organizational development		
Knowledge solutions (KNS)	Knowledge sharing activities		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Regional	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG8		
6. Risk Categorization		Complex	
7. Safeguard Categorization			
Safeguard Policy Statement does not apply			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.50	
Transaction technical assistance: Technical Assistance Special Fund		0.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.50	

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. The proposed transaction technical assistance (TA) facility will provide project preparation support and capacity building, strengthen due diligence, and increase project readiness to a series of ensuing projects identified in the country operations business plans, 2018–2020, for Bangladesh, Bhutan, Nepal, and Sri Lanka. Initially, the TA will support (i) BAN: Ganges Kobadak Irrigation Modernization Project, (ii) BAN: Rural Infrastructure Maintenance Program, (iii) BAN: Market and Value Chain Infrastructure Development Project, (iv) BHU: Bhutan Integrated Irrigated Agriculture Development Project, (v) NEP: Mechanized Irrigation Innovation Project, (vi) NEP: Preparation of Priority River Basins Flood Risk Management Project, (vii) NEP: Bagmati River Basin Improvement Project–Additional Financing, (viii) NEP: Nepal Rural Connectivity Improvement Project, and (ix) SRI: Mahaweli Water Security Investment Program. These projects are all in the rural sector and require similar due diligences. The TA facility approach is suitable as it will (i) enhance project preparation efficiency and improve readiness for projects that have limited processing resources; (ii) reap important synergies from working with the same team of consultants, including reducing lengthy tendering processes and improving knowledge transference; and (iii) strengthen coordination. Overall, this TA will reduce transaction costs through minimizing the need for stand-alone transaction TAs.

2. The TA will also provide capacity building support to ongoing projects, initially supporting the BAN: Irrigation Management Improvement Project.¹ The ongoing projects are suffering from weak project implementation capacity and require similar technical specialist support to ensure project sustainability. The TA will only support projects that are listed in the country operations business plans.

3. South Asia is experiencing rapid overall economic growth; however, economic disparity between urban and rural areas remains. Overall incidence of poverty has been reducing in South Asia but the incidence of poverty in rural areas, although declining at a greater rate, remains above those in urban areas.² Contributing to this is the absence of well-planned rural infrastructure which undermines agricultural productivity and increases vulnerability to natural hazards and climate change. A key cause is the region's rural infrastructure stakeholders—comprising local, state, and central governments, private sector (consultants and contractors), and academic institutions—are constrained by weak capacities and poor coordination in the planning, design, and implementation of projects. Exposure to new innovations and good practices in the sector is limited, resulting in the continuation of “business as usual” approach. The result is persistently slow progress in meeting targets for rural development, poor design, poor construction supervision, poor performance and sustainability of the assets as well as limited consideration of external factors such as climate change.

4. Investment in rural areas is identified as an important underlying component of the inclusive growth strategy in the Asian Development Bank (ADB) midterm review (MTR) of Strategy 2020.³ ADB's investments in this area have generated jobs, raised rural incomes, and

¹ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Irrigation Management Improvement Project*. Manila.

² IFAD. 2016. *Rural Development Report 2016 Fostering Inclusive Rural Transformation*. Rome.

³ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific, 2008–2020*. Manila.

reduced poverty.⁴ The MTR emphasizes the need for strengthening the capacity of executing and implementing agencies for effective project implementation to achieve inclusive and sustainable development. This strengthening is also essential to support the MTR objectives in streamlining ADB business processes to strengthen development effectiveness and ensuring ADB delivers value for money.

5. South Asia's rural agriculture and natural resources portfolio performance needs to be improved with challenges throughout the project cycle leading to underperforming projects.⁵ Lack of project readiness to meet ADB requirements governing procurement, selection of consultants, safeguards including resettlement and land acquisition, and other thematic areas (governance and gender) has led to significant implementation delays. Furthermore, weak project implementation and management capacity of executing and implementing agencies has been a continuous challenge for improved portfolio performance. Specific issues have included (i) lack of government capacity to address complex project implementation challenges, particularly when a project needs restructuring; (ii) slow procurement of construction works; (iii) lack of attention to safeguards monitoring and reporting; (iv) poor contract management and construction supervision resulting in poor contractor and consultant performance and low quality works; and (iv) lack of knowledge sharing on best practices and innovations across sectors. Government unfamiliarity with ADB processes and poor communication with ADB project teams has also contributed to poor project performance.

6. Continuous support to enhance skills and competencies of executing and implementing agencies are needed to improve project preparation, implementation and overall portfolio performance. Sustainable development of ADB water and rural infrastructure projects requires stronger interaction between stakeholders coupled with dedicated government capacity building in the areas of project design and implementation. The TA would bridge capability gaps and enable the application of best practices to ADB-funded projects. Capacity building support will be provided through the provision of incremental individual consulting services to enhance project preparatory and project implementation capacity. The TA will be demand-driven to ensure ownership by and commitment from the executing and implementing agencies.

B. Outputs and Activities

7. **Output 1: Well-designed water and rural infrastructure project proposals and project readiness achieved.** Technical expertise will be provided to South Asia developing member countries (DMCs) to support preparation of selected investment projects for potential ADB financing. This will include necessary due diligences involving assessments of (i) technical suitability; (ii) economic, financial and social viability; (iii) capacity and institutional issues; and (iv) environmental and social safeguards, and identification of measures to strengthen project implementation capacity for water and rural investment projects. Assistance to meet project readiness conditions will also be provided including recruitment activities for project implementation consultants and providing technical inputs for loan processing. Detailed activities will include, when required, support for (i) feasibility studies required for the ensuing investment; (ii) economic analysis; (iii) financial management assessment, financial evaluation and financial analysis; (iv) gender analysis, collection of baseline data and gender action plans; (v) risk assessment and management plans; (vi) safeguards documents on environment, involuntary resettlement and indigenous peoples; (vii) climate adaptation measures; (viii) sector assessment;

⁴ ADB. 2010. *Evaluation Study: Sector Synthesis—Performance of ADB Assistance to Agriculture and Natural Resources: Evidence from Post-Completion Evaluations*. Manila.

⁵ ADB's Independent Evaluation Department has rated only three-quarters of the Agriculture and Natural Resources sector projects of ADB's South Asia Department between 2007 and 2016 as successful.

(ix) providing inputs on project preparation including loan processing documents; (x) project implementation consultant recruitment; (xi) civil works procurement; and (xii) initiating resettlement plan implementation.

8. Output 2: Project implementation and management capacity of executing agency improved. Technical expertise and capacity building will be provided to selected executing agencies in South Asia to enhance water and rural investment sustainability. Support will be provided through consultants, as needed, to ongoing or ensuing water and rural investments and programs within the core TA priority areas. The focus will be on enhancing procurement, construction and contract management, fiduciary requirements and safeguard processes, and monitoring capacity. The TA will utilize the same consultants across multiple projects to allow knowledge transfer of best practices. Support will also include provision of workshops and on-the-job-training to enhance DMC capacity.

C. Cost and Financing

9. The TA facility is estimated to cost \$500,000 which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-6). The key expenditure items are listed in Appendix 1. The TA scope is expected to be expanded to cover other additional activities, consistent with the TA's outputs and outcome, and be replenished from time to time as funds are required and identified.

10. The governments will provide counterpart support in the form of counterpart staff, office accommodation, training venues, office supplies, domestic transportation, and other in-kind contributions such as taxes and duties. Activities in each participating country will be financed after obtaining the no objection of the specific government. The governments were informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

11. The TA activities for preparing an ensuing project will start only after the relevant project concept paper is approved by ADB. ADB will administer the TA. The South Asia Department's Environment, Natural Resources, and Agriculture Division will be responsible for TA implementation, working closely with executing and implementing agencies in South Asia DMCs. The TA will be implemented over 30 months from January 2018 to June 2020. Disbursements under the TA will be in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

Table 1: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	January 2018–June 2020		
Executing agency	ADB		
Consultants	To be selected and engaged by ADB		
	ICS (international)	13.25 person-months	\$371,000
	ICS (national)	11.25 person-months	\$33,800
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	None		

ICS = individual consultant selection.

Source: Asian Development Bank.

12. **Consulting services.** The TA will provide 24.5 person months of consulting services (13.25 person-months, international and 11.25 person-months, national) in the field of rural infrastructure (water resources and irrigation), procurement, economics, financial management, environment, safeguards, social development and project coordination. The consultants will be recruited using individual consultant selection method based on the requirements of each project and deployed based on each project's needs. The consultants will be engaged by ADB in accordance with ADB Procurement Policy (2017, as amended from time to time) and the associated project administration instructions/TA Staff Instructions.⁶

E. Governance

13. Since ADB is the executing agency, the financial management, procurement and integrity risks during TA implementation are assessed to be low. However, thorough risk assessments for financial management, procurement, and integrity for ensuing investment projects implemented in any of the target countries will be conducted under the TA.

II. THE PRESIDENT'S DECISION

14. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis for the Strengthening Capacity to Design and Implement Water and Rural Infrastructure Facility and hereby reports this action to the Board.

Takehiko Nakao
President

⁶ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	371.0
ii. National consultants	33.8
b. Out-of-pocket expenditures	
i. International and local travel	64.7
ii. Reports and communications	1.0
iii. Miscellaneous administration and support costs	1.0
2. Surveys	2.0
3. Training, seminars, and conferences	1.5
4. Contingencies	25.0
Total	500.0

Note: The technical assistance is estimated to cost \$500,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation, training venues, office supplies, domestic transportation, and other in-kind contributions such as taxes and duties. The value of government contribution is estimated to account for 10% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-6).

Source: Asian Development Bank estimates.

PROJECTS UNDER TECHNICAL ASSISTANCE FACILITY
Table A2.1: Indicative Consultants' Input Allocation
(person-month)

Item	Total	Ensuing projects									Ongoing projects J
		A	B	C	D	E	F	G	H	I	
Indicative risk category		complex	complex	complex	complex	complex	low	complex	low	low	complex
A. International											
Water resources/irrigation expert	3.00	0.50	0.00	0.00	0.50	0.50	0.00	0.50	0.50	0.00	0.50
Agricultural specialist	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00
Procurement specialist	2.75	0.50	1.25	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.50
Economist	2.00	0.25	0.25	0.25	0.25	0.50	0.00	0.00	0.00	0.00	0.50
Financial Management	0.50	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PPP expert	1.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50
Safeguard specialist	3.00	0.50	1.00	0.00	0.50	0.50	0.50	0.00	0.00	0.00	0.00
Climate change specialist	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.00	0.00
Resource persons	0.25	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.00
Subtotal A.	13.25	2.25	3.00	0.25	1.25	2.25	0.50	1.00	0.75	0.00	2.00
B. National											
Water resources expert	1.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00
Agricultural specialist	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00
Social development	4.50	0.00	0.00	0.00	1.50	1.00	0.00	0.00	0.00	2.00	0.00
Procurement specialist	4.50	0.00	1.00	0.00	0.50	1.00	0.00	0.00	0.00	2.00	0.00
Project coordinator	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00
Resource persons	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.00
Subtotal B.	11.25	0.00	1.00	0.00	2.00	3.00	0.00	0.00	0.50	4.75	0.00
Total (A + B)	24.50	2.25	4.00	0.25	3.25	5.25	0.50	1.00	1.25	4.75	2.00

A = Ganges–Kobadak Irrigation Modernization Project (BAN), B = Bangladesh Rural Infrastructure Maintenance Program (BAN), C = Bangladesh Market And Value Chain Infrastructure Development Project (BAN), D = Nepal Mechanized Irrigation Innovation Project (NEP), E = Nepal Preparation Of Priority River Basins Flood Risk Management Project (NEP), F = Bagmati River Basin Improvement Project - Additional Financing (NEP), G = Mahaweli Water Security Investment Program–T3 (SRI), H = Integrated Irrigated Agriculture Development Project (BHU), I = Nepal Rural Connectivity Improvement Project (NEP), J = L3135 Irrigation Management Improvement Project (BAN), PPP = private-public partnership.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51322-001-TARreport>

1. Terms of Reference for Consultants